

**Area Transit Management, Inc.
South Lake Tahoe Transit Services**

AGREEMENT FOR SERVICES # AGMT 08-1691

THIS AGREEMENT, made and entered into by and between the County of El Dorado, a political subdivision of the State of California (hereinafter referred to as "County"), and Area Transit Management, Inc., a corporation duly qualified to conduct business in the State of California, whose principal place of business is 1679 Shop Street, South Lake Tahoe, California 96150 and whose mailing address is P. O. Box 18400, South Lake Tahoe, California 96151 (hereinafter referred to as "Contractor");

R E C I T A L S

WHEREAS, County has determined that it is necessary to obtain a Contractor to assist its Department of Transportation in providing transportation services for low income seniors and disabled citizens and in providing transportation services to the general public in the South Lake Tahoe Basin; and

WHEREAS, Contractor has represented to County that it is specially trained, experienced, expert, and competent to perform the special services required hereunder, and County has determined to rely upon such representations; and

WHEREAS, it is the intent of the parties hereto that such services be in conformity with all applicable federal, state and local laws; and

WHEREAS, County has determined that the provision of such services provided by Contractor are in the public's best interest, and authorized by El Dorado County Charter, Section 210(b)(6) and/or Government Code Section 31000;

NOW, THEREFORE, County and Contractor mutually agree as follows:

ARTICLE I

Scope of Services: Contractor agrees to furnish personnel, equipment, and services necessary to assist the Department of Transportation in providing transportation services in the South Lake Tahoe Basin. Services shall include, but not be limited to, those tasks as identified in Exhibit A, marked "Scope of Work," incorporated herein and made by reference a part hereof.

ARTICLE II

Term: This Agreement shall become effective on July 1, 2008 and shall expire on June 30, 2011.

ARTICLE III

Compensation for Services: For services provided herein, County agrees to pay Contractor monthly in arrears. Payment shall be made as indicated below, following County receipt and approval of itemized invoices detailing services rendered. Statistical reporting, consisting of the performance indicators specified below, shall be submitted monthly with each invoice.

The total amount of this Agreement shall not exceed \$1,411,146.96, inclusive of all expenses.

Contractor shall retain all fare box revenue in addition to the aforementioned compensation by County. For the purposes hereof, the billing rates shall be as follows:

Contractor shall invoice County on a monthly basis concerning the monies owed Contractor, with performance indicators consisting of number of passengers, service hours, service miles, employee hours, and fare revenue. The invoices will show daily fare box revenue, subject to County audit, and the total fare box revenue.

For the period of July 1, 2008 through June 30, 2009, monies owed Contractor shall not exceed \$451,719.96 (\$37,643.33 per month).

For the period of July 1, 2009 through June 30, 2010, monies owed Contractor shall not exceed \$471,462.96 (\$39,288.58 per month).

For the period of July 1, 2010 through June 30, 2011, monies owed Contractor shall not exceed \$487,964.04 (\$40,663.67 per month).

The amounts indicated above for each operating year shall not exceed the stated amounts or the total of the Transportation Development Act (TDA) monies and Federal Transit Administration monies allocated for the period covered by this Agreement by the Tahoe Regional Planning Agency (TRPA), whichever is less. Said payments shall be in the form of County checks and shall be paid to Contractor within twenty (20) days of receipt of acceptable invoices by County.

Itemized invoices shall follow the format specified by County and shall reference this Agreement number both on their faces and on any enclosures or back-up documentation. Copies of documentation attached to invoices shall reflect Contractor's charges for the specific services billed on those invoices. Invoices shall be mailed to County at the following address:

County of El Dorado
Department of Transportation
2850 Fairlane Court
Placerville, California 95667
Attn: Administration Division – Accounts Payable

or to such other location as County directs.

In addition, Contractor shall promptly submit any other documents requested by County that are required in order to prepare Federal and State reports associated with the funding for this Agreement.

ARTICLE IV

Changes to Agreement: This Agreement may be amended by mutual consent of the parties hereto. Said amendments shall become effective only when in writing and fully executed by duly authorized officers of the parties hereto.

ARTICLE V

Contractor to County: It is understood that the services provided under this Agreement shall be prepared in and with cooperation from County and its staff. It is further agreed that in all matters pertaining to this Agreement, Contractor shall act as Contractor only to County and shall not act as Contractor to any other individual or entity affected by this Agreement nor provide information in any manner to any party outside of this Agreement that would conflict with Contractor's responsibilities to County during the term hereof.

ARTICLE VI

Confidentiality: Contractor shall maintain the confidentiality and privileged nature of all records, including billing records, together with any knowledge therein acquired, in accordance with all applicable State and Federal laws and regulations, as they may now exist or may hereafter be amended or changed. Contractor, and all Contractor's staff, employees, and representatives, shall not use or disclose, directly or indirectly at any time, any said confidential information, other than to County's Department of Transportation for the purpose of, and in the performance of, this Agreement. This confidentiality provision shall survive after the expiration or termination of this Agreement.

ARTICLE VII

Assignment and Delegation: Contractor is engaged by County for its unique qualifications and skills as well as those of its personnel. Contractor shall not subcontract, delegate, or assign services to be provided, in whole or in part, to any other person or entity without prior written consent of County.

ARTICLE VIII

Independent Contractor/Liability: Contractor is, and shall be at all times, deemed independent and shall be wholly responsible for the manner in which it performs services required by terms of this Agreement. Contractor exclusively assumes responsibility for acts of its employees, associates, and subcontractors, if any are authorized herein, as they relate to services to be provided under this Agreement during the course and scope of their employment.

Contractor shall be responsible for performing the work under this Agreement in a safe, professional, skillful, and workmanlike manner and shall be liable for its own negligence and negligent acts of its employees. County shall have no right of control over the manner in which work is to be done and shall, therefore, not be charged with responsibility of preventing risk to Contractor or its employees.

ARTICLE IX

Fiscal Considerations: The parties to this Agreement recognize and acknowledge that County is a political subdivision of the State of California. As such, County is subject to the provisions of Article XVI, Section 18 of the California Constitution and other similar fiscal

and procurement laws and regulations and may not expend funds for products, equipment, or services not budgeted in a given year. It is further understood that in the normal course of County business, County will adopt a proposed budget prior to a given fiscal year, but that the final adoption of a budget does not occur until after the beginning of the fiscal year.

Notwithstanding any other provision of this Agreement to the contrary, County shall give notice of cancellation of this Agreement in the event of adoption of a proposed budget that does not provide for funds for the services, products, or equipment subject herein. Such notice shall become effective upon the adoption of a final budget, which does not provide funding for this Agreement. Upon the effective date of such notice, this Agreement shall be automatically terminated and County released from any further liability hereunder.

In addition to the above, should the Board of Supervisors during the course of a given year for financial reasons reduce or order a reduction in the budget for any County department for which services were contracted to be performed, pursuant to this paragraph in the sole discretion of County, this Agreement may be deemed to be canceled in its entirety subject to payment for services performed prior to cancellation.

ARTICLE X

Default, Termination, and Cancellation:

- A. **Default:** Upon the occurrence of any default of the provisions of this Agreement, a party shall give written notice of said default to the party in default (notice). If the party in default does not cure the default within ten (10) days of the date of notice (Time to Cure), then such party shall be in default. The Time to Cure may be extended in the discretion of the party giving notice. Any extension of Time to Cure must be in writing, prepared by the party in default for signature by the party giving notice, and must specify the reason(s) for the extension and the date in which the extension of Time to Cure expires.

Notice given under this section shall specify the alleged default and the applicable Agreement provision and shall demand that the party in default perform the provisions of this Agreement within the applicable period of time. No such notice shall be deemed a termination of this Agreement unless the party giving notice so elects in this notice, or the party giving notice so elects in a subsequent written notice after the Time to Cure has expired.

- B. **Bankruptcy:** This Agreement, at the option of County, shall be terminable in the case of bankruptcy, voluntary or involuntary, or insolvency of Contractor.
- C. **Ceasing Performance:** County may terminate this Agreement in the event Contractor ceases to operate as a business, or otherwise becomes unable to substantially perform any term or condition of this Agreement.
- D. **Termination or Cancellation without Cause:** County may terminate this Agreement in whole or in part upon seven (7) calendar days written notice by County for any reason. If such prior termination is effected, County will pay for satisfactory services rendered prior to the effective dates, as set forth in the Notice of Termination provided to Contractor, and for such other services which County may agree to in

writing as necessary for contract resolution. In no event, however, shall County be obligated to pay more than the total amount of the contract. Upon receipt of a Notice of Termination, Contractor shall promptly discontinue all services affected, as of the effective date of termination set forth in such Notice of Termination, unless the Notice directs otherwise. In the event of termination for default, County reserves the right to take over and complete the work by contract or by any other means.

ARTICLE XI

Notice to Parties: All notices to be given by the parties hereto shall be in writing and served by depositing same in the United States Post Office, postage prepaid and return receipt requested. Notices to County shall be in duplicate and addressed as follows:

To County:

County of El Dorado
Department of Transportation
2850 Fairlane Court
Placerville, California 95667

Attn.: Robert S. Slater,
Deputy Director, Engineering

With a Copy to:

County of El Dorado
Department of Transportation
2850 Fairlane Court
Placerville, California 95667

Attn.: Tim C. Prudhel,
Contract Services Officer

or to such other location as County directs.

Notices to Contractor shall be addressed as follows:

Area Transit Management, Inc.
P. O. Box 18400
South Lake Tahoe, California 96151

Attn.: Andrew J. Morris,
President and CEO

or to such other location as Contractor directs.

ARTICLE XII

Indemnity: Contractor shall defend, indemnify, and hold County harmless against and from any and all claims, suits, losses, damages, and liability for damages of every name, kind, and description, including attorneys' fees and costs incurred, brought for, or on account of, injuries to, or death of, any person, including but not limited to workers, County employees, and the public, or damage to property, or any economic or consequential losses, which are claimed to, or in any way arise out of, or are connected with Contractor's services, operations or performance hereunder, regardless of the existence or degree of fault or negligence on the part of County, Contractor, subcontractor(s) and employee(s) of any of these, except for the sole, or active negligence of County, its officers and employees, or as expressly provided by statute. This duty of Contractor to indemnify and save County harmless includes the duties to defend set forth in California Civil Code Section 2778.

ARTICLE XIII

Insurance: Contractor shall provide proof of a policy of insurance satisfactory to County's Risk Management Division and documentation evidencing that Contractor maintains insurance that meets the following requirements:

- A. Full Workers' Compensation and Employers' Liability Insurance covering all employees of Contractor as required by law in the State of California.
- B. Commercial General Liability Insurance of not less than \$1,000,000 combined single limit per occurrence for bodily injury and property damage.
- C. Automobile Liability Insurance of not less than \$5,000,000 is required for this Agreement.
- D. In the event Contractor is a licensed professional and is performing professional services under this Agreement, Professional Liability Insurance is required with a limit of liability of not less than \$1,000,000.
- E. Contractor shall furnish a certificate of insurance satisfactory to County's Risk Management Division as evidence that the insurance required above is being maintained.
- F. The insurance will be issued by an insurance company acceptable to County's Risk Management Division, or be provided through partial or total self-insurance likewise acceptable to the Risk Management Division.
- G. Contractor agrees that the insurance required herein shall be in effect at all times during the term of this Agreement. In the event said insurance coverage expires at any time or times during the term of this Agreement, Contractor shall immediately provide a new certificate of insurance as evidence of the required insurance coverage. In the event Contractor fails to keep in effect at all times insurance coverage as herein provided, County may, in addition to any other remedies it may have, terminate this Agreement upon the occurrence of such event. New certificates of insurance are subject to the approval of County's Risk Management Division, and Contractor agrees that no work or services shall be performed prior to the giving of such approval.
- H. The certificate of insurance must include the following provisions stating that:
 - 1. The insurer will not cancel the insured's coverage without 30-day prior written notice to County; and
 - 2. The County of El Dorado, its officers, officials, employees, and volunteers are included as additional insured, but only insofar as the operations under this Agreement are concerned. This provision shall apply to all general and excess liability insurance policies.
- I. Contractor's insurance coverage shall be primary insurance as respects the County,

its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by County, its officers, officials, employees, or volunteers shall be in excess of Contractor's insurance and shall not contribute with it.

- J. Any deductibles or self-insured retentions must be declared to, and approved, by County. At the option of County, either: The insurer shall reduce or eliminate such deductibles or self-insured retentions as respects County, its officers, officials, employees, and volunteers; or Contractor shall procure a bond guaranteeing payment of losses and related investigations, claim administration, and defense expenses.
- K. Any failure to comply with the reporting provisions of the policies shall not affect coverage provided to the County, its officers, officials, employees, or volunteers.
- L. The insurance companies shall have no recourse against the County of El Dorado, its officers and employees or any of them for payment of any premiums or assessments under any policy issued by any insurance company.
- M. Contractor's obligations shall not be limited by the foregoing insurance requirements and shall survive the expiration of this Agreement.
- N. In the event Contractor cannot provide an occurrence policy, Contractor shall provide insurance covering claims made as a result of performance of this Agreement for not less than three (3) years following completion of performance of this Agreement.
- O. The certificate of insurance shall meet such additional standards as may be determined by the contracting County department, either independently or in consultation with County's Risk Management Division as essential for protection of County.

ARTICLE XIV

Interest of Public Official: No official or employee of County who exercises any functions or responsibilities in review or approval of services to be provided by Contractor under this Agreement shall participate in or attempt to influence any decision relating to this Agreement which affects personal interest or interest of any corporation, partnership, or association in which he/she is directly or indirectly interested; nor shall any such official or employee of County have any interest, direct or indirect, in this Agreement or the proceeds thereof.

ARTICLE XV

Interest of Contractor: Contractor covenants that Contractor presently has no personal interest or financial interest, and shall not acquire same in any manner or degree, in either: 1) any other contract connected with or directly affected by the services to be performed by this Agreement; or, 2) any other entities connected with or directly affected by the services to be performed by this Agreement. Contractor further covenants that in the performance of this Agreement no person having any such interest shall be employed by Contractor.

ARTICLE XVI

California Residency (Form 590): All independent Contractors providing services to County must file a State of California Form 590, certifying their California residency or, in the case of a corporation, certifying that they have a permanent place of business in California. Contractor will be required to submit a Form 590 prior to execution of this Agreement, or County shall withhold seven (7) percent of each payment made to Contractor during the term of this Agreement. This requirement applies to any agreement/contract exceeding \$1,500.

ARTICLE XVII

Taxpayer Identification Number (Form W-9): All independent contractors or corporations providing services to County must file a Department of the Treasury Internal Revenue Service Form W-9, certifying their Taxpayer Identification Number.

ARTICLE XVIII

Business License: County's Business License Ordinance provides that it is unlawful for any person to furnish supplies or services, or transact any kind of business in the unincorporated territory of El Dorado County without possessing a County business license unless exempt under County Ordinance Code Section 5.08.070. Contractor warrants and represents that it shall comply with all of the requirements of the County Business License Ordinance prior to beginning work under this Agreement and at all times during the term of this Agreement.

ARTICLE XIX

California Forum and Law: Any dispute resolution action arising out of this Agreement, including, but not limited to, litigation, mediation, or arbitration, shall be brought in El Dorado County, California, and shall be resolved in accordance with the laws of the State of California.

ARTICLE XX

Year 2000 Compliance: Contractor agrees that all hardware and software developed, distributed, installed, programmed, or employed as a result of this order will comply with ISO 9000 date format to correctly manipulate and present date-sensitive data.

Upon delivery of product and thereafter, the date and date logic component shall effectively and efficiently operate using a four-digit year.

Upon written notification by County of any hardware or software failure to comply with ISO 9000 date format, Contractor will replace or correct the failing component with compliant hardware or software immediately, at no cost to County.

ARTICLE XXI

Compliance with Federal Requirements: County is relying on Federal Transit Administration (hereinafter referred to as "FTA") assistance or grants for a portion of the funding for the services to be provided herein. As a requirement in County's application for FTA funds, County is required to comply with 49 U.S.C. 5332 and 49 CFR part 21 and to extend the requirements of these sections to all third party contracts. Contractor shall comply with all applicable provisions of 49 U.S.C. 5332 and 49 CFR part 21, related

executive orders or regulations, and the provisions of FTA Circular 4220.1E, "Third Party Contracting Requirements," as amended or revised by FTA, applicable federal regulations or requirements and FTA's "Best Practices Procurement Manual, Appendix A.1, Federally Required and Other Model Contract Clauses." References to "Purchaser" in those documents and elsewhere in this Agreement refer to County. Contractor's failure to comply with all mandates shall constitute a material breach of this Agreement.

