

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

BOARD OF DIRECTORS REGULAR MEETING AGENDA

November 22, 2002 (Fourth Friday of Each Month)

*WATSONVILLE CITY COUNCIL CHAMBERS

250 MAIN STREET

WATSONVILLE, CALIFORNIA

9:00 a.m. – 12:00 noon

SECTION I: OPEN SESSION - 9:00 a.m.

1. ROLL CALL
2. ORAL AND WRITTEN COMMUNICATION
3. LABOR ORGANIZATION COMMUNICATIONS
4. METRO USERS GROUP (MUG) COMMUNICATIONS
5. METRO ACCESSIBLE SERVICES TRANSIT FORUM (MASTF) COMMUNICATIONS
6. ADDITIONAL DOCUMENTATION TO SUPPORT EXISTING AGENDA ITEMS

CONSENT AGENDA

- 7-1. APPROVE REGULAR BOARD MEETING MINUTES OF OCTOBER 11 AND OCTOBER 25, 2002
Minutes: Attached
- 7-2. ACCEPT AND FILE PRELIMINARILY APPROVED CLAIMS
Report: Attached
- 7-3. ACCEPT AND FILE OCTOBER 2002 RIDERSHIP REPORT
Report: Attached
PAGE 1 to be included in the Add-On Packet
- 7-4. CONSIDERATION OF TORT CLAIMS: Deny the Claim of: Dorothy Spaventa, Claim #02-0031
Claim: Attached
- 7-5. ACCEPT AND FILE MINUTES OF MASTF COMMITTEE MEETING OF OCTOBER 17, 2002
Minutes: Attached

* Please note: Location of Meeting Place

- 7-6. ACCEPT AND FILE MINUTES OF MUG COMMITTEE MEETING OF OCTOBER 16, 2002
Minutes: Attached
- 7-7. ACCEPT AND FILE MONTHLY BUDGET STATUS REPORT FOR SEPTEMBER 2002, APPROVAL OF BUDGET TRANSFERS
Staff Report: Attached
- 7-8. ACCEPT AND FILE PARACRUZ STATUS REPORT FOR AUGUST 2002
Staff Report: Attached
- 7-9. ACCEPT AND FILE HIGHWAY 17 STATUS REPORT FOR SEPTEMBER 2002
Staff Report: Attached
- 7-10. ACCEPT AND FILE UNIVERSITY OF CALIFORNIA, SANTA CRUZ SERVICE UPDATE
Staff Report: Attached
- 7-11. ACCEPT AND FILE METROBASE STATUS REPORT
Staff Report: Attached
- 7-12. CONSIDERATION OF ADOPTION OF RESOLUTION OF INTENTION TO APPROVE AN AMENDMENT TO THE CALPERS CONTRACT TO PROVIDE SECTION 21023.5 (PUBLIC SERVICE CREDIT FOR PEACE CORPS OR AMERICORPS: VISTA SERVICE)
Staff Report: Attached
NOTE: ROLL CALL VOTE IS REQUIRED FOR RESOLUTION
- 7-13. **DELETED**
- 7-14. CONSIDERATION OF AMENDING CONTRACT FOR REVENUE AND NON-REVENUE TIRES
Staff Report: Attached
- 7-15. CONSIDERATION OF AWARD OF CONTRACT FOR FOUR EACH COMPRESSED NATURAL GAS (CNG) POWERED PASSENGER VANS
Staff Report: Attached
- 7-16. CONSIDERATION OF CHANGING MENU TO INCLUDE BREAKFAST FOR SUSHI NOW, A SANTA CRUZ METRO CENTER TENANT
Staff Report: Attached
- 7-17. CONSIDERATION OF ACCEPTANCE OF FINANCIAL STATEMENTS AND REPORTS OF INDEPENDENT AUDITOR FOR YEAR ENDING JUNE 30, 2002

(Moved to Consent Agenda at the November 8, 2002 Board Meeting. Staff report retained original numbering as Item #11)

- 7-18. CONSIDERATION OF AUTHORIZATION TO PURCHASE PARATRANSIT VANS USING STATE CONTRACT

(Moved to Consent Agenda at the November 8, 2002 Board Meeting. Staff report retained original numbering as Item #15)

REGULAR AGENDA

8. CONSIDERATION OF PRESENTATION OF EMPLOYEE LONGEVITY AWARDS
Presented by: Chairperson Ainsworth
Staff Report: Attached

9. **UPDATE FROM JOSH SHAW ON STATE LEGISLATIVE ISSUES**

10. **DELETED**

11. **MOVED TO CONSENT AGENDA AS ITEM #7-17**

12. **DELETED**

13. **DELETED**

14. **DELETED**

15. **MOVED TO CONSENT AGENDA AS ITEM #7-18**

16. **DELETED**

17. **CONSIDERATION OF APPROVAL OF 2003 FEDERAL LEGISLATIVE PROGRAM**

Presented by: Les White, General Manager
Staff Report: To be included in the Add-On Packet

18. **CONSIDERATION OF APPROVAL OF 2003 STATE LEGISLATIVE PROGRAM**

Presented by: Les White, General Manager
Staff Report: To be included in the Add-On Packet

19. **CONSIDERATION OF AWARD OF CONTRACT FOR LICENSED BROKER SERVICES FOR EXCESS WORKER'S COMPENSATION COVERAGE**

Presented by: Tom Stickel, Fleet Maintenance Manager
Staff Report: To be included in the Add-On Packet

20. **CONSIDERATION OF A RESOLUTION AUTHORIZING A GRANT APPLICATION THROUGH SANTA CRUZ COUNTY TO CALTRANS FOR BICYCLE TRANSPORTATION ACCOUNT FUNDS TO PURCHASE NEW BIKE RACKS FOR BUSES**
Presented by: Les White, General Manager
Staff Report: To be included in the Add-On Packet
21. **CONSIDERATION OF TALKING BUS SYSTEM STATUS**
Presented by: Bryant Baehr, Operations Manager
Staff Report: To be included in the Add-On Packet
22. **CONSIDERATION OF SUBMITTING A RESPONSE TO THE GRAND JURY REGARDING PROVIDING BUS SERVICE TO THE SANTA CRUZ COUNTY JUVENILE DETENTION CENTER ON GRAHAM HILL ROAD**
Presented by: Margaret Gallagher, District Council
Staff Report: To be included in the Add-On Packet
23. REVIEW OF ITEMS TO BE DISCUSSED IN CLOSED SESSION: District Counsel
24. ORAL AND WRITTEN COMMUNICATIONS REGARDING CLOSED SESSION

SECTION II: CLOSED SESSION

1. CONFERENCE WITH LEGAL COUNSEL – EXITING LITIGATION
(Pursuant to Subdivision (a) of Section 54956.9)
 - a. Name of Case: Jeff Long v. Santa Cruz Metropolitan Transit District
 - b. Name of Case: Nina Carlotta vs. Santa Cruz Metropolitan Transit District
 - c. Name of Case: Lane, et al vs. Santa Cruz Metropolitan Transit District

SECTION III: RECONVENE TO OPEN SESSION

25. REPORT OF CLOSED SESSION

ADJOURN

NOTICE TO PUBLIC

Members of the public may address the Board of Directors on a topic not on the agenda but within the jurisdiction of the Board of Directors or on the consent agenda by approaching the

Board during consideration of Agenda Item #2 "Oral and Written Communications", under Section I. Presentations will be limited in time in accordance with District Resolution 69-2-1.

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SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 18, 2002
TO: Board of Directors
FROM: General Manager
SUBJECT: ADDITIONAL MATERIAL TO THE NOVEMBER 22, 2002 BOARD MEETING AGENDA

SECTION I:

CONSENT AGENDA:

- ADD TO ITEM #7-3** ACCEPT AND FILE 2002 RIDERSHIP REPORT
(Insert Page 1)
- DELETE ITEM #7-13** CONSIDERATION OF CHANGE OF USE FROM CHILDREN'S CLOTHING STORE TO ELECTRONIC SUPPLY SHOP FOR WATSONVILLE TENANT FLOR BELLA
(Tenant did not renew lease)

REGULAR AGENDA:

- ADD TO ITEM #9** UPDATE FROM JOSH SHAW ON STATE LEGISLATIVE ISSUES
(Mr. Shaw will make an oral presentation)
- DELETE ITEM #10** CONSIDERATION OF WORKSHOP SESSION ON BUDGET ISSUES
(Presentation made at the 11/8/02 Board Meeting)
- DELETE ITEM #12** CONSIDERATION OF AMENDING THE DRUG AND ALCOHOL TESTING POLICY
(Unions requested additional time to review)
- DELETE ITEM #13** CONSIDERATION OF AMENDMENT AND REINSTATEMENT OF THE DISTRICT'S DEFERRED COMPENSATION PLAN AND TRUST, IN ORDER TO IDENTIFY A NEW TRUSTEE AND TO FACILITATE CHANGES IN THE LAWS FOR 457 PLANS
(Unions requested additional time to review)
- DELETE ITEM #14** CONSIDERATION OF AWARD OF CONTRACT FOR BUS ADVERTISING
(Action taken at the 11/8/02 Board Meeting)
- DELETE ITEM #16** CONSIDERATION OF AMENDING CONTRACT FOR COMPRESSED NATURAL GAS (CNG) FUEL STATION EQUIPMENT
(Action taken at the 11/8/02 Board Meeting)

- ADD TO ITEM #17** CONSIDERATION OF APPROVAL OF 2003 FEDERAL LEGISLATIVE PROGRAM
(Add Staff Report)
- ADD TO ITEM #18** CONSIDERATION OF APPROVAL OF 2003 STATE LEGISLATIVE PROGRAM
(Add Staff Report)
- ADD TO ITEM #19** CONSIDERATION OF AWARD OF CONTRACT FOR LICENSED BROKER SERVICES FOR EXCESS WORKER'S COMPENSATION COVERAGE
(Add Staff Report)
- ADD TO ITEM #20** CONSIDERATION OF A RESOLUTION AUTHORIZING A GRANT APPLICATION THROUGH SANTA CRUZ COUNTY TO CALTRANS FOR BICYCLE TRANSPORTATION ACCOUNT FUNDS TO PURCHASE NEW BIKE RACKS FOR BUSES
(Add Staff Report)
- ADD TO ITEM #21** CONSIDERATION OF TALKING BUS SYSTEM STATUS
(Add Staff Report)
- ADD TO ITEM #22** CONSIDERATION OF SUBMITTING A RESPONSE TO THE GRAND JURY REGARDING PROVIDING BUS SERVICE TO THE SANTA CRUZ COUNTY JUVENILE DETENTION CENTER ON GRAHAM HILL ROAD
(Add Staff Report)

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

BOARD OF DIRECTORS REGULAR MEETING AGENDA

November 8, 2002 (Second Friday of Each Month)

*SCMTD ENCINAL CONFERENCE ROOM

370 ENCINAL STREET, SUITE 100

SANTA CRUZ, CALIFORNIA

9:00 a.m. – 11:00 a.m.

SECTION I: OPEN SESSION - 9:00 a.m.

1. ROLL CALL
2. ORAL AND WRITTEN COMMUNICATION
3. LABOR ORGANIZATION COMMUNICATIONS
4. METRO USERS GROUP (MUG) COMMUNICATIONS
5. METRO ACCESSIBLE SERVICES TRANSIT FORUM (MASTF) COMMUNICATIONS
6. ADDITIONAL DOCUMENTATION TO SUPPORT EXISTING AGENDA ITEMS

CONSENT AGENDA

- 7-1. APPROVE REGULAR BOARD MEETING MINUTES OF OCTOBER 11 AND OCTOBER 25, 2002
Minutes: Attached
- 7-2. ACCEPT AND FILE PRELIMINARILY APPROVED CLAIMS
Report: Attached
- 7-3. ACCEPT AND FILE OCTOBER 2002 RIDERSHIP REPORT
Report: Attached
PAGE 1 OF THE RIDERSHIP REPORT WILL BE PRESENTED FOR CONSIDERATION AT THE NOVEMBER 22 BOARD MEETING
- 7-4. CONSIDERATION OF TORT CLAIMS: Deny the Claim of: Dorothy Spaventa, Claim #02-0031
Claim: Attached
- 7-5. ACCEPT AND FILE MINUTES OF MASTF COMMITTEE MEETING OF OCTOBER 17, 2002
Minutes: Attached

* Please note: Location of Meeting Place

- 7-6. ACCEPT AND FILE MINUTES OF MUG COMMITTEE MEETING OF OCTOBER 16, 2002
Minutes: Attached
- 7-7. ACCEPT AND FILE MONTHLY BUDGET STATUS REPORT FOR SEPTEMBER 2002, APPROVAL OF BUDGET TRANSFERS
Staff Report: Attached
- 7-8. ACCEPT AND FILE PARACRUZ STATUS REPORT FOR AUGUST 2002
Staff Report: Attached
- 7-9. ACCEPT AND FILE HIGHWAY 17 STATUS REPORT FOR SEPTEMBER 2002
Staff Report: Attached
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Staff Report: Attached
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Staff Report: Attached
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Staff Report: Attached
- 7-16. CONSIDERATION OF CHANGING MENU TO INCLUDE BREAKFAST FOR SUSHI NOW, A SANTA CRUZ METRO CENTER TENANT
Staff Report: Attached

REGULAR AGENDA

8. CONSIDERATION OF PRESENTATION OF EMPLOYEE LONGEVITY AWARDS
Presented by: Chairperson Ainsworth
Staff Report: Attached
**THIS PRESENTATION WILL TAKE PLACE AT THE NOVEMBER 22, 2002
BOARD MEETING**
9. ANNOUNCEMENT: NOTIFICATION OF MEETING LOCATION FOR NOVEMBER 22,
2002 – WATSONVILLE CITY COUNCIL CHAMBERS, 250 MAIN STREET,
WATSONVILLE
Presented by: Sheryl Ainsworth, Chairperson
Staff Report: None
10. CONSIDERATION OF WORKSHOP SESSION ON BUDGET ISSUES
 - a. Budget Workshop
Presented by: Elisabeth Ross, Finance Manager
Staff Report: Attached
 - b. Consideration of potential fare alternatives that might be used to increase
revenues
Presented by: Mark Dorfman, Assistant General Manager
Staff Report: Attached
A Power Point presentation will be made at this meeting
11. CONSIDERATION OF ACCEPTANCE OF FINANCIAL STATEMENTS AND
REPORTS OF INDEPENDENT AUDITOR FOR YEAR ENDING JUNE 30, 2002
Presented by: Elisabeth Ross, Finance Manager
Staff Report: Attached
12. CONSIDERATION OF AMENDING THE DRUG AND ALCOHOL TESTING POLICY
Presented by: Margaret Gallagher, District Counsel
Staff Report: Attached
**WILL BE PRESENTED FOR CONSIDERATION AT THE NOVEMBER 22, 2002
BOARD MEETING**
13. CONSIDERATION OF AMENDMENT AND REINSTATEMENT OF THE DISTRICT'S
DEFERRED COMPENSATION PLAN AND TRUST, IN ORDER TO IDENTIFY A NEW
TRUSTEE AND TO FACILITATE CHANGES IN THE LAWS FOR 457 PLANS
Presented by: Margaret Gallagher, District Counsel

Staff Report: Attached

14. CONSIDERATION OF AWARD OF CONTRACT FOR BUS ADVERTISING
Presented by: Mark Dorfman, Assistant General Manager
Staff Report: Attached
ACTION IS REQUIRED AT THE NOVEMBER 8, 2002 BOARD MEETING
15. CONSIDERATION OF AUTHORIZATION TO PURCHASE PARATRANSIT VANS USING STATE CONTRACT
Presented by: Mark Dorfman, Assistant General Manager
Staff Report: Attached
16. CONSIDERATION OF AMENDING CONTRACT FOR COMPRESSED NATURAL GAS (CNG) FUEL STATION EQUIPMENT
Presented by: Tom Stickel, Fleet Maintenance Manager
Staff Report: Attached
ACTION REQUIRED AT THE NOVEMBER 8, 2002 BOARD MEETING
17. CONSIDERATION OF APPROVAL OF 2003 FEDERAL LEGISLATIVE PROGRAM
Presented by: Les White, General Manager
Staff Report: Attached
WILL BE PRESENTED FOR CONSIDERATION AT THE NOVEMBER 22, 2002 BOARD MEETING
18. CONSIDERATION OF APPROVAL OF 2003 STATE LEGISLATIVE PROGRAM
Presented by: Les White, General Manager
Staff Report: Attached
WILL BE PRESENTED FOR CONSIDERATION AT THE NOVEMBER 22, 2002 BOARD MEETING – JOSH SHAW WILL BE IN ATTENDANCE AT THAT MEETING
19. CONSIDERATION OF AWARD OF CONTRACT FOR EXCESS WORKER'S COMPENSATION COVERAGE
Presented by: Tom Stickel, Fleet Maintenance Manager
Staff Report: Attached
WILL BE PRESENTED FOR CONSIDERATION AT THE NOVEMBER 22, 2002 BOARD MEETING
20. REVIEW OF ITEMS TO BE DISCUSSED IN CLOSED SESSION: District Counsel
21. ORAL AND WRITTEN COMMUNICATIONS REGARDING CLOSED SESSION

SECTION II: CLOSED SESSION

1. CONFERENCE WITH LABOR NEGOTIATOR
Pursuant to Government Code Section 54957.6
 - a. Agency Negotiator: Tom Stickel, Fleet Maintenance Manager
 1. Employee Organization: Service Employees International Union (SEIU), Local 415

SECTION III: RECONVENE TO OPEN SESSION

22. REPORT OF CLOSED SESSION

ADJOURN

NOTICE TO PUBLIC

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NOTICE

**REMINDER: The November 22, 2002 Board of Directors Meeting
will be held at the Watsonville City Council Chamber located at
250 Main Street, Watsonville**

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

Minutes- Board of Directors

October 11, 2002

A Regular Meeting of the Board of Directors of the Santa Cruz Metropolitan Transit District met on Friday, October 11, 2002 at the District's Administrative Office, 370 Encinal Street, Santa Cruz, CA.

Vice-Chairperson Reilly called the meeting to order at 9:07 a.m.

SECTION 1: OPEN SESSION

1. ROLL CALL:

DIRECTORS PRESENT

Sheryl Ainsworth
Jeff Almquist
Michelle Hinkle
Mike Keogh
Emily Reilly
Pat Spence
Marcela Tavantzis

DIRECTORS ABSENT

Jan Beautz (arrived after roll call)
Tim Fitzmaurice (arrived after roll call)
Dennis Norton
Ana Ventura Phares (arrived after roll call)
Ex-Officio Mike Rotkin (arrived after roll call)

STAFF PRESENT

Bryant Baehr, Operations Manager
Mark Dorfman, Asst. General Manager
Margaret Gallagher, District Counsel

Elisabeth Ross, Finance Manager
Robyn Slater, Interim H.R. Manager
Tom Stickel, Fleet Maint. Manager

EMPLOYEES AND MEMBERS OF THE PUBLIC WHO INDICATED THEY WERE PRESENT

Linda Clayton, SEA
Jake Hurley, SEIU
Manny Martinez, PSA
Bonnie Morr, UTU

Will Regan, VMU
Marian Taylor, League of Women Voters
Linda Wilshusen, SCCRTC

DIRECTOR PHARES ARRIVED.

2. ORAL AND WRITTEN COMMUNICATION

- a. Carl Del Grande, Principal, Loma Prieta High School RE: Free Bus Passes

Mark Dorfman explained that there will be a budget workshop scheduled for November 8th if the Board approves where this request could be rolled into that discussion.

- b. Fred Keeley, Speaker pro Tem of Assembly RE: SB 1802

3. LABOR ORGANIZATION COMMUNICATIONS

Bonnie Morr mentioned that the Call Stop Disciplinary Policy has a section that refers to call stops not being called. She requested clarification on the process if an operator only misses one call stop vs. several.

4. METRO USERS GROUP (MUG) COMMUNICATIONS

Nothing to report at this time.

5. METRO ACCESSIBLE SERVICES TRANSIT FORUM (MASTF) COMMUNICATIONS

Nothing to report at this time.

6. ADDITIONAL DOCUMENTATION TO SUPPORT EXISTING AGENDA ITEMS

Item #9 will be discussed after the Board breaks at 10:00 a.m. for the Santa Cruz Civic Improvement Corporation special meeting.

CONSENT AGENDA

7-1. APPROVE REGULAR BOARD MEETING MINUTES OF SEPTEMBER 13 AND SEPTEMBER 27, 2002

Director Spence asked to see a photo of a “framed” ad. Mark Dorfman responded that this would be brought to the Board with the proposals for advertising.

7-2. ACCEPT AND FILE PRELIMINARILY APPROVED CLAIMS

No questions or comments.

7-3. ACCEPT AND FILE SEPTEMBER 2002 RIDERSHIP REPORT PAGE 1 WILL BE PRESENTED FOR CONSIDERATION AT THE OCTOBER 25, 2002 BOARD MEETING

Bryant Baehr was asked to have the Lift Problems report sorted by bus number and date.

7-4. CONSIDERATION OF TORT CLAIMS: None
Claims: None

7-5. ACCEPT AND FILE MINUTES OF MASTF COMMITTEE MEETING OF SEPTEMBER 19, 2002

No questions or comments.

7-6. ACCEPT AND FILE MINUTES OF MUG COMMITTEE MEETING OF SEPTEMBER 18, 2002

No questions or comments.

7-7. ACCEPT AND FILE MONTHLY BUDGET STATUS REPORT FOR AUGUST 2002, APPROVAL OF BUDGET TRANSFERS

No questions or comments.

7-8. ACCEPT AND FILE PARACRUZ STATUS REPORT FOR JULY 2002

There was clarification of the “trip-by-trip” category. Mr. Dorfman added that to date there have been two appeals: one person didn’t show up for the interview; one decision stood. Bryant Baehr was asked to include information in the “Determinations” graph on the number of current registrants who are being cleared out of the database due to moving out of the area, etc. Mr. Baehr noted that registrants are dropped from Lift Line’s service if they do not respond to a 30-day notice that is sent to them.

DIRECTOR FITZMAURICE ARRIVED.

He further added that information is supplied during the appeals process to appellants who are denied recertification on what their alternatives to the paratransit service are (i.e. accessible services and information on options). Director Almquist asked how long the timeframe is to conduct the recertification process with 8,000 registrants. He was informed that the heaviest users who have the biggest impact on the paratransit system are being interviewed for recertification first. Of all the registrants in the database, only about 1/3 of them are using the system. Mr. Dorfman added that staff is attempting to have all registrants put through the recertification process in a two-year timeframe.

Director Spence asked for clarification for the registrant on terms mentioned in the notification letter, such as, trip-by-trip, environmental elements, etc. Mr. Dorfman stated that a fact sheet would be put together clarifying these terms and would be sent out with the notification. Bryant Baehr will also speak with Shannon of Orthopaedic Hospital about how in-depth the information is that she gives when speaking with applicants. Director Reilly asked to see a copy of the notification letter.

7-9. ACCEPT AND FILE HIGHWAY 17 STATUS REPORT FOR AUGUST 2002

Linda Wilshusen of the Regional Transportation Committee inquired about the Highway 17 ridership figures and asked if adjustments to the system due to ridership levels could be added to this report. Mark Dorfman noted that layoffs in Silicon Valley have affected ridership levels and resulted in a cost increase of approximately 13%. He mentioned that this would be reviewed in the budget workshop along with whether this service should be kept at the same level throughout the year or be modified during the summer months. This would need to be discussed with VTA who receives 50% of the revenue from this service.

DIRECTOR BEAUTZ ARRIVED.

7-10. ACCEPT AND FILE UNIVERSITY OF CALIFORNIA, SANTA CRUZ SERVICE UPDATE

No questions or comments.

7-11. ACCEPT AND FILE METROBASE STATUS REPORT

Director Spence stated that she has been in contact with the Commission of Disability who will make a statement of support for the MetroBase project. Director Spence also asked if the Commission could be invited to attend a Board meeting. Mr. Dorfman responded that a letter of support and their attendance at a Board meeting would be helpful and he suggested they attend the February 14th, 2003 Board meeting when the Board would be certifying the Final EIR.

REGULAR AGENDA

8. CONSIDERATION OF ADOPTION OF RESOLUTION AMENDING FY 02-03 BUDGET

Summary:

Elisabeth Ross reported that in the October budget revision, the budget had been adjusted for the recent employee retirements. She also noted that farebox revenues were down for July/August by 8% from one year ago as well as September revenues being down by 3% from last year.

Discussion:

Director Fitzmaurice asked if, with the aid of the new fareboxes, staff could determine which routes are experiencing lower ridership. Mr. Dorfman noted that this decrease in revenue is from cash-paying or monthly pass riders, whereby full and reduced fares are all reflecting a decrease. Director Fitzmaurice would like to find out the cause of the decrease in ridership and asked for graphics of the loss in revenues. Director Phares asked staff to look into incentives to increase ridership, specifically, contracts with school districts. Director Tavantzis suggested looking into transit-oriented housing which provides less parking, and encouraging inhabitants to ride the bus.

Director Reilly asked for a brief explanation to be given at the budget workshop in November on how sales tax projections are determined. Elisabeth Ross stated that each revenue source would be explained at that time. Mr. Dorfman explained that with being only two months into the current fiscal budget, staff is taking \$500,000 out of the current budget, some of which will impact service. There were also adjustments made to the TDA allocations from the Regional Transportation Commission. Interest income is also down, which along with revenue and sales tax shortfalls, reflects a decreased general fund. Ms. Ross added that operating expenses have been reduced by \$514,000, mostly from reductions in non-personnel costs. Department Heads were asked to cut 5% from their departmental budgets and Ms. Ross reviewed some of these changes. Board members commended staff's efforts to reduce costs without automatically

cutting into the service. Ms. Ross urged the Board to review the list carefully to ensure there are no objections to the proposed cuts.

Director Reilly asked for information at the budget workshop on how taking over the role of Design/Build for the Highway 1 widening would affect staff and the District's resources.

At the October 25th Board meeting, staff will ask the Board to adopt a resolution amending the budget, to authorize personnel changes, and to schedule a budget workshop for November 8th. Bonnie Morr discussed the revenue vehicle parts reduction and asked the Board to consider the age of some of the buses. She was informed that with the arrival of new buses, less parts for older buses would be necessary, and parts for the new buses would be covered under warranty. Director Fitzmaurice asked for a Fleet Maintenance report on the status of maintenance in approximately two months.

VICE CHAIRPERSON REILLY ADJOURNED THE MEETING AT 10:14 A.M. IN ORDER TO HOLD THE SPECIAL MEETING OF THE SANTA CRUZ CIVIC IMPROVEMENT COMMITTEE MEETING AND RECONVENED THE BOARD MEETING AT 10:16 A.M.

**9. CONSIDERATION OF APPROVAL OF REVISION TO BY-LAWS OF SANTA CRUZ CIVIC IMPROVEMENT CORPORATION TO CHANGE THE ANNUAL MEETING DATE TO THE FOURTH FRIDAY IN OCTOBER
ACTION IS REQUIRED AT THIS MEETING.**

Summary:

Elisabeth Ross reported that the necessary changes had been made to the SCCIC By-laws.

ACTION: MOTION: DIRECTOR BEAUTZ SECOND: DIRECTOR PHARES

Approve the revision to the By-laws of the Santa Cruz Civic Improvement Corporation to change the annual meeting date to the fourth Friday in October.

Motion passed with Director Norton being absent.

10. CONSIDERATION OF AWARD OF CONTRACT FOR EMPLOYEE ASSISTANCE PROGRAM

Summary:

Tom Stickel reported that staff recommends executing a contract to provide Employee Assistance Services as the current contract has expired. Five responses were received to a Request for Proposal. Staff recommends that a two-year contract be awarded to Claremont Behavioral Services who has experience with employees in public transit systems.

Discussion:

Bonnie Morr pointed out that it is part of the labor agreement that there is an Employee Assistance Program. She expressed concern that the unions were not a part of this process in

the beginning stages. This was acknowledged and in the future, the unions will be represented in the process from the beginning.

Robyn Slater stated that Alto continued to provide service to the District until the RFP process was completed. Ms. Slater explained the process that takes place when an employee makes his/her initial contact. Linda Clayton of SEA added that if it is an emergency situation and if the employee calls Claremont before 3:00 p.m., then the employee would meet with someone that day. If the call is made after 3:00 p.m., the employee would see someone the following morning.

ACTION: MOTION: DIRECTOR KEOGH SECOND: DIRECTOR TAVANTZIS

Move this item to the Consent Agenda for the October 25, 2002 Board meeting.

Motion passed unanimously with Director Norton being absent.

11. REVIEW OF ITEMS TO BE DISCUSSED IN CLOSED SESSION: District Counsel

Margaret Gallagher reported that the Board would be discussion Ramon Martinez in Closed Session.

12. ORAL AND WRITTEN COMMUNICATIONS REGARDING CLOSED SESSION

None

SECTION II: CLOSED SESSION

Vice-Chairperson Reilly adjourned to Closed Session at 10:30 a.m. and reconvened to Open Session at 10:39 a.m.

SECTION III: RECONVENE TO OPEN SESSION

13. REPORT OF CLOSED SESSION

There was nothing to report at this time.

ADJOURN

There being no further business, Vice-Chairperson Reilly adjourned the meeting at 10:40 a.m.

Respectfully submitted.

DALE CARR

Administrative Services Coordinator

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SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

Minutes- Board of Directors

October 25, 2002

A Regular Meeting of the Board of Directors of the Santa Cruz Metropolitan Transit District met on Friday, October 25, 2002, at the City Hall Council Chambers, 809 Center Street, Santa Cruz, California. .

Vice-Chairperson Reilly called the meeting to order at 9:04 a.m.

SECTION 1: OPEN SESSION

1. ROLL CALL:

DIRECTORS PRESENT

Jeff Almquist
Michelle Hinkle
Mike Keogh
Emily Reilly
Pat Spence
Marcela Tavantzis
Ex-Officio Mike Rotkin

DIRECTORS ABSENT

Sheryl Ainsworth
Jan Beautz (arrived after roll call)
Tim Fitzmaurice (arrived after roll call)
Dennis Norton
Ana Ventura Phares (arrived after roll call)

STAFF PRESENT

Bryant Baehr, Operations Manager
Mark Dorfman, Asst. General Manager
Elisabeth Ross, Finance Manager

Robyn Slater, Interim H.R. Manager
Tom Stickel, Fleet Maint. Manager
Leslie R. White, General Manager

EMPLOYEES AND MEMBERS OF THE PUBLIC WHO INDICATED THEY WERE PRESENT

Linda Clayton, SEA
Jake Hurley, SEIU
Manny Martinez, PSA
Bonnie Morr, UTU

Will Regan, VMU
Link Spooner, Lift Line
Linda Wilshusen, SCCRTC

2. ORAL AND WRITTEN COMMUNICATION

Written:

- a. Carl Del Grande, Principal, Loma Prieta High School RE: Free Bus Passes
- b. Fred Keeley, Speaker pro Tem of Assembly RE: SB 1802

Oral:

Bonnie Morr of UTU distributed information regarding Thanksgiving dinner at the local Veterans Hall. She stated the need for volunteers two days prior to Thanksgiving up until Thanksgiving Day.

DIRECTOR FITZMAURICE ARRIVED

3. LABOR ORGANIZATION COMMUNICATIONS

Jake Hurley, METRO'S new field representative with SEIU Local 415 introduced himself to the Board.

4. METRO USERS GROUP (MUG) COMMUNICATIONS

Nothing to report at this time.

5. METRO ACCESSIBLE SERVICES TRANSIT FORUM (MASTF) COMMUNICATIONS

With the absence of a MASTF representative at this meeting, Director Keogh made the following motion:

ACTION: MOTION: DIRECTOR KEOGH SECOND: DIRECTOR TAVANTZIS

Table Item 15 for a short period of time until the announcing system is up and running and until there is time to discuss this issue with the staff before going public.

Motion passed with Directors Ainsworth, Beautz, Norton and Phares being absent.

6. ADDITIONAL DOCUMENTATION TO SUPPORT EXISTING AGENDA ITEMS

SECTION I:

CONSENT AGENDA:

ADD TO ITEM #7-3

ACCEPT AND FILE 2002 RIDERSHIP REPORT
(Insert Page 1)

ADD TO ITEM #7-4

CONSIDERATION OF TORT CLAIMS: Deny the claim of: Steve Senko, Claims #02-0030
(Insert Claim)

ADD TO ITEM #7-13

ACCEPT AND FILE REPORT ON VIOLENCE AT BUS STOPS
(Insert Report)

ADD TO ITEM #7-14

ACCEPT AND FILE REPORT REGARDING THE AMERICAN PUBLIC TRANSPORTATION ASSOCIATION'S ANNUAL CONFERENCE
(Insert Report)

REGULAR AGENDA:

DELETE ITEM #9

CONSIDERATION OF APPROVAL OF REVISION TO BY-LAWS OF SANTA CRUZ CIVIC IMPROVEMENT CORPORATION TO CHANGE THE ANNUAL MEETING DATE TO THE FOURTH FRIDAY IN OCTOBER
(Action taken at the 10/11/02 Board Meeting)

- ADD TO ITEM #11** CONSIDERATION OF APPROVAL OF APPLICATION TO PARTICIPATE IN THE METRO USER GROUP (MUG) COMMITTEE
(Add Application)
- ADD TO ITEM #12** CONSIDERATION OF APPROVAL OF CONTRACT AMENDMENT TO ARCHITECTURAL AND ENGINEERING SERVICES CONTRACT WITH WATERLEAF ARCHITECTURE AND INTERIOR
(Add Staff Report)
- ADD TO ITEM #13** CONSIDERATION OF EXTENDING CONTRACT FOR WORKERS' COMPENSATION, THIRD PARTY CLAIMS ADMINISTRATION
(Add Staff Report)
- ADD TO ITEM #14** CONSIDERATION OF ALTERNATIVES TO COPE WITH OPERATOR STAFFING SHORTFALLS
(Add Staff Report)
- ADD TO ITEM #15** CONSIDERATION OF DISCIPLINARY PROGRAM WHEN STOPS ARE NOT ANNOUNCED
(Add Staff Report)

CONSENT AGENDA

- 7-1. APPROVE REGULAR BOARD MEETING MINUTES OF SEPTEMBER 13 AND SEPTEMBER 27, 2002
- 7-2. ACCEPT AND FILE PRELIMINARILY APPROVED CLAIMS
- 7-3. ACCEPT AND FILE SEPTEMBER 2002 RIDERSHIP REPORT
- 7-4. CONSIDERATION OF TORT CLAIMS: Deny the claim of: Steve Senko, Claim #02-0030
- 7-5. ACCEPT AND FILE MINUTES OF MASTF COMMITTEE MEETING OF SEPTEMBER 19, 2002
- 7-6. ACCEPT AND FILE MINUTES OF MUG COMMITTEE MEETING OF SEPTEMBER 18, 2002
- 7-7. ACCEPT AND FILE MONTHLY BUDGET STATUS REPORT FOR AUGUST 2002, APPROVAL OF BUDGET TRANSFERS
- 7-8. ACCEPT AND FILE PARACRUZ STATUS REPORT FOR JULY 2002
- 7-9. ACCEPT AND FILE HIGHWAY 17 STATUS REPORT FOR AUGUST 2002
- 7-10. ACCEPT AND FILE UNIVERSITY OF CALIFORNIA, SANTA CRUZ SERVICE UPDATE
- 7-11. ACCEPT AND FILE METROBASE STATUS REPORT
- 7-12. CONSIDERATION OF AWARD OF CONTRACT FOR EMPLOYEE ASSISTANCE PROGRAM
(Moved to Consent Agenda at the October 11, 2002 Board Meeting. Staff report retained original numbering as Item #10)
- 7-13. ACCEPT AND FILE REPORT ON VIOLENCE AT BUS STOPS
- 7-14. ACCEPT AND FILE REPORT REGARDING THE AMERICAN PUBLIC TRANSPORTATION ASSOCIATION'S ANNUAL CONFERENCE

ACTION: MOTION: DIRECTOR ALMQUIST SECOND: DIRECTOR HINKLE

Approve Consent Agenda.

Motion passed with Directors Ainsworth, Beautz, Norton and Phares being absent.

REGULAR AGENDA

8. CONSIDERATION OF ADOPTION OF RESOLUTION AMENDING FY 02-03 BUDGET

Summary:

Staff is asking the Board to adopt a resolution amending the budget to take care of the shortfalls year-to-date. Ms. Ross reported that it is also being requested that the Administrative Secretarial position in the Finance Dept. be changed to Accounting Technician which more accurately identifies the tasks being performed. Lastly, staff is asking for Board approval to hold a budget workshop at the Board Meeting scheduled for November 8th. Ms. Ross added that there is a correction to the Budget Revisions as follows: The \$16,000 to add two servers for the IT Dept. should be changed to three (3) servers. There is no financial impact for this change.

DIRECTOR PHARES ARRIVED

ACTION: MOTION: DIRECTOR ALMQUIST SECOND: DIRECTOR TAVANTZIS

Adopt the Resolution amending the FY 02-03 budget in accordance with Exhibit A of the staff report, authorize the change of one Administrative Secretary position to one Accounting Technician position in the Finance Dept., and schedule a budget workshop for the Board meeting of November 8, 2002.

Motion passed with Directors Ainsworth, Beautz and Norton being absent.

9. DELETED

10. MOVED TO CONSENT AGENDA AS ITEM #7-12

11. CONSIDERATION OF APPROVAL OF APPLICATION TO PARTICIPATE IN THE METRO USERS GROUP (MUG) COMMITTEE

Summary:

Mark Dorfman reported that R. Paul Marcelin submitted an application to participate on the Metro Users Group (MUG) committee.

Discussion:

Director Fitzmaurice asked what the current process is for becoming a MUG member. Mr. Dorfman will ensure that the MUG bylaws and membership breakdown are supplied to the Board and informed Director Fitzmaurice that the Board approves all applications for membership to MUG. Mr. White added that bus cards could be included in the buses informing people about MUG and giving contact information on how to join.

DIRECTOR BEAUTZ ARRIVED

ACTION: MOTION: DIRECTOR ALMQUIST SECOND: DIRECTOR FITZMAURICE

Approve R. Paul Marcelin’s application for participation in MUG with direction to staff to thank Mr. Marcelin for the work he has already done in making transit more usable.

Motion passed with Directors Ainsworth and Norton being absent.

12. CONSIDERATION OF APPROVAL OF CONTRACT AMENDMENT TO ARCHITECTURAL AND ENGINEERING SERVICES CONTRACT WITH WATERLEAF ARCHITECTURE AND INTERIOR

Summary:

Mr. Dorfman reported that METRO is making an amendment to the contract with WaterLeaf to address the changes to the environmental work as a result of a new preferred alternative (i.e. changing from Harvey West Consolidated to Harvey West Cluster). These changes would affect the scope of work but not the overall contract. WaterLeaf is the primary contractor with Denise Duffy & Associates being the sub-contractor who is completing the environmental work.

ACTION: MOTION: DIRECTOR ALMQUIST SECOND: DIRECTOR FITZMAURICE

Approve a contract amendment to the Architectural and Engineering contract with WaterLeaf Architecture and Interiors to address the changes related to the environmental work for the MetroBase project as a result of a new preferred alternative.

Motion passed with Directors Ainsworth and Norton being absent.

Discussion:

Director Keogh was informed that the Draft EIR was received by staff for review and will be released for circulation within one week. The Board will receive a copy of it at that time. There will be a 45-day period for review and comments. Staff will approach the Board in January with a recommendation to certify the EIR. Mr. White gave the Board advanced notice that staff would ask that the contract with WaterLeaf be either terminated or amended for the design phase of the project once the EIR is certified. The fueling capacity will be addressed first since the conversions of the diesel convertibles to CNG will be taking place.

13. CONSIDERATION OF EXTENDING CONTRACT FOR WORKERS’ COMPENSATION, THIRD PARTY CLAIMS ADMINISTRATION

Summary:

Tom Stickel stated that METRO’s contract with Tristar Insurance Services for administration of the worker’s compensation claims would expire in October 2002. Tristar is offering a discounted rate for an additional two-year contract. Staff is recommending that the contract be amended to

take advantage of the savings. Mark Dorfman discussed the benefit of guaranteeing a price tied to the Bay Area CPI index in the second year rather than the cost being based on actual claims experience for the prior year.

ACTION: MOTION: DIRECTOR ALMQUIST SECOND: DIRECTOR KEOGH

Authorize the General Manager to execute a contract amendment with TRISTAR Insurance Services as the District's worker's compensation administrator to extend the contract two additional years.

AMENDMENT TO MOTION:

Staff is directed to retain copies of employee complaints regarding the worker's compensation procedures and how they are resolved and inform the Board of this on a monthly basis for the next six months.

Discussion:

Bonnie Morr reported that it is difficult for employees to get the procedures they need in order to return to work.

CARMEN MAGDALENO, INTERPRETER, ARRIVED.

Robyn Slater, Interim Human Resource manager, stated that the delay is usually not on the part of the representative but on the part of getting the procedure scheduled. It was recommended that staff be given information on how to proceed through the worker's compensation system. The Board discussed a procedure in which employees' complaints with the system would be documented along with information on how the complaints were resolved. The original motion was amended to reflect this direction to the staff.

Jake Hurley of SEIU spoke to the issue of providing information for the employees and he stated that this is the responsibility of the Human Resource Dept. Mr. White added that it is METRO's goal to get the injured employees rehabilitated, healthy and back on the job and this is the direction given to the third party administrator. Meetings of Labor Management and the Injury Prevention Program take place monthly and semi-monthly, with the intention of maximizing safety in the workplace.

Motion passed with Director Keogh voting no and Directors Ainsworth and Norton being absent.

14. CONSIDERATION OF ALTERNATIVES TO COPE WITH OPERATOR STAFFING SHORTFALLS

Summary:

Bryant Baehr reported that currently there are numerous people out of work for a number of reasons. However, service still needs to be provided. There has been a drastic increase in injuries in the last 1.5 – 2 months; plus, a anywhere from 3-5 operators and sometimes as high as

10 operators call in sick per day. Staff is having a hard time filling the positions with staff who are already working overtime. Staff offered three options for the Board to consider. These are: reduce bus service until operators return from medical leaves, hire additional operators, approach retired operators to see if they are interested in working part-time. If the Board approves approaching the retirees, staff would work with UTU to negotiate the process.

Discussion:

Les White added that if the retirees are utilized for part-time driving, staff would recommend to UTU that a time limit of three or four months be imposed on this authority and staff would then return to the Board to determine if Operations is still in an emergency situation. It was confirmed that the retirees would receive the same pay rate as when they were employees. There was discussion regarding the difficulty in obtaining current drivers for more overtime than they are currently doing. Director Almquist questioned why staff would pay overtime expenses when retirees could be utilized at no overtime.

Linda Wilshusen will research the restrictions, if any, that METRO might have on the funding it receives in regards to part-time work. Bonnie Morr commented that there are lots of problems with utilizing part-time drivers. She reiterated that service has not been dropped and drivers have been working overtime. Ms. Morr was concerned that this wasn't discussed by the Board in closed session first to avoid inflaming UTU members. Ex-Officio Rotkin commented that a side agreement could be done with UTU that would make it clear that this was NOT a permanent program. Elisabeth Ross will return to the Board with a September/October report on overtime.

ACTION: MOTION: DIRECTOR TAVANTZIS SECOND: DIRECTOR ALMQUIST

Authorize staff to start discussion with UTU to reach an agreement on an emergency program to use retirees for emergency purposes. Do not bring this item back to the Board if no agreement can be reached with UTU. Limit the amount of time staff spends on the negotiations with UTU.

Manny Martinez, Chair of PSA, spoke as one of the employees who ensures that service is on the streets and he expressed how critical this situation is. He cited how difficult it is on a daily basis to ensure shifts are covered since the current bus operators are at a "burn out" level for overtime. Jake Hurley of SEIU stated that he would like to be included in the discussions since the PSA members fall under SEIU.

DIRECTOR PHARES LEFT THE MEETING.

Motion passed with Director Fitzmaurice voting no and Directors Ainsworth, Norton and Phares being absent.

15. CONSIDERATION OF DISCIPLINARY PROGRAM WHEN STOPS ARE NOT ANNOUNCED

This item was tabled per Director Keogh's request under Item #5 - METRO ACCESSIBLE SERVICES TRANSIT FORUM (MASTF) COMMUNICATIONS.

ADJOURN

Vice Chairperson Reilly reminded the Board and Staff that the November 22, 2002 Board meeting would be held at the Watsonville City Council Chambers. There being no further business, Vice-Chairperson Reilly adjourned the meeting at 11:03 a.m.

Respectfully submitted.

DALE CARR
Administrative Services Coordinator

DRAFT

DATE: 10/01/02 THRU 10/31/02

| CHECK NR | CHECK DATE | CHECK VENDOR AMOUNT | VENDOR NAME | VENDOR TRANS. TYPE NUMBER | TRANSACTION DESCRIPTION | TRANSACTION COMMENT AMOUNT |
|-------------|---------------|------------------------|--|------------------------------|----------------------------|-------------------------------|
| 777 | 10/01/02 | -295.00 | 292 NORTH COUNTY RECOVERY & TOWING VOID CHECK | 80438 | VOID CHECK | -295.00 |
| 788 | 10/04/02 | 1,174.93 | 001 PACIFIC BELL/SAC | 80054 | SEP PHONE LINES | 339.59 |
| | | | | 80055 | SEP PHONE LINES | 339.59 |
| | | | | 80056 | SEP PHONE LINES | 86.29 |
| | | | | 80057 | SEP PHONE LINES | 409.46 |
| 789 | 10/04/02 | 373.75 | 001020 EMED-COMPANY | 80058 | DECALS/SIGNS 124 | 135.66 |
| | | | | 80059 | DECALS/SIGNS 226 | 238.09 |
| 980 | 10/04/02 | 10,080.53 | 001043 VISION SERVICE PLAN | 80060 | OCT VISION INSURANCE | 10,080.51 |
| 981 | 10/04/02 | 1,306.90 | 001063 NEW FLYER INDUSTRIES LIMITED | 80061 | REV VEH PARTS 1139 | 1,159.22 |
| | | | | 80062 | REV VEH PARTS 142 | 147.68 |
| 982 | 10/04/02 | 946.00 | 001257 DOMINICAN HOSPITAL OF S C | 80158 | ADR DRUG TESTING | 946.00 |
| 983 | 10/04/02 | 88,484.41 | 001316 DEVCO OIL | 80159 | SEP FUEL | 88,484.41 |
| 984 | 10/04/02 | 745.00 | 001492 EVERGREEN OIL INC. | 80063 | HAZ WASTE DISPOSAL | 745.00 |
| 985 | 10/04/02 | 1,137.06 | 001589 STATEWIDE RENT-A-FENCE INC. | 80064 | 9/28-10/27 RENTAL | 1,137.06 |
| 986 | 10/04/02 | 35,617.35 | 001616 UNUM | 80065 | OCT LTD INSURANCE | 35,617.35 |
| 987 | 10/04/02 | 4,416.36 | 001745 HARTFORD LIFE | 80066 | OCT LIFE/AD&D INS. | 4,416.36 |
| 988 | 10/04/02 | 312.50 | 001752 THOMPSON PUBLISHING GROUP, INC. | 80067 | FAIR LABOR HANDBOOK | 312.50 |
| 989 | 10/04/02 | 204,924.36 | 001762 COMMUNITY BRIDGES | 80069 | JUL ADA PARATRANSIT | 204,924.36 |
| 990 | 10/04/02 | 259.00 | 001896 NATIONAL BUSINESS INSTITUTE | 80160 | 11/15 SEMINAR | 259.00 |
| 991 | 10/04/02 | 3,558.96 | 002005 TRANSIT RESOURCES, INC. | 80069 | REV VEH PARTS | 924.12 |
| | | | | 80070 | REV VEH PARTS | 2,634.84 |
| 992 | 10/04/02 | 41.05 | 002012 CARTER, H.V. CO. INC. | 80071 | REPAIRS/MAINTENANCE | 41.05 |
| 993 | 10/04/02 | 762.67 | 002028 WESTCOAST LEGAL SERVICE | 80072 | PROF/TECH SVCS | 762.40 |
| | | | | 80073 | PROF/TECH SVCS | 24.47 |
| 994 | 10/04/02 | 422.96 | 002063 COSTCO | 80074 | EMPLOYEE INCENTIVE | 429.51 |
| | | | | 80075 | LOCAL MTG EXPENSE | 12.67 |
| | | | | 80076 | PHOTO PROCESS RISK | 17.73 |
| | | | | 80161 | PHOTO PROCESS/OPS | 29.05 |
| 995 | 10/04/02 | 1,444.00 | 002192 BAY EQUIPMENT & REPAIR | 80077 | OUT REPAIR/#842 | 1,444.00 |
| 996 | 10/04/02 | 569.89 | 002278 CHEMSEARCH | 80078 | PUREWASH SYSTEMS | 569.89 |
| 997 | 10/04/02 | 1,500.00 | 002302 SCOTT, CELIA | 80079 | 8/8-8/22 PROF SVCS | 1,500.00 |
| 998 | 10/04/02 | 156.56 | 002307 EWING IRRIGATION PRODUCTS | 80080 | REPAIRS/MAINTENANCE | 156.56 |
| 999 | 10/04/02 | 182.50 | 002388 DOGHERRA'S | 80081 | OUT REPAIR OTHER VEH | 182.50 |
| 990 | 10/04/02 | 70.96 | 002389 DARDO PRINTING | 80082 | OFFICE SUPPLY/OPS | 70.96 |
| 991 | 10/04/02 | 1,349.13 | 002504 TIFCO INDUSTRIES | 80083 | PARTS & SUPPLIES | 1,349.13 |
| 992 | 10/04/02 | 6,259.00 | 002672 USL FINANCIALS | 80084 | USL FINANCIALS | 6,259.00 |
| 993 | 10/04/02 | 345.30 | 002707 PITNEY BOWES CREDIT CORP | 80085 | 9/30-12/30 RENTAL | 345.30 |
| 994 | 10/04/02 | 1,925.25 | 002713 SANTA CRUZ AUTO TECH, INC | 80086 | OUT REPAIR/#8020 | 183.38 |
| | | | | 80162 | OUT REPAIR/#904 | 1,741.87 |
| 995 | 10/04/02 | 111.65 | 009 PACIFIC GAS & ELECTRIC | 80087 | 8/14-9/13 PAUL SWEET | 111.65 |
| 996 | 10/04/02 | 2,547.07 | 018 SALINAS VALLEY FORD SALES | 80088 | REV VEH PARTS | 42.25 |
| | | | | 80089 | REV VEH PARTS | 426.60 |
| | | | | 80090 | REV VEH PARTS | 2,077.92 |
| 997 | 10/04/02 | 561.39 | 041 MISSION UNIFORM | 80091 | AUG UNIFORMS/LAUNDRY | 79.75 |
| | | | | 80092 | AUG UNIFORMS/LAUNDRY | 481.64 |
| 998 | 10/04/02 | 907.37 | 043 PALACE ART & OFFICE SUPPLY | 80163 | OFFICE SUPPLIES | 907.37 |
| 999 | 10/04/02 | 100.57 | 045 ROYAL WHOLESALE ELECTRIC | 80093 | REPAIRS/MAINTENANCE | 64.36 |
| | | | | 80094 | REPAIRS/MAINTENANCE | 16.20 |
| 990 | 10/04/02 | 925.23 | 057 U.S. BANK | 80095 | 4851-2400-8574-2697 | 52.79 |

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
 CHECK JOURNAL DETAIL BY CHECK NUMBER
 ALL CHECKS FOR COAST COMMERCIAL BANK

DATE: 10/01/02 THRU 10/31/02

| CHECK NR | CHECK DATE | CHECK VENDOR AMOUNT | VENDOR NAME | VENDOR TRANS. TYPE NUMBER | TRANSACTION DESCRIPTION | TRANSACTION AMOUNT | COMMENT |
|-------------|---------------|------------------------|--------------------------------|------------------------------|----------------------------|-----------------------|---------|
| | | | | 80096 | 4251-2400-0554-7229 | 872.44 | |
| 961 | 10/04/02 | 188.24 061 | REGISTER PAJARONIAN | 80097 | NEWSPAPER SUBSCRIPTN | 188.24 | |
| 962 | 10/04/02 | 188.44 061A | REGISTER PAJARONIAN | 80098 | CLASSIFIED AD | 80.12 | |
| | | | | 80099 | CLASSIFIED ADS | 108.32 | |
| 963 | 10/04/02 | 31.00 079 | SANTA CRUZ MUNICIPAL UTILITY | 80100 | AUGUST LANDFILL | 31.00 | |
| 964 | 10/04/02 | 259.09 081 | KAR PRODUCTS | 80101 | PARTS & SUPPLIES | 259.09 | |
| 965 | 10/04/02 | 1,561.43 117 | GILLIG CORPORATION | 80164 | REV VEH PARTS | 1,561.43 | |
| 966 | 10/04/02 | 1,995.69 130 | WATSONVILLE CITY WATER DEPT. | 80102 | CONTAINER RODRIGUEZ | 1,255.04 | |
| | | | | 80103 | 7/1-9/3 RODRIGUEZ | 612.24 | |
| | | | | 80104 | 7/1-9/3 RODRIGUEZ | 58.71 | |
| | | | | 80105 | 7/1-9/3 RODRIGUEZ | 69.70 | |
| 967 | 10/04/02 | 184.23 149A | SENTINEL NEWSPAPER | 80165 | SUBSCRIPTION/ADMIN | 184.23 | |
| 968 | 10/04/02 | 55.40 161 | OCEAN CHEVROLET INC | 80106 | REV VEH PARTS | 55.40 | |
| 969 | 10/04/02 | 89.45 166 | HOSE SHOP, INC.,THE | 80107 | REPAIRS/MAINTENANCE | 89.45 | |
| 970 | 10/04/02 | 651.00 174 | SAYLOR & HILL COMPANY | 80108 | FIDELITY BONDS 02/03 | 651.00 | |
| 971 | 10/04/02 | 199.25 186 | WILSON, GEORGE H., INC. | 80109 | REPAIRS/MAINTENANCE | 199.25 | |
| 972 | 10/04/02 | 926.64 290 | NAPA GLOVE COMPANY, INC | 80110 | SAFETY SUPPLIES | 926.64 | |
| 973 | 10/04/02 | 437.50 292 | NORTH COUNTY RECOVERY & TOWING | 80156 | OUT REPAIR REV VEH | 437.50 | |
| 974 | 10/04/02 | 106.48 37E | FEDERAL EXPRESS | 80111 | JUL MAILING/FLT | 20.91 | |
| | | | | 80167 | AUG MAILINGS | 85.57 | |
| 975 | 10/04/02 | 164.58 378 | STEWART & STEVENSON | 80112 | SMALL TOOLS | 164.58 | |
| 976 | 10/04/02 | 208.30 405 | JOHN'S ELECTRIC MOTOR | 80113 | OUT REPAIR EQUIPMENT | 208.30 | |
| 977 | 10/04/02 | 608.86 418 | COUNTY OF SANTA CRUZ | 80114 | CNS FUEL | 608.86 | |
| 978 | 10/04/02 | 259.85 434 | VERIZON WIRELESS-PAGERS | 80168 | DOT PAGERS | 259.85 | |
| 979 | 10/04/02 | 53.49 434B | VERIZON CALIFORNIA | 80169 | MT BIEWLASKI | 53.49 | |
| 980 | 10/04/02 | 524.45 447 | FERRIS HOIST & REPAIR INC. | 80115 | OUT REPAIR EQUIPMENT | 524.45 | |
| 981 | 10/04/02 | 151,744.17 502 | PUBLIC EMPLOYEES' | 80117 | DOT MEDICAL INS. | 151,744.17 | |
| 982 | 10/04/02 | 369.41 504 | CUMMINS WEST, INC | 80170 | OUT REPAIR REV VEH | 369.41 | |
| 983 | 10/04/02 | 249.00 507 | LORMAN EDUCATION SERVICES | 80171 | 10/10 SEMINAR | 249.00 | |
| 984 | 10/04/02 | 403.00 531 | KATHY'S LIFT TRUCK AND | 80116 | OUT REPAIR/BLD&SIMP | 403.00 | |
| 985 | 10/04/02 | 73.75 566 | CALISTOGA SPRING WATER CO. | 80118 | AUG WATER PLANNG | 73.75 | |
| 986 | 10/04/02 | 5,675.03 599 | SOUTHWEST OFFSET PRINTING | 80119 | PRINTING HEADWAYS | 5,675.03 | |
| 987 | 10/04/02 | 996.00 623 | ROSSBRD ENGINEERING LTD. | 80120 | REV VEH PARTS 996 | 996.00 | |
| 988 | 10/04/02 | 235.00 632 | GOVERNMENT FINANCE OFFICERS | 80121 | MEMBERSHIP RENEW FIN | 235.00 | |
| 989 | 10/04/02 | 70.00 635 | MARDALEND, CARMEN | 80122 | INTERPRETING SVCS | 70.00 | |
| 990 | 10/04/02 | 144.30 667 | CITY OF SCOTTS VALLEY | 80123 | 7/15-9/15 KINGS VLS | 144.30 | |
| 991 | 10/04/02 | 31.48 669 | COMPUTER BOOK DIRECT | 80124 | REF BOOK/IT 31 | 31.48 | |
| 992 | 10/04/02 | 1,000.00 687 | RITSON, LARK LUCAS | 80125 | LEGAL SERVICES | 1,000.00 | |
| 993 | 10/04/02 | 50.00 688 | SALDANA, ERNESTINA | 80126 | PARACRUZ HEARING | 50.00 | |
| 994 | 10/04/02 | 50.00 689 | WOOD, JOHN | 80127 | PARACRUZ HEARING | 50.00 | |
| 995 | 10/04/02 | 1,050.00 690 | D'MARA, KATHLEEN | 80128 | PROF/TECH FEES | 1,050.00 | |
| 996 | 10/04/02 | 320.00 691 | EAGLE AUTOMOTIVE | 80129 | OUT REPAIR OTHER VEH | 320.00 | |
| 997 | 10/04/02 | 2,012.50 692 | ISAACSON, JOSEPH, MD/FACP/FACR | 80172 | PROF/TECH SVCS | 2,012.50 | |
| 998 | 10/04/02 | 676.80 711 | DELTA AUTO GLASS | 80173 | OUT REPAIR OTHER VEH | 676.80 | |
| 999 | 10/04/02 | 1,201.17 782 | BLYMYER ENGINEERS, INC. | 801310 | AUG PROF SVCS | 1,201.17 | |
| 1000 | 10/04/02 | 351.51 788 | SCHTD PETTY CASH - FINANCE | 80131 | PETTY CASH/FINANCE | 351.51 | |
| 1001 | 10/04/02 | 34,539.83 800 | DELTA DENTAL PLAN | 80132 | GCT DENTAL | 34,539.83 | |
| 1002 | 10/04/02 | 15,826.00 804 | ORTHOPAEDIC HOSPITAL | 80133 | AUG PROF/TECH SVCS | 15,826.00 | |
| 1003 | 10/04/02 | 760.00 847 | ROMA DESIGN GROUP | 80134 | JUL PROF/TECH SVCS | 760.00 | |
| 1004 | 10/04/02 | 259.00 884 | UNITED STATES POSTAL SERVICE | 80174 | POSTAGE/OPS | 259.00 | |

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
 CHECK JOURNAL DETAIL BY CHECK NUMBER
 ALL CHECKS FOR COAST COMMERCIAL BANK

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| CHECK # | CHECK DATE | CHECK AMOUNT VENDOR | VENDOR NAME | VENDOR TRANS. TYPE NUMBER | TRANSACTION DESCRIPTION | TRANSACTION AMOUNT | COMMENT |
|------------|---------------|------------------------|-------------------------------|------------------------------|----------------------------|-----------------------|---------|
| 305 | 10/04/02 | 570.00 950 | PARADISE LANDSCAPE | 80125 | 8/12-9/9 LANDSCAPE | 570.00 | |
| 306 | 10/04/02 | 100.00 B001 | AINSWORTH, SHERYL | 80147 | SEP BOARD MEETING | 100.00 | |
| 307 | 10/04/02 | 100.00 B002 | ALMQUIST, JEFF | 80148 | SEP BOARD MEETING | 100.00 | |
| 308 | 10/04/02 | 50.00 B003 | BEAUTZ, JAN | 80149 | SEP BOARD MEETING | 50.00 | |
| 309 | 10/04/02 | 100.00 B004 | FITZMAURICE, TIM | 80150 | SEP BOARD MEETING | 100.00 | |
| 310 | 10/04/02 | 50.00 B006 | HINKLE, MICHELLE | 80151 | SEP BOARD MEETING | 50.00 | |
| 311 | 10/04/02 | 100.00 B007 | KEOSH, MICHAEL | 80152 | SEP BOARD MEETING | 100.00 | |
| 312 | 10/04/02 | 50.00 B010 | NORTON, DENNIS | 80153 | SEP BOARD MEETING | 50.00 | |
| 313 | 10/04/02 | 100.00 B011 | REILLY, EMILY | 80155 | SEP BOARD MEETING | 100.00 | |
| 314 | 10/04/02 | 100.00 B012 | SPENCE, JEFF | 80156 | SEP BOARD MEETING | 100.00 | |
| 315 | 10/04/02 | 50.00 B013 | VENTURA PHARES, ANA | 80154 | SEP BOARD MEETING | 50.00 | |
| 316 | 10/04/02 | 100.00 B014 | CITY OF WATSONVILLE | 80157 | SEP BOARD MEETING | 100.00 | |
| 317 | 10/04/02 | 26.28 E103 | LONGMECKER, JOYD | 80136 | MILEAGE VTA MEETING | 26.28 | |
| 318 | 10/04/02 | 300.00 E239 | SLATER, ROBYN | 80137 | MEDICAL INS WAIVER | 300.00 | |
| 319 | 10/04/02 | 300.00 E255 | MCCABE, MARGARET | 80138 | MEDICAL INS WAIVER | 300.00 | |
| 320 | 10/04/02 | 263.36 E373 | DORFMAN, MARK | 80139 | TRAVEL EXP/APTA | 263.36 | |
| 321 | 10/04/02 | 300.00 E390 | CANALES, DONNA | 80140 | MEDICAL INS WAIVER | 300.00 | |
| 322 | 10/04/02 | 300.00 E394 | MILBURN, PETER | 80141 | MEDICAL INS WAIVER | 300.00 | |
| 323 | 10/04/02 | 300.00 E409 | TRAYLOR, SODIE | 80142 | MEDICAL INS WAIVER | 300.00 | |
| 324 | 10/04/02 | 82.00 E501 | BAHR, BRYANT | 80143 | LOCAL MEETING EXP | 82.00 | |
| 325 | 10/04/02 | 56.00 E522 | CARR, DALE | 80144 | LOCAL MEETING EXP | 56.00 | |
| 326 | 10/04/02 | 50.00 M012 | ROSE, JACK | 80176 | OCT MEDICAL PREMIUM | 50.00 | |
| 327 | 10/04/02 | 242.00 M014 | HARRELL, LAURA | 80145 | OCT MEDICAL INS | 242.00 | |
| 328 | 10/04/02 | 124.50 M020 | BILVE CROSS | 80146 | NOV MED PREMIUM | 124.50 | |
| 329 | 10/11/02 | 13,612.46 001881 | PACIFIC GAS & ELECTRIC CO. | 80177 | GAS PRESSURE/CNG | 1,133.67 | |
| | | | | 80178 | ELECTRIC SVC/CNG | 12,478.79 | |
| 330 | 10/11/02 | 512,919.00 002624 | DIGITAL RECORDERS | 80181 | "TALKING BUS" | 512,919.00 | |
| 331 | 10/11/02 | 263.36 E373 | DORFMAN, MARK | 80179 | TRAVEL EXP/APTA | 263.36 | |
| 332 | 10/11/02 | 120.49 E495 | WHITE, LES | 80180 | TRAVEL EXP/APTA | 120.49 | |
| 333 | 10/18/02 | 595.24 001 | PACIFIC BELL/GSAC | 80182 | OCT LINE - IT | 595.24 | |
| 334 | 10/18/02 | 10,875.89 001063 | NEW FLYER INDUSTRIES LIMITED | 80183 | REV VEH PARTS 174 | 174.37 | |
| | | | | 80184 | REV VEH PARTS 2121 | 2,121.08 | |
| | | | | 80185 | REV VEH PARTS 1470 | 1,470.37 | |
| | | | | 80186 | REV VEH PARTS 2656 | 2,656.15 | |
| | | | | 80187 | REV VEH PARTS 1710 | 1,710.09 | |
| | | | | 80188 | REV VEH PARTS 853 | 853.03 | |
| | | | | 80189 | REV VEH PARTS 1891 | 1,890.60 | |
| 335 | 10/18/02 | 137.70 001112 | BRINK'S TROPHY SHOPPE | 80190 | EMPLOYEE INCENTIVE | 137.70 | |
| 336 | 10/18/02 | 1,366.07 001119 | MADERICH PARTNERSHIP, LP, THE | 80191 | NOV-CAPITOLA MALL | 1,366.07 | |
| 337 | 10/18/02 | 743.83 001230 | CAPITOLA LUTCH AND BRAKE, INC | 80192 | REV VEH PARTS | 112.25 | |
| | | | | 80193 | REV VEH PARTS | 631.58 | |
| 338 | 10/18/02 | 181.03 001315 | WASTE MANAGEMENT OF S C | 80194 | SEP MT HERMON/KINGS | 55.77 | |
| | | | | 80195 | SEP KINGS VILLAGE | 125.26 | |
| 339 | 10/18/02 | 364.00 001316 | DEVCO OIL | 80196 | SEP FUEL | 364.00 | |
| 340 | 10/18/02 | 30.63 001648 | STEVE'S UNION | 80197 | SEP FUEL | 30.63 | |
| 341 | 10/18/02 | 249.30 001711 | MOHAWK MFG. & SUPPLY CO. | 80198 | REV VEH PARTS 249 | 249.30 | |
| 342 | 10/18/02 | 212,355.75 001762 | COMMUNITY BRIDGES | 80199 | AUG ADA PARATRANSIT | 212,355.75 | |
| 343 | 10/18/02 | 925.08 001800 | THERMO KING OF SALINAS, INC | 80200 | REV VEH PARTS | 925.08 | |
| 344 | 10/18/02 | 522.52 001936 | WORLDWIDE TECHNOLOGIES, INC. | 80201 | SEP LONG DISTANCE | 522.52 | |
| 345 | 10/18/02 | 293.82 001976 | SPORTWORKS NORTHWEST, INC. | 80202 | REV VEH PARTS 892 | 293.82 | |

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
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|-----------------|---------------|-----------------|----------------|------------------------------|----------------------------|-----------------------|
| 046 | 10/18/02 | 2,221.85 | WORLDWIDE | | PACIFIC BELL/WORLDCOM | |
| | | | | 80203 | SEP PHONE LINE | 82.15 |
| | | | | 80204 | SEP BUSINESS | 2,139.80 |
| 047 | 10/18/02 | 491.18 | 002005 | 80205 | REV VEH PARTS | 491.18 |
| 048 | 10/18/02 | 130.59 | 002028 | 80206 | PROF /TECH SVCS | 130.59 |
| 049 | 10/18/02 | 235.91 | 002043 | 80207 | PHOTO PROCESS/OPS | 48.47 |
| | | | | 80208 | LOCAL MEET ING EXP | 29.69 |
| | | | | 80209 | OFFICE SUPPLIES/FIN | 120.81 |
| | | | | 80210 | PHOTO PROCESS/OPS | 36.94 |
| 050 | 10/18/02 | 29,768.12 | 002116 | 80211 | NDV - 120 DUBOIS | 6,066.33 |
| | | | | 80212 | NDV - 370 ENCINAL | 23,701.79 |
| 051 | 10/18/02 | 10,529.37 | 002117 | 80213 | NDV - 111 DUBOIS | 10,529.37 |
| 052 | 10/18/02 | 7,454.36 | 002192 | 80214 | OUT REPAIR/#8106 | 7,454.36 |
| 053 | 10/18/02 | 319.14 | 002744 | 80215 | REPAIRS/MAINTENANCE | 319.14 |
| 054 | 10/18/02 | 2,000.00 | 002267 | 80216 | AUG LEGISLATIVE SVCS | 2,000.00 |
| 055 | 10/18/02 | 6,306.05 | 002297 | 80217 | OCT MEDICAL | 6,306.05 |
| 056 | 10/18/02 | 424.03 | 002322 | 80218 | UNIFORMS/LAUNDRY | 424.03 |
| 057 | 10/18/02 | 3,750.00 | 002346 | 80219 | OCT LEGISLATIVE SVCS | 3,750.00 |
| 058 | 10/18/02 | 135.00 | 002390 | 80220 | 9/23-10/21 CONTAINER | 135.00 |
| 059 | 10/18/02 | 505.60 | 002412 | 80221 | REV VEH PARTS | 505.60 |
| 060 | 10/18/02 | 1,063.65 | 002504 | 80222 | PARTS & SUPPLIES | 1,063.65 |
| 061 | 10/18/02 | 2,328.16 | 002610 | 80223 | NDV - 375 ENCINAL | 2,328.16 |
| 062 | 10/18/02 | 253.80 | 002643 | 80224 | 10/22-11/21 CANON | 253.80 |
| 063 | 10/18/02 | 78,149.94 | 002686 | 80225 | PROF SVCS TO 8/30 | 78,149.94 |
| 064 | 10/18/02 | 1,255.58 | 002713 | 80226 | OUT REPAIR/#9601 | 1,255.58 |
| 065 | 10/18/02 | 460.33 | 000 | 80227 | REV VEH PARTS/SUPPLY | 460.33 |
| 067 | 10/18/02 | 12,346.64 | 009 | 80228 | 8/27-9/27 SAKATA LN | 10.50 |
| | | | | 80229 | 8/27-9/27 SAKATA LN | 10.80 |
| | | | | 80230 | 8/30-9/27 BEACH ST | 114.93 |
| | | | | 80231 | 8/30-9/27 RODRIGUEZ | 17.85 |
| | | | | 80232 | 8/30-9/27 RODRIGUEZ | 1,265.37 |
| | | | | 80233 | 9/3-9/30 RIVER ST | 30.48 |
| | | | | 80234 | 9/3-9/30 RIVER ST | 2,071.51 |
| | | | | 80235 | 9/3-9/30 GOLF CLUB | 95.67 |
| | | | | 80236 | 9/3-9/30 GOLF CLUB | 1,871.85 |
| | | | | 80237 | 8/30-10/1 HARVEY WES | 39.67 |
| | | | | 80238 | 8/30-10/1 111 DUBOIS | 837.80 |
| | | | | 80239 | 8/30-10/1 111 DUBOIS | 179.33 |
| | | | | 80240 | 8/30-10/1 370 ENCINA | 3,614.89 |
| | | | | 80241 | 8/30-10/1 370 ENCINA | 67.75 |
| | | | | 80242 | 9/6-10/5 PACIFIC | 1,507.22 |
| | | | | 80243 | 9/6-10/5 PACIFIC | 694.56 |
| | | | | 80244 | 9/6-10/5 PACIFIC | 114.43 |
| 066 | 10/18/02 | 341.46 | 020 | 80245 | OCT ALARMS | 341.46 |
| 069 | 10/18/02 | 50.65 | 021 | 80246 | OUT REPAIR/EQUIPMENT | 50.65 |
| 070 | 10/18/02 | 1,863.06 | 039 | 80247 | SEP PRINTING | 1,863.06 |
| 071 | 10/18/02 | 172.45 | 040 | 80248 | OFFICE SUPPLIES/ADM | 172.45 |
| 072 | 10/18/02 | 2,085.92 | 041 | 80249 | SEP UNIFORMS/LAUNDRY | 2,085.92 |
| 073 | 10/18/02 | 335.28 | 061 | 80250 | DISPLAY AD | 335.28 |
| 074 | 10/18/02 | 209.68 | 061A | 80251 | CLASSIFIED ADS | 209.68 |
| 075 | 10/18/02 | 1,132.00 | 080 | 80308 | JUL-SEP SALES TAX | 1,132.00 |

