

Subject: My Response to C-Tran's Memo dated 11.4.2011
Date: Friday, November 4, 2011 2:18:46 PM PT
From: Tiffany Couch
To: Tiffany Couch, 'Boldt, Marc', 'Mielke, Tom', 'Stuart, Steve'
CC: 'Leavitt, Tim', 'Stewart, Jeanne', 'Hansen, Bart', 'Smith, Larry', 'jirish@ci.lacenter.wa.us', 'bill.ganby@ci.battle-ground.wa.us', 'ldietzman@ci.cammas.wa.us'

Marc,

You asked that I respond to C-Tran's response to my white paper yesterday (see their response attached).

First, the purpose of my analysis was to take the revenue and costs of your regular bus service. I realize that the board has planned for significant expenditures for light rail and bus rapid transit. But you are informing the voters that regular bus service will be reduced and/or eliminated if Prop 1 doesn't pass and that C-Tran would run out of money in less than 2 years. I wanted to know if that was true. What I was told on Wednesday was that your board policy is that the light rail and bus rapid transit costs will go forward even if that means cutting current levels of bus service.

What I see is that you have at least 12 years of unrestricted cash available if you maintained only regular bus service (and did not expend funds for light rail and BRT).

Here are my responses to their bullet points:

- She used nine months of operating expense data for projecting 17 years of expense.
 - Not true.
 - If you look at my analysis on page 4, I do take C-Tran's actual 9 month cash position and extrapolate that into what the full year of "cash burn" might look like.
 - I then double that for 2012, which calculates to approximately 1.8 million dollars of cash burn next year
 - If you look at page 4 of my analysis and then Table 3 on page 5, you will see that C-Tran's actual cash burn for the last 5 years has approximated 1.9 Million dollars.
 - C-Tran's actual operating results for the last 5 years (6 years if you count 2011) support my analysis.
- Her analysis eliminates ALL capital improvements for 17 years.
 - Not True
 - Please look at page 6 of my report under "Proposed Capital Budget"
 - I simply eliminate High Capacity Transit related capital expenditures, not ALL expenditures
 - Please look at Table 4 called "Revised Capital Budget"
 - I list a capital expenditure item there representing capital costs NOT related to High Capacity Transit
 - Please look at Exhibit B
 - I leave a restriction for capital assets in the budget
 - **By using the ACTUAL CASH BURN RATE** for C-Tran, I'm analyzing the impact on cash as it relates to BOTH operating and capital expenditures. This is clearly seen on their statement of cash flows (which is what I used for the burn rate in the first bullet above). A summary of C-Tran's cash flow statement is on Page 5 of my report.
- Her analysis assumes no changes in revenue sources
 - I'm using C-Tran's own 2011-2012 budget that clearly shows significant (\$10M per year)

- grant funding
 - C-Tran’s 2030 plan also indicates the continuance of grant funding
- Her analysis assumes an average annual increase in expenses of less than one-half of one percent.....
 - True
 - I chose NOT to use C-Tran’s **highly aggressive** revenue growth rates as per their 2030 plan. (Which takes Sales Tax Revenue growth of 140.66% over the next 19 years). Had I done that, C-Tran would never run out of cash.
 - Instead, I give them deficit **cash burn** rates of a compounding 5% per year (again, on current bus service levels only)
- She ignores the 90 days cash on hand policy
 - Not True
 - Please see Table 4 on page 7 of my report. It’s listed as “Working Capital Reserve”
 - Please see Exhibit B. I leave their working capital intact. I clearly state that in 2021 (the year that I say they run out of **unrestricted** reserves] that they will have to dip into capital reserves.
- Used an incorrect “Total Retail Sales” number in the first year of the 2010-2030 revenue analysis
 - Not True
 - I use **2010 actual retail sales** as per C-Tran’s CAFR in my analysis
- 2011-2013 Budget does have 11.3M in HCT Activities:
 - I did find a slight error. I accidentally double counted the CRC Consulting costs in my analysis. I will revise that to be \$11.0M instead of \$11.3M

Capital Budget (Page 23 of 2011-2012 Budget):

Tri-Met Ticketing	2,700,000
BRT Analysis	426,125
20 year Planning	6,239,386
Total Per C-Tran's Capital Budget	9,365,511

C-Tran Operating Budget (Page 20 of 2011-2012 Budget)

CRC Consulting	200,000
Ballot Measures	960,000
HCT Study	500,000
Total Per C-Tran's Operating Budget	1,660,000

Total	\$	11,025,511
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- Cash Reserve Policy ignored
 - Again, I have addressed this above. I absolutely used C-Tran’s cash reserves policy
 - Sales Tax Revenue Assumptions
 - I used **actual** Clark County sales tax revenues and then used **C-Tran’s** revenue growth assumptions in my analysis.
 - Using ACTUAL sales tax revenue and their growth figures, you will not get to \$99M in sales tax revenue in 2030.
 - They indicated they would send me their own analysis but I did not receive that.
- Debt Service Payments are in overall budget
 - This was not sent to me.

- Page 73 of their 2030 plan looks like a budget to me....it spells out cash flows from revenue, cash expenditures for both capital and operating expenses. Why would it omit debt service payments?
- At no time did I state that I was preparing a public document
 - This is true.
 - I did not think I would. I feared that the public press would be so significant that I did not want to bring this onto myself.
 - However, the findings were so significant that I felt it was important to inform the voters.
- Misrepresented the reserve and sales tax base and growth rate.
 - Not true (see above)
 - How did I do this if I used actual numbers and C-Tran's own plan?
- I used too small a sample
 - The last 6 years operating results are not enough?
 - This represents the most accurate pictures of C-Tran's most current level of bus service to the Citizens of Clark County. If you would like me to extend that sample, I can. I would be happy to revise my numbers. Please let me know whether or not you'd like to review that analysis.

Marc,

Again thank you for the opportunity to respond to you. I would be happy to sit down with you and your fellow commissioners to discuss my findings.

All the best,
Tiffany

Tiffany R. Couch, CPA/CFF, CFE

Principal

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"Whenever you see a successful business, someone once made a courageous decision." - Peter Drucker