ARTICLE XXII

Charter Service Operations: Contractor agrees to comply with 49 U.S.C. 5323(d) and 49 CFR Part 604, which provides that recipients and subrecipients of FTA assistance are prohibited from providing charter service using federally funded equipment or facilities if there is at least one private charter operator willing and able to provide the service, except under one of the exceptions at 49 CFR 604.9. Any charter service provided under one of the exceptions must be "incidental," i.e., it must not interfere with or detract from the provision of mass transportation.

ARTICLE XXIII

School Bus Operations: Pursuant to 69 U.S.C. 5323(f) and 49 CFR Part 605, recipients and subrecipients of FTA assistance may not engage in school bus operations exclusively for the transportation of students and school personnel in competition with private school bus operators unless qualified under specified exemptions. When operating exclusive school bus service under an allowable exemption, recipients and subrecipients may not use federally funded equipment, vehicles, or facilities.

ARTICLE XXIV

Energy Conservation: Contractor agrees to comply with mandatory standards and policies relating to energy efficiency which are contained in the state energy conservation plans issued in compliance with the Energy Policy and Conservation Act, 42 U.S.C. §§ 6321 et seq.

ARTICLE XXV

Clean Water: The following provisions shall apply to this Agreement:

- A. Contractor agrees to comply with all applicable standards, orders or regulations issued pursuant to the Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251 et seq. Contractor agrees to report each violation to County and understands and agrees that County will, in turn, report each violation as required to assure notification to FTA and the appropriate EPA Regional Office.
- B. Contractor also agrees to include these requirements in each subcontract, if any are authorized hereunder, exceeding \$100,000 financed in whole or in part with Federal assistance provided by FTA.

ARTICLE XXVI

Clean Air: The following provisions shall apply to this Agreement:

- A. Contractor agrees to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act, as amended, 42 U.S.C. §§ 7401 et seq. Contractor agrees to report each violation to County and understands and agrees

that the County will, in turn, report each violation as required to assure notification to FTA and the appropriate EPA Regional Office.

- B. Contractor also agrees to include these requirements in each subcontract exceeding \$100,000 financed in whole or in part with Federal assistance provided by FTA.

ARTICLE XXVII

Certification Regarding Lobbying: In compliance with the provisions of the Byrd Anti-Lobbying Amendment, 31 U.S.C. 1352, as amended by the Lobbying Disclosure Act of 1995, P.L. 104-65 (to be codified at 2 U.S.C. § 1601, et seq.), the undersigned Contractor certifies, to the best of his or her knowledge and belief that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for making lobbying contacts to an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form--LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions [as amended by "Government wide Guidance for New Restrictions on Lobbying," 61 Fed. Reg. 1413 (1/19/96). Note: Language in paragraph (2) herein has been modified in accordance with Section 10 of the Lobbying Disclosure Act of 1995 (P.L. 104-65, to be codified at 2 U.S.C. 1601, et seq.)]

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by 31, U.S.C. § 1352 (as amended by the Lobbying Disclosure Act of 1995). Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

[Note: Pursuant to 31 U.S.C. § 1352(c)(1)-(2)(A), any person who makes a prohibited expenditure or fails to file or amend a required certification or

disclosure form shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such expenditure or failure.]

Contractor, Area Transit Management, Inc., certifies or affirms the truthfulness and accuracy of each statement of its certification and disclosure, if any. In addition, Contractor understands and agrees that the provisions of 31 U.S.C. A 3801, et seq., apply to this certification and disclosure, if any.

Signature of Contractor's Authorized Official

Name and Title of Contractor's Authorized Official

Date

ARTICLE XXVIII

Access to Records: The following access to records requirements apply to this Contract:

- A. Where the Purchaser is not a State but a local government and is the FTA Recipient or a subgrantee of the FTA Recipient in accordance with 49 CFR 18.36(i), Contractor agrees to provide the Purchaser, the FTA Administrator, the Comptroller General of the United States, the State of California or any of their authorized representatives access to any books, documents, papers and records of Contractor which are directly pertinent to this contract for the purposes of making audits, examinations, excerpts and transcriptions. Contractor also agrees, pursuant to 49 CFR 633.17 to provide the FTA Administrator or his authorized representatives including any PMO Contractor access to Contractor's records and construction sites pertaining to a major capital project, defined at 49 U.S.C. 5302(a)1, which is receiving federal financial assistance through the programs described at 49 U.S.C. 5307, 5309 or 5311.
- B. Contractor agrees to permit any of the foregoing parties to reproduce by any means whatsoever or to copy excerpts and transcriptions as reasonably needed.
- C. Contractor agrees to maintain all books, records, documents, papers, accounting records, reports and other evidence pertaining to the performance of this Agreement for a period of not less than three (3) years after the date of termination or expiration of this contract, except in the event of litigation or settlement of claims arising from the performance of this contract, in which case Contractor agrees to maintain same until the Purchaser, the FTA Administrator, the Comptroller General, the State of California or any of their duly authorized representatives, have disposed of all such litigation, appeals, claims or exceptions related thereto. Reference 49 CFR 18.39(i)(11).

1. Contractor and any subcontractors authorized under this Agreement shall make such materials available at their respective offices at all reasonable

times during the performance period of this Agreement and for three (3) years from the date of final payment under this Agreement and all subrecipient contracts.

2. County, the State of California, the State Auditor General and any duly authorized representative of the federal government shall have access to any books, records and documents of Contractor that are pertinent to this Agreement for audits, examinations, excerpts and transactions and copies thereof shall be furnished if requested.

3. Contractor's accounting system and billing procedures are subject to audit and accounting records pertaining to work performed and billed to County are subject to audit for a period of three (3) years after date of final payment under this Agreement. If Contractor fails to retain records such as employee time cards, payroll records, travel records, equipment time and cost records, billings from subcontractors, and material and equipment suppliers' records that are sufficient to permit audit verification of the validity of the cost charged to County, Contractor will be liable for reimbursement to County of any unsubstantiated billings.

4. Contractor shall furnish County with any additional reports or data that may be required by the State of California or FTA. Such reports and/or data will be submitted on forms provided by County.

D. FTA does not require the inclusion of these requirements in subcontracts.

ARTICLE XXIX

Federal Changes: Contractor shall at all times comply with all applicable FTA regulations, policies, procedures and directives, including without limitation those listed directly or by reference in the Master Agreement between Purchaser and FTA, as they may be amended or promulgated from time to time during the term of this contract. Contractor's failure to so comply shall constitute a material breach of this contract.

ARTICLE XXX

No Government Obligation to Third Parties: The following provisions shall apply to this Agreement:

- A. Contractor acknowledges and agrees that, notwithstanding any concurrence by the Federal Government in or approval of the solicitation or award of an underlying contract, absent the express written consent by the State or Federal Government, the Federal Government is not a party to this Agreement and shall not be subject to any obligations or liabilities to the Purchaser, Contractor, or any other party (whether or not a party to that contract) pertaining to any matter resulting from the underlying contract.
- B. Contractor agrees to include the above clause in each subcontract financed in whole or in part with Federal assistance provided by State or FTA. It is further agreed that the clause shall not be modified, except to identify the subcontractor who will be subject to its provisions.

ARTICLE XXXI

Program Fraud and False or Fraudulent Statements or Related Acts: The following provisions shall apply to this Agreement:

- A. Contractor acknowledges that the provisions of the Program Fraud Civil Remedies Act of 1986, as amended, 31 U.S.C. §§ 3801 et seq. and U.S. DOT regulations, "Program Fraud Civil Remedies," 49 CFR Part 31, apply to its actions pertaining to this Agreement. Upon execution of this Agreement, Contractor certifies or affirms the truthfulness and accuracy of any statement it has made, it makes, it may make, or causes to be made, pertaining to this Agreement or the FTA assisted project for which this contract work is being performed. In addition to other penalties that may be applicable, Contractor further acknowledges that if it makes, or causes to be made, a false, fictitious, or fraudulent claim, statement, submission, or certification, the Federal Government reserves the right to impose the penalties of the Program Fraud Civil Remedies Act of 1986 on Contractor to the extent the Federal Government deems appropriate.
- B. Contractor also acknowledges that if it makes, or causes to be made, a false, fictitious, or fraudulent claim, statement, submission, or certification to the Federal Government under a contract connected with a project that is financed in whole or in part with Federal assistance originally awarded by FTA under the authority of 49 U.S.C. § 5307, the Government reserves the right to impose the penalties of 18 U.S.C. § 1001 and 49 U.S.C. § 5307(n)(1) on Contractor, to the extent the Federal Government deems appropriate.
- C. Contractor agrees to include the above two clauses in each subcontract financed in whole or in part with Federal assistance provided by FTA. It is further agreed that the clauses shall not be modified, except to identify the subcontractor who will be subject to the provisions.

ARTICLE XXXII

Debarment and Suspension: This contract is a covered transaction for purposes of 49 CFR Part 29. As such, Contractor is required to verify that none of Contractor, its principals, as defined at 49 CFR 29.995, or affiliates, as defined at 49 CFR 29.905, are excluded or disqualified as defined at 49 CFR 29.940 and 29.945.

Contractor is required to comply with 49 CFR 29, Subpart C and must include the requirement to comply with 49 CFR 29, Subpart C in any lower tier covered transaction it enters into.

By signing and submitting its bid, or proposal, or this Agreement, the bidder, proposer or Contractor certifies as follows:

The certification in this clause is a material representation of fact relied upon by County. If it is later determined that the bidder, proposer or Contractor knowingly rendered an erroneous certification, in addition to remedies available to County, the Federal Government may pursue available remedies, including but not limited to suspension and/or debarment. The bidder, proposer or Contractor agrees to comply with the requirements of 49 CFR 29, Subpart C while this offer is valid and throughout the period of any contract

that may arise from this offer. The bidder, proposer or Contractor further agrees to include a provision requiring such compliance in its lower tier covered transactions.

Contractor agrees to comply with the requirements of Executive Order Nos. 12549 and 12689, "Debarment and Suspension," 31 U.S.C. Section 6101 note and U.S. DOT Regulations in Debarment and Suspension and 49 CFR Part 29.

Unless otherwise permitted by FTA, Contractor agrees to refrain from awarding any third party contract of any amount to or entering into any sub-agreement of any amount with a party included in the "U.S. General Services Administration's (U.S. GSA) List of Parties Excluded from Federal procurement or Non-procurement Program," implementing Executive Order No. 12549 and 12689, Debarment and Suspension" and 49 CFR Part 29.

The list also included the names of parties debarred, suspended or otherwise excluded by agencies, and contractors declared ineligible for contract award under statutory or regulatory authority other than Executive Order Nos. 12549 and 12689.

Before entering into any sub-agreements with any subrecipient, Contractor agrees to obtain a debarment and suspension certification from each prospective recipient containing information about the debarment and suspension status and other specific information of that subrecipient and its "principals," as defined at 49 CFR Part 29.

Before entering into any third party contract exceeding \$100,000, Contractor agrees to obtain a debarment and suspension certification from each third party contractor containing information about the debarment and suspension status of that third party contractor and its "principals," as defined at 49 CFR 29.105(p). Contractor also agrees to require each third party contractor to refrain from awarding any third party subcontract of any amount (at any tier) to a debarred or suspended subcontractor and to obtain a similar certification from any third party subcontractor (at any tier) seeking a contract exceeding \$100,000.

ARTICLE XXXIII

Contracts Involving Federal Privacy Act Requirements: The following requirements apply to Contractor and its employees that administer any system of records on behalf of the Federal Government under any contract:

- A. Contractor agrees to comply with, and assures the compliance of its employees with, the information restrictions and other applicable requirements of the Privacy Act of 1974, 5 U.S.C. § 552a. Among other things, Contractor agrees to obtain the express consent of the Federal Government before Contractor or its employees operate a system of records on behalf of the Federal Government. Contractor understands that the requirements of the Privacy Act, including the civil and criminal penalties for violation of that Act, apply to those individuals involved, and that failure to comply with the terms of the Privacy Act may result in termination of the underlying Agreement.
- B. Contractor also agrees to include these requirements in each subcontract to administer any system of records on behalf of the Federal Government financed in whole or in part with Federal assistance provided by FTA.

ARTICLE XXXIV

Civil Rights: The following requirements apply to this Agreement:

- A. Nondiscrimination - In accordance with Title VI of the Civil Rights Act, as amended, 42 U.S.C. § 2000d, section 303 of the Age Discrimination Act of 1975, as amended, 42 U.S.C. § 6102, section 202 of the Americans with Disabilities Act of 1990, 42 U.S.C. § 12132, and Federal transit law at 49 U.S.C. § 5332, Contractor agrees that it will not discriminate against any employee or applicant for employment because of race, color, creed, national origin, sex, age, or disability. In addition, Contractor agrees to comply with applicable Federal implementing regulations and other implementing requirements FTA may issue.
- B. Equal Employment Opportunity - The following equal employment opportunity requirements apply to this contract:
1. Race, Color, Creed, National Origin, Sex - In accordance with Title VII of the Civil Rights Act, as amended, 42 U.S.C. § 2000e, and Federal transit laws at 49 U.S.C. § 5332, Contractor agrees to comply with all applicable equal employment opportunity requirements of U.S. Department of Labor (U.S. DOL) regulations, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor," 41 CFR Parts 60 et seq., (which implement Executive Order No. 11246, "Equal Employment Opportunity," as amended by Executive Order No. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," 42 U.S.C. § 2000e note), and with any applicable Federal statutes, executive orders, regulations, and Federal policies that may in the future affect activities undertaken in the course of this Agreement. Contractor agrees to take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, creed, national origin, sex, or age. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. In addition, Contractor agrees to comply with any implementing requirements FTA may issue.
 2. Age - In accordance with section 4 of the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. §§ 623 and Federal transit law at 49 U.S.C. § 5332, Contractor agrees to refrain from discrimination against present and prospective employees for reason of age. In addition, Contractor agrees to comply with any implementing requirements FTA may issue.
 3. Disabilities - In accordance with section 102 of the Americans with Disabilities Act, as amended, 42 U.S.C. § 12112, Contractor agrees that it will comply with the requirements of U.S. Equal Employment Opportunity Commission, "Regulations to Implement the Equal Employment Provisions of the Americans with Disabilities Act," 29 CFR Part 1630, pertaining to

employment of persons with disabilities. In addition, Contractor agrees to comply with any implementing requirements FTA may issue.

- C. Contractor also agrees to include these requirements in each subcontract financed in whole or in part with Federal assistance provided by FTA, modified only if necessary to identify the affected parties.

ARTICLE XXXV

Federal Nondiscrimination Provisions: In accordance with Title VI (Nondiscrimination in Federally-Assisted Programs of the Department of Transportation – Title 49 CFR Part 21 – Effectuation of the 1964 Civil Rights Act), during the performance of this Agreement, Contractor, for itself, its assignees and successors in interest (hereinafter collectively referred to as “Contractor”) agrees as follows:

- A. **Compliance with Regulations:** Contractor shall comply with regulations relative to Title VI (nondiscrimination in federally-assisted programs of the Department of Transportation – Title 49 Code of Federal regulations Part 21 – Effectuation of the 1964 Civil Rights Act). Title VI provides that the recipients of Federal-assistance will implement and maintain a policy of nondiscrimination in which no person in the State of California shall, on the basis of race, color, national origin, religion, sex, age, or disability, be excluded from participation in, denied the benefits of or be subjected to discrimination under any program or activity by the recipients of federal assistance or their assignees and successors in interest.
- B. **Nondiscrimination:** Contractor, with regard to the work performed by it during the contract term shall act in accordance with Title VI. Specifically, Contractor shall not discriminate on the basis of race, color, national origin, religion, sex, age or disability in the selection and retention of subcontractors, including procurement of materials and leases of equipment. Contractor shall not participate either directly or indirectly in the discrimination prohibited by Section 21.5 of the U.S. DOT’s regulations, including employment practices when the contract covers a program whose goal is employment.
- C. **Solicitations for Subcontracts, Including Procurements of Materials and Equipment:** In all solicitations, either by competitive bidding or negotiation by Contractor for work to be performed under a subcontract, including procurements of materials or leases of equipment, each potential subcontractor or supplier shall be notified by Contractor of Contractor’s obligations under this contract and the Regulations relative to nondiscrimination on the grounds of race, color or national origin.
- D. **Information and Reports:** Contractor shall provide all information and reports required by the Regulations, or directives issued pursuant thereto, and shall permit access to its books, records, accounts, other sources of information and its facilities as may be determined by County, the State of California or the FTA to be pertinent to ascertain compliance with such Regulations or directives. Where any information required of a contractor is in the exclusive possession of another who fails or refuses to furnish this information, Contractor shall so certify to County, the State or

the FTA as appropriate, and shall set forth what efforts it has made to obtain the information.