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|-------------|---------------|------------------------|--------------------------------|------------------------------|----------------------------|-----------------------|---------------------|
| 076 | 10/18/02 | 1,968.83 | STATE BOARD OF EQUALIZATION | 80252 | JUL-SEP FUEL TAX | 1,968.83 | |
| 077 | 10/18/02 | 416.71 | KAP PRODUCTS | 80253 | REV VEH PARTS/SUPPLY | 416.71 | |
| 078 | 10/18/02 | 15,070.97 | DIXON & SON, INCORPORATED | 80254 | OUT REPAIR REV VEH | 668.14 | |
| | | | | 80255 | SEP TIRES/TUBES | 14,402.83 | |
| 079 | 10/18/02 | 453.75 | CRYSTAL SPRINGS WATER CO. | 80256 | SEP WATER FLEET | 453.75 | |
| 080 | 10/18/02 | 129,267.71 | EOB CLAIMS SERVICES, INC. | 80257 | SEP TRUST ACCOUNT | 129,267.71 | |
| 081 | 10/18/02 | 122.80 | STATE STEEL COMPANY | 80258 | REPAIRS/MAINTENANCE | 122.80 | |
| 082 | 10/18/02 | 2,305.76 | JESSICA GROCERY STORE, INC. | 80259 | NOV CUSTODIAN SVCS | 2,305.76 | |
| 083 | 10/18/02 | 1,592.91 | GILLIG CORPORATION | 80260 | REV VEH PARTS | 1,592.91 | |
| 084 | 10/18/02 | 758.49 | OFFICE DYNAMICS INC. | 80261 | COPIER MAINT ADMIN | 758.49 | |
| 085 | 10/18/02 | 94.76 | WATSONVILLE CITY WATER DEPT. | 80262 | 9/1-10/1 SAKATA LN | 13.09 | |
| | | | | 80263 | 9/1-10/1 RODRIGUEZ | 9.25 | |
| | | | | 80264 | 9/3-10/1 SAKATA LN | 72.42 | |
| 086 | 10/18/02 | 29.95 | JOBS AVAILABLE | 80265 | SUBSCRIPTION | 29.95 | |
| 087 | 10/18/02 | 2,919.50 | DAY WIRELESS SYSTEMS | 80266 | OUT REPAIR EQUIP | 2,919.50 | |
| 088 | 10/18/02 | 1,116.19 | SANTA CRUZ AUTO PARTS, INC. | 80267 | REV VEH PARTS/SUPPLY | 1,116.19 | |
| 089 | 10/18/02 | 294.30 | SANTA CRUZ SENT INEL | 80268 | SEP ADVERTISING | 294.30 | |
| 090 | 10/18/02 | 24,697.92 | DEPARTMENT OF MOTOR VEHICLES | 80269 | SALES TAX/TROLLEY | 24,697.92 | |
| 091 | 10/18/02 | 2,204.28 | PRINT GALLERY, THE | 80270 | PRINT ROUTE STICKERS | 2,063.88 | |
| | | | | 80271 | PRINT ROUTE STICKERS | 140.40 | |
| 092 | 10/18/02 | 372.05 | OCEAN CHEVROLET INC | 80272 | OUT REPAIR/4209 ADA | 42.50 | |
| | | | | 80273 | REV VEH PARTS | 329.55 | |
| 093 | 10/18/02 | 575.57 | TOWNSEND'S AUTO PARTS | 80269 | REV VEH PARTS/SUPPLY | 575.57 | |
| 094 | 10/18/02 | 21.00 | CENTRAL WELDERS SUPPLY, INC. | 80274 | EQUIPMENT RENTAL | 21.00 | |
| 095 | 10/18/02 | 55.00 | DEPARTMENT OF MOTOR VEHICLES | 80275 | DMV EMP TEST PROGRAM | 55.00 | |
| 096 | 10/18/02 | 1,650.45 | GOLDEN GATE PETROLEUM | 80276 | SEP FUEL - FLEET | 1,650.45 | |
| 097 | 10/18/02 | 47.17 | ALWAYS UNDER PRESSURE | 80277 | REPAIRS/MAINTENANCE | 47.17 | |
| 098 | 10/18/02 | 1,069.07 | ANDY'S AUTO SUPPLY | 80278 | REV VEH PARTS/SUPPLY | 1,069.07 | |
| 099 | 10/18/02 | 142.50 | COMMUNITY TELEVISION OF | 80279 | TV COVERAGE 9/27 MTS | 142.50 | |
| 100 | 10/18/02 | 106.58 | FEDERAL EXPRESS | 80280 | SEP MAILINGS | 106.58 | |
| 101 | 10/18/02 | 589.65 | STEWART & STEVENSON | 80281 | REV VEH PARTS | 193.82 | |
| | | | | 80282 | REV VEH PARTS | 390.83 | |
| 102 | 10/18/02 | 606.00 | APPLIED DIGITAL SOLUTIONS | 80283 | OCT-DEC PRINTER MNT | 606.00 | |
| 103 | 10/18/02 | 97.89 | APPLIED GRAPHICS, INC. | 80284 | BUSINESS CARDS/FLT | 97.89 | |
| 104 | 10/18/02 | 462.16 | COUNTY OF SANTA CRUZ | 80285 | CNS FUEL | 462.16 | |
| 105 | 10/18/02 | 145.80 | WEST GROUP PAYMENT CTR | 80286 | SUBSCRIPTIONS/LEGAL | 145.80 | |
| 106 | 10/18/02 | 3,514.86 | DIESEL MARINE ELECTRIC | 80287 | REV VEH PARTS | 2,392.20 | |
| | | | | 80288 | REV VEH PARTS | 1,122.66 | |
| 107 | 10/18/02 | 20,994.24 | PAIGE'S SECURITY SERVICES, INC | 80289 | SEP SECURITY | 20,994.24 | |
| 108 | 10/18/02 | 287.84 | CUMMINS WEST, INC | 80290 | REV VEH PARTS | 69.94 | |
| | | | | 80291 | REV VEH PARTS | 197.50 | |
| 109 | 10/18/02 | 139.98 | CALISTOGA SPRING WATER CO. | 80292 | SEP WATER - ADM | 139.98 | |
| 110 | 10/18/02 | 140.00 | A PROFESSIONAL SERVICE COMPANY | 80293 | PROF/TECH SVCS | 140.00 | |
| 111 | 10/18/02 | 60.85 | BF1 SOFTWARE | 80294 | REV VEH PARTS | 60.85 | |
| 112 | 10/18/02 | 1,492.56 | BAY COUNTIES PITCOCK PETROLEUM | 80295 | FUEL - FLEET | 1,492.56 | |
| 113 | 10/18/02 | 4,633.61 | RIVKIN RADLER LLP | 80296 | LEGAL SERVICES | 4,633.61 | |
| 114 | 10/18/02 | 18,460.00 | J & S MAINTENANCE PROFESSIONAL | 80297 | CNS BUS INSPECT SVCS | 18,460.00 | |
| 115 | 10/18/02 | 223.55 | GRADE A GRAPHICS, INC. | 80298 | PRINTING | 223.55 | |
| 116 | 10/18/02 | 4,412.50 | RITSON, LARK LUCAS | 80299 | LEGAL SERVICES | 4,412.50 | |
| 117 | 10/18/02 | 205.97 | DIXMITT & OWENS FINANCIAL, INC | 80300 | REV VEH PARTS 194 | 205.97 | |

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|--------------|------------|--------------|---------------------------------------|--------------------|-------------------------|--------------------|---------|
| 118 | 10/16/02 | 230.00 | 695 ADVANTAGE MEDIA | 80201 | PROF/VEEH SVCS | 230.00 | |
| 119 | 10/18/02 | 904.75 | 724 NAPA AUTO PARTS | 80210 | REV VEH PARTS | 904.75 | |
| 120 | 10/18/02 | 900.00 | 840 BOUCHARD, BRENT | 80202 | NOV - VERNON LOT | 900.00 | |
| 121 | 10/18/02 | 70.25 | 932 A.L. LEASE COMPANY, INC. | 80203 | REPAIRS/MAINTENANCE | 70.25 | |
| 122 | 10/18/02 | 35.24 | 980 MCMASTER-CARR SUPPLY CO | 80204 | PARTS & SUPPLIES | 35.24 | |
| 123 | 10/18/02 | 44.00 | E270 WHITE, ISAAC | 80205 | DMV/VTT FEES | 44.00 | |
| 124 | 10/18/02 | 34.00 | E288 DJEDA, ROBERTO | 80206 | DMV FEES | 34.00 | |
| 125 | 10/18/02 | 7,000.00 | R383 McDOWALD, MARY E. | 80207 | SETTLEMENT CLAIM | 7,000.00 | |
| 126 | 10/25/02 | 480.33 | 001 PACIFIC BELL/SAC | 80211 | OCT PHONE LINES | 86.14 | |
| | | | | 80212 | OCT PHONE LINES | 374.19 | |
| 127 | 10/25/02 | 204.39 | 001296 LEXISNEXIS MATTHEW BENDER | 80213 | LAR & EMP ARBITRATN | 204.39 | |
| 128 | 10/25/02 | 309.90 | 001315 WASTE MANAGEMENT OF S C | 80214 | OCT-DEC LANDFILL/HWY | 34.80 | |
| | | | | 80215 | OCT-DEC BIG BASIN/HY | 34.80 | |
| | | | | 80216 | OCT-DEC AIRPORT/FREE | 240.30 | |
| 129 | 10/25/02 | 821.20 | 001346 CITY OF SANTA CRUZ | 80217 | PARKING DEF FEES | 821.20 | |
| 130 | 10/25/02 | 442.00 | 001492 EVERGREEN OIL INC. | 80218 | HAZ WASTE DISPOSAL | 442.00 | |
| 131 | 10/25/02 | 265.24 | 001733 STODDLEY'S SMALL ENGINE SERVIC | 80219 | REPAIRS/MAINTENANCE | 265.24 | |
| 132 | 10/25/02 | 216.25 | 002170 KIM SUPPLY, INC | 80220 | STEAM CLEANER PARTS | 216.25 | |
| 133 | 10/25/02 | 235.00 | 002448 CLEARVIEW WINDOWS | 80221 | WTC WINDOW CLEANING | 235.00 | |
| 134 | 10/25/02 | 569.17 | 002627 CDW GOVERNMENT, INC. | 80222 | OFFICE SUPPLIES/INT | 569.17 | |
| 135 | 10/25/02 | 669.52 | 009 PACIFIC GAS & ELECTRIC | 80223 | 9/11-10/11 KINGS VLB | 12.28 | |
| | | | | 80224 | 9/11-10/11 KINGS VLB | 11.23 | |
| | | | | 80225 | 9/11-10/11 KINGS VLB | 530.86 | |
| | | | | 80226 | 9/13-10/15 PAUL SWT | 115.13 | |
| 136 | 10/25/02 | 418.71 | 041 MISSION UNIFORM | 80227 | SEP UNIFORMS/LAUNDRY | 418.71 | |
| 137 | 10/25/02 | 62.84 | 042 ORCHARD SUPPLY HARDWARE | 80228 | REPAIRS/MAINTENANCE | 62.84 | |
| 138 | 10/25/02 | 30.38 | 045 ROYAL WHOLESALE ELECTRIC | 80229 | REPAIRS/MAINTENANCE | 30.38 | |
| 139 | 10/25/02 | 22.00 | 051 SANTA CRUZ FIRE EQUIPMENT | 80230 | REPAIRS/MAINTENANCE | 22.00 | |
| 140 | 10/25/02 | 123.24 | 067 ROTO-ROOTER SEWER/PLUMBING | 80231 | OUT REPAIR BLDG/IMP | 123.24 | |
| 141 | 10/25/02 | 112.09 | 075 COAST PAPER & SUPPLY INC. | 80232 | CLEANING SUPPLIES | 112.09 | |
| 142 | 10/25/02 | 489.00 | 083 THYSSENKRUPP ELEVATOR -042 | 80233 | JUN 02 ELEV SVC | 120.00 | |
| | | | | 80234 | OCT-DEC ELEV SVC | 369.00 | |
| 143 | 10/25/02 | 346.22 | 107 SAN LORENZO LUMBER CO., INC. | 80235 | PARTS & SUPPLIES | 1.46 | |
| | | | | 80236 | REPAIRS/MAINTENANCE | 344.76 | |
| 144 | 10/25/02 | 101.10 | 122 SCMTD PETTY CASH - OPS | 80237 | PETTY CASH - OPS | 101.10 | |
| 145 | 10/25/02 | 213.26 | 166 HOSE SHOP, INC.,THE | 80238 | REPAIRS/MAINTENANCE | 174.36 | |
| | | | | 80239 | REPAIRS/MAINTENANCE | 18.90 | |
| 146 | 10/25/02 | 53.82 | 192 ALWAYS UNDER PRESSURE | 80240 | REPAIRS/MAINTENANCE | 53.82 | |
| 147 | 10/25/02 | 259.30 | 221 VEHICLE MAINTENANCE PROGRAM | 80241 | REV VEH PARTS 259 | 259.30 | |
| 148 | 10/25/02 | 2,171.24 | 433 AMPAC BUILDING MAINTENANCE | 80242 | SEP JOURNAL SVCS | 2,171.24 | |
| 149 | 10/25/02 | 160.00 | 431 PIED PIPER EXTERMINATORS, INC. | 80243 | SEP PEST CONTRL | 160.00 | |
| 150 | 10/25/02 | 191.92 | 510 ASDOM HASLER LEASING | 80244 | NOV EQUIP RENTAL | 191.92 | |
| 151 | 10/25/02 | 137.75 | 566 CALISTOGA SPRING WATER CO. | 80245 | AUB WATER - PLAN | 137.75 | |
| 152 | 10/25/02 | 130.69 | 579 LAB SAFETY SUPPLY INC. | 80246 | CLEAN SUPP 111 | 130.69 | |
| 153 | 10/25/02 | 7,952.00 | 639 72 DEGREES | 80247 | HVAC SERVICE | 740.00 | |
| | | | | 80248 | INSTALL 2 AC UNITS, L | 7,212.00 | |
| 154 | 10/25/02 | 915.98 | 950 PARADISE LANDSCAPE | 80249 | OUT REPAIR BLDG/IMP | 915.98 | |
| 155 | 10/25/02 | 44.00 | E050 CONTRERAS, HARVEY | 80250 | DMV/VTT FEES | 44.00 | |
| 156 | 10/25/02 | 44.00 | E317 BRYANT, KATHLEEN | 80251 | DMV/VTT FEES | 44.00 | |
| 157 | 10/25/02 | 306.00 | M001 HORTON, JOSEPH | 80252 | NOV MEDICAL PREMIUM | 306.00 | |

DATE: 10/01/02 THRU 10/31/02

| CHECK # | CHECK DATE | CHECK AMOUNT | VENDOR NUMBER | VENDOR NAME | VENDOR TYPE | TRANS. NUMBER | TRANSACTION DESCRIPTION | TRANSACTION AMOUNT | COMMENT |
|------------|---------------|-----------------|------------------|-----------------------|----------------|------------------|----------------------------|-----------------------|---------|
| 158 | 10/25/02 | 306.00 | M002 | RACKLEFF, EARL | | 80353 | NOV MEDICAL PREMIUM | 306.00 | |
| 159 | 10/25/02 | 153.00 | M003 | WYANT, JUDI | | 80354 | NOV MEDICAL PREMIUM | 153.00 | |
| 160 | 10/25/02 | 153.00 | M005 | ROSS, EMERY | | 80355 | NOV MEDICAL PREMIUM | 153.00 | |
| 161 | 10/25/02 | 397.00 | M006 | VAN DER ZANDE, ED | | 80356 | NOV MEDICAL PREMIUM | 397.00 | |
| 162 | 10/25/02 | 298.00 | M007 | BLAIR-ALWARD, GREGORY | | 80357 | NOV MEDICAL PREMIUM | 298.00 | |
| 163 | 10/25/02 | 298.00 | M008 | CAMPOS, ARVILLA | | 80358 | NOV MEDICAL PREMIUM | 298.00 | |
| 164 | 10/25/02 | 567.00 | M009 | FREEMAN, MARY | | 80359 | NOV MEDICAL PREMIUM | 567.00 | |
| 165 | 10/25/02 | 170.00 | M010 | SHORT, SLDAN | | 80360 | NOV MEDICAL PREMIUM | 170.00 | |
| 166 | 10/25/02 | 178.00 | M011 | LAWSON, LOIS | | 80361 | NOV MEDICAL PREMIUM | 178.00 | |
| 167 | 10/25/02 | 50.00 | M012 | ROSE, JACK | | 80362 | NOV MEDICAL PREMIUM | 50.00 | |
| 168 | 10/25/02 | 170.00 | M013 | JANNKE, EILEEN | | 80363 | NOV MEDICAL PREMIUM | 170.00 | |
| 169 | 10/25/02 | 50.00 | M015 | HETH, KATHRYN | | 80364 | NOV MEDICAL PREMIUM | 50.00 | |
| 170 | 10/25/02 | 25.00 | M016 | HICKLIN, DONALD KENT | | 80365 | NOV MEDICAL PREMIUM | 25.00 | |
| 171 | 10/25/02 | 25.00 | M017 | PORTILLA, EARLENE | | 80366 | NOV MEDICAL PREMIUM | 25.00 | |
| 172 | 10/25/02 | 25.00 | M018 | SANDRETTI, ALFRED | | 80367 | NOV MEDICAL PREMIUM | 25.00 | |
| 173 | 10/25/02 | 42.00 | M019 | WILLIAMS, ROBERT | | 80368 | NOV MEDICAL PREMIUM | 42.00 | |
| | | 1,800,347.05 | | COAST COMMERCIAL BANK | | | TOTAL CHECKS 246 | 1,800,347.05 | |

**Santa Cruz METRO
October 2002 Ridership Report**

REVENUE AND RIDERSHIP SUMMARY BY ROUTE

| ROUTE | REVENUE | RIDERSHIP | Revenue/ Passenger | UC Student | UC Staff Faculty | Day Pass | S/D Riders | W/C | S/D Day Pass | Cabrillo | Bike | Monthly Pass |
|---------|--------------|-----------|-----------------------|---------------|---------------------|----------|---------------|-------|-----------------|----------|--------|-----------------|
| 10 | \$ 2,244.36 | 30,048 | \$ 0.07 | 24,113 | 1,558 | 40 | 43 | 12 | 7 | 416 | 680 | 1,812 |
| 13 | \$ 684.05 | 14,551 | \$ 0.05 | 12,677 | 750 | 6 | 11 | 2 | 2 | 103 | 293 | 356 |
| 15 | \$ 2,422.92 | 44,151 | \$ 0.05 | 37,974 | 2,151 | 50 | 37 | 18 | 17 | 377 | 962 | 1,335 |
| 16 | \$ 6,219.83 | 92,545 | \$ 0.07 | 79,107 | 3,104 | 86 | 121 | 46 | 25 | 934 | 2,049 | 3,385 |
| 19 | \$ 1,912.47 | 28,284 | \$ 0.07 | 23,530 | 1,220 | 33 | 52 | 6 | 38 | 268 | 640 | 1,436 |
| 2 | \$ 2,396.94 | 8,020 | \$ 0.30 | 3,018 | 297 | 82 | 57 | 22 | 24 | 382 | 207 | 2,122 |
| 3A | \$ 1,284.55 | 3,945 | \$ 0.33 | 435 | 99 | 53 | 120 | 17 | 42 | 335 | 86 | 1,894 |
| 3B | \$ 2,264.75 | 5,673 | \$ 0.40 | 956 | 98 | 93 | 114 | 10 | 31 | 318 | 159 | 2,221 |
| 3N | \$ 174.16 | 527 | \$ 0.33 | 133 | 16 | - | 12 | - | - | 27 | 20 | 173 |
| 4 | \$ 945.61 | 4,085 | \$ 0.23 | 170 | 14 | 40 | 145 | 40 | 70 | 131 | 71 | 2,873 |
| 6 | \$ 46.80 | 90 | \$ 0.52 | 3 | 2 | 1 | 1 | 1 | - | 6 | 2 | 34 |
| 7 | \$ 707.42 | 2,064 | \$ 0.34 | 196 | 12 | 36 | 61 | 10 | 52 | 203 | 23 | 1,075 |
| 7N | \$ 1,563.28 | 3,684 | \$ 0.42 | 543 | 73 | 2 | 37 | 8 | 2 | 276 | 166 | 1,227 |
| 8 | \$ 1,376.47 | 4,844 | \$ 0.28 | 856 | 53 | 51 | 79 | 15 | 56 | 231 | 54 | 2,447 |
| 9 | \$ 32.00 | 76 | \$ 0.42 | 3 | - | - | - | 1 | - | 1 | - | 40 |
| 12A | \$ 339.09 | 5,694 | \$ 0.06 | 4,889 | 368 | 22 | 4 | - | 2 | 15 | 163 | 130 |
| 12B | \$ 262.28 | 4,500 | \$ 0.06 | 3,852 | 253 | 3 | 5 | - | - | 27 | 62 | 114 |
| 20 | \$ 256.90 | 6,419 | \$ 0.04 | 5,648 | 384 | 2 | 5 | - | 2 | 17 | 135 | 118 |
| 22 | \$ 291.12 | 4,657 | \$ 0.06 | 4,088 | 186 | 11 | 7 | - | - | 16 | 138 | 106 |
| 31 | \$ 2,582.94 | 5,444 | \$ 0.47 | 196 | 43 | 45 | 76 | 31 | 46 | 436 | 276 | 2,276 |
| 32 | \$ 1,099.62 | 1,938 | \$ 0.57 | 61 | 17 | 16 | 23 | 23 | 5 | 110 | 42 | 686 |
| 33 | \$ 295.70 | 658 | \$ 0.45 | 1 | 1 | 5 | 2 | 1 | 1 | 1 | 6 | 374 |
| 34 | \$ 391.52 | 801 | \$ 0.49 | - | - | - | 1 | - | 3 | 2 | 12 | 412 |
| 35 | \$ 26,204.16 | 51,151 | \$ 0.51 | 1,273 | 343 | 786 | 580 | 83 | 317 | 2,666 | 1,845 | 22,320 |
| 36 | \$ 438.86 | 1,030 | \$ 0.43 | 38 | 47 | 21 | 26 | 1 | 3 | 171 | 67 | 367 |
| 40 | \$ 1,656.09 | 3,016 | \$ 0.55 | 222 | 35 | 107 | 15 | 1 | 20 | 105 | 128 | 1,249 |
| 41 | \$ 1,196.82 | 2,273 | \$ 0.53 | 255 | 56 | 27 | 15 | 5 | 13 | 116 | 253 | 709 |
| 42 | \$ 602.72 | 1,182 | \$ 0.51 | 152 | 29 | 4 | 9 | 2 | 4 | 56 | 106 | 357 |
| 52 | \$ 935.21 | 2,089 | \$ 0.45 | 19 | 15 | 18 | 65 | 10 | 39 | 172 | 23 | 982 |
| 54 | \$ 2,193.78 | 6,156 | \$ 0.36 | 51 | 6 | 106 | 129 | 53 | 79 | 1,863 | 254 | 2,238 |
| 55 | \$ 524.80 | 2,097 | \$ 0.25 | 11 | 12 | 13 | 28 | 23 | 7 | 817 | 87 | 755 |
| 58 | \$ 167.71 | 510 | \$ 0.33 | 5 | - | 5 | 2 | 3 | - | 14 | 7 | 333 |
| 59 | \$ 140.79 | 298 | \$ 0.47 | 4 | 8 | 8 | 26 | 1 | 8 | 29 | 4 | 126 |
| 60 | \$ 252.47 | 500 | \$ 0.50 | 4 | - | 2 | 11 | 7 | 2 | 39 | 3 | 205 |
| 63 | \$ 756.97 | 1,831 | \$ 0.41 | 8 | 5 | 28 | 79 | 126 | 64 | 146 | 46 | 954 |
| 65 | \$ 4,014.99 | 9,018 | \$ 0.45 | 663 | 127 | 146 | 177 | 100 | 120 | 525 | 208 | 4,017 |
| 66 | \$ 9,785.47 | 19,820 | \$ 0.49 | 1,288 | 163 | 359 | 239 | 137 | 171 | 1,187 | 479 | 8,208 |
| 67 | \$ 5,258.37 | 11,468 | \$ 0.46 | 1,109 | 99 | 171 | 157 | 98 | 76 | 609 | 367 | 4,767 |
| 69 | \$ 7,831.26 | 17,661 | \$ 0.44 | 1,915 | 366 | 291 | 286 | 107 | 120 | 1,012 | 558 | 7,147 |
| 69A | \$ 13,493.03 | 24,879 | \$ 0.54 | 1,581 | 268 | 414 | 381 | 103 | 219 | 1,271 | 763 | 9,184 |
| 69N | \$ 1,616.37 | 4,083 | \$ 0.40 | 565 | 73 | 4 | 17 | 18 | 2 | 641 | 182 | 1,202 |
| 69W | \$ 16,042.50 | 32,979 | \$ 0.49 | 1,734 | 294 | 337 | 399 | 214 | 185 | 5,399 | 1,006 | 10,290 |
| 70 | \$ 3,224.59 | 10,074 | \$ 0.32 | 328 | 66 | 84 | 112 | 51 | 41 | 3,993 | 347 | 2,628 |
| 71 | \$ 53,508.06 | 102,088 | \$ 0.52 | 2,891 | 737 | 1,012 | 1,637 | 469 | 651 | 14,863 | 2,998 | 32,171 |
| 72 | \$ 7,114.59 | 10,259 | \$ 0.69 | 22 | 23 | 215 | 247 | 19 | 139 | 388 | 171 | 3,198 |
| 73 | \$ 5,975.43 | 8,470 | \$ 0.71 | 8 | 3 | 80 | 313 | 64 | 135 | 208 | 70 | 2,429 |
| 75 | \$ 9,278.62 | 12,786 | \$ 0.73 | 13 | 35 | 212 | 247 | 13 | 157 | 450 | 111 | 3,483 |
| 78 | \$ 122.99 | 157 | \$ 0.78 | 2 | - | 4 | 10 | 1 | 2 | 3 | 2 | 38 |
| 79 | \$ 1,862.48 | 3,065 | \$ 0.61 | 27 | 3 | 29 | 161 | 22 | 62 | 145 | 51 | 1,068 |
| 91 | \$ 4,296.16 | 10,158 | \$ 0.42 | 1,100 | 315 | 171 | 82 | 9 | 23 | 2,215 | 424 | 2,626 |
| Unknown | 294.47 | 552 | \$ 0.53 | 30 | 5 | 1 | - | - | - | 5 | 5 | 227 |
| TOTAL | \$208,584.54 | 622,348 | \$ 0.34 | 217,767 | 13,832 | 5,332 | 6,463 | 2,003 | 3,084 | 43,740 | 16,811 | 149,924 |

| ROUTE | REVENUE | RIDERSHIP | Revenue/ Passenger | VTA/SC Day Pass | 17 CalTrain Day Pass | S/D Riders | W/C | None | ECO Pass | Bike | Monthly Pass | |
|-------|--------------|-----------|-----------------------|--------------------|----------------------------|---------------|-----|------|-------------|------|-----------------|--------|
| 17 | \$ 13,522.93 | 17,245 | \$ 0.78 | 22 | 23 | 150 | 436 | 27 | 47 | 249 | 585 | 12,546 |

| RIDERSHIP | |
|---------------|-------|
| Night Owl | 2,521 |
| Monte Shuttle | 7,305 |
| TOTAL | 9,826 |

| | |
|-------------------|---------------|
| October Ridership | 649,419 |
| October Revenue | \$ 222,107.47 |

BUS OPERATOR LIFT TEST 'PULL-OUT (ACCESSIBLE FLEET ONLY)

| VEHICLE CATEGORY | TOTAL BUSES | AVG # DEAD IN GARAGE | AVG # AVAIL. FOR SERVICE | AVG # IN SERVICE | AVG # SPARE BUSES | AVG # LIFTS OPERATING | % LIFTS WORKING ON PULL-OUT BUSES |
|------------------------|----------------|-------------------------|-----------------------------|---------------------|----------------------|--------------------------|--------------------------------------|
| FLYER/HIGHWAY 17 - 40' | 7 | 2 | 5 | 4 | 1 | 4 | 100% |
| FLYER/LOW FLOOR - 40' | 12 | 2 | 10 | 10 | 0 | 10 | 100% |
| FLYER/LOW FLOOR - 35' | 18 | 2 | 16 | 15 | 1 | 15 | 100% |
| FLYER/HIGH FLOOR - 35' | 25 | 4 | 21 | 19 | 2 | 19 | 100% |
| GILLIG/SAM TRANS - 40' | 10 | 2 | 8 | 6 | 2 | 6 | 100% |
| GILLIG/FOOTHILL - 40' | 20 | 4 | 16 | 10 | 6 | 10 | 100% |
| GMC/HIGHWAY 17 - 40' | 8 | 2 | 6 | 3 | 3 | 3 | 100% |
| CHAMPION | 4 | 1 | 3 | 2 | 1 | 2 | 100% |

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

PASSENGER LIFT PROBLEMS

MONTH OF OCTOBER, 2002

| BUS # | DATE | DAY | REASON |
|--------|----------|-----------|---|
| 8076F | 10/04/02 | FRIDAY | Kneel does not stay down |
| 8081 F | 10/10/02 | THURSDAY | Problem with kneel |
| 8082F | 0/24/02 | THURSDAY | Lift barrier does not flatten out when deployed |
| 8086F | 0/29/02 | TUESDAY | Kneel comes back up when people are boarding |
| 8094F | 0/17/02 | THURSDAY | Having difficulty keeping bus in kneel position, something wrong with switch |
| 8094F | 0/28/02 | MONDAY | Comes out of Kneel when you take your hand off the switch |
| 8094F | 0/29/02 | TUESDAY | Kneel will not stay down |
| 8097F | 0/15/02 | TUESDAY | Must use sensor override to stow lift |
| 8099F | 10/15/02 | TUESDAY | Lift had a difficult time stowing |
| 8101F | 10/11/02 | FRIDAY | With heavy chair lift rises very slowly, barely clears top step, jerks going down |
| 8101F | 10/18/02 | FRIDAY | Had to repeatedly stow lift, kept slipping out |
| 8101F | 10/21/02 | MONDAY | Steps slip out, need to re-stow repeatedly |
| 8906G | 10/28/02 | MONDAY | Ramp drags on ground while going into step mode |
| 8909G | 10/03/02 | THURSDAY | Lift unable to raise with wheelchair passenger on it |
| 89096 | 10/09/02 | WEDNESDAY | Problem with lift |
| 8911G | 10/08/02 | TUESDAY | Barrier will not go down |
| 8913G | 10/25/02 | FRIDAY | Lift wouldn't work |
| 8916G | 10/03/02 | THURSDAY | Kneel not working |
| 8919G | 10/01/02 | TUESDAY | Barrier will not go down |
| 8919G | 10/07/02 | MONDAY | Kneel gets stuck |
| 8919G | 10/17/02 | THURSDAY | Lift worked to board but would not go back to steps |
| 98366 | 10/07/02 | MONDAY | Raise & lower switches are reversed |
| 9838G | 10/05/02 | SATURDAY | Lift extends only a few inches, would not go out any further |
| 8094F | 10/30/02 | WEDNESDAY | Kneel still having problems in the hold position |
| 8082F | 10/30/02 | WEDNESDAY | Kneel is getting stuck |
| 8094F | 10/31/02 | THURSDAY | Kneel won't hold in hold position |

New Flyer
 G Gillig
 GR Grumman
 C Champion
 LF Low Floor Flyer
 GM GMC

Note: Lift operating problems that cause delays of less than 30 minutes.



GOVERNMENT TORT CLAIM
RECOMMENDED ACTION

TO: Board of Directors

FROM: District Counsel

RE: Claim of: Dorothy Spaventa Received: 10/22/02 Claim #: 02-003 1
Date of Incident: 10/07/02 Occurrence Report No. : SC 1 o-02-06

In regard to the above-referenced Claim, this is to recommend that the Board of Directors take the following action:

- 1. Deny the claim.
- 2. Deny the application to file a late claim.
- 3. Grant the application to file a late claim.
- 4. Reject the claim as untimely filed.
- 5. Reject the claim as insufficient.
- 6. Approve the claim in the amount of \$___ and reject it as to the balance, if any.

By Margaret Gallagher
Margaret Gallagher
DISTRICT COUNSEL

Date: October 24, 2002

I, Dale Carr, do hereby attest that the above Claim was duly presented to and the recommendations were approved by the Santa Cruz Metropolitan Transit District's Board of Directors at the meeting of November 22, 2002.

Dale Carr
Recording Secretary

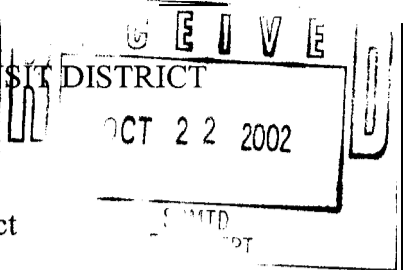
Date

MG/hp

370 Encinal Street, Suite 100, Santa Cruz, CA 95060 (831) 426-6080 FAX (831) 426-6117
METRO OnLine at <http://www.scmttd.com>

10-19-02

CLAIM AGAINST THE SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
(Pursuant to Section 910 et Seq., Government Code)
CASE # C Claim # SC10-02-06



TO: BOARD OF DIRECTORS, Santa Cruz Metropolitan Transit District
ATTN: Secretary to the Board of Directors
370 Encinal Street, Suite 100
Santa Cruz, CA 95060

1. Claimant's Name: MICHAEL + DRO THY SPAVENTA

Claimant's Address/Post Office Box: 216 WESTERN DR.
SANTA CRUZ CA 95060

Claimant's Phone Number: 831-427-2716

2. Address to which notices are to be sent: SAME AS ABOVE

3. Occurrence: BUS HIT PARKED CAR (1983 FORD THUNDERBIRD)

Date: 10-7-02 Time: 5:30? Place: 216 WESTERN DR. S.C.

Circumstances of occurrence or transaction giving rise to claim: BUS OPERATOR PULLED HIS BUS TO THE SIDE OF THE ROAD TO ALLOW ANOTHER BUS TO GO AROUND HIM AND IN THIS PROCESS HE STRUCK MY PARKED CAR.

4. General description of indebtedness, obligation, injury, damage, or loss incurred so far as is known:
1) TO BE MADE WHOLE FOR THE VALUE OF THE CAR \$750
2) TO HAVE CAR TOWED AWAY \$150
3) Payment For RENTAL CAR 2 weeks \$305

5. Name or names of public employees or employees causing injury, damage, or loss, if known:

6. Amount claimed now \$ ~~750~~ 1205
Estimated amount of future loss, if known CAR RENTAL 3RD week \$ UNKNOWN AT THIS TIME
TOTAL \$ ~~750~~ 1205

7. Basis of above computations: # 4

Michael Spaventa
CLAIMANT'S SIGNATURE OR
COMPANY REPRESENTATIVE'S SIGNATURE OR
PARENT OF MINOR CLAIMANT'S SIGNATURE
DATE 10-17-02

Note: Claim must be presented to the Secretary to the Board of Directors, Santa Cruz Metropolitan Transit District

METRO ACCESSIBLE SERVICES TRANSIT FORUM (MASTF)*
(* An official Advisory group to the Metro Board of Directors
and the ADA Paratransit Program)

MINUTES

The Metro Accessible Services Transit Forum met for its monthly meeting on October 17, 2002 in the Board Room of the NIAC Building, 333 Front Street, Santa Cruz CA.

MASTF MEMBERS PRESENT: Sharon Barbour, Ted Chatterton, Connie Day, Shelley Day, Michael Doern, Michael Edwards, Kasandra Fox, Norm Hagen, Deborah Lane, Kurtis Lemke, Jan McGinniss, Pop Papadopulo, Barbie Schaller, Patricia Spence, Link Spooner, David Taylor, Adam Tomaszewski and John Wood.

METRO STAFF PRESENT:

Bryant Baehr, Operations Department Manager
A. John Daugherty, Accessible Services Coordinator
Beverly Edwards, UTU Representative
Rita Gentry, Bus Operator

BOARD MEMBERS PRESENT:

Patricia Spence

*****MASTF MOTIONS RELATED TO THE METRO BOARD OF DIRECTORS**

None.

RELEVANT ATTACHMENTS FORWARDED TO THE BOARD: None.

***MASTF MOTIONS RELATED TO METRO MANAGEMENT**

None.

I. CALL TO ORDER AND INTRODUCTIONS

Chairperson Deborah Lane called the meeting to order at 2:02 p.m.

II. APPROVAL OF THE SEPTEMBER 19, 2002 MASTF MINUTES

**MASTF Motion: That the September 19, 2002 MASTF Minutes be approved as submitted.
M/S/PU: Fox, Taylor**

III. AMENDMENTS TO THE AGENDA

No amendments to the Agenda were proposed.

IV. ORAL COMMUNICATION AND CORRESPONDENCE

John Daugherty shared that several pieces of correspondence to MASTF had been received since the MASTF meeting on September 19th:

- 1) One notice and two Agendas for a Santa Cruz County Regional Transportation Commission (SCCRTC) Policy Workshop on Highway 1 Widening and other topics. The Workshop is scheduled to take place this morning.
- 2) The October 2002 edition of the *Central Coast Reporter*, a resource newsletter provided by the Association on Monterey Bay Area Governments (AMBAG).

Mr. Daugherty offered to circulate the correspondence.

Norm Hagen stated that he had two items he wanted to address and “perhaps put on the Agenda for future discussions”:

- 1) Mr. Hagen stated that South County needs more bus service on weekends. He noted that there are only three bus runs in his area during Saturday. “I can’t get from my home to downtown before noon,” he noted.
- 2) Mr. Hagen also wanted MASTF to address the issue of who is eligible to vote during MASTF meetings. He recalled that during the last meeting he was present, 32 persons attended. He recalled that only six persons could vote.

John Wood asked if action on these items would be taken today. Ms Lane responded that the Brown Act prohibited changes to this Agenda. She noted that the items identified by Mr. Hagen were noted for the Agenda next month.

Patricia Spence noted that she had two items she wanted to speak on:

- 1) Ms. Spence reported that during the SCCRTC workshop this morning the Commission approved the financing to install a push button at the front door of the SCCRTC offices.
- 2) She then read aloud a letter (Attachment A) that was addressed to MASTF:

“... It has become increasingly difficult to juggle responsibilities and commitments of the positions of MASTF Paratransit Chair and a METRO Board member and still be true to my personal ideals of fairness and respect of individuals. Due to efforts to limit my Constitutional right to speak freely, this letter is also my resignation as Paratransit Chair.”

“It is my intention to always be available and willing to continue work on issues effecting both paratransit and fixed route systems.” Ms. Spence wrote, “Please feel free to leave your name and telephone number at the METRO administrative office 426-6080 with any concerns and I will attempt to obtain answers for you...”

Mr. Wood asked Ms. Spence if a replacement was needed for her vacated MASTF position. Ms. Spence responded that elections would be held next month.

Ms. Lane asked Mr. Daugherty to read aloud an article (Attachment B) that was published on Page A2 of the *Santa Cruz Sentinel* today. The article, “ParaCruz grapples with ridership”, describes perceived difficulties with METRO ParaCruz service.

“Senior citizens who depend on the ParaCruz transit program are struggling with an effort to balance convenience with cost effectiveness,” *Sentinel* correspondent Nicole Stricker wrote, “The Santa Cruz Metropolitan Transit District, or Metro, is seeking to curb misuse of the program by evaluating every current rider. But some senior advocates think the new policy is bothersome and unnecessary...”

Highlights of discussion prompted by the article included:

- 1) Community Bridges and Lift Line representative Link Spooner stated: “We were not contacted for this article. And we did not have any comments included.”
- 2) Bryant Baehr shared that the phrase “curb misuse” in the article was the phrase put forward by the *Sentinel*, but not METRO. He noted that METRO is now four months into a project with the potential to be “explosive.” He observed that “minor inconvenience” has occurred on occasion when a METRO letter was mistaken for junk mail and then discarded.
- 3) “We should take a leadership role,” Mr. Wood noted. He suggested that creation of a group letter be considered in response to the article.
- 4) Mr. Hagen cautioned that an authority should react to the article.
- 5) Ms. Lane offered that METRO could do a public relations piece on the topic.

Ms. Lane reported that the draft METRO ADA/504 grievance policy (Attachment C) should be ready for review by MASTF next month. She shared that a committee consisting of herself, Bryant Baehr, Mr. Daugherty, Peggy Gallagher and Brad Neily has worked on drafts of the policy.

Mr. Daugherty shared that the MASTF Executive Committee had discussed a “MASTF History Project” during its meeting last week. Ms. Lane requested that a Needs Report (Attachment D) compiled by MASTF members during 1989 be included in the packet for the next MASTF meeting. She also shared that long time MASTF member Brad Neily had written the Report.

Michael Doern shared his observation that announcement of call stops by bus operators has “greatly improved.” Mr. Doern added that the improvement was especially noticed in buses that are not equipped with electronic signs.

V. ONGOING BUSINESS

None

VI NEW BUSINESS

6.1 Nominations for 2002 MASTF Certificates of Appreciation (Deborah Lane)

Ms. Lane announced that nominations for persons or groups to receive 2002 MASTF Certificates of Appreciation are now being accepted. She noted that persons can give nominations “for excellence” to MASTF Executive Committee members or Mr. Daugherty. She explained that the MASTF Executive

Committee during its next meeting on November 7th would choose honorees for Certificates of Appreciation.

She added that nominations could be emailed or handed over to Executive Committee members or phoned in to her at (831) 471-9062. Mr. Daugherty shared that nominations could also be phoned to him at (831) 423-3868.

6.2 Keeping the Sales Tax Revenue for Public Transit (Deborah Lane)

“This topic is more in line with promoting public transit,” Ms Lane explained. Mr. Daugherty then read aloud excerpts from a recent *Santa Cruz Sentinel* article (Attachment E). The article, “Highway 1: Bad and getting worse” was written by *Sentinel* staff writer Karen Davis.

Ms. Davis wrote: “... Transportation officials here were ready to begin the environmental review process for the widening – which must be complete before carpool lanes are added. But state officials on Thursday (October 3rd) denied their request for \$3.8 million in state money to do so.

“That means a number of other local projects could be shelved as commissioners search for money to move ahead with the review...”

Highlights of discussion on this topic included:

- 1) Ms. Lane suggested that the title of METRO’s planned new facility be changed. “Drop “Metro Base”... think of it as a home”, she offered.
- 2) “Whatever we do,” Mr. Wood suggested, “we put in the context of we’re in the transportation business ourselves, and we will continue to advocate for the bus.”
- 3) Beverly Edwards suggested that decision-makers be invited “to get on my 71 in the afternoon... Nobody would have to say a word... (They would see) the need for getting more buses.”
- 4) Ms. Spence offered a suggestion for everyone in the room. The next time a person might go to San Jose to purchase a car or other item, the person could “look locally” instead for the purchase. She noted that a portion of local sales tax becomes Transportation Development Act (TDA) funds that help support local transit.
- 5) Michael Edwards shared that, “We need more representation from the other side of the valley, more representation from the Latino community.” Mr. Edwards noted that the population increases and public transit needs in South County need to be addressed.
- 6) Mr. Baehr described experimentation with the “Bus Rapid Transit” concept. He noted that Eugene, Oregon and other cities had dedicated lanes for bus travel. One result is commuters in cars watching buses pass by. He noted that the UTU was also studying the concept.
- 7) Sharon Barbour described the possible benefits if METRO “took a bus to the fourth grade.” She noted that outreach to students could affect transit habits.

No Motions emerged from this discussion. During discussion, Ms. Lane noted that this Agenda item was a brainstorming session.

MASTF Committee Reports

6.3 Training and Procedures Committee Report (Pop Papadopulo)

There was no report on this Agenda item.

6.4 Bus Service Committee Report

a) Metro Users Group (MUG) Report

Connie Day reported that Compressed Natural Gas (CNG) buses and Talking Bus equipment were coming. Barbie Schaller reported that the Environmental Impact Report for the Metro Base cluster in the Harvey West area would be ready for review next month. Ms. Schaller also shared that a new description for MUG was ready for the next *Headways* schedule.

b) Service Planning and Review (SPARC) Committee Report- Action Item

6.5 Bus Stop Improvement Committee Report

6.6 Paratransit Services Committee Report

There were no reports on the three Agenda items above.

Other Reports

6.7 Paratransit Update

a) Paratransit Report (Link Spooner)

Link Spooner reported:

- 1) Five new drivers are being hired by Lift Line.
- 2) Lift Line employees were working closely with METRO personnel to deal with the “painful transitions” required to meet requirements of the new METRO ParaCruz contract between METRO and Community Bridges. For example, Mr. Spooner noted that METRO’s “certification process or decertification process or recertification process” was presenting challenges that are being worked on.
- 3) Mr. Spooner also discussed transportation options besides METRO ParaCruz. For example, Kasandra Fox asked if the Taxi Scrip program was still available. Mr. Spooner responded that the program was still available.
- 4) During his report, Mr. Spooner offered his email address (links@cbridges.org) and the Community Bridges website address (www.communitybridges.org) to the group if further information was needed.
- 5) Mr. Hagen shared praise with Mr. Spooner for the service he received from a lady driver recently.

b) CCCIL Transportation Advocacy

There was no report on this Agenda item.

6.8 UTU Report (Beverly Edwards)

Ms. Edwards reported that she wished METRO's new Compressed Natural Gas (CNG) were now on the road. She noted that a fueling station for the new buses is also needed.

Ms. Edwards also discussed the topic of bus operators utilizing the Talking Bus technology. For example, she noted that 10 or 12 "safety messages" are part of the technology.

6.9 SEIU/SEA Report

There was no report on this Agenda item.

6.10 Next Month's Agenda Items

Ms. Lane noted that the topics of "Eligibility to Vote" and "South County Bus Service" discussed earlier today were on the Agenda for the meeting next month.

Mr. Daugherty noted that Election of MASTF Officers would take place at the next meeting. He read excerpts from the MASTF By Laws (Attachment F) that noted that nominees could inform MASTF Executive Committee members orally or in writing that they accept nomination for office, even if the nominees are not present at the next meeting. He also read the list of officer positions for which nominations will be accepted.

Discussion on several topics followed the remarks from Mr. Daugherty:

- 1) The standard for eligibility to vote (a MASTF member attending one of the two previous meetings) was questioned and debated. For example, Mr. Hagen noted that a person attending six or seven times during the last 12 months should be eligible to vote at a MASTF meeting.
- 2) The timing of nominations was another topic discussed. For example, Ted Chatterton questioned the linking of nominations and officer elections during the same meeting.
- 3) Ms. Barbour requested that two other topics be added to the next Agenda: The date for MASTF meetings and the use of Discount Convenience Cards for Paratransit Fare.
- 4) The voting eligibility standard for MASTF was debated further. During discussion of this topic, Ms. Barbour replaced Ms. Lane as Chairperson for the remainder of the meeting.

No Motions emerged during discussion of these topics.

MASTF Minutes
October 17, 2002
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VII ADJOURNMENT

The meeting was adjourned at 4:00 p.m.

M/S/PU: Fox, C. Day

Respectfully submitted by: A. John Daugherty, Accessible Services Coordinator

Note: After the meeting, Ms. Barbour asked Mr. Daugherty to include a letter from her to MASTF (Attachment G) in the November MASTF meeting packet.

NOTE: NEXT REGULAR MASTF MEETING IS: Thursday November 14, 2002 from 2:00-4:00 p.m., in the Board Room of the NIAC Building, 333 Front Street, Santa Cruz, CA.

NOTE: NEXT S.C.M.T.D. BOARD OF DIRECTORS MEETING IS: Friday November 8, 2002 at 9:00 a.m. at the S.C.M.T.D. Administrative Offices, 370 Encinal Street, Santa Cruz, CA.

NOTE: THE FOLLOWING S.C.M.T.D. BOARD OF DIRECTORS MEETING IS: Friday November 22, 2002 at 9:00 a.m. in the Watsonville City Council Chambers, 250 Main Street, Watsonville, CA.

Santa Cruz Metropolitan Transit District

Minutes-Metro Users Group

October 16, 2002

The Santa Cruz Metropolitan Transit District Metro Users Group met at 2:10 p.m., Wednesday, October 16, 2002, at the NIAC Building Conference Room, 333 Front Street, Santa Cruz.

MEMBERS PRESENT

Sandra Coley, Pajaro TMA
Connie Day, Transit User
Shelley Day, Transit User
Michelle Hinkle, Chair, Board Member
Virginia Kirby, Transit User
Barbie Schaller, Seniors Commission

SCMTD STAFF PRESENT

Bryant Baehr, Operations Manager

VISITORS PRESENT

Paul Marcelin, Transit User

MUG MOTIONS TO METRO BOARD OF DIRECTORS

None

MUG MOTIONS TO METRO MANAGEMENT

None

1. CALL TO ORDER AND INTRODUCTION

Chair Michelle Hinkle called the meeting to order at 2:14 p.m.

2. ORAL AND WRITTEN COMMUNICATIONS AND ANNOUNCEMENTS

Bryant Baehr reported that this would be the last time MUG would meet in the NIAC Building. He explained that he spoke with the building manager, Cindy Marshall, who informed him that MUG would need a sponsor from within the building. Bryant suggested that Susan Houge from the Epilepsy Network, who is also on the METRO ParaCruz Appeals Panel, be MUG's sponsor. Ms. Houge agreed and approached Ms. Marshall and was informed that the sponsor would need additional insurance and must attend every meeting, among other things. Mr. Baehr went on to explain that the Epilepsy Network was not in a position to purchase additional insurance or to meet the other requirements to become MUG's sponsor.

Sandra Coley asked about Carolyn O'Donnell's ability to get the room in the past. Mr. Baehr replied that the TMA can no longer reserve the room.

Mr. Baehr was asked who sponsored MASTF. He replied that Community Bridges

sponsored MASTF and that Community Bridges has a representative who attends MASTF meetings and they could meet all the other requirements, including additional insurance.

Mr. Baehr said to avoid moving the meetings back to Encinal, he was looking into using the conference room at the METRO Center. The University Town Center was not an option because there were no funds available. Mr. Baehr said the new meeting location would be announced in next month's MUG packet.

Mr. Baehr then explained that the current GPS system, which is part of the Talking Bus technology, utilizes 8 satellites and that signals are lost in the San Lorenzo Valley area. The vendor, Digital Recorders, sent Mr. Baehr a new 12-satellite GPS unit to test. The test was successful and the District will be upgraded from the 8-satellite system to the 12-satellite system at no charge.

3. ADDITIONS AND DELETIONS TO THE AGENDA

None

4. CONSENT AGENDA

Receive and Accept:

- a) Minutes of September MUG Meeting
- b) Monthly Attendance Report
- c) Minutes of September Board of Directors Meeting

**ACTION: MOTION: Sandra Coley
APPROVE CONSENT AGENDA**

**SECOND: Connie Day
Motion passed unanimously**

5. ON-GOING ITEMS

5a) Review of Current Board Agenda Items

Bryant Baehr reported that the Board will be considering budget reductions including all District memberships and associations; printing *Headways* only twice per year instead of 4 times per year which would save around \$40,000.00; and that each department was asked to cut 5% in non-personnel expenses with the result of cutting over \$500,000.00 without cutting any service or jobs. The Board is planning a Budget workshop at their November 8th meeting to discuss the budgets for this year and next year.

Sandra Coley reported that tomorrow the SCCRTC (Santa Cruz County Regional Transportation Commission) ITAC (Inter-Agency Technical Advisory Committee) and Policy Workshop meetings would address the \$3.8 million needed to fund environmental studies for the Highway 1 Widening Project. The State Transportation Commission denied the funds, so the RTC will be looking at other sources including TDA, CMAQ & STIP funding, which may affect the District.

Bryant Baehr reported that another item on the Board agenda was regarding a

complaint made to the Board of Directors that there was an excessive amount of violence at bus stops. Mr. Baehr was directed to investigate this, so he contacted every police department and law enforcement agency in the county and found this complaint to be untrue. Bryant went on to explain that the last significant incident he could remember was about 2 ½ years ago when a parolee assaulted a bus driver. Barbie Schaller and Connie Day added that they have witnessed bus operators calling the police when necessary.

Barbie Schaller commented that recently she had been on a bus and heard the same announcement repeated twice. Bryant Baehr explained that there is a repeat button that the driver may have pushed accidentally. Mr. Baehr also said that overall reaction to the Talking Bus technology has been extremely positive. Connie Day reported that on some buses, she couldn't hear the announcements. Bryant explained that this was due to the fact that the low-floors have 6-8 speakers per bus, while the high-floors have only 4. The volume settings are being worked on and should be corrected by next week.

5b) Review of *Headways* Redesign Issues

Barbie Schaller, Virginia Kirby and Ted Chatterton came up with a suggestion for a MUG advertisement in *Headways*. Chair Michelle Hinkle made a correction to the meeting day, pointing out that MUG currently meets on the Wednesday after the 1st Board meeting of every month, rather than the 3rd Wednesday. There was discussion about the meeting date and time and it was decided to meet at 2:10 p.m. on the 3rd Wednesday of every month. That way, anyone planning to attend would not have to know the schedule of the Board of Directors meetings. Bryant Baehr said that he would make room for it in the next *Headways* after all the corrections had been made and a new meeting location was decided upon. Sandra Coley offered to have it translated in Spanish. Paul Marcelin requested that Mr. Baehr email the final text to him also.

Bryant Baehr then reported that he was trying to set up a meeting with UCSC and METRO staff within the next 2 weeks so Mr. Marcelin could present his ideas to them both.

5c) Service and Planning Update

Bryant Baehr stated there was nothing new to report and added that there was absolutely no money for any service improvements.

5d) Cabrillo College

Since Carolyn O'Donnell left, there is no Cabrillo College representative to attend MUG meetings.

5e) Bus Procurement

Bryant Baehr reported that when the 29 low-floors arrive by January 2003, 100% of the local fixed route will be Talking Bus accessible. Once the 11 Highway 17 buses arrive in August 2003, the entire fleet will have the Talking Bus technology.

6. UPDATES

6a) Paratransit Issues

Bryant Baehr reported that out of over 200 recertifications and first time certification evaluations, there have been only 4 appeals. Three were upheld and the 4th is awaiting additional information. Mr. Baehr stated he has received very few complaints and that Shannon Holmes from Orthopaedic Hospital is doing a wonderful job, as are the ParaCruz staff, and the Appeals Panel.

Virginia Kirby asked if Paratransit and fixed route are related. Bryant explained that they are because the District is required to provide complimentary Paratransit service within a $\frac{3}{4}$ mile parameter of its fixed route. He went on to explain that part of the revenue goes to ParaCruz and part of it goes to fixed route. If a fixed route is cut, Paratransit service is cut with it.

6b) MetroBase

Bryant Baehr reported that the Administrative Draft of the EIR is being reviewed and will become public within 2 weeks.

7. NEW BUSINESS

7a) ADA/504 Accessibility Policies & Procedures

Bryant Baehr handed out drafts of the new policy which the District Counsel is working on together with MASTF. District Counsel requested that MUG review the draft policy and bring their comments to the November MUG meeting and that the draft would be presented to the Board in December. Additional copies of the draft policy are available by contacting the District Counsel's office.

7b) Talking Bus

This item was discussed earlier under items 2, 5a and 5e.

7c) Membership in MUG

Chair Michelle Hinkle stated that the MUG advertisement will appear in the next *Headways* and asked the Committee for any other suggestions to increase membership. Virginia Kirby stated that when people have complaints, she encourages them to attend MUG meetings.

Sandra Coley asked if the ADA/504 draft was forwarded to Karena Pushnik from SCCRTC's E&D TAC. Bryant Baehr said he thought so and would look into it.

Bryant Baehr reported that the TMA is in the process of replacing Carolyn O'Donnell. Sandra Coley added that the interviews begin tomorrow.

8. OPEN DISCUSSION

Nothing to report.

9. ADJOURNMENT

Chair Hinkle adjourned the meeting at 2:50 p.m.

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Respectfully submitted,

CINDI THOMAS
Administrative Secretary

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 22, 2002

TO: Board of Directors

FROM: Elisabeth Ross, Finance Manager

SUBJECT: MONTHLY BUDGET STATUS REPORT FOR SEPTEMBER 2002, AND APPROVAL OF BUDGET TRANSFERS

I. RECOMMENDED ACTION

Staff recommends that the Board of Directors approve the budget transfers for the period of October 1 – 31, 2002.

II. SUMMARY OF ISSUES

- Operating revenue for the year to date totals \$6,576,375 or \$224,172 under the amount of revenue expected to be received during the first three months of the fiscal year, based on the final budget.
- Total operating expenses for the year to date, in the amount of \$6,486,447, are at 20.5% of the final budget.
- A total of \$3,241,081 has been expended through September 30th for the FY 02-03 Capital Improvement Program.

III. DISCUSSION

An analysis of the District's budget status is prepared monthly in order to apprise the Board of Directors of the District's actual revenues and expenses in relation to the adopted operating and capital budgets for the fiscal year. The attached monthly revenue and expense report represents the status of the District's FY 02-03 budget as of September 30, 2002. The fiscal year is 25% elapsed.

A. Operating Revenues

Revenues are \$224,172 under the amount projected to be received for the period. Passenger fares are \$40,981 below budget projections due to lower ridership. Sales tax revenue is \$168,054 below budget due to a \$63,000 shortfall in the allocation for the quarter and a reduced advance payment from the State. Variances are explained in the notes following the report.

B. Operating Expenses

Operating expenses for the year to date total \$6,486,447 or 20.5% of the final budget, with 25% of the year elapsed. Variances are explained in the notes following the report.

November 22, 2002

Board of Directors

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C. Capital Improvement Program

For the year to date, a total of \$3,241,081 has been expended on the Capital Improvement Program. The largest expenditure was for the purchase of buses in the amount of \$2,523,656.

IV. FINANCIAL CONSIDERATIONS

Approval of the budget transfers will increase some line item expenses and decrease others. Overall, the changes are expense-neutral.

V. ATTACHMENTS

Attachment A: Revenue and Expense Report for September 2002, and Budget Transfers

MONTHLY REVENUE AND EXPENSE REPORT
 OPERATING REVENUE - SEPTEMBER 2002

| Operating Revenue | FY 02-03 | | FY 02-03 | | FY 02-03 Budgeted YTD | FY 01-02 Actual YTD | FY 02-03 Actual MD | MD Variance from Budgeted | |
|--------------------------------|-----------------------|---------------------|---------------------|---------------------|--------------------------|------------------------|-----------------------|------------------------------|--|
| | Budgeted for Month | Actual for Month | | | | | | | |
| Passenger Fares | \$ 253,976 | \$ 257,877 | \$ 820,022 | \$ 820,022 | \$ 779,041 | \$ (40,981) | | | |
| Paratransit Fares | 5 19,571 | \$ 21,602 | \$ 19,571 | 5 36,792 | 5 23,358 | 5 3,787 | | | |
| Special Transit Fares | \$ 150,662 | 5 165,929 | \$ 225,695 | \$ 247,659 | 5 239,058 | \$ 13,363 | | | |
| Highway 17 Revenue | 5 80,097 | 5 65,343 | 5 222,573 | 5 214,608 | 5 192,536 | 5 (30,037) | | | |
| <i>Subtotal Passenger Rev</i> | \$ 504,306 | \$ 510,751 | \$ 1,287,861 | \$ 1,319,081 | \$ 1,233,993 | \$ (53,868) | See Note 1 | | |
| Advertising Income | \$ 15,000 | \$ 15,000 | 5 45,000 | 5 42,000 | \$ 45,000 | 5 - | | | |
| Other Aux Transp Rev | \$ 833 | 5 675 | 5 2,500 | 5 2,912 | \$ 2,883 | 5 383 | | | |
| Rent Income | \$ 12,134 | \$ 12,412 | 5 36,317 | 5 35,752 | 5 38,373 | \$ 2,056 | | | |
| Interest - General Fund | \$ 43,288 | 5 40,729 | \$ 129,172 | \$ 267,080 | \$ 124,306 | \$ (4,866) | | | |
| Non-Transportation Rev | \$ 175 | 5 271 | \$ 525 | 5 12,012 | 5 702 | 5 177 | | | |
| Sales Tax Income | \$ 1,496,300 | \$ 1,329,246 | 5 3,924,700 | \$ 3,972,227 | 5 3,756,646 | \$ (168,054) | See Note 2 | | |
| TDA Funds | \$ - | \$ - | \$ 1,374,472 | 5 1,441,957 | \$ 1,374,472 | \$ - | | | |
| Other Local Funding | \$ - | 5 - | \$ - | - | \$ - | \$ - | | | |
| Other State Funding | \$ - | 5 - | \$ - | - | \$ - | \$ - | | | |
| FTA Op Asst - Sec 5307 | \$ - | 5 - | \$ - | 5 505,614 | 5 - | 5 - | | | |
| FTA Op Asst - Sec 5311 | \$ - | \$ - | \$ - | - | \$ - | \$ - | | | |
| Other Federal Grants | \$ - | 5 - | \$ - | - | \$ - | \$ - | | | |
| Other Revenue | \$ - | \$ - | \$ - | - | \$ - | \$ - | | | |
| Total Operating Revenue | 5 2,072,036 | 5 1,908,084 | \$ 6,800,547 | \$ 7,598,635 | \$ 6,576,375 | \$ (224,172) | | | |

MONTHLYREVENUEANDEXPENSEREPORT
OPERATING EXPENSE SUMMARY - SEPTEMBER 2002

| | FY 02-03 Final Budget | FY 02-03 Revised Budget | FY 01-02 Expended YTD | FY 02-03 Expended YTD | Percent Expended of Budget | |
|---|--------------------------|-------------------------------|--------------------------|--------------------------|----------------------------------|------------|
| PERSONNEL ACCOUNTS | | | | | | |
| Administration | \$ 617,973 | \$ 617,973 | \$ 123,709 | \$ 136,194 | 22.0% | |
| Finance | \$ 526,788 | \$ 526,788 | \$ 114,932 | \$ 121,052 | 23.0% | |
| Planning & Marketing | \$ 710,601 | \$ 710,601 | \$ 183,854 | \$ 155,387 | 21.9% | |
| Human Resources | \$ 325,478 | \$ 325,478 | \$ 77,523 | \$ 64,128 | 19.7% | |
| Information Technology | \$ 382,753 | \$ 382,753 | \$ 83,278 | \$ 92,417 | 24.1% | |
| District Counsel | \$ 307,569 | \$ 307,569 | \$ 64,304 | \$ 73,239 | 23.8% | |
| Risk Management | \$ - | \$ - | \$ - | \$ - | 0.0% | |
| Facilities Maintenance | \$ 1,020,801 | \$ 1,020,801 | \$ 226,555 | \$ 232,057 | 22.7% | |
| Paratransit Program | \$ 224,893 | \$ 224,893 | \$ - | \$ 43,323 | 19.3% | |
| Operations | \$ 1,873,101 | \$ 1,873,101 | \$ 433,995 | \$ 445,875 | 23.8% | |
| Bus Operators | \$ 11,615,995 | \$ 11,615,995 | \$ 2,640,336 | \$ 2,781,896 | 23.9% | |
| Fleet Maintenance | \$ 3,935,369 | \$ 3,935,369 | \$ 827,267 | \$ 853,534 | 21.7% | |
| Retired Employees Benefits | \$ 518,615 | \$ 518,615 | \$ 95,038 | \$ 144,042 | 27.8% | See Note 3 |
| Total Personnel | \$ 22,059,937 | \$ 22,059,937 | \$ 4,870,791 | \$ 5,143,144 | 23.3% | |
| NON-PERSONNEL ACCOUNTS | | | | | | |
| Administration | \$ 546,487 | \$ 546,487 | \$ 136,951 | \$ 135,153 | 24.7% | |
| Finance | \$ 728,785 | \$ 728,580 | \$ 199,711 | \$ 418,131 | 57.4% | See Note 4 |
| Planning & Marketing | \$ 174,080 | \$ 174,080 | \$ 54,433 | \$ 33,138 | 19.0% | |
| Human Resources | \$ 97,500 | \$ 97,500 | \$ 37,202 | \$ 3,278 | 3.4% | |
| Information Technology | \$ 113,025 | \$ 113,025 | \$ 19,986 | \$ 14,783 | 13.1% | |
| District Counsel | \$ 26,007 | \$ 26,007 | \$ 31,138 | \$ 3,937 | 15.1% | |
| Risk Management | \$ 269,455 | \$ 269,455 | \$ - | \$ 44,452 | 16.5% | |
| Facilities Maintenance | \$ 464,382 | \$ 464,382 | \$ 103,560 | \$ 73,132 | 15.7% | |
| Paratransit Program | \$ 3,704,585 | \$ 3,704,585 | \$ 470,359 | \$ 254,954 | 6.9% | See Note 5 |
| Operations | \$ 470,079 | \$ 470,284 | \$ 79,626 | \$ 80,404 | 17.1% | |
| Bus Operators | \$ 6,400 | \$ 6,400 | \$ - | \$ 41 | 0.6% | |
| Fleet Maintenance | \$ 2,936,353 | \$ 2,936,353 | \$ 528,641 | \$ 527,756 | 18.0% | |
| Op Prog/SCCIC | \$ 2,925 | \$ 2,925 | \$ 150 | \$ 53 | 1.8% | |
| Prepaid Expense | | | \$ (108,649) | \$ (245,909) | 0.0% | See Note 6 |
| Total Non-Personnel | \$ 9,540,063 | \$ 9,540,063 | \$ 1,553,108 | \$ 1,343,303 | 14.1% | |
| Subtotal Operating Expense | \$ 31,600,000 | \$ 31,600,000 | \$ 6,423,898 | \$ 6,486,447 | 20.5% | |
| Grant Funded Studies/Programs | \$ - | \$ - | | \$ - | 0.0% | |
| Transfer to/from Cap Program | \$ - | \$ - | | \$ - | 0.0% | |
| Pass Through Programs | \$ - | \$ - | | \$ - | 0.0% | |
| Total Operating Expense | \$ 31,600,000 | \$ 31,600,000 | \$ 6,423,898 | \$ 6,486,447 | 20.5% | |
| YTD Operating Revenue Over YTD Expense | | | | \$ 89,928 | | |

CONSOLIDATED OPERATING EXPENSE
SEPTEMBER 2002

| | FY 02-03 Final Budget | FY 02-03 Revised Budget | FY 01-02 Expended YTD | FY 02-03 Expended YTD | % Exp YTD of Budget | |
|--------------------------------|--------------------------|----------------------------|--------------------------|--------------------------|------------------------|-------------|
| LABOR | | | | | | |
| Operators Wages | 6259873 | 6259873 | \$ 1,468,990 | \$ 1,400,334 | 22.4% | |
| Operators Overtime | \$ 968,512 | \$ 968,512 | \$ 207,457 | \$ 177,759 | 18.4% | |
| Other Salaries & Wages | \$ 6,153,470 | \$ 6,153,470 | \$ 1,312,459 | \$ 1,303,457 | 21.2% | |
| Other Overtime | \$ 245,893 | \$ 245,893 | \$ 91,471 | \$ 53,050 | 21.6% | |
| | \$ 13,627,748 | \$ 13,627,748 | \$ 3,080,377 | \$ 2,934,600 | 21.5% | |
| FRINGE BENEFITS | | | | | | |
| Medicare/Soc Sec | \$ 130,765 | \$ 130,765 | \$ 30,905 | \$ 31,429 | 24.0% | |
| PERS Retirement | \$ 970,685 | \$ 970,685 | \$ 211,544 | \$ 214,674 | 22.1% | |
| Medical Insurance | \$ 2,270,455 | \$ 2,271,955 | \$ 462,594 | \$ 524,294 | 23.1% | |
| Dental Plan | \$ 414,391 | \$ 414,391 | \$ 117,102 | \$ 103,257 | 24.9% | |
| Vision Insurance | \$ 113,077 | \$ 113,077 | \$ 27,866 | \$ 29,617 | 26.2% | See Note 7 |
| Life Insurance | \$ 56,570 | \$ 56,570 | \$ 13,110 | \$ 12,793 | 22.6% | |
| State Disability Ins | \$ 131,089 | \$ 131,089 | \$ 29,054 | \$ 28,292 | 21.6% | |
| Long Term Disability Ins | \$ 509,251 | \$ 507,751 | \$ 103,983 | \$ 111,230 | 21.9% | |
| Unemployment Insurance | \$ 26,316 | \$ 26,316 | \$ 1,498 | \$ a5 | 0.3% | |
| Workers Comp | \$ 1,248,362 | \$ 1,248,362 | \$ 191,236 | \$ 337,142 | 27.0% | See Note 8 |
| Absence w/ Pay | \$ 2,532,354 | \$ 2,532,354 | \$ 597,544 | \$ 813,740 | 32.1% | See Note 9 |
| Other Fringe Benefits | \$ 28,874 | \$ 28,874 | \$ 3,981 | \$ 1,991 | 6.9% | |
| | \$ 8,432,189 | \$ 8,432,189 | \$ 1,790,414 | \$ 2,208,544 | 26.2% | |
| SERVICES | | | | | | |
| Acctng/Admin/Bank Fees | \$ 289,500 | \$ 289,500 | \$ 54,519 | \$ 78,589 | 27.1% | See Note 10 |
| Prof/Legis/Legal Services | \$ 479,720 | \$ 481,720 | \$ 28,342 | \$ 63,016 | 13.1% | |
| Temporary Help | \$ - | \$ - | \$ 50,954 | \$ - | 0.0% | |
| Uniforms & Laundry | \$ 35,300 | \$ 35,300 | \$ 5,649 | \$ 5,736 | 16.2% | |
| Security Services | \$ 283,419 | \$ 283,419 | \$ 44,568 | \$ 45,178 | 15.9% | |
| Outside Repair - Bldgs/Eqmt | \$ 174,450 | \$ 172,450 | \$ 34,566 | \$ 32,787 | 19.0% | |
| Outside Repair - Vehicles | \$ 270,140 | \$ 270,140 | \$ 59,005 | \$ 63,890 | 23.7% | |
| Waste Disp/Ads/Other | \$ 226,240 | \$ 226,240 | \$ 31,149 | \$ 30,178 | 13.3% | |
| | \$ 1,758,769 | \$ 1,758,769 | \$ 308,750 | \$ 319,374 | 18.2% | |
| CONTRACT TRANSPORTATION | | | | | | |
| Contract Transportation | \$ 50 | \$ 50 | \$ - | \$ - | 0.0% | |
| Paratransit Service | \$ 3,474,485 | \$ 3,474,485 | \$ 464,467 | \$ 224,144 | 6.5% | See Note 5 |
| | \$ 3,474,535 | \$ 3,474,535 | \$ 464,467 | \$ 224,144 | 6.5% | |
| MOBILE MATERIALS | | | | | | |
| Fuels & Lubricants | \$ 1,357,168 | \$ 1,355,283 | \$ 240,485 | \$ 251,074 | 18.5% | |
| Tires & Tubes | \$ 150,000 | \$ 150,000 | \$ 22,700 | \$ 22,473 | 15.0% | |
| Other Mobile Supplies | \$ 645,000 6,500 | \$ 645,000 6,500 | \$ 97,089 2,618 | \$ 94,253 18 | 14.6% 4.9% | |
| Revenue Vehicle Parts | | | | | | |
| | \$ 2,158,668 | \$ 2,156,783 | \$ 362,892 | \$ 368,120 | 17.1% | |

**CONSOLIDATED OPERATING EXPENSE
SEPTEMBER 2002**

| | FY 02-03 Final Budget | FY 02-03 Revised Budget | FY 01-02 Expended YTD | FY 02-03 Expended YTD | % Exp YTD of Budget | |
|---------------------------------|--------------------------|----------------------------|--------------------------|--------------------------|------------------------|-------------|
| OTHER MATERIALS | | | | | | |
| Postage & Mailing/Freight | \$ 21,990 | \$ 26,990 | \$ 4,484 | \$ 5,827 | 21.6% | |
| Printing | \$ 130,729 | \$ 125,729 | \$ 15,188 | \$ 13,679 | 10.9% | |
| Office/Computer Supplies | \$ 66,686 | \$ 66,686 | \$ 15,608 | \$ 9,887 | 14.8% | |
| Safety Supplies | \$ 23,175 | \$ 23,175 | \$ 5,068 | \$ 1,536 | 6.6% | |
| Cleaning Supplies | \$ 65,000 | \$ 65,000 | \$ 10,871 | \$ 10,122 | 15.6% | |
| Repair/Maint Supplies | \$ 37,700 | \$ 37,700 | \$ 18,289 | \$ 8,834 | 23.4% | |
| Parts, Non-Inventory | \$ 50,000 | \$ 50,000 | \$ 8,831 | \$ 9,439 | 18.9% | |
| Tools/Tool Allowance | \$ 11,207 | \$ 11,207 | \$ 5,028 | \$ 1,900 | 17.0% | |
| Promo/Photo Supplies | \$ 22,247 | \$ 22,247 | \$ 511 | \$ 536 | 2.4% | |
| | \$ 428,734 | \$ 428,734 | \$ 83,878 | \$ 61,760 | 14.4% | |
| UTILITIES | \$ 328,084 | \$ 328,084 | \$ 74,786 | \$ 67,354 | 20.5% | |
| CASUALTY & LIABILITY | | | | | | |
| Insurance - Prop/PL & PD | \$ 429,000 | \$ 429,000 | \$ 43,122 | \$ 92,822 | 21.6% | |
| Settlement Costs | \$ 100,000 | \$ 100,000 | \$ 8,059 | \$ 32,376 | 32.4% | See Note 11 |
| Repairs to Prop | \$ - | \$ - | \$ 360 | \$ (8,531) | 0.0% | See Note 12 |
| Prof/Other Services | \$ 55,000 | \$ 55,000 | \$ 21,607 | \$ 72 | 0.1% | |
| | \$ 584,000 | \$ 584,000 | \$ 73,147 | \$ 116,739 | 20.0% | |
| TAXES | \$ 44,667 | \$ 44,667 | \$ 2,458 | \$ 2,456 | 5.5% | |
| MISC EXPENSES | | | | | | |
| Dues & Subscriptions | \$ 55,505 | \$ 55,505 | \$ 20,507 | \$ 33,286 | 60.0% | See Note 13 |
| Media Advertising | \$ 5,000 | \$ 5,000 | \$ 7,922 | \$ 129 | 2.6% | |
| Employee Incentive Program | \$ 11,450 | \$ 11,450 | \$ 1,224 | \$ 1,462 | 12.8% | |
| Training | \$ 45,290 | \$ 45,290 | \$ 2,775 | \$ 2,194 | 4.8% | |
| Travel & Local Meetings | \$ 42,225 | \$ 44,110 | \$ 6,373 | \$ 3,927 | 8.9% | |
| Other Misc Expenses | \$ 13,500 | \$ 13,500 | \$ 2,378 | \$ 2,526 | 18.7% | |
| | \$ 172,970 | \$ 174,855 | \$ 41,180 | \$ 43,522 | 24.9% | |
| OTHER EXPENSES | | | | | | |
| Leases & Rentals | \$ 589,636 | \$ 589,636 | \$ 141,550 | \$ 139,834 | 23.7% | |
| Repower Project Reserve | \$ - | \$ - | \$ - | \$ - | 0.0% | |
| Transfer to Capital | \$ - | \$ - | \$ - | \$ - | 0.0% | |
| Pass Through Programs | \$ - | \$ - | \$ - | \$ - | 0.0% | |
| | \$ 589,636 | \$ 589,636 | \$ 141,550 | \$ 139,834 | 23.7% | |
| Total Operating Expense | \$ 31,600,000 | \$ 31,600,000 | \$ 6,423,898 | \$ 6,486,447 | 20.5% | |

**MONTHLY REVENUE AND EXPENSE REPORT
FY 02-03 CAPITAL IMPROVEMENT PROGRAM**

| CAPITAL PROJECTS | Program Budget | Expended in September | YTD Expended |
|--|-----------------------|----------------------------------|---------------------|
| Grant Funded Projects | | | |
| Consolidated Operating Facility | \$ 7,948,083 | \$ 1,500 | \$ 83,741 |
| Urban Bus Replacement | \$ 7,546,472 | | \$ 2,523,656 |
| Talking Bus Equipment | \$ 700,000 | \$ 512,919 | \$ 512,919 |
| CNG Facilities for SCM, Ops | \$ 632,000 | \$ 42,429 | \$ 47,608 |
| Metro Center Renovation Project | \$ 200,000 | \$ 10,894 | \$ 28,359 |
| Engine Repower Project (carryover) | \$ 125,000 | | |
| ADA Paratransit Vehicle (carryover) | \$ - | | \$ 35,809 |
| USL Financials Software (carryover) | \$ - | \$ 6,250 | \$ 6,250 |
| | 5 17,151,555 | | |
| District Funded Projects | | | |
| Bus Stop Improvements | \$ 503,000 | | \$ 1,740 |
| ADA Recertification Program | \$ 65,000 | | |
| IT - Giro Rostering Module | \$ 50,000 | | |
| Automated Telephone Info System | \$ 35,000 | | |
| Facilities Repairs & Improvements | \$ 65,000 | | |
| Facilities Repairs & Improvements (CO) | \$ 42,500 | | |
| Machinery/Equip Repair & Improvements | \$ 24,000 | | |
| Non-revenue Vehicle Replacement | \$ 203,000 | | |
| Office Equipment | \$ 30,000 | \$ 999 | \$ 999 |
| Transfer to Operating Budget | \$ 1,200,000 | | |
| | \$ 2,217,500 | | |
| TOTAL CAPITAL PROJECTS | \$ 19,369,055 | \$ 574,991 | \$ 3,241,081 |
| CAPITAL FUNDING SOURCES | | | |
| | Budget | Received in September | YTD Received |
| Federal Capital Grants | \$ 13,553,939 | | \$ 2,146,389 |
| State Capital Grants | \$ 919,631 | \$ - | |
| STA Funding | \$ 807,150 | \$ - | |
| Local Capital Grants | | | |
| District Reserves | \$ 3,688,335 | \$ 574,991 | \$ 1,094,692 |
| Transfer from Bus Stop Imp Reserve | \$ 400,000 | \$ - | \$ - |
| TOTAL CAPITAL FUNDING | \$ 19,369,055 | \$ 574,991 | \$ 3,241,081 |

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
NOTES TO REVENUE AND EXPENSE REPORT**

1. Passenger fares (farebox and pass sales) are \$40,981 or 5.0% under the final budget amount for the year to date. Paratransit fares are \$3,787 over budget for the period since paratransit advance ticket sales are included with the revenue. Special transit fares (contracts) are \$13,363 or 6% over the budgeted amount. Highway 17 Express revenue is \$30,037 or 13% under the year to date budgeted amount. Together, all four passenger revenue accounts are under the budgeted amount for the first three months of the fiscal year by a net \$53,868 or 4.2%. This is an improvement over last month, when passenger revenue was under budget by 7.7%.
2. Sales tax income is \$168,054 or 4% below budget for the first three months due to lower quarterly receipts than projected, and a reduced advance payment by the State.
3. Retired employee benefits are at 27.8% of the budget because the budget will not be adjusted for the additional retirees until next month's report.
4. Finance non-personnel expense is at 57.4% of the budget due to the annual payment of insurance premiums.
5. Paratransit program expense is only at 6.9% of the budget because the August billing was not submitted by the contractor by the report deadline. Only July is included, and is within budget.
6. Pre-paid expense adjustment provides for allocating large annual payments, such as casualty and liability insurance, over the entire year so that the total expenses District-wide for the month and year to date are not skewed.
7. Vision insurance is at 26.2% of the budget due to the renewal rate increase of 5.4% compared to the budgeted increase of 5.0%, which has been addressed in the budget revision, and will be reflected next month.
8. Workers Compensation insurance is at 27.0% of the budget due to higher claims paid out during the period than projected. The claims amount varies from month to month.
9. Absence with pay is at 32.1% of the budget since more vacation time is taken in the summer months. Total payroll is within budget.
10. Accounting/administrative/bank fees expense is at 27.1% of the budget due to the quarterly payment for administration of the sales tax revenue.
11. Settlement costs are at 32.4% of the budget since \$28,842 was expended during August. These payments fluctuate from month to month.
12. Repairs to property is a casualty and liability account to which repairs to District vehicles and property are charged when another party is liable for the damage. All collections made from other parties for property repair are applied to this account to offset the

District's repair costs. Collections exceed expenses so far this year because some payments were received in August for expenses incurred in the last fiscal year.

