



MEMORANDUM

61484/SP/DOR/JH/dj

TO : C-TRAN Board of Directors

FROM : Scott Patterson, Director of Development & Public Affairs
Diane O'Regan, Director of Administrative Services

VIA : Jeff Hamm, Executive Director/CEO

DATE : November 4, 2011

SUBJECT : Tiffany Couch Response

On Thursday, November 3, 2011, a letter was emailed to the C-TRAN Board of Directors and apparently copied to multiple media outlets from Tiffany Couch regarding C-TRAN's financial situation.

Based on C-TRAN's initial review of Ms. Couch's correspondence, it becomes apparent that her analysis and conclusions are fatally flawed. First, she used an incomplete cash flow analysis to make the claim that C-TRAN bus service levels could remain whole for a period of over ten years. Note her assumptions:

- She used nine months of operating expense data for projecting 17 years of expenses. She was informed that the nine months of data did not include significant service expenses that have not yet been expended due to timing of the projects.
- Her analysis eliminates all capital improvements for 17 years. Her analysis shows cash restricted for capital projects that can never be implemented because the cash is never spent.
- Her analysis assumes no change in any revenue source than what C-TRAN has experienced in the last nine months. Federal funding is currently in jeopardy and interest income will decrease as cash balances are depleted.
- Her analysis assumes an average annual increase in expenses of less than one-half of one percent (0.44 percent). Essentially, this means no cost increases for fuel, equipment parts, or maintaining our vehicles, and no adjustment for cost of living increases (CPI) for 17 years.
- She ignores the Board of Director's Policy for 90 Days Cash on Hand. In fact, she whittles down the reserves to nothing to have No Cash on Hand. Essentially there would be no money to pay vendors or payroll.

A few additional points worth mentioning:

- She used an incorrect "total retail sales" number in the first year of her 2010-2030 sales tax revenue analysis which makes all subsequent years false as well.

- She states that she traced in the 2011 -2012 Biennial Budget more than \$11.3 million in potential High Capacity Transit activities. Actual HCT called out in the 2011-2012 Biennial Budget are \$1.3 million. (HCT election costs, state mandated Expert Review Panel, and C-TRAN local share for the Fourth Plain Transit Improvement project).
- C-TRAN received two emails from Ms. Couch on Sunday October 30 requesting information “...so that I can make an informed voting decision?” C-TRAN provided answers on November 1 and:
 - Informed her of the Board of Director’s Cash Reserves Policy, which she ignored in her subsequent analysis;
 - Informed her of her incorrect sales tax revenues assumptions and offered additional information of C-TRAN’s long term sales tax growth rates, which she did not use in her analysis; and
 - Informed her that debt service payments were included in the in the overall C-TRAN 2030 budget, which she ignored in her document. In fact, she stated that they were “not part of the budget”.
- Executive Director/CEO Jeff Hamm and Director of Administrative Services Diane O’Regan met with Ms. Couch on November 2 and:
 - At no time did she state she was preparing any document for public release.
 - She continued to misrepresent the reserve policy and sales tax base and growth rate. She was informed again that the debt service payments were included in the budget.
 - In addition, after sharing her preliminary analysis she was informed that by using such a small sample and without any level of detail, she would not produce an accurate result.

This is meant to provide you with a general overview of Ms. Couch’s flawed analysis. There are other more detailed problems that staff has found as well, but felt it important to provide you with our general conclusions at this point. We hope this helps to clarify the issues. Please let us know if you have any questions. Thank you.