- E. **Sanctions for Noncompliance:** In the event of Contractor's noncompliance with the nondiscrimination provisions of this Contract, County shall impose such contract sanctions as it, the State or the FTA may determine to be appropriate, including, but not limited to:
1. Withholding of payments due to Contractor under this Agreement until Contractor complies, and/or
 2. Cancellation, termination or suspension of this Agreement, in whole or in part.
- F. **Incorporation of Provisions:** Contractor shall include the provisions of these paragraphs (A) through (F) in every subcontract, including procurements of materials and leases of equipment, unless exempt by the Regulations or directives issued pursuant thereto. Contractor will take such action with respect to any subcontractor or procurement as County, the State or the FTA may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event a Contractor becomes involved in, or is threatened with, litigation with a subcontractor or supplier as a result of such direction, Contractor may request County or the State to enter into such litigation to protect the interest of County or the State, and in addition, Contractor may request the United States to enter into such litigation to protect the interests of the United States.

ARTICLE XXXVI

Transit Employee Protective Provisions: Contractor agrees to comply with applicable transit employee protective requirements as follows:

- A. **General Transit Employee Protective Requirements -** To the extent that FTA determines that transit operations are involved, Contractor agrees to carry out the transit operations work on this Agreement in compliance with terms and conditions determined by the U.S. Secretary of Labor to be fair and equitable to protect the interests of employees employed under this contract and to meet the employee protective requirements of 49 U.S.C. A 5333(b), and U.S. DOL guidelines at 29 CFR Part 215, and any amendments thereto. These terms and conditions are identified in the letter of certification from the U.S. DOL to FTA applicable to the FTA Recipient's project from which Federal assistance is provided to support work under this Agreement. Contractor agrees to carry out that work in compliance with the conditions Stated in that U.S. DOL letter. The requirements of this subsection A, however, do not apply to any contract financed with Federal assistance provided by FTA for projects for nonurbanized areas authorized by 49 U.S.C. § 5311. An alternate provision is set forth in subsection B of this clause.
- B. **Transit Employee Protective Requirements for Projects Authorized by 49 U.S.C. § 5311 in Nonurbanized Areas -** If the contract involves transit operations financed in whole or in part with Federal assistance authorized by 49 U.S.C. § 5311, Contractor

agrees to comply with the terms and conditions of the Special Warranty for the Nonurbanized Area Program agreed to by the U.S. Secretaries of Transportation and Labor, dated May 31, 1979, and the procedures implemented by U.S. DOL or any revision thereto. Contractor understands and accepts the terms and conditions of the "Special Section 13(c) Warranty for Application to the Small Urban and Rural Program," as executed by the Secretary of Labor and the Secretary of Transportation on May 31, 1979, and those terms and conditions are incorporated by reference into this Agreement.

Contractor also agrees to include the applicable requirements in each subcontract involving transit operations financed in whole or in part with Federal assistance provided by FTA.

ARTICLE XXXVII

Drug and Alcohol Testing: Contractor agrees to establish and implement a drug and alcohol testing program that complies with 49 CFR Parts 653 and 654, produce any documentation necessary to establish its compliance with Parts 653 and 654, and permit any authorized representative of the United States Department of Transportation or its operating administrations, any State of California Oversight Agency, or the County, to inspect the facilities and records associated with the implementation of the drug and alcohol testing program as required under 49 CFR Parts 653 and 654 and review the testing process. Contractor agrees further to certify annually its compliance with Parts 653 and 654 before January 15th of each year and to submit the Management Information System (MIS) reports before January 15th of each year to the Contract Administrator. To certify compliance, Contractor shall use the "Substance Abuse Certifications" in the "Annual List of Certifications and Assurances for Federal Transit Administration Grants and Cooperative Agreements," which is published annually in the Federal Register. Contractor further agrees to submit to the Contract Administrator upon request a copy of the Policy Statement developed to implement its drug and alcohol testing program.

By signing this Agreement, Contractor certifies that it will provide a drug-free workplace, and shall establish policy prohibiting activities involving controlled substances in compliance with California Government Code Section 8355, et seq. Contractor is required to include the language of this certification in award documents for all sub-awards at all tiers (including subcontracts, contracts under grants, and cooperative agreements) and all subrecipients shall certify and disclose accordingly. To the extent that Contractor, any third party contractor at any tier, any subrecipient at any tier, or their employees, perform a safety sensitive function under this Agreement or the Project, Contractor agrees to comply with, and assure the compliance of each affected third party contractor at any tier, each affected subrecipient at any tier, and their employees with 49 U.S.C. Section 5331, and FTA regulations, "Prevention of Alcohol Misuse and Prohibited Drug Use in Transit Operations," 49 CFR Part 655.

ARTICLE XXXVIII

Interest in this Agreement: No member of or delegate to the Congress of the United States shall be admitted to any share or part of this Agreement or to any benefit arising therefrom.

Neither Contractor nor any of its contractors or their subcontractors shall enter into any contract, subcontract or arrangement in connection with this Agreement or any property

included or planned to be included in this Agreement, in which any member, officer, or employee of Contractor or of County during the Project term or for one year thereafter has any direct or indirect interest. If any such present or former member, officer or employee involuntarily acquires or had acquired prior to the effective date of this Agreement, any such interest, and if such interest is immediately disclosed to Contractor and such disclosure is entered upon the minutes of Contractor's written report to County of such interest, Contractor, with prior written approval of County, may waive the prohibition contained in this Article, provided that any such present member, officer or employee shall not participate in any action by Contractor or County relating to such contract, subcontract or arrangement.

Contractor shall insert in all contracts entered into in connection with this Agreement or in all contracts with any property included or planned to be included in this Project, and shall require its subcontractors to insert in each of their subcontracts, the following provision:

"No member, officer or employee of Contractor or of County during the Project term or for one year thereafter shall have any interest, direct or indirect, in this contract or the proceeds thereof."

The provisions of this Article shall not be applicable to any agreement between Contractor and its fiscal depositories or to any agreement for utility services, the rates for which are fixed or controlled by a government agency.

ARTICLE XXXIX

State and Local Law Disclaimer: Some of the preceding provisions relating to Contractor's obligation to include applicable clauses in sub agreements and contracts may not be governed by Federal law, but may be significantly affected by State law. The language of those provisions may need to be modified depending on State law, and before the provisions are used in Contractor's documents, Contractor should consult with its local attorney.

ARTICLE XL

Breaches and Dispute Resolution: Notwithstanding any other provision of this Agreement to the contrary, the following provisions shall apply:

- A. Disputes - Disputes arising in the performance of this Contract which are not resolved by agreement of the parties shall be decided in writing by the authorized representative of County's Director of Transportation. This decision shall be final and conclusive unless within seven (7) days from the date of receipt of its copy, Contractor mails or otherwise furnishes a written appeal to the Director of Transportation. In connection with any such appeal, Contractor shall be afforded an opportunity to be heard and to offer evidence in support of its position. The decision of the Director of Transportation shall be binding upon Contractor and Contractor shall abide by the decision.
- B. Performance During Dispute - Unless otherwise directed by County, Contractor shall continue performance under this Contract while matters in dispute are being resolved.

- C. Claims for Damages - Should either party to the Contract suffer injury or damage to person or property because of any act or omission of the party or of any of his employees, agents or others for whose acts he is legally liable, a claim for damages therefor shall be made in writing to such other party within a reasonable time after the first observance of such injury or damage.
- D. Remedies - Unless this Contract provides otherwise, all claims, counterclaims, disputes and other matters in question between County and Contractor arising out of or relating to this Agreement or its breach will be decided by arbitration if the parties mutually agree, or in a court of competent jurisdiction within the County of El Dorado, State of California.
- E. Rights and Remedies - The duties and obligations imposed by the Contract and the rights and remedies available thereunder shall be in addition to and not a limitation of any duties, obligations, rights and remedies otherwise imposed or available by law. No action or failure to act by County or Contractor shall constitute a waiver of any right or duty afforded any of them under the Contract, nor shall any such action or failure to act constitute an approval of or acquiescence in any breach thereunder, except as may be specifically agreed in writing.

ARTICLE XLI

Disadvantaged Business Enterprises:

- A. This Contract is subject to the requirements of Title 49, Code of Federal Regulations, Part 26, *Participation by Disadvantaged Business Enterprises in Department of Transportation Financial Assistance Programs*. The national goal for participation of Disadvantaged Business Enterprises (DBE) is 10%. The agency's overall goal for DBE participation is 10%. A separate contract goal has not been established for this procurement.
- B. Contractor shall not discriminate on the basis of race, color, national origin, or sex in the performance of this Contract. Contractor shall carry out applicable requirements of 49 CFR Part 26 in the award and administration of this DOT-assisted Contract. Failure by contractor to carry out these requirements is a material breach of this Contract, which may result in the termination of this Contract or such other remedy as County deems appropriate. Each subcontract Contractor signs with a subcontractor must include the assurance in this paragraph (see 49 CFR 26.13(b)).
- C. The successful bidder/offeror will be required to report its DBE participation obtained through race-neutral means throughout the period of performance.
- D. Contractor is required to pay its subcontractors performing work related to this Contract for satisfactory performance of that work no later than thirty (30) days after Contractor's receipt of payment for that work from County. In addition, Contractor may not hold retainage from its subcontractors.
- E. Contractor must promptly notify County whenever a DBE subcontractor performing work related to this Contract is terminated or fails to complete its work, and must make good faith efforts to engage another DBE subcontractor to perform at least the

same amount of work. Contractor may not terminate any DBE subcontractor and perform that work through its own forces or those of an affiliate without prior written consent of County.

- F. Contractor shall cooperate with County with regard to maximum utilization of disadvantaged business enterprises, and will use its best efforts to ensure that disadvantaged business enterprises shall have the maximum opportunity to compete for sub contractual work under this Agreement.

ARTICLE XLII

Section 504 and American with Disabilities Act Program Requirements: Contractor shall comply with 49 CFR Parts 27,37 and 38, implementing the Americans with Disabilities Act and with Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. Section 794, as amended.

ARTICLE XLIII

Recovered Materials: Contractor agrees, where applicable, to comply with all of the requirements of Section 6002 of the Resource Conservation and Recovery Act (RCRA), as amended (42 U.S.C. 6962), including but not limited to the regulatory provisions of 40 CFR Part 247, and Executive Order 12873, as they apply to the procurement of the items designated in subpart B of 40 CFR Part 247.

ARTICLE XLIV

Incorporation of FTA Terms: The preceding provisions include, in part, certain Standard Terms and Conditions required by FTA and the United States Department of Transportation (USDOT), whether or not expressly set forth in the preceding contract provisions. All contractual provisions required by FTA or USDOT, as set forth in FTA Circular 4220.1E are hereby incorporated by reference. Anything to the contrary herein notwithstanding, all FTA mandated terms shall be deemed to control in the event of a conflict with other provisions contained in this Agreement. Contractor shall not perform any act, fail to perform any act, or refuse to comply with any County or State of California requests which would cause County or the State to be in violation of FTA terms and conditions.

ARTICLE XLV

Contract Administrator: The County Officer or employee with responsibility for administering this Agreement is Robert S. Slater, Deputy Director, Engineering, Department of Transportation, or successor.

ARTICLE XLVI

Authorized Signatures: The parties to this Agreement represent that the undersigned individuals executing this Agreement on their respective behalf are fully authorized to do so by law or other appropriate instrument and to bind upon said parties the obligations set forth herein.

ARTICLE XLVII

Partial Invalidity: If any provision of the Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions will continue in full force and effect without being impaired or invalidated in any way.

ARTICLE XLVIII

Entire Agreement: This document and the documents referred to herein or exhibits hereto are the entire Agreement between the parties, and they incorporate or supersede all prior written or oral agreements or understandings.

Contract Administrator Concurrence:

By: _____
Robert S. Slater
Deputy Director, Engineering

Dated: _____

Requesting Department Concurrence:

By: _____
Richard W. Shepard, P.E.
Director of Transportation

Dated: _____

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates indicated below.

-- COUNTY OF EL DORADO --

By: _____

Dated: _____

Board of Supervisors
"County"

Attest:
Cindy Keck
Clerk of the Board of Supervisors

By: _____

Dated: _____

Deputy Clerk

-- AREA TRANSIT MANAGEMENT, INC. --

By: _____

Dated: _____

Andrew J. Morris
President and CEO
"Contractor"

By: _____

Dated: _____

Corporate Secretary

Area Transit Management, Inc.

Exhibit A

Scope of Work

A. Contractor shall provide the following services:

I. **BUS PLUS – “SPECIAL NEEDS TRANSPORTATION – PARATRANSIT” – DEMAND RESPONSE SERVICE**

- a. Clients who have valid transportation passes will be granted use of these services. No eligible patron will be denied transportation services on the basis of race, color, or national origin or without the written approval of County. All clients presenting passes and/or on the transportation list shall be transported except those who are intoxicated, disorderly or abusive to the driver or other passengers. No pets will be allowed or required to be transported except service animals for the blind. Contractor shall notify County of clients who do not appear to meet the eligibility requirements set forth herein, provided however, that all clients presenting passes shall be transported unless Contractor is notified otherwise by County.
- b. Contractor shall not be responsible for the determination as to the eligibility of clients for their receipt or use of passes, for printing passes, issuing passes, or for advertising or monitoring the compensation set out in any agreement relative to the issuance of such passes by County.
- c. Contractor’s drivers shall assist clients in the loading and unloading of a reasonable amount of parcels and personal effects, at discretion of Contractor, and of clients, upon request.
- d. **AREA**
The boundaries of the areas within which clients may be transported pursuant to this Agreement are set forth in Exhibit B, marked “South Lake Tahoe Transit Service Area,” incorporated herein and made by reference a part hereof. Contractor will transport all eligible clients pursuant to this Agreement as set forth in Exhibit C, marked “South Lake Tahoe Transit Blue Go Rider’s Guide,” incorporated herein and made by reference a part hereof, and as set forth in the Americans with Disabilities Act and all other applicable state and federal regulations.
- e. **SERVICE HOURS**
Contractor shall provide responsive service to the Paratransit clients, as herein described, seven (7) days per week and on an hourly schedule to provide service as necessary up to eleven (11) hours per weekday and up to nine (9) hours per weekend day. Hours may be amended from time to time by mutual consent of the Contract Administrator and Contractor.

f. CLIENT REQUIREMENTS

Paratransit clients must call Contractor a minimum of twenty-four (24) hours in advance, between the hours of 9:00 a.m. and 5:00 p.m., at the specified telephone number (530-541-7149). Paratransit clients must furnish point of origin, point of destination, telephone number, special needs, and number of persons to be transported. Clients shall generally have a waiting period of fifteen (15) to thirty (30) minutes.

g. FARES

Paratransit special needs clients shall pay a fare per one-way trip from their own funds as approved or amended by County's Board of Supervisors. The trip fare shall be paid for by the client with cash and a valid pass issued by County. This fare will cover the cost of transporting the special need client and an accompanying care attendant.

BUS PLUS "GENERAL PUBLIC TRANSPORTATION" – DEMAND RESPONSE

h. AREA

Contractor will transport all general public patrons in the South Lake Tahoe Basin area of El Dorado County as set forth in Exhibit B. Contractor will transport all eligible clients pursuant to this Agreement as set forth in Exhibit C.

i. SERVICE HOURS

Contractor shall provide responsive service to the general public on at least a twelve (12) hour-per-day basis, seven (7) days per week from 7:00 a.m. to 7:00 p.m. These hours may be amended from time to time by mutual consent of the Contract Administrator and Contractor.

j. RIDER REQUIREMENTS

General public patrons must call Contractor at least one (1) hour in advance at the specified number (530-541-7149), and must furnish point of origin, point of destination, telephone number, number of persons to be transported, and time of day the trip is desired. More notice may be required during adverse weather conditions.

k. FARES

Each general public patron shall pay a fare per one-way trip from his or her own funds as approved or amended by County's Board of Supervisors. Payment of the fare shall entitle each patron to a transfer onto fixed route service. Patrons may elect to pay a fare of \$5.00 per one-way trip for door-to-door service.

l. COORDINATED TRANSIT SYSTEM - BLUE GO

As outlined in the Coordinated Transit System's (CTS) (Blue Go) "Participation Agreement to Implement a Coordinated Transit System at South Lake Tahoe" (Participation Agreement) and the "First Addendum to Participation Agreement to Implement a Coordinated Transit System at South Lake Tahoe" (Addendum), both of which documents are attached hereto as Exhibit D, incorporated herein and made by reference a part hereof, County has agreed to participate in the

effort to coordinate private and public transit services on the South Shore of Lake Tahoe provided by the following parties:

- Tahoe Transportation District (TTD)
- City of South Lake Tahoe, CA
- Douglas County, NV
- Heavenly Mountain Resort
- Mont Bleu Casino and Resort
- Horizon Casino and Resort
- Harrah's Casino
- Harvey's Casino
- Lakeside Inn and Casino

As a participating partner, County will require Contractor to utilize its best efforts to work cooperatively with the Blue Go partners in an attempt to honor the Participation Agreement and provide seamless, coordinated transit services to the residents and visitors of the South Shore of Lake Tahoe.

m. REGIONAL AND LOCAL MEETINGS

As a result of the complex political nature of the Lake Tahoe Basin, a wide variety of committees and boards exists to optimize planning and operational efforts as they relate to achieving regional transportation and associated environmental goals. To ensure County is consistently represented and the services are coordinated to the maximum extent possible, Contractor may be required to prepare for and attend a variety of meetings which may include but are not limited to the following entities:

South Shore Transportation Management Association
Tahoe Area Coordination Council for the Disabled
CTS-Blue Go
TTD
Tahoe Transportation Commission
Tahoe Regional Planning Agency
El Dorado County Board of Supervisors

Additionally, Contractor may be required to assist County in long-term and short-term service and transportation planning efforts such as the development of short-range transit plans and regional transportation plans, as well as advocate for additional operating funds outside of already established funding sources.

n. MARKETING AND PUBLIC OUTREACH

Contractor will be responsible for marketing and public outreach efforts related to County's transit services, which will include making the public as well as area businesses aware of County's transit services by developing and distributing service brochures/schedules. The goal of these efforts is to improve the service and increase ridership.

o. REPORTING REQUIREMENTS

Contractor will be required to provide monthly reports to County's Contract Administrator, consistent with all applicable federal and state funding requirements, as well as Monthly Operational Reports to the Blue Go Management Company and the TTD as necessary.