13. Dues and subscriptions are at 60.0% of the budget due to the annual payment of APTA dues, and other subscription renewals.

FY 02-03 BUDGET TRANSFERS
1 0/1/02-10/31/02

| | ACCOUNT # | ACCOUNT TITLE | AMOUNT |
|--------------------------|---------------|--------------------|-------------------|
| TRANSFER # 03-004 | | | |
| TRANSFER FROM: | 50401 I-I 100 | Fuels & Lubricants | \$ (1,000) |
| | 50401 I-I 500 | Fuels & Lubricants | \$ (325) |
| | | | <u>\$ (1,325)</u> |
| TRANSFER TO: | 509123-1100 | Travel | \$ 1,000 |
| | 509123-I 500 | Travel | \$ 325 |
| | | | <u>\$ 1,325</u> |

REASON: To provide for mileage reimbursements in travel account.

| | | | |
|--------------------------|--------------|--------------------|----------|
| TRANSFER # 03-005 | | | |
| TRANSFER FROM: | 50401 I-1700 | Fuels & Lubricants | \$ (460) |
| TRANSFER TO: | 509123-I 700 | Travel | \$ 460 |

REASON: To provide for mileage reimbursements in travel account.

| | | | |
|--------------------------|--------------|--------------------|----------|
| TRANSFER # 03-006 | | | |
| TRANSFER FROM: | 50401 I-1800 | Fuels & Lubricants | \$ (100) |
| TRANSFER TO: | 509123-I 800 | Travel | \$ 100 |

REASON: To provide for mileage reimbursements in travel account.

| | | | |
|--------------------------|--------------|----------------------|--------------------|
| TRANSFER # 03-007 | | | |
| TRANSFER FROM: | 502061-I 400 | Disability Insurance | \$ (1,500) |
| | 502031-3300 | Medical Insurance | \$ (14,800) |
| | | | <u>\$ (16,300)</u> |
| TRANSFER TO: | 502031-I 400 | Medical Insurance | \$ 16,300 |

REASON: To adjust for error in HR medical insurance account.

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 22, 2002
TO: Board of Directors
FROM: Steve Paulson, Paratransit Administrator
SUBJECT: METRO PARACRUZ STATUS MONTHLY UPDATE

I. RECOMMENDED ACTION

This report is for information only- no action requested

II. SUMMARY OF ISSUES

- The METRO ParaCruz Monthly update now consists of two distinct areas— Eligibility/Recertification Statistics and Operational Statistics
- Eligibility/Recertification Statistics are through October 29th, 2002
- Operational Statistics are for the Month of August, 2002

III. DISCUSSION

RECERTIFICATION AND NEW APPLICANTS

August, 2002 marks the beginning of the METRO ParaCruz eligibility recertification program. As a result of the mass mailing of the Customer Quick Guide, many registered riders volunteered to come in for recertification assessments. Once the numbers of volunteers contacting the eligibility contractor began to subside, staff began the process of contacting the most frequent riders via mail to their most recent address (as supplied to us by the Contractor).

As of September 17th, 385 notifications were sent. Of that number, 177 failed to respond within 30 days. As of October 30, of the persons notified 138 have not been in for an assessment.

Concurrently with the recertification process, staff is working with the major “group living” centers (convalescent hospitals, assisted living centers, etc.) to identify individuals previously registered with the ADA paratransit program who are now deceased or have moved out of the area. As a result of these efforts, the list of eligible participants decreased to 7564 as of August 31st. This process continues, and staff anticipates additional decreases to be reported within the next few months.

Appeals

Those who were assessed in the first month of the recertification process have reached the end of their appeals window. There were 16 denials in August. Of those, 14 chose not to appeal.

To date, 4 appeals have been heard. One determination has been changed.
 There are now 8 appeals pending, including two riders who feel their “restricted” eligibility is not appropriate.

Operational Statistics

| | This Aug | Last Aug | % of prior | YTD | Last YTD | % of prior |
|----------------------|-------------------|-----------------|-------------------|-------------------|-----------------|-------------------|
| Cost | 229,425.75 | 172,864.45 | 132.72% | 453,570.11 | 367,758.27 | 123.33% |
| Revenue | 18,452.00 | 17,628.00 | 104.67% | 36,080.00 | 35,002.00 | 103.08% |
| Subsidy | 210,973.75 | 177,519.80 | 118.85% | 417,490.11 | 332,756.27 | 125.46% |
| Rides performed | 9,226 | 8,814 | 104.67% | 18,040 | 17,501 | 103.08% |
| Number of Riders | 1190 | unknown | N/A | 1532 | unknown | N/A |
| Cost/ Ride | 24.87 | 19.61 | 126.79% | 25.14 | 21.01 | 119.65% |
| % rides on taxi | 68.40% | 67.82% | 100.86% | 65.45% | 68.31% | 95.81% |
| Program Registrants | 7,564 | 8,977 | 84.26% | 193 | 187 | 103.21% |
| Rides per registrant | 1.22 | 0.98 | | 2.38 | 1.95 | |
| Productivity | 2.059/hour | unknown | | 2.132/hour | unknown | N/A |
| On-time performance | 96.00% | unknown | | 94.35% | unknown | N/A |
| Average hold times | 97.3% < 2 minutes | unknown | | 97.6% < 2 minutes | unknown | N/A |

August 2002 areas on contract non-compliance:

- At least one out-of-service area
- 20 missed / excessively late trips
- 8 non-ADA passengers in District vehicles
- 6 passengers without METRO ID (including some riding on “visitor” status beyond the 21 days allowed for in the contract) (55 rides)
- at least four instances of co-mingled trips
- 1694 (18.36%) rides on non-compliant vehicles (excessive age)

IV. FINANCIAL CONSIDERATIONS

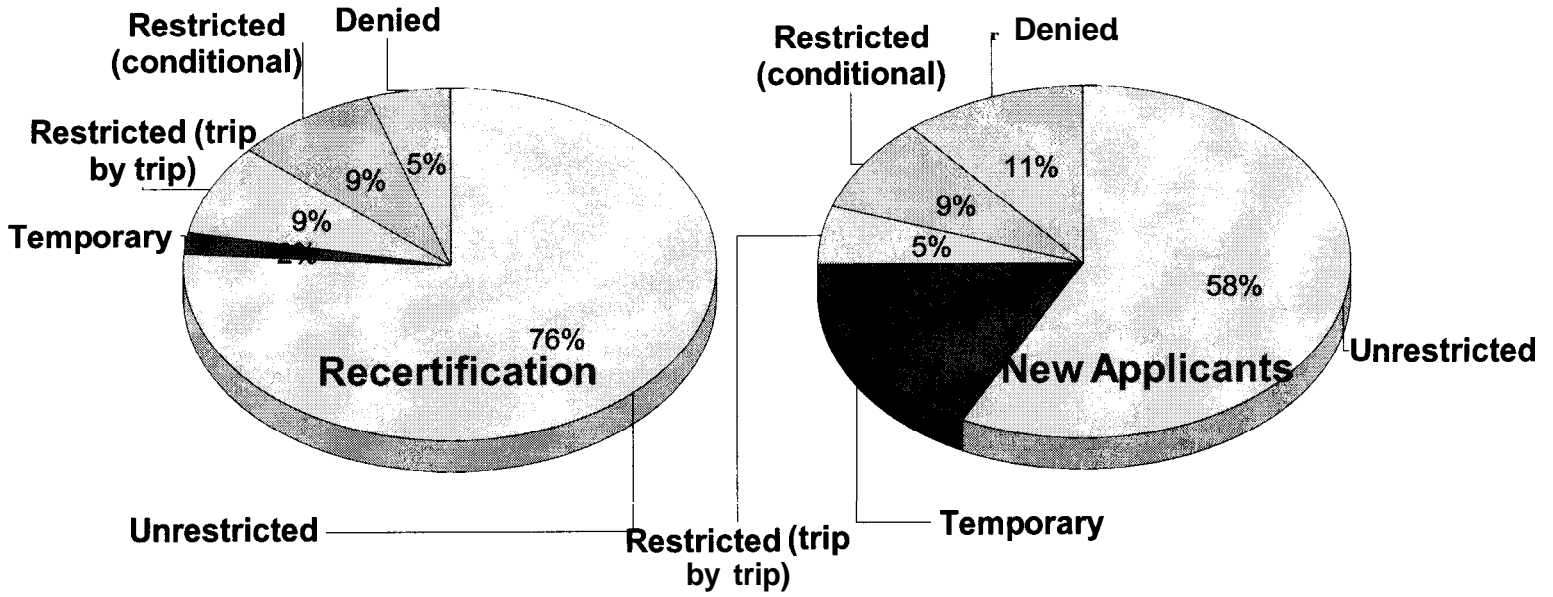
None

V. ATTACHMENTS

Charts:

- ATTACHMENT A:** Recertification and New Applicant Eligibility Determination
- ATTACHMENT B:** METRO ParaCruz Rides/Cost by Month
- ATTACHMENT C:** METRO ParaCruz Registered Participants by Month

METRO ParaCruz Eligibility Determinations - Aug 1 through Oct 30 Attachment **A**



Recertification

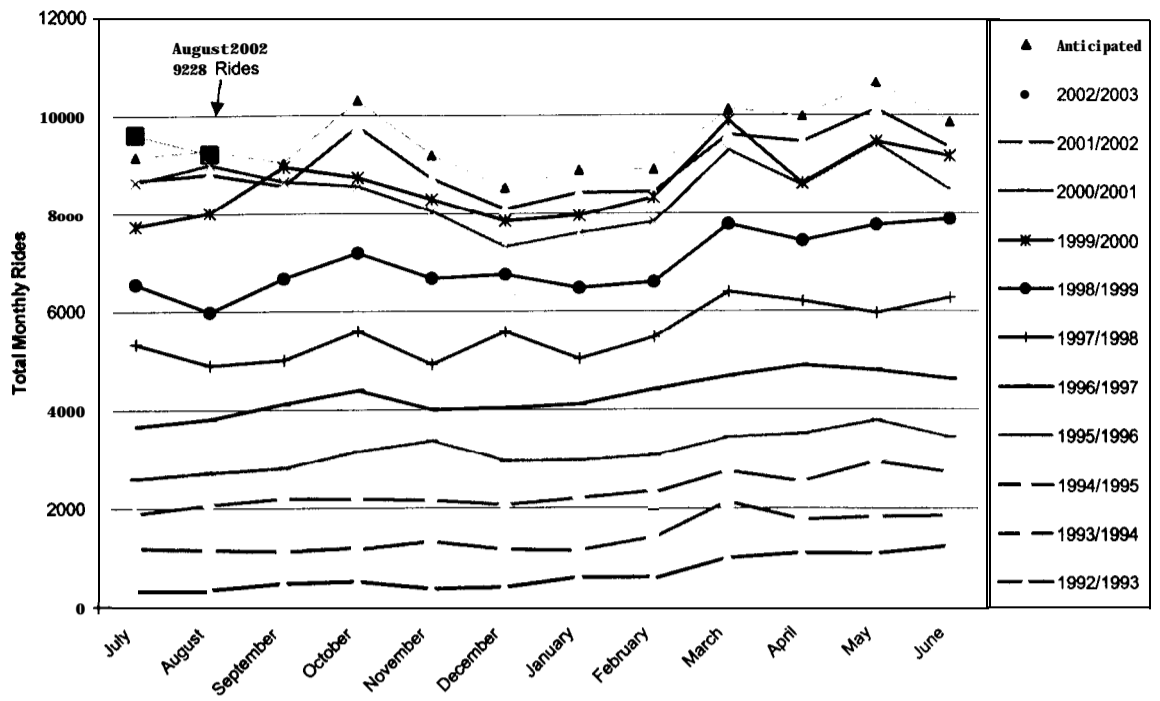
| | |
|---------------------------|------------|
| Unrestricted | 348 |
| Temporary | 9 |
| Restricted (trip by trip) | 39 |
| Restricted (conditional) | 39 |
| Denied | 23 |
| Group Total: | 458 |

New Applicant

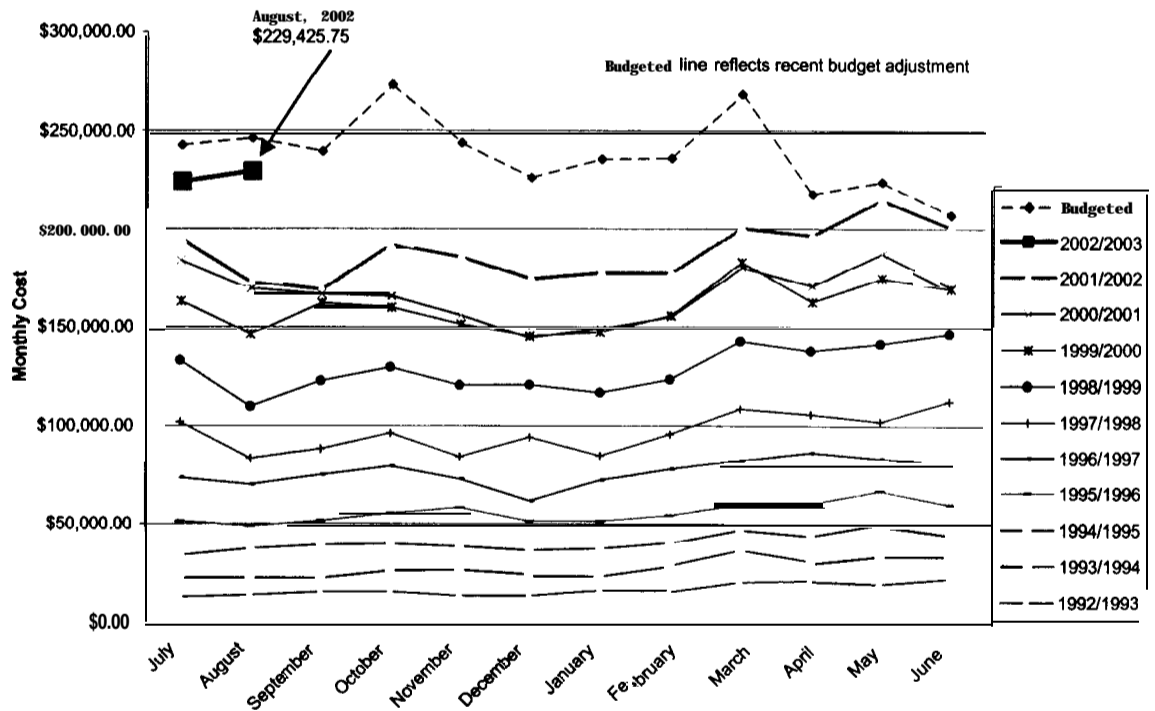
| | |
|---------------------------|------------|
| Unrestricted | 145 |
| Temporary | 44 |
| Restricted (trip by trip) | 13 |
| Restricted (conditional) | 22 |
| Denied | 28 |
| Group Total: | 252 |

Grand Total: 710

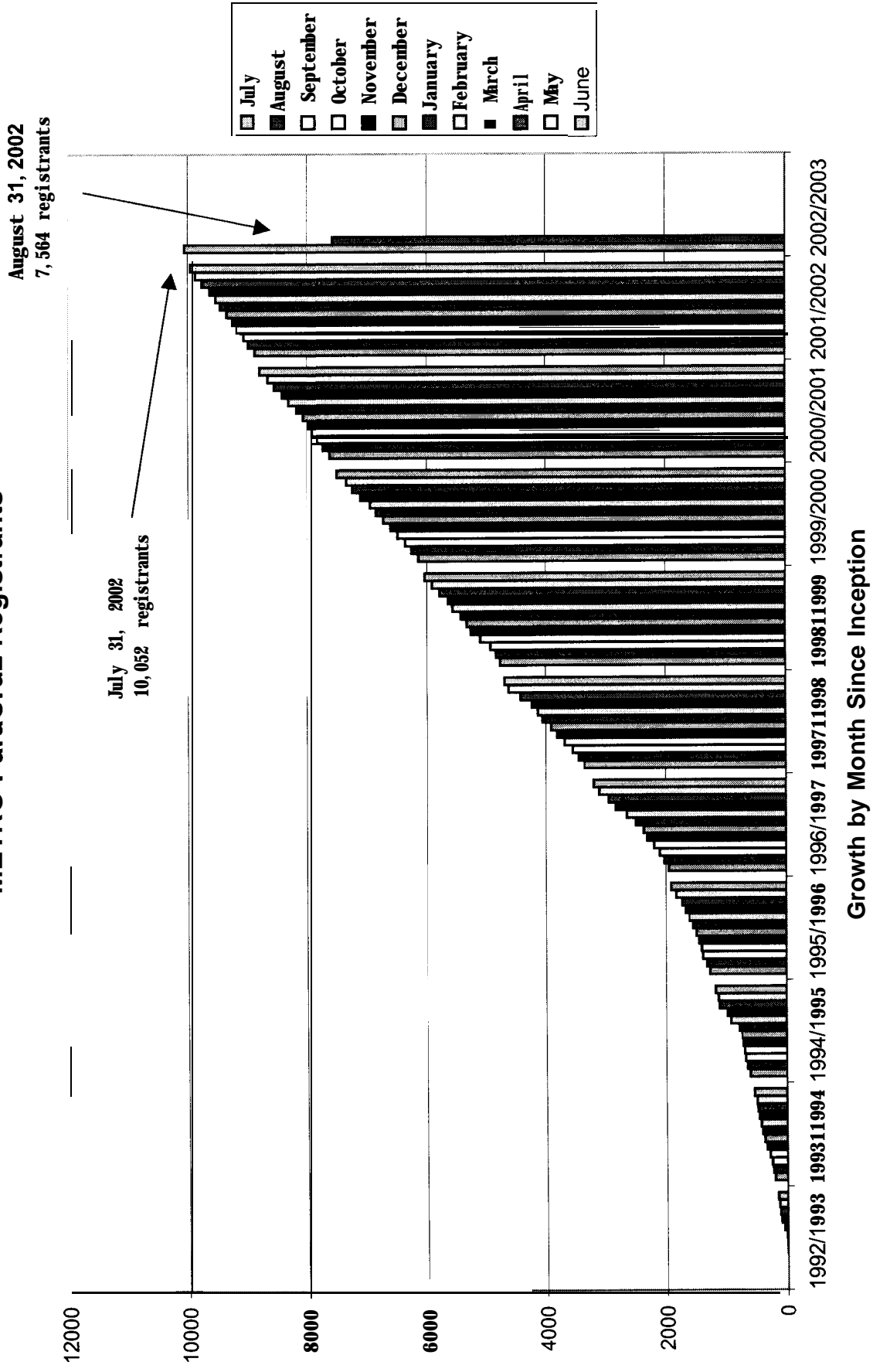
METRO ParaCruz Rides by Month



METRO ParaCruz Cost By Month

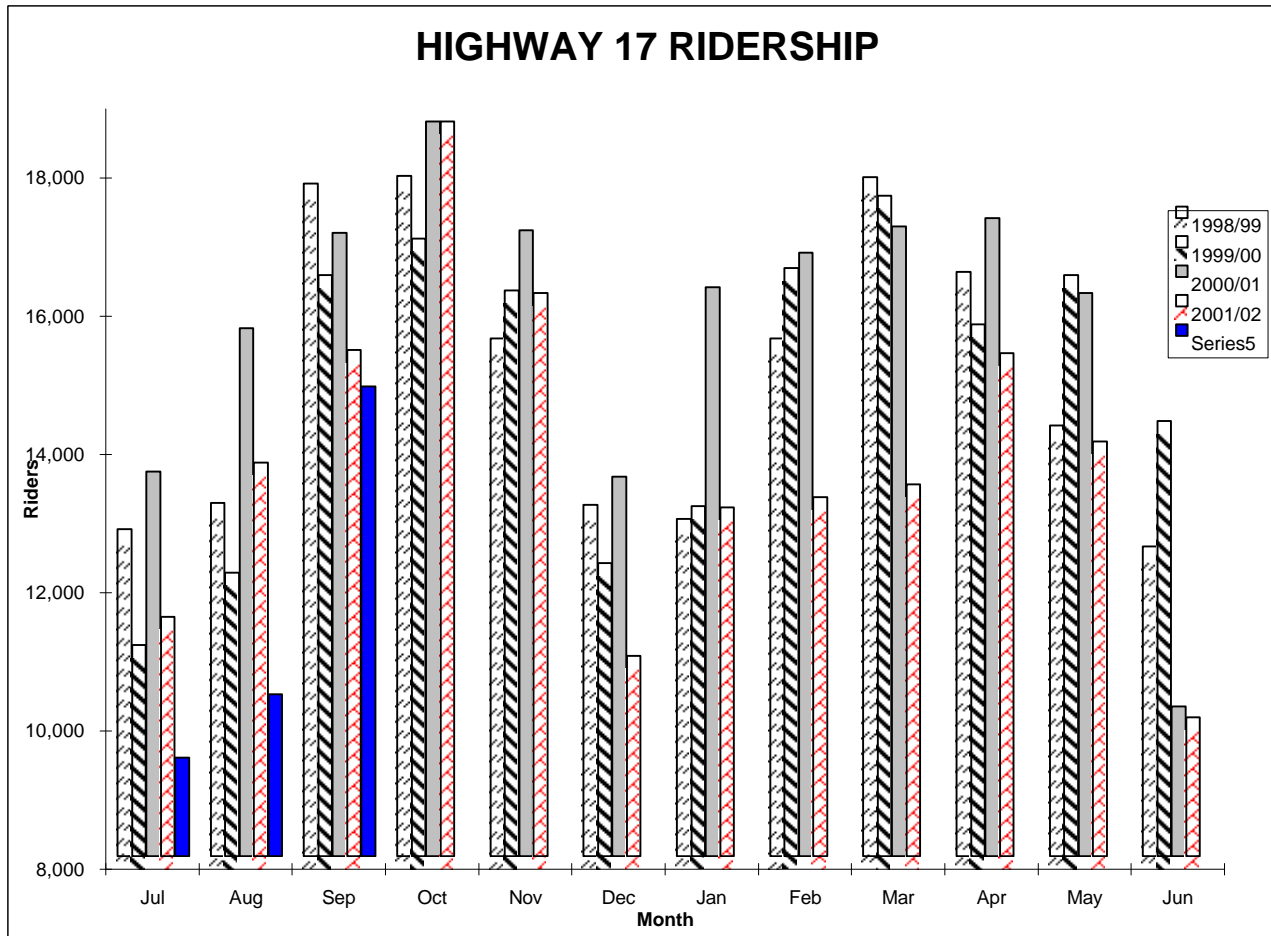


METRO ParaCruz Registrants



HIGHWAY 17 - SEPTEMBER 2002

| | September | | | YTD | | |
|------------------------|-----------|------------|---------|------------|------------|---------|
| | 2002/03 | 2001/02 | % | 2002/03 | 2001/02 | % |
| FINANCIAL | | | | | | |
| Cost | \$ 95,666 | \$ 100,620 | (4.9%) | \$ 306,131 | \$ 333,633 | (8.2%) |
| Farebox | \$ 30,951 | \$ 37,288 | (17.0%) | \$ 83,082 | \$ 93,821 | (11.4%) |
| Operating Deficit | \$ 60,345 | \$ 60,286 | 0.1% | \$ 218,176 | \$ 236,055 | (7.6%) |
| Santa Clara Subsidy | \$ 30,172 | \$ 30,143 | 0.1% | \$ 109,088 | \$ 118,027 | (7.6%) |
| METRO Subsidy | \$ 30,172 | \$ 30,143 | 0.1% | \$ 109,088 | \$ 118,027 | (7.6%) |
| San Jose State Subsidy | \$ 4,370 | \$ 3,045 | 43.5% | \$ 4,872 | \$ 3,758 | 29.7% |
| STATISTICS | | | | | | |
| Passengers | 14,794 | 15,324 | (3.5%) | 34,568 | 40,482 | (14.6%) |
| Revenue Miles | 29,925 | 29,925 | 0.0% | 95,760 | 95,760 | 0.0% |
| Revenue Hours | 1,164 | 1,164 | 0.0% | 3,724 | 3,724 | 0.0% |
| PRODUCTIVITY | | | | | | |
| Cost/Passenger | \$ 6.47 | \$ 6.57 | (1.5%) | \$ 8.86 | \$ 8.24 | 7.5% |
| Revenue/Passenger | \$ 2.09 | \$ 2.43 | (14.0%) | \$ 2.40 | \$ 2.32 | 3.7% |
| Subsidy/Passenger | \$ 4.37 | \$ 4.13 | 5.8% | \$ 6.45 | \$ 5.92 | 8.9% |
| Passengers/Mile | 0.49 | 0.51 | (3.5%) | 0.36 | 0.42 | (14.6%) |
| Passengers/Hour | 12.71 | 13.17 | (3.5%) | 9.28 | 10.87 | (14.6%) |
| Recovery Ratio | 32.4% | 37.1% | (12.7%) | 27.1% | 28.1% | (3.5%) |



SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 22, 2002
TO: Board of Directors
FROM: Bryant J. Baehr, Manager of Operations
SUBJECT: UNIVERSITY OF CALIFORNIA - SANTA CRUZ SERVICE UPDATE

I. RECOMMENDED ACTION

This report is for information purposes only. No action is required

II. SUMMARY OF ISSUES

- Student billable trips for September 2002 increased by 14.6% versus September 2001. Year to date student billable trips have increased by 14.3%.
- Faculty / staff billable trips for September 2002 increased by 12.7% versus September 2001. Year to date faculty / staff billable trips have increased by 10.3%.
- Revenue received from UCSC for September 2002 was \$125,638 versus \$115,558.95 an increase of 8.7%.

III. DISCUSSION

Full school-term transit service to the University of California – Santa Cruz will start on September 16, 2002. Attached are charts detailing student and faculty / staff billable trips. A summary of the results is:

- Student billable trips for the month of September 2002 were 114,457 vs. 99,860 for September 2001 an increase of 14.6%.
- Faculty / staff billable trips for the month of September 2002 were 11,181 vs. 9,921 for September 2001 an increase of 12.7%.
- Year to date Student billable trips increased by 14.3% and faculty / staff billable trips increased by 10.3%.
- In September 2002 the charge for service was \$125,638. The charge for September 2001 was \$115,558. This represents a 8.7% increase in revenue for September 2002 versus September 2001.

IV. FINANCIAL CONSIDERATIONS

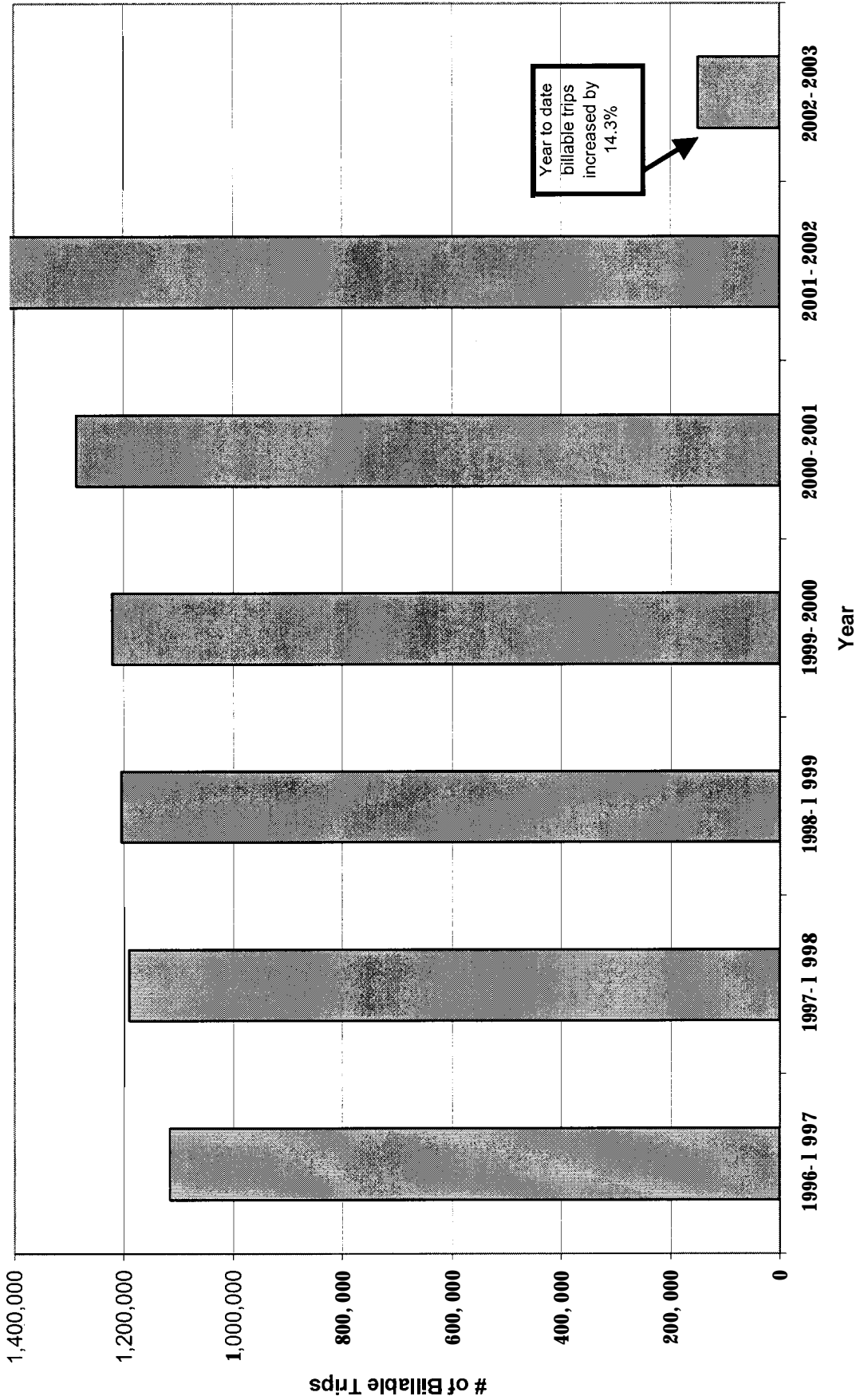
NONE

V. ATTACHMENTS

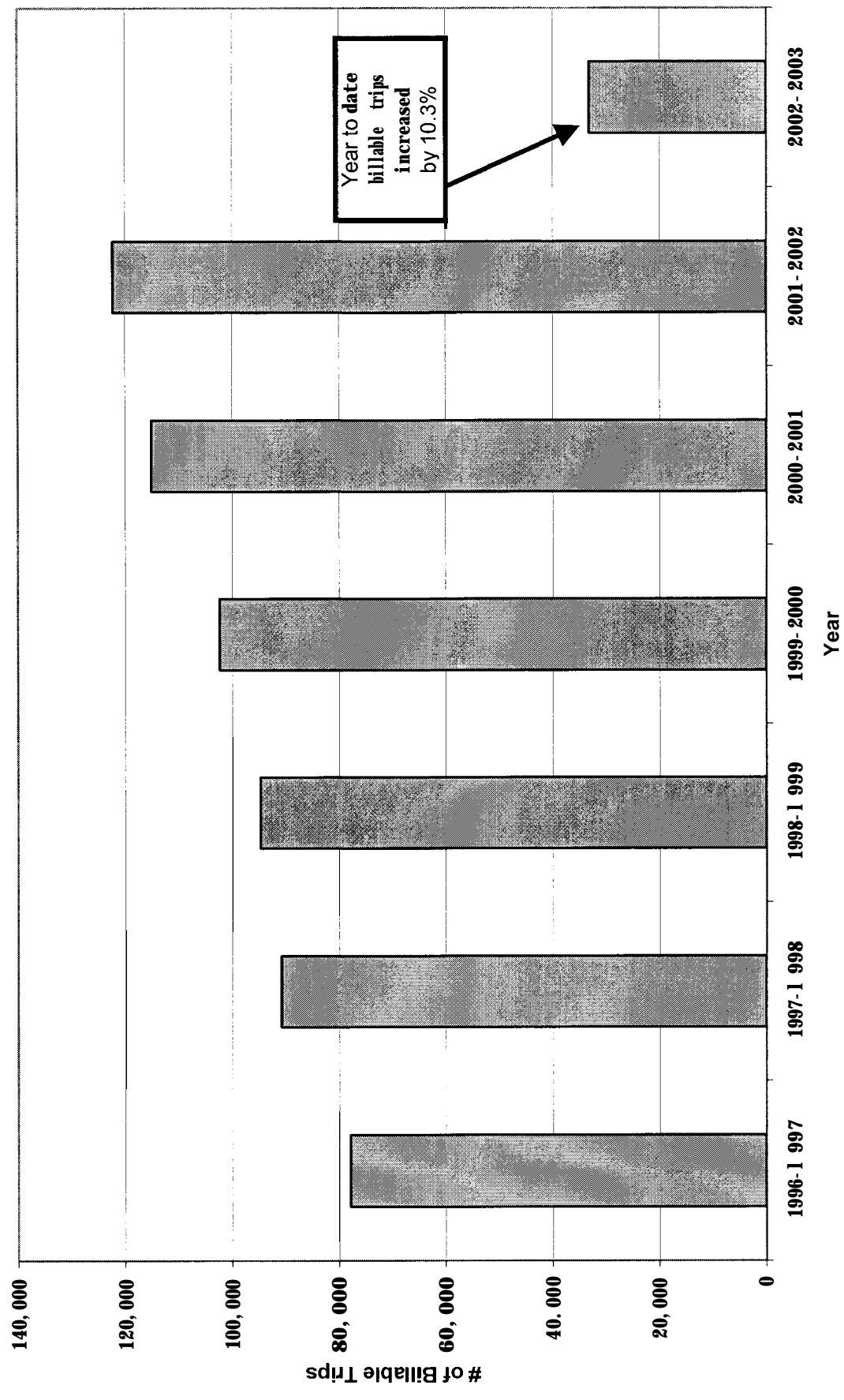
Attachment A: UCSC Student Billable Trips

Attachment B: UCSC Faculty / Staff Billable Trips

UCSC Student Billable Trips



UCSC Faculty / Staff Billable Trips



SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 22, 2002
TO: Board of Directors
FROM: Leslie R. White, General Manager
SUBJECT: METROBASE PROJECT STATUS REPORT

I. RECOMMENDED ACTION

That the Board of Directors accept the status report on the MetroBase project.

II. SUMMARY OF ISSUES

- The MetroBase project is currently approximately seven (7) years behind schedule for implementation.
- On April 19, 2002, the Board of Directors selected the Harvey West Cluster No. 1 Option as the preferred alternative for the Environmental Impact Report. This was the third site to receive such designation.
- On May 17, 2002, the Board of Directors adopted a revised project schedule and requested that the project status report be included in the Board packet each month.
- Currently, the project schedule has been revised a third time to allow additional time for the completion and circulation of the Draft EIR. The project schedule revision does not change the proposed construction schedule.

III. DISCUSSION

The 1989 Loma Prieta earthquake severely damaged the operating facilities at METRO. The Watsonville operating base was damaged to the degree that it became inoperable and the Santa Cruz operating base lost all fueling capabilities. From that time to the present, METRO has pursued the goal of constructing replacement facilities, which would restore cost effective maintenance and operations functions. METRO has pursued a consolidated facility approach in order to achieve the maximum amount of operating efficiency on a long-term basis. The use of a consolidated or closely clustered approach will achieve significant savings for METRO which can be used to restore service levels. The original schedule, developed for the construction of replacement facilities, identified 1995 as the target year for implementation. Unfortunately, the MetroBase project has suffered a number of setbacks over the past few years and is currently approximately seven (7) years behind schedule.

On April 19, 2002, the Board of Directors adopted a designation of the Harvey West Cluster No. 1 Option as the preferred alternative for the purposes of continuing the Environmental Impact

Report process on the MetroBase project. This is the third site to be designated as the preferred alternative.

On May 17, 2002, the Board of Directors adopted a revised project schedule (Attachment A) and requested that a status report be provided to the Board at each meeting so that any schedule slippage would be apparent immediately.

During the reference period certain tasks which were to be completed have been delayed and a revised schedule has been developed. The revised schedule is attached to this Staff Report. The Notice of Preparation/Notice of Intent was circulated on April 30, 2002 and the comment period concluded on May 30, 2002. On May 22, 2002, the scoping meeting was held to solicit comments from the public with regard to the revised project scope. In order to proceed with the Environmental Impact Report process, it was necessary to receive a revised site plan as well as other information from both METRO and Waterleaf Interiors, Inc. The information required to be submitted to Duffy & Associates on June 1, 2002 was delivered. The Administrative Draft EIR was received by METRO staff on August 5, 2002. Comments from METRO staff and consultants were transmitted to Denise Duffy and Associates on September 4, 2002. The next time point on the schedule was the delivery of the Screen-Check of the EIR to METRO by September 27, 2002. This date has now been modified for a third time to reflect a new date of October 17, 2002. This time point has been met. The attached schedule has been adjusted to reflect the delay. The impact of this action is to delay the certification of the EIR to February 28, 2002. The beginning of ROW acquisition and Design activities will move to March 3, 2003. The remainder of the project dates have not been changed.

METRO staff will continue to monitor the progress of the MetroBase project with regard to the items contained on the project schedule that address the Harvey West Cluster No. 1 Option.

IV. FINANCIAL CONSIDERATIONS

No actions have taken place during the reporting period which change the financial status of the MetroBase project.

V. ATTACHMENTS

Attachment A: Revised MetroBase Project Schedule

MetroBase Project Schedule

| MetroBase HW 1 Cluster Alternative | | | | |
|---|------------------------------|-------------|-------------|-------------|
| Revised Schedule | | | | |
| Task | Adopted Schedule | Revision #1 | Revision #2 | Revision #3 |
| FFIR Completed and Accepted by Board of Directors | 04/19/02 | | | |
| Board of Directors Amends Preferred Alternative Designation | 04/19/02 | | | |
| Circulate Notice of Preparation/Notice of Intent (30 days) | 04/30/02 | | | |
| Scooina Meetina | 05/22/02 | | | |
| NOP/NOI Circulation Period Ends | 05/30/02 | | | |
| Receive All Project Information from SCMTD & Architect | 05/01/02 | | | |
| Submit Administrative Draft EIR/EIS | 07/15/02 | 08/05/02 | | |
| Review of ADEIR/EIS by SCMTD Complete | 08/09/02 | 08/30/02 | | |
| Submit Screen-Check ADEIR/EIS to SCMTD | 08/16/02 | 09/27/02 | 10/11/02 | 10/17/02 |
| Review of Screen-Check ADEIR/EIS Complete | 08/19/02 | 10/04/02 | 10/18/02 | 10/25/02 |
| Start 45-Day Review Period | 08/20/02 | 10/07/02 | 10/21/02 | 10/31/02 |
| DEIR Review Period Ends | 10/11/02 | 11/20/02 | 12/06/02 | 12/15/02 |
| Submit Administrative Responses to Comments to SCMTD | 11/04/02 | 12/13/02 | 12/27/02 | 01/13/03 |
| Review of Admin Responses Complete | 11/25/02 | 01/03/03 | 01/17/03 | 01/31/03 |
| Circulate Responses (10 days) | 12/09/02 | 01/13/03 | 01/31/03 | 02/07/03 |
| End Circulation Period | 12/19/02 | 01/23/03 | 02/10/03 | 02/19/03 |
| Certify Final EIR | 12/20/02 | 01/24/03 | 02/14/03 | 02/28/03 |
| ROW Acquisition Actions Commence | 01/01/03 | 01/27/03 | 02/17/03 | 03/03/03 |
| Final Design and Engineering Activities Commence | 01/01/03 | 01/27/03 | 02/17/03 | 03/03/03 |
| Draft Construction Specifications Circulated | 05/01/03 | | 06/01/03 | |
| Board of Directors Approves Construction Specifications | 06/20/03 | | | |
| Request for Construction Bids Issued | 06/20/03 | | | |
| Pre Bid Meeting Held | 07/15/03 | | | |
| Final Bid Documents Issued | 08/01/03 | | | |
| Construction Bid Received | 10/01/03 | | | |
| Construction Bids Evaluated | 10/01/03 thru 11/01/03 | | | |
| ROW Acquisition Completed | 11/01/03 | | | |

MetroBase Project Schedule

| MetroBase HW 1 Cluster Alternative Revised Schedule | | | | |
|--|---------------------|----------------|----------------|----------------|
| Task | Adopted Schedule | Revision #1 | Revision #2 | Revision #3 |
| Board of Directors Award Construction Contracts | 11/21/03 | | | |
| Groundbreakina | 01/09/04 | | | |
| Construction Begins | 01/12/04 | | | |
| Fueling System Ooerational and online | 07/01/05 | | | |
| Fleet Maintenance Function Complete and online | 09/30/05 | | | |
| Operations Function Complete and online | 11/30/05 | | | |
| Facility Maintenance Complete and online | 12/31/05 | | | |
| Phase I Construction Complete | 02/28/06 | | | |
| Grand Ooenina & Celebration | 03/15/06 | | | |

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 22, 2002

TO: Board of Directors

FROM: Elisabeth Ross, Finance Manager

SUBJECT: RESOLUTION OF INTENTION TO APPROVE AN AMENDMENT TO THE CALPERS CONTRACT TO PROVIDE SECTION 21023.5 (PUBLIC SERVICE CREDIT FOR PEACE CORPS OR AMERICORPS: VISTA SERVICE)

I. RECOMMENDED ACTION

Staff recommends that the Board of Directors adopt the attached resolution of intention to approve an amendment to the CalPERS contract to provide Section 21023.5 (Public Service Credit for Peace Corps or AmeriCorps: VISTA Service).

II. SUMMARY OF ISSUES

- At the meeting of September 27, 2002, the Board of Directors took action to proceed with a CalPERS contract amendment to provide Peace Corps or AmeriCorps service credit.
- The next step in the process is adoption of a resolution of intention.
- The Board may then adopt a final resolution on December 13, 2002, authorizing implementation on the following day.

III. DISCUSSION

As the next step in the approval process for offering the Peace Corps or AmeriCorps service credit, the Board is required by CalPERS to adopt a resolution of intent to amend the contract with CalPERS.

After a twenty day period, the Board may then adopt a final resolution amending the CalPERS contract to include the new service credit. The contract change would be effective on the day following final approval by the Board of Directors.

IV. FINANCIAL CONSIDERATIONS

Any employee who wishes to utilize the service credit for service in the Peace Corps or AmeriCorps must purchase the service credit. There is no cost to the District other than a possible minimal incremental increase in monthly pension payments for participating employees.

V. ATTACHMENTS

Attachment A: Resolution of Intention to Approve an Amendment to the CalPERS Contract to Provide Section 21023.5 (Public Service Credit for Peace Corps or AmeriCorps: VISTA Service)

**RESOLUTION OF INTENTION
TO APPROVE AN AMENDMENT TO CONTRACT
BETWEEN THE
BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AND THE
BOARD OF DIRECTORS
SANTA CRUZ METROPOLITAN TRANSIT DISTRICT**

WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies and their employees in the Public Employees' Retirement System by the execution of a contract, and sets forth the procedure by which said public agencies may elect to subject themselves and their employees to amendments to said Law; and

WHEREAS, one of the steps in the procedures to amend this contract is the adoption by the governing body of the public agency of a resolution giving notice of its intention to approve an amendment to said contract, which resolution shall contain a summary of the change proposed in said contract; and

WHEREAS, the following is a statement of the proposed change:

To provide Section 21023.5 (Public Service Credit for Peace Corps or AmeriCorps: VISTA Service) for local miscellaneous members.

NOW, THEREFORE, BE IT RESOLVED that the governing body of the above agency does hereby give notice of intention to approve an amendment to the contract between said public agency and the Board of Administration of the Public Employees' Retirement System, a copy of said amendment being attached hereto, as an "Exhibit" and by this reference made a part hereof.

By: _____
Presiding Officer

Title

Date adopted and approved



EXHIBIT

California
Public Employees' Retirement System

AMENDMENT TO CONTRACT

Between the
Board of Administration
California Public Employees' Retirement System
and the
Board of Directors
Santa Cruz Metropolitan Transit District

The Board of Administration, California Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of the above public agency, hereinafter referred to as Public Agency, having entered into a contract effective March 1, 1976, and witnessed February 20, 1976, and as amended effective September 18, 1976, August 25, 1984, October 28, 1989, December 15, 1990, December 5, 1992, December 1, 1995, October 20, 2001, and July 18, 2002 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 13 are hereby stricken from said contract as executed effective July 18, 2002, and hereby replaced by the following paragraphs numbered 1 through 13 inclusive:
1. All words and terms used herein which are defined in the Public Employees' Retirement Law shall have the meaning as defined therein unless otherwise specifically provided. "Normal retirement age" shall mean age 55 for local miscellaneous members.
 2. Public Agency shall participate in the Public Employees' Retirement System from and after March 1, 1976 making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.

PLEASE DO NOT SIGN "EXHIBIT ONLY"

3. Employees of Public Agency in the following classes shall become members of said Retirement System except such in each such class as are excluded by law or this agreement:
 - a. Employees other than local safety members (herein referred to as local miscellaneous members).
4. In addition to the classes of employees excluded from membership by said Retirement Law, the following classes of employees shall not become members of said Retirement System:
 - a. **FIRE FIGHTERS;**
 - b. **POLICE OFFICERS; AND**
 - c. **ELECTIVE OFFICIALS.**
5. The percentage of final compensation to be provided for local miscellaneous members in employment before and not on or after July 18, 2002 for each year of credited prior service is 0% and the percentage of final compensation to be provided for each year of credited current service is 100% and determined in accordance with Section 21354 of said Retirement Law (2% at age 55 Full).
6. The percentage of final compensation to be provided for local miscellaneous members in employment on and after July 18, 2002 for each year of credited prior service is 0% and the percentage of final compensation to be provided for each year of credited current service is 100% and determined in accordance with Section 21354.4 of said Retirement Law (2.5% at age 55 Full).
7. No benefit or credit is provided for service of any type rendered prior to March 1, 1976. No benefit or credit is provided for service of any type rendered with Allen Transportation.
8. Public Agency elected and elects to be subject to the following optional provisions:
 - a. Section 20965 (Credit for Unused Sick Leave).
 - b. Section 21573 (Third Level of 1959 Survivor Benefits).
 - c. Section 20903 (Two Years Additional Service Credit).
 - d. Section 20042 (One-Year Final Compensation).

PLEASE DO NOT SIGN "EXHIBIT ONLY"

- e. Section 21024 (Military Service Credit as Public Service), Statutes of 1976.
 - f. Section 21022 (Public Service Credit for Periods of Lay-Off).
 - g. Section 21023.5 (Public Service Credit for Peace Corps or AmeriCorps: VISTA Service).
9. Public Agency, in accordance with Government Code Section 20834, shall not be considered an "employer" for purposes of the Public Employees' Retirement Law. Contributions of the Public Agency shall be fixed and determined as provided in Government Code Section 20834, and such contributions hereafter made shall be held by the Board as provided in Government Code Section 20834.
10. Public Agency shall contribute to said Retirement System the contributions determined by actuarial valuations of prior and future service liability with respect to local miscellaneous members of said Retirement System.
11. Public Agency shall also contribute to said Retirement System as follows:
- a. Contributions required per covered member on account of the 1959 Survivor Benefits provided under Section 21573 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all local miscellaneous members.
 - b. A reasonable amount, as fixed by the Board, payable in one installment within 60 days of date of contract to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodic investigation and valuations required by law,
 - c. A reasonable amount, as fixed by the Board, payable in one installment as the occasions arise, to cover the costs of special valuations on account of employees of Public Agency, and costs of the periodic investigation and valuations required by law.
12. Contributions required of Public Agency and its employees shall be subject to adjustment by Board on account of amendments to the Public Employees' Retirement Law, and on account of the experience under the Retirement System as determined by the periodic investigation and valuation required by said Retirement Law.

13. Contributions required of Public Agency and its employees shall be paid by Public Agency to the Retirement System within fifteen days after the end of the period to which said contributions refer or as may be prescribed by Board regulation. If more or less than the correct amount of contributions is paid for any period, proper adjustment shall be made in connection with subsequent remittances. Adjustments on account of errors in contributions required of any employee may be made by direct payments between the employee and the Board.

B. This amendment shall be effective on the _____ day of _____,

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF DIRECTORS
SANTA CRUZ METROPOLITAN
TRANSIT DISTRICT

BY _____
KENNETH W. MARZION, CHIEF
ACTUARIAL & EMPLOYER SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
PRESIDING OFFICER

Witness Date

Attest:

Clerk

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 22, 2002

TO: Board of Directors

FROM: Margaret Gallagher, District Counsel

SUBJECT: CONSIDERATION OF CHANGE OF USE FROM CHILDREN'S CLOTHING STORE TO ELECTRONIC SUPPLY SHOP FOR WATSONVILLE TENANT FLOR BELLA

I. RECOMMENDED ACTION

Authorize the General Manager to execute an amendment to the current lease for the Watsonville Transit Center Kiosk dba Flor Bella currently selling children's clothing, to change the merchandise to miscellaneous electronic equipment, with a primary focus on audio electronics.

II. SUMMARY OF ISSUES

- The business known as Flor Bella, is owned and operated by Eulalio Abrego, running a retail children's clothing store at the Watsonville Transit Center since November of 2000.
- Flor Bella's current lease term commenced on February 1, 2002 and will terminate on January 31, 2003. After that, Mr. Abrego will have three remaining options to renew the lease, each option having a one-year renewal term.
- Mr. Abrego wishes to amend his lease beginning December 1, 2002 to change his business from children's clothing to miscellaneous electronic equipment with a primary focus on audio electronics.

III. DISCUSSION

Eulalio Abrego, dba Flor Bella has been leasing Kiosk space at the Watsonville Transit Center since November 1, 2000. The original lease expired on October 31, 2001 and was renewed on February 1, 2002. The current lease expires on January 31, 2003, with three options remaining to extend the lease, each for option for a one-year renewal term.

Since the beginning of this year, sales have dramatically decreased for the business. Mr. Abrego is hoping that by changing the items sold by the business, he can sell the business to an electronics vendor and sales might increase. He has requested in writing that he be authorized to change the business from children's clothing to miscellaneous electronic

equipment, with a primary focus on audio electronics. A copy of Mr. Abrego's letter to the Board of Directors dated October 18, 2002 is attached hereto as Attachment A.

IV. FINANCIAL CONSIDERATIONS

The yearly rent for the Flor Bella business is \$3,600.00.

V. ATTACHMENTS

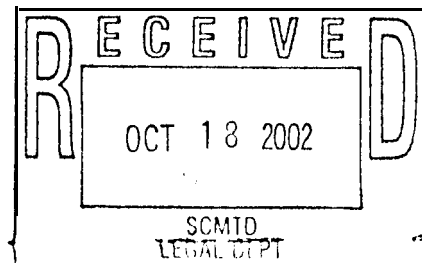
Attachment A: Letter request from Mr. Abrego

Eulalio Abrego, dba Flor Bella
145 Rodriguez Street, Suite 6
Watsonville, California 95076
Telephone: a31 728-5343

October 1a, 2002

Attention: Board of Directors

Santa Cruz Metro. Transit District
Santa Cruz, California 95060



Re: Eulalio Abrego, dba Flor Bella
Petition For Change of Business Purpose

Dear Sir or Madam:


I am currently conducting my business as retail clothing for kids.

I respectfully and hereby petition authorization to change my business to that of retail sale of miscellaneous electronic equipment, with a primary focus on audio electronics.

I hope to actualize this change immediately upon you approval.

Please let me know your decision at your very very earliest convenience.

Very truly yours,


Eulalio Abrego, dba Flor Bella

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 22, 2002
TO: Board of Directors
FROM: Tom Stickel, Manager of Fleet Maintenance
SUBJECT: CONSIDER AMENDING CONTRACT FOR REVENUE AND NON-REVENUE TIRES

I. RECOMMENDED ACTION

District staff is recommending that the Board of Directors authorize the General Manager to execute an amendment to the contract with Dixon and Son, Inc. to extend the term of the contract for one (1) additional year.

II. SUMMARY OF ISSUES

- The District has a contract (#00-08) with Dixon & son, Inc. for revenue and non-revenue tires.
- At the option of the District, this contract may be renewed for four (4) additional one-year terms.
- Dixon & Son, Inc. has indicated that they are interested in extending the contract an additional year to December 14, 2003 with no increase in price to new tires and valve stems. There will be an increase in the price of retread tires equal to the Consumer Price Index rate increase.

III. DISCUSSION

The District's current contract with Dixon & Son, Inc. for revenue and non-revenue tires is due to expire on December 14, 2002. Dixon & Son, Inc. has provided good service under this contract. An extension of the contract would be favorable to the District. Section 3.02 of the contract allows the District the option to renew the contract for four (4) additional one-year terms. Dixon & Son, Inc. has also reviewed the contract and has indicated their desire to extend the contract for one additional year with no increase in price to new tires and valve stems. There will be an increase in the price of retread tires equal to an increase in the Consumer Price Index for the San Francisco – Oakland – San Jose area.

It is recommended that the Board of Directors authorize the General Manager to execute an amendment to the contract with Dixon & Son, Inc. to extend the contract one (1) additional year.

IV. FINANCIAL CONSIDERATIONS

Funds are available in the Fleet Maintenance budget for this amendment.

V. ATTACHMENTS

- A- Letter from Dixon & Son, Inc.
- B- Second Amendment to Contract 00-08

Dixon and Son, Inc. - Tires

125 WALKER STREET . WATSONVILLE, CA 95076



OCT 31, 2003

Santa Cruz Metropolitan
Transit District
120 Du Bois Street
Santa Cruz, Ca 95060

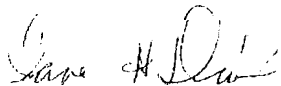
Attn: Lloyd Longnecker

Re: Letter of Intent to Extend Revenue and Non Revenue Vehicle Tires Contract.

Dixon & Son Tire would like to extend the current Tire Contract with the Santa Cruz Metro for an additional year. The contract price on new tires and valve stems will remain the same. With one exception, on the new tire size, 305/70R22.5 the price is unknown at this time. Negotiations are still in process with the manufactures. Price will be submitted at a Inter date. A price increase equal to the Consumer Price Index For San Francisco Bay Area on Retreading and Labor to offset utility and fuel costs will be added. Labor and delivery charges on the new tire size, 305/70R22.5 will be the same as all other new bus tires.

We look forward to continuing doing business with you, and if you have any questions Or comments, please call rue at (83 1) 722-4197.

Thank you,



David Dixon

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT SECOND AMENDMENT TO CONTRACT FOR REVENUE AND NON-REVENUE TIRES

This Second Amendment to the Contract for revenue and non-revenue tires is made effective December 15, 2002 between the Santa Cruz Metropolitan Transit District, a political subdivision of the State of California ("District") and Dixon and Son, Inc. ("Contractor").

I. RECITALS

- 1.1 District and Contractor entered into a Contract for revenue and non-revenue tires ("Contract") on December 15, 2000.
- 1.2 The Contract allows for the extension upon mutual written consent.
- 1.3 Contractor has requested an increase in the price of retread tires based upon the Consumer Price Index for the San Francisco – Oakland – San Jose Area for the quarter ending September 30, 2002.

Therefore, District and Contractor amend the Contract as follows:

II. TERM

- 2.1 Article 3.02 is amended to include the following language:

This Contract shall continue through December 14, 2003. This Contract may be mutually extended by agreement of both parties.

III. COMPENSATION

- 3.1 Article 5.01 is amended to include the following language:

Effective December 15, 2002 the price for retread tires shall be increased at a percentage rate equal to the increase in the Consumer Price Index for the San Francisco – Oakland – San Jose Area for the quarter ending September 30, 2002.

Iv. REMAINING TERMS AND CONDITIONS

- 4.1 All other provisions of the Contract that are not affected by this amendment shall remain unchanged and in full force and effect.

V. AUTHORITY

- 5.1 Each party has full power to enter into and perform this Second Amendment to the Contract and the person signing this Second Amendment on behalf of each has been properly authorized and empowered to enter into it. Each party further acknowledges that

it has read this Second Amendment to the Contract, understands it, and agrees to be bound by it.

Signed on _____

DISTRICT
SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

Leslie R. White
General Manager

CONTRACTOR
DIXON AND SON, INC.

BY _____
Dave H. Dixon
Owner

Approved as to Form:

Margaret R. Gallagher
District Counsel

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 22, 2002
TO: Board of Directors
FROM: Tom Stickel, Manager of Fleet Maintenance
SUBJECT: CONSIDERATION OF AWARD OF CONTRACT FOR FOUR EACH CNG POWERED PASSENGER VANS

I. RECOMMENDED ACTION

District Staff recommends that the Board of Directors authorize the General Manager to execute a contract with S & C Ford for the purchase of four (4) each CNG powered passenger vans.

II. SUMMARY OF ISSUES

- A competitive procurement was conducted to solicit bids from qualified firms.
- Five firms submitted bids for the District's review.
- District staff has reviewed and evaluated all submitted bids.
- District staff is recommending that a contract be established with S & C Ford to provide four each CNG powered passenger vans.

III. DISCUSSION

The District has a need to replace four aging gasoline powered driver vans with new CNG powered vans. On October 2, 2002, District Invitation for Bid, 02-09 was mailed to several firms and was legally advertised. On October 30, 2002, bids were received and opened from five firms. District staff has reviewed all submitted bids. A list of the firms and a summary of the bids received are provided in Attachment A.

District staff is recommending that the Board of Directors authorize the General Manager to execute a contract with S & C Ford to provide four (4) each CNG powered passenger vans with an optional 5-year engine and transmission extended warranty for an amount not to exceed \$101,541.60. Contractor will provide vehicles meeting all District specifications and requirements.

IV. FINANCIAL CONSIDERATIONS

Funding for this contract is contained in the Budget 140002 /Account 514070 for Non-Revenue Vehicle Replacements.

V. ATTACHMENTS

- A- Summary of bids received
- B- Contract with S & C Ford – Note: The contract exhibits have been distributed to the Board only.

**02-09
Summary of Bids Received**

| | | S & C Ford | Salinas Valley | Coalinga Motors | Senator Ford | Good Chevrolet |
|--|------------|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|
| | | S.F., CA | Ford Truck | Inc. | Sacramento, CA | Alameda, CA |
| | | | Salinas, CA | Coalinga, CA | | |
| | QTY | | | | | |
| Full sized CNG powered passenger vans | 4 | \$ 23,000.00 | \$ 24,129.73 | \$ 25,192.00 | \$ 25,465.00 | \$ 26,977.00 |
| Optional 5 year engine/transmission warranty | 4 | \$ 505.00 | \$ 1,058.00 | \$ 1,050.00 | \$ 850.00 | \$ 520.00 |
| | | Subtotal | \$ 94,020.00 | \$ 100,750.92 | \$ 104,968.00 | \$ 105,260.00 |
| | | Tax | \$ 7,521.60 | \$ 8,060.07 | \$ 8,397.44 | \$ 8,420.80 |
| | | Total | \$ 101,541.60 | \$ 108,810.99 | \$ 113,365.44 | \$ 113,680.80 |

| Make/Model | Ford E350 Club Wagon | Ford Econoline E350 | Chevrolet Express Passenger CG23406 | Ford E350 Club Wagon | Chevrolet Express Passenger CG23406 |
|-------------------|-----------------------------|----------------------------|--|-----------------------------|--|
|-------------------|-----------------------------|----------------------------|--|-----------------------------|--|

Notes

\$500 Discount/van if paid in 30 days

CONTRACT FOR PROCUREMENT OF FOUR EACH CNG POWERED PASSENGER VANS (02-09)

THIS CONTRACT is made effective on _____, 2002 between the SANTA CRUZ METROPOLITAN TRANSIT DISTRICT, a political subdivision of the State of California ("District"), and **S & C FORD** ("Contractor").

1. RECITALS

1.01 District's Primary Objective

District is a public entity whose primary objective is providing public transportation and has its principal office at 370 Encinal Street, Suite 100, Santa Cruz, California 95060.

1.02 District's Need for Four Each CNG Powered Passenger Vans

District requires the purchase of FOUR EACH CNG POWERED PASSENGER VANS to be used for standard purposes. In order to obtain said equipment, the District issued an Invitation for Bids, dated October 2, 2002 setting forth specifications for such equipment. The Invitation for Bids is attached hereto and incorporated herein by reference as Exhibit A.

1.03 Contractor's Bid Form

Contractor is a supplier of equipment desired by the District and whose principal place of business is 35 Delores Street, San Francisco, California. Pursuant to the Invitation for Bids by the District, Contractor submitted a bid for Provision of said equipment, which is attached hereto and incorporated herein by reference as Exhibit B.

1.04 Selection of Contractor and Intent of Contract

On November 22, 2002, District selected Contractor as the lowest responsive, responsible bidder to provide said equipment. The purpose of this Contract is to set forth the provisions of this procurement.

1.05 Contractor and Supplier Synonymous

For the purposes of this Contract, the terms "contractor" and "supplier" are synonymous.

District and Contractor agree as follows:

2. INCORPORATED DOCUMENTS AND APPLICABLE LA W

2.01 Documents Incorporated in This Contract

The documents below are attached to this Contract and by reference made a part hereof. This is an integrated Contract. This writing constitutes the final expression of the parties' Contract, and it is a complete and exclusive statement of the provisions of that Contract, except for written amendments, if any, made after the date of this Contract in accordance with Section 13.14 of the General Conditions of the Contract.

a) Exhibit A

Santa Cruz Metropolitan Transit District's "Invitation for Bids" dated October 2, 2002.

b) Exhibit B (Bid Form)

Contractor's Bid Form to the District for Four Each CNG Powered Passenger Vans signed by Contractor and dated October 30, 2002.

2.02 Conflicts

Where in conflict, the provisions of this writing supersede those of the above-referenced documents, Exhibits A and B. Where in conflict, the provisions of Exhibit A supersede Exhibit B.

2.03 Recitals

The Recitals set forth in Article 1 are part of this Contract.

3. TIME OF PERFORMANCE

3.01 General

Contractor shall perform work under this Contract at such times to enable it to meet the time schedules specified in the Specifications Section of the IFB. The Contractor shall not be responsible for delays caused by force majeure events described in Section 2 of the General Conditions of the Contract.