- II. Vehicles used for transportation of clients and general public shall be owned by County and/or the TTD and shall be operated by Contractor. Contractor shall have available for use sufficient equipment to ensure the level of service described within this Agreement, including sufficient vehicles which meet all applicable federal, state and local laws including, but not limited to, the California Vehicle Code. Contractor shall have a central dispatching location complete with telephone service sufficient to receive incoming calls from clients, mobile radios and a base radio station. Such radios shall have an effective performance capability within the proposed area of operation.
- III. Contractor's drivers shall hold valid commercial drivers' licenses with proper endorsements and shall comply with all laws governing the driving and operation of the public transportation vehicles owned, leased and used by Contractor. Contractor shall also adhere to the federal drug testing requirements as a result of the passage of Senate Bill 532, Chapter 1007, Statutes of 1999.
- IV. The vehicles used by Contractor in its performance of this Agreement shall be maintained in a safe and workable condition, and shall be clean both inside and outside so as to present a good appearance at all times, weather permitting. Contractor shall inspect vehicles on a weekly basis. Preventive maintenance shall be conducted, at a minimum according to the manufacturer's recommended service schedule for each make of vehicle. Preventive maintenance on County-owned vehicles shall be, at a minimum, in accordance with the manufacturer's recommended severe duty service schedule. Due to the extensive idling of the vehicles, oil and filter changes are to be made at an interval equivalent to 200 engine hours of use. The cost and expense of such routine maintenance together with the cost and expense for fuel and oil for said operations shall be entirely Contractor's obligation.
- V. Dispatchers and drivers shall be courteous to all passengers. Drivers shall be well groomed and neatly dressed.
- VI. Contractor shall comply with all ordinances, rules and regulations of County, and all state and federal laws and regulations applicable to the performance of the services described herein.

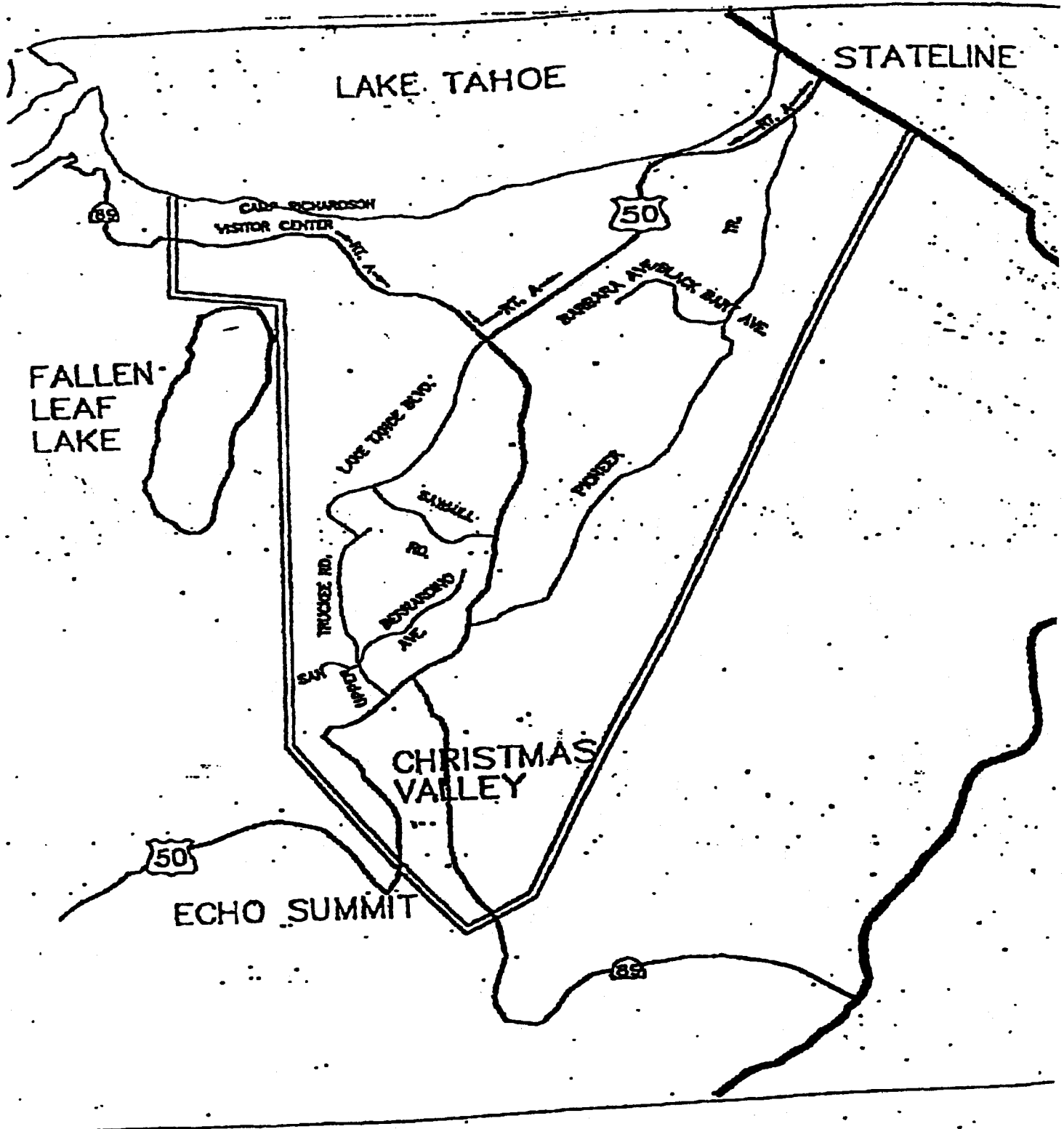
B. County, through the Departments of Transportation and Human Services shall provide the following services:

- I. Interview and determine the eligibility of all special needs clients. "Clients," as the term is used in this Agreement, refers to individuals who are sixty (60) years of age or older, and who have an income calculated to be equal or less than 150% of the

federal poverty guidelines. Clients may also include persons certified as disabled with such certification as may be approved and accepted by County and who are unable to utilize public transportation as effectively as persons who are not disabled. County reserves the right to change and modify such standards of eligibility, as it deems appropriate without further notice to Contractor.

- II. Issue quarterly transportation passes to each eligible client. County shall prepare a monthly list of all eligible clients, which shall be provided to Contractor by the first day of each month.
- III. After receiving Contractor's invoices and the required supplemental data, County shall prepare claims on behalf of Contractor so that the claims may be paid by County checks as provided for herein.

SOUTH LAKE TAHOE TRANSIT SERVICE AREA



Area Transit Management, Inc.

Exhibit C

South Lake Tahoe Transit Blue Go Rider's Guide

Look for the Trolley Stops
(Typically operates mid-June to mid Sept.)



DOOR to DOOR

"Ring us and Ride!"
(530) 541-7149

24 HOUR
DOOR to DOOR
SERVICE IN
SOUTH LAKE TAHOE CITY LIMITS
\$3.00

7:00AM - 7:00PM
SERVICE IN
EL DORADO COUNTY
\$5.00

8:00AM - 7:00PM MONDAY - FRIDAY
8:00AM - 5:00PM WEEKENDS
SERVICE TO SPECIAL NEEDS PASSENGERS
WITH A VALID EL DORADO COUNTY
SPECIAL NEEDS PASS
\$1.00



"The Tahoe BlueGO Partnership provides safe, friendly, convenient, and innovative transit solutions, enhancing the quality of life for our resort community."

(530) 541-7149

Operated by



Since 1985

www.bluego.org

Area Transit Management, Inc.

Exhibit D

Participation Agreement and Addendum

**PARTICIPATION AGREEMENT TO
IMPLEMENT A COORDINATED
TRANSIT SYSTEM AT SOUTH LAKE TAHOE**

Dated: May 1, 1998

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**PARTICIPATION AGREEMENT TO
IMPLEMENT A COORDINATED
TRANSIT SYSTEM AT SOUTH LAKE TAHOE**

HEAVENLY VALLEY, a limited partnership, dba HEAVENLY SKI RESORT (HSR), HARVEY'S TAHOE MANAGEMENT COMPANY, INC., LAKE TAHOE (HARVEY'S), HARRAH'S HOTEL CASINO, LAKE TAHOE (HARRAH'S), HORIZON HOTEL AND CASINO (HORIZON), LAKESIDE INN AND CASINO (LAKESIDE) (the Private Parties), THE CITY OF SOUTH LAKE TAHOE (CSLT), EL DORADO COUNTY, THE TAHOE TRANSPORTATION DISTRICT, and the TAHOE REGIONAL PLANNING AGENCY (TRPA) (the Public Parties), (the public and private parties are collectively referred to as the Parties) hereby agree effective as of May 1, 1998, as follows:

RECITALS

A. On October 1, 1995, certain parties executed that certain Memorandum of Understanding Creating a Public/Private Agreement to Mitigate Traffic and Air Quality Impacts by implementing certain elements of the Tahoe Regional Planning Agency Short-Range Transportation Program (CTS-MOU); and

B. The implementation thereof is based upon the public/private cooperative implementation of a fixed route and demand driven transit system described in that CTS-MOU as a Coordinated Transit System (CTS); and

C. The CTS-MOU describes a separate Participation Agreement to be entered into by and between the parties operating private demand driven transit systems, and those operating significant public transportation systems.

D. The private transit providers include HSR, HARVEY'S, HARRAH'S, HORIZON and LAKESIDE. (HARVEY'S, HARRAH'S, HORIZON and LAKESIDE are sometimes referred to as the "Participating Casinos".)

E. The public transit providers and local jurisdictions identified in the CTS-MOU include the CSLT, DOUGLAS COUNTY, and EL DORADO COUNTY.

F. On December 18, 1996, HSR, Harvey's, Harrah's, Lakeside, CSLT, Douglas County, El Dorado County, Area Transit Management, and TRPA executed that certain Memorandum of Understanding by and between Phase I Stakeholders Concerning Implementation of certain elements of the Tahoe Regional Planning Agency Short-Range

Transportation Program.

G. It is the intention of the Parties to create a voluntary public/private partnership to accomplish the cooperative implementation of an enhanced and coordinated public and private transit system on the South Shore in order to assist in the achievement and maintenance of TRPA's environmental thresholds, including without limitation, the air quality thresholds for vehicle miles traveled (VMT) and traffic volume reductions, in conjunction with certain proposed and pending projects and plans.

H. The Tahoe Regional Planning Compact (Compact), Article V, requires TRPA to adopt a regional plan, with a transportation element, which reduces dependency on the private automobile.

I. TRPA adopted a Regional Transportation Plan (RTP) in 1992, that was reaffirmed in 1994, which is designed to meet the mandates of the Compact, and the applicable air quality standards and thresholds. The TRPA air quality and transportation thresholds and the RTP are designed to reduce the VMT in the Region and to reduce traffic volumes on U.S. Highway 50, thereby reducing traffic congestion and improving traffic conditions.

J. The Tahoe Transportation District (TTD) is a Special Purpose District created by Article IX of the Compact. The TTD has broad and exclusive jurisdiction to coordinate and operate a regional transit system within the Lake Tahoe Basin and is qualified and eligible to apply for and receive state and federal grants.

K. TRPA has adopted several plans and approved project permits which incorporate elements of the RTP and which seek to further implement the transit provisions of the RTP, including the Short-Range Transit Program (SRTP).

L. Specifically, TRPA considers implementation of the RTP and the SRTP to be crucial to the achievement of TRPA's air quality and transportation goals, especially those relating to VMT and traffic volume reductions, and cooperative efforts between the Parties is an effective way to maximize the resources of the Region.

M. Various environmental and planning documents have studied the potential impacts of further development within the South Shore, including but not limited to:

1. The May, 1989, South Lake Tahoe Redevelopment Demonstration Plan and accompanying certified EIR/EIS;

2. The 1989 EIR/EIS certified for Redevelopment Project No. 1;
3. The 1995 certified EIR/EIS for the South Tahoe Public Utility District sewer connection facilities plan;
4. The 1996 certified supplement to the EIR/EIS for Redevelopment Project No. 1 (the Ski Run component);
5. The 1996 certified EIR/EIS for the Heavenly Ski Resort Master Plan;
6. The 1996 certified EIR/EIS for the Park Avenue project;
7. The 1997 draft EIR/EIS for Redevelopment Project No. 3.

N. Additional studies and plans have been specifically prepared in connection with the implementation of an enhanced and coordinated public and private transit system on the South Shore and are attached hereto and incorporated herein as the following exhibits:

- | | |
|-----------|--|
| Exhibit 1 | The Draft Final Report: South Shore Transit Coordination/Expansion Study, March 22, 1995 |
| Exhibit 2 | The final draft South Shore CTS Implementation Plan, September 14, 1995 |
| Exhibit 3 | Coordinated Transit System Stakeholder Analysis, Final Report, December 30, 1996 |
| Exhibit 4 | Final CTS Operating Plan
March 23, 1998 |

O. Additional exhibits are attached hereto and made a part hereof and have been prepared to facilitate implementation of this Agreement. The additional exhibits are:

- | | |
|-----------|--|
| Exhibit 5 | CTS Vehicle Parameters |
| Exhibit 6 | Coordinated Transit System Air Quality Mitigation Credit Program |
| Exhibit 7 | CTS-MCO Organizational Chart |

- Exhibit 8 CSLT Capital Asset Contributions
(CSLT Inventory List)

- Exhibit 9 Douglas County Capital Asset Contributions

- Exhibit 10 El Dorado County Capital Asset Contributions

- Exhibit 11 Tahoe Transportation District Capital Asset
Contributions

- Exhibit 12 HSR Vehicle Inventory

P. The Parties agree that implementation of a transit program is desirable to address localized traffic impacts and that the joint and cooperative implementation of the CTS in the South Shore area is consistent with the Compact's goal of reducing dependency on the private automobile and is consistent with the RTP and SRTP.

Q. The Parties acknowledge the implementation of the CTS will be a foundation for the evaluation, design and implementation of a fixed guideway system in accordance with Proposition 116, Cal. Public Utilities Code, §§ 9960, et seq. (Prop. 116). This Agreement does not make the Parties responsible for the implementation and financing of a fixed guideway system.

R. The Parties intend by this Agreement to create a public/private partnership to implement the CTS and the Public Parties acknowledge that the implementation thereof satisfies an agreed upon package of air quality and traffic mitigation for the South Tahoe Public Utility District Future Sewer Connections Facilities Plan, modification of the previously permitted Ski Run component of Redevelopment Project No. 1; Heavenly Ski Resort's Master Plan; and the Park Avenue project sited at the intersection of U.S. Highway 50 and Park Avenue.

S. The goals of the CTS are:

1. Provision of a unified transit system for both visitors and residents on the South Shore;

2. Implementation of a predominately market/demand driven, rather than schedule driven, transit system;

3. Creation and maintenance of a transit system that treats all passengers

as guests;

4. Creation of a passenger interactive transit system that stands for, and promotes, the convenience of its passengers/guests;
5. Achievement of significant VMT reductions and reduced traffic volumes on U.S. Highway 50 consistent with the TRPA air quality thresholds; and
6. Identification of other sources of funding and contributions beyond those required hereunder by each of the Parties to fund the long term operating and capital costs of the CTS.

T. This Agreement evidences a substantial commitment by the Public and Private Parties to implement a unified transit system within the CTS service area to achieve the significant reductions in VMT and traffic volumes on U.S. Highway 50 mandated by Article V of the Compact and TRPA's air quality and transportation thresholds. The success of this unified transit system depends on broad-based participation and support, together with a governmental regulatory structure which will assure fair and efficient public transit service consistent with the environmental protection mandates of the Tahoe Regional Planning Compact. The power of TRPA to adopt a transportation plan for the region under Article V(c)(2) of the Compact and the power of the TTD to own and operate a public transportation system to the exclusion of all other publicly owned transportation systems in the region authorizes these agencies working jointly to exercise regulatory authority as required to meet the terms of this Agreement and the Compact. For the term of this Agreement, TRPA and TTD shall exercise their governmental powers to promote public and private participation within the CTS service areas.

U. In further recognition of the cooperative commitment, the TRPA Governing Board hereby agrees that the Participating Casinos, El Dorado County and Douglas County shall be awarded TRPA Air Quality Mitigation Credits (AQMC) which may be immediately utilized by a Participating Casino, El Dorado County and Douglas County or banked for future use or transfer, as more fully set forth in Sections 7.0 to 7.2 hereof. HSR and the CSLT are not eligible to receive AQMC since their participation in the CTS system is in satisfaction of pre-existing permit obligations.

V. To implement and operate the CTS, the TTD shall contract with the CTS-MCO. CTS-MCO shall be the manager of the CTS. Pursuant to CTS-MCO's contract with the TTD, CTS-MCO shall contract with a transit provider(s)/dispatcher(s) to provide the transit services described in the CTS Operating Plan, Exhibit "4" hereof.

W. The foregoing recitals acknowledge certain regulatory goals and objectives pertaining to, among other things, Prop. 116, a Fixed Guideway System, the possible imposition of parking fees on existing properties sited within the CTS service area, as well as the general provisions of the CTS-MOU. The parties herein reserve their right to support, contest, and/or remain neutral with respect to the foregoing except to the extent a party is a signatory to the CTS-MOU and agreed otherwise.

NOW, THEREFORE, IT IS AGREED:

1.0 Definitions.

1.1 Air Quality Mitigation Credits (AQMC): Air Quality Mitigation Credits means offsets against TRPA's air quality mitigation fee assessed to mitigate quality impacts pursuant to Section 93.3D of the TRPA Code of Ordinances.

1.2 Compact: The Tahoe Regional Planning Compact, as amended and set forth in California Government Code Section 66801, Nevada Revised Statutes Chapter 277.200, are public law 96-551, 94STAT.3233 (December 19, 1980).

1.3 Coordinated Transit System: A public/private cooperative transit system incorporating fixed route and demand driven transit systems.

1.4 Coordinated Transit System Management Company (CTS-MCO): A not for profit Nevada corporation formed to transact the business of implementing, operating and managing the CTS system.

1.5 CTS Ground Operations: The date the CTS-MCO provides transit services for public ridership.

1.6 CTS-MOU: Coordinated Transit System Memorandum of Understanding Creating a Public/Private Agreement to Mitigate Traffic and Air Quality Impact dated October 1, 1995.

1.7 Initial Term: The two year period commencing upon the CTS-MCO's implementation of public transit.

1.8 Participating Casinos: Harvey's, Harrah's, Horizon and Lakeside.

1.9 Private Transit Providers: Heavenly Ski Resort (HSR); Harvey's Tahoe Management Company, Inc. (Harvey's); Harrah's Hotel Casino (Harrah's); Horizon Hotel

and Casino (Horizon); and Lakeside Inn and Casino (Lakeside).

1.10 Public Parties: City of South Lake Tahoe (CSLT), El Dorado County, The Tahoe Transportation District, and the Tahoe Regional Planning Agency (TRPA).

1.11 Public Transit Providers: City of South Lake Tahoe (CSLT); Douglas County and El Dorado County.

1.12 TRPA Regional Transportation Plan (RTP): A transportation plan adopted by TRPA in 1992, affirmed in 1994, designed to satisfy the requirements of the Compact and the applicable air quality standards and thresholds.

1.13 TRPA Short Range Transit Program (SRTP): The short range transit program adopted by TRPA, incorporating elements of TRPA's RTP, designed to implement the transit elements of the RTP.

1.14 Tahoe Transportation District (TTD): A special purpose district created pursuant to Article IX of the Compact empowered to exercise exclusive jurisdiction to coordinate and operate a regional transit system within the Lake Tahoe Basin.

1.15 Vehicle Miles Traveled (VMT): The total miles traveled by a motorized vehicle, or a number of motorized vehicles, within a specific area or over a specified period of time.

2.0 Term. The term of this Agreement shall be five (5) years from the commencement of the CTS ground operations and shall thereafter renew for successive one-year terms unless a Party or Parties provide notice of their intent to terminate not less than 120 days prior to expiration of the initial five-year term or any successive one-year term. For the purposes of this Agreement, "the commencement of the CTS ground operations" shall mean the commencement of centrally dispatched demand response/flex route transit services by the parties to this Agreement.

2.1 Early Withdrawal The provisions of Section 2.0 notwithstanding, a Party may withdraw from this Agreement after two (2) years from the commencement of CTS ground operations in accordance with Section 13.0 hereof.

3.0 Entity Formation. A not-for-profit Nevada corporation shall be formed to transact the business of the Parties. Articles of Incorporation and Bylaws shall be adopted and approved with the unanimous consent of the Board of Directors. This entity shall transact business as the CTS Management Company (CTS-MCO). The CTS-MCO shall be

an entity separate and apart from the parties to this Agreement.

3.1 Designated Representative. Each Party shall designate at least one (1), but not more than two (2), individuals authorized to transact business on its behalf. Each party appointing a member to the Board of Directors shall designate one alternate member to the Board of Directors authorized to transact business in place and instead of the appointed Board member. The Parties acknowledge that material decisions may require approval of a Parties' Board of Directors, or ownership prior to its authorized representative taking action.

4.0 CTS Start Up Capital. To facilitate the acquisition of the necessary interactive technology, the construction of transit kiosks and additional rolling stock required to implement the CTS System, TRPA has been awarded grant funding in the approximate sum of \$1,250,000.00 from the U.S. Environmental Protection Agency. In addition, TRPA has applied for an additional grant from the Federal Transportation Agency in the sum of \$1,256,505.00 appropriated to further fund initial CTS capital requirements. The CTS contributions to TRPA from HSR, the Park Avenue Project, Embassy Vacation Resorts, and the South Tahoe Public Utility District totaling approximately \$1,124,153.00 shall also be utilized for CTS start up costs. As subsequent CTS project specific contributions are made to TRPA, including but not limited to the on-going STPUD contributions, all such funds shall be utilized to fund the CTS System less any fund administration fees.

5.0 Contributions to CTS-MCO. The Parties shall contribute the capital and vehicles identified in Sections 5.1, 5.2, 5.3, 5.4 and 5.9 and/or operating capital set forth in Section 5.9.

5.1 Initial Contribution of Casino Vehicles. Casinos participating in the CTS System shall contribute seven (7) vehicles (or equivalent avoided lease cost) to the CTS-MCO during the first two (2) years of operations as follows:

Harvey's	3 vans
Harrah's	3 vans
Lakeside	<u>1 van</u>
	7 vans

For each one year of use, the contributing party shall receive a credit of \$13,000.00 per vehicle contributed, pursuant to Table L of Exhibit 4, increased annually by the CPI as more fully described in Section 5.5 below. Horizon shall contribute the sum of \$13,000.00 per year during the first two years, year two subject to the CPI as set forth above. The contribution by Horizon shall be utilized to lease an additional van for casino service,

resulting in a total of eight (8) vans dedicated to casino service. The decision to sell or lease vehicles to the CTS-MCO shall be at the option of the party making the contribution.

5.2 Additional Casino Vehicle Requirements. A minimum of twelve (12) vehicles are required to provide the levels of service and to meet the casino ridership demand as set forth in Tables A, E and F of Exhibit "4" during the first two years of operation. In addition to the eight (8) vehicles described in Section 5.1 above, CTS federal grants and local mitigation funds shall be used to purchase no less than five (5) new vehicles allocated to CTS casino service.

5.3 Initial Casino Vehicle Replacement Reserve. During the initial two years of this Agreement, in addition to the requirements set forth in Section 5.1, each Participating Casino shall contribute its prorata share (based on "first drop" subscriptions pursuant to Section 6.0, *infra*) toward the replacement reserve for the seven (7) publicly funded vehicles. The replacement reserve contribution is \$2,600.00 per vehicle per year adjusted by the CPI pursuant to Section 5.5. Although Horizon has elected to contribute \$13,000.00 annually during the initial two (2) years in lieu of a vehicle, Horizon shall also contribute its prorata share of the above-described replacement reserve.

5.4 Ongoing Casino Vehicle Replacement Contribution. Upon the second anniversary of CTS operations, the Participating Casinos' obligation to contribute or fund the eight (8) vehicles set forth in Section 5.1 shall expire, so long as sufficient state and federal grants are secured. If sufficient state and federal grants are not obtained, the Participating Casinos must unanimously agree to continue to contribute in accordance with Section 5.3 above, or alternatively, the Participating Casinos must unanimously agree to modify service and reduce their contributions accordingly. Thereafter, each Participating Casino shall contribute its prorata share (based on "first drop" subscriptions) toward the "local match" replacement reserve for vehicles (initially 12) allocated to casino service as determined annually by the CTS-MCO Board of Directors. This contribution is \$2,600.00 per vehicle per year, adjusted by the CPI pursuant to Section 5.6, throughout the term of this Agreement.

5.5 Vehicle Replacement Reserve. After the second anniversary of CTS ground operations, vehicle replacement reserves to the extent available (except the local match required by Section 5.4 above) shall be funded through a combination of operating revenues, state and federal grants and/or matching funds for public transportation, the ongoing casino vehicle replacement reserve required under Section 5.3 and/or capital contributions from new projects. The Parties shall not be obligated to make any contribution for additional replacement reserves during the term of this Agreement absent the unanimous vote of the contributing members.

5.6 CPI Adjustment for Vehicle Replacement and Reserves. Annual calculations pertaining to vehicle values, vehicle replacement reserves and/or "in lieu of vehicle" contributions shall be adjusted upon the first anniversary of this Agreement in an amount equal to the annual cost of living increase reflected in the U.S. Department of Labor Statistics Consumer Price Index for All Urban Consumers, S.F. - Oakland, California (all items), 1967=100, or in the absence thereof, a reasonable substitute for such index. Such escalation shall be according to a formula providing for the multiplication of the last year's change by a fraction, of which the numerator is the most recently published index, and the denominator the index for the month exactly twelve (12) months prior to the numerator index. Annual capital contributions for subsequent years shall be determined in accordance with Section 12.3 hereof. The CSLT and El Dorado County contributions are contingent upon TRPA annual allocation of California State Transportation Development Act funds.

5.7 Existing Rolling Stock Owned by Private Parties. Each Party may sell or lease transit vehicles it owns to the CTS-MCO for use in the CTS for the sum of One Dollar (\$1.00) for each vehicle sold or One Dollar (\$1.00) per year for each vehicle leased during the initial two year term of this Agreement.

5.7.1 Acceptance of Existing Private Rolling Stock. In accordance with Section 8.5.1.6, a "Vehicle Evaluation Subcommittee" (VEC), utilizing the criteria attached hereto as Exhibit 5, shall evaluate all private rolling stock offered for contribution. The VEC shall determine whether, and upon what conditions, CTS-MCO shall accept existing rolling stock for inclusion in the CTS-MCO fleet. Any party offering rolling stock that has been rejected by the VEC may appeal the VEC's decision to the CTS-MCO Board and the CTS-MCO Board's determination shall be final.

5.7.2 Vehicle Inspections. The VEC may require a third-party inspection of any vehicle offered for sale or lease. Reasonable inspection costs shall be paid for by the party offering the vehicle.

5.7.2.1 Rolling stock accepted for use in the CTS-MCO fleet shall be for an initial minimum term of two (2) years.

5.7.2.2 Existing rolling stock accepted for use shall be maintained at the sole cost and expense of the CTS-MCO or its contractor. The CTS-MCO or its contractor shall ensure that all scheduled and reasonable maintenance shall be performed for each vehicle accepted for use.

5.7.3 Return of Private Contributed Rolling Stock. No rolling stock shall be returned until the term use has expired or this Agreement terminates. If the CTS-MCO

desires to purchase a contributed vehicle, ninety (90) days prior to expiration of the initial term, the CTS-MCO shall give notice to the owner of its interest and the owner shall advise the CTS-MCO within fifteen (15) days if said vehicle is for sale. Terms of sale shall be negotiated and the VEC shall inspect and accept or reject the vehicle within fifteen (15) days.

5.7.3.1 In the event a contributed vehicle is returned after the initial term, the party contributing the vehicle shall acknowledge expiration of the lease term, if leased, or repurchase the vehicle for \$1.00, if previously sold to the CTS-MCO.

5.7.3.2 In the event a contributed vehicle is not accepted for use after the initial term, the party contributing the vehicle may authorize the CTS-MCO to trade in the vehicle in exchange for a credit equal to the trade-in value obtained. The trade-in value obtained shall be offset against the contributing party's obligation to contribute ongoing replacement reserve capital for subsequent operating years.

5.7.3.3 All automatic vehicle location equipment, communications equipment, and other equipment purchased by the CTS-MCO and installed on contributed vehicles shall be removed from contributed vehicles at CTS-MCO expense prior to return or trade-in. The CTS-MCO shall, at its cost and expense, repair any damage to vehicles resulting from the installation or removal of required equipment.

5.7.4 Upgrade of Vehicles. In the event the CTS-MCO Board of Directors determines it is within the CTS-MCO's best interest to replace a contributed vehicle during the initial term, the party that contributed the vehicle(s) may elect to receive a credit equal to the trade-in value of the vehicle, to the extent the trade-in value exceeds \$13,000.00 (as adjusted in accordance with the CPI described in Section 5.6 above). Any trade-in surplus shall be credited during the year of the transaction against the parties' annual operating funding obligation described in Section 5.10 below. Alternatively, the party that contributed the vehicle(s) may repurchase the vehicle for \$1.00 and furnish a replacement or, if leased to CTS-MCO, terminate the lease in exchange for payment to CTS-MCO equal to \$13,000.00, prorated over the unexpired term of use.

5.8 HSR Rolling Stock (First Two Years). For the first two years of CTS ground operations, HSR shall furnish all vehicles necessary to maintain CTS skier service to HSR locations. Initially, HSR shall retain title to its rolling stock along with the financial responsibility for the provision of the vehicles necessary to provide the CTS service prescribed in Exhibit 4. HSR rolling stock shall display the "Heavenly" logo in the style and dimensions as determined by HSR. HSR vehicles utilized during non-ski operations shall also display CTS-MCO identification in a form and dimension agreed upon between HSR and the CTS-MCO. Nothing herein shall be construed as imposing any additional mitigation

requirements upon HSR in connection with the implementation of its Master Plan, in excess of previously imposed permit conditions and conditions of approval.

5.8.1 HSR Rolling Stock (After Year Two). Upon the second anniversary of CTS ground operations, the vehicles required for skier transport to HSR locations served by CTS shall be funded through a combination of state and federal grants and/or matching funds for public transportation, and an ongoing HSR vehicle replacement reserve as defined under Section 5.8.2 and/or capital contributions from new projects. Title to replacement rolling stock shall be vested in CTS-MCO or the TTD. Replacement HSR rolling stock shall be available for year-round operations and general public service and shall meet the vehicle standard requirements as determined by the CTS-MCO Board from time to time. HSR replacement rolling stock shall bear the CTS paint scheme and standard vehicle identity, consistent with other CTS rolling stock, provided, that during periods of use for skier transport, the replacement rolling stock shall display the "Heavenly" logo in the style and dimensions as determined by HSR and the CTS-MCO. In the event insufficient grant/matching/operating/reserve funds are obtained, HSR shall make up the shortfall in either capital or vehicles necessary to achieve the HSR level of service requirements.

5.8.2 Ongoing HSR Vehicle Replacement Reserve. In addition to the vehicle requirements set forth in Section 5.8 above, HSR shall contribute its prorata share (based on rolling stock requirements for HSR service) of the 20% local match requirement for publicly funded vehicle replacement. The determination to replace HSR service vehicles shall be mutually agreed upon between HSR and CTS-MCO, based upon the need to maintain adequate, efficient, properly functioning and mechanically sound rolling stock in service, at all times. HSR shall deposit the required local match upon confirmation that grant funding for HSR service vehicles has been secured.