3.02 Term

The term of this Contract commences on the date of execution and shall remain in force for a one (1) year period thereafter. District and Contractor may extend the term of this Contract at any time for any reason upon mutual written consent.

4. COMPENSATION

4.01 Terms of Payment

Upon written acceptance, District agrees to pay Contractor for delivery of four each CNG Powered Passenger Vans with optional five year engine and transmission warranty as identified in the Bid Form, Exhibit B, not to exceed \$101,541.60 for satisfactory delivery of vehicles under the terms and provisions of this Contract within forty-five (45) days thereof. Contractor understands and agrees that if he/she exceeds the \$101,541.60 maximum amount payable under this contract, that it does so at its own risk.

4.02 Invoices

Contractor shall submit invoice(s) with a purchase order number provided by the District upon delivery of vehicles. Invoice records shall be kept up-to-date at all times and shall be available for inspection by the District (or any grantor of the District, including, without limitation, any State or Federal agency providing project funding or reimbursement) at any time for any reason upon demand for not less than four (4) years after the date of expiration or termination of the contract. Under penalty of law, Contractor represents that all amounts billed to the District are (1) actually incurred; (2) reasonable in amount; (3) related to this contract; and (4) necessary for performance of the services. No expenses shall be paid by the District unless specifically allowed by this contract.

5. NOTICES

All notices under this Contract shall be deemed duly given upon delivery, if delivered by hand; or three (3) days after posting, if sent by registered mail, receipt requested; to a party hereto at the address hereinunder set forth or to such other address as a party may designate by notice pursuant hereto.

DISTRICT

Santa Cruz Metropolitan Transit District
370 Encinal Street
Suite 100
Santa Cruz, CA 95060

Attention: General Manager

CONTRACTOR

S & C Ford, Inc.
35 Dolores Street
San Francisco CA 94103

Attn: Municipal Fleet Manager

6. AUTHORITY

Each party has full power and authority to enter into and perform this Contract and the person signing this Contract on behalf of each has been properly authorized and empowered to enter into it. Each party further acknowledges that it has read this Contract, understands it, and agrees to be bound by it.

Signed on _____

DISTRICT--SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

Leslie R. White
General Manager

CONTRACTOR – S & C FORD, INC.

By _____

Approved as to Form:

Margaret Rose Gallagher
District Counsel

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 22, 2002

TO: Board of Directors

FROM: Margaret Gallagher, District Counsel

SUBJECT: CONSIDERATION OF CHANGING MENU TO INCLUDE BREAKFAST FOR SUSHI NOW, A SANTA CRUZ METRO CENTER TENANT

I. RECOMMENDED ACTION

Approve the request of Owner, Matisse Selman, d/b/a Sushi Now for a Menu Change to add breakfast items.

II. SUMMARY OF ISSUES

- Matisse Selman has been operating his business Sushi Now at the Santa Cruz Metro Center since March 1, 2001.
- Mr. Selman is interested in selling “inexpensive quick eats” in addition to his Sushi menu in order to offer a variety of economical breakfast items and help his business to grow and expand.

III. DISCUSSION

Matisse Selman took over the Lease on the kiosk space at the Santa Cruz Metro Center on March 1, 2001. Since that time, he has been running a successful Sushi lunch and dinner restaurant.

Recently, Mr. Selman has realized that bus riders are usually on a budget and sushi is more expensive than most people are willing to spend on lunch or dinner. He has requested to amend the lease regarding the menu style-type and have “inexpensive quick eats” added. He is trying to offer inexpensive food items to the community and add growth to his business. Attached for the Board’s review is the sample menu advertising breakfast “inexpensive quick eats” items.

IV. FINANCIAL CONSIDERATIONS

Rent for the kiosk space is \$600.00 per month with annual CPI adjustments

V. ATTACHMENTS

Attachment A: New menu BREAKFAST NOW! (for Sushi Now)

Attachment A | Breakfast Now!

Quick Cheap Breakfast

All items are \$2.00

1. **Breakfast Burrito** (egg, cheese, and ham)
2. **Cinnamon Roll** (sweet & sticky)
3. **Waffles** (3 Eggo waffles with syrup, or jam)
4. **Bagels** (with Cream Cheese & Jam)
5. **Cereal** (with low fat milk)

SPECIAL

****Choose any 2 items for \$3.00****

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 22, 2002
TO: Board of Directors
FROM: Robyn Slater, Interim Human Resources Manager
SUBJECT: PRESENTATION OF EMPLOYEE LONGEVITY AWARDS

I. RECOMMENDED ACTION

Staff recommends that the Board of Directors recognize the anniversaries of those District employees named on the attached list and that the Chairperson present them with awards.

II. SUMMARY OF ISSUES

- None.

III. DISCUSSION

Many employees have provided dedicated and valuable years to the Santa Cruz Metropolitan Transit District. In order to recognize these employees, anniversary awards are presented at five-year increments beginning with the tenth year. In an effort to accommodate those employees that are to be recognized, a limited number will be invited to attend Board meetings from time to time to receive their awards.

IV. FINANCIAL CONSIDERATIONS

None.

V. ATTACHMENTS

Attachment A: Employee Recognition List

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
EMPLOYEE RECOGNITION

TEN YEAR

None

FIFTEEN YEARS

Polly J. McGinnis, Bus Operator
Domingo Tovar, Bus Operator

TWENTY YEARS

Adela P. Bates, Customer Service Representative
Glenn A. Lynch, Bus Operator

TWENTY-FIVE YEARS

Arlette J. Abacherli, Bus Operator
Thomas J. Bradford, Transit Supervisor
Frederick B. Dempsey, Bus Operator

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 8, 2002
TO: Board of Directors
FROM: Elisabeth Ross, Finance Manager
SUBJECT: BUDGET WORKSHOP

I. RECOMMENDED ACTION

Staff recommends that the Board of Directors review the information presented and indicate directions that they would like staff to pursue.

II. SUMMARY OF ISSUES

- Current economic conditions have resulted in continuing revenue shortfalls, particularly for passenger revenue, sales tax revenue, Transportation Development Act (TDA) funding and interest income.
- Preliminary indications are that advertising revenue for the last six months of the current fiscal year will not meet budget assumptions.
- Preliminary projections for FY 03-04 indicate a revenue shortfall of approximately \$3 million to cover the existing level of service and staffing.
- At the November 8th Board meeting, staff will make a presentation on current revenue and expense trends, revenue projections and alternatives to balance service and revenue.

III. DISCUSSION

At the Board meeting of November 8, 2002, staff will make a PowerPoint Presentation on revenue and expense trends, how revenue is projected from various sources, and alternatives to balance operating revenue and service to the public.

IV. FINANCIAL CONSIDERATIONS

At this time, it appears that existing service levels cannot be maintained in FY 03-04 without increasing revenue sources. The only substantial revenue sources within control of the District are fare revenue and exterior advertising income.

V. ATTACHMENTS

None.

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 8, 2002

TO: Board of Directors

FROM: Mark J. Dorfman, Assistant General Manager

SUBJECT: CONSIDERATION OF POTENTIAL FARE ALTERNATIVES THAT MIGHT BE USED TO INCREASE REVENUES

I. RECOMMENDED ACTION

The purpose of this communication is to solicit input from the Board of Directors as to what levels of fare structure changes they wish to consider in the future.

II. SUMMARY OF ISSUES

- The last time fares on the local route system were raised was in 1993.
- In February of this year, adjustments were made to the Highway 17 Express Fares, with the base fare increasing 33%.
- Since 1993, the CPI has increased 29.6%.
- With declining revenues and increasing expenses, either fares will need to increase or there will need to be expense reductions in the operating budget.
- A fare increase of 25% is proposed for the Adult Base Fare, with smaller increases in some of the other fares.

III. DISCUSSION

In February of this year, fares were raised for the Highway 17 Express. The base fare was raised to \$3.00 from \$2.25, a 33% increase. The last time local fares were adjusted was in 1993. At that time fares were raised to avoid further service cuts after a major route cut in 1991.

Attachment A shows the current and proposed fare structure. There have been three objectives in the way the fare increases have been proposed.

1. A desire to encourage a shift to pre-paid passes from a single fare paid on the bus. This has obvious advantages to the system in that we get the revenue sooner, there is less congestion boarding the bus, and the less frequent user pays the highest fare increase. In addition, the fare increase will encourage those passengers riding more than three times to purchase a Day Pass for \$3.25, which is only an increase of 8%.
2. Since there are many riders in the system that do not have the funds to purchase a monthly pass, a new weekly pass is being proposed to place a prepaid option between the

monthly pass and a Day Pass. Prior to this fare structure, it was a \$3 Day Pass or a \$40 Monthly Pass. Under this new Fare Structure, there will be a \$14 Weekly Pass between the \$3.25 Day Pass and the \$45 Monthly Pass. The benefit to our riders is that the \$14 Weekly Pass would pay for itself after it is used during the week. All rides on Saturday and Sunday would be free with the purchase of a weekly pass. This product brings the unlimited ride feature of the Monthly Pass down to a level where more riders can afford and take advantage of the lower fare.

3. Lastly, there is a desire to place a level of logic behind the fare structure that has not been there in the past. For example, Senior and Disabled Fares are set at 40% of the Regular Fares. The federal regulation requires that the single fare for Senior and Disabled riders be no more than 50% of the regular fare during the off-peak hours. The Santa Cruz Metropolitan Transit District has always exceeded this standard. The changes proposed suggest that we formally tie these fares to 40% of the Regular Fares. The Board has indicated a desire to have more frequent, smaller fare increases. In the future, this will make these types of fare increases easier to administer, as there is a formula that will set the rates. Also, the Student Monthly Pass remains at approximately 75% of the Monthly Pass Rate since it is not available for use on Weekends. The Student Weekly Pass is priced at 71% of the Adult Weekly Pass to further encourage the use of Weekly Passes for students. There are many months where the number of school days are such that a Monthly Pass is not economical, now parents will have a way to buy less than a Monthly Pass but still have a prepaid pass. For a student, anything over three days in a week pays for itself when compared with the Day Pass.

Since the time of the last fare increase, the Consumer Price Index has increased by the following amounts for All Urban Consumers for the San Francisco-Oakland-San Jose region.

Year ending:

| | |
|---------------|--------------|
| December 1993 | 1.9% |
| December 1994 | 1.6% |
| December 1995 | 1.8% |
| December 1996 | 2.6% |
| December 1997 | 4.2% |
| December 1998 | 3.0% |
| December 1999 | 4.2% |
| December 2000 | 5.5% |
| December 2001 | 3.5% |
| August 2002 | 1.3% |
| TOTAL | 29.6% |

IV. FINANCIAL CONSIDERATIONS

If the proposed fare changes were to be adopted, the annualized impact of these changes would range from \$350,000 to \$400,000 depending upon the amount of ridership lost due to the fare increase, and where the existing riders shift. This represents about an 11 – 13% increase over current fare revenue.

V. ATTACHMENTS

Attachment A: Comparison of Existing and Proposed Fare Structure

ATTACHMENT A

Comparison of Existing and Proposed Fare Structure

| | CURRENT | NEW | % Increase | % of Regular |
|------------------------|----------|----------|------------|--------------|
| REGULAR | | | | |
| Cash Fare | \$ 1.00 | \$ 1.25 | 25% | |
| Day Pass | \$ 3.00 | \$ 3.25 | 8% | |
| Convenience Card | \$ 15.00 | - | | |
| Weekly Pass | - | \$ 14.00 | | |
| Monthly Pass | \$ 40.00 | \$ 45.00 | 13% | |
| YOUTH | | | | |
| Child (<46 inches) | FREE | FREE | | |
| Cash Fare (>46 inches) | \$ 1.00 | \$ 1.25 | 25% | 100% |
| Day Pass | \$ 3.00 | \$ 3.25 | 8% | 100% |
| Convenience Card | \$ 15.00 | - | | |
| Weekly Pass (<18) | - | \$ 10.00 | | 71% |
| Monthly Pass (<18) | \$ 30.00 | \$ 34.00 | 13% | 75% |
| SENIOR/DISABLED | | | | |
| Cash Fare | \$ 0.40 | \$ 0.50 | 25% | 40% |
| Day Pass | \$ 1.10 | \$ 1.30 | 18% | 40% |
| Disc.Convenience Card | \$ 6.00 | - | | |
| Weekly Pass | - | \$ 5.60 | | 40% |
| Monthly Pass | \$ 14.00 | \$ 18.00 | 29% | 40% |
| Paratransit | | | | |
| Paratransit | \$ 2.00 | \$ 2.50 | 25% | 200% |

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 22, 2002

TO: Board of Directors

FROM: Elisabeth Ross, Finance Manager

SUBJECT: ACCEPTANCE OF FINANCIAL STATEMENTS AND REPORTS OF INDEPENDENT AUDITOR FOR YEAR ENDING JUNE 30, 2002

I. RECOMMENDED ACTION

Staff recommends that the Board of Directors formally accept the audited financial statements and reports prepared by the firm of Brown Armstrong, Certified Public Accountants, for the year ending June 30, 2002.

II. SUMMARY OF ISSUES

- The financial statements and reports of the independent certified public accountants (Attachment A) present the District's financial position at June 30, 2002, with a comparison to the position at June 30, 2001. The auditors have found that the District's financial statements present fairly the financial position of the District.
- The auditors found the District to be in compliance with the financial reporting requirements for grants and other financial assistance.
- In the schedule of findings and questioned costs, the auditors had no new findings.
- Note 4 in the financial statements shows the District's total available net assets and the amounts designated for various funds.
- Three recommendations are identified in Attachment C which are intended to improve the District's internal control structure.

III. DISCUSSION

The firm of Brown Armstrong has provided an "unqualified" opinion on the District's financial statements based on its audit (page 1 of the document in Attachment A). This type of opinion is the highest level of opinion, and indicates that the financial statements are consistent with generally accepted accounting principles for governments in all material respects.

While the financial statements describe the District's financial position in detail, key pages provide indicators of the District's financial situation at June 30, 2002.

November 22, 2002

Board of Directors

Page 2

The District's retained earnings (accumulation of earnings and losses over the years) is \$21,032,983 at June 30, 2002 (page 4), down \$716,008 from the prior year. The statements of revenues and expenses (page 5) indicate a net loss in the amount of \$2,649,779 for the year ending June 30, 2002. While operating revenue (fares) remained stable, sales tax income and interest income decreased from the prior year.

The statements of operating expenses (page 19) indicate that the District's total operating expenses increased by \$1,419,861 or 4.7% from the prior year. The largest changes in operating expense are a \$1,404,099 increase in labor (12%) due to staffing increases, a \$1,768,487 decrease in workers compensation expense (-58%), a \$258,541 decrease in fuels and lubricants (-22%) due to lower prices, and a \$334,699 increase in purchased transportation for paratransit services (14%).

The balance sheets (pages 3-4) provide an overall summary of the District's position. To determine the amount of available net assets for cash flow and funding capital projects for the next five years, staff has worked with the auditors to develop the schedule in Note 4 (Page 13). At June 30, 2002, this schedule shows total available net assets of \$18,817,555, comprised of a cash flow reserve of \$2,600,000, a workers compensation reserve of \$1,320,000, an insurance reserve of \$900,000, an alternative fuel conversion fund of \$462,000, a bus stop improvement reserve of \$400,000 and \$14,385,000 for the District's share of approved capital projects. This leaves a deficit balance of \$1,249,445 in available net assets which means the five year capital improvement program is not fully funded.

In the schedule of findings and questioned costs (pages 27-28), the auditors had no new findings.

Attachment B is a standard letter that the auditors are required to prepare addressing certain topics. The letter defines their responsibilities, significant accounting policies, and significant audit adjustments. In the letter they also reported that they had no disagreements with management or difficulties performing the audit.

Attachment C is a letter from Brown Armstrong, containing three agreed-upon findings to improve the internal control structure. Each recommendation is followed by management's response. Also shown is the status of the four findings from the prior year.

I would like to recognize Marilyn Fenn, Assistant Finance Manager, for her efforts in coordinating this year's audit with the team from Brown Armstrong. It was the second year of the contract with Brown Armstrong and the process went smoothly and quickly.

IV. FINANCIAL CONSIDERATIONS

There is no fiscal impact from the Board's acceptance of the financial statements and audit reports. However, in order to continue to receive Transportation Development Act (TDA)

November 22, 2002

Board of Directors

Page 3

payments from the Santa Cruz County Regional Transportation Commission, the final audit must be submitted to the Commission.

V. ATTACHMENTS

Attachment A: Financial Statements and Reports of Independent Certified Public Accountants for the years ending June 30, 2002 and 2001

Attachment B: Letter from Brown Armstrong

Attachment C: Agreed Upon Conditions Designed to Increase Efficiency, Internal Controls and/or Financial Reporting

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2002 AND 2001

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
JUNE 30, 2002 AND 2001**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Santa Cruz Metropolitan Transit District
Santa Cruz, California

We have audited the financial statements of the Santa Cruz Metropolitan Transit District (the District), as of June 30, 2002 and 2001, as listed in the table of contents. These financial statements are the responsibility of the Santa Cruz Metropolitan Transit District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Santa Cruz Metropolitan Transit District, as of June 30, 2002 and 2001, and the results of its operations and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2002 on our consideration of the Santa Cruz Metropolitan Transit District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of Santa Cruz Metropolitan Transit District, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the financial statements. The accompanying statements of operating expenses by function are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

BROWN ARMSTRONG PAULDEN
McCOWN HILL STARBUCK & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
August 15, 2002

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
BALANCE SHEETS
JUNE 30, 2002 AND 2001**

| | 2002 | 2001 |
|--------------------------------------|----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 21,637,179 | \$ 23,292,520 |
| Sales Tax and Other Receivables | 3,927,938 | 3,954,517 |
| Inventory | 862,599 | 734,398 |
| Prepays | 37,502 | 18,452 |
| Total Current Assets | 26,465,218 | 27,999,887 |
| RESTRICTED ASSETS | | |
| Cash and Cash Equivalents | 6,625,124 | 6,411,409 |
| PROPERTY AND EQUIPMENT | | |
| Building and Improvements | 10,083,303 | 10,081,614 |
| Transportation Vehicles | 20,193,225 | 19,288,954 |
| Operations Equipment | 2,035,645 | 1,252,569 |
| Other Equipment | 1,243,396 | 1,195,528 |
| Other Vehicles | 793,543 | 747,229 |
| Office Equipment | 1,300,971 | 1,164,113 |
| | 35,650,083 | 33,730,007 |
| Less Accumulated Depreciation | (18,952,816) | (18,206,492) |
| | 16,697,267 | 15,523,515 |
| Construction In progress | 175,648 | 1,018,440 |
| Land | 3,763,502 | 3,763,502 |
| | 20,636,417 | 20,305,457 |
| TOTAL ASSETS | \$ 53,726,759 | \$ 54,716,753 |

The accompanying notes are an integral part of these financial statements.

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
BALANCE SHEETS (Continued)
JUNE 30, 2002 AND 2001**

| | 2002 | 2001 |
|---|----------------------|----------------------|
| <u>LIABILITIES AND FUND EQUITY</u> | | |
| CURRENT LIABILITIES | | |
| Accounts Payable and Accrued Liabilities | \$ 706,379 | \$ 1,289,185 |
| Accrued Payroll and Employee Benefits | 2,616,256 | 2,283,981 |
| Other Accrued Liabilities | 3,072,181 | 3,346,180 |
| Security Deposit | 14,514 | 14,764 |
| Deferred Revenue | 338,232 | 527,339 |
| Total Current Liabilities | 6,747,562 | 7,461,449 |
| LIABILITIES PAYABLE FROM RESTRICTED ASSETS | | |
| Deferred Revenue | 6,625,124 | 6,411,408 |
| LONG TERM LIABILITIES | | |
| Workers' Compensation Liabilities | 2,869,840 | 2,869,840 |
| Total Liabilities | 16,242,526 | 16,742,697 |
| FUND EQUITY | | |
| Contributed Capital | | |
| Federal Grants | 8,098,484 | 8,856,579 |
| State Grants | 7,360,935 | 6,417,677 |
| Local Grants | 984,995 | 936,625 |
| Other Grants | 6,836 | 14,184 |
| Total Contributed Capital | 16,451,250 | 16,225,064 |
| Retained Earnings | 21,032,983 | 21,748,991 |
| Total Fund Equity | 37,484,233 | 37,974,056 |
| TOTAL LIABILITIES AND FUND EQUITY | \$ 53,726,759 | \$ 54,716,753 |

The accompanying notes are an integral part of these financial statements.

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

| | 2002 | 2001 |
|---|-----------------------|---------------------|
| OPERATING REVENUE | | |
| Passenger Fare | \$ 3,756,299 | \$ 3,836,904 |
| Special Transit Fare | 2,213,371 | 2,074,068 |
| Total Operating Revenue | 5,969,670 | 5,910,972 |
| OPERATING EXPENSES | | |
| Wages, Salaries & Employee Benefits | 20,716,236 | 20,345,599 |
| Purchased Transportation Services | 2,723,353 | 2,388,654 |
| Material and Supplies | 2,268,603 | 2,498,448 |
| Other Expenses | 3,416,995 | 3,167,313 |
| Depreciation | 2,486,577 | 1,791,889 |
| Total Operating Expenses | 31,611,764 | 30,191,903 |
| Net Operating Loss | (25,642,094) | (24,280,931) |
| NON OPERATING REVENUE (EXPENSES) | | |
| Sales and Use Tax | 15,095,441 | 16,356,095 |
| Transportation Development Act Assistance | 6,037,117 | 6,430,011 |
| Section 9/5307 Operating Assistance | 505,614 | 505,614 |
| Section 18/5307 Operating Assistance | 42,448 | 39,697 |
| Federal Operating Assistance Grants | 194,905 | 175,302 |
| Local Transportation Funds | - | 35,295 |
| Interest Income | 735,838 | 1,249,907 |
| Rental Income | 146,123 | 146,350 |
| Other Revenue | 227,950 | 184,539 |
| Gain (Loss) on Disposal of inventory | - | (234,495) |
| Gain (Loss) on Sale of Property and Equipment | 6,879 | 21,004 |
| Total Non-Operating Revenue | 22,992,315 | 24,909,319 |
| Net Income (Loss) | \$ (2,649,779) | \$ 628,388 |

The accompanying notes are an integral part of these financial statements.

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
STATEMENTS OF CHANGES IN FUND EQUITY
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

| | Contributed Capital | | | | Retained Earnings | Total |
|---|---------------------|--------------------|-------------------|-----------------|---------------------|----------------------|
| | Federal | State | Local | Other | | |
| Balance at June 30, 2000 | \$8,511,272 | \$6,270,126 | \$ 910,064 | \$ 21,532 | \$19,619,198 | \$ 35,332,192 |
| Net Income | - | - | - | - | 628,388 | 628,388 |
| Depreciation charged to contributed capital | (1,058,179) | (407,278) | (28,600) | (7,348) | 1,501,405 | - |
| Capital grant funds earned | 1,464,179 | 555,381 | 55,161 | - | - | 2,074,721 |
| Capital grant assets disposed (net) | (60,693) | (552) | - | - | - | (61,245) |
| Balance at June 30, 2001 | 8,856,579 | 6,417,677 | 936,625 | 14,184 | 21,748,991 | 37,974,056 |
| Net Income (Loss) | - | - | - | - | (2,649,779) | (2,649,779) |
| Depreciation charged to contributed capital | (1,159,624) | (735,849) | (30,950) | (7,348) | 1,933,771 | - |
| Capital grant funds earned | 452,554 | 1,679,107 | 79,320 | - | - | 2,210,981 |
| Capital grant assets disposed (net) | (51,025) | - | - | - | - | (51,025) |
| Balance at June 30, 2002 | <u>\$8,098,484</u> | <u>\$7,360,935</u> | <u>\$ 984,995</u> | <u>\$ 6,836</u> | <u>\$21,032,983</u> | <u>\$ 37,484,233</u> |

The accompanying notes are an integral part of these financial statements.

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

| | 2002 | 2001 |
|---|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Operating Loss | \$ (25,642,094) | \$ (24,280,931) |
| Adjustments to Reconcile Net Operating Loss to Net Cash Used in Operating Activities: | | |
| Depreciation | 2,486,577 | 1,791,889 |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease in Receivables | 26,579 | (555,960) |
| (Increase) Decrease in Inventory | (128,201) | 106,549 |
| (Increase) Decrease in Prepaid Expenses | (19,050) | 107,797 |
| Increase (Decrease) in Accounts Payable | (582,806) | 235,423 |
| Increase (Decrease) in Other Liabilities | 82,636 | 2,988,530 |
| Net Cash Used in Operating Activities | (23,776,359) | (19,606,703) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Operating Grants Received, Including Sales and Use Tax | 21,875,525 | 23,245,276 |
| Other Nonoperating | 227,950 | 185,539 |
| Net Cash Provided by Noncapital Financing Activities | 22,103,475 | 23,430,815 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Proceeds From Sale of Property and Equipment | 6,879 | 21,004 |
| Capital Grants Received | 2,210,981 | 2,074,720 |
| Capital Expenditures | (2,868,562) | (2,392,145) |
| Net Cash Used in Capital and Related Financing Activities | (650,702) | (296,421) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment and Rental Income Received | 881,960 | 1,396,257 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (1,441,626) | 4,923,948 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 29,703,929 | 24,779,981 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 28,262,303 | \$ 29,703,929 |
| | | |
| | | |

The accompanying notes are an integral part of these financial statements.

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001**

NOTE 1 - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The Santa Cruz Metropolitan Transit District (the District) was formed February 9, 1969, following a favorable election in conformity with Section 9800 *et. seq.* of the Public Utilities Code. The transit system serves the general public in the cities of Santa Cruz, Watsonville, Scotts Valley, Capitola and the unincorporated areas of Santa Cruz County. The District is governed by a Board of eleven directors, and one Ex-Officio director representing the University of California, Santa Cruz. At June 30, 2002, the directors were as follows:

| | | | |
|--------------|------------------|-----------------|--------------------|
| Chairperson: | Sheryl Ainsworth | | |
| Vice Chair: | Emily Reilly | | |
| Members: | Jeff Almquist | Michelle Hinkle | Ana Ventura Phares |
| | Jan Beautz | Mike Keogh | Pat Spence |
| | Tim Fizmaurice | Dennis Norton | Marcela Tavantzis |
| Ex-Officio: | Mike Rotkin | | |

B. Reporting Entity

The District and the Santa Cruz Civic Improvement Corporation (the Corporation) have a financial and operational relationship, which meets the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activities of the Corporation have been included in the financial statements of the District. For the years ending June 30, 2002 and 2001, this activity was minimal.

Scope of Public Service:

The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State in July 1986. The Corporation was formed for the sole purpose of providing financial assistance to the District for the construction and acquisition of major capital facilities.

NOTE 1 - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Reporting Entity (Continued)

The following are those aspects of the relationship between the District and the Corporation, which satisfy GASB Statement No. 14 criteria.

Accountability:

1. The Corporation's Board of Directors were appointed by the District's Board of Directors.
2. The District is able to impose its will upon the Corporation, based on the following:
 - All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.
 - The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be the sole lessee of all facilities owned by the Corporation. Likewise, it is anticipated that the District's lease payments will be the sole revenue source of the Corporation.
3. The Corporation provides specific financial benefits or imposes specific financial burdens on the District based upon the following:
 - The District has assumed a "moral obligation", and potentially a legal obligation, for any debt incurred by the Corporation.

C. Basis of Accounting

The District maintains its records on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when the related liability is incurred. The District follows all Governmental Accounting Standards Board (GASB) accounting standards and all applicable Financial Accounting Standards Board (FASB) accounting standards.

D. Cash and Cash Equivalents

The District considers all highly liquid investments with a maturity date within three months of the date acquired to be cash equivalents. The District deposits funds into an external investment pool maintained by the County of Santa Cruz. These deposits are considered cash equivalents. The County of Santa Cruz Pooled Investment Fund is authorized to invest in obligations of the U.S. Treasury agencies and instrumentalities, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, and the State Treasurer's investment pool. Cash and cash equivalents are stated at fair value. For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) to be cash equivalents.

E. Inventory

Inventory is carried at cost. Inventory held by the District consists of spare bus parts that are consumed by the District and are not for resale purposes.

NOTE 1 - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

The cash resulting from a settlement agreement as described in Note 8, represents proceeds restricted by the Federal Transit Administration. Restricted assets at June 30, are as follows:

| | 2002 | 2001 |
|--------------------------------------|--------------|--------------|
| Cash and cash equivalents | | |
| Settlement agreement with contractor | \$ 6,625,124 | \$ 6,411,409 |

G. Property and Equipment

Property and equipment are recorded at cost. Depreciation for all such assets is computed on a straight-line basis. Estimated useful lives of assets are as follows:

| | |
|------------------------------|-------------|
| Buildings and structures | 20-30 years |
| Revenue vehicles | 12 years |
| Other vehicles and equipment | 3-10 years |

The District has completed and capitalized the Scotts Valley Transit Center in fiscal 1999. The cost of this facility totaled \$4,063,634, which was funded by federal, state and local funds. The Scotts Valley Redevelopment Agency (the Agency), a political subdivision of the state of California, was one of the District's funding sources for this project and has retained an interest in the property. The title to the property is retained by both the District and the Agency as tenants in common with each party holding an individual interest in proportion to each party's financial participation in the project. The Agency's portion of the property is 13.87%. The Agency's portion is not recorded in the District's financial statements.

H. Sales and Use Tax

The District receives a .5% sales and use tax levied on all taxable sales in Santa Cruz County, which is collected and administered by the California State Board of Equalization. Additionally, the District is allocated, through the Santa Cruz County Regional Transportation Commission, a portion of the .25% sales and use tax levied by the Transportation Development Act.

I. Capital Grants

Capital grants for the acquisition of property, buildings, and equipment are accrued as contributed capital as the related eligible expenditures are incurred. Depreciation on assets acquired with contributed capital is charged to contributed capital.

J. Operating Assistance Grants

Operating assistance grants are recognized as revenue in the grant period earned.

K. Self-Insurance

The District is self-insured for the first \$250,000 of general and vehicular liability. For settlements in excess of \$250,000, the District has total coverage up to \$20,000,000 per occurrence. Additionally, the District is self insured up to \$350,000 for workers' compensation claims. The District has recorded a liability for estimated claims to be paid including incurred but not reported claims.

NOTE 1 - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Employee Benefits

Vacation and medical leave benefits are accrued when earned and reduced when used. Any paid medical leave accrued beyond 96 hours may, at the employee's option be converted to annual leave and credited to the employee's annual leave schedule or paid in cash, depending on the bargaining unit, at 100% of the earned rate. Employees are paid accrued and unused annual leave at the time of separation from District service.

M. Payroll

The District contracts with the Santa Cruz County Auditor-Controller to provide payroll processing services.

N. Pension Costs

Pension costs are expensed as incurred. These costs equal the actuarially determined annual contribution amount.

O. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

P. Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications did not have any affect on fund equity.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of the following at June 30,:

| | 2002 | 2001 |
|--|----------------------|----------------------|
| Cash on hand | \$ 29,464 | \$ 27,612 |
| Demand deposits | 413,269 | 276,140 |
| Deposits in Santa Cruz County Pooled Investment Fund | 27,819,570 | 29,400,177 |
| | <u>\$ 28,262,303</u> | <u>\$ 29,703,929</u> |

Cash on Hand and Cash in Banks

Cash is maintained in a financial institution, which provides deposit protection on the bank balance from the Federal Deposit Insurance Corporation. Additionally, the California Government Code requires all financial institutions to maintain an investment pool equal to 110% of all government deposits held by the institution as collateral for such deposits.

Cash is categorized below to give an indication of the level of risk assumed by the District. Category 1 includes cash balances that are insured in the District's name. Category 2 includes cash balances for which the collateral securities are held by the financial institution in the District's name. Category 3 includes uninsured cash balance for which the collateral securities are held by the financial institution but not in the District's name.

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

Cash on Hand and Cash in Banks

Cash at June 30, 2002 consists of the following:

| | Balance | Balance | Categories | | |
|---------------|-------------------|-------------|------------|------------|------|
| | per SCMTD | per Bank | 1 | 2 | 3 |
| Cash in banks | \$ 413,269 | \$ 698,034 | \$ 100,000 | \$ 598,034 | \$ - |
| Cash on hand | 29,464 | | | | |
| | <u>\$ 442,733</u> | | | | |

Cash at June 30, 2001 consists of the following:

| | Balance | Balance | Categories | | |
|---------------|-------------------|-------------|------------|------------|------|
| | per SCMTD | per Bank | 1 | 2 | 3 |
| Cash in banks | \$ 276,140 | \$ 642,794 | \$ 100,000 | \$ 542,794 | \$ - |
| Cash on hand | 27,612 | | | | |
| | <u>\$ 303,752</u> | | | | |

Investments

At June 30, 2002 and 2001, the District had \$27,819,570 and \$29,400,177, respectively, invested in the Santa Cruz County Pooled Investment Fund. Pooled cash held in the County Investment Fund is considered uncategorized. In accordance with GASB guidelines, the District has marked all investments to their market value.

NOTE 3 - RECEIVABLES

Receivables at June 30, are as follows:

| | 2002 | 2001 |
|-------------------|---------------------|---------------------|
| Federal grants | \$ 184,662 | \$ 642,968 |
| State grants | 703,825 | 413,419 |
| Local grants | 33,159 | 25,297 |
| Sales tax revenue | 2,428,400 | 2,643,900 |
| Other | 577,892 | 228,933 |
| | <u>\$ 3,927,938</u> | <u>\$ 3,954,517</u> |

NOTE 4 - AVAILABLE NET ASSETS

An analysis of the District's available (undesignated) net assets at June 30, are as follows:

| | 2002 | 2001 |
|--|----------------|---------------|
| Current assets | \$ 26,465,218 | \$ 27,999,888 |
| Current liabilities | (6,747,562) | (7,461,449) |
| Working capital | 19,717,656 | 20,538,439 |
| Less: | | |
| Inventory | (862,599) | (734,398) |
| Prepaid expenses | (37,502) | (18,452) |
| Total available net assets | 18,817,555 | 19,785,589 |
| Net assets designated for the following: | | |
| Cash flow | (2,600,000) | (2,600,000) |
| Workers' compensation reserve | (1,320,000) | (1,170,000) |
| Insurance reserve | (900,000) | (600,000) |
| Alternative fuel conversion fund | (462,000) | (462,000) |
| Bus stop improvements reserve | (400,000) | (400,000) |
| Net assets required to fund transportation improvement programs for the fiscal years 2003-2007 | (14,385,000) | (13,997,795) |
| Available undesignated net assets (deficits) | \$ (1,249,445) | \$ 555,794 |

NOTE 5 - CAPITAL GRANTS

The District receives grants from the Federal Transit Administration (FTA), which provides financing primarily for the acquisition of rolling stock. The District also receives grants under the State Transportation Development Act and State Toll Bridge revenue programs primarily for the acquisition of rolling stock and support equipment, and purchase of furniture and fixtures.

A summary of federal, state and local grant activity for the years ended June 30, are as follows:

| | 2002 | 2001 |
|--|--------------|--------------|
| Federal grants | \$ 452,554 | \$ 1,464,179 |
| State grants | 1,679,107 | 555,381 |
| Transportation Development Act (local transportation grants) | 79,320 | 55,161 |
| Total Capital Assistance | \$ 2,210,981 | \$ 2,074,721 |

NOTE 6 - COMMITMENTS

The District leases a number of its facilities under operation leases extending through 2006. For the years ended June 30, 2002 and 2001, rental expense relating to the leases was \$545,054 and \$515,681, respectively. The District also leases to others retail space in their transit facilities under noncancelable agreements. Minimum lease payments and receipts for existing operating leases are as follows:

| Year Ending June 30 | Lease Commitments | Rent Income | Net |
|------------------------|----------------------|-------------|--------------|
| 2003 | \$ 524,057 | \$ 124,236 | \$ 399,821 |
| 2004 | 357,097 | 118,281 | 238,816 |
| 2005 | 340,349 | 80,909 | 259,440 |
| 2006 | 176,165 | 10,995 | 165,170 |
| | | | |
| | \$ 1,397,668 | \$ 334,421 | \$ 1,063,247 |

NOTE 7 - JOINT VENTURES (Joint Powers Authority)

The District participates in a joint powers authority (JPA), the California Transit Insurance Pool (CalTIP). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

CalTIP arranges for and provides property and liability insurance for its 25 members. CalTIP is governed by a board that controls the operations of CalTIP, including selection of management and approval of operating budgets, independent of any influence by the member districts. Each member district pays a premium commensurate with the level of coverage requested and shares in surpluses and deficits proportionate to their participation in CalTIP.

Condensed audited financial information of CalTIP for the year ended April 30, 2001 (most recent information available) is as follows:

| | |
|---|---------------|
| Total assets | \$ 11,859,727 |
| Total liabilities | 9,145,867 |
| Fund Balance | \$ 2,713,860 |
| Total revenues | \$ 3,880,492 |
| Total expenditures and cumulative effect of accounting change | 3,426,587 |
| Net Increase in Fund Balance | \$ 453,905 |

The District's share of year-end assets, liabilities, or fund balance has not been calculated by CalTIP.

NOTE 8 - WATSONVILLE FLEET MAINTENANCE FACILITY

The District's fleet maintenance facility in Watsonville was damaged in the Loma Prieta earthquake (the earthquake) in October 1989. An engineering study concluded that the demolition of the existing facility and construction of a new facility was the most practical course of action. Therefore, the net book value of the facility was written off the books in a prior year.

In addition, due to design and construction deficiencies by the design and building contractors involved in the original project, the District initiated litigation against the contractors and came to a settlement agreement with said contractors on May 30, 1995. In accordance with this agreement, the contractors remitted \$4,776,858 (including \$171,538 in costs) to the District during fiscal year 1996, representing damages less attorney fees. The use of these proceeds, and the interest earned thereon, is restricted by the various governmental agencies that originally contributed the monies to build the fleet maintenance facility. Accordingly, the net restricted amount of \$6,625,124 and \$6,411,409 is reflected on the balance sheets as deferred revenue at June 30, 2002 and 2001, respectively. The District is currently working towards building or purchasing a new facility in Santa Cruz.

NOTE 9 - CONTINGENCIES

The District has received state and federal funds for specific purposes that are subject to review and audit by grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, the District believes that any required reimbursement will not be material.

Additionally, the District is party to various claims and litigation in the normal course of business. In the opinion of management and in-house counsel, any ultimate losses have been adequately provided for in the financial statements.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

Plan Description

The District's defined benefit pension plan, the Miscellaneous Plan for Santa Cruz Metropolitan Transit District (the Plan), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers with the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board action. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

There are 314 active plan members in the Fund as of June 30, 2002 which are required to contribute a percent of their annual covered salary. In lieu of salary increases and for employees who agreed to salary reductions in certain prior years, the District agreed to pay a portion of the employee contribution, based on negotiated formulas. The District is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2002 was 0%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

Annual Pension Cost

For fiscal year ended June 30, 2002, the District's annual pension cost of \$502,021 was equal to the District's required and actual contributions. This includes the District's contribution to the employee contribution requirement. The required contribution for fiscal year ended June 30, 2002 was determined as part of the June 30, 1998 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administration expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.21% for miscellaneous members, and (c) 3.75% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.50%. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period. The Plan's excess assets are being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2002 was 65 years.

Three-Year Trend Information for the Fund

Three-year trend information, with respect to the District's participation in CalPERS is as follows:

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-----------------------|------------------------------|----------------------------------|---------------------------|
| 6/30/00 | \$ 693,649 | 100% | \$ - |
| 6/30/01 | \$ 763,788 | 100% | \$ - |
| 6/30/02 | \$ 502,021 | 100% | \$ - |

Required Supplementary Information

Supplementary information is intended to show the progress made towards funding benefit obligations. Required three year supplemental information, available to date, for the District is as follows:

| Valuation Date | Entry Age Normal Accrued Liability | Actuarial Value of Assets | Unfunded/ (Overfunded) Liability | Funded Ratio | Annual Covered Payroll | UAAL as a % of Payroll |
|-------------------|---|---------------------------------|--|-----------------|------------------------------|------------------------------|
| 6/30/98 | \$ 29,651,308 | \$ 41,065,136 | \$(11,413,828) | 138.5% | \$ 9,751,513 | (117.047)% |
| 6/30/99 | \$ 32,467,163 | \$ 47,476,596 | \$(15,009,433) | 146.2% | \$ 10,560,478 | (142.128)% |
| 6/30/00 | \$ 37,219,840 | \$ 53,308,298 | \$(16,088,458) | 143.2% | \$ 11,113,415 | (144.766)% |

NOTE 11 - POST-RETIREMENT BENEFITS

The District provides post-retirement benefits to its employees who have completed at least ten years of full-time service with the District, have reached the age of 50 and have retired under the provisions of CalPERS while an employee of the District. The District pays a portion of the premiums for medical insurance for retirees and eligible dependents. The District also provides dental, vision and life insurance plan coverage of retirees and eligible dependents until the retiree attains the age of 65. Bus operators who retired and reached the age of 65 prior to June 30, 1994, will continue to receive dental and vision coverage beyond age 65. Life insurance is not provided to management retirees. The costs of providing these benefits are recognized when paid. The District has recognized approximately \$445,061 and \$365,747 of expense for these benefits for the years ending June 30, 2002 and 2001, respectively.

NOTE 12 - DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and provisions of the Government Code of the State of California. The plan, available to all district employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, or unforeseeable emergency. The District employees participate in two such plans, the Great-West Life and Annuity Insurance (Great-West) plan and the other through CalPERS.

At June 30, 2002, all amounts held under the Great-West plan and the CalPERS plan are held in trust and are not reflected on the accompanying balance sheet as required under Statement No. 27 of the Governmental Accounting Standards Board, *Accounting Standards for Pensions by State and Local Governmental Employers*.

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has established limited risk management programs for workers' compensation, and general and vehicular liability, as described in Note 1, as well.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The IBNR for workers' compensation was based on an actuarial study dated August 1, 2001. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The IBNR amount based on the actuarial study was determined to be \$2,869,840 at June 30, 2002.

NOTE 14 - TRANSPORTATION DEVELOPMENT ACT/CALIFORNIA ADMINISTRATIVE CODE

The District is subject to compliance with the Transportation Development Act provisions, Sections 6634 and 6637 of the California Administrative Code and Sections 99267, 99268.1 and 99314.6 of the Public Utilities Code.

Section 6634

Pursuant to Section 6634, a Transit claimant is precluded from receiving monies from the Local Transportation Fund and the State Transit Assistance Fund in an amount which exceeds the claimant's capital and operating costs, less the required fares, and local support. The District did not receive Transportation Development Act or State Transit Assistance revenues in excess of the prescribed formula amounts.

Section 6637

Pursuant to Section 6637, a claimant must maintain its accounts and records in accordance with the Uniform System of Accounts and Records for Transit Operators adopted by the State Controller. The District did maintain its accounts and records in accordance with the Uniform System of Accounts and Records for Transit Operators.

Sections 99267 and 99268.1

Pursuant to the Transportation Development Act, the District is defined as an older operator and is not required to meet the fare box ratio requirement of the Act. The District has met the 50% expenditure limitation requirement.

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENT

In June 1999, the Governmental Accounting Standards Board issued Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis for-State and Local Governments*. The requirements of the Statement become effective for the District for the year ending June 30, 2003. The new statement will require the basic financial statements to include Management's Discussion and Analysis (MD&A), government-wide financial statements, fund financial statements, notes to the financial statements and required supplementary information. Management has not yet determined the effect of adopting this statement on the District's financial statements.

SUPPLEMENTARY INFORMATION

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
STATEMENTS OF OPERATING EXPENSES
JUNE 30, 2002 AND 2001**

| | 2002 | 2001 |
|--|----------------------|----------------------|
| Labor | | |
| Operators' salaries and wages | \$ 5,896,197 | \$ 5,284,468 |
| Other salaries and wages | 5,301,517 | 4,695,584 |
| Overtime | 1,385,182 | 1,198,745 |
| Fringe Benefits | | |
| Absence with pay | 2,671,447 | 2,371,087 |
| Pension plans | 847,844 | 763,788 |
| Vision, medical, and dental plans | 2,691,670 | 2,445,495 |
| Workers' compensation insurance | 1,252,290 | 3,020,777 |
| Disability insurance | 564,202 | 464,841 |
| Other fringe benefits | 105,888 | 100,814 |
| Services | | |
| Accounting | 71,559 | 196,961 |
| Administrative and banking | 192,100 | 170,483 |
| Professional and technical services | 528,281 | 642,822 |
| Security | 317,588 | 350,919 |
| Outside repairs | 647,979 | 391,863 |
| Other services | 195,375 | 168,591 |
| Materials and Supplies Consumed | | |
| Fuels and lubricants | 910,918 | 1,169,459 |
| Tires and tubes | 160,518 | 148,666 |
| Vehicle parts | 726,337 | 655,379 |
| Other materials and supplies | 470,830 | 524,943 |
| Utilities | 310,484 | 263,937 |
| Casualty and Liability Costs | 277,286 | 213,149 |
| Taxes and Licenses | 37,342 | 37,044 |
| Purchased Transportation Services | | |
| Paratransit | 2,723,353 | 2,388,654 |
| Miscellaneous Expenses | 275,344 | 194,153 |
| Equipment and Facility Lease | 563,656 | 537,392 |
| Depreciation | | |
| Property acquired with operator funds | 552,806 | 290,484 |
| Property acquired by federal, state or TDA funds | 1,933,771 | 1,501,405 |
| Total Operating Expenses | \$ 31,611,764 | \$ 30,191,903 |

OTHER SCHEDULES AND REPORTS

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

| Federal Grantor/Program Title | Federal CFDA No. | Pass-Through Grantor's Number | Total Federal Expenditures |
|---|---------------------|-------------------------------------|----------------------------------|
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| Direct Programs: | | | |
| Federal Transit Administration (FTA) | | | |
| Cluster Defined by the Department of Transportation | | | |
| Section 3/5309 Consolidation | | | |
| Preliminary Engineering | 20.500* | CA-03-0413 | \$ 143,880 |
| | | | |
| Section 9/5307 | | | |
| MIS Software - Capital | 20.507* | CA-90-X752 | 19,200 |
| ADA Paratransit Vehicle | 20.507* | CA-90-X873 | 35,000 |
| Fare Boxes | 20.507* | CA-90-X902 | 37,097 |
| ADA Paratransit Vehicles | 20.507* | CA-90-X902 | 3,749 |
| Rebuild Engines | 20.507* | CA-90-Y024 | 34,016 |
| ADA Vans | 20.507* | CA-90-Y024 | 88,057 |
| Repower Buses | 20.507* | CA-90-Y024 | 235,435 |
| Operating Assistance | 20.507* | CA-90-Y024 | 505,614 |
| | | | 958,168 |
| Section 18/5311 | | | |
| Operating Assistance | 20.509 | 649068 | 42,448 |
| Total Expenditures of Federal Awards | | | \$ 1,144,496 |
| | | | |
| | | | |
| | | | |

* Major federal financial assistance program.

See accompanying notes to schedule of federal financial assistance.

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Santa Cruz Metropolitan Transit District (the District). Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other governmental agents, is included on the schedule.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Federal capital grant funds are used to purchase property, plant, and equipment. Federal grants receivable are included in capital and operating grants receivable, which also includes receivables from state and local grant sources.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS AND THE RULES AND
REGULATIONS OF THE TRANSPORTATION DEVELOPMENT ACT**

To the Board of Directors
Santa Cruz Metropolitan Transit District
Santa Cruz, California

We have audited the financial statements of Santa Cruz Metropolitan Transit District as of and for the year ended June 30, 2002, and have issued our report thereon dated August 15, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Santa Cruz Metropolitan Transit District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Santa Cruz Metropolitan Transit District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Directors, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG PAULDEN
McCOWN HILL STARBUCK & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
August 15, 2002

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Santa Cruz Metropolitan Transit District
Santa Cruz, California

Compliance

We have audited the compliance of Santa Cruz Metropolitan Transit District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2002. Santa Cruz Metropolitan Transit District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Santa Cruz Metropolitan Transit District's management. Our responsibility is to express an opinion on Santa Cruz Metropolitan Transit District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Santa Cruz Metropolitan Transit District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Santa Cruz Metropolitan Transit District's compliance with those requirements.

In our opinion, the Santa Cruz Metropolitan Transit District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Santa Cruz Metropolitan Transit District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Santa Cruz Metropolitan Transit District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Directors, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG PAULDEN
McCOWN HILL STARBUCK & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
August 15, 2002

**REPORT ON COMPLIANCE WITH THE
TRANSPORTATION DEVELOPMENT ACT**

To the Board of Directors
Santa Cruz Metropolitan Transit District
Santa Cruz, California

We have audited the financial statements of the Santa Cruz Metropolitan Transit District (the District), as of and for the year ended June 30, 2002, and have issued our report there on dated August 15, 2002.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the District is the responsibility of the management of the District. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of the Transportation Development Act, including Public Utilities Code Section 99245 as enacted and amended by statute through June 30, 2002, and the allocation instructions and resolutions of the Santa Cruz County Regional Transportation Commission as required by Section 6667 of the California Code of Regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the District complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those provisions.

This report is intended for the information of management, the Board of Directors, the State Controller's Office, the U.S. Department of Transportation, and officials of applicable grantor agencies. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG PAULDEN
McCOWN HILL STARBUCK & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
August 15, 2002

FINDINGS AND QUESTIONED COSTS SECTION

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2002**

I. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

| | | | |
|---|-----|-------------------------------------|---------------|
| Material weakness identified? | Yes | <input checked="" type="checkbox"/> | No |
| Reportable conditions identified that are not considered to be material weaknesses? | Yes | <input checked="" type="checkbox"/> | None reported |

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

| | | | |
|---|-----|-------------------------------------|---------------|
| Material weakness identified? | Yes | <input checked="" type="checkbox"/> | No |
| Reportable conditions identified that are not considered to be material weaknesses? | Yes | <input checked="" type="checkbox"/> | None reported |

Type of auditors' report issued on compliance for major programs: Unqualified

| | | | |
|---|-----|-------------------------------------|----|
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? | Yes | <input checked="" type="checkbox"/> | No |
|---|-----|-------------------------------------|----|

Identification of major programs:

CFDA Number(s)

20.500
20.507

Name of Federal Program or Clusters

Federal Transit Administration-Section 3
Federal Transit Administration-Section 9

Dollar threshold used to distinguish Type A & B programs: \$300,000

| | | | |
|--|-----|-------------------------------------|----|
| Auditee qualified as low risk auditee? | Yes | <input checked="" type="checkbox"/> | No |
|--|-----|-------------------------------------|----|

II. Findings Relating to Financial Statements Required Under GAGAS

None.

III. Federal Award Findings and Questioned Costs

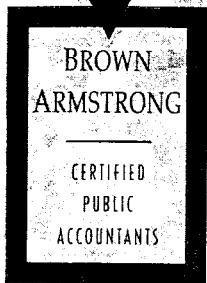
None.

IV. State Award Findings and Questioned Costs

None.

V. A Summary of Prior Audit (all June 30, 2001) Findings and Current Year Status Follows

None.



**BROWN ARMSTRONG
PAULDEN McCOWN HILL STARBUCK & KEETER**
CERTIFIED PUBLIC ACCOUNTANTS

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Andrea R. Hill, CPA
Steven R. Starbuck, CPA
Aileen K Keeter, CPA

Chris M Thornburgh, CPA
Lynn R. Krausse, CPA, MST
Joan M. Anderson, CPA
Bradley M. Hankins, CPA
Eric H. Xin, CPA
Melinda A. McDaniels, CPA
Thomas M. Young, CPA
Amanda E. Wilson, CPA
Sharon Jones, CPA, MST
Michelle L. Gonzales, CPA
Rebecca Thomas, CPA
Wendy Yuan-Sway, CPA
Rosaiva Flores, CPA
Bryan J. Lewis, CPA
Debbie A Rapp, CPA
Julie A. Auvil, CPA

Attachment **B**

To the Administration and Board of Directors
Santa Cruz Metropolitan Transit District
Santa Cruz, California

We have audited the financial statements of the Santa Cruz Metropolitan Transit District for the year ended June 30, 2002, and have issued our report thereon dated August 15, 2002. Under auditing standards generally accepted in the United States of America, we are providing you with the following information related to the conduct of our audit.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility under auditing standards generally accepted in the United States of America is to express an opinion on the financial statements of the Santa Cruz Metropolitan Transit District, Santa Cruz, California, (the District) based on our audit. In carrying out this responsibility, we assessed the risk that the financial statements may contain a material misstatement, either intentional or unintentional, and designed and conducted our audit to provide reasonable, not absolute, assurance of detecting misstatements that are material to the financial statements. In addition, we considered the internal control structure of the District to gain a basic understanding of the internal control policies and procedures in order to design an effective and efficient audit approach, not for the purpose of providing assurance on the internal control structure.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under auditing standards generally accepted in the United States of America, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. The application of existing policies was consistent with 2001.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments.

Significant Audit Adjustments

For purposes of this letter, auditing standards generally accepted in the United States of America define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the District that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. All proposed audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the District's financial reporting process have been approved and reviewed by management.

Disagreements with Management

For purposes of this letter, auditing standards generally accepted in the United States of America define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

To the best of our knowledge, management has not consulted with or obtained opinions from other independent accountants during the past year that are subject to the requirements of Statement on Auditing Standards No. 50, "Reports on the Application of Accounting Principles."

Difficulties Encountered in Performing the Audit

We are pleased to announce we encountered no difficulties in dealing with management in performing our audit.

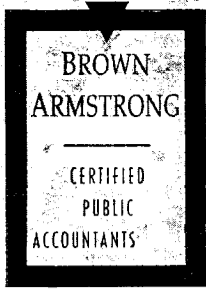
This information is intended solely for the use of the management of the District and should not be used for any other purpose.

BROWN ARMSTRONG PAULDEN
McCOWN HILL STARBUCK & KEETER
ACCOUNTANCY CORPORATION



By: Steven R. Starbuck

Bakersfield, California
August 15, 2002



**BROWN ARMSTRONG
PAULDEN McCOWN HILL STARBUCK & KEETER**
CERTIFIED PUBLIC ACCOUNTANTS

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Attachment C

AGREED UPON CONDITIONS DESIGNED TO INCREASE EFFICIENCY, INTERNAL CONTROLS AND/OR FINANCIAL REPORTING

To the Board of Directors and Management
Santa Cruz Metropolitan Transit District
Santa Cruz, California

We have audited the financial statements of Santa Cruz Metropolitan Transit District (SCMTD) for the year ended June 30, 2002 and have issued our report thereon dated August 15, 2002. In planning and performing our audit of the financial statements of SCMTD, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

As a result of our audit, we noted certain agreed-upon findings. These findings and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure or result in other efficiencies and are summarized as follows:

Current Year Findings and Recommendations

Finding 1

Tickets are kept in a locked cabinet at Metro Center however the possibility of misappropriation is present. The District should perform a ticket-inventory count and reconcile tickets-sold to the sales report to provide assurance that tickets are not misappropriated. An accurate count of spoiled tickets and a monthly sales reconciliation are required to improve the accuracy of the tickets-sold to sales-reported reconciliation currently being performed.

Recommendation

The District should implement control over spoiled tickets and improve ticket-counting procedures to reduce variances in the reconciliation. The count and reconciliation should be performed at least semi-annually to reduce variances to a tolerable level.

Management Response

Management has implemented a method to control spoiled tickets and will perform monthly sales report(s) reconciliations to verify the number of tickets sold as well as perform quarterly ticket-inventory counts and reconcile tickets-sold to reported sales.

Finding 2

The District does not have a strict policy on the type of clothing allowed to be worn in the count room. Employees are allowed to wear shirts and pants with pockets. The wearing of inappropriate clothing in the count room could lead to the possible misappropriation of the District's assets.

Recommendation

The District should establish a policy requiring all employees working in the count room to wear a District Uniform that reduces the risk of misappropriation.

Management Response

The count room has two cameras that record the activity of cash handlers. The tape is on view in the dispatch office. As well, cash handlers are not allowed to handle cash unless there is another person present in the room. Management will research the feasibility of implementing the stricter uniform policy at some time in the future, since contract personnel are involved.

Finding 3

While reviewing the procedures for counting fare box revenues we noted that the District has one individual that participates in, and supervises, the counting of cash, prepares the daily deposit and has access to the daily revenue reports. The lack of separation of duties could lead to the possible misappropriation of fare box revenues.

Recommendation

The District should restrict access to the revenue reports to those individuals that do not participate in the counting of the fare box revenues and preparation of daily deposits. The District should have an individual, separate from cash counting and preparation of deposits, reconcile the deposit amounts to the daily revenue reports and investigate any material overages or shortages.

Management Response

Management understands there is a lack of internal control over revenue deposits and will work towards implementing a solution as soon as possible. Currently the standard, pre-defined, ridership reports generated by the specialized computer software contain revenue information, making it costly to remove that information from viewing by the person who makes deposits.

Prior Year Findings and Recommendations

Finding 1

During our testing of the Federal Transit Administrative (FTA) grants we noted that SCMTD failed to implement, monitor, or file the required special quarterly reports for the Disadvantaged Business Enterprise (DBE) award and commitment program since January 1, 1999.

Status:

Implemented.

Finding 2

While testing cash receipts, we noted that District does not have a policy on the type of clothing employees are allowed to wear in the count room. Employees were allowed to wear shirts and pants with pockets, and low cut shoes. The wearing of inappropriate clothing in the count room could lead to the possible misappropriation of the District's assets.

Status

Not implemented. See current year Finding 2.

Finding 3

The District is not performing an inventory count or reconciliation of the tickets or bus passes kept at the Metro Center. The tickets and passes are kept in a locked cabinet but without a daily or weekly count and reconciliation the possibility of misappropriation is present.

Status

Partially implemented. See current year Finding 1

Finding 4

We noted that the employee in charge of making the deposit to the County's Treasury account is also responsible for the account's reconciliation and posting to the general ledger. In addition, the safe in the finance department is accessible and all the members of the finance department know the combination.

Status

Implemented. The person receiving the cash and checks logs the revenue and deposit summary in ink and emails the amount to the Manager of Finance. The manager reconciles the amount to the deposit slip. The finance department now has two safes. The signature stamp and signed checks are stored in one safe that has limited access, The original safe holds any undistributed payroll checks.

This information is intended solely for the use of the Board of Directors and management of Santa Cruz Metropolitan Transit District should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

BROWN ARMSTRONG PAULDEN
McCOWN HILL STARBUCK KEETER
ACCOUNTANCY CORPORATION



By: Steven R. Starbuck

Bakersfield, California
August 17, 2002

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 22, 2002

TO: Board of Directors

FROM: Margaret Gallagher, District Counsel

SUBJECT: CONSIDERATION OF AMENDMENT AND REINSTATEMENT OF THE DISTRICT'S DEFERRED COMPENSATION PLAN AND TRUST, IN ORDER TO IDENTIFY A NEW TRUSTEE AND TO FACILITATE CHANGES IN THE LAWS FOR 457 PLANS

I. RECOMMENDED ACTION

Amend and restate the District's NPC Deferred Compensation Plan and Trust, in order to identify a new Trustee and to Facilitate Changes in the Laws for 457 plans.

II. SUMMARY OF ISSUES

- There is a need to amend and restate the NPC District's Deferred Compensation Plan and Trust.
- The District has two deferred compensation plans. The NPC Plan was established in 1982 and the Public Employees Retirement System (PERS) Plan was established in 1996.
- In 1998, the Board of Directors amended and restated the NPC Plan in order to include statutory revisions made to the Internal Revenue Code Section 457 to provide for the security and benefit of District employees who are participants in the Plan.
- Because the District's trustee to the NPC Plan is resigning and because the state government changed the laws relative to 457 plans, there is a need to restate and modify the District's NPC Deferred Compensation Plan that changes the trustee and incorporates the changes in the law so the participating employees can take advantage of these changes in this retirement plan.

III. DISCUSSION

The National Plan Coordinators (NPC) Deferred Compensation Plan and Trust was established in 1982 for the District. Through this plan and the PERS Plan, a District employee may contribute up to the established maximum amount of compensation received from the District into one or both deferred compensation plans for the purpose of deferring income taxes on his/her retirement benefits. In December 1998, the Board of Directors approved by Resolution Amendment and Restatement of the National Plan Coordinators (NPC) Deferred Compensation Plan and Trust. At that time Ronnie Nichols was named as trustee for the Plan. (Attachment A)

Great-West purchased NPC.

The Economic Growth and Tax Relief and Reconciliation Act of 2001 (EGTRRA) allows plan sponsors to amend their eligible 457 deferred compensation plans to provide valuable additional benefits to participants. Recent state law changes brought California tax law into conformity with EGTRRA. EGTRRA places governmental 457(b), 401(k) and 403(b) retirement plans on equal par with each other in terms of contribution limits and distribution options. It also gives people over 50 a chance to catch up on their retirement savings. Overall, the law offers major opportunities for people to increase retirement savings, making tax-deferred plans more attractive than ever. With these changes additional investment options will become available for the participating employees.

The following are some of the benefits of EGTRRA that eligible participants can take advantage of as a member of a governmental 457(b) plan should the Board of Directors wish to implement them:

1. Contribution limits for 457(b), 401(k), and 403(b) plans have increased. That brings the maximum to \$11,000 in 2002, \$12,000 in 2003, \$13,000 in 2004, \$14,000 in 2005 and \$15,000 by 2006.
2. The regular catch-up limit for 457(b)s has doubled, to twice the annual contribution limit. There also is a new provision allowing people who are or will be age 50 and over during the calendar year to contribute an additional \$1,000 over and above the maximum contribution limit for 2002. This additional contribution amount will increase to \$2,000 in 2003, \$3,000 in 2004, \$4,000 in 2005 and \$5,000 in 2006..
3. EGTRRA permits people still in service to transfer money from their 457 or 403(b) plans to purchase permissible pension plan service credit for which they are eligible.
4. Distribution rules for 457(b)s have been liberalized. Distributions from a 457(b) plan are taxable only when they are received, eliminating any further need for participants to irrevocably elect a start-date, age or method of payment for receiving distributions from their 457(b) plan when they leave employment.
5. EGTRRA provides a tax credit to people within certain adjusted income ranges that will offset a percentage of the contributions they make to a governmental 457(b) plan.
6. EGTRRA also creates portability—permitting rollovers between governmental 457(b), 401(k), 403(b) plans and IRAs. This means a participating employee can roll his/her pre-tax retirement savings from former employers into the type of plan offered by a new employer, so long as the new employer's plan has elected to accept such rollovers.
7. For participants whose employer also offers a 401(k) or 403(b) plan, they can enroll in the 401(k) or 403(b) plan as well as the 457(b) plan and contribute to the maximum amount to both plans simultaneously.

In order to change the trustee and to incorporate most of the new law into the District's 457 Plan the following documents must be approved:

a. Adopt Section 457 Eligible Deferred Compensation Plan for Governmental Employers (Attachment B)

Eligible governmental employers may use the attached Plan. According to BenefitsCorp over 95% of the public agencies in California use this plan. The County of Santa Cruz currently uses this document for its 457 Plan. The Plan provides for, in addition to other things, the creation of a trust and a trust fund, investments, distributions, tax treatment of amounts contributed, non-assignability. Through use of this plan document, Great-West will advise Metro when updates are required as the laws change.

b. Adopt Great-West Life & Annuity Insurance Company's Group Deferred Compensation Annuity Contract (Attachment C)

The attached annuity contract modifies and enhances the Deferred Compensation Plan (Attachment B). This contract reduces the monies paid to Great West from 1.25% to .75% on each transaction.

c. Adopt Agreement for Recordkeeping and Communication Services 457 deferred Compensation Plan Group #340217-01 (Attachment D)

This agreement gives Metro written rights and guarantees of service specifically setting forth what Great West will do regarding record keeping and enrollment

d. Adopt the Resolution implementing Section 457 Custodial Account Agreement with Wells Fargo Bank West, N.A. (Attachment E)

In order to facilitate the Deferred Compensation Plan, a custodial account is necessary. This takes the place of the trust and, in fact, is treated like a trust for purposes of federal law. If approved, Wells Fargo Bank West, National Association will become the successor to Ronnie E. Nichols. Wells Fargo will serve without a fee payable by the Plan. Pursuant to this Resolution, Wells Fargo will open and maintain a custodial account in the name of the Plan and will hold in the account all cash, securities and other property deposited. Wells Fargo is responsible for the collection of all investment income relating to the assets in the account. Wells Fargo will also make payments from the account to participants or their beneficiaries as required to do so by Metro.

e. Adopt the Adoption Agreement (Attachment F)

The Adoption Agreement must be implemented if the BenefitsCorp Plan is implemented. The Adoption Agreement is the vehicle for activating certain sections of the Plan Document. Certain provisions will or will not apply based upon the manner in which the agreement is completed.

It is incumbent upon the Board of Directors to determine how the District's Plan should be implemented, which, if accepted, incorporates certain changes allowed by EGTRRA.

1. **Issue:** EGTRRA permits the maximum regular deferral limit to be the lesser of 100% of includible compensation or \$11,000 in 2002, increasing in \$1,000 increments per year up to \$15,000 in 2006, then indexed for inflation in \$500 increments. Catch-up contributions during the three years prior to normal retirement age may be increased from \$15,000 to twice the regular elective deferral limit. Deferrals to other types of elective deferral plans, such as 401(k) and 403(b), are no longer required to reduce the amount that can be contributed to the 457 Plan.

Recommendation: The Board in adopting the Benefiscorp, Inc. Plan will allow the Plan participants the ability to make additional elective deferrals and take advantage of changes in the catch-up limits. There is no administrative cost to the Plan for making changes and the amendment affords the Plan participants an opportunity to put more money away toward retirement. **(Benefiscorp, Inc. Plan §4.02; Attachment B).**

2. **Issue:** EGTRRA permits employees who turn age 50 or over during the calendar year to contribute an additional amount into the plan for all plan years except during the three years prior to normal retirement age while they are utilizing the regular 457 catch-up provision. New Code section 414(v) sets out the additional amount applicable to 457 plans. The additional amount is \$1,000 in 2002, increasing in \$1,000 increments each year up to \$5,000 in 2006. This additional amount is then indexed for inflation in \$500 increments.

Recommendation: This allows for participating employees aged 50 years or older to increase their contributions to the Plan. Such change affords Plan participants with the opportunity to put more money aside for retirement without adding to the cost of administering the Plan, and not being administratively burdensome to the Plan Administrator. **(Benefiscorp, Inc. Plan §4.04; Attachment B).**

3. **Issue:** EGTRRA permits 457(b) plan assets to remain tax deferred until actually distributed from the plan. Under amended section 457(a), the participants' account balances are no longer taxable when "made available." The special distribution rules under 457(d) are repealed such that payments are no longer required to be paid in substantially non-increasing amounts paid at least annually. Non-spouse beneficiaries may ~~not~~ **now** take distributions over life expectancy, not just 15 years. Adopting these provisions requires deleting plan language taxing a participant's 457 account balance at severance of employment prior to an amount being paid to the participant or other beneficiary.

Recommendation: This amendment is not recommended because while giving Plan participants more distribution flexibility, as Great-West points out, such flexibility may cause the Plan to incur further administrative expenses and will involve additional work by the plan sponsor. Great West has indicated that it will permit up to two changes in payout amounts per calendar year from each participant, free of charge. However, subsequent changes in the same calendar year may involve an additional fee paid by the participant.

4. **Issue:** EGTRRA permits the plan to allow 457(b) plan participants to request a trustee-to-trustee transfer of assets from their 457(b) account to a governmental defined benefit plan for the purchase of permissible service credit (as defined in section 415(n)(3)(A)) under such plan or a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.

Recommendation: This would allow a transfer from the 457 Plan to a defined benefit plan such as CalPERS. The amendment does not involve any administrative burdens or expense, adoption is recommended, although it may never be utilized. **(Benefitcorp, Inc. Plan §7.03(c); Attachment B)**

5. **Issue:** EGTRRA permits the Plan to accept rollover contributions from other types of employer-sponsored plans, including 401(a), 401(k), and 403(b) plans, and IRAs pursuant to new Code section 457(e)(16) and revised section 402(c)(8)(B) defining eligible retirement plan. This change would allow participants to consolidate assets from plans of previous employers and personal IRAs, and allows for greater account growth within the 457 plan. There may be additional fees for record-keeping services to accommodate rollovers from multiple sources other than Code section 457 Plans.

Recommendation: Not recommended for adoption because they increase the administrative burden and cost to the Plan if it were to accept rollovers from other employers' plans or provide for the processing of qualified domestic relations orders. **(Benefitcorp, Inc. Plan §7.01(b), Attachment B; Adoption Agreement, Attachment F)**

6. **Issue:** EGTRRA permits the Plan to accept qualified domestic relations orders pursuant to amended Code section 414(p)(11) to transfer all or a portion of a participant's account to an alternate payee pursuant to divorce. The Plan may provide for immediate payments to alternate payees and tax report such distributions to former spouse alternate payees.

Recommendation: This is a favorable change for participants and alternate payees, and greatly simplifies plan administration and tax reporting. It should also reduce the number of alternate payee accounts set up under the Plan.

7. **Issue:** Plans are allowed to cash out small account balances (typically \$5,000 or less) without the participant's consent upon severance of employment. EGTRRA requires Treasury to issue regulations within three years of the date of enactment that will require all plans with a mandatory cash-out provision to designate an IRA provider to receive unclaimed small accounts. If the participant does not request the distribution in cash or direct it to another Plan or IRA, the plan must send all amounts of \$1,000 or more to the designated IRA provider and determine the default option for such amounts to be invested in.

Recommendation: It is recommended that the Plan Sponsor adopt this amendment, as it would allow for the payout of account balances of \$5,000 or less without action by the Plan participant. Such an amendment helps to reduce administrative burden of the Plan by clearing out some small accounts.

8. Provision for loans has been made in the recently issued 457 regulations.

Recommendation: This amendment is not recommended, as it would provide for Plan loans to Plan participants, which would allow borrowing out of participant's accounts. Such a loan program can be time consuming to administer and consequently increase administrative expenses.

As part of Benefitscorp 457 Plan, a committee will be established to review applications from employees for distribution of funds due to unforeseeable emergencies. Attachment H includes the application for such distribution to be completed by the employee.

IV. FINANCIAL CONSIDERATIONS

None.

V. ATTACHMENTS

Attachment A: Amendment and Restatement of the National Plan Coordinators (NPC) Deferred Compensation Plan and Trust

Attachment B: Section 457 Eligible Deferred Compensation Plan for Governmental Employers

Attachment C: Great-West Life & Annuity Insurance Company's Group Deferred Compensation Annuity Contract

Attachment D: Agreement for Recordkeeping and Communication Services 457 deferred Compensation Plan Group #340217-01

Attachment E: Resolution implementing Section 457 Custodial Account Agreement with Wells Fargo Bank West, N.A.

Attachment F: Adoption Agreement – Benefitscorp, Inc. Section 457 Eligible Deferred Compensation Plan for Governmental Employers

Attachment G: Great-West Life & Annuity Insurance Company Letter Agreement

Attachment H: Application for Withdrawal of Funds Due to Unforeseen Emergency

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
NPC DEFERRED COMPENSATION PLAN AND TRUST**

**Effective Date: 4/16/82
Amended and Restated effective 1/1/99**

Chapter 01 PLAN ESTABLISHED

01 Plan Established. As provided in Section 457 of the Internal Revenue Code of 1986, as amended (hereinafter referred to as the "Code"), Santa Cruz Metropolitan Transit District (defined more completely below as the "Plan Sponsor") hereby amends and restates the Santa Cruz Metropolitan Transit District NPC Deferred Compensation Plan and Trust (hereinafter referred to as the "Plan") for the employees of the Santa Cruz Metropolitan Transit District. Nothing contained in this Plan shall be deemed to constitute an employment agreement between the Participant and the Plan Sponsor and nothing contained herein shall be deemed to give a Participant any right to be retained in the employ of the Plan Sponsor.