5.9 Initial Contribution of Publicly Owned Rolling Stock, Buildings and Other Capital Assets. Each public entity party shall lease or otherwise convey to CTS-MCO or TTD as appropriate for the term of this Agreement the publicly owned rolling stock, transit centers, maintenance buildings and facilities, and other capital assets presently used for transit purposes by the public entity. All such capital assets shall be accepted by CTS-MCO in the condition which they exist as of the date of transfer (damage and excessive physical deficiencies excepted). An asset inspection shall be conducted by the parties in order to document condition exceptions. The public entity shall enter into supplementary agreements or leases with CTS-MCO and/or TTD setting forth the specific terms under which such asset transfers shall occur, the requirements as to the type and amount of insurance coverage to be provided for each such asset and its operation, the standards to which the capital assets are to be maintained and the condition in which the assets will be returned upon termination of this Agreement. CTS-MCO and/or TTD shall assume the financial responsibilities, if

any, of the public entity party if such capital equipment is being acquired by means of a lease purchase agreement or similar financing device in consideration of receipt of the relevant funding source from the public entity party.

5.9.1 Replacement of Publicly Owned Vehicles and Capital Assets. All publicly owned vehicles and other capital assets leased or otherwise conveyed to CTS-MCO and/or TTD as above set forth shall be replaced, if at all, by the contributing public entity party during the term of this Agreement in accordance with its normal and customary practices for such replacement. Specifically, and without limitation, the contributions of the CSLT and TTD to vehicle and other capital asset replacement shall be made exclusively from monies provided by operating revenues, mitigation fees, state, federal and regional governmental entities for transit purposes. No other contribution shall be required by the CSLT or TTD under any circumstance. The CSLT will retain its current 2.5% franchise fee paid by Area Transit Management, as well as any current or future use fees paid by non-CTS public or private transit providers for use of CSLT transit facilities. CTS-MCO compensation for use of CSLT facilities shall be \$25,000 per annum and shall be deducted from local transportation funds received by the CSLT each year. The foregoing deduction has been offset from the CSLT contribution outlined in Section 5.10 below.

5.9.2 Transit Grant Funding. All public entity parties shall pass through to CTS-MCO any and all grant monies received for public transit purposes less any reasonable grant administration fees. The CTS-MCO capital reserve set forth in this Agreement shall be available to the public entity parties for use as matching funds for any such grants and to cover the administrative costs of application for such grants if not covered by the grant(s). Each public entity shall be entitled to the use of such capital reserve funds only to the extent of its share of such contributions.

5.9.3 Additional Grant Funding. During the life of the CTS, the TTD, or any successor authority or agency, and all public parties hereto, shall timely apply for applicable state and federal grants, subsidies, and other sources of funding to assist in the acquisition of replacement and additional rolling stock, computer hardware and software, automatic vehicle locators, telecommunications equipment, transit kiosks, bus stop facilities, furniture, fixtures, and other equipment required for the implementation and operation of the CTS system, as well as any funds, if available for operational costs.

5.9.4 No Public Entity General Fund Contribution. Contribution to funding of system operations by the public entity parties shall also be limited to operating revenues received, mitigation fees, and monies provided by other governmental entities for transit purposes. No general fund contributions shall be required by this Agreement for purposes of system operation. The CSLT shall retain a portion of transit operating funds for transit planning in the sum of \$33,000 per annum. The CSLT contribution set forth in Section 5.10 below is net of the \$33,000 per annum allocated to transit planning.

5.10 Contribution of Annual Operating Funds. The parties listed below shall contribute annual operating funding to the CTS-MCO as set forth in the budget at Page 18 of Exhibit 4. During the initial two years, each party shall contribute operating funding as follows:

<u>Party:</u>	<u>Operating Funding:</u>	<u>Vehicles:</u>
Heavenly	350,000	(See Exhibit 12)
Harvey's	246,740*	3
Harrah's	246,740*	3
Horizon	18,760*	(\$13,000 in lieu of payment)
Lakeside	18,760*	1
El Dorado County	142,100	(See Exhibit 10)
Douglas County	232,500	(See Exhibit 9)**
CSLT	367,500***	(See Exhibit 8)
	1,623,100	
	(plus \$13,000 in lieu)	
Grand total:	1,636,100	

* These sums include the respective parties' annual replacement reserve for the seven (7) publicly funded vehicles to be acquired as more fully set forth in Section 5.2.

** Minimum contribution of two (2) trolleys at date of Agreement.

*** Net after deduction of CSLT facility use fee and transit administration costs.

The parties acknowledge the foregoing sums are preliminary estimates based on Exhibit "4" and shall be subject to revision pursuant to Sections 12.2 and 12.3 hereof. Operating funds shall be contributed quarterly, in advance. Annual calculations pertaining to vehicle values, vehicle replacement reserves and/or "in lieu of vehicle" contributions shall be adjusted upon the first anniversary of this Agreement in an amount equal to the CPI as set forth in Section 5.6 above. Such escalation shall be according to a formula providing for the multiplication of the last year's change by a fraction, of which the numerator is the most recently published index, and the denominator the index for the month exactly twelve (12) months prior to the numerator index. Annual capital contributions for subsequent years shall be determined in accordance with Section 12.3 hereof. The CSLT and El Dorado County contributions are contingent upon the TRPA annual allocation of California State Transportation Development Act funds.

5.11 Operating Shortfall. If insufficient operating revenues, grant funding or new project contributions occurs, the CTS-MCO Board of Directors shall reduce the levels of service provided unless the Parties mutually agree to make additional contributions in order to maintain the existing level of service.

6.0 Participating Casinos "First Drop" Subscription. Unless otherwise unanimously agreed to by Harvey's, Harrah's, Horizon and Lakeside and subject to Section 6.1 below, the Casino drop-off shares during the first two years of this Agreement shall be as follows: Harvey's and Harrah's, 45% each; Horizon and Lakeside, 5% each. Harvey's, Harrah's, Horizon and Lakeside shall be referred to as "Participating Casinos". For the purposes of this Agreement, Casino drop-off shares shall be referred to as "first drops". All CTS transit vehicles delivering passengers to the Casinos shall rotate the first drop-off point at each Participating Casino to assure each Participating Casino the subscribed to percentage of first drops is achieved. First drops shall be monitored in accordance with Page 14 of Exhibit 4.

6.1 First Drop Annual Budget. 120 days prior to the initial CTS operating year, the Board of Directors shall identify the annual operating budget required for first drop service (first drop annual budget), and the allocation to each Participating Casino based on subscribed shares. 90 days prior to the second anniversary of implementation of the CTS, each Casino property shall be entitled to re-subscribe for the share of first drops previously subscribed and paid for. Nothing herein shall require a Participating Casino to subscribe for the full amount previously subscribed and paid for, provided, however, the minimum percentage of a first drop share that may be purchased is five percent (5%).

6.2 Fares. Passenger trips originating at a lodging property terminating at a Participating Casino and passenger trips originating at a Participating Casino and terminating at a lodging property shall be subject to the reduced fare of 50¢ for each one-way trip. The parties shall continue to review casino area fare structures and if the Participating Casinos and CTS-MCO Board agree to increase casino area fares, additional fare box revenue resulting therefrom shall be credited against the Casino Operating Funding contributions set forth in Section 5.10 hereof. All other passenger fares shall be in accordance with the Table C of Exhibit 4. The foregoing fares shall be adjusted, from time to time, in accordance with Section 8.5 hereof.

6.3 Subsequent Casino Participation. Non-Participating Casinos have declined to participate in this Agreement and have not subscribed to a first drop share. Vehicles dedicated to Casino service shall not provide service to Non-Participating Casinos. Non-Participating Casinos shall receive service from non-Casino service vehicles operating within the CTS System and Non-Participating Casino guests shall pay the Table C of Exhibit 4 fares for that service. In the event a Non-Participating Casino subsequently elects to participate in this Agreement and subscribe to a first drop share, a Non-Participating Casino may do so subject to the following terms and conditions:

- (a) the percentage of first drops available for subscription shall be

determined by the Participating Casinos in their sole and absolute discretion;

(b) the Non-Participating Casino(s) cost to subscribe for a share of the first drops shall be equal to the subscribed to percentage, pro-rated, plus twenty percent (20%);

(c) the Non-Participating Casino(s) shall not receive any Air Quality Mitigation Credits earned by the Participating Casinos under Section 7.1 hereof.

(d) such other terms and conditions as the Participating Casinos deem reasonable.

6.4 Unallocated Shares.

(a) If after the first two years any Casino does not acquire all or at least 5% of their Allocated Share, all unsubscribed shares may be purchased by the Casinos participating in the CTS first drop program in proportion to their existing subscription. In the event a Participating Casino declines to purchase their pro-rata share of first drops, the remaining Participating Casinos may purchase all remaining unsubscribed shares, pro-rata.

(b) If after two years a Participating Casino elects not to purchase an Allocated Share and all shares are thereafter subscribed for that operational year, any Casino that does not purchase at least five percent (5%) of an allocated share shall not participate in the first drop program for that year.

7.0 Air Quality Mitigation Credits. In recognition of the Participating Casinos', El Dorado County and Douglas County's cooperative commitment to contribute capital and/or rolling stock to implement CTS, TRPA shall award each of the foregoing parties Air Quality Mitigation Credits (AQMC) as defined in Chapter 93 of the TRPA Code of Ordinances. The initial AQMC's shall be in an amount equal to each of these initial participants' projected share of vehicle trip reduction forecast for the first five years of the CTS operation. As more fully set forth in Exhibit 6, if during the initial five years, additional vehicle trip reductions occur, the parties shall receive commensurate AQMC's. The initial AQMC's shall be deemed earned upon: (1) the commencement of CTS ground operations; and (2) each of these participants initial contribution pursuant to Section 5.0 hereof. If CTS ground operations continue beyond the initial five-year term, TRPA may extend the credit program.

7.1 Banking of Mitigation Credits. The Participating Casinos, El Dorado County and Douglas County shall be entitled to the use of AQMC's awarded in accordance with Section 7.0 above, or each of these initial participants may bank their AQMC's for use in any future project(s) it may sponsor or may bank the AQMC's for future use or transfer to other parties for their use or transfer. The AQMC's shall be awarded to each of the initial participants in accordance with Exhibit 6 hereof.

7.2 Reimbursement of AQMC's Upon Early Termination. In the event a Participating Casino, El Dorado County or Douglas County elects to terminate participation in the CTS-MCO prior to the fifth anniversary of the commencement of CTS ground operations, the terminating party shall forfeit all unused AQMC's and to the extent utilized, pay to TRPA its prorata share of Air Quality Mitigation Fees pursuant to Chapter 93 of the TRPA Code of Ordinances, due for the unexpired portion of the initial five-year term.

8.0 CTS-MCO Management. The Parties identified in Section 8.3 below shall each appoint a member to the Board of Directors . The Board of Directors shall manage the affairs of the Company. The CTS-MCO Management shall be organized as set forth in Exhibit 7.

8.1 Board of Directors. Each Party to this Agreement shall designate a representative to the Board of Directors. In addition, one Board seat shall be allocated to a representative of Douglas County. Five (5) Board members shall be private party members and the remaining Board members shall be public party Board members. Board member affiliation shall be as set forth in Section 8.3 below. Members of the Board of Directors shall serve without compensation.

8.2 Voting Shares. Each Party shall be entitled to one (1) equal vote. Unless provided otherwise in this Agreement, Members may vote to amend or modify the provisions of this Agreement upon a 2/3's vote, except the composition and number of Board members. The composition and number of Board members may only be altered upon the unanimous vote of the members. Any proposal to amend or modify a provision of this Agreement shall be preceded by no less than fifteen (15) days written notice to the Members.

8.3 Composition of Board of Directors. The Board of Directors shall be composed of a representative from each of the following Parties:

- | | | | |
|----|------------|----|-------------------|
| 1. | HSR | 6. | CSLT |
| 2. | Harvey's | 7. | TRPA (non-voting) |
| 3. | Harrah's | 8. | TTD |
| 4. | Lakeside ~ | 9. | El Dorado County |
| 5. | Horizon | | |

In addition, a representative of Douglas County, as selected by the Douglas County Board of Commissioners, shall serve on the Board of Directors.

8.4 Quorum. A quorum of the Board of Directors shall consist of five (5) voting members, a majority of whom shall be authorized to transact business on behalf of the Company.

8.5 Powers of CTS-MCO. The CTS-MCO is authorized to do, in its own name, all acts necessary for the exercise of such common power for such purposes, including, but not limited to, the following: negotiate and contract with the TTD; submit its recommendation to the TTD for annual operating budgets consistent with its contract with the TTD; make recommendations concerning transit fares for the consideration of the TTD consistent with existing regulatory approvals; approve annual operating budgets consistent with the TTD contract and budget; approve transit fares consistent with existing regulatory approvals; to make and enter into contracts and leases, employ agencies and employees, to acquire, develop, maintain and operate the facilities of the CTS Transit System; to hold or dispose of property, to incur debt, liabilities or obligations and have the power to sue or be sued in its own name. Such powers shall be exercised in accordance with and in furtherance of the purpose of this Agreement. Nevertheless, expenditure of all grant funds is subject to grant conditions and limitations. Notwithstanding the generality of the foregoing, the CTS-MCO shall have no power to bind any of the parties to any monetary obligation whatsoever, unless expressly authorized by the individual party.

8.5.1 Committees and Subcommittees. The Board of Directors shall appoint the following standing committees and subcommittees: (a) Operations Committee; (b) Casino Transit Performance Standards Subcommittee; (c) Ski Transit Performance Standards Subcommittee; (d) Public Transit Performance Standards Subcommittee; (e) Special Needs Subcommittee; (f) Vehicle Evaluation Subcommittee; (g) Marketing Subcommittee; and (h) Advertising Committee. The Board of Directors may appoint such other committees and subcommittees as it deems appropriate. Each party to this Agreement shall be a member of at least one committee or subcommittee, as set forth in Sections 8.5.1.1 through 8.5.1.4 below.

8.5.1.1 Operations Committee. The Operations Committee shall be composed of one (1) member each from the Casino Performance Committee, Ski Performance Committee and Public Performance Committee. Two (2) subcommittee members shall constitute a quorum. The Executive Director shall chair the Operations Committee but shall not vote. The subcommittees set forth in Sections 8.5.1.2 through 8.5.1.6 below shall report to the Operations Committee, except as set forth in Section 8.5.1.6 below.

8.5.1.2 Casino Transit Performance Subcommittee. The Casino Transit Performance Subcommittee shall be composed of one (1) member each from each Participating Casino. Three (3) committee members shall constitute a quorum. This committee shall designate one member to serve as a member of the Operations Committee.

8.5.1.3 Ski Transit Performance Subcommittee. The Ski Transit Performance Subcommittee shall be composed of one (1) member from HSR executing this Agreement. This subcommittee shall designate one member to serve as a member of the Operations Committee.

8.5.1.4 Public Transit Performance Subcommittee. Each public party executing this Agreement shall designate one (1) representative to serve as a member of the Public Transit Performance Subcommittee. Three (3) subcommittee members shall constitute a quorum. This subcommittee shall designate one representative to serve as a member of the Operations Committee.

8.5.1.5 Special Needs Subcommittee. The Special Needs Subcommittee shall be composed of one member each from El Dorado County, CSLT, Douglas County, Tahoe Area Coordinating Counsel for the Disabled, Seniors, Inc., ALTA Sierra and the Casino Performance Committee. Four (4) subcommittee members shall constitute a quorum. The Executive Director shall chair this subcommittee and is not entitled to vote.

8.5.1.6 Vehicle Evaluation Subcommittee. The VEC shall be composed of one (1) representatives from Harvey's, one (1) representative from Harrah's, one (1) member of HSR Subcommittee, one (1) member of the Public Transit Performance Subcommittee, and one (1) representative of the CTS Operating Contractor. Three (3) subcommittee members shall constitute a quorum. The Executive Director shall chair the Operations Committee but shall not vote. A determination not to accept a vehicle for inclusion in the CTS vehicle fleet may be appealed directly to the Board of Directors.

8.5.1.7 Marketing Subcommittee. The Marketing Subcommittee shall be composed of one (1) member each from CSLT, HSR, Horizon, Harvey's, Harrah's Lakeside, South Shore Transit Management Association, and the Operating Contractor. Four (4) subcommittee members shall constitute a quorum. The Executive Director shall chair the subcommittee and is not entitled to vote.

8.5.1.8 Advertising Committee. The Advertising Committee shall be composed of three (3) members from Participating Casinos, one member from HSR and one member from the CSLT. Three committee members shall constitute a quorum. The

Advertising Committee shall report directly to the Board. The Executive Director shall chair the committee but shall not be entitled to vote.

8.6 Executive Director. The Executive Director shall oversee the day-to-day operation of the CTS; report to the Board of Directors; identify potential funding sources and assist in the application for grant funds; solicit and make recommendations for proposals for consideration by the Board of Directors including but not limited to the selection of an Operating Contractor for the CTS. The Executive Director shall be the Board of Director's liaison to the TTD and shall chair the Operations Committee and Special Needs Subcommittee.

9.0 Performance Standards. The CTS shall provide replacement transit service for the Participating Casinos (Casino Transit), ski and sightseer service for HSR (Ski Transit), and public transit for the CSLT, Douglas County and El Dorado County (Public Transit). All of the transit services shall be subject to the general performance standards set forth in Section 9.1 below and each of the transit specific services enumerated above shall be subject to the transit specific levels of service set forth below. The CTS-MCO shall maintain and allow access to records sufficient to satisfy all state and federal reporting requirements necessary to qualify for the utilization of public subsidies.

9.1 General Performance Standards. At all times while providing transit services, all CTS employees and CTS contractors and their employees having contact with the public, including but not limited to, dispatchers and bus drivers, shall wear CTS uniforms approved by the CTS-MCO. In addition, all CTS employees and CTS contractors and their employees shall comply with CTS grooming standards as adopted or revised from time to time and shall participate in all required training. Finally, all CTS employees, CTS contractors and their employees having contact with the public shall interact with the public in a courteous and responsive manner.

9.2 Casino Transit Level of Service Standards. Casino Transit shall meet the minimum performance standards set forth at Pages 3 and 4 of Exhibit 4.

9.3 Ski Transit Level of Service Standards. Ski Transit shall meet the minimum performance standards set for at Pages 7 and 8 of Exhibit 4.

9.4 Public Transit Level of Service Standards. Public Transit shall meet the minimum performance standards set forth at Pages 3, 4, and 7 of Exhibit 4.

10.0 Non-Competition. To attract and build ridership, the Parties agree that while a member of the CTS-MCO neither they, nor any entity related nor affiliated with them, shall

provide transit services within the CTS operating area that will compete with the transit services provided by the CTS. The Parties acknowledge that competition with the CTS service will undermine the success of the CTS. The TRPA and the TTD shall encourage transit services within the CTS operating area to participate in CTS. The obligation to refrain from competition shall terminate upon a party's withdrawal from the CTS-MCO.

10.1 Permitted Transit Activities. The prohibition of competition set forth in Section 10.0 above, shall not prevent a Party from owning and/or operating transit vehicles that provide non-competitive transit services, including but not limited to airport pick-up and delivery for charters, free shuttle service to timeshare properties outside of the CTS service area, and transportation for in-house groups to and from restaurants, golf courses, and special events.

11.0 Implementation. The CTS-MCO shall own or lease the rolling stock and computer hardware and software, as well as other assets necessary for the CTS operation and shall be the operator of the system under the provisions of Article IX of the Tahoe Regional Planning Compact. The TTD and CTS-MCO shall enter into a contract which authorizes the CTS-MCO to provide services necessary to the operation of the CTS system. TTD and TRPA shall, for the term of this Agreement, jointly exercise the authority granted them by Articles V and IX of the Compact to encourage transit providers operating within the CTS operating area to participate in CTS.

12.0 Accounts and Reports. The CTS-MCO shall establish and maintain such funds and accounts as may be required by good accounting practice. The books and records of the CTS-MCO shall be open to inspection at all reasonable times by representatives of the parties and/or appropriate federal agencies. The CTS-MCO, within 180 days after the close of each fiscal year, shall give a complete written report of all financial activities for such fiscal year to the parties.

12.1 Financing - Fiscal Year. For the purposes of this Agreement, the term "fiscal year" shall mean the fiscal year as established from time to time by the parties.

12.2 Initial Operating Capital. At the time of submitting its first proposed annual budget and proposed capital improvement program to the parties hereto, the Board shall also submit an estimate of such initial operating capital and cash flow needs as may be required to sustain CTS-MCO operations, pending receipt of any revenues.

12.3 Annual Financial Support. 90 days prior to the second anniversary of the fiscal year, and each fiscal year thereafter, any party shall have the right to request a change in their level of service for the next fiscal year and shall submit such request to the Board in

writing. At the time of preparing the annual proposed operating budget and proposed capital expenditure budget, the Board shall determine the amount of financial support required by the parties for the ensuing fiscal year. The support required for the annual operating budget shall be apportioned among the parties hereto in accordance with Exhibit 4. The support required for the capital budget shall be apportioned among the parties hereto by the Board after consideration of:

- A. Funds available from federal grants and other sources;
- B. Requirements for capital expenditure for replacement and general system use; and
- C. Special capital costs required for equipment and facilities to provide additional or increased service within any area or service element operated by the CTS-MCO.

A proposed budget shall be submitted to each party to this Agreement for their consideration and comment prior to adoption of the final annual budget. Following the adoption of the final annual budget, the Board shall inform the parties of the Board's determination of financial support required for the fiscal year and the computation of the parties' proportional share pursuant to Exhibit 4.

13.0 Early Withdrawal. Upon the second anniversary of the commencement of CTS Ground Operations, any party to this Agreement, except Horizon, may elect to terminate participation in the CTS-MCO so long as the levels of service identified in Sections 9.1 through 9.4 are not met as to that withdrawing party for the first two years of operation, and so long as the withdrawal procedure set forth in Section 13.1(a) and (b) has been satisfied. Horizon may elect to terminate participation after two (2) years upon 120 days prior written notice, without further obligation.

13.1 Withdrawal. After the 5th anniversary of the commencement of CTS ground operations, any Party to this Agreement may elect to terminate participation in the CTS-MCO upon 120 days written notice prior to the expiration of the then existing fiscal term.

(a) The withdrawing party shall provide written notice of its intention to terminate at least one hundred twenty (120) days prior to the effective date of termination. The notice of intention to terminate shall also specify the alternative service, if any, the party seeking to terminate proposes to operate.

(b) Additionally, within thirty (30) days of such notice, the withdrawing

party shall meet and confer in good faith with the Board of Directors or with a subcommittee appointed by the Board of Directors. Each party to the meet and confer process agrees to use their best efforts to resolve the dispute in a manner that results in the continued participation in the CTS-MCO by the party seeking early termination. The meet and confer process shall conclude no later than sixty (60) days subsequent to the withdrawing party's written notice of intention to terminate.

(c) The early termination procedure described above shall only apply if a party desires to terminate its participation to the Agreement prior to the expiration of the five (5) year term of the Agreement set forth in Section 2.0 and is not available until the second anniversary of the commencement of CTS-MCO Ground Operations.

14.0 Operating Contractor. The parties hereby acknowledge that Area Transit Management, Inc. (ATM), has entered into a contract with CSLT, El Dorado County, and Douglas County to provide public transit services within their jurisdictions. ATM's contract with CSLT expires on September 30, 2003. ATM is also the transit provider for HSR and El Dorado County. ATM's contract with HSR expires September 28, 1998, and ATM's contract with El Dorado County expires June 30, 1998. The above-described contracts shall be referred to as "the existing contracts". The parties hereto acknowledge the existing contracts and hereby covenant and agree that CTS-MCO shall not interfere with nor induce a party to breach existing contracts with ATM. It is the intention of the parties to negotiate either an amendment to the existing contracts to designate ATM as the Operating Contractor for CTS-MCO up through and including September 30, 2003 or negotiate a superseding contract with ATM. CTS-MCO shall negotiate with ATM in good faith. In the event the parties and ATM are unable to enter into a mutually acceptable amendment or superseding contract, the CTS-MCO shall solicit competitive bids to provide those transit and dispatch services required for the implementation and operation of the CTS Transit System that are not provided under the existing contracts with ATM. If the existing contracts are not amended or superseded, the successful bidder shall be required to utilize its best efforts to work cooperatively with ATM.

15.0 Insurance.

15.1 The CTS-MCO Operating Contractor shall be required to obtain the following insurance policies prior to the commencement of operations, and shall name the CTS-MCO and its members as additional insureds:

15.1.1 Public liability in the minimum amount of five Million Dollars (\$5,000,000) for all transit vehicles.

15.1.2 Fire and Casualty Insurance on all transit stations, terminals, and kiosks and the contents thereof equal to the full value of all real and personal property which Operating Contractor is entitled to utilize under the terms of the Operating Agreement.

15.1.3 Collision and Comprehensive Insurance on all transit vehicles for their full replacement value.

15.1.4 Worker's Compensation Insurance for all of its employees.

15.2 The CTS-MCO shall require the Operating Contractor to provide the CTS-MCO with a Certificate of Insurance evidencing such coverage, and further providing that such insurance may not be canceled or allowed to lapse for non-renewal without thirty (30) days written notice to the CTS-MCO by certified mail.

15.3 The CTS-MCO shall require the Operating Contractor to provide insurance, both as to the amount and type of policies subject to the approval of the insurance brokers or risk managers of CSLT, Douglas County and El Dorado County, and shall further require said insurance to be in compliance with Section 2-56.1 of the CSLT Code. Any deductible on any policy shall be the responsibility of the Operating Contractor.

16.0 Hold Harmless.

16.1 Prior to the award of the CTS-MCO operating contract, CTS-MCO shall require the Operating Contractor to hold the CTS-MCO, and its members, boards, officers, agents, and employees, harmless from any liability for damage or claims for damage for personal injury, including death, as well as claims for property damage which may arise from the Operating Contractor's or any subcontractor's operations, whether such operations be by the Operating Contractor or any person acting as an agent or employee of the Operating Contractor, or any one or more persons directly or indirectly employed by, or acting as agent for, the Operating Contractor or any subcontractor or subcontractors. The Operating Contractor shall be required to hold the CTS-MCO, its members, boards, officers, agents and employees harmless from any suits or actions at law or in equity for damages caused, or alleged to have been caused, by reason of any of the aforesaid operations and shall be required to provide worker's compensation and public liability and property damage insurance in such amounts and on such terms as the CTS-MCO deems reasonable.

16.2 No policies of insurance carried by the Operating Contractor shall be subject to cancellation except after notice to the CTS-MCO Executive Director, the TTD, and the CSLT City Attorney, El Dorado County Counsel, Douglas County District Attorney, by certified mail at least 30 days prior to the date of cancellation.

16.3 The Operating Contractor shall agree to defend the CTS-MCO, its elective and appointed officers and employees, from any suits or actions in law or equity which are caused or are alleged to have been caused by reasons of the Operating Contractor's operations, including the payment of all reasonable costs and attorney's fee incurred in such defense.

16.4 Notwithstanding and in addition to the insurance coverage provided above, CTS-MCO agrees to hold harmless, indemnify and defend the member entities, their officers, and employees from any liability arising from their entry into this Agreement and the performance or failure to perform any term or condition hereof by CTS-MCO, including the payment of reasonable costs of defense and attorney's fees. This indemnity shall not extend to the intentional torts or gross negligence of any individual member entity or its officers or employees.

17.0 Winding Up. If this Agreement is terminated, all property and equipment shall be distributed to the private parties; distribution to each private party shall be made in the same proportion as that reflected in the private parties' accumulated capital contribution accounts as shown in the Auditor's books of accounts. The property and equipment of the public entity parties shall be returned to them on the terms set forth in the Agreement provided for in Sections 17.1 and 17.2. A list of the present capital assets being contributed by the CSLT, Douglas County, El Dorado County and TTD are attached hereto as Exhibits 8, 9, 10 and 11 and, absent agreement to the contrary between CTS-MCO and/or TTD and the public transit providers those assets shall be returned to the public transit providers at the conclusion of the agreement in the same condition which they were provided, normal wear and tear, documented deficiencies, and depreciation excepted. Although Douglas County is not a signatory to this Agreement, its assets shall be returned in accordance with this Agreement. All other property and equipment leased to the CTS-MCO by a party shall be returned to the party leasing the property or equipment to the CTS-MCO. Cash may be accepted in lieu of property or equipment. Prior to winding up the affairs of the CTS-MCO, CTS-MCO shall secure public liability "tail coverage" to insure the Members against any and all claims that may have arisen prior to the cessation of service, with limits in the minimum sum as set forth in Section 15.1.1 above.

17.1 Disputed Value. If the parties cannot agree to the valuation of the property or to the manner of its distribution, the distribution or valuation shall be made by a panel of three (3) referees. One referee shall be selected and appointed by the public parties' and one referee shall be selected and appointed by the private parties, and the two referees shall appoint a neutral third referee.

17.2 Final Distribution. This Agreement shall not terminate until all property has been distributed in accordance with this provision, and the winding up of property hereunder shall be effected in the manner calculated to cause the least disruption of existing public transportation service.

18.0 Admission of New Non-Casino Members. New public and private members may be admitted on such terms and conditions as the CTS-MCO Board of Directors deems reasonable. The CTS-MCO Board of Directors shall work cooperatively with TRPA to encourage new membership.

19.0 Parties Liability: Each party to this Agreement, whether individually or collectively, does not assume, nor shall a party be deemed to assume, liability for:

A. Any act or omission of CTS-MCO, the TTD, or the Operating Contractor, or for any act of CTS-MCO's, the TTD's, or Operating Contractor's agents or employees.

B. The payment of wages, benefits, workman's compensation, indemnity, or other compensation to officers, or agents or employees of the CTS-MCO or the TTD or the Operating Contractor.

C. Any act or omission of any other party or any act or omission of another party's agents or employees.

20.0 Notices. All notices required hereunder shall be given in writing to the following addresses or such other addresses as the parties may designate by written notice:

To the Private Parties:

Heavenly Ski Resort
P.O. Box 2180
Stateline, NV 89449
Attn: Dennis Harmon
Fax No: 702/586-7056

Harvey's Tahoe Management Company, Inc.
P.O. Box 128
Stateline, NV 89449
Attn: Sue Ewald
Fax No: 702/588-0601

Harrah's Hotel Casino, Lake Tahoe
P.O. Box 8
Stateline, NV 89449
Attn: General Manager
Fax No: 702/586-6606

Horizon Hotel and Casino
P.O. Box C
Stateline, NV 89449
Attn: Al Zajic
Fax No: 702/588-3110

Lakeside Inn and Casino
P.O. Box 5640
Stateline, NV 89449
Attn: Lon Rusk
Fax No: 702/588-4092

To the CSLT: City of South Lake Tahoe:
1052 Tata Lane
South Lake Tahoe, CA 96150
Attn: Sue Schlerf
Fax No: 530/542-4054

To Douglas County: Douglas County
P.O. Box 218
Minden, NV 89423
Attn: Dan Holler, County Manager
Fax No: 702/782-6255

To El Dorado County: El Dorado County Dept. of Transportation
2850 Fair Lane Court
Placerville, CA 95607
Attn: Randy Pesses, Deputy Director of Planning and Systems
Fax No: 530/626-0387

To the TTD: Tahoe Transportation District
Attn: Executive Director
P.O. Box 10630
Zephyr Cove, NV 89448
Fax No.: 702/588-8295

To the TRPA:

Tahoe Regional Planning Agency
P.O. Box 1038
308 Dorla Court
Zephyr Cove, NV 89448-1038
Attn: Executive Director
Fax No: 702/588-4527

Notice shall be deemed received as follows: depending upon the method of transmittal: by facsimile, as of the date and time sent; by messenger, as of the date delivered; and by U.S. mail, certified, upon receipt requested, as of 72 hours after deposit in the U.S. mail.

21.0 General Provisions.

21.1. Authority to Enter Into Agreement. The parties have all requisite power and authority to conduct their business and to execute and deliver and to perform all of their obligations under this Agreement. Each party warrants that the individuals who have signed this Agreement have the legal power, right and authority to enter into this Agreement so as to bind each respective party to perform the conditions contemplated herein.

21.2 El Dorado County Representative. El Dorado County's representative authorized to administrate this Agreement is Randy Pesses, Deputy Director of Planning and Systems.

21.3 Successor and Assigns. All the terms, covenants and conditions hereof shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the Parties hereto.

21.4 Waiver. No waiver of any default shall constitute a waiver of any other breach or default, whether of the same or any other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by other parties shall give the other any contractual right by custom, estoppel, or otherwise. No waiver shall be binding unless executed in writing by the party making the waiver.

21.5 Counterparts. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one in the same instrument.

21.6 Entire Agreement. This Agreement constitutes the entire agreement between the Parties pertaining to this Agreement and it supersedes all prior and contemporaneous

agreements, representations, and understandings of the parties. No supplement, modification, or amendment to this Agreement shall be binding unless executed in writing by all of the parties. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

21.7 Partial Invalidity. If any provision in this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

21.8 Legal Representation. Each party warrants and represents it has been represented by the counsel of its choice in the negotiation and review of this Agreement. Each party acknowledges that Lewis S. Feldman of Feldman, Shaw & DeVore (collectively Feldman) has drafted this Agreement in consultation with the parties and their counsel. The parties agree no presumption shall arise from the drafting of this Agreement since each party, by and through its counsel, has had the opportunity to make changes and revisions herein. Each party hereby acknowledges that Feldman has not acted as its counsel in the drafting of this Agreement and further acknowledges that an attorney-client relationship has not arisen between Feldman and any party to this Agreement by reason of Feldman's drafting of this Agreement.