Chapter 02 DEFINITIONS

02-1 Accumulated Deferrals. "Accumulated Deferrals" means Compensation deferred under the Plan, adjusted until date of payment by income received, increases or decreases in investment value, fees and any prior distributions made.

02-2 Beneficiary. "Beneficiary" means a beneficiary of a Participant, a Participant's estate, or any other person whose interest in the Plan is derived from the Participant.

02-3 Committee. "Committee" means the Committee for NPC Deferred Compensation Plan and Trust appointed by the Plan Sponsor. The Committee shall be composed of the Human Resources Manager and Finance Manager and one representative from Services Employees International Union (SEIU) Local 4 15 and one representative from United Transportation Union (UTU) Local 23.

02-4 Compensation. "Compensation" means all payments made to a public employee by the Plan Sponsor as remuneration for services rendered.

02-5 Deferred Compensation. "Deferred Compensation" means the amount of the Participant's Compensation which the Participant and the Plan Sponsor shall mutually agree (prior to the date for which such Compensation is earned) will be deferred.

02-6 Eligible Employee. "Eligible Employee" means any person who is employed by and receives any type of Compensation from the Plan Sponsor for whom services are rendered, and who is a full-time, regular part-time working half-time, or more, and represented by a union recognized by the Plan Sponsor or designated in the management group.

02-7 Normal Retirement Age. "Normal Retirement Age," as used in the Plan, means the range of ages:

03-3 Plan Administrator Action Fair And Reasonable. Every action taken by the Plan Administrator shall be presumed to be a fair and reasonable exercise of the authority vested in or the duties imposed upon him/her. The Plan Administrator shall be deemed to have exercised reasonable care, diligence and prudence and to have acted impartially as to all persons interested, unless the contrary be proven by affirmative evidence.

03-4 Plan Administrator to Maintain Records of Accounts. To facilitate an orderly administration of the Plan, the Plan Administrator shall maintain or cause to be maintained a deferred compensation ledger account with respect to each Participant.

Chapter 04 PARTICIPATION IN THE PLAN

04-1 Enrollment. Enrollment in the Plan.

(1) An Eligible Employee may become a Participant by executing a Participation Agreement. Compensation will be deferred for any pay period only if a Participation Agreement providing for such deferral is executed by the Participant and approved by the Plan Administrator or his/her designee before the beginning of the pay period.

(2) In signing the Participation Agreement, the Participant elects to participate in this Plan and consents to the Plan Sponsor deferring the amount specified in the Participation Agreement from the Participant's gross Compensation for each pay period. The amount specified must equal to at least ten dollars (**\$10**) per pay period and shall continue until changed or revoked pursuant to Chapter 04-6 or 04-7 of this Plan.

04-2 Plan To Plan Transfers.

(1) Transfers To The Plan: If a Participant was formerly a participant in an eligible state deferred compensation plan (within the meaning of Section 457 of the Code and the regulations thereunder), and if such plan permits the direct transfer of the Participant's interest therein to the Plan, then the Plan shall accept assets representing the value of such interest; provided, however, the Plan Administrator may require in its sole discretion that some or all of such interest be transferred in cash or its equivalent. Such amount shall be held, accounted for, administered and otherwise treated in the same manner as compensation deferred by the Participant under the Plan except that:

(a) Only the amount, if any, transferred to this Plan which was deferred under the transfer or plan in the taxable year when transfer occurs shall be treated as Compensation deferred under the Plan in such year.

(b) No amount may be transferred to this Plan as of the time when such amount is paid or made available under the Section 457 plan of the Participant's prior employer.

(2) Transfers From The Plan: The amounts credited to the account of a former Participant in the Plan may be transferred to another eligible deferred compensation plan (within the meaning of

(2) “Includible compensation” for purposes of this Chapter means includible compensation as defined in Section 457(e)(5) of the Code and as further defined by Treasury Regulation 1.457-2(e)(2) interpreting that section, and is determined without regard to community property laws. Includible compensation for a taxable year includes only compensation from the Plan Sponsor that is attributable to services performed for the Plan Sponsor and that is includible in the Participant’s gross income for the taxable year for federal income tax purposes. Accordingly, a Participant’s includible compensation for a taxable year does not include an amount payable by the Plan Sponsor that is excludable from the Participant’s gross income under:

- (a) Section 457 of the Code;
- (b) Section 403(b) of the Code (relating to annuity contracts purchased by non-profit organizations described in Section 501 (c)(3) of the Code or public schools);
- (c) Section 105(d) of the Code (relating to wage continuation plans);
- (d) Section 911 of the Code (relating to citizens or residents of the United States living abroad);
- (e) Section 402(e)(3) or 402(h)(1)@ of the Code (relating to simplified employee pensions);
- (f) Section 501 (c)(18) of the Code (relating to certain pension trusts);
- (g) Section 402(k) of the Code (relating to qualified cash or deferred arrangements); or
- (h) Section 408(p) of the Code (relating to SIMPLE Retirement Accounts).

(3) In computing includible compensation, total gross compensation as shown on the Plan Sponsor’s earnings statements must be reduced by:

- (a) Pre-tax contributions to retirement plans under Section 414(h) of the Code; and
- (b) Any contributions to cafeteria plans under Section 125 of the Code (including those associated with such items as dependent care salary reduction plans)

before excluding the items listed in subchapters (2)(a) through (h) of this Chapter.

04-4 Catch-up provision. For one or more of the Participant’s last three (3) taxable years ending before attaining Normal Retirement Age under the Plan, the maximum deferral shall be the lesser of

- (1) Fifteen thousand dollars (\$15,000) for the taxable year, reduced in the same manner as the eight thousand dollars (\$8,000) limitation is reduced in Chapter 04-3, or

Administrator no later than the last day of the payroll period prior to the payroll period during which the deferrals are to cease; however, Accumulated Deferrals shall only be paid as provided in Chapter 04-9 through 04- 15.

REINSTATEMENT. A Participant who has directed the cessation of deferrals may resume deferrals for any calendar month commencing no sooner than the month following the close of next enrollment period by executing a new Participation Agreement to defer Compensation. The waiting period shall not apply to Participants who are on leave without pay as discussed in Chapter 06.

04-8 Funding Options. The Committee shall provide that all investments under the Plan shall at all times be made on an individually directed basis and in conformance with CA GOV. CODE 532 13 5. Each Participant shall designate on his/her Participation Agreement the funding option(s) in which he/she wishes to have invested. The funding option(s) shall be selected from those options made available for this purpose from time to time by the Committee, in its sole discretion. The Committee may make available as funding options:

- (1) A fixed rate investment or pool of investments including deposits with a credit union, savings and loan association, mutual savings bank and fixed annuities;
- (2) Specified mutual fund shares, shares of an investment company, or variable annuities; or
- (3) Fixed or variable life insurance, or other options permitted by law and selected by the Committee.

In the event that a selected funding option experiences a loss, the Participant's Accumulated Deferrals payable hereunder shall likewise reflect a loss for the period.

04-9 Designation Of Beneficiaries. Each Participant shall have the right to designate a Beneficiary or Beneficiaries to receive Accumulated Deferrals in the event of Participant's death. If no such designation is in effect upon the death of a Participant, the Beneficiary shall be the surviving spouse, or if none, then the Beneficiary shall be the Participant's estate. A Participant may change his/her Beneficiary designation at any time by filing a change of beneficiary form with the Plan Administrator. A Participant may also change his/her Beneficiary designation by completing the beneficiary designation portion of a Participation Agreement form. The Participant may name:

- (1) A designated organization or person (including without limitation his/her unborn or later adopted children). If unborn or later adopted children are to be included, the designation must so indicate. The date of birth must be furnished for any living person who is named and who is under the age of eighteen.
- (2) His or her estate;

For purposes of the preceding paragraph, the "first permissible payout date" is the earliest date on which the Plan permits payments to begin after Separation from Service, disregarding payments to a Participant who has an unforeseeable emergency or attains age 70-½, or under the in-service distribution provisions of the Plan.

(2) Election Regarding When Payment Will Begin:

(a) By a Participant who Separates from Service other than by reason of death, must be made not later than sixty (60) days after Separation from Service. Payment may begin on the date nearest the first day of the month in which an election is filed with the Plan Administrator on forms provided for that purpose, and payment must begin within the time prescribed by Chapter 04-14.

(b) By a Beneficiary, other than an organization, estate or trust, where the Participant was not already receiving payments, payments must be made not later than sixty (60) days after the Participant's death. Payment may begin on the date nearest the first day of the month in which the election is filed with the Plan Administrator on forms provided for that purpose, and payment must begin within the time prescribed by Chapter 04-14.

(3) Election Regarding Method Of Payment. The Participant (or Beneficiary other than an organization, estate or trust) who makes an election regarding the date payment will begin, may also elect the period over which payments will be made. The pay-out period election may be made either at the time he/she elects a beginning date for pay-out or at any time not later than sixty (60) days prior to the date pay-out is to begin. Once having made this election, the Participant (or Beneficiary, other than an organization, estate, or trust) may change the pay-out period election not later than sixty days prior to the date pay-out is to begin. Such a Beneficiary may also make this election where the Participant was already receiving payments but, as provided in Chapter 04-14(3)(a), must receive distribution at least as rapidly as it was being distributed to the Participant. Such a Beneficiary must make the pay-out period election not later than sixty (60) days after the death of the Participant and pay-out will be suspended following the Participant's death until the Beneficiary either makes a pay-out period election or begins receiving payment as provided in subchapter (4) of this chapter; provided, if the Participant was receiving pay-out in the form of an annuity contract, then the successor's right shall be limited by the terms of that contract.

(4) How Elections Are Made. A Participant or Beneficiary makes elections allowed under this Chapter by completing and filing applicable payment request forms with the Plan Administrator.

(5) Consequences In Absence Of A Timely Election Regarding Time Of Payment. Absent a timely election regarding when pay-out is to begin, pay-out will begin on the fifteenth day of the month following the month in which the election period ends, and will be made, in a lump sum if the Accumulated Deferrals as of the end of the election period are less than twenty-five thousand dollars (\$25,000) or, if the Accumulated Deferrals are twenty-five thousand dollars (\$25,000) or more, in the form of a lifetime annuity with a fifteen (15) year certain period or

- (a) Receive his/her entire interest prior to the latest of:
 - (i) The April 1st immediately following the close of the Plan year in which the Participant attains age seventy and one-half or
 - (ii) The April 1st immediately following the close of the Plan year in which the Participant Separates from Service with the Plan Sponsor; or
- (b) Begin receiving his/her interest not later than the time specified in (a) of this Subchapter and receive it over a period not longer than either:
 - (i) The life of the Participant;
 - (ii) The life of the Participant and a Beneficiary designated by the Participant;
 - (iii) The life expectancy of the Participant; or
 - (iv) The life expectancy of the Participant and a designated Beneficiary.

Payment must be sufficiently rapid to satisfy the requirements of Section 457(d)(2)(B)(i)(I) and Section 401 (a)(9)(G) of the Code; provided, that until tables are issued by the Secretary of the Treasury, if provision is made for the payment of a portion of the Accumulated Deferrals to a Beneficiary, the amount payable to the Participant actuarially must exceed two-thirds (2/3) of the maximum amount payable to the Participant had no provision been made for payments to the Beneficiary (determined as of the commencement of the distribution). Once payments to a Participant begin, the Participant may accelerate the payment schedule only in the event of an unforeseeable emergency (and subject to the provisions of Chapter 05 regarding such emergencies).

(3) Distribution To Beneficiaries.

- (a) When distribution begins prior to the Participant's death, then pay-out must be made at least as rapidly as it was being made to the Participant. When the Beneficiary is an organization, estate or trust, then payment will be payable in a lump sum.
- (b) When distribution does not begin prior to the Participant's death, and is to be made:
 - (i) To an organization, estate or trust, then payment will be payable in a lump sum on the first day of the third month following written notice of the Participant's death;
 - (ii) To a living Beneficiary designated by the Participant other than the Participant's surviving spouse, and, by election, not to begin within one (1) year of the Participant's death, then the payment must be made within five (5) years of the Participant's death;

- (c) no amount has been deferred under the Plan with respect to the Participant during the two-year period ending on the date of the in-service distribution; and
- (d) the Participant elects to receive the distribution

Chapter 05 UNFORESEEABLE EMERGENCY

05-1 Unforeseeable Emergency. Notwithstanding any other provisions in the Plan, in the event of an unforeseeable emergency, a Participant or a Beneficiary entitled to Accumulated Deferrals may request the Plan Administrator to pay out a portion of Accumulated Deferrals. If the application for payment is approved by the Plan Administrator, payment will be made within sixty (60) days following such an approval. The amount paid shall be limited strictly to that amount reasonably necessary to satisfy the emergency need. For purposes of this Plan, an unforeseeable emergency shall be severe financial hardship to the Participant resulting from:

- (1) A sudden and unexpected illness or accident of the Participant or of a dependent (as defined in Section 152(a) of the Code) of the Participant,
- (2) Loss of the Participant's property due to casualty, or
- (3) Other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

The circumstances that will constitute an unforeseeable emergency will depend upon the facts of each case, but in any case, payment shall not be made to the extent that such hardship is or may be relieved (a) through reimbursement or compensation by insurance or otherwise; (b) by liquidation of the Participant's assets, to the extent liquidation of such assets would not itself cause severe financial hardship; or (c) by cessation of deferrals under the Plan. Examples of what shall not be considered to be unforeseeable emergencies include the need to send a Participant's child to college or the desire to purchase a home.

Chapter 06 LEAVE OF ABSENCE

06 Leave Of Absence. If a Participant is on an approved leave of absence from the Plan Sponsor, participation in this Plan shall continue.

Chapter 07 AMENDMENT OR TERMINATION OF PLAN

07-1 Termination Of Plan. The Plan Sponsor may at any time terminate this Plan. Upon such termination, Accumulated Deferrals will be paid pursuant to Chapter 04 of the Plan. All Participants' deferrals will cease.

07-2 Amendment Of Plan. The Plan Sponsor may also amend the provisions of this Plan at any time; provided, that no amendment shall affect the rights of Participants or their Beneficiaries regarding Accumulated Deferrals at the time of the amendment.

Chapter 11 ASSETS

11 Plan Assets. Notwithstanding any contrary provision of the Plan, in accordance with Section 457(g) of the Code, all amounts of Compensation deferred pursuant to the Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights shall be held in trust for the exclusive benefit of Participants and Beneficiaries under the Plan. Any trust under the Plan shall be established pursuant to a written agreement that constitutes a valid trust under the law of California.

All amounts of Compensation deferred under the Plan shall be transferred to a trust established under the Plan within a period that is not longer than is reasonable for the proper administration of the accounts of Participants. To comply with this requirement, all amounts of Compensation deferred under the Plan shall be transferred to a trust established under the Plan not later than 15 business days after the end of the month in which the Compensation would otherwise have been paid to the employee,

Chapter 12 PARTICIPATION BY COMMITTEE MEMBERS

12 -Participation By Committee Members. Members of the Committee, who are otherwise eligible, may participate in the Plan under the same terms and conditions as apply to other Participants but an individual member shall not participate in any Committee action taken with respect to that member's participation.

Chapter 13 PLAN SPONSOR PARTICIPATION

13 Plan Sponsor Contributions. The Plan Sponsor may, pursuant to a changed or new Participation Agreement filed by a Participant as specified in Chapters 04-6 or 04-7, add additional Deferred Compensation for services to be rendered by the Participant to the Plan Sponsor during any calendar month, provided:

- (1) The Participant has elected to have such additional Compensation deferred, invested, and distributed, pursuant to this Plan, prior to the calendar month in which the Compensation is earned; and
- (2) Such additional Deferred Compensation, when added to all other Deferred Compensation under the Plan, does not exceed the maximum deferral permitted by Chapter 04.

Chapter 14 INVESTMENT RESPONSIBILITY

14 Investment Responsibility. The Plan Sponsor may, but is not required to, invest funds held pursuant to Participation Agreements between Participants and the Plan Sponsor in accordance with the requests made by each Participant. The Plan Sponsor shall retain the right to approve or disapprove such investment requests. Any action by the Plan Sponsor in investing funds, or approving of any such investment of funds, shall not be considered to be either an endorsement or guarantee of any investment, nor shall it be considered to attest to the

Chapter 16. APPLICABLE LAW

16 Plan To Conform To Federal and State Laws. This Plan is intended to be an eligible State deferred compensation plan within the meaning of Section 457 of the Code, and Treasury Regulation 1.457-2(a) and to comply with applicable State law, and shall be interpreted accordingly.

Chapter 17. TRUST AGREEMENT

17-1 Acceptance. Ronnie E. Nichols, (the "Trustee"), or any successor or successors which accept appointment under this Chapter 17, accepts the Trust hereby created under the Plan and agrees to perform the obligations imposed. The Trustee's duties and responsibilities stated hereunder shall be performed in accordance with, and as necessary limited to comply with, applicable law.

17-2 Receipt of Contributions. The Trustee shall be accountable to the Plan Sponsor for the funds contributed to it by the Plan Sponsor. The Trustee shall not be obliged to collect any contributions from the Plan Sponsor. The Trustee shall be obligated to insure that funds deposited with it are deposited according to the provisions of the Plan and applicable federal and state law.

17-3 Full Investment Powers. The Trustee shall have full discretion and authority with regard to the investment of any portion of the Trust fund that is not subject to direction of investment by the Plan Sponsor, Plan Administrator, Committee or a Participant. The Trustee is authorized and empowered, but not by way of limitation, with the following powers, rights and duties:

(1) To invest any part or all of the Trust fund in any common or preferred stocks, open-end or closed-end mutual funds, shares of an investment company, variable annuities, put and call options traded on a national exchange, United States retirement bonds, corporate bonds, debentures, convertible debentures, commercial paper, U.S. Treasury bills, U.S. Treasury notes and other direct or indirect obligations of the United States Government or its agencies, improved or unimproved real estate situated in the United States, limited partnerships, insurance contracts, mortgages, notes or other property of any kind, real or personal, and to buy or sell options on common stock on a nationally recognized options exchange with or without holding the underlying common stock, as a prudent man would do under like circumstances with due regard for the purposes of this Plan.

(2) To retain in cash so much of the Trust fund as it may deem advisable to satisfy liquidity needs of the Plan and to deposit any cash held in the Trust fund in a bank account at reasonable interest;

(3) To manage, sell, contract to sell, grant options to purchase, convey, exchange, transfer, abandon, improve, repair, insure, lease for any term even though commencing in the future or extending beyond the term of the Trust, and otherwise deal with all property, real or personal, in

(14) To begin, maintain, or defend any litigation necessary in connection with the administration of the Plan, except that the Trustee shall not be obliged or required to do so unless indemnified to its satisfaction.

17-4 Records and Statements. The records of the Trustee pertaining to the Plan shall be open to the inspection of the Plan Administrator, Plan Sponsor and the Committee at all reasonable times and may be audited from time to time by any person or persons as the Plan Sponsor or Plan Administrator may specify in writing. The Trustee shall furnish the Plan Administrator/the Plan Sponsor with whatever information relating to the Trust fund the Committee, Plan Administrator or Plan Sponsor considers necessary.

17-5 Fees and Expenses from Fund. The Trustee shall serve without cost to the Plan Sponsor. The Trustee shall pay all expenses reasonably incurred by it or by the Plan Sponsor, the Committee, or other professional advisers or administrators in the administration of the Plan from the Trust fund unless the Plan Sponsor pays the expenses.

17-6 Distribution of Cash or Property. The Trustee may make distribution under the Plan in cash or property, or partly in each, at its fair market value as determined by the Trustee.

17-7 Resignation. The Trustee may resign at any time as Trustee of the Plan by giving sixty (60) days' written notice in advance to the Plan Sponsor/Plan Administrator.

17-8 Removal. The Plan Sponsor, by giving sixty (60) days' written notice in advance to the Trustee, may remove any Trustee.

17-9 Interim Duties and Successor Trustee. In the event of the resignation or removal of a Trustee, the Plan Sponsor shall appoint a successor Trustee if it intends to continue the Plan. During any period the selection of a Trustee is pending, or during any period a Trustee is unable to serve for any reason, the remaining Trustee or Trustee(s), if any, shall act as the sole Trustee or as the only Trustee(s) of the Trust created under this Agreement. If no Trustee remains during any period the selection of a Trustee is pending, the Plan Sponsor shall act as Trustee until a successor Trustee is selected.

Each successor Trustee shall succeed to the title to the Trust vested in his predecessor by accepting in writing his appointment as successor Trustee and filing the acceptance with the former Trustee and the Plan Administrator without the signing or filing of any further statement. The resigning or removed Trustee, upon receipt of acceptance in writing of the Trust by the successor Trustee, shall execute all documents and do all acts necessary to vest the title of record in any successor Trustee. Each successor Trustee shall have and enjoy all of the powers, both discretionary and ministerial, conferred under this Agreement upon his predecessor. No successor Trustee shall be personally liable for any act or failure to act of any predecessor Trustee. With the approval of the Plan Sponsor a successor Trustee, with respect to the Plan, may accept the account rendered and the property delivered to it by a predecessor Trustee without incurring any liability or responsibility for so doing.

BENEFITSCORP, INC.

SECTION 457 ELIGIBLE DEFERRED COMPENSATION PLAN
FOR GOVERNMENTAL EMPLOYERS

INTRODUCTION TO BENEFITSCORP, INC.
SECTION 457 ELIGIBLE DEFERRED COMPENSATION PLAN
FOR GOVERNMENTAL EMPLOYERS

The attached Plan may be used by eligible governmental employers as a model in preparing deferred compensation plans intended to satisfy § 457 of the Internal Revenue Code of 1986, as amended. In general, under a § 457 plan, which is also referred to as an “eligible deferred compensation plan,” a participant may defer amounts of compensation (and income earned on those deferrals) and avoid federal income taxation until those amounts are paid to the participant.

The following types of governmental entities may establish eligible § 457 plans:

1. The 50 states of the United States and the District of Columbia;
2. A political subdivision of a state (for example a county or municipality); and
3. Any agency or instrumentality of a state or a political subdivision of a state.

This Plan contains provisions that may be included in an eligible deferred compensation plan. It was prepared for your convenience. You should review and, where appropriate, modify the provisions to meet your particular needs. You should also refer to any applicable state or local laws, including tax laws and rules for governmental employee benefit plans (if applicable), in the design of your plan.

In designing your plan, you should take into account the investment options to be used and the terms of any Trust or custodial agreements entered into with respect to the Plan. You should also ascertain the federal income tax reporting and withholding obligations, FICA and FUTA obligations (to the extent applicable), and any comparable state obligations with respect to your plan. Generally, deferred amounts under a § 457 plan are not reported as income, and federal income tax is not withheld, until the amounts are paid to the participant. Deferred amounts generally are included in the FICA and FUTA wage base when deferred.

This Plan is not intended to provide you with legal advice, nor should it be implemented without regard to your particular needs or any applicable laws of your state. No state or federal government has passed on the legal sufficiency (including the conformity with § 457) of this Plan. Neither BenefitsCorp, Inc., nor any of its affiliated companies assumes any liability to any person or entity with respect to the adequacy of this document for any purpose, or with respect to any tax or legal ramifications arising from its use. BenefitsCorp, Inc., is not a party to any plan which you may adopt and BenefitsCorp, Inc., has no responsibility, accountability, or liability to you, any employer, any participant or any beneficiary with regard to the operation or adequacy of this Plan, any § 457 plan prepared from this Plan, or any future amendments made to this Plan. You should consult with your legal counsel prior to adopting any plan.

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SECTION 457 ELIGIBLE DEFERRED COMPENSATION PLAN

I. INTRODUCTION

In accordance with the provisions of § 457 of the Internal Revenue Code of 1986, as amended, the Employer named in the BenefitsCorp, Inc. Adoption Agreement for Section 457 Eligible Deferred Compensation Plan for Governmental Employers hereby establishes this Deferred Compensation Plan, hereinafter referred to as the “Plan.” Nothing contained in this Plan shall be deemed to constitute an employment agreement between any Participant and Employer and nothing contained herein shall be deemed to give a Participant any right to be retained in the employ of Employer.

II. DEFINITIONS

2.01 “Administrator” or “Plan Administrator” shall mean the person, persons or entity appointed by the Employer to administer the Plan pursuant to section 3.02, if any, but shall not include any company which issues policies, contracts, or investment media to the Plan in respect of a Participant.

2.02 “Age 50 or Older Catch-up” shall mean the deferred amount described in section 4.04.

2.03 “Beneficiary” shall mean the persons or entities designated by a Participant pursuant to section 4.01(c).

2.04 “Code” shall mean the Internal Revenue Code of 1986, as amended, or any future United States internal revenue law. References herein to specific section numbers of the Code shall be deemed to include Treasury regulations and Internal Revenue Service guidance thereunder and to corresponding provisions of any future United States internal revenue law.

2.05 “Compensation” shall mean all payments made to an Employee by the Employer as remuneration for services rendered, including salaries, fees and, to the extent permitted by Treasury Regulations or other similar guidance, accrued vacation and sick leave pay.

2.06 “Custodial Account” shall mean the account established with a Custodian meeting the provisions of Code § 401(f), if the Employer has elected to satisfy the trust requirement of Code § 457(g) by setting aside Plan assets in a custodial account.

2.07 “Custodian” shall mean the bank, trust company or other person authorized to hold the assets of such a custodial account in accordance with regulations issued by the Secretary of the Treasury pursuant to Code § 401(f) that is selected by the Employer to hold Plan assets if the Employer has elected to use a custodial account pursuant to Code § 457(g) and § 401(f).

2.08 “Deferred Compensation” shall mean the amount of Compensation not yet earned which the Participant and the Employer mutually agree shall be deferred.

2.09 “Employee” shall mean those individuals specified in the Adoption Agreement.

2.10 “Employer” shall mean the sponsor of the Plan as named in the Adoption Agreement.

2.11 “Includible Compensation” shall mean, for purposes of the limitation set forth in section 4.02, Compensation for services performed for the Employer as defined in Code § 457(e)(5).

2.12 “Limited Catch-up” shall mean the deferred amount described in section 4.03.

2.13 “Normal Retirement Age” shall mean age 70½, unless the Participant has elected an alternate Normal Retirement Age by written instrument delivered to the Administrator prior to Severance From Employment. A Participant’s Normal Retirement Age determines the period during which a Participant may utilize the Limited Catch-up of section 4.03 of the Plan. Once a Participant has to any extent utilized the Limited Catch-up of section 4.03 of the Plan, his Normal Retirement Age may not be changed.

A Participant’s alternate Normal Retirement Age may not be earlier than the earliest date the Participant will become eligible to retire under the Employer's basic retirement plan without the Employer's consent and to receive immediate retirement benefits without actuarial or similar reduction because of early retirement, and may not be later than age 70½. If the Participant will not become eligible to receive benefits under a basic retirement plan maintained by the Employer, the Participant’s alternate Normal Retirement Age may not be earlier than age 50 and may not be later than age 70½. If a Participant continues to be employed by Employer after attaining age 70½, not having previously elected an alternate Normal Retirement Age, the Participant’s alternate Normal Retirement Age shall not be later than the mandatory retirement age, if any, established by the Employer, or the age at which the Participant actually severs employment with the Employer if the Employer has no mandatory retirement age.

2.14 “Participant” shall mean any Employee who becomes a Participant pursuant to section 4.01. Except for purposes of Articles IV, VIII, and IX, “Participant” shall include former Participants. The Administrator, if he or she is otherwise eligible, may participate in the Plan.

2.15 “Participation Agreement” shall mean the agreement entered into and filed by an Employee with the Employer pursuant to section 4.01, in which the Employee elects to become a Plan Participant.

2.16 “Plan Year” shall mean the calendar year.

2.17 “Qualified Domestic Relations Order” or “QDRO” shall have the meaning specified in section 12.02.

2.18 “Severance from Employment” shall mean severance of the Participant’s employment with the Employer. A Participant shall be deemed to have severed his employment with the Employer for purposes

of this Plan when both parties consider the employment relationship to have terminated and neither party anticipates any future employment of the Participant by the Employer. In the case of a Participant who is an independent contractor, Severance from Employment shall be deemed to have occurred when the Participant's contract for services has completely expired and terminated, there is no foreseeable possibility that the Employer shall renew the contract or enter into a new contract for services to be performed by the Participant, and it is not anticipated that the Participant shall become an Employee of the Employer.

2.19 "Total Amount Deferred" shall mean, with respect to each Participant, the sum of all Compensation deferred under the Plan, plus income and minus loss thereon (including amounts determined with reference to life insurance policies) and less the amount of any expenses or distributions authorized by this Plan, calculated in accordance with section 6.04.

2.20 "Trust" shall mean the trust created under Article V of the Plan if the Employer or certain employees are named as Trustee(s) in the Adoption Agreement. "Trust" shall mean a trust created by a separate written agreement between the Employer and the Trustee if a bank or trust company is named as Trustee in the Adoption Agreement. The Trust shall consist of all Plan assets held by the Trustee named in the Adoption Agreement.

2.21 "Trustee" shall mean the Employer or such other person, persons or entity selected by the Employer who agrees to act as Trustee hereunder if elected in the Adoption Agreement. This term (except as used in Article V) also refers to the person holding the assets of any custodial account or holding any annuity contract described in section 5.01.

2.22 "Unforeseeable Emergency" shall mean severe financial hardship to a Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent (as defined in Code § 152(a)) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant as defined in Code § 457. Whether a hardship constitutes an Unforeseeable Emergency under section 7.04 shall be determined in the sole discretion of the Administrator.

III. ADMINISTRATION

3.01 Administrator. The Employer shall be the Administrator unless another person or persons is appointed by the Employer in the Adoption Agreement as set forth in section 3.02.

3.02 Appointment and Termination of Administrator. An Administrator may be named in the Adoption Agreement by the Employer and may be a Participant. The Administrator shall remain in office at the will of the Employer and may be removed from office at any time by the Employer, with or without cause. Such removal shall be effective upon delivery of written notice to the Administrator or at such later time as may be designated in such notice; provided that any such notice of removal shall take effect no later than 60 days after the delivery thereof, unless such 60 day period shall be waived. The Administrator may resign at any time upon giving written notice to the Employer or at such later time as may be designated in the

notice of resignation; provided that (a) any such notice of resignation shall take effect no later than 60 days after the delivery thereof, unless such 60 day period shall be waived and (b) upon such resignation or removal the Employer shall have the power and the duty to designate and appoint a successor Administrator, and the actual appointment of a successor Administrator is a condition that must be fulfilled before the resignation or removal of the Administrator shall become effective. Upon appointment, the successor Administrator shall have all the rights, powers, privileges, liabilities and duties of the predecessor Administrator. The Administrator so resigned or removed shall take any and all action necessary to vest the rights, powers, privileges, liabilities and duties of the Administrator in the successor.

3.03 Duties of Plan Administrator. Subject to any applicable laws and any approvals required by the Employer, the Plan Administrator shall have full power and authority to adopt rules, regulations and procedures for the administration of the Plan, and to interpret, alter, amend, or revoke any rules, regulations or procedures so adopted. The Plan Administrator's duties shall include:

- (a) appointing the Plan's attorney, accountant, actuary, custodian or any other party needed to administer the Plan or the Plan assets;
- (b) directing the Trustee with respect to payments from the Plan assets held in Trust;
- (c) communicating with Employees regarding their participation and benefits under the Plan, including the administration of all claims procedures;
- (d) filing any returns and reports with the Internal Revenue Service or any other governmental agency;
- (e) reviewing and approving any financial reports, investment reviews, or other reports prepared by any party appointed under paragraph (a);
- (f) establishing a funding policy and investment objectives consistent with the purposes of the Plan; and
- (g) construing and resolving any question of Plan interpretation. The Plan Administrator's interpretation of Plan provisions including eligibility and benefits under the Plan is final.

3.04 Administrative Fees and Expenses. All reasonable costs, charges and expenses incurred by the Plan Administrator in connection with the administration of the Plan (including fees for legal services rendered to the Plan Administrator) may be paid by the Employer, but if not paid by the Employer when due, shall be paid from Plan assets. Such reasonable compensation to the Administrator as may be agreed upon from time to time between the Employer and Plan Administrator may be paid by the Employer, but if not paid by the Employer when due shall be paid from Plan assets. Notwithstanding the foregoing, no compensation other than reimbursement for expenses shall be paid to a Plan Administrator who is the Employer or a full-time Employee of the Employer. In the event any part of the assets in the Plan become

subject to tax, all taxes incurred shall be paid from the Plan assets unless the Plan Administrator advises the Trustee not to pay such tax.

3.05 Actions of Administrator. Every action taken by the Plan Administrator shall be presumed to be a fair and reasonable exercise of the authority vested in or the duties imposed upon him, her, or it. The Plan Administrator shall be deemed to have exercised reasonable care, diligence and prudence and to have acted impartially as to all persons interested, unless the contrary be proven by affirmative evidence. The Plan Administrator shall not be liable for amounts of Compensation deferred by Participants or for other amounts payable under the Plan.

3.06 Delegation. Subject to any applicable laws and any approvals required by the Employer, the Plan Administrator may delegate any or all of his, her or its powers and duties hereunder to another person, persons, or entity, and may pay reasonable compensation for such services as an administrative expense of the Plan, to the extent such compensation is not otherwise paid.

3.07 Investment and Service Providers. Any company which issues policies, contracts, or investment media to the Employer or in respect of a Participant is not a party to this Plan and such company shall have no responsibility, accountability, or liability to the Employer, the Administrator, any Participant, or any Beneficiary with regard to the operation or adequacy of this Plan, including any future amendments made thereto.

IV. PARTICIPATION IN THE PLAN

4.01 Enrollment in the Plan.

- (a) An Employee may become a Participant by entering into a Participation Agreement. Compensation will be deferred for any payroll period if a Participation Agreement providing for such deferral is entered into by the Participant and approved by the Administrator before the beginning of such payroll period. With respect to a new Employee, Compensation shall be deferred for the payroll period during which a Participant first becomes an Employee if a Participation Agreement providing for such deferral is entered into by the Participant and approved by the Administrator before the first day on which the Participant becomes an Employee. Any prior employee who was a Participant in the Plan and is rehired by Employer may resume participation in the Plan by entering into a Participation Agreement. Unless distributions from the Plan have begun due to that prior Severance from Employment, however, any deferred commencement date elected by such employee with respect to those prior Plan assets shall be null and void.

In entering into the Participation Agreement, the Participant elects to participate in this Plan and consents to the deferral by the Employer of the amount specified in the Participation Agreement from the Participant's gross compensation for each payroll period. Such deferral shall continue in effect until modified, disallowed or revoked in accordance with the terms of

this Plan, or until the Participant ceases employment with the Employer. The Employer retains the right to establish minimum deferral amounts per payroll period and to limit the number and/or timing of enrollments into the Plan in the Participation Agreement.

- (b) Notwithstanding section 4.01(a), to the extent permitted by applicable law, the Administrator may establish procedures whereby each Employee becomes a Participant in the Plan and, as a term or condition of employment, elects to participate in the Plan and consents to the deferral by the Employer of a specified amount for any payroll period for which a Participation Agreement is not in effect. In the event such procedures are in place, a Participant may elect to defer a different amount of compensation per payroll period, including zero, by entering into a Participation Agreement.
- (c) Beneficiary. Each Participant may designate in the Participation Agreement or in any other manner authorized by the Administrator a Beneficiary or Beneficiaries to receive any amounts which may be distributed in the event of the death of the Participant prior to the complete distribution of benefits. A Participant may change the designation of Beneficiaries at any time by filing with the Administrator a written notice on a form approved by the Administrator. If no such designation is in effect on the Participant's death, or if the designated Beneficiary does not survive the Participant by 30 days, his Beneficiary shall be his surviving spouse, if any, and then his estate.

4.02 Deferral Limitations.

- (a) Except as provided in sections 4.03 and 4.04, the maximum that may be deferred under the Plan for any taxable year of a Participant shall not exceed the lesser of (1) the applicable dollar amount in effect for the year, as adjusted for the calendar year in accordance with Code § 457(e)(15), or (2) 100% of the Participant's Includible Compensation, each reduced by any amount specified in section 4.02(b) for that taxable year.
- (b) The deferral limitation shall be reduced by any amount excludable from the Participant's gross income attributable to elective deferrals to another eligible deferred compensation plan described in Code § 457(b).

4.03 Limited Catch-up. For one or more of the Participant's last three taxable years ending before the taxable year in which Normal Retirement Age under the Plan is attained, the maximum deferral shall be the lesser of:

- (a) twice the applicable dollar limit in effect under Code § 457(e)(15), reduced by any applicable amount specified in section 4.02(b) for that taxable year; or
- (b) the sum of:
 - (1) the limitations established for purposes of section 4.02 of the Plan, for such taxable year (determined without regard to this section 4.03), plus

- (2) so much of the limitation established under section 4.02 of the Plan or established in accordance with Code § 457(b)(2) and the regulations thereunder under an eligible deferred compensation plan sponsored by an entity other than the Employer and located in the same state for prior taxable years (beginning after December 31, 1978 and during all or any portion of which the Participant was eligible to participate in this Plan) as has not theretofore been used under sections 4.02 or 4.03 hereof or under such other plan (taking into account the limitations under and participation in other eligible deferred compensation plans in accordance with the Code); provided, however, that this section 4.03 shall not apply with respect to any Participant who has previously utilized in whole or in part the limited catch-up under this Plan or under any other eligible deferred compensation plan (within the meaning of Code § 457).

4.04 Age 50 or Older Catch-up. A Participant who attains age 50 or older by the end of a Plan Year and who does not utilize the Limited Catch-up for such Plan Year may make a deferral in excess of the limitation specified in section 4.02, up to the amount specified in and subject to any other requirements under Code § 414(v).

4.05 Employer Modification of Deferral. The Employer or Administrator shall have the right to modify or disallow the periodic deferral of Compensation elected by the Participant:

- (a) in excess of the limitations stated in sections 4.02, 4.03 and 4.04;
- (b) in excess of the Participant's net Compensation for any payroll period;
- (c) upon any change in the length of payroll period utilized by Employer. In such case the periodic deferral shall be adjusted so that approximately the same percentage of pay shall be deferred on an annual basis;
- (d) in order to round periodic deferrals to the nearest whole dollar amount;
- (e) to reduce the future deferrals in the event that the amount actually deferred for any payroll period exceeds, for any reason whatsoever, the amount elected by the Participant. In the alternative, such amount of excess deferral may be refunded to the Participant. No adjustment in future deferrals shall be made if a periodic deferral is missed or is less than the amount elected, for any reason whatsoever; or
- (f) if the deferral elected for any payroll period is less than the minimum amount specified in section 4.01(a);

And to the extent permitted by and in accordance with the Code, the Employer or Administrator may distribute the amount of a Participant's deferral in excess of the distribution limitations stated in sections 4.02, 4.03 and 4.04 notwithstanding the limitations of Article VII; provided, however, that the Employer and the

Administrator shall have no liability to any Participant or Beneficiary with respect to the exercise of, or the failure to exercise, the authority provided in this section 4.05.

4.06 Participant Modification of Deferral. A Participant may modify the Participation Agreement at the times and in the manner authorized by the Administrator with respect to Compensation payable no earlier than the payroll period after such modification is entered into by the Participant and accepted by the Administrator. Notwithstanding the above, if a negative election procedure has been implemented pursuant to section 4.01(b), a Participant may enter into or modify a Participation Agreement at any time to provide for no deferral.

4.07 Revocation. A Participant may at any time revoke the agreement to defer Compensation by filing a request for revocation to the Administrator in a manner approved by the Administrator. Such revocation will be effective for the payroll period following the Administrator's receipt of the revocation or as soon as administratively feasible thereafter. However, the Total Amount Deferred shall be distributed only as provided in Articles VI and VII and shall be subject to the terms and provisions of the affected investment option. A Participant's request for a distribution in the event of an Unforeseeable Emergency shall in addition be treated as a request for revocation of deferrals as of a date determined by the Administrator for the period of time determined under section 7.04.

4.08 Re-Enrollment. A Participant who revokes the Participation Agreement as set forth in section 4.07 above may again become a Participant at the times and in the manner authorized by the Administrator, by entering into a new Participation Agreement to defer Compensation payable no earlier than the payroll period after such new Participation Agreement is entered into entered into by the Participant and accepted by the Administrator.

4.09 Transfers and Rollovers Into the Plan.

- (a) Transfers to the Plan. If the Participant was formerly a Participant in an eligible deferred compensation plan maintained by another employer, and if such plan permits the direct transfer of the Participant's interest therein to the Plan, then the Plan shall accept assets representing the value of such interest; provided, however, that the Participant has separated from service with that prior employer and become an Employee of Employer. Such amounts shall be held, accounted for, administered and otherwise treated in the same manner as Compensation deferred by the Participant under this Plan except that such amounts shall not be considered Compensation deferred under the Plan in the taxable year of such transfer in determining the maximum deferral under section 4.02. The Employer may require such documentation from the predecessor plan as it deems necessary to confirm that such plan is an eligible deferred compensation plan within the meaning of Code § 457, and to assure that transfers are provided under such plan. The Employer may refuse to accept a transfer in the form of assets other than cash, unless Employer and the plan administrator agree to hold such other assets under the Plan.

- (b) Rollovers to Plan. If so specified in the Adoption Agreement, the Plan shall accept a rollover contribution on behalf of a Participant or Employee who may become a Participant. A rollover contribution for purposes of this subsection is an eligible rollover contribution (as defined in Code § 402(f)(2)) from any (i) plan qualified under Code §§ 401(a) or 403(a); (ii) tax-sheltered annuity or custodial account described in Code § 403(b); (iii) individual retirement account or annuity described in Code § 408; or (iv) eligible deferred compensation plan described in Code § 457(b) maintained by an eligible employer described in Code § 457(e)(1)(A). Prior to accepting any rollover contribution, the Administrator may require that the Participant or Employee establish that the amount to be rolled over to the Plan is a valid rollover within the meaning of the Code. A Participant's rollover contribution shall be held in a separate rollover account or accounts, as the Administrator shall determine from time to time.

4.10 Multiple Plans. In the case of a Participant who participates in more than one deferred compensation plan governed by Code § 457, the limitations set forth in sections 4.02, 4.03 and 4.04 shall, to the extent required under the Code, apply to all such plans considered together. For purposes of sections 4.02, 4.03 and 4.04, Compensation deferred shall be taken into account at its value in the Plan Year in which deferred.

4.11 Qualified Military Service. Notwithstanding any provision of this Plan to the contrary, contributions and benefits with respect to qualified military service shall be provided in accordance with Code § 414(u).

V. CREATION OF TRUST AND TRUST FUND

5.01 Custody of Plan Assets. All contributions under the Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights shall be held for the exclusive benefit of Participants and their Beneficiaries. The trust requirement of Code § 457(g) shall be satisfied in the manner specified in the Adoption Agreement. Depending upon the choices made in the Adoption Agreement, Plan assets shall be set aside as follows:

- (a) If elected in Box C. 1 of the Adoption Agreement, Plan assets shall be set aside in trust pursuant to this Article V with the Employer or certain employees of (or holders of certain positions with) the Employer named as Trustee. The Trustee shall be named in the Adoption Agreement and shall accept such appointment by executing same. All contributions to the Plan shall be transferred to the Trust established under the Plan within a period that is not longer than is reasonable for the proper administration of the Accounts of Participants.
- (b) If elected in Box C. 2 of the Adoption Agreement, Plan assets will be set aside in trust pursuant to a separate written trust agreement entered into between the Employer and the

bank or trust company named as Trustee. The bank or trust company named in the Adoption Agreement shall be the Trustee and shall accept such appointment by executing the same. Any Trust under the Plan shall be established pursuant to a written agreement that constitutes a valid trust under the law of the state where the Employer is located. All contributions to the Plan shall be transferred to a Trust established under the Plan within a period that is not longer than is reasonable for the proper administration of the Accounts of Participants.

- (c) If elected in Box C. 3 of the Adoption Agreement, Plan assets shall be set aside in one or more annuity contracts described in Code § 401(f). Notwithstanding any contrary provision of the Plan, including any annuity contract issued under the Plan, in accordance with Code § 457(g), all contributions to the Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights shall be held under one or more annuity contracts, as defined in Code § 401(g), issued by an insurance company qualified to do business in the state where the contract was issued, for the exclusive benefit of Participants and Beneficiaries under the Plan. For this purpose, the term “annuity contract” does not include a life, health or accident, property, casualty, or liability insurance contract. The owner of the annuity contract is the “deemed trustee” of the assets invested under the contract for purposes of Code § 401(a). All contributions to the Plan shall be transferred to such annuity contract within a period that is not longer than is reasonable for the proper administration of the Accounts of Participants.
- (d) If elected in Box C. 4 of the Adoption Agreement, Plan assets shall be set aside in one or more custodial accounts described in Code § 401(f). The bank, trust company or other person named in the Adoption Agreement shall be the Custodian and “deemed trustee” for purposes of Code § 457(g) and shall accept such appointment by executing the same. The Employer and Custodian shall enter into a separate written custody agreement. For purposes of this paragraph, the Custodian of any custodial account created pursuant to the Plan must be a bank, as described in Code § 408(n), or a person who meets the non-bank Trustee requirements of paragraphs (2)-(6) of section 1.408-2(e) of the Income Tax Regulations relating to the use of non-bank Trustees. All contributions to the Plan shall be transferred to a custodial account described in Code § 401(f) within a period that is not longer than is reasonable for the proper administration of the Accounts of Participants.

5.02 Establishment of Trust. If elected in Box C. 1 of the Adoption Agreement, the Employer or named Employees of Employer (or certain holders of positions with the Employer) shall serve as Trustee as evidenced by the Trustee’s execution of the applicable page of the Adoption Agreement. In that event, a Trust is hereby created to hold all of the assets of the Plan for the exclusive benefit of Participants and Beneficiaries. The Trust shall consist of all contributions made under the Plan and the investment earnings thereon. All contributions and the earnings thereon less payments made under the terms of the Plan, including fees and expenses, shall constitute the Trust. Except to the extent that the Employer enters into a separate written trust agreement with a bank or trust company Trustee, the assets in Trust shall be administered as provided in this document.

If elected in Box C. 2 of the Adoption Agreement, the bank or trust company named in the Adoption Agreement shall serve as Trustee as evidenced by the Trustee's execution of the applicable page of the Adoption Agreement. In that event, a Trust shall be created to hold all of the assets of the Plan for the exclusive benefit of Participants and Beneficiaries pursuant to a separate written trust instrument between the Employer and the Trustee setting out the Trustee's duties, rights, responsibilities, fees and expenses, the division of duties and indemnification; the provisions of this Article V shall not apply. The Trust shall consist of all contributions made under the Plan which are held by the Trustee.

5.03 Appointment and Termination of Trustee. A Trustee may be named by the Employer and may be a Participant. The Trustee shall remain in office at the will of the Employer and may be removed from office at any time by the Employer, with or without cause. Such removal shall be effective upon delivery of written notice to the Trustee or at such later time as may be designated in such notice; provided that any such notice of removal shall take effect no sooner than 30 days and no later than 60 days after the delivery thereof, unless such 30 or 60 day period shall be waived. The Trustee may resign at any time upon giving written notice to the Employer or at such later time as may be designated in the notice of resignation; provided that (a) any such notice of resignation shall take effect no sooner than 30 days and no later than 60 days after the delivery thereof, unless such 30 day or 60 day period shall be waived and (b) upon such resignation or removal the Employer shall have the power and the duty to designate and appoint a successor Trustee, and the actual appointment of a successor Trustee is a condition that must be fulfilled before the resignation or removal of the Trustee shall become effective.

Upon appointment, the successor Trustee shall have all the rights, powers, privileges, liabilities and duties of the predecessor Trustee. The Trustee so resigned or removed shall take any and all action necessary to vest the rights, powers, privileges, liabilities and duties of the Administrator in his, her or its successor.

5.04 Acceptance. By signing the Adoption Agreement the Trustee accepts the Trust created under the Plan and agrees to perform the obligations imposed.

5.05 Control of Plan Assets. The assets of the Trust or evidence of ownership shall be held by the Trustee, under the terms of the Plan and under either this Article V or under the separate written trust agreement with a bank or trust company. If the assets represent amounts transferred from a former plan, the Trustee shall not be responsible for the propriety of any investment under the former plan.

5.06 General Duties of the Trustee. The Employer or named individuals in the employ of the Employer named as Trustee(s) in the Adoption Agreement shall be responsible for the administration of investments held in the Plan. The Trustee's duties shall include:

- (a) receiving contributions under the terms of the Plan;
- (b) making distributions from Plan assets held in Trust in accordance with written instructions received from an authorized representative of the Employer;
- (c) keeping accurate records reflecting its administration of the Trust assets and making such records available to the Employer for review and audit. Within 90 days after each Plan

Year, and within 90 days after its removal or resignation, the Trustee shall file with the Employer an accounting of its administration of the Trust assets during such year or from the end of the preceding Plan Year to the date of removal or resignation. Such accounting shall include a statement of cash receipts and disbursements since the date of its last accounting and shall contain an asset list showing the fair market value of investments held in the Trust as of the end of the Plan Year;

The value of marketable investments shall be determined using the most recent price quoted on a national securities exchange or over the counter market. The value of non-marketable investments shall be determined in the sole judgment of the Trustee which determination shall be binding and conclusive. The value of investments in securities or obligations of the Employer in which there is no market shall be determined in the sole judgment of the Employer and the Trustee shall have no responsibility with respect to the valuation of such assets. The Employer shall review the Trustee's accounting and notify the Trustee in the event of its disapproval of the report within 90 days, providing the Trustee with a written description of the items in question. The Trustee shall have 60 days to provide the Employer with a written explanation of the items in question; and

- (d) employing such agents, attorneys or other professionals as the Trustee may deem necessary or advisable in the performance of its duties.

The Trustee's duties shall be limited to those described above. The Employer shall be responsible for any other administrative duties required under the Plan or by applicable law.

5.07 Investment Powers of the Trustee. The Trustee shall implement an investment program based on the Employer's investment objectives. If either the Employer or the Employee fails to issue investment directions as provided in sections 6.01 and 6.02, the Trustee shall have authority to invest the Trust assets in its sole discretion. In addition to powers given by law, the Trustee may:

- (a) invest the Trust assets in any form of property, including common and preferred stocks, exchange and trade put and call options, bonds, money market instruments, mutual funds (including Trust assets for which the Trustee or its affiliates serve as investment advisor), Treasury bills, deposits at reasonable rates of interest at banking institutions including but not limited to savings accounts and certificates of deposit, and other forms of securities or investment of any kind, class, or character whatsoever, or in any other property, real or personal, having a ready market;
- (b) invest and reinvest all or any part of the Trust assets in any insurance policies or other contracts with insurance companies including but not limited to individual or group annuity, deposit administration, and guaranteed interest contracts. Such contracts shall be held in the name of the Trustee;

- (c) transfer any assets of the Trust to any group or common, collective or commingled fund that is maintained by a bank or other institution that is established to permit the pooling of Trust assets of separate Trusts so long as such Trust assets are available to § 457 plans;
- (d) hold cash uninvested and deposit same with any banking or savings institution at reasonable interest;
- (e) join in or oppose the reorganization, recapitalization, consolidation, sale or merger of corporations or properties, including those in which it is interested as a Trustee, upon such terms as it deems wise;
- (f) hold investments in nominee or bearer form;
- (g) to vote or refrain from voting any stocks, bonds, or other securities held in the Trust, to exercise any other right appurtenant to any securities or other property held in the Trust, to vote or refrain from voting proxies;
- (h) exercise all ownership rights with respect to assets held in the Trust; and
- (i) do any and all other acts that may be deemed necessary in the performance of the Trustee's duties hereunder.

5.08 Trustee Fees and Expenses. All reasonable costs, charges and expenses incurred by the Trustee in connection with the administration of the Trust assets (including fees for legal services rendered to the Trustee) may be paid by the Employer, but if not paid by the Employer when due, shall be paid from the Trust. Such reasonable compensation to a bank or trust company Trustee as may be agreed upon from time to time between the Employer and the Trustee may be paid by the Employer, but if not paid by the Employer when due shall be paid by the Trust. The Trustee shall have the right to liquidate Trust assets to cover its fees. Notwithstanding the foregoing, no compensation other than reimbursement for expenses shall be paid to a Trustee who is the Employer or a full-time Employee of the Employer. In the event any part of the Trust assets become subject to tax, all taxes incurred shall be paid from the Trust unless the Plan Administrator advises the Trustee not to pay such tax.

5.09 Exclusive Benefit Rules. No part of the Trust assets shall be used for, or diverted to, purposes other than for the exclusive benefit of Participants, former Participants with a interest in the Plan, and the Beneficiary or Beneficiaries of a deceased Participant having an interest in the Trust assets at the death of the Participant.

5.10 Trustee Actions. Every action taken by the Trustee shall be presumed to be a fair and reasonable exercise of the authority vested in or the duties imposed upon him, her, or it. The Trustee shall be deemed to have exercised reasonable care, diligence and prudence and to have acted impartially as to all

persons interested, unless the contrary be proven by affirmative evidence. The Trustee shall not be liable for amounts of Compensation deferred by Participants or for other amounts payable under the Plan.

5.11 Delegation. Subject to any applicable laws and any approvals required by the Employer, the Trustee may delegate any or all powers and duties hereunder to another person, persons, or entity, and may pay reasonable compensation for such services as an administrative expense of the Plan, to the extent such compensation is not otherwise paid.

5.12 Division of Duties and Indemnification.

- (a) The Trustee shall have the authority and discretion to manage and govern the Trust assets to the extent provided in this instrument, but does not guarantee the Trust in any manner against investment loss or depreciation in asset value, or guarantee the adequacy of the Trust assets to meet and discharge all or any liabilities of the Plan.
- (b) The Trustee shall not be liable for the making, retention or sale of any investment or reinvestment made by it, as herein provided, or for any loss to, or diminution of the Trust assets or for any other loss or damage which may result from the discharge of its duties hereunder except to the extent it is judicially determined that the Trustee has failed to exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.
- (c) The Employer warrants that all directions issued to the Trustee by it or the Plan Administrator shall be in accordance with the terms of the Plan and not contrary to the provisions of the Code.
- (d) The Trustee shall not be answerable for any action taken pursuant to any direction, consent, certificate, or other paper or document on the belief that the same is genuine and signed by the proper person. All directions by the Employer or the Plan Administrator shall be in writing from the authorized individual or individuals named in the Adoption Agreement.
- (e) The duties and obligations of the Trustee shall be limited to those expressly imposed upon it by this instrument or subsequently agreed upon by the parties. Responsibility for administrative duties required under the Plan or applicable law not expressly imposed upon or agreed to by the Trustee shall rest solely with the Employer.
- (f) The Trustee shall be indemnified and held harmless by the Employer from and against any and all liability to which the Trustee may be subjected, including all expenses reasonably incurred in its defense, for any action or failure to act resulting from compliance with the instructions of the Employer, the employees or agents of the Employer, the Plan Administrator, or any other fiduciary to the Plan, and for any liability arising from the actions or inactions of any predecessor Trustee, custodian or other fiduciaries of the Plan.

- (g) The Trustee shall not be responsible in any way for the application of any payments it is directed to make or for the adequacy of the Trust assets to meet and discharge any and all liabilities under the Plan.

VI. INVESTMENTS

6.01 Investment Options. The Employer have the sole discretion to select one or more investment options from which Participants may instruct the Trustee as to the investment of their Account balances. These investment options may include specified life insurance policies, annuity contracts, or investment media issued by an insurance company. It shall be the sole responsibility of the Employer to ensure that all investment options offered under the Plan are appropriate and in compliance with any and all state laws pertaining to such investments.

6.02 Participant Investment Direction. If the Employer chooses to designate one or more investment options in which Participants may direct investment of their Account, Participants shall have the option to direct the investment of their Account from among the investment options designated by the Employer. Such investment options shall be under the full control of the Trustee. A Participant's right to direct the investment of Account balances shall apply only to making selections among the options made available under the Plan and only to the extent specified by the Employer pursuant to uniform rules.

- (a) Each Participant shall designate on the form prescribed by the Administrator the one or more investment options in which he or she wishes to have his Account invested and may change such investment directions in accordance with and at the time or times specified under uniform rules established by the Administrator. The Participant's Account shall be debited or credited as appropriate to reflect all gains or losses on such investments.
- (b) Neither the Employer, the Administrator, the Trustee nor any other person shall be liable for any loss incurred by virtue of following the Participant's directions or by reason of any reasonable administrative delay in implementing such directions.
- (c) The Employer may from time to time change the investment options made available under the Plan pursuant to uniform rules established by the Administrator. If the Employer eliminates an investment option, all Participants who had chosen that investment option shall select another option. If no new option is selected by the Participant, money remaining in the eliminated investment option shall be reinvested at the direction of the Employer. The Participants shall have no right to require the Employer to select or retain any investment option. Any change with respect to investment options made by the Employer or a Participant, however, shall be subject to the terms and conditions (including any rules or procedural requirements) of the affected investment options.

6.03 Employer Investment Direction.

- (a) To the extent the Employer chooses not to allow Participant direction of the investment of his or her Account, the Employer shall have the right to direct the Trustee with respect to investments of the Trust assets, may appoint an investment manager to direct investments or may give the Trustee sole investment management responsibility. Any investment directive shall be made in writing by the Employer or investment manager. Such instructions regarding the delegation of investment responsibility shall remain in force until revoked or amended in writing. The Trustee shall not be responsible for the propriety of any investment made at the direction of the Employer or an investment manager and shall not be required to consult with or advise the Employer regarding the investment quality of any directed investment held hereunder. In the absence of such written directive, the Trustee shall automatically invest the available cash in its discretion in an appropriate interim investment until specific investment directions are received.
- (b) If the Employer fails to direct the investment of Trust assets or name an investment manager, the Trustee shall have full investment authority.

6.04 Participant Accounts. The Administrator shall maintain or cause to be maintained one or more individual accounts for each Participant. Such accounts shall include separate accounts, as necessary, for Code § 457 Deferred Compensation, Code § 457 rollovers, IRA rollovers, other qualified plan and Code § 403(b) plan rollovers, and such other accounts as may be appropriate from time-to-time for plan administration. At regular intervals established by the Administrator, each Participant's account(s) shall be credited with the amount of any Deferred Compensation paid into the Trust; debited with any applicable administrative or investment expense, including, but not limited to, fees charged to Participants, allocated on a reasonable and consistent basis; credited or debited with investment gain or loss, as appropriate; and debited with the amount of any distribution. At least once a year each Participant shall be notified in writing of his Total Amount Deferred.

6.05 Distributions from the Trust. The payment of benefits from the Trust in accordance with the terms of the Plan may be made by the Trustee, or by any custodian or other person so authorized by the Employer to make such distribution. Neither the Plan Administrator, the Trustee nor any other person shall be liable with respect to any distribution from the Trust made at the direction of the Employer or a person authorized by the Employer to give disbursement direction.

VII. DISTRIBUTIONS

- 7.01 Conditions for Distributions.(a) § 457 Deferred Compensation. Payments from a Participant's § 457 Deferred Compensation account to the Participant or Beneficiary shall not be made earlier than:

- (1) the Participant's Severance from Employment or death;
 - (2) the Participant's account meets all of the requirements for an in-service *de minimis* distribution pursuant to section 7.03;
 - (3) the Participant incurs an approved Unforeseeable Emergency pursuant to section 7.04;
 - (4) the Participant transfers an amount to a defined benefit governmental plan pursuant to section 7.03(c); or
 - (5) The calendar year in which the Participant attains age 70 1/2.
- (b) Rollovers. Payments from a Participant's rollover account(s) may be made at any time.
- 7.02 Severance from Employment. (a) Subject to section 7.02(b), distributions to a Participant shall commence following his or her Severance from Employment, on the regular distribution commencement date (as the Employer or Administrator may establish from time-to-time) elected by the Participant, in a form and manner determined pursuant to sections 7.06, 7.07 and 7.08.
- (b) Upon notice to Participants, and subject to sections 7.08(b), 7.10(b) and 7.11, the Administrator may establish procedures under which a Participant whose total § 457 Deferred Compensation account balance is less than an amount specified by the Administrator (not in excess of \$5,000 or other applicable limit under the Code) will receive a lump sum distribution on the first regular distribution commencement date (as the Employer or Administrator may establish from time-to-time) following the Participant's Severance from Employment, notwithstanding any election made by the Participant pursuant to section 7.02(a).
- 7.03 In-Service Distributions and Transfers.
- (a) Voluntary In-Service Distribution of *De Minimis* Accounts. A Participant who is an active Employee shall receive a distribution of the total amount payable to the Participant under the Plan if the following requirements are met:
- (1) the portion of the total amount payable to the Participant under the Plan does not exceed an amount specified from time to time by the Administrator (not in excess of \$5,000 or other applicable limit under the Code);
 - (2) the Participant has not previously received an in-service distribution of the total amount payable to the Participant under the Plan;

- (3) no amount has been deferred under the Plan with respect to the Participant during the two-year period ending on the date of the in-service distribution; and
- (4) the Participant elects to receive the distribution.

(b) Involuntary In-Service Distribution of *De Minimis* Accounts.

Upon notice to Participants, and subject to section 7.11, the Administrator may establish procedures under which the Plan shall distribute the total amount payable under the Plan to a Participant who is an active Employee if the following requirements are met:

- (1) the portion of the total amount payable to the Participant under the Plan does not exceed an amount specified from time to time by the Administrator (not in excess of \$5,000 or other applicable limit under the Code);
- (2) the Participant has not previously received an in-service distribution of the total amount payable to the Participant under the Plan; and
- (3) no amount has been deferred under the Plan with respect to the Participant during the two-year period ending on the date of the in-service distribution.

(c) Transfer for Purchase of Defined Benefit Plan Service Credit.

If a Participant is also a Participant in a defined benefit governmental plan (as defined in Code § 414(d)), such Participant may request the Plan Administrator to transfer amounts from his or her account for (i) the purchase of permissive service credit (as defined in Code § 415(n)(3)(A)) under such plan, or (ii) a repayment to which Code § 415 does not apply by reason of Code § 415(k)(3). Such transfer requests shall be granted in the sole discretion of the Plan Administrator, and if granted, shall be made directly to the defined benefit governmental plan.

7.04 Unforeseeable Emergencies. If the Plan Administrator has determined that a Participant has incurred a genuine Unforeseeable Emergency and that no other resources of financial relief are available, the Plan Administrator may grant, in its sole discretion, a Participant's request for a payment from the Participant's § 457 Deferred Compensation account. Any payment made under this provision shall be in a lump sum.

- (a) The Plan Administrator shall have the right to request and review all pertinent information necessary to assure that hardship withdrawal requests are consistent with the provisions of Code § 457.

- (b) In no event, however, shall an Unforeseeable Emergency distribution be made if such hardship may be relieved:
 - (1) through reimbursement or compensation by insurance or otherwise;
 - (2) by liquidation of the Participant's assets, to the extent the liquidation of the Participant's assets would not itself cause a severe financial hardship; or
 - (3) by cessation of deferrals under this Plan; or
 - (4) if allowed, by taking out a loan under this Plan, provided that the repayment of such loan does not itself cause financial hardship

- (c) The amount of any financial hardship benefit shall not exceed the lesser of:
 - (1) the amount reasonably necessary, as determined by the Plan Administrator, to satisfy the hardship; or
 - (2) the amount of the Participant's account.

- (d) The Employer or Administrator may suspend the Participant's salary deferral election during the pendency of the Participant's request for a financial hardship distribution. Payment of a financial hardship distribution shall result in mandatory suspension of deferrals for a minimum of six (6) months from the date of payment (or such other period as mandated in Treasury Regulations).

- (e) Except to the extent authorized in Treasury Regulations the following events are not considered unforeseeable emergencies under the Plan:
 - (1) enrollment of a child in college;
 - (2) purchase of a house;
 - (3) purchase or repair of an automobile;
 - (4) repayment of loans;
 - (5) payment of income taxes, back taxes, or fines associated with back taxes;
 - (6) unpaid expenses including rent, utility bills, mortgage payments, or medical bills;
 - (7) marital separation or divorce; or

(8) bankruptcy except when resulting directly and solely from illness or casualty loss.

7.05 Death Benefits.

- (a) Upon the Participant's death, the Participant's remaining account balance(s) will be distributed to the Beneficiary commencing after the Administrator receives satisfactory proof of the Participant's death (or on the first regular distribution commencement date thereafter as the Employer or Administrator may establish from time-to-time), unless prior to such date the Beneficiary elects a deferred commencement date, in a form and manner determined pursuant to sections 7.06, 7.07 and 7.08.
- (b) If there are two or more Beneficiaries, the provisions of this section and section 7.08 shall be applied to each Beneficiary separately with respect to each Beneficiary's share in the Participant's account.
- (c) If the Beneficiary dies after beginning to receive benefits but before the entire account balance has been distributed, the remaining account balance shall be paid to the estate of the Beneficiary in a lump sum.
- (d) Under no circumstances shall the Employer or the Plan be liable to the Beneficiary for the amount of any payment made in the name of the Participant before the Administrator receives satisfactory proof of the Participant's death.

7.06 Payment Options. A payee's election of a payment option must be made at least thirty (30) days prior to the date that the payment of benefits is to commence. If a timely election of a payment option is not made, benefits shall be paid in accordance with section 7.07. Subject to applicable law and the other provisions of this Plan, distributions may be made in accordance with one of the following payment options.

- (a) A single lump-sum payment;
- (b) Installment payments for a period of years (payable on a monthly, quarterly, semi-annual, or annual basis) which extends no longer than the life expectancy of the Participant or Beneficiary as permitted under Code § 401(a)(9);
- (c) Partial lump-sum payment of a designated amount, with the balance payable in installment payments for a period of years, as described in subsection (b);
- (d) Annuity payments (payable on a monthly, quarterly, or annual basis) for the lifetime of the Participant or for the lifetimes of the Participant and Beneficiary in compliance with Code § 401(a)(9); or

- (e) Such other forms of installment payments as may be approved by the Employer consistent with the requirements of Code § 401(a)(9).

7.07 Default Distribution Option.In the absence of an effective election by the Participant, Beneficiary or other payee, as applicable, as to the commencement and/or form of benefits, distributions shall be made in accordance with the applicable requirements of Code §§ 401(a)(9) and 457(d), and proposed or final Treasury Regulations thereunder.

7.08 Limitations on Distribution Options.Notwithstanding any other provision of this Article VII, Plan distributions shall satisfy the requirements of this section 7.08.

- (a) No distribution option may be selected by a payee under this Article VII unless it satisfies the applicable requirements of Code §§ 401(a)(9) and 457(d), and proposed or final Treasury Regulations thereunder.
- (b) For mandatory distributions, if any, made on or after the effective date of and subject to final Treasury Regulations under Code § 401(a)(31), payment of an account balance that exceeds \$1,000 but is less than \$5,000 (or other applicable limit under the Code) and for which the Participant has not made an election to receive in cash or to rollover to a qualified retirement plan shall, to the extent required by and in accordance with such regulations, be rolled over to an account set up for the benefit of the Participant with the IRA provider designated from time-to-time by the Employer or Administrator.
- (c) The terms of this Article shall be construed in accordance with all applicable Code sections.

7.09 Transfers from the Plan.

If a Participant separates from service prior to his or her required beginning date, and becomes a Participant in an eligible deferred compensation plan of another governmental employer, and provided that payments under this Plan have not begun, such Participant may request a transfer of his or her account to the eligible deferred compensation plan of the other governmental employer.

Requests for transfers must be made to the Plan Administrator and shall be granted in the sole discretion of the Plan Administrator. If an amount is to be transferred pursuant to this provision, the Plan Administrator shall transfer such amount directly to the eligible deferred compensation plan of the other employer. Amounts transferred to another eligible deferred compensation plan shall be treated as distributed from this Plan and this Plan shall have no further responsibility to the Participant or any Beneficiary with respect to the amount transferred.

7.10 Taxation of Distributions.To the extent required by law, income and other taxes shall be withheld from each benefit payment and payments shall be reported to the appropriate governmental agency or agencies.

- 7.11 Eligible Rollover Distributions. (a) General. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this section, a distributee may elect, at the time and in the manner prescribed by the Employer, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.
- (b) Definitions. For purposes of this section, the following definitions shall apply.
- (1) Eligible Rollover Distribution. An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Code § 401(a)(9); any distribution that is a deemed distribution under the provisions of Code § 72(p); the portion of any distribution that is not includable in gross income; and any hardship distribution or distribution on account of unforeseeable emergency.
 - (2) Eligible Retirement Plan. An eligible retirement plan is an individual retirement account described in Code § 408(a), an individual retirement annuity described in Code § 408(b), an annuity plan described in Code § 403(a) that accepts the distributee's eligible rollover distribution, a qualified trust described in Code § 401(a) (including § 401(k)) that accepts the distributee's eligible rollover distribution, a tax-sheltered annuity described in Code § 403(b) that accepts the distributee's eligible rollover distribution, or another eligible deferred compensation plan described in Code § 457(b) that accepts the distributee's eligible rollover distribution.
 - (3) Distributee. A distributee includes an Employee or former Employee, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a Qualified Domestic Relations Order, as defined in Code § 414(p), are distributees with regard to the interest of the spouse or former spouse.
 - (4) Direct Rollover. A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

7.12 Elections. Elections under this Article shall be made in such form and manner as the Plan Administrator may specify from time to time. To the extent permitted by and in accordance with the Code, any irrevocable elections as to the form or timing of distributions executed prior to January 1, 2002, are hereby revoked.

7.13 Practices and Procedures.The Employer may adopt practices and procedures applicable to existing and new distribution elections.

VIII. LEAVE OF ABSENCE

8.01 Paid Leave of Absence.If a Participant is on an approved leave of absence from the Employer with Compensation, or on approved leave of absence without Compensation that does not constitute a Severance from Employment, which under the Employer's current practices is generally a leave of absence without Compensation for a period of one year or less, said Participant's participation in the Plan may continue.

8.02 Unpaid Leave of Absence.If a Participant is on an approved leave of absence without Compensation and such leave of absence continues to such an extent that it becomes a Severance from Employment, said Participant shall have separated from service with the Employer for purposes of this Plan. Upon termination of leave without pay and return to active status, the Participant may enter into a new Participation Agreement to be effective when permitted by section 4.01.

IX. PARTICIPANT LOANS

9.01 Authorization of Loans.If so specified in the Adoption Agreement, the Administrator may direct the Trustee to make loans to Participants on or after the effective date of Treasury Regulations or other guidance under Code § 457 and to the extent allowable under and in accordance with Code § 457. Such loans shall be made on the application of the Participant in a form approved by the Administrator and on such terms and conditions as are set forth in this Article, provided, however, that the Administrator may adopt regulations, rules or procedures specifying different loan terms and conditions if necessary or desirable to comply with or conform to such Treasury Regulations or other guidance and other applicable law.

9.02 Maximum Loan Amount.In no event shall any loan made to a Participant be in an amount which shall cause the outstanding aggregate balance of all loans made to such Participant under this Plan exceed the lesser of:

- (a) \$50,000, reduced by the excess (if any) of: (i) the highest outstanding balance of loans from the Plan to the Participant during the one-year period ending on the day before the date on which the loan is made; over (ii) the outstanding balance of loans from the Plan to the Participant or the Beneficiary on the date on which the loan is made; or
- (b) One-half of the Participant's Total Amount Deferred.

9.03 Repayment of Loan. Each loan shall mature and be payable, in full and with interest, within five (5) years from the date such loan is made, unless

- (a) The loan is used to acquire any dwelling unit that within a reasonable time (determined at the time the loan is made) will be used as the principal residence of the Participant; or
- (b) Loan repayments are, at the Employer's election, suspended as permitted by Code § 414(u)(4) (with respect to qualified military service).

9.04 Loan Terms and Conditions. In addition to such rules and regulations as the Administrator may adopt, which rules are hereby incorporated into this Plan by reference, all loans to Participants shall comply with the following terms and conditions:

- (a) Loans shall be available to all Participants on a reasonably equivalent basis.
- (b) Loans shall bear interest at a reasonable rate to be fixed by the Administrator based on interest rates currently being charged by commercial lenders for similar loans. The Administrator shall not discriminate among Participants in the matter of interest rates, but loans granted at different times may bear different interest rates based on prevailing rates at the time.
- (c) Each loan shall be made against collateral, including the assignment of no more than one-half of the present value of the Participant's Total Amount Deferred as security for the aggregate amount of all loans made to such Participant, supported by the Participant's collateral promissory note for the amount of the loan, including interest.
- (d) Loan repayments must be made by payroll deduction. In all events, payments of principal and interest must be made at least quarterly and such payments shall be sufficient to amortize the principal and interest payable pursuant to the loan on a substantially level basis.
- (e) A loan to a Participant or Beneficiary shall be considered a directed investment option for such Participant's account balance.
- (f) No distribution shall be made to any Participant, or to a Beneficiary of any such Participant, unless and until all unpaid loans, including accrued interest thereon, have been satisfied. If a Participant terminates employment with the Employer for any reason, the outstanding balance of all loans made to him shall become fully payable and, if not paid within thirty days, any unpaid balance shall be deducted from any benefit payable to the Participant or his Beneficiary. In the event of default in repayment of a loan or the bankruptcy of a Participant who has received a loan, the note will become immediately due and payable, foreclosure on the note and attachment of security will occur, the amount of the outstanding balance of the loan will be treated as a distribution to the Participant, and the defaulting Participant's

Accumulated Deferrals shall be reduced by the amount of the outstanding balance of the loan (or so much thereof as may be treated as a distribution without violating Code requirements).

- (g) The loan program under the Plan shall be administered by the Administrator in a uniform and nondiscriminatory manner. The Administrator shall establish procedures for loans, including procedures for applying for loans, guidelines governing the basis on which loans shall be approved, procedures for determining the appropriate interest rate, the types of collateral which shall be accepted as security, any limitations on the types and amount of loans offered, loan fees and the events which shall constitute default and actions to be taken to collect loans in default.

X. AMENDMENT OR TERMINATION OF PLAN

10.01 Termination. The Employer may at any time terminate this Plan; provided, however, that no termination shall affect the amount of benefits, which at the time of such termination shall have accrued for Participants or Beneficiaries. Such accrued benefit shall include any Compensation deferred before the time of the termination and income thereon accrued to the date of the termination. Such amount shall be calculated in accordance with section 6.02(b) and the terms and conditions of the affected investment option. Upon such termination, each Participant in the Plan shall be deemed to have revoked his agreement to defer future Compensation as provided in section 4.06 as of the date of such termination and section 4.01(b) shall no longer be in effect. Each Participant's full Compensation on a nondeferred basis shall be restored.

10.02 Amendment. The Employer may also amend the provisions of this Plan at any time; provided, however, that no amendment shall affect the amount of benefits which at the time of such amendment shall have accrued for Participants or Beneficiaries, to the extent of and Compensation deferred before the time of the amendment and income thereon accrued to the date of the amendment, calculated in accordance with section 6.03 and the terms and conditions of the investment options hereunder; and provided further, that no amendment shall affect the duties and responsibilities of the Trustee unless executed by the Trustee.

To the extent permitted by applicable law, the Employer delegates to the Administrator the authority to adopt rules, regulations or procedures from time to time as may be necessary or desirable to conform Plan provisions to, or to elaborate Plan provisions in light of, technical amendments to the Code, Treasury regulations or other guidance issued under the Code, and such rules, regulations or procedures are hereby ratified by the Employer as having the force and effect of Plan amendments.

10.03 Copies of Amendments. The Administrator shall provide a copy of any Plan amendment to any Trustee or custodian and to the issuers of any investment options selected pursuant to section 6.01.

XI. TAX TREATMENT OF AMOUNTS CONTRIBUTED

It is intended that pursuant to Code § 457, the amount of Deferred Compensation shall not be considered current compensation for purposes of federal income taxation. This rule shall also apply to state income taxation unless applicable state laws provide otherwise. Such amounts shall, however, be included as compensation to the extent required under the Federal Insurance Contributions Act (FICA). Payments under this Plan shall supplement retirement and death benefits payable under the Employer's group insurance and retirement plans, if any.

XII. NON-ASSIGNABILITY

12.01 Non-Assignability. It is agreed that neither the Participant, nor any Beneficiary, nor any other designee shall have any right to commute, sell, assign, transfer, or otherwise convey the right to receive any payments hereunder, which payments and right thereto are expressly declared to be non-assignable and non-transferable; and in the event of attempt to assign or transfer, the Employer shall have no further liability hereunder, nor shall any unpaid amounts be subject to attachment, garnishment or execution, or be transferable by operation of law in event of bankruptcy, insolvency, except to the extent otherwise required by law.

12.02 Qualified Domestic Relations Orders. If so specified in the Adoption Agreement, domestic relations orders approved by the Plan Administrator shall be administered as follows.

- (a) To the extent required under a final judgment, decree, or order meeting the requirements of Code § 414(p), herein referred to as a Qualified Domestic Relations Order ("QDRO"), which is duly filed upon the Employer, any portion of a Participant's account may be paid or set aside for payment to a spouse, former spouse, or a child of the Participant. Where necessary to carry out the terms of such a QDRO, a separate account shall be established with respect to the spouse, former spouse, or child, and such person shall be entitled to make investment selections with respect thereto in the same manner as the Participant. All costs and charges incurred in carrying out the investment selection shall be deducted from the account created for the spouse, former spouse, or child making the investment selection.

Any amounts so set aside for a spouse, former spouse or a child shall be paid out in a lump sum at the earliest date that benefits may be paid to the Participant, unless the QDRO directs a different form of payment or different payment date. Withholding and income tax reporting shall be done with respect to the alternate payee under the terms of the Code as amended from time to time.

- (b) The Employer's liability to pay benefits to a Participant shall be reduced to the extent that amounts have been paid or set aside for payment to a spouse, former spouse or child pursuant to this section. No amount shall be paid or set aside unless the Employer, or its agents or assigns, has been provided with satisfactory evidence releasing them from any

further claim by the Participant with respect to these amounts. The Participant shall be deemed to have released the Employer from any claim with respect to such amounts in any case in which the Employer has been notified of or otherwise joined in a proceeding relating to a QDRO which sets aside a portion of the Participant's account for a spouse, former spouse or child, and the Participant fails to obtain an order of the court in the proceeding relieving the Employer from the obligation to comply with the QDRO.

- (c) The Employer shall not be obligated to comply with any judgment, decree or order which attempts to require the Plan to violate any Plan provision or any provision of Code § 457. Neither the Employer nor its agents or assigns shall be obligated to defend against or set aside any judgment, decree, or order described herein or any legal order relating to the division of a Participant's benefits under the Plan unless the full expense of such legal action is borne by the Participant. In the event that the Participant's action (or inaction) nonetheless causes the Employer, its agents or assigns to incur such expense, the amount of the expense may be charged against the Participant's account and thereby reduce Employer's obligation to pay benefits to the Participant. In the course of any proceeding relating to divorce, separation, or child support, the Employer, its agents and assigns shall be authorized to disclose information relating to Participant's individual account to the Participant's spouse, former spouse or child (including the legal representatives of the spouse, former spouse or child), or to a court.

XIII. DISCLAIMER

The Employer and the Administrator make no endorsement, guarantee or any other representation and shall not be liable to the Plan or to any Participant, Beneficiary, or any other person with respect to (a) the financial soundness, investment performance, fitness, or suitability (for meeting a Participant's objectives, future obligations under the Plan, or any other purpose) of any investment option offered pursuant to section 6.01 or any investment vehicle in which amounts deferred under the Plan are actually invested, or (b) the tax consequences of the Plan to any Participant, Beneficiary or any other person.

XIV. EMPLOYER PARTICIPATION

Notwithstanding any other provisions of this Plan, the Employer may add to the amounts payable to any Participant under the Plan additional Deferred Compensation for services to be rendered by the Participant to the Employer during a payroll period, provided such additional Compensation deferred, when added to all other Compensation deferred under the Plan, does not exceed the maximum deferral permitted by Article IV.

XV. INTERPRETATION

15.01 Governing Law. This Plan shall be construed under the laws of the state in which the Employer's headquarters is located.

15.02 § 457. This Plan is intended to be an eligible deferred compensation plan within the meaning of Code § 457, and shall be interpreted so as to be consistent with such section and all regulations promulgated thereunder.

15.03 Word Usage. Words used herein in the singular shall include the plural and the plural the singular where applicable, and one gender shall include the other genders where appropriate.

15.04 Headings. The headings of articles, sections or other subdivisions hereof are included solely for convenience of reference, and if there is any conflict between such headings and the text of the Plan, the text shall control.

15.05 Entire Agreement. This Plan, the executed Adoption Agreement and any properly adopted amendment thereof, shall constitute the total agreement or contract between the Employer and the Participant regarding the Plan. No oral statement regarding the Plan may be relied upon by the Participant. This Plan and any properly adopted amendment, shall be binding on the parties hereto and their respective heirs, administrators, Trustees, successors, and assigns and on all designated Beneficiaries of the Participant.

**GREAT -WEST LIFE & ANNUITY INSURANCE COMPANY
HOME OFFICE - ENGLEWOOD, COLORADO
ADMINISTRATIVE OFFICES
ENGLEWOOD, COLORADO**

GROUP POLICYHOLDER

GROUP POLICY NUMBER

GROUP ANNUITY CONTRACT DATE

Group Deferred Compensation Annuity, Non-Participating

The provisions on the following pages, together with the Application for this Group Annuity Contract, are part of this Group Annuity Contract.

For the purposes of this Group Annuity Contract, "Plan" means the plan and adoption agreement that the Group Policyholder has designated as the State of ABC Deferred Compensation Plan.

Signed for the Great-West Life & Annuity Insurance Company on the issuance of the Group Annuity Contract on the Annuity Contract Date.



Senior Vice-President
General Counsel and Secretary



President and Chief Executive Officer



For the Actuary

This Group Annuity Contract is a legal contract between the Group Policyholder and the Great-West Life & Annuity Insurance Company. PLEASE READ THIS ANNUITY CONTRACT CAREFULLY. IT IS A CONTRACT WHICH MAY PROVIDE FOR PAYMENTS OR VALUES WHICH ARE NOT GUARANTEED AS TO FIXED-DOLLAR AMOUNT BUT MAY INCREASE OR DECREASE ACCORDING TO THE INVESTMENT EXPERIENCE OF A VARIABLE ANNUITY ACCOUNT.

Group Deferred Compensation Annuity
GDC 990 FFSII

FutureFunds™

APPLICATION FOR GROUP DEFERRED COMPENSATION ANNUITY CONTRACT

Exact Name:

(herein called the Group Policyholder) applies to Great-West Life & Annuity Insurance Company for a Group Deferred Compensation Annuity Contract (herein called the Group Annuity Contract) in the form of the copy attached to this Application. It is agreed that the Group Policyholder will accept the Group Annuity Contract when issued.

Specify the effective date of the Group Annuity Contract: _____
(which is not earlier than the first day of the year in which this Application has been made)

Specify the name of the Deferred Compensation Plan:

This Group Annuity Contract is only available to policyholders whose Deferred Compensation Plan is an eligible State deferred compensation plan described in Section 457(b) of the Internal Revenue Code of 1986, as amended.

The Insurance Company requires that a copy of the currently effective plan document accompany this application, for its information.

PAYMENTS AND VALUES PROVIDED BY THIS CONTRACT MAY INCREASE OR DECREASE AND ARE NOT GUARANTEED AS TO DOLLAR AMOUNT.

Group Policyholder's address: _____

Dated at _____ this _____ day of _____, 20_____

Agent/Broker

The Deferred Compensation Plan ("Plan") to which a Group Annuity Contract is offered by Great-West Life & Annuity Insurance Company hereby represents the following:

1. The Plan is not funded by an annuity contract described in Section 403(b) of the Internal Revenue Code of 1986, as amended ("the Code").
2. No employee contributions to the Plan will be invested by the Plan in securities of the employer or its controlled or commonly controlled entities.
3. The Plan is for the exclusive benefit of the employees and beneficiaries and the purpose of the Plan is the distribution of funds accumulated under the Plan to employees or their beneficiaries.
4. No part of the assets of the Plan shall be used or diverted to any purpose other than for the benefit of the employees or their beneficiaries prior to the satisfaction of all the Plan's liabilities to the employees and beneficiaries. However, to the extent necessary to retain qualification under Section 457 of the Code, these assets shall remain subject to the claims of the general creditors of the employer.

By: _____
Signature

Title

Application
Group Deferred Compensation Annuity
G620

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GUARANTEED SUB-ACCOUNT RIDERS, IF ANY

SECTION 1. DEFINITIONS

- Accumulation Period - the period during which the Participant is covered under this Group Annuity Contract prior to the Participant's Annuity Commencement Date.
- Accumulation Unit - an accounting measure used to determine the Variable Contract Value before the Annuity Commencement Date.
- Administrative Offices - 8505 East Orchard Road, Englewood, Colorado 80111.
- Annuitant - the person upon whose life the payment of an annuity is based.
- Annuity Commencement Date - the date on which annuity payments commence under a payment option, which for any Participant is the date required under the Group Policyholder's Plan. Notwithstanding the immediately preceding sentence, the Participant's Annuity commencement Date will never be later than April 1 of the calendar year following the calendar year in which the Participant attains the later of:
 - A. Age 70 1/2, or
 - B. Separation from service.
- Annuity Payment Period - the period during which the Participant is covered under this Group Annuity Contract after the Participant's Annuity Commencement Date.
- Annuity Unit - an accounting measure used to determine the dollar value of any Variable Dollar Annuity Payment after the first annuity payment is made.
- Company - the Great-West Life & Annuity Insurance Company.

SECTION 1. DEFINITIONS (continued)

- Deposit - includes contributions, transfers and other amounts deposited into Guaranteed or Variable Sub-Accounts.
- Eligible Fund - a registered management investment company in which the assets of the Series Account may be invested.
- Group Annuity Contract Date - the effective date indicated by the Group Policyholder on the Application for this Group Annuity Contract, or such other date which is acceptable to the Company.
- Group Policyholder - the employer of a Participant and the applicant for this Group Annuity Contract.
- Guaranteed Account - the portion of this Group Annuity Contract providing Guaranteed Sub-Accounts, each having a Guaranteed Interest Rate and containing fixed dollar amounts.
- Guaranteed Contract Value - the sum of the values of the Guaranteed Sub-Accounts credited to the Group Policyholder in respect of a Participant under a Participant Annuity Account.
- Guaranteed Interest Rate - the minimum interest rate applicable to Guaranteed Sub-Accounts which on an annual effective basis is 4%.
- Guaranteed Sub-Account - a subdivision of the Guaranteed Account having a Guaranteed Interest Rate. This subdivision is described in greater detail in the attached Guaranteed Sub-Account Riders, if any.
- Investment Division - a division of the Series Account containing the shares of a specific portfolio of the Eligible Fund. There is an Investment Division for each portfolio of the Eligible Fund.

SECTION 1. DEFINITIONS (continued)

- Intra-Company Transfer - amounts moved within and between the currently offered Variable and Guaranteed Sub-Accounts upon each Written Request of the Group Policyholder on behalf of the Participant.

- Letter Agreement - a formal written agreement signed by the Company and the Group Policyholder which is used to clarify or modify certain provisions of the Contract and will be attached to and form a part of this Group Annuity Contract.

- Participant - an employee who has met the eligibility requirements under the Plan and for whom the Group Policyholder has applied for coverage.

- Participant Annuity Account - a separate record in the name of each Participant which reflects the total of the Guaranteed and Variable Contract Values.

- Participant Annuity Account Value - the sum of the Variable and Guaranteed Contract Values credited to the Group Policyholder in respect of a Participant under a Participant Annuity Account.

- Participant Effective Date - the date on which the first Deposit is credited to a Participant Annuity Account.

- Payee - the Group Policyholder or the person, including the Participant, designated to receive the value of the Participant Annuity Account.

SECTION 1. DEFINITIONS (continued)

- Plan*

 - The underlying plan document of the Group Policyholder written in accordance with Section 457 of the Internal Revenue Code. Although the Company may have knowledge of certain provisions of the Plan, the legal sufficiency of the Plan remains solely the responsibility of the Group Policyholder. Should any provisions of the Plan and this Contract be in conflict, the provisions of this Contract shall prevail.

- Plan-To-Plan Transfer*

 - Amounts moved from any Variable or Guaranteed Sub-Account to another eligible deferred compensation plan upon Written Request from the Group Policyholder on behalf of a Participant.

- Premium Tax*

 - the amount of tax, if any, charged by a state or other governmental authority on premiums.

- Series Account*

 - the FutureFunds Series II Account, a segregated investment account established by Great-West Life & Annuity Insurance Company under Colorado law.

- Transfer to Other Companies*

 - amounts moved from any Variable or Guaranteed Sub-Account to another company upon each Written Request from the Group Policyholder on behalf of the Participant.

- Valuation Date*

 - the date on which the net asset value of each Eligible Fund is determined, which day may vary depending upon the day which any given Eligible Fund may be purchased. The Valuation Date on which an Eligible Fund will be purchased, will in no event, be later than 2 business days after the date upon which a Deposit is received by the Company at its Administrative Offices.

SECTION 1. DEFINITIONS (continued)

- Valuation Period* - the period between successive Valuation Dates.
- Variable Contract Value* - the sum of the values of the Variable Sub-Accounts credited to the Group Policyholder in respect of a Participant under a Participant Annuity Account.
- Variable Sub-Account* - a sub-division of an Investment Division which separates Deposits received under tax qualified arrangements from those received under non-tax qualified arrangements. Each Variable Sub-Account has its own Accumulation Unit and Annuity Unit Value.
- Written Request* - any request in written form, satisfactory to the Company and received by the Company at its Administrative Office, from the Group Policyholder, the Participant, or their designee as required by any provision of this Group Annuity Contract, if any, and at other times as required by the Company. A form or direction in lieu of the Written Request may be accepted by the Company in its sole discretion.

SECTION 2. OWNERSHIP PROVISIONS

2.1 Ownership of Series Account

The Company has absolute ownership of the assets of the Series Account.

2.2 Ownership of Group Annuity Contract

Upon the Group Policyholder's Application for this Group Annuity Contract, the Group Policyholder becomes the owner of the Group Annuity Contract. It alone has all rights, remedies and recourses given in the Group Annuity Contract, and, while the Group Annuity Contract and the Participant Annuity Accounts are held in respect of Participants, there is no contractual relationship between the Company and the Participants. While the Group Policyholder may request the opinion of the Participant on matters and transactions affecting the Participant Annuity Account, the Group Policyholder may act according to the dictates of its own judgment and discretion.

Subject to the Plan participation provisions, each employee for whom Deposits have been made is a Participant for whom a Participant Annuity Account is kept.

2.3 Transfer and Assignment

The interest of the Group Policyholder in this Group Annuity Contract may not be transferred, sold, assigned, pledged, charged, encumbered, or in any way alienated without the prior written consent of the Company.

SECTION 3. GENERAL PROVISIONS

3.1 The Group Annuity Contract

The Group Annuity Contract is issued by the Company to the Group Policyholder.

3.2 Entire Contract

This Group Annuity Contract, its Application, Tables, Guaranteed Sub-Account Riders and /or Letter Agreements, if any, form the entire contract between the Group Policyholder and the Company. A copy of the Application is attached to the Group Annuity Contract when issued to the Group Policyholder.

After issue, modifications to the Group Annuity Contract under the Contract Modification provisions become part of the Group Annuity Contract.

All statements in the Application, in the absence of fraud, have been accepted as representations and not as warranties.

Only the President, a Vice-President, or the Secretary of the Company can modify or waive any provisions of the Group Annuity Contract.

3.3 The Plan

The terms and provisions of the Plan do not for any purpose form any part of this Group Annuity Contract and are not binding on the Company.

Notwithstanding the fact that the Company may have knowledge of the terms of the Plan, the obligations of the Company are measured and determined solely by the terms and provisions of this Group Annuity Contract.

3.4 Non-Participating

This Group Annuity Contract is non-participating, meaning that it is not eligible to share in the Company's divisible surplus.

3.5 Currency and Payment of Deposits

All amounts to be paid to or by the Company must be in the currency of the United States of America. All Deposits to this Group Annuity Contract must be made payable to the Company or its designated agent.

SECTION 3. GENERAL PROVISIONS (continued)

3.6 Age

If the age of the Participant or Payee has been misstated, the payments established for him/her under the Participant Annuity Account will be made on the basis of his/her correct age.

If payments were too large because of misstatement, the difference with interest may be deducted by the Company from the next payment or payments. If payments were too small, the difference with interest may be added by the Company to the next payment. This interest will be not less than 4% per year.

3.7 Voting Rights and Reports

The Company will vote the shares of an Eligible Fund held in a Variable Sub-Account of the Investment Division of the Series Account. To the extent required by law, the Company will vote according to the instructions of the Group Policyholder in proportion to its interest in the Variable Sub-Account. In such event, the Company will send proxy materials and form(s) to the Group Policyholder for its reply. If no reply is received, the Company will vote shares of the appropriate Eligible Fund in the same proportion as shares of the Eligible Fund for which replies have been received.

During the Annuity Payment Period under the Participant Annuity Account, the number of votes will decrease as the assets held to fund annuity payments decrease, the Payee will be entitled to receive the proxy materials and form(s) otherwise provided to the Group Policyholder, and all other provisions concerning Voting Rights will apply to the Payee of a Variable Dollar Method of Payment Option.

The Company will furnish the Group Policyholder or the Payee of a Variable Dollar Method of Payment Option copies of any shareholder reports of the Eligible Funds and of any other notices, reports or documents required by law to be furnished to either of them.

Semi-annual reports of the Eligible Funds will be furnished as required by law to the Group Policyholder, who shall promptly deliver them to each Participant or Payee of a Variable Dollar Method of Payment Option. The Company will furnish the Group Policyholder not less frequently than annually a statement of each Participant's Participant Annuity Account Value, which the Group Policyholder will promptly deliver to the Participant. The Group Policyholder may direct the Company to deliver these reports and statements to the Participants.

SECTION 3. GENERAL PROVISIONS (continued)

3.8 Notice and Proof

Any notice or demand by the Company to or upon the Group Policyholder or any Payee may be given by mailing it to that person's last known address as stated in the Company's file.

An application, report, request, election, direction, notice or demand by the Group Policyholder or Payee will be made in a form satisfactory to the Company. When the Company requires it, the Group Policyholder will obtain the signature of the Participant's or Payee's spouse on forms provided by the Company.

The Company may require adequate proof of the age and death of any Payee before it admits a claim for or pays any payment.

Written materials developed by the Group Policyholder to describe this Group Annuity Contract must first be approved by the Company.

SECTION 4. PURCHASE PROVISIONS

4.1 Commencement and Termination of Coverage

The Group Policyholder may make application for coverage of any employee if the Company is then accepting applications for coverage under this Group Annuity Contract, unless a Date of Cessation of Deposits has been declared.

An employee for whom an adequate application has been made becomes covered as a Participant as of the Participant Effective Date. Coverage of a Participant terminates upon the Group Policyholder's total or partial distribution which results in a Participant Annuity Account Value of \$0.

4.2 Deposits

Unless a Date of Cessation of Deposits has been declared, the Group Policyholder may from time to time pay Deposits in cash in respect of a Participant until the earlier of his/her death, Annuity Commencement Date, or the termination of the Participant Annuity Account.

The amount of Deposits to be paid by the Group Policyholder in respect of any Participant will be determined by the Group Policyholder.

The Group Policyholder will report the amount paid as Deposits on forms acceptable to the Company. The Group Policyholder's report is conclusive and binding on it and any person or entity claiming an interest under the Group Annuity Contract or any Participant Annuity Account. When the Group Policyholder's report does not coincide with the Deposits received, the Company may return them.

4.3 Allocation of Deposits

After an adequate application on behalf of a Participant has been made, Deposits, less Premium Tax, if any, will be allocated in the Participant Annuity Account when received by the Company at its Administrative Offices.

Deposits on behalf of the Participant will be allocated among any number of currently offered Variable and Guaranteed Sub-Accounts in accordance with the latest recorded Written Request of the Group Policyholder on behalf of the Participant.

The allocation of Deposits may be changed at any time upon the Company's receipt at its Administrative Offices of the Written Request of the Group Policyholder on behalf of the Participant. A change of allocation will be effective for Deposits which are received after the Company's receipt and recording of the change.

SECTION 5. CONTRACT VALUE PROVISIONS

5.1 Variable Contract Value

The Variable Contract Value for a Participant on any date during the Accumulation Period will be the sum of the values of the Variable Sub-Accounts of the Series Account held for the Participant.

The value of a Participant's interest in a Variable Sub-Account will be determined by multiplying the number of Accumulation Units held for the Participant for that Variable Sub-Account by the Accumulation Unit Value for that Variable Sub-Account.

5.2 Accumulation Unit

Deposits received at the Administrative Offices of the Company before the close of a Valuation Period will be allocated as requested and applied as of that date based upon the Accumulation Unit Value for that Variable Sub-Account as of the Valuation Date immediately following receipt of the funds, to provide Accumulation Units of the selected Variable Sub-Accounts of the Series Account.

The number of Accumulation Units credited for each Participant to a Variable Sub-Account will be determined by dividing the amount of the Deposits then applied to such Variable Sub-Account by the Accumulation Unit Value for that Variable Sub-Account on the Valuation Date on which the Deposits were made and allocated.

The number of Accumulation Units will not change because of a later change in the Accumulation Unit Value, but the Accumulation Unit Value will vary to reflect the investment experience of the Variable Sub-Account.

5.3 Accumulation Unit Value

The Accumulation Unit Value of a Variable Sub-Account on any Valuation Date is equal to the Accumulation Unit Value of that Variable Sub-Account as of the immediately preceding Valuation Date multiplied by the net investment factor (as explained in Section 5.6) for the Valuation Period ending on the Valuation Date on which the Accumulation Unit Value is being determined.

The Accumulation Unit Value may increase, decrease, or remain unchanged as a result of the value of the net investment factor.

SECTION 5. CONTRACT VALUE PROVISIONS (continued)

5.4 Annuity Unit Value

The initial Annuity Unit Value of each Variable Sub-Account was established at \$1 on the date a Deposit was first made under a Variable Annuity Method of Payment to the Variable Sub-Account(s).

The Annuity Unit Value of any Variable Sub-Account on any subsequent Valuation Date is equal to the Annuity Unit Value for the immediately preceding Valuation Date multiplied by the net investment factor for that Variable Sub-Account for the Valuation Period ending on the Valuation Date on which the Annuity Unit Value is being determined, and multiplying the result by a factor of .999905 to neutralize the assumed investment rate of 3.5% per year used in the applicable Table for Variable Dollar Method of Payment Options 1, 2, 3, and 4.

The Annuity Unit Value may increase, decrease or remain unchanged as a result of the value of the net investment factor.

5.5 Risk Charge

The Company will deduct the risk charge for expense and mortality guarantees in the calculation of the net investment factor. This charge is equal to 1.25% on an annual basis of the daily net asset value of each Variable Sub-Account. This deduction is made daily.

5.6 Net Investment Factor

The net investment factor for any Variable Sub-Account for any Valuation Period is determined by dividing (A) by (B), and subtracting (C) from the result where:

- (A) is the net result of:
- (1) the net asset value per share of the Eligible Fund shares held in the Variable Sub-Account determined as of the end of the current Valuation Period, plus
 - (2) the per share amount of any dividend (or, if applicable, capital gain distributions) made by the Eligible Fund on shares held in the Variable Sub-Account if the "ex-dividend" date (the date four days before the record date which determines if the Group Policyholder is eligible to receive a dividend) occurs during the current Valuation Period, minus or plus
 - (3) a per unit charge or credit for any taxes incurred by or reserved for in the Variable Sub-Account, which is determined by the Company to have resulted from the investment operations of the Variable Sub-Account.

SECTION 5. CONTRACT VALUE PROVISIONS (continued)

5.6 Net Investment Factor (continued)

(B) is the net result of:

- (1) the net asset value per share of the Eligible Fund shares held in the Variable Sub-Account determined as of the end of the immediately preceding Valuation Period, minus or plus,
- (2) the per unit charge or credit for any taxes incurred by or reserved for in the Variable Sub-Account for the immediately preceding Valuation Period.

(C) is a factor representing the risk charge.

The net investment factor may be greater than, less than, or equal to one. Therefore, the Accumulation Unit Value and the Annuity Unit Value may increase, decrease or remain unchanged.

The per share amount of any dividend referred to in paragraph (A)(2) includes a deduction for an investment advisory fee. This fee compensates the investment adviser for services provided to the Eligible Fund. The fee may differ between Eligible Funds and may be renegotiated each year, but will never exceed an annual rate of 1.00% of the aggregate average daily net assets of the Eligible Fund.

5.7 Guaranteed Contract Value

The Guaranteed Contract Value of a Participant Annuity Account on any date during the Accumulation Period will be the sum of the values of the Guaranteed Sub-Accounts credited to such Participant Annuity Account.

The Company may offer one or more Guaranteed Sub-Accounts into which Deposits will be made at the Written Request of the Group Policyholder on behalf of the Participant.

5.8 Guaranteed Sub-Account Riders

The computation of the value of a Guaranteed Sub-Account is described in greater detail in the attached Guaranteed Sub-Account Riders, if any.

SECTION 5. CONTRACT VALUE PROVISIONS (continued)

5.9 Contract Maintenance Charge

On the first day of each calendar year a contract maintenance charge of not more than \$60 annually will be declared by the Company and deducted from the Participant Annuity Account. If a Participant Annuity Account is established for a Participant after that date, the contract maintenance charge will be deducted on the first day of the next quarter and will be pro-rated for the year remaining. No refund of this charge will be made.

The deduction will be pro-rated among the Variable and Guaranteed Sub-Accounts based upon their Variable and Guaranteed Contract Values on the date of deduction. Whenever a deduction for a contract maintenance charge is to be made from a Variable Sub-Account, the Company will cancel Accumulation Units having a total value equal to the amount of the deduction. The Group Policyholder may elect to pay such expenses to the Company separately. If such an election has been made, then no charge will be made against the Variable and Guaranteed Sub-Accounts unless payment is not received within 30 days.

SECTION 6. TRANSFERS

6.1 Transfers

The Group Policyholder may make Intra-Company Transfers, Plan-to-Plan Transfers or Transfers to Other Companies by Written Request on behalf of the Participant.

6.2 Transfer Terms

- a. A transfer will take effect on the later of the date elected or the date the Written Request is received at the Administrative Offices of the Company. If such Written Request is received after 4:00 p.m. EST/EDT, the transfer will take effect on the later of the date elected or the date following the date the Written Request is received and a unit value is calculated.
- b. A telephone transfer, if permitted, will take effect on the later of the date elected or the date the telephone call is received at the Administrative Office. If such call is received after 4:00 p.m. EST/EDT, the transfer will take effect on the later of the date elected or the date following the date the call is received and a unit value is calculated.
- c. When the Company requires it, the Group Policyholder on behalf of the Participant will execute forms provided by the Company as necessary to the requested transfer.
- d. No transfers are permitted after the Annuity Commencement Date.
- e. No transfers from the Guaranteed Certificate Fund may be made prior to the Certificate Maturity Date, as defined in the Guaranteed Certificate Fund Rider, if any. The amount available for transfer is the value of that Certificate on its Maturity Date. The Group Policyholder's Written Request to transfer must be received by the Company within 30 days after the Certificate Maturity Date.

6.3 Intra-Company Transfers

- a. At any time prior to the Annuity Commencement Date, the Group Policyholder on behalf of the Participant may by Written Request transfer all or a portion of the Participant Annuity Account Value within and between the Variable and Guaranteed Sub-Accounts currently offered by the Plan.
- b. At any time prior to the Annuity Commencement Date, the Group Policyholder on behalf of the Participant may by Written Request make an Intra-Company Plan-to-Plan Transfer.

SECTION 6. TRANSFERS (continued)

6.3 Intra-Company Transfers (Continued)

- c. If an Intra-Company Transfer is made within 30 days of the Annuity Commencement Date, the Company may delay the Annuity Commencement Date by 30 days.
- d. If a Participant dies prior to the Annuity Commencement Date, one Intra-Company Transfer may be made after the death of the Participant by the Group Policyholder on behalf of the Payee to effect the election of a Payment Option.
- e. No Contingent Deferred Sales Charge will apply to Intra-Company Transfers.

6.4 Transfers to Other Companies

- a. At any time prior to the Annuity Commencement Date, the Group Policyholder on behalf of the Participant may by Written Request transfer all or a portion of the Participant Annuity Account Value to an account currently offered by another company under the terms of the Plan.
- b. At any time prior to the Annuity Commencement Date, the Group Policyholder on behalf of the Participant may by Written Request transfer the entire Participant Annuity Account Value to an account offered by another company under another eligible deferred compensation plan.
- c. The Contingent Deferred Sales Charge described in Section 9 shall apply to any and all Transfers to Other Companies.

6.5 Plan-to-Plan Transfers

- a. Plan-to-Plan Transfers where the amounts remain with the Company under a new eligible deferred compensation plan shall be treated as Intra-Company Transfers.
- b. Plan-to-Plan Transfers where the amounts are transferred to other companies under a new eligible deferred compensation plan shall be treated as Transfers to Other Companies.

6.6 Transfers To The Company

Amounts transferred to the Company shall be treated as Deposits under Section 4 of this Contract.

6.7 Non-Taxable Distribution

No amount transferred pursuant to these provisions will be treated as a taxable distribution to the Participant.

SECTION 7. DISTRIBUTIONS TO A BENEFICIARY

7.1 Death of Participant after Annuity Commencement Date.

If the Participant dies after the Annuity Commencement Date and before his/her entire interest has been distributed, payments will continue to the Beneficiary under the Payment Option applicable to the Participant on the Participant's date of death. Notwithstanding the preceding sentence, if the Plan allows the Beneficiary to change the method of distribution, a new Payment Option may be elected by Written Request by the Group Policyholder on behalf of the Beneficiary only so long as payments are made to the Beneficiary not less rapidly than under the Payment Option effective on the Participant's date of death. The Contingent Deferred Sales Charge will not apply.

7.2 Death of Participant before Annuity Commencement Date.

- a. 5-Year Rule. If the Participant dies before the Annuity Commencement Date, the entire interest of the Participant must be distributed within five years after the death of the Participant. This Rule will always apply to non-individual entities.
- b. 1-Year Rule. If the Plan provides that any portion of the Participant's interest is payable to a designated Beneficiary, such portion may be distributed over the lesser of (1) the life of the designated Beneficiary, or (2) over a period not extending beyond the life expectancy of the designated Beneficiary or (3) 15 years. Such distributions to a designated Beneficiary must begin not later than December 31 of the year following the date of the Participant's death. The Group Policyholder on behalf of the designated Beneficiary may elect by Written Request to take distributions either under the 5-Year Rule or under this 1-Year Rule. If no election is received by the Company by November 1 of the year following the year of the Participant's death, distributions will be made pursuant to the 5-Year Rule described in subsection a. of Section 7.2.

For purposes of this section, a designated Beneficiary is any individual named as a Beneficiary by the Participant.

- c. Special Rule for Surviving Spouse. If the designated Beneficiary is the surviving spouse of the Participant, the date on which the distributions are required to begin shall not be earlier than the date on which the Participant would have attained age 70 1/2. Distributions may be elected at any time pursuant to Section 10 of this Contract; but in any event must commence on or before the later of (1) December 31 of the year immediately following the Participant's death and (2) December 31 of the calendar year in which the Participant would have attained age 70 1/2.

SECTION 7. DISTRIBUTIONS TO A BENEFICIARY (continued)

7.2 Death of Participant before Annuity Commencement Date. (continued)

- d. Any payments made over a period greater than one year can only be made in substantially non-increasing amounts paid not less frequently than annually.
- e. The Contingent Deferred Sales Charge will not apply.

7.3 Amount Payable on Death of Participant

If the Participant dies before the Annuity Commencement Date the Amount Payable on Death will be:

- (a) Where death occurs before the Participant's 70th birthday, the greater of:
 - (i) the Participant Annuity Account Value, less Premium Tax, if any, and
 - (ii) the sum of Deposits paid to, less any Partial Distributions made from, the Participant Annuity Account, less Premium Tax, if any.
- (b) Where death occurs on or after the Participant's 70th birthday, the Participant Annuity Account Value, less Premium Tax, if any.

7.4 Requests For Distributions

Subject to the 5-Year rule, the 1-Year rule or the Special Rule for Surviving Spouse, as applicable, set forth in Section 7.2, an election to receive the amount described in Section 7.3 must be made pursuant to Section 10 of this Contract.

SECTION 8. DISTRIBUTIONS TO A PARTICIPANT

8.1 Requests for Distributions

On the Company's receipt of the Written Request at least 30 days before the Annuity Commencement Date, the Group Policyholder on behalf of the Participant may:

- a. Elect or change a Payment Option.
- b. Elect or change the Participant's Annuity Commencement Date to any future date which is not later than April 1 of the calendar year following the calendar year in which the Participant attains the later of age 70 1/2 or separation from service. If any Annuity Commencement Date would be less than 30 days from the date the Written Request is received, the Company may delay the Annuity Commencement Date elected by 30 days.
- c. If the Group Policyholder on behalf of the Participant has failed to elect a Payment Option within 30 days of the Annuity Commencement Date, the Company will pay the Group Policyholder on behalf of the Participant a Variable Life Annuity with 10 Year Guaranteed Period from the Variable Contract Value and a Fixed Life Annuity with 10 Year Guaranteed Period from the Guaranteed Contract Value.

8.2 Distribution at age 70 1/2 or Separation From Service

Except as provided in Section 8.3, no distributions will be allowed prior to the Participant's attainment of age 70 1/2, or separation from service, as determined by the Group Policyholder. The distribution must be elected pursuant to Section 10 of this Contract and will take effect on the later of the date elected and the date the Written Request is received at the Administrative Offices of the Company.

8.3 Distribution Due to Unforeseeable Emergency

If the Participant incurs an unforeseeable emergency as determined by the Group Policyholder under the terms of the Plan, then the Group Policyholder on behalf of the Participant may by Written Request take a total or partial distribution from the Participant Annuity Account. The distribution will take effect on the later of the date elected and the date the Written Request is received at the Administrative Offices of the Company.

SECTION 8. DISTRIBUTIONS TO A PARTICIPANT (Continued)

8.4 Amount Payable on Distribution

If a total distribution is requested, the amount payable will be paid under the Payment Option provisions of Section 10 designated by the Group Policyholder on behalf of the Participant. If a partial distribution is requested, the amount payable will be in one sum. In either event, the amount will be equal to:

- (a) The amount of the distribution requested as of the effective date of the distribution, less
- (b) the Contingent Deferred Sales Charge, if any, less
- (c) Premium Tax, if any.

8.5 Conditions of Payment

Payment will only be made if then available to the Payee under the terms and provisions of the Plan as determined by the Group Policyholder, and will only be made to the Group Policyholder or to the order of the person designated in Written Request by the Group Policyholder to receive payment.

8.6 Adequate Proof

The Company may require adequate proof of age, separation from service or unforeseeable emergency to establish that a benefit has become payable under the provisions of the Plan prior to making any payment under this Group Annuity Contract.

SECTION 9. CONTINGENT DEFERRED SALES CHARGE

9.1 Transfers

On any total or partial transfer of the Participant Annuity Account to another company, the Contingent Deferred Sales Charge will be deducted from the amount transferred. The Contingent Deferred Sales Charge will be equal to a percentage of the amount transferred based on the table in 9.2 below.

9.2 Lump Sum Distributions

On any total or partial lump sum distribution of the Participant Annuity Account at age 70 1/2, separation from service or due to an unforeseeable emergency, a Contingent Deferred Sales Charge will be deducted from the amount distributed. The Contingent Deferred Sales Charge will be equal to a percentage of the amount distributed in excess of the Contingent Deferred Sales Charge Free Amount, if any, based on the table below.

Contingent Deferred Sales Charge Table

| <u>Completed Years From Participant Effective Date Under this Contract</u> | <u>% of Amount Transferred or Distributed</u> |
|--|---|
| 0 - 4 | 5% |
| 5 - 9 | 4% |
| 10 - 14 | 3% |
| 15 or more | 0% |

Notwithstanding anything in this Group Annuity Contract to the contrary, in no event shall the Contingent Deferred Sales Charge at any point in time exceed 8.5% of Deposits contributed by the Participant into this Group Annuity Contract.

9.3 Contingent Deferred Sales Charge "Free Amount"

The Contingent Deferred Sales Charge "Free Amount" applicable to any total or partial lump sum distributions is equal to 10% of the Participant Annuity Account Value at December 31 of the calendar year prior to the year in which the amount is distributed.

Only one Contingent Deferred Sales Charge "Free Amount" is available on behalf of a Participant in each calendar year. The Contingent Deferred Sales Charge "Free Amount" will be applied on the first distribution made under the Participant Annuity Account in that year.

SECTION 10. PAYMENT OPTIONS

10.1 Selection of Payment Options

- (a) A total or partial lump sum or one of the variable or fixed dollar payment options or a combination of them may be elected.
- (b) If the Group Policyholder on behalf of the Payee elects to apply any or all of the Guaranteed Contract Value to a variable dollar method of payment option, or any or all of the Variable Contract Value to a fixed dollar method of payment option, an Intra-Company Transfer must be made prior to the Annuity Commencement Date pursuant to Section 6.
- (c) If a lump sum option is elected, the amount to be distributed is the amount requested as a lump sum less the Contingent Deferred Sales Charge, if any, and Premium Tax, if any, as of the date the amount is distributed.
- (d) If a variable dollar payment option is elected, the amount to be applied is the Variable Contract Value, less Premium Tax, if any, as of the date the amount of the first monthly payment is determined.
- (d) If a fixed dollar method of payment option is elected, the amount to be applied is the Guaranteed Contract Value, less Premium Tax, if any, as of the Annuity Commencement Date.

10.2 How to Elect Payment Options

The Written Request of the Group Policyholder on behalf of the Participant or Payee is required to elect, or change the election of, a Payment Option and must be received by the Company at least 30 days prior to the Annuity Commencement Date, or, if the Participant dies prior to the Annuity Commencement Date, within 60 days of the date the Company receives adequate proof of the Participant's death.

The Company will rely on the Group Policyholder's determination with respect to the timing and amount of any benefit payable to the Participant or Payee under this Contract. Nothing contained herein shall be construed to be tax or legal advice and the Company assumes no responsibility or liability for any costs, including but not limited to taxes, penalties or interest incurred by the Plan, the Group Policyholder, the Participant or any Payee arising out of such determination.

SECTION 10. PAYMENT OPTIONS (continued)

10.3 Variable Dollar Payment Options

The following variable dollar payment options are available:

(a) Option 1: Variable Life Annuity with Guaranteed Period

The Company will pay a monthly payment for the guaranteed Annuity Payment Period elected. Payments will continue for the lifetime of the Payee. The guaranteed Annuity Payment Period elected may be 5, 10, 15, or 20 years. Upon death of the Payee, any amounts remaining payable under this payment option will be paid to the Group Policyholder or other Payee designated by the Group Policyholder under Section 7 of this Group Annuity Contract.

(b) Option 2: Variable Life Annuity

The Company will pay a monthly payment during the Payee's lifetime. Table A is applicable to this Payment Option.

(c) Option 3: Joint and One-Half Survivor Variable Annuity

A joint and one-half survivor variable annuity provides a variable monthly payment to an Annuitant for his/her lifetime; thereafter, and upon receipt by the Company of adequate proof of the Annuitant's death, one-half of the variable payment amount continues to a designated Payee, if living, and terminates upon his/her death. Table B is applicable to this Option.

(d) Option 4: Any Other Form

The Company will pay any other form of Variable Annuity which is acceptable to it. Upon death of the Payee, any amounts remaining under this Payment Option will be paid to the Group Policyholder or other Payee designated by the Group Policyholder under Section 7 of this Group Annuity Contract.

(e) These variable dollar payment options are subject to the following provisions:

- (1) Amount of First Monthly Payment. The first monthly payment under a variable dollar payment option will be based on the Variable Contract Value credited on behalf of the Participant Annuity Account on the 5th Valuation Date preceding the Annuity Commencement Date. It will be determined by applying the appropriate rate from the applicable Table to the amount applied under the payment option. The first monthly payment will be the sum of the variable dollar annuity payments for each Variable Sub-Account.

SECTION 10. PAYMENT OPTIONS (continued)

10.3 Variable Dollar Payment Options (continued)

- (2) Annuity Units. The number of Annuity Units for each Variable Sub-Account to be credited in respect of the Participant Annuity Account will be determined by dividing the portion of the first monthly payment to be taken from such Sub-Account by the Sub-Account's Annuity Unit Value on the 5th Valuation Date preceding the date the first payment is due for which the number of Annuity Units is being computed. The number of Annuity Units for a Variable Sub-Account remains fixed during the Annuity Payment Period.
- (3) Amount of Monthly Payments after the First. Monthly payments after the first will vary in amount from time to time depending upon the investment experience of the Variable Sub-Accounts of the Series Account. The dollar amount of each Variable Dollar Annuity payment to the Participant or Payee after the first for each Variable Sub-Account is determined by multiplying (a) the number of Sub-Account Annuity Units credited to the Participant Annuity Account by (b) the Sub-Account Annuity Unit Value on the 5th Valuation Date preceding the date the annuity payment is due. The total dollar amount of each variable dollar annuity payment will be the sum of the variable dollar annuity payments for each Variable Sub-Account. The Company guarantees that the dollar amount of each payment after the first will not be affected by variations in expenses or mortality experience.
- (f) If any payment to be made under the elected payment option will be less than \$50, the Company may make the payments in the most frequent interval which produces a payment of at least \$50. The minimum amount that may be applied under the elected payment option is \$2,000. If the amount is less than \$2,000, the Company may pay it in one sum. The maximum amount that may be applied under any elected payment option is \$1,000,000. For the application of any greater amount, the Company's consent is required.

10.4 Fixed Dollar Payment Options

The following fixed dollar payment options are available:

SECTION 10. PAYMENT OPTIONS (continued)

10.4 Fixed Dollar Payment Options (continued)

(a) Option 1: Income of Specified Amount

The Company will pay an income at 12-, 6-, 3-, or 1-month intervals, of an amount elected by the Payee for an Annuity Payment Period of not less than 36 months nor more than 240 months. Upon death of the Payee, any amounts remaining payable under this payment option will be paid to the Group Policyholder or other Payee designated by the Group Policyholder under Section 7 of this Group Annuity Contract.

(b) Option 2: Income for a Specified Period

The Company will pay an income at 12-, 6-, 3-, or 1-month intervals, for the number of years elected by the Payee for an Annuity Payment Period of not less than 36 months nor more than 240 months. Upon death of the Payee, any amounts remaining payable under this payment option will be paid to the Group Policyholder or other Payee designated by the Group Policyholder under Section 7 of this Group Annuity Contract. Table C is applicable to this Option.

(c) Option 3: Fixed Life Annuity with Guaranteed Period

The Company will pay a monthly payment for the guaranteed Annuity Payment Period elected. Payments will continue for the lifetime of the Payee. Upon death of the Payee, any amounts remaining payable under this payment option will be paid to the Group Policyholder or other Payee designated by the Group Policyholder under Section 7 of this Group Annuity Contract. Table D is applicable to this option.

The guaranteed Annuity Payment Period elected may be 5, 10, 15 or 20 years, or may be a period referred to as "Installment Refund". Under the Installment Refund period, payments will be made until the total of the payments made equals the amount applied.

(d) Option 4: Fixed Life Annuity

The Company will pay a monthly payment during the Payee's lifetime. Table D is applicable to this option.

SECTION 10. PAYMENT OPTIONS (continued)

10.4 Fixed Dollar Payment Options (continued)

(e) Option 5: Joint and One-Half Survivor Fixed Annuity

A joint and one-half survivor fixed annuity provides a fixed monthly payment to an Annuitant for his/her lifetime; thereafter, and upon receipt by the Company of adequate proof of the Annuitant's death, one-half of the fixed payment amount continues to a designated Payee, if living, and terminates upon his/her death. Table E is applicable to this option.

(f) Option 6: Systematic Withdrawal Option

The Company will pay a monthly, quarterly, semi-annual or annual payment to the Payee as elected by Written Request by the Group Policyholder on behalf of the Payee. The amount, timing and method of payment will be as elected by the Group Policyholder on behalf of the Payee and agreed to by the Company. The details and provisions of the Systematic Withdrawal Option are described in greater detail in the attached Systematic Withdrawal Option Rider, which is hereby made a part of this Group Annuity Contract.

(g) Option 7: Any Other Form

The Company will pay any other form of Fixed Annuity which is acceptable to it. Upon death of the Payee, any amounts remaining payable under this payment option will be paid to the Group Policyholder or other Payee designated by the Group Policyholder under Section 7 of this Group Annuity Contract.

(h) These fixed dollar payment options are subject to the following provisions:

- (1) Payments under a fixed dollar payment option are guaranteed by the Company as to dollar amount throughout the Annuity Payment Period.

The amount of the payment under any fixed dollar payment option will be determined by applying the Company's then current non-participating group single premium rates for this class of group annuity contracts to the amount applied under the option. Those current rates will not be less than the rate obtained from the Table which is applicable to the elected option.

SECTION 10. PAYMENT OPTIONS (continued)

10.4 Fixed Dollar Payment Options (continued)

- (2) If any payment to be made under the elected payment option will be less than \$50, the Company may make the payments in the most frequent interval which produces a payment of at least \$50. The minimum amount that may be applied under the elected payment option is \$2,000. If the amount is less than \$2,000, the Company may pay it in one sum. The maximum amount that may be applied under any elected payment option is \$1,000,000. For the application of any greater amount, the Company's consent is required.

SECTION 11. CONTRACT MODIFICATION

11.1 Contract Modification

This Group Annuity Contract may be modified at any time by written agreement between the Company and the Group Policyholder. No such modification will, without the written consent of the Group Policyholder, affect the terms, provisions, or conditions of this Group Annuity Contract which are or may be applicable to Deposits paid in respect of Participants prior to the date of such modification.

However, the Company may at any time and without the consent of the Group Policyholder or any Participant or other person, but upon 30 days' written notice to the Group Policyholder, modify this Group Annuity Contract in any respect to conform it to changes in tax or other law, including applicable regulations or rulings.

11.2 Modification of Tables

The Company may at any time and without the consent of the Group Policyholder or any Participant or other person, but upon 30 days' written notice to the Group Policyholder, modify Tables A, B, C, D, and E, or any of them. However, no such modification will affect the terms, provisions or conditions of the Group Annuity contract which are or may be applicable to Deposits paid in respect of Participants prior to the date of such modification.

11.3 Modification of Guaranteed Sub-Account Riders, if Any

Any Guaranteed Sub-Account Rider may be modified at any time by written agreement between the Company and the Group Policyholder. No such modification will, without the written consent of the Group Policyholder, affect the terms, provisions, or conditions of the Rider which are or may be applicable to Deposits paid in respect of Participants prior to the date of such modification.

11.4 Modification of Variable and/or Guaranteed Sub-Account Riders, If Any

Notwithstanding the other contract modification provisions, the Company may offer new or cease offering existing Variable or Guaranteed Sub-Accounts. No such modification shall affect the terms, provisions, or conditions which are or may be applicable to Deposits previously paid to any Variable or Guaranteed Sub-Account which is no longer offered by the Company. The Company will periodically notify the Group Policyholder on behalf of the Participants of the current offering of Variable or Guaranteed Sub-Accounts.

SECTION 12. CESSATION OF DEPOSITS

12.1 Cessation of Deposits

Upon 60 days' written notice to the other, the Group Policyholder or the Company may declare that, as from the date stated in the notice (that date being called a Date of Cessation of Deposits), no further Deposits will be made to certain or all Guaranteed Sub-Accounts of the Group Annuity Contract.

If a Date of Cessation of Deposits has been declared for certain Sub-Accounts, the Group Policyholder in respect of the Participant may by Written Request make a change of allocation of his/her new Deposits. When no change of allocations is received, the Company may return all new Deposits affected by the declaration of the Date of Cessation of Deposits, or allocate such new Deposits to a currently offered Guaranteed Sub-Account.

After the Date of Cessation of Deposits declared in respect of all Sub-Accounts, no new Participant Annuity Account will be established.

12.2 Options on Date of Cessation of Deposits

Upon the Date of Cessation of Deposits for all Sub-Accounts, the Group Policyholder may by Written Request elect one of the following cessation options. If the Group Policyholder has not elected a cessation option within 30 days of the Date of Cessation, the Company will make the election in its sole discretion. Such election shall be binding on the Group Policyholder.

a. Cessation Option (1) Maintenance of Each Participant Annuity Account Value:

The Company will maintain each Participant Annuity Account Value until it is applied to a Payment Option or paid under the Group Annuity Contract.

b. Cessation Option (2) Installment Settlement of Contract Values:

Upon receipt of a Written Request from the Group Policyholder and subject to the provisions relating to Transfers to Other Companies, the Company will pay the sum of the Variable Contract Values in respect of Participants as of the Date of Cessation of Deposits to the successor insurer of the Plan or to the Group Policyholder within 7 days of the date the cessation option is elected.

Upon receipt of a Written Request from the Group Policyholder, the Company will pay the sum of the Guaranteed Contract Values in respect of the Participants as of the Date of Cessation of Deposits to the successor insurer of the Plan or to the Group Policyholder in 20 equal quarterly installments. The amount of the installments will be the amount determined by the Company on the date of the first such payment, but not less than \$514.80 for each \$10,000 of Guaranteed Contract Values. The first payment will be made 30 days after the date the cessation option is elected.

TABLE A -Variable Life Annuity

Monthly Payment for Each \$1,000
of Participant Annuity Account Value

| Age of Payee | Without Guaranteed Period | With Guaranteed Period | | | |
|-----------------|------------------------------|------------------------|----------|----------|----------|
| | | 5 Years | 10 Years | 15 Years | 20 Years |
| 50 | 3.99 | 3.99 | 3.98 | 3.96 | 3.94 |
| 55 | 4.31 | 4.30 | 4.27 | 4.24 | 4.19 |
| 60 | 4.71 | 4.70 | 4.67 | 4.60 | 4.49 |
| 65 | 5.28 | 5.25 | 5.18 | 5.05 | 4.84 |
| 70 | 6.07 | 6.02 | 5.85 | 5.56 | 5.15 |
| 75 | 7.22 | 7.09 | 6.68 | 6.07 | 5.41 |

If payments commence on any other date than the exact age of the Payee as shown above, the amount of the monthly payment shall be determined by the Company on the actuarial basis used by it in determining the above amounts.

TABLE B - Joint and One-Half Survivor Variable Annuity

Monthly Payment for Each \$1,000
of Participant Annuity Account Value

| Age of Annuitant | If Designated Payee Is Age | | | | | |
|---------------------|----------------------------|-----------|-----------|-----------|-----------|-----------|
| | <u>50</u> | <u>55</u> | <u>60</u> | <u>65</u> | <u>70</u> | <u>75</u> |
| 50 | 3.88 | 3.91 | 3.94 | 3.96 | 3.97 | 3.98 |
| 55 | 4.09 | 4.15 | 4.19 | 4.23 | 4.25 | 4.27 |
| 60 | 4.34 | 4.43 | 4.51 | 4.58 | 4.63 | 4.66 |
| 65 | 4.64 | 4.77 | 4.90 | 5.01 | 5.10 | 5.16 |
| 70 | 4.99 | 5.17 | 5.36 | 5.55 | 5.70 | 5.83 |
| 75 | 5.40 | 5.65 | 5.91 | 6.19 | 6.46 | 6.69 |

If payments commence on any other date than the exact age of the Annuitant or designated Payee as shown above, the amount of the monthly payment shall be determined by the Company on the actuarial basis used by it in determining the above amounts.

TABLE C - Income of Specified Amount
-Income of a Specified Period

Monthly Payment for Each \$1,000
of Participant Annuity Account Value

| <u>Years</u> | <u>Payment</u> |
|--------------|----------------|
| 3 | 28.61 |
| 4 | 21.82 |
| 5 | 17.75 |
| 6 | 15.04 |
| 7 | 13.10 |
| 8 | 11.66 |
| 9 | 10.54 |
| 10 | 9.63 |
| 11 | 8.90 |
| 12 | 8.30 |
| 13 | 7.78 |
| 14 | 7.34 |
| 15 | 6.96 |
| 16 | 6.63 |
| 17 | 6.34 |
| 18 | 6.08 |
| 19 | 5.85 |
| 20 | 5.64 |

To determine the payment for other frequencies of payment, multiply the above monthly payment by the following factors:

| | <u>Factor</u> |
|---------------------|---------------|
| Quarterly payment | 2.99 |
| Semi-annual payment | 5.96 |
| Annual payment | 11.81 |

If payments are for an amount or duration different than that outlined above, the Company will determine the proper amount or duration using the actuarial basis used to determine the above Table.

TABLE D - Fixed Life Annuity

Monthly Payment for Each \$1,000
of Participant Annuity Account Value

| Age of Payee | Without Guaranteed Period | With Guaranteed Period | | | |
|-----------------|------------------------------|------------------------|----------|----------|----------|
| | | 5 Years | 10 Years | 15 Years | 20 Years |
| 50 | 3.99 | 3.99 | 3.98 | 3.96 | 3.94 |
| 55 | 4.31 | 4.30 | 4.27 | 4.24 | 4.19 |
| 60 | 4.71 | 4.70 | 4.67 | 4.60 | 4.49 |
| 65 | 5.28 | 5.25 | 5.18 | 5.05 | 4.84 |
| 70 | 6.07 | 6.02 | 5.85 | 5.56 | 5.15 |
| 75 | 7.22 | 7.09 | 6.68 | 6.07 | 5.41 |

If payments commence on any other date than the exact age of the Payee as shown above, the amount of the monthly payment shall be determined by the Company on the actuarial basis used by it in determining the above amounts.

TABLE E - Joint and One-Half Survivor Fixed Annuity

Monthly Payment for Each \$1,000
of Participant Annuity Account Value

| Age of Annuitant | If Designated Payee Is Age | | | | | |
|---------------------|----------------------------|-----------|-----------|-----------|-----------|-----------|
| | <u>50</u> | <u>55</u> | <u>60</u> | <u>65</u> | <u>70</u> | <u>75</u> |
| 50 | 3.88 | 3.91 | 3.94 | 3.96 | 3.97 | 3.98 |
| 55 | 4.09 | 4.15 | 4.19 | 4.23 | 4.25 | 4.27 |
| 60 | 4.34 | 4.43 | 4.51 | 4.58 | 4.63 | 4.66 |
| 65 | 4.64 | 4.77 | 4.90 | 5.01 | 5.10 | 5.16 |
| 70 | 4.99 | 5.17 | 5.36 | 5.55 | 5.70 | 5.83 |
| 75 | 5.40 | 5.65 | 5.91 | 6.19 | 6.46 | 6.69 |

If payments commence on any other date than the exact age of the Annuitant or designated Payee as shown above, the amount of the monthly payment shall be determined by the Company on the actuarial basis used by it in determining the above amounts.

GUARANTEED CERTIFICATE FUND RIDER

GUARANTEED SUB-ACCOUNT RIDER ATTACHED TO AND FORMING PART OF THE GROUP ANNUITY CONTRACT

The Guaranteed Certificate Fund is a Guaranteed Sub-Account, whereby Credited Interest Rates, not less than the Rate noted below, are credited to Deposits held for varying Interest Guarantee Periods. The Company may offer Certificates to the Group Policyholder who may by Written Request allocate any Deposit in respect of the Participant to any one Certificate. The Group Policyholder in respect of the Participant may allocate Deposits only to those Certificates currently being offered by the Company.

If the Group Policyholder in respect of the Participant allocates Deposits to Certificates not currently offered by the Company, the Company may return such Deposits, allocate such Deposits to a currently offered Certificate, or allocate such Deposits to another currently offered Guaranteed Sub-Account.

Definitions

“Certificate” - represents the amount deposited into the Guaranteed Fund under each Interest Guarantee Period. Each Certificate has its own interest rate and Term.

“Term” - the duration of the Certificate which begins on the first day of the calendar quarter following the date of the Deposit and ends on the date specified by the Company. The duration of Terms available may be limited by the Company.

“Certificate Maturity Date” - the last day of the Term.

“Interest Guarantee Period” - the period from the date of the Deposit to the Certificate Maturity Date.

Interest Crediting and Selection of Payment Option

Notwithstanding any other provision in the Group Annuity Contract to the contrary, the Credited Interest Rate on an annual effective basis will not be less than 0% and will be compounded daily. A Deposit to the Guaranteed Certificate Fund, which remains in the Guaranteed Certificate Fund until the Certificate Maturity Date will earn a Credited Interest Rate for the Certificate's Interest Guarantee Period.

Transfers

The terms of Section 6 of the Group Annuity Contract will apply to any transfer to or from the Guaranteed Certificate Fund.

If the Participant dies, separates from service or has an unforeseeable emergency as determined by the Group Policyholder, amounts deposited into the Guaranteed Certificate Fund may be applied to a payment option prior to the Certificate Maturity Date. Amounts applied to a payment option pursuant to Section 10 of the Group Annuity Contract prior to the Certificate Maturity Date will receive the Credited Interest Rate from the date of deposit to the date the amount is applied to the elected payment option.

If the Participant has not died, separated from service or experienced an unforeseeable emergency as determined by the Group Policyholder, amounts deposited into the Guaranteed Certificate Fund must remain in the Certificate until the Certificate Maturity Date. Thus, no payment option may be elected, and no distributions or transfers will be permitted prior to the Maturity Date of each respective Certificate.

Certificate Maturity

Prior to the Certificate Maturity Date, the Company will offer a Guaranteed Sub-Account into which the value of the Certificate will be deposited on its Maturity Date. The Guaranteed Sub-Account so offered may be either the Guaranteed Certificate Fund or another Guaranteed Sub-Account.

If the Guaranteed Certificate Fund is offered, the value of the Certificate on its Maturity Date will establish a new Certificate, which has its own Credited Interest Rate and Term. The Credited Interest Rate of this new Certificate may be higher or lower than the Credited Interest Rate of any other Certificate or Deposit.

If another Guaranteed Sub-Account is offered, the value of the Certificate on its Maturity Date will be deposited into that Guaranteed Sub-Account. The Credited Interest Rate of this Deposit may be higher or lower than the Credited Interest Rate of any other Deposit.

Value of Guaranteed Certificate Fund

The value of the Guaranteed Certificate Fund in respect of the Participant will be determined by adding his/her Guaranteed Certificate Fund Sub-Account's Deposits and interest, and subtracting

his/her total or partial distributions, distributions to a Beneficiary, amounts distributed or applied under a payment option, transfers, Contract Maintenance Charge, and Premium Tax.

Signed for Great-West Life & Annuity Insurance Company on the Issue date of the Policy (unless a different date is shown here).

A handwritten signature in black ink that reads "W. T. McCallum". The signature is written in a cursive, slightly stylized font.

W. T. McCallum
President and Chief Executive Officer

This Rider, unless and until modified, forms part of the Group Annuity Contract.

DAILY INTEREST GUARANTEE FUND

GUARANTEED SUB-ACCOUNT RIDER ATTACHED TO AND FORMING PART OF THE GROUP ANNUITY CONTRACT

The Daily Interest Guarantee Fund is a Guaranteed Sub-Account. Deposits may be made into the Daily Interest Guarantee Fund at any time. Interest will be earned on the Daily Interest Guarantee Fund value and compounded daily. Notwithstanding any other provision in the Group annuity Contract to the contrary, the interest rate credited may change on a calendar quarter basis, but on an annual effective basis will not be less than 0%.

The value of the Daily Interest Guarantee Fund in respect of the Participant will be determined by adding his/her Daily Interest Guarantee Fund Sub-Account's Deposits and interest and subtracting distributions to a Beneficiary, amounts distributed or applied under a payment option, transfers, Contract Maintenance Charge, and Premium Tax.

Signed for Great-West Life & Annuity Insurance Company on the Issue date of the Policy (unless a different date is shown here).



W. T. McCallum
President and Chief Executive Officer

This Rider, unless and until modified, forms part of the Group Annuity Contract.

GUARANTEED GOVERNMENT FUND BOOKLET

A Guaranteed Government Fund Separate Account (hereinafter referred to as the Guaranteed Government Fund) is available under the Contract. All assets within the Guaranteed Government Fund will be invested in securities backed by the full faith and credit of the U.S. Government or its agencies. The Guaranteed Government Fund is a Variable Sub-Account, whereby Interest Rates are credited to all Deposits and accrued interest for the Minimum Guaranteed Period. The Company may offer the Guaranteed Government Fund to any Participant who by Written Request may allocate any Deposit to the Guaranteed Government Fund. The following provisions will apply to this fund:

Definitions

- | | |
|--|--|
| Deposits | - includes contributions, transfers and other amounts deposited to the Guaranteed Government Fund. |
| Interest Rates | - Interest Rates will be declared by the Company from time to time. Deposits will commence earning interest on the day the Deposit is allocated to the Guaranteed Government Fund. Each Interest Rate shall mean an annual effective rate of interest equal to the rate stated by the Company and shall be compounded and credited daily. The Interest Rates will remain in effect for the Minimum Guaranteed Period |
| Loan From General Account of the Company | - if the amount of any transfer or distribution exceeds the cash balance in the Guaranteed Government Fund, the Guaranteed Government Fund will borrow such deficiency from the General Account of the Company. All subsequent deposits and proceeds from the maturities of Guaranteed Government Fund assets will first be applied to reduce the outstanding balance of this loan. Interest will be charged monthly by the Company's General Account at a rate equal to the 30 day LIBOR rate, plus 35%. |
| Minimum Guaranteed Period | - the initial guaranteed period is applicable to new Deposits to the Government Guaranteed Fund. This period will commence on the date that the Deposit is received by the Company and will continue through the calendar year of the Deposit. The renewal guaranteed period is applicable to monies, which have gone through the initial guaranteed period and will continue for a minimum of one year. The interest rates on monies received in the initial and renewal guaranteed periods may be different. |
| Minimum Guaranteed Interest Rate | - is equal to 0%. |

- Separate Account Value - is determined once a day, based on the closing market price for each security in the account, less the outstanding balance, if any, of amounts borrowed from the Company's General Account.

Contract Values

The Contract Value, at any given time, will be either the Book Value or the Market Value, as defined below. The Book Value will apply to Cessation Option #1. The Market Value will apply to Cessation Option #2

- Book Value - the Participant Annuity Account Value on any date during the Accumulation Period for this Sub-Account
- Market Value - is the Participant's pro-rata share of the Separate Account Value. This is determined by dividing the Participant Annuity Account Value by the sum of the Participant Annuity Account Values for all Participants active in the Separate Account and multiplying the result by the Separate Account Value on the date of Cessation of Deposits.

Distributions

Distributions to a Participant are based on the Book Value and are permitted for the purpose of paying a benefit to a Participant, which includes death, separation from service, or unforeseeable emergency. Distributions from the Guaranteed Government Fund for purposes other than paying a benefit to a Participant will be restricted in the following manner. Distributions will not be permitted from the Guaranteed Government Fund until funds have been distributed from all other Guaranteed or Variable Sub-Accounts under this Contract. However, funds in the Guaranteed Certificate Fund which have not reached Certificate Maturity Date will not be subject to this requirement.

All Distributions will be subject to the Contingent Deferred Sales Charge, if applicable under the terms of the Contract.

Transfers

In addition to the terms and provisions of the Transfers Section of the Contract, the sum of all Transfers from the Guaranteed Government Fund are limited in each calendar year to an amount equal to 10% of the Participant's Guaranteed Government Fund balance at December 31 of the preceding calendar year. A transfer of the Participant's entire Guaranteed Government Fund may occur at anytime if the Guaranteed Government Fund balance at December 31 of the preceding calendar year is \$500 or less. There is no limit on the number of Transfers permitted in any calendar year. The (10%) limitation noted above can be used to transfer assets to a successor insurer outside the Contract, or to transfer assets to any Guaranteed or Variable Sub-Account under the Contract, or in any combination of transfers thereof.

Applicability of State Guarantee Funds

Assets in the Guaranteed Government Fund Separate Account are not covered by state guarantee funds.

Ownership

Amounts allocated to a separate account shall be owned by the Company. That portion of the assets of the separate accounts which is equal to the reserves and other contract liabilities with respect to each separate account shall not be chargeable with liabilities arising out of any other business the Company may conduct.

**GUARANTEED FIXED FUND
GUARANTEED SUB-ACCOUNT RIDER**

ATTACHED TO AND FORMING PART OF THE GROUP ANNUITY CONTRACT

The Group Contractholder on behalf of the Participant, subject to the provisions of the Group Annuity Contract, may allocate all or a portion of the Participant's Deposits to the Guaranteed Fixed Fund, which is a Guaranteed Sub-Account. Deposits allocated to the Guaranteed Fixed Fund in a calendar quarter shall earn an initial annual effective rate of interest equal to the rate stated by the Company for that calendar quarter. Each initial rate shall remain in effect through, the end of that calendar year and shall never be less than 3.5%.* Each year in which Deposits are allocated to the Guaranteed Fixed Fund shall be known as a deposit year.

All Deposits allocated and interest accrued thereon in a given deposit year which remain in the Guaranteed Fixed Fund shall constitute a separate portfolio as of January 1st of the year following the deposit year. Each separate portfolio shall earn an annual effective rate of interest stated by the Company, which shall be known as a renewal rate. Each renewal rate shall be effective for one calendar year and shall never be less than 3.5%.* A different renewal rate may be declared by the Company for each separate portfolio and for each calendar year.

The Group Contractholder on behalf of the Participant, subject to the provisions of the Group Annuity Contract and this Guaranteed Sub-Account Rider, may transfer amounts from the Participant's Guaranteed Fixed Fund sub-account at any time. The Company may, from time to time, establish a maximum amount which may be transferred from the Participant's Guaranteed Fixed Fund sub-account in a calendar year, which shall never be less than 20% of the Participant's prior year end account balance in the Guaranteed Fixed Fund. However, if the Participant's Guaranteed Fixed Fund sub-account balance is \$500 or less on the effective date of the transfer, all or a portion of that balance may be transferred. Amounts transferred shall be debited from the Participant's Guaranteed Fixed Fund sub-account on a last-in-first-out basis.

Distributions from the Guaranteed Fixed Fund sub-account shall be governed by the Group Annuity Contract. Amounts distributed from the Guaranteed Fixed Fund sub-account shall be debited on a last-in-first-out basis.

***IMPORTANT NOTICE:** The Guaranteed Interest Rate defined in the Group Annuity Contract shall not apply to funds deposited into the Guaranteed Fixed Fund sub-account.

Signed for Great-West Life & Annuity Insurance Company on _____, 19____.



W. T. McCallum
President and Chief Executive Officer

PERIODIC PAYMENTS OPTION RIDER - 457 PLANS

ATTACHED TO AND FORMING PART OF THE GROUP ANNUITY CONTRACT

WHEREAS, the Group Policyholder has previously entered into a Group Annuity Contract ("Contract") with Great-West Life - Annuity Insurance Company (hereinafter referred to as "the Company"),

AND WHEREAS, the Group Policyholder and the Company desire to make the Periodic Payment Option available under the Contract,

NOW THEREFORE, the Group Policyholder and the Company agree that the following provisions will be added to the Contract as of the date executed below.

Election of Periodic Payment Option

If the Participant has separated from service with the Group Policyholder or has attained age 70 1/2, the Group Policyholder, on behalf of a Participant, may elect to apply all or a portion of the Participant Annuity Account to a Periodic Payment Option. The entire Participant Annuity Account must be applied to a Payment Option under which substantially equal payments are made as required by Sections 457(d) and 401(a)(9) of the Internal Revenue Code. Once payments have begun, they cannot be changed or stopped.

If the Participant wishes to take a partial withdrawal, such withdrawal must be taken prior to the selection of a Periodic Payment Option, and will be subject to any applicable charges.

Payments to a Beneficiary

If the Participant is receiving Periodic Payments, any Periodic Payments remaining to be paid as of the Participant's date of death will be paid to the Participant's beneficiary. The Beneficiary will receive payments remaining under the payment option in effect as of the date of the Participant's death unless a lump sum is elected on the death claim.

If the Participant dies prior to the time payments have commenced, the Group Policyholder may elect to apply the entire Participant Annuity Account to a Periodic Payment Option for the Beneficiary. All payments to a Beneficiary must comply with the distribution requirements of Sections 457(d) and 401(a)(9) of the Internal Revenue Code.

Periodic Payment Options Available

The Group Policyholder, on behalf of a Participant, must elect one of the three payment options listed below. If the Participant dies prior to the time any payments have been made, the Group Policyholder,

on behalf of the Beneficiary, must elect one of the first two payment options listed below. (Minimum Distribution Payments are not available to Beneficiaries.) Payments must be elected over a period of at least 36 months.

1. *Payments for a Specified Period.* The period over which payments will be made is elected. The amount of each payment will be substantially equal but may vary slightly depending upon investment performance. The duration period may not be changed and must result in a dollar amount, which meets the minimum distribution requirements.
2. *Payments of a Specified Amount.* The dollar amount of each payment is elected. The dollar amount may not be changed and must meet the minimum distribution requirements. Based on the amount elected, the duration of the payments may vary.
3. *Minimum Distribution Payments.* Payments will be made as required to meet the minimum distribution requirements of Internal Revenue Code section 401 (a) (9).

Payments will cease when the Annuity Account Value is zero.

Frequency and Amount of Payments

The Request must specify:

1. the payment frequency of either 12-, 6-, 3-, or 1-month intervals;
2. the payment amount; a minimum of \$50 is required;
3. the month, day and year on which payments are to begin; and
4. the payment option.

PERIODIC PAYMENTS OPTION RIDER - 457 PLANS (continued)

The amount of each payment will be prorated across all Variable and Guaranteed Sub-Accounts in proportion to the assets in each sub-account unless the fund from which the periodic payments are to be made is designated. Once a selected fund has been depleted, any amounts remaining to be paid by the Company will be prorated across all sub-accounts as described above, unless another fund has been selected.

Operation of Participant Annuity Account

While periodic payments are being received:

1. no contributions may be made;
2. no partial withdrawals may be made except in the event of an Unforeseeable Emergency;
3. current Guaranteed and Variable Sub-Accounts may be continued or changed as allowed under the contract; and
4. charges and fees under the Contract, if applicable, continue to apply, except that the Contingent Deferred Sales Charge does not apply to a Periodic Payment Option of a minimum of 36 months.

Signed for Great- West Life - Annuity Insurance Company on the Issue Date.



W. T. McCallum
President and Chief Executive Officer

AMENDMENT NO. 1-96C ATTACHED TO AND FORMING PART OF
THE GROUP DEFERRED COMPENSATION ANNUITY CONTRACT

WHEREAS, the Group Policyholder has either previously entered into a Group Deferred Compensation Annuity Contract (the "Group Annuity Contract") and Application for Group Deferred Compensation Annuity Contract (the "Application") with Great-West Life & Annuity Insurance Company, or will be entering into such Group Annuity Contract and Application with the execution of this Amendment,

AND WHEREAS, the above noted Group Annuity Contract and Application require amendments to conform to recent changes made to the Internal Revenue Code of 1986, as amended (hereinafter referred to as the "Code"),

AND WHEREAS, immediately upon the Group Policyholder's amendment of the Plan document to place all assets in trust, the trust provisions described below will become effective,

AND WHEREAS, in order to maintain eligibility under Code Section 457, the Plan will continue to hold Plan assets in trust,

NOW THEREFORE, pursuant to Section 11.1 of the Group Annuity Contract, the following amendments will be made to the Group Annuity Contract and Application.

1. The following sentence will be added to the Application:

"Notwithstanding any provision in this Application to the contrary, in no event shall the assets under the Group Annuity Contract be subject to the claims of general creditors of the employer after the Plan is amended to place plan assets in trust."

2. In Section 1 of the Group Annuity Contract, the definition following the term "Group Policyholder" is hereby deleted. In place thereof, the following definition of Group Policyholder will be added:

"the named trustee, or the governmental employer sponsoring the Plan, as trustee, and the applicant for this Group Annuity Contract."

3. Section 2.2 of the Group Annuity Contract is hereby deleted. In place thereof, the following Section will be added:

2.2 Ownership of the Group Annuity Contract

Upon the Group Policyholder's Application for this Group Annuity Contract, the Group Policyholder becomes the owner of the Group Annuity Contract. Effective the earlier of January 1, 1999 or the date the Plan is amended to meet the trust requirement, the Group Policyholder, as the trustee of the Plan, may exercise all rights hereunder for the exclusive benefit of Plan Participants and beneficiaries. There is no contractual relationship between the Company and the Participants.

The Group Policyholder, as owner of the contract, is deemed to be the trustee of the assets invested in the Group Annuity Contract, and such contract is intended to satisfy the trust requirements of Code Sections 457(g) and 401(f).

4. Section 2.3 of the Group Annuity Contract is hereby deleted. In place thereof, the following Section will be added:

2.3 Transfer and Assignment

No portion of the Plan's assets and the earnings thereon may be used for, or diverted to, any purpose other than for the exclusive benefit of plan participants and beneficiaries prior to the satisfaction of all liabilities with respect to employees and their beneficiaries.

5. A new Section 2.4 will be added to the Group Annuity Contract and shall read as follows:

2.4 Trustee of the Group Annuity Contract and Plan Assets

Notwithstanding any provision of this Group Annuity Contract or the Application to the contrary, the Group Policyholder, as owner of the Group Annuity Contract, is the trustee with respect to all Plan assets deposited into the Group Annuity Contract, and the earnings thereon, and shall hold all such assets for the exclusive benefit of Plan Participants and Beneficiaries. The Group Annuity Contract shall be treated as a trust for purposes of Code Sections 457(g) and 401(f), and no portion of the amount deposited in the Group Annuity Contract, or the earnings thereon, may be used for, or diverted to, any purpose other than for the exclusive benefit of Plan Participants and Beneficiaries prior to the satisfaction of all liabilities with respect to employees and their Beneficiaries.

6. The first sentence of Section 8.2 of the Group Annuity Contract is hereby deleted. In place thereof, the following sentence will be added:

Except as provided in Section 8.3, no distributions will be allowed prior to the Participant's attainment of age 70 1/2, or separation from service, as determined by the Group Policyholder, unless, for years after December 31, 1996, the Plan provides for a cash out of a Participant Annuity Account which does not exceed \$3,500 and meets all of the other requirements of Code Section 457(e)(9)(A).

Signed for Great-West Life & Annuity Insurance Company on the Issue Date.



W.T. McCallum,
President and Chief Executive Officer

AGREEMENT FOR RECORDKEEPING AND COMMUNICATION SERVICES
§457 DEFERRED COMPENSATION PLAN
GROUP # 340217-01

This Agreement is entered into by and between BenefitsCorp, Inc. (hereinafter referred to as BenefitsCorp) and the Santa Cruz Metropolitan Transit District (hereinafter referred to as "Plan Sponsor"), with respect to the services to be provided to the §457 Deferred Compensation Plan and (hereinafter referred to as the "Plan").

WHEREAS, the Plan Sponsor has established or adopted the Plan for its eligible employees in accordance with Section 457 of the Internal Revenue Code ("Code") and all applicable federal regulations, state and/or municipal statutes for the purpose of providing retirement plan benefits to employees, and

WHEREAS, the Plan Sponsor (or its designee) serves as the Plan Administrator and named fiduciary of the Plan, and

WHEREAS, Plan Sponsor has placed all Plan assets into a trust, custodial account or annuity contract meeting the requirements of Section 457(g) of the Code, or is serving as self-trustee, and will continue to meet such requirements for the duration of this Agreement, and

WHEREAS, the parties acknowledge that all services previously preformed by National Plan Coordinators of Delaware, Inc. (or any of its affiliates and subsidiaries, including NPC Administrative Services, NPC Securities, Inc., NPC Tax Deferred Annuity and Insurance Marketing Corp., Deferred Compensation of Michigan, Inc. and PC Enrollment Services and Insurance Marketing Inc. dba National Plan Coordinators/Northeast) (hereinafter referred to as "NPC") are now being performed by NPC's parent company, Great-West Life & Annuity Insurance Company (hereinafter referred to as "GWL&A"), and

WHEREAS, the Plan Sponsor desires to appoint and hereby appoints on the Effective Date of this Agreement and BenefitsCorp has agreed accept such appoint to provide certain employee communication and coordinate the administrative, recordkeeping and other services described in this Agreement; and

WHEREAS, BenefitsCorp has agreed to act in a non-fiduciary capacity as directed, nondiscretionary service provider and BenefitsCorp will facilitate the performance of the services outlined in this Agreement as directed by Plan Sponsor in compliance with all applicable federal, state and local laws and regulations.

NOW THEREFORE, the parties hereby agree as follows:

I. Recordkeeping Services Provided Under this Agreement

A. Participant Account Establishment

Participant and related data will be established on the recordkeeping system. Such data includes, but is not limited to, indicative data (name, address, birth date, etc.) and the other records listed in sub-section B below.

B. Participant Account Information

1. A Participant account will consist of the following Participant indicative data when received in good order at the home office:
 - a. Name
 - b. Gender
 - c. Social Security Number
 - d. Mailing Address
 - e. Telephone Number
 - f. Date of Birth
2. Current investment allocation for each investment option authorized by the Plan Sponsor.
3. History of investment allocations by the Participant since the effective date of this Agreement.
4. Current account balances of each Participant in each investment option authorized by the Plan Sponsor.
5. Record of each transaction made to each investment option authorized by the Plan Sponsor since the effective date of this Agreement.

C. Investment Options

1. Authorized Investment Option Array

The Plan Sponsor has authorized the investment options currently being offered to the Plan. Should the Plan Sponsor decide to replace their current investment options, the new investment options will be selected from the BenefitsCorp alliance of mutual funds and/or annuity options offered by GWL&A. The Plan Sponsor agrees to replace investment options only once per year, except in extraordinary situations where Plan Sponsor determines that replacements be made more frequently than once per year. Forty-five (45) days advance written notice of the

intent by either party to add or terminate an investment option is required. BenefitsCorp will cooperate with the Plan Sponsor to terminate or add new investment options and BenefitsCorp will assist the Plan Sponsor in appropriately notifying Participants of any changes. BenefitsCorp agrees that such replacement(s) will be made as soon as practicable, as agreed to by the parties. In all situations where the Plan Sponsor may request replacement of investment options more frequently than once per year, an additional cost may be assessed to the Plan Sponsor as determined by BenefitsCorp.

2. Designated Investment Option

Plan Sponsor initially designates the Lincoln Fixed Fund investment option (herein after referred to as the "Designated Investment Option") for amounts received from Participants, including contributions, transfers and direct rollovers, without complete allocation instructions. This designation shall remain in effect until the Plan Sponsor has designated a new investment option. Such amounts will be deposited and held in the Designated Investment Option until complete allocation information has been received from Participants in good order at its home office in Greenwood Village, Colorado. Once complete allocation instructions have been received, Participant allocation instructions will be updated on the system for future contributions. Funds deposited into the Designated Investment Option will remain invested therein until the Participant initiates transfer instructions via the automated voice response system, Internet or client service representative.

3. Life Insurance

If life insurance is a current authorized investment option on the Effective Date, the following will apply:

- a. To the extent sufficient life insurance premiums and allocation information are remitted with the contributions by the Plan Sponsor, and are received at the home office in a timely manner, the accumulated premiums shall be remitted to the applicable insurance company in a timely manner so as not to cause any forfeiture or lapse in the policy. Such premiums shall be remitted to the applicable insurance company with a detailed listing of the Participant and the policy to which they are to be applied.
- b. Death benefits on the life insurance policies, if any, will be coordinated with the applicable insurance company.
- c. Tax reporting will be prepared and filed for all benefits, payments and withdrawals relating to the policies.
- d. On a quarterly basis, the Plan Sponsor agrees that each applicable insurance company will send information that contains the quarter–ending cash values. Such information shall be included on the Participant statement.

D. Valuation of Participant Account Balances

Participant Account Balances held with respect to the Plan will be accounted for as follows:

1. Amounts that are not guaranteed as to principal or interest will be accounted for at their fair market value as of the close of each Business Day. The term "Business Day" is defined as any day on which the New York Stock Exchange is open.
2. Amounts receiving a guaranteed interest rate and a guarantee of principal will be accounted for at book value. Interest will be accounted for on a daily effective method.
3. Life insurance will be reported on the participant's quarterly statement only to the extent cash values are provided by the insurance provider.

E. Transaction Timing Related to Contributions and Transfers

All parties agree that purchases and sales of securities at the direction of Plan Participants will be effected through the broker/dealer, BenefitsCorp Equities, Inc. Instructions for the purchase, sale, exchange or transfer of shares on behalf of the Plan shall be transacted to BenefitsCorp Equities, Inc. for processing.

1. Contributions

Contributions received at the home office before 4:00 p.m. Eastern Time will be initiated for allocation the next Business Day. The actual effective date of the deposit will be dependent upon the specific rules and capabilities of the investment provider selected and if complete and accurate records and the monies are received that Business Day.

Contributions remitted in respect of the life insurance options will be transmitted to the insurance carrier according to each insurance carrier's requirements.

2. Transfers

Participant initiated transfer requests which are received at the home office before 4:00 p.m. Eastern Time on a Business Day among investment options in the same fund family, shall be effective the next Business Day. Transfer requests received at the home office after 4:00 p.m. Eastern Time on a Business Day shall be effective on the second Business Day after receipt of the request.

Participant initiated transfer requests received at the home office before 4:00 p.m. Eastern Time on a Business Day not among investment options in the same fund family, shall not be processed according to the same processing schedules listed above, but rather according to the specific processing schedule of the investment and mutual fund provider(s) involved.

F. Automated Voice Response System

Participants will have access to a toll free, automated voice response system (currently called "KeyTalk[®]") that will provide the following information and services to the Participant from a touch-tone telephone:

1. Account balance, in total and by fund;
2. Current interest rates;
3. Unit values and/or share prices;
4. Daily changes in share prices/unit values;
5. Current deferral election (allocation of contributions);
6. Ability to change allocation of future deferrals;
7. Ability to transfer between fund investment options;
8. Ability to change the Personal Identification Number (PIN);
9. Ability to access transaction history; and
10. Ability to activate rebalancer and dollar cost averaging options.

Inquiry services available from the automated voice response system will utilize share prices, unit values and account balances, which are as of the last calculated unit value/share price.

The recordkeeping system is available 24 hours a day, except for routine maintenance of the system, which when necessary generally takes place on Sunday between the hours of 2:01 a.m. Eastern Time and 2:01 p.m. Eastern Time. Although this time period is reserved for system maintenance, it is utilized on a limited basis. However, the recordkeeping system may be unavailable at other times if necessary for maintenance.

G. Internet Site

Participants may use the web site (currently BenefitsCorp.com) to access the following:

1. View account summary including the Participant's account balance, monthly changes to their fund values, current allocation and last contribution;
2. View pending activity;
3. View contribution history;
4. View completed transfer history;
5. View and change maturing certificate allocation (if applicable);
6. View withdrawal activity;
7. Transact a transfer from one investment option to another investment option;
8. View current interest rates;

9. View unit values and/or share prices;
10. View daily changes in share prices/unit values;
11. View both fixed and variable investment option returns;
12. View investment option overviews;
13. View online prospectuses including annual reports, semi-annual reports and sticker updates;
14. Ability to activate rebalancer and dollar cost averaging options;
15. View questions and answers regarding the Plan;
16. View general financial information including assistance in planning for college, retirement, etc.;
17. Access asset allocation assistance through the Investment Roadmap Service;
18. View plan document information;
19. View marketing materials;
20. Utilize interactive calculators to assist with investment option allocation and saving comparison illustrations; and
21. E-mail local BenefitsCorp office(s).

The web site is available 24 hours a day, except for routine maintenance of the system, which when necessary generally takes place on Sunday between the hours of 12:01 a.m. Mountain Time and 12:01 p.m. Mountain Time. Although this time period is reserved for system maintenance, it is utilized on a limited basis. However, access to the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades, maintenance or for other reasons.

H. Client Service

Client service representatives will be available to answer Participant questions between the hours of 9:00 a.m. Eastern Time and 8:00 p.m. Eastern Time each Business Day, except the Friday after Thanksgiving. On the Friday after Thanksgiving, transactions submitted other than by the automated voice response unit, internet or computer link will not be processed until the next Business Day.

I. Direct On-Line Access to Recordkeeping System

Plan Sponsor may directly access on-line the recordkeeping system (currently called "BenLink[®]") to obtain the following information or perform the following functions (if desired by the Plan Sponsor) while administering the Plan:

1. Directly process contributions to Participant accounts either through on-line interaction or electronic transmission of files

2. Inquire about Participant account information, account balances, allocations and transaction history
3. Inquire about the plan's basic information, interest rates and unit values
4. Add a new Participant account
5. Change Participant information and investment allocations
6. On-line BenLink[®] Reports

The Plan Sponsor may access the following reports via the BenLink[®] direct on-line Internet service at any time:

- Employee Disbursement
- Employee Designated Age
- Plan Asset Summary
- Employee Address
- Contribution Limit
- Plan Contribution
- Participant Summary
- Plan Contribution Summary
- Employee Deminimus Balance
- Plan Disbursement Summary
- Employee Statement
- Inactive Participant
- Incomplete Data for Active Participants

Representative(s) will be made available to assist and train employees of the Plan Sponsor in properly accessing and processing transactions on to the recordkeeping system.

The recordkeeping system is available 24 hours a day, except for routine maintenance of the system, which when necessary generally takes place on Sunday between the hours of 2:01 a.m. Eastern Time and 2:01 p.m. Eastern Time. Although this time period is reserved for system maintenance, it is utilized on a limited basis. However, the recordkeeping system may be unavailable at other times if necessary for maintenance.

J. Reporting

1. Participant Statements

Each Participant will receive a statement of his/her account summarizing all activity for the previous calendar quarter, including:

- a. Beginning and ending balances.
- b. All transactions processed during the quarter, including contributions.
- c. Interest or change in value.

- d. Fees/Charges (if applicable).
- e. Transfers and withdrawals for each of the investment options for the quarter.

Such statements will be mailed within twenty (20) Business Days of the end of each calendar quarter, or within twenty (20) Business Days after receipt of information in good order from third party sources, whichever is later.

Participant statements are to be mailed to each Participant's last known home address as provided by Plan Sponsor and/or Prior Recordkeeper. Additionally, each Participant will receive a confirmation of every completed change. Participants will also have access to their account activity via a voice response unit, KeyTalk®, and the web site. Should notification of any errors on a Participant's statement be received at the home office within ninety (90) days after the statement date, retroactive correction of such error(s) identified made within the previous statement period will be made. However, should errors not be identified within ninety (90) days of the statement date, or the errors have been made by the Participant, Plan Sponsor or other third party, the error(s) will be corrected, but not made effective retroactively.

2. Employer Reporting

a. Employer Plan Summary

The Plan Sponsor will receive an Employer Plan Summary Report summarizing plan level assets and Participant account balances no later than thirty (30) Business Days after each calendar quarter end, or within twenty (20) Business Days after receipt of information in good order from third party sources, whichever is later. The following plan information is outlined in the report:

- 1) Account summary—a summarization of plan transactions and assets.
- 2) Summarization of contributions processed.
- 3) Withdrawals.
- 4) Annuities purchased.
- 5) Periodic payments.
- 6) Investment option grand totals—summarizes both dollars and units/shares and plan activity.
- 7) Investment option totals by money type—summarizes both dollars and units/shares and money type activity.
- 8) Participant summary—report of account activity for each Participant.

K. Regulatory Updates

BenefitsCorp agrees to periodically provide information concerning federal legislative activity of which BenefitsCorp is aware which may affect the Plan and related funding contracts. Such information, however, does not constitute legal or tax advice regarding the legal sufficiency of the Plan.

L. Benefits, Tax Withholding and Reporting

Upon receipt of complete payment instructions from the Plan Sponsor, benefit payments to Participants and beneficiaries will be made within five (5) Business Days. For the purposes of this Agreement, "complete payment instructions" means that all of the requested information on the Participant benefit request form has been completed along with the required signature(s). The benefit payments with respect to each Participant account will be made, tax withheld and the tax reporting reported as follows:

1. A record will be maintained of any distribution from the Plan made with respect to the Participant and the reason for the distribution.
2. Appropriate federal and state income tax withholding and tax reporting that is applicable at the time of the distribution will be performed and sent to the Participant or beneficiary for each benefit payment from the Plan with respect to the Participant or beneficiary.
3. The income tax withholding will be forwarded to the Internal Revenue Service and other appropriate state or local entities will be completed by the applicable due dates.
4. Information will be provided to the Internal Revenue Service annually showing an accounting of all Participants who have received distributions during the previous calendar year.

M. Qualified Domestic Relations Orders (QDROs)

If the Plan Sponsor's Code section 457 Deferred Compensation Plan accepts Qualified Domestic Relations Orders (hereinafter referred to as "QDROs"), QDROs will be processed and distributed pursuant to the terms of the Plan and Code section requirements in effect on the date of the distribution. Conforming Equitable Distribution Orders (hereinafter referred to as "CEDOs"), if any, shall be replaced with the term "Qualified Domestic Relations Orders (QDROs)".

N. Loans

If loans are available under the Plan Sponsor's Code section 457 Deferred Compensation Plan beginning January 1, 2002 or thereafter, Plan Sponsor agrees that all loans shall be account reduction loans repaid by payroll deduction and consistent with the loan policy and the procedures established by the recordkeeper from time to time. Participants will be subject to the fees in the loan documents.

O. Sample Plan Document and Adoption Agreement

If requested by the Plan Sponsor, a Code section 457 sample plan document and adoption agreement for completion by the Plan Sponsor will be provided at no additional cost to the Plan. The Code section 457 sample plan document shall be effective for adoption January 1, 2002, and thereafter, and is intended to comply with all current legislation.

P. Rollovers From Other Eligible Code Section 457 Plans, Code Section 401(a), 401(k) & 403(b) Plans & IRAs

If the Plan(s) accepts pre-tax rollovers from other eligible retirement plans, including Individual Retirement Accounts or Annuities (hereinafter referred to as "IRAs"), beginning January 1, 2002 or thereafter, separate accounts will be maintained for rollovers from eligible Code section 457 plans, Code section 401(a), 401(k) and 403(b) plans and IRAs. Other accounts may be established from time to time for plan administration.

Plan Sponsor agrees that rollovers will be administered according to the rollover policy and the procedures established by the recordkeeper from time to time. Participants will be subject to the fees, if any, in the rollover documents.

Amounts distributed from rollover accounts will be tax reported pursuant to the internal revenue laws in effect on the date of the distribution.

Q. Mandatory Cash-outs

If the Plan mandatorily distributes account balances less than \$5,000 and more than \$1,000 and Treasury Regulations require the Plan to designate an IRA provider to receive all such small accounts not otherwise directed by the Participant, a separate IRA product will be made available to the Plan.

R. Code Section 402(f) Notice

A notice shall be provided to Participants pursuant to Code section 402(f).

II. Communication Responsibilities Under the Agreement

A. Special Representations

1. Representative(s) assigned to perform services under this Agreement will be properly licensed, trained, qualified and supervised with respect to the conduct of their business activities.
2. Representative(s) will provide information in a manner consistent with applicable insurance and securities law. However, information supplied to Participants shall not constitute "investment and/or tax advice" upon which the Plan Sponsor may rely.
3. Representative(s) will only provide information applicable to this Agreement, and representative(s) is/are prohibited from providing services or products not specifically approved by the Plan Sponsor.

4. No representative may discriminate with respect to investment options provided under the Plan. Representative(s) will give equal and fair representations when describing the various investment options available under the Plan.
5. Compensation to representative(s) will not vary based upon investment options selected by the Participants.

B. Enrollment Forms, Communication Material and Presentations

1. All standard forms necessary for the operation of the Plan will be provided.
2. The above noted forms and materials will include, but not be limited to:
 - a. Enrollment forms
 - b. Distribution forms

C. Group Presentations

Representative(s) will conduct group meetings at which some or all of the following will be communicated:

1. Summary of the key provisions of the Plan.
2. Summary of investment options.
3. Discussion of services including automated voice response system inquiry, retirement planning, and investment seminars.
4. Instructions on how to sign up for the Plan or request an individual counseling session.

D. Individual Counseling Sessions

Upon request, representative(s) will conduct prescheduled individual counseling sessions utilizing a Participant paycheck analysis, an asset allocation model and retirement counseling services as approved by the Plan Sponsor.

E. Retirement Planning Education, Distribution Counseling

Ongoing retirement planning education, distribution counseling and an IRA may also be made available to Participants. The objective is to encourage Participants to roll other retirement plans into this Plan and to remain in this Plan once separated from service. However, where a Participant wants to either contribute or rollover to an IRA, an IRA product will be made available.

III. Miscellaneous Provisions

BenefitsCorp specifically accepts and agrees to each of the following requirements:

- A. All information obtained by BenefitsCorp, and its affiliates from any individual employees, whether the employee becomes a Participant or not, will be kept in absolute confidence and will not be utilized by BenefitsCorp, or any of its officers, directors, agents or employees in connection with any other matter without prior written consent of the Plan Sponsor. BenefitsCorp may disclose information as required by law without prior written consent of the Plan Sponsor. Plan Sponsor agrees BenefitsCorp may use information regarding the Plan in responses to Requests for Proposals.
- B. Upon relinquishing responsibilities at the termination of the Agreement, if requested, investment balances for all Participants will be provided to assure appropriate account balances within thirty (30) Business Days of termination of the Agreement in the recordkeeping system's standard format. Participant statements and Employer Plan Summaries will be provided up to and including the statement for the last calendar quarter covered by this Agreement.

IV. Plan Sponsor Responsibilities

- A. Plan Sponsor hereby acknowledges and agrees that BenefitsCorp may assign any interest in this Agreement and may subcontract any services of this Agreement to an affiliate within its controlled group.
- B. Plan Sponsor hereby appoints BenefitsCorp to provide the non-discretionary recordkeeping, communication and other services set forth in this Agreement for the Plan for the term of this Agreement.
- C. Plan Sponsor agrees to remit payroll deposits directly to recordkeeping system and allocate the accounting of deposits among Participants. Plan Sponsor agrees that if the Plan Sponsor changes the reporting format for contribution reporting, two (2) weeks advance notice will be given by the Plan Sponsor to test the new format before monies are remitted on the new file format. If Plan Sponsor does not provide two (2) weeks advance notice of the new reporting format, then contributions will be made effective two (2) business days from receipt of such monies sent in with the new file format.
- D. Plan Sponsor authorizes that employees may be contacted at (his/her) home or business address to obtain information needed to perform the services set forth in this Agreement.
- E. Plan Sponsor agrees to provide all information necessary to perform its duties set forth in this Agreement.
- F. Plan Sponsor agrees to use its best efforts, including, if necessary, the termination of a participating investment provider(s), to secure and maintain the cooperation of the participating investment provider(s) in providing the timely and accurate transmittal of data, including providing daily interest rates and unit/share values, required by BenefitsCorp pursuant to its responsibilities to the Plan.

- G. Should Plan Sponsor choose a custodial or trust account, the trustee/custodian must be able to interface with the recordkeeping system in a “passive” role and all the monies must be sent to the omnibus custodial bank account. Plan Sponsor agrees to require trustee/custodian to provide all information in the possession of trustee/custodian that is necessary for the performance of the recordkeeping duties under this Agreement.
- H. Plan Sponsor agrees to facilitate the scheduling of group and individual presentations and to provide facilities at which both the Plan Sponsor and BenefitsCorp mutually agree that satisfactory attendance can be expected.
- I. Plan Sponsor will be responsible for making final decisions approving early withdrawals of amounts due to “unforeseeable emergency” as that term is defined in the Section 457 Plan, the Code, and all IRS Regulations issued pursuant to the Code.
- J. If Qualified Domestic Relations Orders (QDROs) available under the Plan, the Plan Sponsor agrees to provide the following information prior to establishing an alternate payee account:
 - 1. Copy of court approved QDRO.
 - 2. Letter of approval from Plan Sponsor including specific instructions on the details of the transfer.
 - 3. Application for alternate payee.
 - 4. Verification that the alternate payee can or cannot transfer among investment options.

V. Hold Harmless and Indemnification

BenefitsCorp agrees to hold harmless and indemnify the Plan Sponsor, their affiliates and their officers, directors, employees or authorized representatives against any and all expenses, costs, reasonable attorneys fees, settlements, fines, judgments, damages, penalties or court awards actually incurred which are the result of negligent or fraudulent acts or omissions of BenefitsCorp, its affiliates and their officers, directors, employees or authorized representatives.

Plan Sponsor agrees to hold harmless and indemnify BenefitsCorp, its affiliates and their officers, directors, employees and authorized representatives against any and all expenses, costs, reasonable attorney fees, settlements, fines, judgments, damages, penalties or court awards actually incurred which are the result of negligent or fraudulent acts or omissions of the Plan Sponsor, its affiliates and their officers, directors, employees or authorized representatives.

Plan Sponsor acknowledges that BenefitsCorp, its affiliates and their directors, officers, employees, and authorized representatives are not responsible for investment performance of any authorized investment options under the program.

VI. Notification

All notices, requests, demands or other communications provided for or required by this Agreement (or any instrument or document delivered pursuant to this Agreement) will be in writing.

Notices to BenefitsCorp will be addressed as follows:

BenefitsCorp President
8515 East Orchard Road
Greenwood Village, CO 80111

Notices to Plan Sponsor will be addressed as follows:

Santa Cruz Metropolitan Transit District
Attn: Robyn Slater, Human Resources Interim Manager
370 Encinal Street Suite 100
Santa Cruz CA 95060

Each party may designate a different address by sending written notice to the other parties, to be effective within ten (10) days of the date of the notice.

VII. Agreement Term

This Agreement will be in effect on the date when all parties have executed it (hereinafter referred to as the "Effective Date"). Thereafter, this Agreement will remain in effect until terminated by either party. BenefitsCorp and the Plan Sponsor agree to provide a ninety (90) day written notice to the other party of its intent to terminate the Agreement.

VIII. Fees

The recordkeeping and communication services described in this Agreement will be performed for an annual fee of .75 %. This fee shall be assessed to Participant accounts invested in un-wrapped mutual fund investment options on a quarterly basis of .1875% per quarter. BenefitsCorp will retain all 12b-1 fees and reallowances payable by the investment providers. In addition, the actual product provider in respect of the wrapped mutual fund investment options may "wrap" an implicit fee in the calculation of the unit value each Business Day.

If Plan Sponsor requests that more than thirty (30) unallocated investment accounts be opened, BenefitsCorp reserves the right to modify the fees referenced in this Section. If the Plan Sponsor requests an investment option that is materially different than the types of investment options currently in use, BenefitsCorp reserves the right to modify the fees and services quoted in this Agreement.

If Plan Sponsor selects a custodian or trustee that requires the procedures or services in this Agreement to change, BenefitsCorp reserves the right to adjust fees in this Section.

The parties agree that any services which are requested to perform beyond the scope of the services described in this Agreement shall be provided at a mutually agreed upon price negotiated prior to the performance of such services.

IX. Modification, Waiver and Consent

No modification or waiver of any provision of this Agreement and no consent by any party to any deviation from its terms by any other party will be effective unless such modification, waiver or consent is in writing and signed by all parties. The modification, waiver or consent will be effective only for the period, on the conditions and for the specific instance and purposes specified in such writing. The waiver of any breach of any term or condition in this Agreement will not be deemed a waiver of any prior or subsequent breach.

X. Arbitration

Any dispute, which arises between the parties with respect to any of the terms of this Agreement, whether such dispute arises during the term of the Agreement or after its termination, will be resolved through binding arbitration. Arbitration will be conducted in accordance with the commercial rules of the American Arbitration Association (“AAA”). Each party agrees to waive its right, if any, to a jury trial. Each party will bear its own cost in the arbitration proceedings. The arbitration award may be entered in, and enforced by, any court of competent jurisdiction.

XI. Entire Agreement

This document represents the entire agreement between the parties hereto, governing the subject matter of this Agreement. No modification or waiver of any provision in this Agreement and no consent by one party to any deviation from its terms by the other party shall be effective unless such modification, waiver, or consent is in writing and signed by properly authorized agents of each party. The modification, waiver or consent shall be effective only for the period, on the conditions, and for the specific instance and purposes specified in such writing.

XII. Governing Law

This Agreement will be construed and enforced in accordance with and governed by the laws of the State of Colorado.

XIII. Severability

The provisions of this Agreement are severable, and if for any reason, a clause, sentence or paragraph of this Agreement will be determined to be invalid by a court or federal or state agency, board or commission having jurisdiction over the subject matter thereof, such invalidity will not affect other provisions of this Agreement which can be given effect without the invalid provision.

XIV. Authorized Persons

The Plan Sponsor and any duly appointed investment advisor(s) will furnish a list to BenefitsCorp (and from time to time whenever there are changes therein) of the individuals authorized to transmit instructions to BenefitsCorp concerning the Plan and/or assets in the account, and written direction regarding the form of such instructions.

XV. Legal Advice

Nothing in this Agreement is intended to constitute legal or tax advice from BenefitsCorp to the Plan Sponsor or any other party. Despite the fact that BenefitsCorp may have knowledge about provisions of the underlying Plan document utilized by the Plan Sponsor, BenefitsCorp makes no representations or assurances to the Plan Sponsor or any other party regarding the legal sufficiency of the Plan.

XVI. Confidentiality of Data

BenefitsCorp shall treat as confidential all Plan, Participant and customer information or data received from the Plan Sponsor and/or Participants which shall not be disclosed to a third party or be used except for the purpose of providing the services provided for under this Agreement unless agreed to in writing by the parties. Any third party that is retained to provide services under this Agreement by either party and who has access to confidential information relating to a customer, the Plan Sponsor or Plan Participant, shall agree in writing to be bound by this section of the Agreement and to use such confidential information only for the purpose of carrying out the performance of specific terms of the Agreement.

XVII. Force Majeure

None of the parties hereto shall be liable to the other for any and all losses, damages, costs, charges, counsel fees, payments, expenses or liability due to any failure, delay or interruption in performing its obligations hereunder, and without the fault or negligence of such party, due to causes or conditions beyond its control including, without limitation, labor disputes, riots, war and war-like operations including acts of terrorism, epidemics, explosions, sabotage, acts of God, failure of power, fire or other casualty, natural disasters or disruptions in orderly trading on any relevant exchange or market, including disruptions due to extraordinary market volume that result in substantial delay in receipt of correct data.

XVIII. Signatures

By signing this Agreement, in duplicate, the parties certify that they have read and understood it, that they agree to be bound by the terms of the Agreement, that they have the authority to sign it, and that they have received a signed and dated copy of the Agreement. This Agreement is not binding on either party until approved by both parties.

Plan Sponsor:

By: _____

Date _____

Title: _____

BenefitsCorp, Inc.:



By its President, Charles P. Nelson

Great-West Life & Annuity Insurance Company:

By its Assistant Vice President, Al Cunningham

Date _____

**BEFORE THE BOARD OF DIRECTORS OF THE
SANTA CRUZ METROPOLITAN TRANSIT DISTRICT**

Resolution No. _____

On the Motion of Director: _____

Duly Seconded by Director: _____

The Following Resolution is Adopted:

THIS SECTION 457 CUSTODIAL ACCOUNT AGREEMENT (No. 340217-01 and 88055-01) is made by and between the Santa Cruz Metropolitan Transit District (herein "Employer"), and Wells Fargo Bank West, National Association (herein "Custodian").

WHEREAS, Employer maintains an eligible deferred compensation plan(s) (herein the "Plan(s)") under section 457 of the Internal Revenue Code.

WHEREAS, Employer desires to set aside Plan(s) assets to be held in a funded arrangement under section 457(g) of the Internal Revenue Code maintained for the exclusive benefit of Plan(s) participants and their beneficiaries.

WHEREAS, section 457(g)(3) of the Internal Revenue Code provides that custodial accounts described in section 401 (f) of the Internal Revenue Code shall be treated as trusts pursuant to that section.

WHEREAS, Employer desires to engage the services of the Custodian to hold all assets and income of the Plan(s) in a custodial account for the exclusive benefit of participants and their beneficiaries, as defined in section 401 (f) of the Internal Revenue Code.

WHEREAS, the Custodian is willing to act as custodian and deemed trustee of the Plan(s) as set forth in section 457(g)(3) of the Internal Revenue Code to provide these services for the Plan(s) on the condition that Employer has entered or is entering into a service agreement with Great-West whereby Great-West will provide recordkeeping services for all Plan(s) assets held pursuant to this Agreement.

NOW, THEREFORE, BE IT RESOLVED, Employer desires to appoint and hereby so appoints, effective as of January 1, 2002, Wells Fargo Bank West, National Association, as successor to Ronnie E. Nichols, Trustee, and Wells Fargo Bank West, National Association desires to accept such appointment and to accept the custody continued hereby.

BE IT FURTHER RESOLVED, the parties also hereto agree as follows:

1. Establishment of Custodial Account.
 - a. In order to carry out the purposes of the Plan(s), Employer hereby creates and establishes a custodial account (herein the "Custodial Account"). The Custodian accepts the Custodial Account and agrees to act as Custodian hereunder, but only on the terms and conditions set forth in this Agreement. Subject to the terms and

BEFORE THE BOARD OF DIRECTORS OF THE SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

conditions of this Agreement, all right, title and interest in and to the Custodial Account shall be vested exclusively in the Custodian.

- b. The Custodial Account shall include only those assets that the Custodian accepts. Only assets actually received by the Custodian will become part of the Custodial Account. The Employer acknowledges and agrees that it is responsible for effectuating the transfer of any Plan(s) assets to be held in the Custodial Account to Custodian.
- c. The Custodial Account established hereunder is intended to satisfy the requirements of section 457(g)(3) of the Internal Revenue Code, and to be treated as a trust solely for purposes of applicable tax laws under rules similar to the rules under section 401(f) as contemplated by that section. In no event shall the Custodial Account be treated as a trust for purposes of state law. Notwithstanding anything herein to the contrary, it shall be impossible, prior to the satisfaction of all liabilities with respect to the employees and their beneficiaries covered by the Plan(s), for any part of the funds of the Custodial Account to be used for, or diverted to, purposes other than for the exclusive benefit of the participants or their beneficiaries as provided for in the Plan(s). Except as provided in the Plan(s) and consistent with applicable law, the assets of the Custodial Account shall never inure to the benefit of the Employer and shall be held for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Plan(s) and Custodial Account. The Employer agrees that it will abide by this provision and that it will not cause the Custodian to violate this rule either by its direction or otherwise.

2. Services to be Provided by Custodian and Obligations of the Parties.

The obligations of the Custodian shall be limited to those expressly imposed upon it by this Agreement, notwithstanding any reference herein to the Plan(s), and no further duties or obligations of the Custodian, such as a duty to value Plan(s) investments, determine the prudence or authorization of any Plan(s) investment, or diversify Plan(s) investments, shall be implied. The Custodian shall not be liable in discharging its duties hereunder if it acts in good faith and in accordance with the terms of this Agreement and in accordance with applicable federal tax laws, rules and regulations. The Custodian shall, upon direction from Employer, perform the following services; provided, however, that for purposes of this Agreement the Custodian may rely on direction by the Employer to Great West pursuant to and consistent with the terms of the services agreement among the parties thereto:

- a. Open and maintain a Custodial Account in the name of the Plan(s) and hold in such an account all cash, securities and other property initially deposited plus any additional cash and securities that may be received from time to time for the Custodial Account; provided, however, that nothing in this Agreement shall require the Custodian to maintain actual physical custody of assets held for the

BEFORE THE BOARD OF DIRECTORS OF THE SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

Plan(s), to which the Custodian has title, through a broker held securities account or insurance company separate account, or to maintain actual physical custody of mutual fund shares. The Custodian shall have no duty or authority to ascertain whether any contributions should be made to the Custodial Account pursuant to the Plan(s), to determine the amount of any contribution to be made pursuant to the terms of the Plan(s), or to bring any action to enforce any obligation to make any contribution to the Plan(s).

- b. Act upon written direction from the Employer or from one or more investment advisors duly appointed in writing by the Employer, as provided in Section 5 hereof. The Custodian shall have no duty to determine any facts or the propriety of any action taken or omitted by it pursuant to such directions.
 - c. Be responsible for the collection of all investment income relating to the assets in the account.
 - d. Make payments from the Custodial Account to participants or their beneficiaries as the Employer shall direct in writing, and amounts so paid shall no longer constitute a part of the Custodial Account. The Employer shall report withholding of any federal, state or local taxes that may be required to be withheld with respect to such payments and shall remit such amounts withheld to the appropriate taxing authorities or determine that such amounts have been reported, withheld and remitted.
3. Powers of the Custodian. The Custodian is authorized and empowered to:
- a. Hold assets in the name of the Custodian, which may include entering into depository arrangements for the safekeeping of records relevant to the ownership of such assets with any entity or entities as the Custodian may choose.
 - b. Invest the assets of the Custodial Account in such investment vehicles as directed by Employer or a duly appointed investment advisor, including annuity or insurance contracts issued by licensed insurance companies, and to enter into amendments to such annuity or insurance contracts as so directed. The Custodian shall have no duty or responsibility to determine the appropriateness of any Plan(s) investment, or to cause such investments to be changed. The Employer shall be responsible to determine whether the Plan(s) and the investments directed by it are authorized by state law. The Custodian shall forward all notices, proposed contract amendments, rate or fee changes or other communications regarding all annuity or insurance contracts held in the Custodial Account to the Employer, and shall act on behalf of the Custodial Account with respect to any such notice, proposed amendment, change, or other communication only as directed by the Employer. Any rights of a contractholder under any such group annuity contract to discontinue, amend, or otherwise modify the contract shall be

BEFORE THE BOARD OF DIRECTORS OF THE SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

exercised only upon the specific written direction of the Employer to the issuer of the contract or by the Custodian at the Employer's express written direction.

- c. Make transfers among investment vehicles or disbursements from the Custodial Account as directed by the Employer or, if applicable, by the Plan(s) participants.
- d. Employ agents other than persons on its regular payroll and delegate to them such ministerial and other non-discretionary duties as it sees fit and to rely upon such information furnished by such agents.
- e. Vote any securities held in the Custodial Account or issue proxies to vote such securities as directed by the Employer.
- f. Pay taxes of any and all kinds levied or assessed against the Custodial Account as directed by the Employer.
- g. Delegate to Great-West, any or all ministerial duties arising out of this Agreement, and appoint Great-West as agent of Custodian for such purposes, including opening accounts with investment companies, and paying expenses and making distributions from the Custodial Account. In no event shall Custodian delegate to Great-West the right to hold title to the assets of the Plan(s) or Custodial Account.
- h. Make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any other instruments that may be necessary or appropriate to carry out the custodianship duties and powers.
- i. Hold uninvested such cash funds as may appear reasonably necessary based upon directions of the Employer to meet the anticipated cash requirements of the Plan(s) from time to time and to deposit the same or any part thereof, either separately or together with other funds under the control of the Custodian, in its own deposit department or to deposit the same in its name as Custodian in such other depositories as it may select.
- j. Institute, prosecute, maintain, or defend any proceeding at law or in equity concerning the Custodial Account or the assets thereof, at the sole cost and expense of the Custodial Account, and to compromise, settle, and adjust any claims and liabilities asserted against or in favor of the Custodial Account or of the Custodian; but the Custodian shall be under no duty or obligation to institute, maintain, or defend any action, suit, or other proceeding unless it shall have been indemnified to its satisfaction against any and all loss, cost, expense, and liability it may sustain or anticipate by reasons thereof.
- k. Retain any funds or property subject to any dispute without liability for the payment of interest, and to decline to make payment or delivery thereof until final adjudication is made by a court of competent jurisdiction.

BEFORE THE BOARD OF DIRECTORS OF THE SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

4. Reports.

Custodian shall furnish to the Employer and any duly appointed investment advisors a periodic statement of account no less frequently than annually, reflecting an inventory of assets in the account, all activity during the previous period, and a market value for the assets of the account. The Custodian will furnish such other reports as the Employer may reasonably request, including reports to the Employer's accountants or other examiners as may be necessary.

5. Authorized Persons. The Employer and any duly appointed investment advisor shall furnish a list to the Custodian (and from time to time whenever there are changes therein) of the individuals authorized to transmit instructions to the Custodian concerning the assets in the account and written direction regarding the form of such instructions. If the Employer has implemented the voice response system for participants, all participants are deemed to be authorized individuals solely for purposes of directing investment of their individual account balances. The Custodian shall be entitled to rely on instructions from participants received through the voice response system as well as on the oral advice as confirmed in writing or written advice of other authorized individuals. The Custodian shall treat as genuine and may rely on any notice or communication without further verification that it reasonably believes is from an authorized party, as defined above, and shall be protected in doing so by the Employer.

6. Compensation Payable to Custodian.

The Custodian shall be entitled to receive reasonable compensation for services provided under this Agreement in connection with the Plan(s). Such compensation shall be paid as set forth on the fee schedule attached hereto as Exhibit 1, and may be changed from time to time by agreement of the parties.

7. Amendment and Termination.

This Agreement may be amended by written agreement of the parties at any time. This Agreement shall continue in effect unless or until terminated by either party upon thirty (30) days' written notice to the other party; provided that Custodian shall continue to act as Custodian of the Custodial Account until a successor Custodian is appointed. If no successor Custodian is appointed within ninety (90) days of such written notice of termination, Custodian shall be authorized to petition a court of competent jurisdiction for a declaration appointing a successor Custodian, and to charge the Custodial Account for the reasonable costs, fees, and expenses of such legal process. Upon termination, all securities held in the account shall be delivered by the Custodian to a successor custodian appointed by the Employer or as otherwise directed in writing by the Employer. Notwithstanding the foregoing, this Agreement shall automatically terminate in the event that a contract for the provision of one or more funding mediums for the Custodial Account and recordkeeping services through Great-West are discontinued or terminated without renewal, effective as of the date of such discontinuance or termination, with no

BEFORE THE BOARD OF DIRECTORS OF THE SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

further notice from or to either party; provided that Custodian shall continue to act as Custodian of the Custodial Account until a successor Custodian is appointed. If no successor Custodian is appointed within ninety (90) days of such written notice of termination, Custodian shall be authorized to petition a court of competent jurisdiction for a declaration appointing a successor Custodian, and to charge the Custodial Account for the reasonable costs, fees, and expenses of such legal process.

8. Limitation of Liability.

Custodian shall not be liable for any claims, liabilities, or expenses arising from or alleged to arise from any action or inaction taken by Custodian pursuant to the direction of Employer or any authorized agent thereof. Employer specifically releases Custodian from any liability except to the extent Custodian has committed negligence or malfeasance in the exercise of its responsibilities hereunder.

9. Notices.

Notices to the Employer shall be directed and mailed as follows:

Wells Fargo Bank West, N.A.
Employee Benefit Services, MS 8697
1740 Broadway
Denver, CO 80274-8697

Notices to Great-West shall be directed and mailed as follows:

Great-West Life & Annuity Insurance Company
8515 East Orchard Road
Englewood, Colorado 80111

Attention: Marilyn R. Collister
Assistant Vice President, Plan Design and Compliance

10. Inspection Privileges.

The books, records, documents, accounting procedures, and practices of the Custodian relevant to this Agreement are subject to examination by the Employer, including but not limited to an annual audit by an independent auditor designated by the Employer.

11. Governing Law.

This Agreement shall be governed by and enforced under the contract laws of the State of California. The Custodial Account hereby created is situated in Colorado and all questions regarding its administration shall be determined under the laws of the State of Colorado.

**BEFORE THE BOARD OF DIRECTORS OF THE
SANTA CRUZ METROPOLITAN TRANSIT DISTRICT**

12. Severability.

In case any provisions of this Agreement shall be held illegal or invalid for any reason, their illegality or invalidity shall not affect the remaining parts of this Agreement, and this Agreement shall be construed and enforced as if the illegal and invalid provisions had never been a part of the Agreement.

13. Assignment.

This Agreement shall not be assigned without the express written consent of all parties to this Agreement, which consent shall not be unreasonably withheld; provided, however, that this provision is subject to and shall in no way limit the effect of Section 3 hereof (relating to the power of Custodian to delegate certain duties to Great-West, and appoint Great-West as its agent for certain purposes).

14. Successors and Assigns.

This Agreement shall be binding upon the respective successors and assigns of the Employer and the Custodian.

15. Effective Date.

This Agreement shall be effective January 1, 2002

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

EMPLOYER
Santa Cruz Metropolitan Transit District

By: Leslie White
Title: General Manager

CUSTODIAN
Wells Fargo Bank West, National Association

By:
Title:

BEFORE THE BOARD OF DIRECTORS OF THE
SANTA CRUZ METROPOLITAN TRW-SIT DISTRICT

PASSED AND ADOPTED this 22nd day of November, 2002, by the following
vote:

AYES: Directors -

NOES: Directors -

ABSTAIN: Directors -

ABSENT: Directors -

APPROVED _____
SHERYL AINSWORTH
Chairperson

ATTEST _____
LESLIE R. WHITE
General Manager

APPROVED AS TO FORM:

MARGARET GALLAGHER
District Counsel

13-E-8

ADOPTION AGREEMENT

BENEFITSCORP, INC.

SECTION 457
ELIGIBLE DEFERRED COMPENSATION PLAN

FOR GOVERNMENTAL EMPLOYERS

BENEFITSCORP, INC.

**SECTION 457 ELIGIBLE DEFERRED COMPENSATION PLAN
FOR GOVERNMENTAL EMPLOYERS**

The Employer named below hereby establishes (or, as applicable, amends and restates) a Deferred Compensation Plan for eligible Employees as provided in this Adoption Agreement and the accompanying BenefitsCorp Section 457 Eligible Deferred Compensation Plan document.

A. EMPLOYER INFORMATION.

1. EMPLOYER'S NAME AND ADDRESS:

**Santa Cruz Metropolitan Transit District
370 Encinal Street, Suite 100
Santa Cruz, CA 95060**

2. TELEPHONE NUMBER: **(831) 426-6080**

3. TAX ID NUMBER: **94-2376658**

4. NAME OF PLAN: **BenefitsCorp, Inc. 457 Plan**

5. NAME OF PLAN ADMINISTRATOR (the Employer unless another person(s) is appointed as set forth in section 3.02 of the Plan):

Robyn Slater, Human Resources Interim Manager

B. EFFECTIVE DATE. *(Check box 1 OR box 2 and fill in the blank(s).)*

1. This is a new Plan having an effective date of _____.

2. This is an amended and restated Plan.

The effective date of the original Plan was **4/16/82 and amended 12/98.**

The effective date of the amended and restated Plan is **11/22/02.**

C. CUSTODY OF ASSETS. *(Check each box that applies.)*

Internal Revenue Code ("Code") § 457(g) shall be satisfied by setting aside plan assets for the exclusive benefit of participants and beneficiaries, as follows:

1. in a trust pursuant to the provisions of Article V of the Plan. The Employer, or certain employees (or holders of certain positions with Employer) as named on page 6 of this Adoption Agreement shall be the Trustee.
2. in a trust pursuant to a separate written trust agreement entered into between the Employer and the bank or trust company named on page 5 of this Adoption Agreement.
3. in one or more annuity contracts meeting the requirements of Code § 401(f).
4. in a custodial account meeting the requirements of Code § 401(f), pursuant to a separate written agreement with the Custodian named on page 4 of this Adoption Agreement.

D. ELIGIBLE EMPLOYEES. *(Check each box that applies.)*

“Employee” shall mean:

1. any full-time employee working **40** or more hours per week.
2. any permanent part-time employee working fewer than **40** hours per week.
3. any seasonal, temporary or similar part-time employee
4. any elected or appointed official
5. any independent contractor

who performs services for and receives any type of compensation from the Employer (or any agency, department, subdivision or instrumentality of the Employer) for whom services are rendered. If Box D.4 is not checked, elected or appointed officials will not be treated as Employees and will not be eligible to participate in the Plan, without regard to whether they are treated as common-law employees or independent contractors for other purposes. The following are the additional requirements or limitations, if any, for one or more of the specified class(es) of employees to be eligible to participate in the Plan:

Not Applicable

E. FICA REPLACEMENT (“3121”) PLAN.

Check the applicable box(es) if this Plan is a retirement system providing FICA replacement retirement benefits pursuant to regulations under Code § 3121(b)(7)(F) for full time employees and/or part-time employees, and complete the following. *(Check each box that applies.)* **N/A**

1. The Employer shall make an annual contribution to each Participant's account equal to _____ percent of such Participant's Compensation. **N/A**
2. Each Participant is required to make an annual contribution of _____ percent of Compensation. **N/A**

(Note: The total percentage of 1 and 2 must equal at least 7.5%.)

In the event that this Plan is a retirement system providing FICA replacement retirement benefits as described above, all references to Unforeseeable Emergency distributions in the plan document shall be null and void.

F. ROLLOVERS. *(Check each box that applies.)*

1. Rollovers from eligible Code §§ 457(b) plans SHALL BE allowed.
2. Rollovers from plans qualified under Code §§ 401(a), 403(a) and 403(b) SHALL BE allowed.
3. Rollovers from Individual Retirement Accounts and Annuities described in Code §§ 408(a) and (b) SHALL BE allowed.

G. PARTICIPANT LOANS. *(Check Box 1 OR Box 2.)*

1. The Administrator MAY direct the Trustee to make Participant loans in accordance with Article 9 of the Plan.
2. The Administrator MAY NOT direct the Trustee to make Participant loans in accordance with Article 9 of the Plan.

H. QUALIFIED DOMESTIC RELATIONS ORDERS. *(Check Box 1 OR Box 2.)*

1. The Plan SHALL accept qualified domestic relations orders as provided in section 12.02 of the Plan.
2. The Plan SHALL NOT accept qualified domestic relations orders as provided in section 12.02 of the Plan.

This Plan and Adoption Agreement are duly executed on behalf of the Employer.

//

EMPLOYER'S AUTHORIZED SIGNORS:

By: _____ By: _____

Title: General Manager Title: Human Resources Interim Manager

Date: _____ Date: _____

CUSTODIAN

[Complete this section only if box C.4. on page 2 was checked.]

Employer has elected to meet the trust requirement of Code § 457(g) by setting plan assets aside for the exclusive benefit of participants and beneficiaries in a custodial account meeting the requirements of Code § 401(f). The bank or trust company custodian named below shall be the “deemed trustee” of plan assets held pursuant to the custodial agreement.

A. Effective 01/01/02, the following named bank or trust company is hereby appointed as custodian of all or a portion of the assets of the Employer’s § 457 Deferred Compensation Plan:

_____ Wells Fargo Bank West, N.A. _____

B. INDIVIDUAL(S) AUTHORIZED TO ISSUE INSTRUCTIONS TO CUSTODIAN/TRUSTEE:

_____ Robyn Slater, Human Resources Interim Manager _____

This appointment is duly signed on behalf of the Employer and the Custodian.

EMPLOYER

Leslie White

General Manager

Date

CUSTODIAN

[Signature]

[Title]

[Date]

Great-West Life & Annuity Insurance Company

Letter Agreement

Notwithstanding the provisions of the Great-West Life & Annuity Insurance Company Group Deferred Compensation Annuity Contract (hereinafter referred to as the "Contract"), group number 340217-01 the Great-West Life & Annuity Insurance Company (hereinafter referred to as the "Company") and the Santa Cruz Metropolitan Transit District (hereinafter referred to as the "Group Policyholder") agree to the following clarifications and modifications of said Contract issued by the Company. This Letter Agreement supersedes and replaces any other previous Letter Agreement or representation.

1. Risk Charge - The Risk Charge as described in Section 5.5 of the Contract is 0.75% per annum.
2. Contract Maintenance Charge - The Contract Maintenance Charge as described in Section 5.9 of the Contract is waived.
3. Contingent Deferred Sales Charge - The Contingent Deferred Sales Charge provision as described in the Contract, including the Contingent Deferred Sales Charge Free Amount and all references to either or both are hereby waived on transfers to CALPERS and all participant surrenders or withdrawals as permitted under the Policyholder's Plan due to retirement, separation of service, unforeseeable financial hardship, or death. Transfers to another carrier, other than CALPERS, are subject to the standard Contingent Deferred Sales Charge.
4. Distributions – Distributions under the Contract must be requested and authorized by the Group Policyholder. To the extent permitted under the Group Policyholder's Plan, the distribution methods offered under the provisions of the Contract will be available. In all other respects, distributions will be subject to the provisions of the Contract.
5. Amendment No. 1-96C – The reference to "\$3,500" in Section 6 shall be replaced in its entirety with "\$5,000 (or such other amount as provided from time to time by the Code)".

This Letter Agreement is in effect as long as the Company is acting in its current capacities as the exclusive investment option, recordkeeping and communication provider for the Group Policyholder's Plan. Additionally, in order for this Letter Agreement to remain in effect, there must be no substantial changes in the operation of the Group Policyholder's Plan, including but not limited to a change in approved investment product providers, marketers or required recordkeeping services. Either party may terminate this Letter Agreement with ninety (90) days written notice. This Letter Agreement may be modified at any time upon mutual consent of both parties.

Great-West Life & Annuity Insurance Company

By: _____ Date: _____
A. G. Cunningham,
Its: Assistant Vice President

W. T. McCallum
By: W. T. McCallum
Its: President

Santa Cruz Metropolitan Transit District

By: _____ Date: _____
Its: _____

DEFERRED COMPENSATION PLAN

Requirements for Application for Withdrawal of Funds

Due to Unforeseen Emergency

You have requested to withdraw funds from your Deferred Compensation account because of financial hardship caused by an unforeseen emergency. Because the money you have deferred under this Plan has not yet been taxed, you will need to include any withdrawal granted in your gross income for this tax year.

Before the Deferred Compensation Committee will consider your request, you must complete **all** of the information requested. The Committee may return the request if the information you provide is unclear, incomplete or missing. This will delay the Committee's consideration of your request.

The Deferred Compensation Committee will meet to discuss your particular situation and to rule on whether or not your request meets IRS guidelines for a distribution under the Unforeseeable Emergency guidelines.

If your Financial hardship withdrawal is granted, it will generally be required that you cease Deferred Compensation payroll deductions for a specified period of time. Re-entry into the program will require Deferred Compensation Committee review and approval. You will be required to show proof of the status or satisfaction of creditors from the previous application.

ALL INFORMATION RELATED TO YOUR REQUEST IS PERSONAL AND CONFIDENTIAL.

Participant's Name: _____ Dept.: _____

Address: _____

City: _____ State: _____ Zip: _____

Social Security Number: _____ Date of Birth: _____

Amount Requested: _____ **AFTER** taxes of 20% Federal and 6% State are withheld

Pursuant to Emergency Withdrawal provisions of the Deferred Compensation Plan, I hereby request an emergency withdrawal of funds.

I understand that Deferred Compensation plans are administered under the authority of the Internal Revenue Code and that this plan is bound by its rules and regulations. I further understand that this distribution may be made only if I establish, to the satisfaction of the Deferred Compensation Committee, that these legal requirements are met. These legal requirements are listed below and indicate that emergency withdrawals **are not** allowed for foreseeable expenses or other personal expenses which would normally be budgeted for, such as: (1) down payment for a house; (2) purchase or repair of an automobile; (3) college tuition or other educational expenses; (4) normal monthly bills; or (5) payment of loans.

Unforeseeable Emergency means a severe financial hardship resulting from:

- (a) sudden and unexpected illness or accident of the participant or his/her dependent;
- (b) loss of participant's property due to casualty;
- (c) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant.

I further understand that payment may not be made to the extent that such financial hardship is or may be relieved through:

- (1) reimbursement or compensation by insurance or otherwise;
- (2) by liquidation of assets, to the extent that such liquidation of assets would not itself cause financial hardship;
- (3) by cessation of deferrals under the plan;

(4) by securing a secured or unsecured loan.

Please answer the following questions. Failure to respond completely to all questions may be cause for automatic denial of this request. ATTACH ADDITIONAL PAGES IF NECESSARY.

The facts constituting the Unforeseeable Emergency are as follows (*attach additional pages if necessary*):

Describe why this is a severe financial hardship (*attach additional pages if necessary*):

Describe how this severe financial hardship is the result of either (*check one or more that apply*):

- Sudden and unexpected illness or accident of the participant or his/her dependent.
- Loss of participant's property due to casualty.
- Other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant.

Describe why this is a severe financial hardship:

Describe why this financial hardship **cannot** be relieved through the following means:

(1) reimbursement of compensation by insurance or otherwise:

(2) liquidation of assets to the extent that such liquidation of assets would not itself cause financial hardship (that is, why can't this hardship be relieved through liquidation of other savings accounts, tax sheltered annuity accounts, stocks, bonds, life insurance policies with cash values, or other investment accounts:

(3) cessation of deferrals under the plan (that is, why can't this hardship be relieved by at least temporarily stopping contributions to your Deferred Compensation account):

(4) securing new or additional loans to pay the sums that constitute a hardship:

I declare under penalty of perjury under the laws of the State of California that the foregoing stated facts are true and correct.

Signed this _____ day of _____, 19_____.

(Signature of Requesting Participant)

PERSONAL AND CONFIDENTIAL

FINANCIAL HARDSHIP STATEMENT - (SEE INSTRUCTION PAGE)

**ATTACH COPY OF YOUR MOST RECENT
FEDERAL INCOME TAX RETURN**

| | | |
|-----------------------|-----------|-------|
| <u>MONTHLY INCOME</u> | APPLICANT | _____ |
| | SPOUSE | _____ |
| | OTHER | _____ |

(A) TOTAL MONTHLY INCOME.....\$ _____

MONTHLY EXPENSES

LOANS/CREDIT CARDS

| <u>CREDITORS</u> | <u>BALANCE</u> | <u>MONTHLY PAYMENT</u> |
|------------------|----------------|------------------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

(B) TOTAL MONTHLY LOANS/CREDIT CARDS..... \$ _____

(CONTINUED ON NEXT PAGE)
FINANCIAL HARDSHIP STATEMENT (CONTINUED)

OTHER MONTHLY EXPENSES

| <u>TYPE</u> | <u>MONTHLY PAYMENT</u> |
|--------------------|------------------------|
| RENT/MORTGAGE..... | _____ |
| FOOD..... | _____ |
| UTILITIES..... | _____ |
| OTHER: _____ | |
| _____ | |
| _____ | |
| _____ | |
| _____ | |
| _____ | |
| _____ | |
| _____ | |
| _____ | |
| _____ | |
| _____ | |
| _____ | |
| _____ | |
| _____ | |

(C) TOTAL OTHER MONTHLY EXPENSES..... \$ _____

***NET INCOME* A - (B + C) \$ _____**

ASSETS (CHECKING, SAVINGS, INVESTMENTS, MUTUAL FUNDS)

| <u>TYPE</u> | <u>BANK/FUND etc.</u> | <u>BALANCE</u> |
|-------------|-----------------------|----------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

I certify the information on this statement is accurate and complete. It is furnished solely for the confidential use of the Committee in determining if I am eligible for a hardship withdrawal under the Deferred Compensation Plan. The Deferred Compensation Committee is authorized to verify the above information.

Participant's Signature

Date

FINANCIAL HARDSHIP STATEMENT - INSTRUCTION PAGE

YOU MUST SUBMIT THE FOLLOWING DOCUMENTS:

ATTACH A COPY OF YOUR MOST RECENT FEDERAL INCOME TAX RETURN

-CATEGORY-

INCOME

ATTACH COPIES OF RECENT PAYCHECK STUB

- * NET AFTER RETIREMENT AND TAXES MULTIPLIED BY 26, THEN DIVIDED BY 12
- * INCLUDE ALL SOURCES OF INCOME FROM INVESTMENTS INCLUDING MUTUAL FUNDS, BONDS, STOCKS, REAL ESTATE, ETC.

MONTHLY EXPENSES

ATTACH CURRENT COPIES OF ALL CREDIT CARD AND LOAN STATEMENTS

- * LOANS
- * CREDIT CARDS

OTHER MONTHLY EXPENSES

* RENT/MORTGAGE **ATTACH COPY OF CURRENT STATEMENT**

* FOOD **ESTIMATE MONTHLY EXPENSE**

* UTILITIES **ATTACH COPIES OF CURRENT BILLS FOR ALL UTILITIES LISTED**

NET INCOME

* THIS IS YOUR BALANCE OF INCOME LESS ALL MONTHLY EXPENSES - FOLLOW THE EQUATION GIVEN.

ASSETS

ATTACH COPIES OF ALL STATEMENTS

* LIST ALL ACCOUNTS (CHECKING, SAVINGS, INVESTMENTS, MUTUAL FUNDS, ETC.) , NAME OF INSTITUTION ACCOUNT IS WITH, AND THE CURRENT BALANCE.

SIGN FINANCIAL STATEMENT

**ATTACH ONLY COPIES OF DOCUMENTS, NOT ORIGINALS
DOCUMENTS SUBMITTED WILL NOT BE RETURNED TO YOU!!**

IMPORTANT NOTICE TO PERSONS APPLYING FOR FINANCIAL HARDSHIP WITHDRAWALS

This message is to elaborate in greater detail, how financial hardship requests are evaluated by the Committee, in order that you might more fully appreciate the attitude of the Committee and why the detailed disclosure of personal financial information is requested.

As you know, the money you have deferred under this plan has not been included in your gross income and thus no income taxes have been paid. If your hardship is granted, you will have to include the sum you are allowed to withdraw in your gross income for this tax year.

The Committee is of the opinion that the Internal Revenue Service is skeptical of this type of withdrawal and will examine it closely if the Plan (or your tax return) is audited, which could possibly occur at some point in time. If the I.R.S. is not satisfied that the Committee has adequately documented a hardship withdrawal, or that the reason given in support of the request was not within the standards set forth in the Plan, you could be held in constructive receipt of not only the amount withdrawn, but any sums remaining in the Plan for your future benefits. You could be required to pay additional taxes on such funds, even though you have had no other control or custody of the funds.

More importantly, however, the I.R.S. could determine that the Committee was not requiring adequate documentation of financial need and granting unwarranted withdrawals for all financial hardship withdrawals and could declare the entire Plan in violation of tax laws and regulations. If this occurred, they could declare taxes on all sums deferred by all employee-participants, even those who have never made a request.

It is because of the Committee's concern that either or both of these undesirable consequences could occur that we have chosen to handle hardship requests in this manner. You may feel it is unduly onerous and probing, but the consequences of a less definitive and careful approach are so dire as to be unacceptable to the Committee. You may be assured that your request, if completely documented, will receive a careful and fair evaluation. If the committee finds your request to be within Plan standards we will act promptly to approve the request.

“UNFORESEEABLE EMERGENCY”

A severe financial hardship to the participant from a sudden, unexpected illness or accident of the participant or of a dependent (as defined by U.S. Code #152 - same as rules to claim as dependent for exemption on tax

return), loss of the participant's property due to casualty or other similar extraordinary and unforeseeable circumstances beyond the control of the participant. No payment to extent hardship is or may be relieved:

1. Through reimbursement or compensation by insurance or otherwise;
2. By liquidation of participant's assets, to extent liquidation of such assets would not cause hardship;
3. By cessation of deferrals under the plan

Also, not more than reasonably needed to satisfy the emergency need.

Not emergency: need to send participant's child to college or desire to purchase a home.

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 8, 2002
TO: Board of Directors
FROM: Mark J Dorfman, Assistant General Manager
SUBJECT: CONSIDERATION OF AWARD OF BUS ADVERTISING CONTRACT – RFP 02-06

I. RECOMMENDED ACTION

Staff is recommending that due to the financial impacts on the budget that the Board award the Bus Advertising Contract (RFP 02-06) to Princeton Media, Inc. with direction to utilize adhesive advertising to maximize revenues.

II. SUMMARY OF ISSUES

- An RFP was issued for the Bus Advertising Contract for the District.
- Obie Media has had the contract for the past five years using a direct application or adhesive type advertising.
- The contract will have generated \$710,000 during this period.
- The RFP allowed firms to make proposals using either fames or adhesive or both.
- The best proposal for either type of advertising was from Princeton Media, Inc. of Princeton, New Jersey.
- They have provided two proposals for the Board's consideration in response to our request.

III. DISCUSSION

On August 26, 2002, the Santa Cruz Metropolitan Transit District issued a Request for Proposals (02-06) for Bus Advertising on District buses. For the past five (5) years, this contract has been held by Obie Media of Eugene, Oregon. The revenue generated by this contract during this time period is shown in the table shown on the next page.

CURRENT REVENUE FROM EXISTING CONTRACT

| YEAR | AMOUNT | CONTRACT TO DATE |
|------|-----------|------------------|
| 1998 | \$100,000 | \$100,000 |
| 1999 | \$120,000 | \$220,000 |
| 2000 | \$144,000 | \$364,000 |
| 2001 | \$168,000 | \$532,000 |
| 2002 | \$178,400 | \$710,400 |

The RFP was advertised in local newspapers and sent out to 26 firms that in the past had expressed an interest in receiving a copy of the RFP. Previous Board action indicated a desire to move bus advertising to frames only, but that action was rescinded due to this past year's financial difficulties. To allow the utmost flexibility for the Board to make this decision, staff put out the RFP with allowances for firms to propose adhesive, frames or both types of advertising. The advantage to the District is that the Board would then know the financial implications of the choice, as well as knowing what the budget implication would be of having no advertising on the buses.

A Pre-Proposal Meeting was held on September 13, 2002 at the District's offices. No firms showed up at the meeting, but written questions were received from two (2) firms. On October 15, 2002, the District opened the proposals. Two proposals were received. One from the existing vendor, Obie Media of Eugene, Oregon and one from Princeton Media, Inc. from Princeton, New Jersey. Both firms provided adhesive only proposals for the District's consideration. After discussing the situation with District Counsel, letters were sent to both firm's asking them to submit a frames proposal so that they Board would have a clear choice in the direction they wish to pursue.

An evaluation committee comprised of the Assistant General Manager, the Manager of Fleet Maintenance, the District Buyer and the Manager of Operations reviewed the proposals that were submitted. Based upon the criteria contained in the RFP, the committee selected Princeton Media, Inc., as the best-qualified proposal for the Board to consider. They have provided both a framed and adhesive proposal for consideration. The framed proposal is shown below:

FRAME PROPOSAL

| YEAR | Guarantee | Percentage for Above | Notes |
|------------------|-----------|----------------------|---|
| Year One | None | 55% | Guarantee would be prorated after 60% of the fleet has frames installed |
| Year Two | \$55,000 | 55% | |
| Year Three | \$75,000 | 55% | |
| OPTION Year Four | \$85,000 | 55% | |
| OPTION Year Five | \$95,000 | 55% | |

This proposal assumes that the buses have standard size King, Queen and Tail Light frames on the buses. It would be the District's responsibility to purchase and install the frames on the buses. For the buses scheduled to be delivered, these can be added to the orders. The estimated cost would amount to \$20,000. Assuming that the amount generated in the first year would total \$35,000 (\$15,000 attributable to this fiscal year), the contract amount would total a guarantee of \$345,000 over the five-year period. Accounting for the initial cost of the frames, the net income would total \$325,000.

The adhesive proposal from Princeton Media, Inc. is shown in the table below:

ADHESIVE PROPOSAL

| YEAR | Guarantee | Percentage for Above |
|------------------|-----------|----------------------|
| Year One | \$96,000 | 52% |
| Year Two | \$110,000 | 53% |
| Year Three | \$125,000 | 55% |
| OPTION Year Four | \$135,000 | 55% |
| OPTION Year Five | \$145,000 | 55% |

The revenue that would be guaranteed to the District under the adhesive option is \$611,000, \$286,000 more than the frames proposal.

The last option for the Board to consider would be that of having no advertising on the buses. All proposals could be rejected and the existing contract would expire in December.

Finance has budgeted \$48,000 from Bus Advertising for the remainder of this fiscal year.

IV. FINANCIAL CONSIDERATIONS

The financial impact of the advertising contract is shown in the tables in the staff report. Further, there will be a shortfall of approximately \$33,000 in this year's revenue if frames are chosen, no shortfall if adhesive advertising is chosen, and \$48,000 if no advertising is selected.

V. ATTACHMENTS

Attachment A: Bus Advertising RFP with Draft Contract – **distributed to Board Only**

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 22, 2002

TO: Board of Directors

FROM: Mark J. Dorfman, Assistant General Manager

**SUBJECT: CONSIDERATION OF AUTHORIZATION TO PURCHASE
PARATRANSIT VANS USING STATE CONTRACT**

I. RECOMMENDED ACTION

District staff is recommending that the Board of Directors authorize the General Manager to use the State Procurement Process for the purchase of seventeen (17) Paratransit Vans

II. SUMMARY OF ISSUES

- The District has just amended a federal grant for the purchase of seventeen (17) Paratransit Vans.
- The State of California Department of General Services has a current bid for Modified Mini- Vans and Paratransit Buses.
- The Federal Circular that governs procurement for federally funded purchases encourages joint purchasing when the procurement includes the applicable federally mandated clauses.
- The District wishes to use the State Contract for this procurement as a means of streamlining the procurement process.
- Vans will be gasoline-powered.

III. DISCUSSION

The District has amended a federal grant that would allow for the purchase of seventeen (17) Paratransit vans. The federal grant and the matching funds total \$737,008. Each year the State of California prepares a bid for Modified Mini- Vans and Paratransit Buses. This is to assist smaller agencies in complying with all federal requirements. Additionally, this process allows for better pricing than the District would normally get due to the greater quantities requested in the state bid. Another benefit to the District is that the State of California will perform the acceptance inspections for the vehicles for an additional fee that is much less expensive than utilizing a separate contractor for a small quantity of vehicles.

The federal government encourages grant recipients to utilize cooperative purchasing agreements whenever it is practical as a means of saving money. In this instance, since the State of California is doing this for FTA funded vehicles, the procurement will fully qualify by containing all of the required federal clauses. The State adds an administrative fee of 1% to the order to cover their costs of the procurement process.

It is recommended that the Board authorize the General Manager to use the State Procurement Process for the purchase of seventeen (17) Paratransit vans. It is important for this project to proceed to provide additional capacity and replacement vehicles for the ParaCruz Program.

IV. FINANCIAL CONSIDERATIONS

Funds are available in the federal grant with local matching funds that have already been budgeted.

V. ATTACHMENTS

Attachment A: NONE

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 8, 2002
TO: Board of Directors
FROM: Tom Stickel, Manager of Fleet Maintenance
SUBJECT: CONSIDER AMENDING CONTRACT FOR CNG FUEL STATION EQUIPMENT

I. RECOMMENDED ACTION

District staff is recommending that the Board of Directors authorize the General Manager to amend the contract with Allsup Corporation for CNG Fuel Station Equipment to add two features.

II. SUMMARY OF ISSUES

- The District has established a contracts with Allsup Corporation to provide CNG Fuel Station equipment and construction for the CNG fuel station project.
- Due to changes in gas pressure specifications by PG & E, District needs to add a pressure regulator to compensate for the reduction in gas pressure supplied to the gas drier.
- The District needs to add a timer to the CNG Fuel Station System as a safety feature.

III. DISCUSSION

On May 17, 2002, District entered into a contract with Allsup Corporation to provide CNG Fuel Station Equipment. On September 3, 2002, District entered into a contract with Allsup Corporation to provide construction services for the CNG Fuel Station. After the contracts had been established, PG & E submitted a specification correction on the amount of gas pressure that would be available to the District from 30 psi to 17 psi. This reduction in pressure requires the installation of a regulator on the gas dryer to compensate for this pressure decrease. Allsup Corporation has provided a quotation to provide and install this regulator for the sum of \$4,317.13.

At the pre-construction meeting on October 11, 2002, engineers from Allsup Corporation recommended the installation of a timer and valve as a safety measure should a leak in the line occur after fueling operations. The lines supplying the CNG time-fill hoses are continuously fed with pressurized gas. A timer-controlled valve would be installed so that this only happens at specific times (during refueling operations). Allsup Corporation has provided a quotation to provide and install a timer and valve for the sum of \$1,442.58.

It is recommended that the Board of Directors authorize the General Manager to amend the contract by adding a pressure regulator, timer and valve for an additional amount not to exceed \$5,759.71.

IV. FINANCIAL CONSIDERATIONS

Additional funds for this amendment are available in the operating budget for Facilities.

V. ATTACHMENTS

- A- Letter from Allsup Corporation
- B- Amendment to Contract 01-22

Allsup Corporation

CONTRACTORS & ENGINEERS
LICENSE No. 394938

1848 WEST 11TH STREET, SUITE K, UPLAND, CALIFORNIA 91786-8400
PHONE (909) 931-1636 FAX (909) 931-1638

October 15, 2002

Santa Cruz Metropolitan Transit District
120 Dubois Street
Santa Cruz, CA 95060

ATT: Lloyd Longnecker

RE: CNG Fueling Station- Changes to Angi International Equipment

Dear Lloyd,

There were two changes to the equipment that we addressed at the Oct. 11 pre-construction meeting.

Item #1 - Install Timer and Valve for Controlling Limited Hours for Time Fills.

Summary: The lines supplying the CNG time-fill hoses are permanently fed with **pressurized gas. It has been** requested that a timer controlled valve be installed so that this situation only occurs at specific times.

Cost Breakdown :

| | |
|--|-------------------|
| Description : Charge for timer and valve - see September 12, 2002 letter from Angi International | \$1,150.00 |
| Sales Tax @ \$8.00% | \$92.00 |
| ITEM #1 SUB- TOTAL | \$1,242.00 |
| 15% Mark-up (per SSPWC* 3-3.2.3(a)) | \$186.30 |
| *SSPWC is the Standard Specifications for Public Works Construction | |
| ITEM #1 TOTAL (INCL. 1% BOND) | \$1,442.58 |

Item #2 – Install Regulator on Gas Dryer and Interconnect Tubina from High Pressure Gas Source on Compressor Skid.

Summary: The original equipment specifications on the gas supply from **PG&E (Part III, 1.6A)** were modified down from 30 psi to 17 psi at the submittal review process. This change necessitates the installation of a mechanism to provide a minimum of 25 psi at the gas dryer (needed for regeneration). Additional charges relate to relocating the gas supply lines from the dryer to the compressors below ground, changing to sch. 80 pipe and installation of an additional length of gas supply piping.

Cost Breakdown :

#2m

Description : Field install approx. 10' of 2" U/G conduit, 3/8" ss tubing, valves and fittings etc. to make connection to factory installed regulator.

Materials

Stainless steel tubing, valves, fittings, conduit etc. \$385.00
Charge for regulator, valves and fittings - see September 12, 2002 letter from Angi International \$2,850.00

Sales Tax @ 8.00% \$258.80
MATERIALS SUB- TOTAL \$3,493.80

15% Mark-up (per SSPWC 3-3.2.3(a)) \$524.07

MATERIALS TOTAL \$4,017.87

Labor

Install conduit, stainless steel tubing, valves, fittings, etc.
4 hr. labor @ \$53.44/hr. \$213.76

LABOR SUB- TOTAL \$213.76

20% Mark-up (per SSPWC 3-3.2.3(a)) \$42.75

LABOR TOTAL \$256.51


ITEM #2 TOTAL (INCL. 1% BOND) \$4,317.13

SUMMARY

| | |
|--------------|------------------|
| Item #1 | \$1442.58 |
| Item #2 | \$4,317.13 |
| TOTAL | <u>\$5759.71</u> |

Could you please review these items and notify me if you wish to proceed with the changes ?

Sincerely,


Keith Sharpe, P.E.
(Project Engineer)



September 12, 2002

Allsup Corp
Project: Santa Cruz
Attn: Bruce Buckner

Phone: 1-909-793-284 1
Fax: 1-909-793-3534

Dear Bruce,

We are pleased to quote you the following additions for the Santa Cruz project.

1 – Regulator to be mounted on dryer for make up gas to 25 PSI.
Including shut off valve and fittings. This will need to be tubed to high-
pressure gas source in the field.

Price: 2,850.00

1 – Timer and Valve for controlling limited hours for time fill.
Including Solenoid Valve and 24-hour timer mounted on skid.

Price: \$1,150.00

All prices exclude sales tax.

Thank you, for the opportunity to serve you CNG needs, any questions please feel free to contact me.

Sincerely Yours,

A handwritten signature in black ink that reads "Timothy R. Boyle". The signature is written in a cursive style and is positioned to the right of the typed name.

Timothy R. Boyle
Sales Manager

Cc Chuck Nelson
Carol Harmon

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
FIRST AMENDMENT TO CONTRACT NO. 01-22
FOR CNG FUEL STATION EQUIPMENT**

This First Amendment to Contract No. 01-22 for CNG fuel station equipment is made effective November 22, 2002 between the Santa Cruz Metropolitan Transit District, a political subdivision of the State of California (“District”) and Allsup Corporation.(“Contractor”).

I. RECITALS

1.1 District and Contractor entered into a Contract for CNG fuel station equipment (“Contract”) on May 17, 2002.

1.2 The District requires installation of additional parts.

Therefore, District and Contractor amend the Contract as follows:

II. ADDITIONAL PARTS REQUIREMENTS

2.1 District adds the following: Provide and install timer and valve for controlling limited hours of time fills.

2.2 District adds the following: Provide and install regulator on gas dryer and interconnect tubing from high-pressure gas source on compressor skid

III. REIMBURSEMENT FOR ADDITIONAL EQUIPMENT

3.1 District has requested Contractor to provide and install additional parts. District agrees to compensate Contractor an additional \$5,759.71 for this additional work. The new total contract amount shall not exceed \$273,476.59.

IV. REMAINING TERMS AND CONDITIONS

4.1 All other provisions of the Contract that are not affected by this amendment shall remain unchanged and in full force and effect.

V. AUTHORITY

5.1 Each party has full power to enter into and perform this First Amendment to the Contract and the person signing this First Amendment on behalf of each has been properly authorized and empowered to enter into it. Each party further acknowledges that it has read this First Amendment to the Contract, understands it, and agrees to be bound by it.

SIGNATURES ON THE NEXT PAGE

Signed on _____

DISTRICT
SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

Leslie R. White
General Manager

CONTRACTOR
ALLSUP CORPORATION

By _____

Approved as to Form:

Margaret R. Gallagher
District Counsel

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 22, 2002

TO: Board of Directors

FROM: Leslie R. White, General Manager

SUBJECT: CONSIDER APPROVAL OF 2003 FEDERAL LEGISLATIVE PROGRAM

I. RECOMMENDED ACTION

That the Board of Directors adopt the proposed METRO 2003 Federal Legislative Program attached to this staff report.

II. SUMMARY OF ISSUES

- Elected officials at the federal level support the goals established by the METRO Board of Directors when the Legislative Program is presented to them early in the legislative process.
- In 2003, the first session of the new 108th Congress will appropriate transit funds for federal FY 2004.
- In order to maximize formula funds received by METRO, staff recommends that we advocate for funding of the federal FY 2004 Transportation Appropriations Bill at the last authorized level provided for under TEA-21 plus 4%.
- In prior years, there have been numerous efforts to limit funding for public transit service in California. With the recent election, the author of these proposals, Senator Richard Shelby (R-AL), will serve both as Chair of the Senate Banking Committee (authorizing jurisdiction over the transit program) and Chair of the Transportation Appropriations Subcommittee. Senator Shelby will be in a very strategic position to put forward his proposals to divert transit funds from California/New York and redirect them to the more rural states such as Alabama. Staff recommends that METRO representatives again oppose any action that singles out specific states for lower transit funding levels or places a minimum allocation level to all states which would redirect federal funds away from populous states like California.
- As costs related to federally-mandated complimentary Paratransit continues to rise, staff recommends that METRO advocate for funding at the federal level to assist in offsetting these expenses.
- Proposals for the reauthorization of TEA-21 were finalized in 2002. Major advocacy groups (including APTA) have included the High Intensity Tier Proposal developed by METRO and others in the adopted positions. Representatives of the Federal Transit Administration have unofficially indicated their support of the concept of a High Intensity Tier component. Their proposal will be sent to Congress early next year. Staff recommends that METRO continue to advocate for the inclusion of a \$35

million High Intensity Transit Tier Program in the under 200,000 population Urbanized Area Formula Program.

- Many of the transit-intensive systems in the under 200,000 population Urbanized Areas have aging fleets, which need replacing. Additionally, there are some small systems in the Urbanized Areas with populations between 200,000 – 1 million that also have bus replacement needs which exceed the ability of the Formula Program to address. Major advocacy groups (including APTA) have recognized this need and have included a \$100 million supplemental Bus Replacement Program in their Legislative Proposals. This funding would be directed to Urbanized Areas under 1 million in population. Staff recommends that METRO continue to advocate for the inclusion of a \$100 million per year Bus Fleet Modernization Program directed at areas below 1 million in population in the next authorization bill.
- Transit financing needs will continue to increase in future years. Staff recommends that METRO advocate for the transit program funding levels to increase from the projected \$7.2 billion authorized level in 2003 to \$14.2 billion in 2009.
- It is anticipated that earmarked Discretionary Capital funding will be needed to construct the transit facility portion of the SC Metro Center Redevelopment Project. Staff recommends that METRO advocate for the inclusion of a multi-year earmark totaling \$15 million in the new TEA-21 reauthorization bill or through the appropriations process.

III. DISCUSSION

In 2003, Congress will appropriate funds for federal FY 2004. The 2004 Appropriation will be the first one under the new authorizing bill that must be enacted to replace TEA-21. The federal formula funds that METRO receives to offset operating and capital expenses are derived from the annual appropriations bill. Therefore, it is important that Congress appropriate at the fully authorized levels.

In prior years under Republican leadership, the transportation appropriations process has resulted in proposals being developed which would limit funding for California transit systems. The proposals to limit transit funding have been generated by Senator Richard Shelby (R-Alabama) who was Chair of the Senate Transportation Appropriations Sub-committee. With the change in the Senate Majority, Senator Shelby will resume his position as Transportation Subcommittee Chair. Additionally, it has been announced that Senator Shelby will serve as Chair of the Senate Banking Committee that has jurisdiction over the authorization of the federal transit program. Senator Shelby will be uniquely positioned to forward his past proposals. Staff recommends that the 2003 Legislative Program include a provision that METRO vigorously resist efforts to single out specific states for lower transit funding or places a minimum allocation level to all states which would redirect funds away from more populous states like California.

While the implementation of the recertification has slowed the growth in ADA Paratransit costs, it is likely that these costs will increase in future years. Staff recommends that METRO advocate for federal capital and operating funds to assist in supporting future costs of the ADA-mandated complimentary Paratransit.

TEA-21 required (Section 3303) the completion of a study for smaller transit-intensive communities to determine if the current Formula Program was adequate to meet the needs of these communities. The report issued, pursuant to Section 3303, identified the need to include a service factor in the formula for these communities. The report found that systems, like Santa Cruz, performed at levels higher than systems in communities of 200,000 – 1 million in population. A new High Intensity Transit Tier Program has been developed to respond to the needs of systems like METRO. This new program has been included in the adopted legislative programs of the major transportation advocacy groups including the American Public Transportation Association (APTA). Staff recommends active advocacy for the inclusion of the High Intensity Transit Tier in the next authorization bill. Staff further recommends that METRO representatives work collaboratively with the American Public Transportation Association and the other transit-intensive communities to advocate for this new program. The proposed High Intensity Transit Tier Program is recommended to be funded initially at \$35 million and grow to \$54 million over the life of the authorization bill.

In small and medium sized communities, the formula capital program does not provide sufficient funding to keep pace with bus replacement needs. This has resulted in many communities having fleets that far exceed the identified Federal Transit Administration criteria. In order to address this need, staff recommends that METRO advocate for the inclusion of a \$100 million annual Bus Fleet Modernization Program in the new authorization bill. This program has been included in the adopted legislative program of APTA.

In order to accommodate the inclusion of new funding initiatives in the Federal Transit Program, it will be necessary for authorized levels to rise in the new bill. Therefore, staff recommends that METRO advocate for an increase in funding levels from the \$7.2 billion appropriated for 2003 to \$14.2 billion in 2009.

The first phase of the Santa Cruz Metro Center Redevelopment Project was funded by the State of California through the Traffic Congestion Reduction Program (TCRP) enacted by the Legislature in 2001. The initial phase included the conceptual design activities, budget development, environmental review, and property acquisition. METRO contracted with the City of Santa Cruz Redevelopment Agency to manage this phase of the project. Currently a number of conceptual designs have been developed. Each of the designs under consideration will require the demolition and reconstruction of the current SC Metro Center facilities as well as the Greyhound facilities. The current design options are very preliminary and will have to undergo review by the public, interested stakeholders, various city departments, and the METRO Board of Directors. Any major Metro Center redevelopment plan will require a substantial amount of federal funding for implementation. This funding will have to come in the form of federal

discretionary earmarks. There are two avenues to pursue. A project can obtain funding or at least recognition in the multi year authorization bill. Funds may also be appropriated annually by the Congress. While it is not statutorily required that a project be included in the authorization bill, gaining recognition in this bill advances the cause and can make it easier for additional funding through appropriations. The reauthorization process is currently well underway and if METRO desires to earmark funding for a SC Metro Center Redevelopment Project the request must be made now. It is estimated that a \$15 million request is the appropriate level for the funding request.

In order to effectively advocate for the goal contained in the proposed 2003 Federal Legislative Program, it will take the concerted efforts of members of the Board of Directors, staff, other community leaders and citizens to communicate our needs to our members of Congress. METRO will continue to use the services of Chaney & Associates in Washington, DC as our legislative advocates.

IV. FINANCIAL CONSIDERATIONS

Funding necessary for travel to Washington, DC and other APTA Legislative Committee meetings is included in the 2002/2003 METRO operating budget. Additionally, funds necessary to support the services of Chaney & Associates are included in the METRO budget.

V. ATTACHMENTS

Attachment A: Proposed Santa Cruz Metropolitan Transit District 2003 Federal Legislative Program

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
2003 FEDERAL LEGISLATIVE PROGRAM**

Federal Goals:

1. Support the full funding of the Transportation Equity Act of the 21st Century (TEA-21) and protection of TEA-21 guaranteed funding levels. Resist efforts to single out specific states for lower transit funding levels.
2. Support efforts to obtain funding for operating and capital costs to meet the increasing service requirements of ADA Paratransit.
3. Advocate for the inclusion of service and equity factors in the Federal Transit Formula Program in the Reauthorization of TEA-21. Request that an Incentive Tier be added to the Formula Program for urbanized areas under 200,000 in population. Advocate for the Incentive Tier to be funded at \$35 million in FY2004 and increased by 4% each year of the Authorization Bill.
4. Advocate for the inclusion of a Bus Fleet Modernization Program in the Reauthorization of TEA-21. Support the funding of the Fleet Modernization Program at \$100 million annually.
5. Advocate for increasing the funding levels of the Federal Transit Program from \$7.2 billion in 2003 to \$14.2 billion in 2009.
6. Advocate for and achieve TEA-21 Reauthorization Earmark of \$15 million for the construction of the transit facility portion of the Santa Cruz Metro Center Redevelopment Project.

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 22, 2002
TO: Board of Directors
FROM: Leslie R. White, General Manager
SUBJECT: CONSIDER APPROVAL OF 2003 STATE LEGISLATIVE PROGRAM

I. RECOMMENDED ACTION

That the Board of Directors adopt the proposed METRO 2003 State Legislative Program attached to this staff report and endorse the adopted Legislative Program of the California Transit Association.

II. SUMMARY OF ISSUES

- Elected officials at the State level continue to actively support the goals established by the METRO Board of Directors when the legislative program is presented to them early in the legislative process.
- The current economic climate will make it difficult to obtain new funds from the California State Legislature as they convene their 2003 session.
- Growing deficits in the State General Fund will require that transit agencies defend funds previously allocated for capital projects.
- In order for METRO to draw down Federal Section 5309 earmarked funds, all Federal Section 5307 formula funds under the Governor's jurisdiction must be programmed. METRO should advocate for agencies to program these funds or transfer them to other transit agencies that are able to program them.
- METRO will continue to incur additional costs to provide the mandated ADA complimentary paratransit service. The state has yet to provide specific funding programs to address this need.
- The implementation of the Urban Bus Rule promulgated by the California Air Resources Board will require additional capital investment for which no state funds are currently identified.
- The reliance of UCSC, Cabrillo College, and some K-12 systems on METRO services makes it important that we advocate for exploration of "cross function" funding opportunities.
- The California Transit Association has adopted a Legislative Agenda for the 2003 Legislative Session that addresses operational issues and funding needs on a statewide basis.

III. DISCUSSION

The 2003 California State Legislature will convene in January to reorganize, elect new leadership, and to consider legislative actions for the coming year. The condition of the State General Fund will be the focus of much of the attention of the Legislature. In the last Legislative Session transportation funds were “borrowed” to assist in balancing the General Fund. The financial condition of the State will once again put pressure on members of the legislature to divert funds from other programs, including transportation, to balance the General Fund. Currently, METRO receives capital funding from the State Transit Assistance Program (STAP). The level of STAP Funding received by METRO has decreased from \$1,436,436 in 2001/2002 to \$807,298 in 2002/2003. This loss in capital funding negatively effects our ability to implement critical projects including upgrading the bus stop/shelter facilities.

While the actions currently being implemented by METRO in the area of ADA recertification have resulted in complementary paratransit costs stabilizing, it is likely that future years will see cost increases. Currently, the State does not have a funding program to assist transit agencies in addressing this need. Staff recommends that METRO advocate for State consideration of the complementary paratransit funding need.

In 2001 METRO, CalTrans, and other transit agencies in the under 200,000 in population urbanized areas were able to collaborate successfully and remove obstacles which could have prevented draw down of Section 5309 earmarked discretionary funds from the Federal Transit Administration. In 2003, it will be necessary for transit agencies in areas under 200,000 in population to ensure that all Section 5307 formula funds are programmed. This is necessary to achieve the ability to continue to draw down discretionary Section 5309 earmarks. Where transit agencies have allocated funds that they will not be able to program for projects in a timely manner, Staff recommends METRO advocate for the Governor’s Office to transfer these funds to other transit agencies that are able to program the funds to avoid having these allocations lapse back to the Federal Treasury.

In prior years, METRO has explored the possibility of acquiring subpoena authority so that the Office of District Counsel can ensure witness participation. Staff recommends that the 2003 Legislative Program once again address this issue and explore the possibility of initiating legislation which would grant the subpoena authority to METRO.

The implementation of the Urban Bus Rule issued by the California Air Resources Board will require that METRO invest substantial funds in diesel bus conversion to CNG as well as the installation of a high capacity fueling station. Currently, the State does not have any funding programs which would adequately address this level of need. Staff recommends that METRO advocate for the establishment of programs which would assist in the implementation of the Urban Bus Rule.

Service provided by METRO is relied upon by UCSC, Cabrillo College, and some of the K-12 school districts in Santa Cruz County. Currently, there is no mechanism or incentive at the State level for coordination of funding for transportation between the education functions and the transportation functions. Staff recommends that METRO advocate for the exploration of “cross function” funding opportunities.

The specific legislative goals recommended by Staff are attached to this staff report. I have also attached the adopted 2003 State Legislative Program for the California Transit Association. California State Transit Association Executive Director Joshua Shaw will be at the November 22, 2002 Board of Directors Meeting to outline the CTA priorities and to offer his views regarding the key issues the will face the 2003 California State Legislature. Joshua Shaw also serves as a Legislative Advocate for METRO under a separate contract.

IV. FINANCIAL CONSIDERATIONS

Funds for the State Legislative Advocacy activities, including travel to Sacramento and the contract with Joshua W. Shaw, are included in the adopted 2002/2003 METRO Operating Budget.

V. ATTACHMENTS

- Attachment A:** Proposed 2003 Santa Cruz Metropolitan Transit District Legislative Program.
- Attachment B:** Adopted 2003 California Transit Association Legislative Program.

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT 2003 STATE LEGISLATIVE PROGRAM

State Goals:

1. Support legislation and actions necessary to protect existing funding sources and funding levels for transit operating assistance and capital assistance.
2. Support the introduction and passage of legislation designed to enact additional sources of transit operating and capital assistance.
3. Support efforts to insure that Federal Section 5307 formula funds in the Governor's apportionment are programmed statewide to the maximum extent possible to insure that SCMTD can access Section 5309 Federal discretionary earmarks and to insure that no funds lapse at the end of the TEA-21 authorization.
4. Support efforts to obtain operating and capital funds to meet the increasing service requirements of ADA Para transit.
5. Explore the possibility of using state funds for parking facilities and public transit services at campuses in the University of California system.
6. Explore the possibility of requesting legislation to grant the SCMTD the authority to issue subpoenas.
7. Support efforts to obtain operating and capital funds to implement the CARB Urban Bus Rule requiring the use of alternate fuels.
8. Support efforts to improve communication and funding for public schools (K-12) and community college/university transportation needs.



2003 STATE LEGISLATIVE PROGRAM

Vision Statement

This statement contains the long-range vision for the transit industry of the California Transit Association and portrays the desired future we seek to achieve. Our Association=s vision is:

A more balanced transportation system, which weaves into the fabric of California communities and improves the quality of life for all Californians.

Mission Statement

This statement describes how the Association will accomplish its vision. Our Association=s mission is:

To work in partnership with its membership and California=s communities to be the primary advocate for policies which recognize and support public transit as an integral part of a balanced transportation system.

Policy Principles

These policy principles provide guidance to the Association on how to best advocate for the industry. The first set of principles articulate what we, as an industry, strive to be. The second set of principles refers to what types of policies we support in the political arena.

We strive to

- X Generate economic development
- X Provide choice of mode in travel
- X Meet market demand flexibly and reliably
- X Operate efficiently
- X Raise public awareness about transit

We support policies that...

- X Create patterns of land-use that efficiently combine transit and development
- X Promote a multi-modal transportation system that offers choices to transportation consumers
- X Preserve the environment through better transportation planning
- X Promote social equity through better transportation planning
- X Create financial stability for public transit



2003 State Legislative Program

1. Create patterns of land-use that efficiently combine transit and development

A. Enact Comprehensive Policies to Enable Transit-Supportive Development & Smarter Growth

The Association has been active in advocating for smart growth and transit-oriented development. Actions taken by the Association have ranged from successful sponsorship of legislation to supporting the smart growth goals sponsored by coalition partners.

The Association will introduce one or more “spot” bills in the 2003 Session and utilize the Smart Growth Task Force, in coordination with coalition partners and administrative agencies, to develop specific proposals deemed necessary to foster transit-oriented development. Any proposal would be brought to the Legislative Committee for review and approval prior to amending the bills.

2. Promote a multi-modal transportation system that offers choices to transportation consumers

A. Clarify Public Utilities Commission’s Rail Oversight Authority

The Association has been asked by its member rail agencies to intervene and prevent inappropriate regulatory actions from being imposed on rail public transit by the PUC. The rail GMs and staff are attempting to bring about a positive resolution through a series of meetings with legislators, Administration officials and the PUC. However, should these negotiations not prove fruitful, a legislative remedy may be required.

The Association will introduce a “spot” bill, possibly to be expanded upon in order to clarify and delimit the PUC’s authority, should negotiations with the PUC fail.

B. Implement “Yield-to-Buses” Statewide

Currently, a pilot project is running in Santa Clara and Santa Cruz Counties that requires the yielding of automobiles under certain circumstances to transit buses re-entering the flow of traffic. According to the Santa Clara VTA and the Santa Cruz MTD, this program has been successful in reducing the potential for problems associated with buses merging back into traffic.

The Association supports efforts to increase the safety and efficiency of transit operations. Thus, the Association will pursue legislation to implement yield-to-buses statewide. The Association will also seek to incorporate such a program, if enacted – and / or, recognition of public transit’s role generally – into the “Driver’s License Handbook” published by the DMV.

C. Enhance Penalties for Crimes Against Transit Staff and / or On Transit Vehicles / Property

Many of the Association's member agencies want to strengthen penalties against those that commit crimes against an operator of a transit vehicle, against the transit-riding public, or against property of transit agencies. As the Association supports increased safety for transit employees and the riding public, the Association will introduce legislation to strengthen the penalties associated with such crimes.

To facilitate our efforts, staff will convene an advisory group of key transit security personnel and labor representatives. The results of this group's discussions will be considered by the Legislative Committee for amendment into the bill.

D. Ensure Full Implementation of AB 2582 (Chu) [Chapter 277, Statutes of 2002]

This law, sponsored by the Association in 2002, allows paratransit vehicles to utilize HOV lanes with less than the required minimum occupancy, subject to certification by the director of Caltrans that doing so will not threaten any of California's federal highway funds. The Association will work with Caltrans, the Federal Highway Administration and others as necessary to ensure that the Caltrans director can and does certify the law's implementation.

3. Preserve the environment through better transportation planning

The Association will consider and support proposals that enhance the ability of transit operators and other agencies to preserve the environment through better transportation planning.

4. Promote social equity through better transportation planning

The Association will consider and support proposals that enhance the ability of transit operators and other agencies to promote social equity through better transportation planning.

5. Create financial stability for public transit

A. Explore and Enact Comprehensive Transit Funding Program

The Association supports enactment of a comprehensive, long-term transit funding program. The Legislative Committee will convene a subgroup to begin exploring options for new sources of such funding, including but not limited to doubling the existing Transportation Development Act quarter-cent sales tax for transit. Such a new program would address at least the following funding needs:

1. Increase Operating Revenue - The Senate Resolution 8 report of 1999 indicates that California transit operators require at least an additional \$400 million per year over the next 10 years to meet the state's growing demands for mobility, access and economic development. Additional assistance may be required to fund a truly "world class" transit system. In addition, vast new capital investments will come on line over the next five years, with only a marginal increase in the state's lone operating assistance program.

2. Create New Transit Capital Funding Program - The Association historically advocates for additional revenue for transit capital investment programs.

3. Enact Transit-Supportive Development Funding - Additional revenue is needed to provide transit agencies a dedicated funding source to support transit-friendly development.

4. Add Revenue to Address Air Quality Requirements - Additional revenue is needed to comply with newly imposed engine emission requirements.

5. Protect and Recover Transit=s Property Tax Base - The state annually shifts the property tax revenue of several transit agencies to non-transit purposes. The Association will support legislation to protect and recover the property tax base of these agencies, and oppose state budget action to divert such property tax funds to the state's General Fund.

B. Remedy *Guardino*

Whether or not new revenues are provided at the state level, the Association will partner with others to build a coalition to sponsor legislation to remedy the impact of the decision in the *Santa Clara County Local Transportation Authority vs. Guardino* case. Such legislation would reduce the currently-required two-thirds supra-majority vote and make it easier to enact new or continue existing local county sales taxes for transportation purposes.

C. Protect Existing Transit Revenue

The Association will take all necessary and appropriate actions to protect against the transfer or expenditure of Transportation Development Act, Public Transportation Account, Traffic Congestion Relief Fund, and other transit funds, to state or local agencies or for purposes other than those specified in the Act and existing transit funding law. This includes support for funding of transit bond debt service payments from the General Fund, as has been the state's normal practice.

D. Support Transit Efficiency

Transit performance efficiency measures that streamline and improve present state accountability requirements will be supported, and those that do not will be opposed.

1. Eliminate Duplicative Audits - The Association will explore whether it is feasible to eliminate or reduce duplicative audit requirements at both the state and federal levels.

2. Preserve Design-Build Authority – The Association will take all actions necessary and appropriate to preserve the existing statutory authority for transit operators to enter into design-build contracts, pursuant to the Association's sponsored bill, AB 958 (Scott) [Chapter 541, Statutes of 2000].

E. Exempt Small Operators from Administrative Burden

The Association will seek exemption of small operators from financially burdensome new legal or regulatory requirements, or to minimize their impact on small operators.

F. Seek Exemptions from Farebox Recovery Ratio and STA Eligibility Criteria

In 2002 the Association sponsored AB 381 (Salinas) [Chapter 745, Statutes of 2002], to direct a study conducted by the Legislative Analyst's Office of operating costs outside a transit agency's control, and whether such costs ought to be exempted from the farebox recovery ratio and / or State Transit Assistance Program eligibility criteria. The study is to be completed early in 2003. The Association will introduce a "spot" bill, to enact the favorable recommendations made by the LAO.

G. Provide Reasonable Timeframe for Transit Retention of Recordings

In 2002 the Association sponsored AB 2048 (Salinas), which would have exempted transit agencies from the law requiring public agencies to maintain certain recordings for at least one year. While the Governor vetoed the bill, in his veto message he appears open to legislation lowering the retention threshold from one year.

The Association will continue to research amongst its member transit agencies the state of the recording technology in place and planned, determine if an acceptable compromise is possible, and, if so, work with the Administration to craft and introduce a legislative compromise. Thus, it may be necessary for the Association to introduce a "spot" bill, pending the outcome of the further research.

H. Protect Integrity of Collective Bargaining Agreements

The Association will support efforts to preserve the local collective bargaining process, where it is in place for our member organizations, and will oppose efforts through statute or regulations to mandate benefits or other specific working conditions that should more appropriately be addressed through collectively bargained agreements.

I. Enact Permanent Exemption from Double Sales Taxation for Lease/Leasebacks

In 2001 the Association sponsored AB 984 (Papan) [Chapter 592, Statutes of 2001], to eliminate for two years double sales taxation by the state of certain transit equipment financing mechanisms, called "lease/leaseback" deals. The bill also directs a study to be conducted by the Legislative Analyst's Office of these deals and whether the sunset on AB 984 ought to be lifted permanently. The study is due on January 1, 2003. The Association will introduce a "spot" bill, to enact the favorable recommendations made by the LAO.

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 22, 2002

TO: Board of Directors

FROM: Tom Stickel, Manager of Fleet Maintenance

**SUBJECT: CONSIDERATION OF AWARD OF CONTRACT FOR LICENSED
BROKER SERVICES FOR EXCESS WORKER'S COMPENSATION
COVERAGE**

I. RECOMMENDED ACTION

District Staff recommends that the Board of Directors authorize the General Manager to execute a contract for licensed broker services for excess worker's compensation coverage with Loveland and Smart Insurance Services, Inc..

II. SUMMARY OF ISSUES

- The existing contract for Excess Worker's Compensation coverage ends this year.
- A competitive procurement was conducted to solicit proposals from qualified firms.
- Two firms submitted proposals for the District's review.
- District staff reviewed and evaluated the proposals.
- District staff is recommending that a contract be established with Loveland and Smart Insurance Services, Inc. to provide licensed broker services for excess worker's compensation coverage.

III. DISCUSSION

The District purchases insurance for individual worker's compensation claims exceeding \$350,000. On October 29, 2002 District Request for Proposal (RFP) No. 02-11 was sent to several insurance firms and was legally advertised. On November 13, 2002, proposals were received and opened from two (2) firms. These firms are listed in Attachment A. District staff has reviewed and evaluated both proposals. Due to the terrorist attacks on September 11th, insurance underwriters will no longer quote on a Self-Insured Retention rate of less than \$500,000. District will have to increase the current retention rate from \$350,000 to \$500,000.

The following criteria, as contained in the Request for Proposals, was used for the evaluation:

| Criteria | Priority |
|---|----------|
| Cost | 1 |
| Qualifications and Experience | 2 |
| References | 3 |
| Disadvantaged Business Enterprise (DBE) Participation | 4 |

District staff is recommending that a contract be established with Loveland and Smart Insurance Services, Inc. to provide licensed broker services for excess worker's compensation coverage for an annual premium amount not to exceed \$86,940. Contractor will provide insurance coverage meeting all District specifications and requirements.

IV. FINANCIAL CONSIDERATIONS

Adequate funds are available in the current year budget for this contract provided that claims are not excessive in which case the District would have to access the Worker's Compensation reserve fund.

V. ATTACHMENTS

- A- Summary of Proposals Received
- B- Contract with Loveland and Smart Insurance Services, Inc. – Contract Exhibits were distributed to the Board only.

Summary of Proposals Received
RFP No. 02-1 1 Excess Worker's Compensation Coverage

| | Loveland & Smart | Driver Alliant |
|---------------------------------------|-----------------------------|---------------------------|
| | Insurance Services | Insurance Services |
| | Fair Oaks, CA | San Francisco, CA |
| Annual Premium | \$ 86,940.00 | \$ 154,882.00 |
| Rate/\$100 of District Payroll | \$ 0.5634 | \$ 1.0036 |
| Self-Insured Retention | \$ 500,000.00 | \$ 500,000.00 |
| Limits Coverage A | \$ 25,000,000.00 | \$ 25,000,000.00 |
| Employers Liability | \$ 2,000,000.00 | \$ 2,000,000.00 |

19-A-1

**PROFESSIONAL SERVICES CONTRACT
FOR LICENSED BROKER SERVICES FOR
EXCESS WORKERS' COMPENSATION COVERAGE (02-11)**

THIS CONTRACT is made effective on _____, 2002 between the SANTA CRUZ METROPOLITAN TRANSIT DISTRICT, a political subdivision of the State of California ("District"), and LOVELAND AND SMART INSURANCE SERVICES, INC. ("Contractor").

1. RECITALS

1.01 District's Primary Objective

District is a public entity whose primary objective is providing public transportation and has its principal office at 370 Encinal Street, Suite 100, Santa Cruz, California 95060.

1.02 District's Need for Licensed Broker Services for Excess Workers' Compensation Coverage

District has the need for Licensed Broker Services for Excess Workers' Compensation Coverage. In order to obtain these services, the District issued a Request for Proposals, dated October 29, 2002, setting forth specifications for such services. The Request for Proposals is attached hereto and incorporated herein by reference as Exhibit "A".

1.03 Contractor's Proposal

Contractor is a firm/individual qualified to provide Licensed Broker Services for Excess Workers' Compensation Coverage and whose principal place of business is 9700 Fair Oaks Blvd, Suite A, Fair Oaks, California. Pursuant to the Request for Proposals by the District, Contractor submitted a proposal for Licensed Broker Services for Excess Workers' Compensation Coverage, which is attached hereto and incorporated herein by reference as Exhibit "B."

1.04 Selection of Contractor and Intent of Contract

On November 22, 2002, District selected Contractor as the offeror whose proposal was most advantageous to the District, to provide the Licensed Broker Services for Excess Workers' Compensation Coverage described herein. This Contract is intended to fix the provisions of these services.

District and Contractor agree as follows:

2. INCORPORATED DOCUMENTS AND APPLICABLE LAW

2.01 Documents Incorporated in this Contract

The documents below are attached to this Contract and by reference made a part hereof. This is an integrated Contract. This writing constitutes the final expression of the parties' contract, and it is a complete and exclusive statement of the provisions of that Contract, except for written amendments, if any, made after the date of this Contract in accordance with Section 13.14.

A. Exhibit "A"

Santa Cruz Metropolitan Transit District's "Request for Proposals" dated October 29, 2002

B. Exhibit "B" (Contractor's Proposal)

Contractor's Proposal to the District for Licensed Broker Services for Excess Workers' Compensation Coverage, signed by Contractor and dated November 13, 2002.

2.02 Conflicts

Where in conflict, the provisions of this writing supersede those of the above-referenced documents, Exhibits "A" and "B". Where in conflict, the provisions of Exhibit "A" supercede Exhibit "B".

2.03 Recitals

The Recitals set forth in Article 1 are part of this Contract.

3. DEFINITIONS

3.01 General

The terms below (or pronouns in place of them) have the following meaning in the contract:

3.01.01 CONTRACT - The Contract consists of this document, the attachments incorporated herein in accordance with Article 2, and any written amendments made in accordance with Section 13.14.

3.01.02 CONTRACTOR - The Contractor selected by District for this project in accordance with the Request for Proposals issued October 29, 2002.

3.01.03 CONTRACTOR'S STAFF - Employees of Contractor.

3.01.04 DAYS - Calendar days.

3.01.05 OFFEROR - Contractor whose proposal was accepted under the terms and conditions of the Request for Proposals issued October 29, 2002.

3.01.06 PROVISION - Any term, agreement, covenant, condition, clause, qualification, restriction, reservation, or other stipulation in the contract that defines or otherwise controls, establishes, or limits the performance required or permitted by either party.

3.01.07 SCOPE OF WORK (OR "WORK") - The entire obligation under the Contract, including, without limitation, all labor, equipment, materials, supplies, transportation, services, and other work products and expenses, express or implied, in the Contract.

4. TIME OF PERFORMANCE

4.01 Term

The term of this Contract will be for the period commencing November 1, 2002 and ending October 31, 2003.

At the option of the District, this contract agreement may be renewed for four (4) additional one (1) year terms upon mutual written consent.

5. COMPENSATION

5.01 Terms of Payment

For the period commencing November 1, 2002 and ending October 31, 2003, the District shall compensate Contractor a deposit premium of \$86,940. The actual premium paid for the period commencing November 1, 2002 and ending October 31, 2003 is based on the premium rate of \$0.5634 cents per hundred dollars (\$100) of District payroll or the minimum premium amount of \$78,250, if the premium rate's relationship to the District's actual total payroll for the period commencing November 1, 2002 and ending October 31, 2003 is less than the minimum premium. District shall reasonably determine whether work has been successfully performed for purposes of payment. Compensation shall be made within forty-five (45) days of District written approval of Contractor's written invoice for said work.

5.02 Invoices

Contractor shall submit an invoice referencing Contract No. 02-11 in the amount of \$86,940 for the deposit premium. If the amount derived from the premium rate of \$0.5634 cents per hundred dollars (\$100) of District's total payroll during the period October 24, 2002 to October 24, 2003 exceeds the deposit premium of \$86,940, the Contractor may invoice for the difference. If the total amount derived from the premium rate's formula with the District's total payroll for the aforementioned period amounts to less than \$86,940, the Contractor shall refund the District the difference between the deposit premium of \$86,940 and the actual premium to be determined.

Expenses shall only be billed if allowed under the Contract. Said invoice records shall be kept up-to-date at all times and shall be available for inspection by the District (or any grantor of the District, including, without limitation, any State or Federal agency providing project funding or reimbursement) at any time for any reason upon demand for not less than four (4) years after the date of expiration or termination of the Contract. Under penalty of law, Contractor represents that all amounts billed to the District are (1) actually incurred; (2) reasonable in amount; (3) related to this Contract; and (4) necessary for performance of the project.

6. NOTICES

All notices under this Contract shall be deemed duly given upon delivery, if delivered by hand; or three (3) days after posting, if sent by registered mail, receipt requested; to a party hereto at the address hereinunder set forth or to such other address as a party may designate by notice pursuant hereto.

DISTRICT

Santa Cruz Metropolitan Transit District
370 Encinal Street
Suite 100
Santa Cruz, CA 95060
Attention: General Manager

CONTRACTOR

Loveland And Smart Insurance Services, Inc.
9700 Fair Oaks Blvd., Suite A
Fair Oaks CA 95628
Attention: Ken Loveland, President

7. AUTHORITY

Each party has full power and authority to enter into and perform this Contract and the person signing this Contract on behalf of each has been properly authorized and empowered to enter into this Contract. Each party further acknowledges that it has read this Contract, understands it, and agrees to be bound by it.

Signed on _____

DISTRICT
SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

Leslie R. White
General Manager

CONTRACTOR- LOVELAND AND SMART INSURANCE SERVICES, INC.

By _____
E.K. Loveland
President

Approved as to Form:

Margaret Rose Gallagher
District Counsel

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 22, 2002

TO: Board of Directors

FROM: Mark Dorfman, Assistant General Manager

SUBJECT: CONSIDER A RESOLUTION AUTHORIZING A GRANT APPLICATION THROUGH SANTA CRUZ COUNTY TO CALTRANS FOR BICYCLE TRANSPORTATION ACCOUNT FUNDS TO PURCHASE NEW BIKE RACKS FOR BUSES.

I. RECOMMENDED ACTION

Adopt a resolution authorizing staff to submit a grant application through the Santa Cruz County Public Works Department to Caltrans for funding new bike racks on buses.

II. SUMMARY OF ISSUES

- The California Department of Transportation (Caltrans) is soliciting grant applications for the FY2003-2004 Bicycle Transportation Account to fund projects that improve bicycle commuting.
- Sportworks, the manufacturer of the bike racks currently used on METRO buses, is testing a new rack model which will carry 3 instead of only 2 bikes in the same space.
- Applications must be submitted through a city or county, and the Santa Cruz County Public Works Department has agreed to sponsor this application for METRO.
- If awarded, METRO would receive up to \$81,000 from Caltrans to purchase new bike racks for buses.
- FY 2003-2004 Bicycle Transportation Account applications are due to Caltrans December 1, 2002.

III. DISCUSSION

The California Department of Transportation (Caltrans) is soliciting grant applications for funding from the State's Bicycle Transportation Account to fund projects that improve safety and convenience for bicycle commuters. This year, the Bicycle Transportation Account has \$7.2 million to fund projects throughout the State.

Due to the overwhelming popularity among bicyclists of the bikes on buses program (Attachment A), METRO needs to provide additional carrying capacity to meet the demand of all commuters who depend on the bus to transport their bicycles during part of their trip.

All METRO buses currently have a front-mounted bicycle rack which can carry two bicycles at once; however, more than two bicyclists often want to use the racks, prompting the need to consider options such as allowing bikes inside buses to accommodate the demand. This project will increase the carrying capacity of METRO's front-mounted bicycle racks by 50%

Caltrans will accept applications from city or county jurisdictions for Bicycle Transportation Account funds. The Santa Cruz County Public Works Department has agreed to sponsor METRO's applications and will charge seven percent of the granted amount for administrative overhead.

The proposed grant application requests \$81,000 from the Bicycle Transportation Account with \$9,000 in local matching funds to replace all bicycle racks on METRO buses. The estimated cost of the 3-bay rack is \$850, including installation. The bicycle rack vendor may pay a buyback value for the existing bicycle racks to fund the local share of matching funds, in which case there would be no financial impact to the District.

The 3-berth, front-mounted bicycle rack is a new product which needs to be demonstrated for acceptance by transit operators. Sportworks is eager for METRO to conduct a demonstration project because METRO was the first transit operator to demonstrate and deploy the current model now in use throughout the country. The attached application proposes a two-phase project to first test the product on a limited number of buses serving University of California bus routes. If approved by transit operations, the California Highway Patrol and bicycle rack users, METRO would implement the second phase of the project to deploy the new racks throughout the fleet.

Bicycle Transportation Account applications are due to Caltrans by December 1. Adopting the attached resolution will enable Santa Cruz County to submit the application on behalf of METRO.

IV. FINANCIAL CONSIDERATIONS

A grant award from the Caltrans Bicycle Transportation Account would provide up to \$81,000 to purchase new bike racks for METRO buses. If the vendor buys back the used racks currently in use, there would be no cost to the District.

V. ATTACHMENTS

- Attachment A:** Bicycles Carried on METRO Buses .
- Attachment B:** Resolution authorizing METRO staff to submit an application for Bicycle Transportation Account funds
- Attachment C:** Bicycle Transportation Account grant application

| Bicycles Carried on METRO Buses | | | |
|--|---------------------|---------------------------|------------------------|
| Year | Fixed Routes | Highway 17 Express | TOTAL |
| 1997 | 156,253 | 6,197 | 162,450 |
| 1998 | 155,016 | 5,578 | 160,594 |
| 1999 | 183,943 | 5,817 | 189,760 |
| 2000 | 187,666 | 5,543 | 193,209 |
| 2001 | 175,009 | 5,287 | 180,296 |
| 2002* | 143,133 | 5,866 | 148,999 |
| | | | *Through October, 2002 |

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

Resolution No. _____
On the Motion of Director: _____
Duly Seconded by Director: _____
The Following Resolution is Adopted:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA CRUZ METROPOLITAN TRANSIT DISTRICT AUTHORIZING A GRANT APPLICATION TO CALTRANS TO FUND NEW BICYCLE RACKS ON BUSES

WHEREAS, the State of California Bicycle Transportation Act established the intent of the State Legislature to build a bicycle transportation system; and

WHEREAS, the California Department of Transportation (Caltrans) administers the Bicycle Transportation Account to establish and fund a bicycle transportation system in the State of California; and

WHEREAS, Caltrans set aside \$7.2 million to assist financing bicycle transportation projects during FY 2004 and solicited grant applications; and

WHEREAS, the Santa Cruz Metropolitan Transit District implemented a bikes-on-buses program for the convenience of bicyclists and desires to increase the carrying capacity of the bikes-on-buses program.

NOW, THEREFORE, BE IT RESOLVED, that the Secretary/General Manager is authorized to submit an application to the California Department of Transportation through the Santa Cruz County Public Works Department for funding from the Bicycle Transportation Account to purchase up to 100 new bicycle racks. The Secretary/General Manager is hereby authorized to execute any necessary agreements on behalf of the Santa Cruz Metropolitan Transit District with Caltrans for any grant funds which may be awarded in response to this application.

PASSED AND ADOPTED this 22nd day of November, 2002 by the following vote:

AYES: Directors -

NOES: Directors -

ABSTAIN: Directors -

ABSENT: Directors -

APPROVED _____
SHERYL AINSWORTH
Chairperson

ATTEST _____
LESLIE R. WHITE
General Manager

APPROVED AS TO FORM:

MARGARET GALLAGHER
District Counsel

BICYCLE TRANSPORTATION ACCOUNT

PROJECT APPLICATION

Applicant

Agency County of Santa Cruz, Public Works Department

Address 701 Ocean St., Room 410, Santa Cruz, CA 95060

Contact Person Jack Sohriakoff Phone (831) 454-2160

Project Title Upgrade Bicycle Racks on Santa Cruz METRO buses

Project Location (County or City / Cities) Santa Cruz County

State Legislative Districts: Senate 15 Assembly 27

Project Description / Purpose / Need - please include a map with north arrow and scale showing the project location, length, and project limits if appropriate.

This is a two-phase project to upgrade bicycle racks on Santa Cruz METRO buses. If a phase I pilot project proves successful, phase II will deploy new bike racks on all remaining METRO buses. Due to the overwhelming popularity among bicyclists of the bikes on buses program, METRO needs to provide additional carrying capacity to meet the demand of all commuters who depend on the bus to transport their bicycles during part of their trip.

Currently, all METRO buses have a front-mounted bicycle rack which can carry two bicycles at once. Because more bicycle commuters are using the service than the system can accommodate, a bicycle commuter must occasionally leave his/her bike behind when a bus reaches her stop with the two positions in the rack already occupied. This is especially true on routes serving the University of California, Santa Cruz campus because of the large number of bicycle commuters among university students. In order to reduce the occurrence of this inconvenience, this project will increase the bicycle carrying capacity system-wide by 50%.

Recently, METRO explored options to increase bicycle carrying capacity by allowing cyclists to secure bikes inside the bus. This created a conflict with disabled passengers who have first priority for the same space.

Another option considered rear-mounted racks, but previous experience precluded further consideration. When METRO first carried bikes on bus racks in the early 1980's, it used a rear-mounted rack which could carry four bikes. Since the rack was beyond the driver's view, a hazardous situation could occur if a passenger attempted to retrieve or install a bike without the driver's knowledge. In addition, theft of bicycles from the rear-mounted racks was a problem.

One bicycle rack vendor recently announced a new front-mounted rack which could carry 3 bicycles in the same space now used by the 2-position bike rack. In consult with the vendor, METRO staff estimates a total cost of \$850 for each rack plus installation. This Bicycle Transportation Account grant, if awarded, would fund the administration and purchase of up to 100 new 3-berth bicycle racks.

The first phase of this project will install the new 3-position racks on up to 10 buses for routes serving the University of California, Santa Cruz to assess the performance, safety and acceptance of the new racks. If phase I demonstrates that the new product functions successfully, Santa Cruz METRO will implement the second phase to install the new racks on up to 90 more buses.

Local funds shown in the budget below will be derived from the resale value of the existing bus racks.

PROJECT BUDGET

| Funding | Engineering / Design | Right-of-Way | Construction | Total |
|-------------|----------------------|--------------|--------------|----------|
| BTA Funds | | | \$81,000 | \$81,000 |
| Local Funds | | | 9,000 | 9,000 |
| Other | | | | |
| Total | \$ | \$ | \$90,000 | \$90,000 |

**BICYCLE TRANSPORTATION ACCOUNT
PROJECT SCREENING CRITERIA**

The following items are minimum requirements for project eligibility and must be submitted with the application:

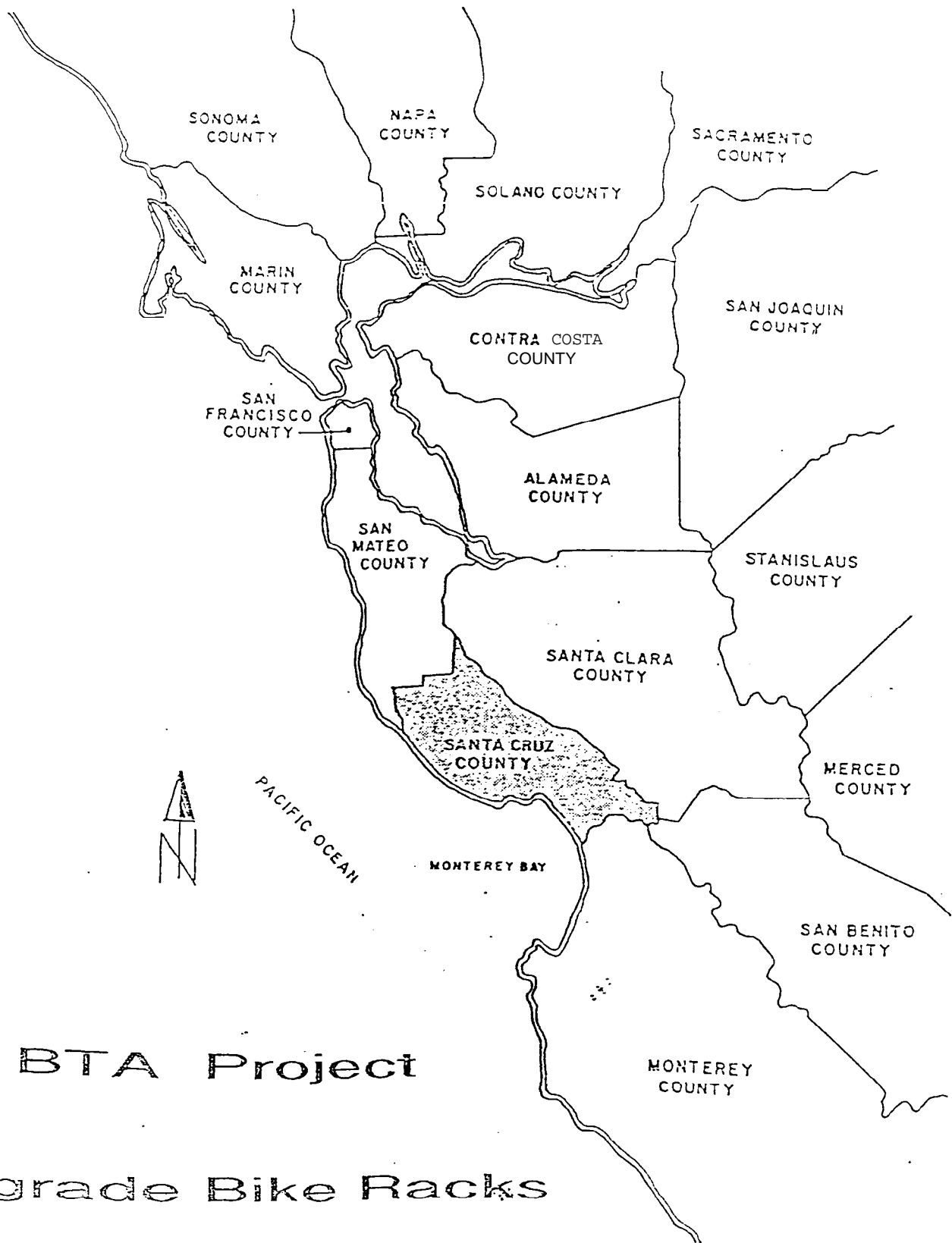
- 1) A Bicycle Transportation Plan that addresses Streets and Highways Code Section 891.2 (a-k) prepared and adopted by the applicant and approved by the applicant's transportation planning agency and the Caltrans Bicycle Facilities Unit. The plan should include copies of the local resolution adopting the Bicycle Transportation Plan and Regional Transportation Planning Agency approval of the plan. **The Santa Cruz County Bicycle Plan was adopted August 2000 and is on file with Caltrans.**
- 2) A resolution certifying the availability of the required 10 percent local share of the total project cost. **To be considered by the METRO Board November 22, 2002**
- 3) Documentation of completed environmental clearance. **Projects which enhance bicycle and pedestrian transportation infrastructure are categorically exempt from federal environmental assessment requirements according to 40 CFR 93.126. CEQA exempts projects related to the rehabilitation of transit buses or projects which implement Transportation Control Measures in the Air Quality Management Plan.**

EVALUATION CRITERIA
(To be completed by applicant)

Eligible BTA projects are those that serve the functional needs of bicycle commuters. Accordingly, BTA project applications will be categorized as Excellent, Good, Fair, Poor or Ineligible according to the following criteria:

How well has the applicant demonstrated that the project:

- 1) Will be used primarily by bicycle commuters?
Bicycle racks on buses are used only by bicycle commuters and have no other application.
- 2) Has the potential to increase bicycle commuting?
Because demand for bicycle rack space currently exceeds the capacity of METRO's bike racks, increasing the supply of bike berths on the racks by 50% will assure more bicyclists space to transport their bikes. With a greater capacity, bicycle commuting could be expected to increase.
- 3) Is the best alternative for the situation?
Other alternatives have been considered to supply additional bicycle carrying capacity on buses. Allowing bicycles inside the bus created a conflict with the disabled community who use the same space to secure mobility devices. Because the disabled passenger's needs have the highest priority, the interior space was tentative and not a reliable supply. Rear-mounted racks, the only other alternative which could increase carrying capacity, and the one which METRO had deployed when the bikes-on-buses program began in the early 80's, proved less safe than the current front-mounted racks.
The new 3-berth front-mounted racks will have the same operating characteristics as the current 2-berth model, the bus operators and passengers are familiar with its operation and the fleet maintenance department is familiar with the installation and service of this particular equipment. The 3-berth bike rack is the best alternative for the transportation needs of the bicycle commuter in the Santa Cruz community.
- 4) Will improve continuity with existing bikeways?
This project will improve access to current bikeways network by allowing more bicyclists the opportunity to commute to and from the bikeways using the bus.
- 5) Will provide a direct route to activity centers such as schools, employment centers, shopping, etc.?
Expanding METRO's capacity to carry bikes on buses will enable more bicyclists to make connections to schools, employment centers and shopping from distances which would be too great to conveniently ride by bicycle. Allowing the cyclist to ride on the bus during the long-haul portion of the trip effectively increases the range of destinations accessible by bicyclists during a reasonable commute time.
- 6) Is consistent with the Bicycle Transportation Plan?
This project is consistent with the *Santa Cruz County Bicycle Transportation Plan*. Page 30 of the *Plan* describes Bicycle Plan Projects which support and enhance bicycle commuting. Under "*Existing and Proposed Bicycle – Intermodal Facilities* (page 30), bike racks on buses is listed as a means to enable people to combine bicycling with bus trips. Under "*Transit Bicycle Facilities*" (Page 30) the 2-berth, front-loading bike racks on Santa Cruz METRO buses are listed a solution to increase bicycle commuting. Increasing the capacity of this equipment by 50% will support increased bicycle commuting in Santa Cruz County.



BTA Project

Upgrade Bike Racks

Santa Cruz METRO

REGIONAL LOCATION OF SANTA CRUZ COUNTY

SAN LUIS
COUNTY

20-C-4

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: November 22, 2002
TO: Board of Directors
FROM: Bryant J. Baehr, Manager of Operations
SUBJECT: CONSIDERATION OF TALKING BUS STATUS

I. RECOMMENDED ACTION

No Action is required. This report is for informational purposes only.

II. SUMMARY OF ISSUES

- On September 13, 2002 installation of the talking bus system was completed on sixty-two (62) buses. All Talking Bus systems were operational by October 04, 2002.
- Programming and troubleshooting continues. New GPS units are being installed to alleviate the service issues in the San Lorenzo Valley, Bonny Doon and UCSC areas.
- Customer input has been generally positive. One customer reported that he felt that the bus operators were turning the system off by pulling fuses and cutting wires in a manner that could not be detected by staff. Staff conducted a prompt investigation and none of the customer's claims could be substantiated.

III. DISCUSSION

Staff wanted to update the Board of Directors on the status of the Talking Bus System, programming and customer feedback to date.

Installation of the Talking Bus system was completed on September 13, 2002. Sixty-two (62) buses have been fitted with the Talking Bus system. This includes: (15) High Floor Flyers, (10) Gilligs, (7) Highway 17 High Floor Flyers and (30) Low Floor Flyers. As of October 04, 2002 all Talking Bus systems were operational.

Programming and Troubleshooting

Staff has been working with Digital Recorders to upgrade the Global Positioning System (GPS) component to alleviate the issues that the system has been having in the San Lorenzo Valley, Bonny Doon and UCSC areas. In these areas the GPS receiver has had problems locating the appropriate satellite signals. When this occurs, the announcements will not be actuated automatically. In addition, the Fleet Maintenance Department in conjunction with the Operations Department is working on the volume adjustments. The Talking Bus system is very flexible in the volume it produces when the automated announcements are made. The system will react by raising the volume in noisy situations and lowering the volume in quiet times. Staff is working to find a medium ground so the customers can hear the call stops announcements without the

volume being too loud or too soft. Several trials have been completed and staff believes that the volume issue will be resolved by November 30, 2002.

Customer Input

Most customer comments concerning the Talking Bus system have been positive. Customers have commented on the volume, information displayed / announced and at the Board of Directors meeting on September 27, 2002, a request was made to substantially expand the number of automated announcements performed.

One customer reported that the Talking Bus system was not operational when he was riding the bus. The customer, who has a visual impairment, stated that he could not hear the automated announcements. The customer reported that when he asked the bus operator about the status of the Talking Bus system, the "inflection" of the operator's voice convinced him that the bus operator was lying when he stated that the Talking Bus system was operating, but that the volume sounded a little low. The customer contends that the bus operator must have pulled a fuse or cut various wires that operate the Talking Bus system to prevent it from operating. When staff received the call, the bus was inspected within one (1) hour. The system was operational and no evidence of tampering was found. The bus operator was interviewed and produced a written statement denying that he manipulated the Talking Bus system. The bus operator did report that the volume seemed lower than normal. Staff investigated and the master system volume, which resides in the master system program bus operators do not have access to, was adjusted upward. The customer was contacted later that day with the results of the investigation. The customer reported that he still believed that the bus operator manipulated the Talking Bus system causing it to fail while he was on-board. In addition he felt that the Fleet Maintenance Department employees were assisting the bus operators by supplying diagrams and methods to disable the Talking Bus system so it would not be noticed by staff. After a prompt investigation was conducted, staff could not validate that any of the above listed claims.

Summary

Staff, based on bus operator and customer reports, is continuing to improve the performance of the system. As requests are received, changes are made to the system as long as it conforms with the Board of Directors instructions to staff.

This report is for informational purposes only. No action is required.

IV. FINANCIAL CONSIDERATIONS

None

V. ATTACHMENTS

Attachment A: NONE

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

STAFF REPORT

DATE: November 22, 2002

TO: Board of Directors

FROM: Margaret Gallagher, District Counsel

SUBJECT: CONSIDER SUBMITTING A RESPONSE TO THE GRAND JURY REGARDING PROVIDING BUS SERVICE TO THE SANTA CRUZ COUNTY JUVENILE DETENTION CENTER ON GRAHAM HILL ROAD

I. RECOMMENDED ACTION

Submit the attached Response to the Grand Jury indicating that Santa Cruz Metropolitan Transit District cannot provide bus service to the Santa Cruz County Juvenile Detention Center located on Graham Hill Road.

II. SUMMARY OF ISSUES

- Every year, the Grand Jury issues a Final Report on various matters, which affect the residents of the county of Santa Cruz County. Generally, when the Grand Jury investigates a matter and makes a finding it solicits a response from the public agency having responsibility for the matter.
- This year the Grand Jury issued its 2001-2002 Final Report on June 7, 2002.
- The Grand Jury investigated the bus service provided to the Santa Cruz County Juvenile Detention Center located on Graham Hill Road. It made a recommendation that the Santa Cruz Metropolitan Transit District (Santa Cruz Metro) should provide bus service with stops available at the Juvenile Detention Center. The Grand Jury has asked Santa Cruz Metro to respond to this recommendation.
- A Response from the Santa Cruz Metropolitan Transit District was due on September 30, 2002. That deadline has been extended to November 22, 2002.

III. DISCUSSION

Every year, the Grand Jury issues a Final Report on various matters that affect the residents of Santa Cruz County. Generally, when the Grand Jury investigates a matter and makes a finding and recommendations it solicits a response from the public agency having responsibility for the matter. The Grand Jury 2001-2002 Final Report was issued on June 7, 2002. In this year's report the Grand Jury investigated the bus service provided to the Santa Cruz county Juvenile Detention Center located on Graham Hill Road. It made a recommendation that the Santa Cruz Metro should provide bus service with stops at the Center. The Grand Jury has asked Santa Cruz Metro to respond to this recommendation.

The Grand Jury Final Report found that the Santa Cruz Metro buses do not provide service to Juvenile Hall. In fact, it found that the closest bus stop is one mile from Juvenile Hall. Further findings stated that although bus vouchers are available to parents and juveniles, these are not used often. Juvenile Hall staff confirms that the facility's location does create difficulties for parents in accessing the facility.

The Grand Jury recommended that Santa Cruz Metro should offer a bus route(s) with stops available at Juvenile Hall.

A review of Santa Cruz Metro records reveal that in 1998, based on a similar request, the Board of Directors authorized shuttle service between the Scotts Valley Transit Center and the Probation Center for a period not to exceed four (4) months if Santa Cruz County participated.

The Manager of Operations reported the following items at the August 5, 1998 Board of Directors meeting:

1. The cost of this service was split between the Transit District and the County of Santa Cruz;
2. Shuttle service between the Scotts Valley Park and Ride lot and the Probation Department started on June 15, 1998 and offered departure times of 7:35am, 12:35pm and 5:15pm;
3. Total cost for the service from June 15 to July 31, 1998 was \$3,264, with the District's liability being \$1,632;
4. During the interim 6-week trial period, less than one (1) customer per day was using the shuttle service;
5. The recommendation was made to eliminate the shuttle service to the Probation Center as of August 31, 1998 based on less than one (1) customer per day utilizing the service and the cost to provide this service with little interest from our customers.

As a result of these recommendations the shuttle service was discontinued and no other service was provided to Juvenile Hall.

According to the Manager of Operations, because there are no sidewalks that access the Juvenile Hall and the parking lot at the Center does not accommodate a turn around for a bus, it is not feasible to re-route an existing bus to stop there.

Further, Santa Cruz Metro is currently facing a budget deficit that would preclude it from adding an additional route to Juvenile Hall at this time.

Accordingly, Santa Cruz Metro's Response is attached hereto for reference and review, stating that Santa Cruz Metro does not agree with the recommendation that it should offer a bus route with stops available at Juvenile Hall.

IV. FINANCIAL CONSIDERATIONS

Based on the 1998 Shuttle Service provided to Juvenile Hall at least \$28,000 would have to be expended to provide similar type service. A more detailed estimate can be provided if the Board of Directors is interested in provided this service.

V. ATTACHMENTS

Attachment A: Santa Cruz Metropolitan Transit District's Response to the 2001-2002 Grand Jury Final Report, November 22, 2002.

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT'S
RESPONSE TO THE 2001-2002 GRAND JURY FINAL REPORT
NOVEMBER 22, 2002**

GRAND JURY FINAL REPORT- Report on the Juvenile Hall
PAGE 1-33

RESPONDENTS : SANTA CRUZ METROPOLITAN TRANSIT DISTRICT
(SANTA CRUZ METRO)

GRAND JURY FINDINGS :

County buses do not service Juvenile Hall. The closest bus stop is one mile from Juvenile Hall. Although bus vouchers are available to parents and juveniles, these are not used often. Juvenile Hall staff confirms that the facility's location does create difficulties for parents in accessing the facility.

SANTA CRUZ METRO'S RESPONSE TO GRAND JURY FINDINGS:

Santa Cruz Metro partially agrees with the findings. While Santa Cruz Metro's bus service does not serve Juvenile Hall, it does provide routes that come within .5 miles of Juvenile Hall. The location of the facility probably does create difficulties for parents in accessing the facility, if they do not have another means of transportation besides bus service.

RECOMMENDATIONS:

Santa Cruz Metropolitan Transit District should offer a bus route(s) with stops available at Juvenile Hall.

**SANTA CRUZ METRO'S RESPONSE TO GRAND JURY
RECOMMENDATIONS:**

Santa Cruz Metro does not agree that it should offer a bus route with stops available at Juvenile Hall. Most recently, in 1998, Santa Cruz Metro made efforts to accommodate a request for bus service to Juvenile Hall by operating a trial shuttle service from the Scotts Valley Transit Center to Juvenile Hall that proved unsuccessful. This service was marketed by Juvenile Hall staff to generate ridership. Over the trial period of six weeks, beginning on June 15, 1998, it was determined that less than one customer per day was using the service. Santa Cruz Metro could not financially justify continuing this service when the passenger usage was so low.

Additionally, there are no sidewalks that access Juvenile Hall and the parking lot at the Hall does not accommodate a turn around for a bus. Further, Santa Cruz Metro is currently facing a budget deficit that would preclude it from adding a route to Juvenile Hall at this time.