21.9 Arbitration of Disputes. If any claim or dispute arises under this Agreement, then such dispute shall be resolved by binding neutral arbitration in accordance with the rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The parties reserve their right to appeal from a judgment entered in accordance with the foregoing.


21.10 Applicable Law. This Agreement shall in all respects be governed by the laws of the State of Nevada as in effect at the time of this Agreement. Jurisdiction and venue shall be in Douglas County, Nevada.

21.11 Assignment. This Agreement shall not be assigned by any Party.

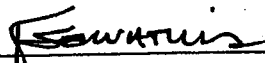
IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as set forth, effective the day and year first above written.

HEAVENLY VALLEY, LIMITED
PARTNERSHIP, a Nevada Limited Partnership,

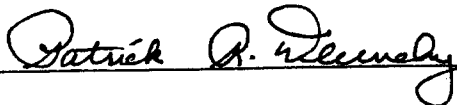
By: HEAVENLY CORPORATION, a
Delaware Corporation, General Partner

By: 
Dennis J. Harmon
Vice President and Managing Director

HARVEY'S TAHOE MANAGEMENT
COMPANY, INC.

By: 

HARRAH'S OPERATING COMPANY,
INC., DBA HARRAH'S HOTEL CASINO
LAKE TAHOE,

By: 

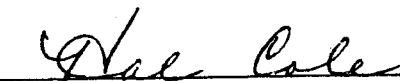
HORIZON HOTEL AND CASINO

By: 

LAKESIDE INN AND CASINO

By: 

THE CITY OF SOUTH LAKE TAHOE,

By: 

EL DORADO COUNTY,

By: John E Upton

THE TAHOE TRANSPORTATION
DISTRICT,

By: Kevin Cole

TAHOE REGIONAL PLANNING AGENCY,

By: James W. Budge

**FIRST ADDENDUM TO PARTICIPATION
AGREEMENT TO IMPLEMENT A
COORDINATED TRANSIT SYSTEM
AT SOUTH LAKE TAHOE**

Dated: February 15, 1999

**FIRST ADDENDUM TO PARTICIPATION AGREEMENT
TO IMPLEMENT A COORDINATED TRANSIT SYSTEM
AT SOUTH LAKE TAHOE**

THIS FIRST ADDENDUM TO PARTICIPATION AGREEMENT TO IMPLEMENT A COORDINATED TRANSIT SYSTEM AT SOUTH LAKE TAHOE ("Addendum") constitutes part of the Participation Agreement to Implement a Coordinated Transit System at South Lake Tahoe dated as of May 1, 1998, between HEAVENLY VALLEY, a limited partnership, dba HEAVENLY SKI RESORT ("HSR"), HARVEYS TAHOE MANAGEMENT COMPANY, INC., LAKE TAHOE ("HARVEYS"), HARRAH'S HOTEL CASINO, LAKE TAHOE ("HARRAH'S"), HORIZON HOTEL AND CASINO ("HORIZON"), LAKESIDE INN AND CASINO ("LAKESIDE") ("the Private Parties"), THE CITY OF SOUTH LAKE TAHOE ("CSLT"), EL DORADO COUNTY, THE TAHOE TRANSPORTATION DISTRICT, and the TAHOE REGIONAL PLANNING AGENCY ("TRPA") (the "Participation Agreement"). This Addendum, dated as of February 15, 1999, is entered by and between the parties to the Participation Agreement and DESERT PALACE, INC., dba CAESARS TAHOE ("CAESARS").

RECITALS

A. The terms of this Addendum are incorporated into the Participation Agreement for all purposes.

B. Unless modified by this Addendum, each term of the Participation Agreement remains unamended and in full force.

C. The purpose of this Addendum is to amend the Participation Agreement to add Caesars as a Private Party and Private Transit Provider and a Participating Casino pursuant to the terms of the Participation Agreement and this Addendum.

NOW, THEREFORE, it is agreed:

1. Section D of the Recitals is amended to add CAESARS as a Private Transit Provider and a Participating Casino.
2. Sections N and O of the Recitals are amended to delete Exhibits 4, 6 and 7 which are superseded by Exhibits 4.1, 6.1 and 7.1, attached hereto and incorporated herein by reference.
3. Section 1.8 is amended to add CAESARS as a Participating Casino.
4. Section 1.9 is amended to add CAESARS as a Private Transit Provider.

5. Section 5.1 is hereby replaced in its entirety with the following:

“5.1 Initial Contribution of Casino Vehicles. Except as set forth in Section 5.3, *infra*, Casinos participating in the CTS System shall contribute ten (10) vehicles to the CTS-MCO during the first two (2) years of operations as follows:

Harveys	3 vans
Harrah's	3 vans
Caesars	3 vans
Lakeside	<u>1 van</u>
	10 vans

For each one year of use, the contributing party shall receive a credit of \$13,000.00 per vehicle contributed, pursuant to Table L of Exhibit 4.1, attached to the Addendum, increased annually by the CPI as more fully described in Section 5.5 hereof. Horizon shall contribute the sum of \$13,000.00 per year during the first two years, year two subject to the CPI as set forth above. The contribution by Horizon shall be utilized to lease an additional van for casino service, resulting in a total of eleven (11) vans dedicated to casino service. The decision to sell or lease vehicles to the CTS-MCO shall be at the option of the party making the contribution.”

6. Section 5.2 is hereby replaced in its entirety by the following:

“5.2 Additional Casino Vehicle Requirements. A minimum of sixteen (16) vehicles are required to provide the levels of service and to meet the casino ridership demand as set forth in Tables A, E and F of Exhibit “4.1” during the first two years of operation. In addition to the eleven (11) vehicles described in Section 5.1 above, CTS federal grants and local mitigation funds shall be used to purchase no less than five (5) new vehicles allocated to CTS casino service.”

7. Section 5.3 is hereby replaced in its entirety by the following:

“5.3 Initial Casino Vehicle Replacement Reserve. During the initial two years of this Agreement, in addition to the requirements set forth in Section 5.1, each Participating Casino shall contribute its prorata share (based on “first drop” subscriptions pursuant to Section 6.0, *infra*) toward the replacement reserve for the five (5) publicly funded vehicles. The replacement reserve contribution is \$2,600.00 per vehicle per year adjusted by the CPI pursuant to Section 5.5. Although Horizon has elected to contribute \$13,000.00 annually during the initial two (2) years in lieu of a vehicle, Horizon shall also contribute its prorata share of the above-described replacement reserve.”

8. The first sentence and second to last sentence of Section 5.4 are hereby replaced in its entirety by the following:

"5.4 Ongoing Casino Vehicle Replacement Contribution. Upon the second anniversary of CTS operations, the Participating Casinos' obligation to contribute or fund the eleven (11) vehicles set forth in Section 5.1 shall expire, so long as sufficient state and federal grants are secured. . . . Thereafter, each Participating Casino shall contribute its prorata share (based on "first drop" subscriptions) toward the "local match" replacement reserve for vehicles (initially 16) allocated to casino service as determined annually by the CTS-MCO Board of Directors. . . ."

Except as set forth above, Section 5.4 remains in full force.

9. The Operating Funding Chart in Section 5.10 is hereby replaced in its entirety by the following:

<u>Party:</u>	<u>Operating Funding:</u>	<u>Vehicles:</u>
Heavenly	350,000	(See Exhibit 12)
Harveys	215,340 *	3
Harrah's	215,340 *	3
Caesars	215,340 *	3
Horizon	29,390 *	(\$13,000 in lieu of payment)
Lakeside	29,390 *	1
El Dorado County	142,100	1
Douglas County	232,500	(See Exhibit 9)**
CSLT	<u>367,500***</u>	(See Exhibit 8)
	1,796,900	
	(plus \$13,000 in lieu)	
Grand total:	1,809,900	

* These sums include the respective parties' annual replacement reserve for the ten (10) publicly funded vehicles acquired as more fully set forth in Section 5.2.

** Minimum contribution of two (2) trolleys.

*** Net after deduction of CSLT facility use fee and transit administration costs.

Except as set forth above, Section 5.10 remains in full force.

10. The first two sentences of Section 6.0 are hereby replaced in their entirety by the following:

"6.0 Participating Casinos "First Drop" Subscription. Unless otherwise unanimously agreed to by Harveys, Harrah's, Caesars, Horizon and Lakeside and subject to Section 6.1 below, the Casino drop-off shares during the first two years of this Agreement shall be as follows: Harveys, Harrah's and Caesars, 30% each; Horizon and Lakeside, 5% each. Harveys, Harrah's, Caesars, Horizon and Lakeside shall be referred to as "Participating Casinos".

Except as set forth above, Section 6.0 remains in full force.

- 11. The provisions of Section 6.3 are hereby waived as to Caesars.
- 12. Section 8.1 is hereby replaced in its entirety by the following:

"8.1 Board of Directors. Each Party to this Agreement shall designate a representative to the Board of Directors. In addition, one Board seat shall be allocated to a representative of Douglas County. Five (5) Board members shall be private party members (with Lakeside and Horizon alternating as Board members in alternate years), and the remaining Board members shall be public party Board members. Board member affiliation shall be as set forth in Section 8.3 below. Members of the Board of Directors shall serve without compensation."

- 13. Section 8.3 is hereby amended as follows:

"8.3 Composition of Board of Directors. The Board of Directors shall be composed of a representative from each of the following Parties:

- | | |
|---------------------|----------------------|
| 1. HSR | 5. CSLT |
| 2. Harveys | 6. TRPA (non-voting) |
| 3. Harrah's | 7. TTD |
| 4. Lakeside/Horizon | 8. El Dorado County |
| | 9. Caesars |

In addition, a representative of Douglas County, as selected by the Douglas County Board of Commissioners, shall also serve on the Board of Directors for a total of nine (9) voting Board Members.

- 14. Section 8.4 is hereby replaced in its entirety by the following:

"8.4 Quorum. A quorum of the Board of Directors shall consist of six (6) voting members, a majority of whom shall be authorized to transact business on behalf of the Company."

15. The last sentence of Section 8.5.1.1 is amended as follows:

“ . . . The subcommittees set forth in Sections 8.5.1.2 through 8.5.1.6 below shall report to the Operations Committee, except as set forth in Section 8.5.1.6 below.

16. Section 8.5.1.6 is amended as follows:

“Vehicle Evaluation Subcommittee. The VEC shall be composed of one (1) representative from Harvey’s, one (1) representative from Harrah’s, one (1) representative from Caesars, one (1) member of HSR Subcommittee, one (1) member of the Public Transit Performance Subcommittee, and one (1) representative of the CTS Operating Contractor. Four (4) subcommittee members shall constitute a quorum. The Executive Director shall chair the Operations Committee but shall not vote. A determination not to accept a vehicle for inclusion in the CTS vehicle fleet may be appealed directly to the Board of Directors.”

17. Section 8.5.1.7 is amended as follows:

“Marketing Subcommittee. The Marketing Subcommittee shall be composed of one (1) member each from CSLT, HSR, Horizon, Harveys, Harrah’s, Caesars, Lakeside, South Shore Transit Management Association, and the Operating Contractor. Five(5) subcommittee members shall constitute a quorum. The Executive Director shall chair the subcommittee and is not entitled to vote.”

18. Section 8.5.1.8 is amended as follows:

Advertising Committee. The Advertising Committee shall be composed of four (4) members from Participating Casinos, one member from HSR and one member from the CSLT. Four committee members shall constitute a quorum. The Advertising Committee shall report directly to the Board. The Executive Director shall chair the committee but shall not be entitled to vote.

19. Section 8.6 is amended as follows:

Executive Director. The Executive Director shall oversee the day-to-day operation of the CTS; report to the Board of Directors; identify potential funding sources and assist in the application for grant funds; solicit and make recommendations for proposals for consideration by the Board of Directors including but not limited to the selection of an Operating Contractor for the CTS. The Executive Director shall be the Board of Director’s liaison to the TTD and shall chair the aforementioned committees as specified.

20. Section 13.0 is hereby amended to add the following:

"Notwithstanding any language herein to the contrary, at any time following the second anniversary of the commencement of CTS Ground Operations, Caesars may, at its option, terminate its participation in this Agreement upon one hundred twenty (120) days prior written notice, without further obligation."

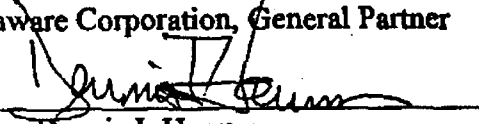
21. Section 20.0 is hereby amended to add the following:

Caesars Tahoe
P.O. Box 5800
Stateline, NV 89449
Attn: Mel Thomas
Fax: (702) 586-2062

IN WITNESS WHEREOF, the Parties hereto have executed this Addendum as set forth, effective the day and year first above written.

HEAVENLY VALLEY, LIMITED
PARTNERSHIP, a Nevada Limited Partnership,

By: HEAVENLY CORPORATION, a
Delaware Corporation, General Partner

By: 
Dennis J. Harmon
Vice President and Managing Director

HARVEYS TAHOE MANAGEMENT
COMPANY, INC.

By: _____

HARRAH'S HOTEL CASINO, LAKE TAHOE,

By: _____

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P.O. Box 5800
Stateline, NV 89449
Attn: Mel Thomas
Fax: (702) 586-2062


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PARTNERSHIP, a Nevada Limited Partnership,

By: HEAVENLY CORPORATION, a
Delaware Corporation, General Partner

By: _____
Dennis J. Harmon
Vice President and Managing Director

HARVEYS TAHOE MANAGEMENT
COMPANY, INC.

By: 

HARRAH'S HOTEL CASINO, LAKE TAHOE,

By: _____

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HEAVENLY VALLEY, LIMITED
PARTNERSHIP, a Nevada Limited Partnership,

By: HEAVENLY CORPORATION, a
Delaware Corporation, General Partner

By: _____
Dennis J. Harmon
Vice President and Managing Director

HARVEYS TAHOE MANAGEMENT
COMPANY, INC.

By: _____

HARRAH'S HOTEL CASINO, LAKE TAHOE,

By: *Patrick Kennedy*

DESERT PALACE, INC., a Nevada corporation,
dba CAESARS TAHOE,

By: Mel Thomas

HORIZON HOTEL AND CASINO

By: _____

LAKESIDE INN AND CASINO

By: _____

THE CITY OF SOUTH LAKE TAHOE,

By: _____

EL DORADO COUNTY,

By: _____

THE TAHOE TRANSPORTATION
DISTRICT,

By: _____

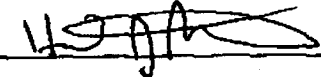
TAHOE REGIONAL PLANNING AGENCY,

By: _____

DESERT PALACE, INC., a Nevada corporation,
dba CAESARS TAHOE,

By: _____

HORIZON HOTEL AND CASINO

By: 

LAKESIDE INN AND CASINO

By: _____

THE CITY OF SOUTH LAKE TAHOE,

By: _____

EL DORADO COUNTY,

By: _____

THE TAHOE TRANSPORTATION
DISTRICT,

By: _____

TAHOE REGIONAL PLANNING AGENCY,

By: _____

DESERT PALACE, INC., a Nevada corporation,
dba CAESARS TAHOE,

By: _____

HORIZON HOTEL AND CASINO

By: _____

LAKESIDE INN AND CASINO

By: *[Signature]* GM
5/11/99

THE CITY OF SOUTH LAKE TAHOE,

By: _____

EL DORADO COUNTY,

By: _____

THE TAHOE TRANSPORTATION
DISTRICT,

By: _____

TAHOE REGIONAL PLANNING AGENCY,

By: _____

000

DESERT PALACE, INC., a Nevada corporation,
dba CAESARS TAHOE,

By: _____

HORIZON HOTEL AND CASINO

By: _____

LAKESIDE INN AND CASINO

By: _____

THE CITY OF SOUTH LAKE TAHOE,

By: Judy Brown

EL DORADO COUNTY,

By: _____

THE TAHOE TRANSPORTATION
DISTRICT,

By: _____

TAHOE REGIONAL PLANNING AGENCY,

By: _____

DESERT PALACE, INC., a Nevada corporation,
dba CAESARS TAHOE,

By: _____

HORIZON HOTEL AND CASINO

By: _____

LAKESIDE INN AND CASINO

By: _____

THE CITY OF SOUTH LAKE TAHOE,

By: _____

ATTEST: DIXIE L. FOOTE, Clerk
of the Board of Supervisors

By: Margaret B. Moody
DEPUTY 4/27/99

EL DORADO COUNTY,

By: [Signature] 4/27/99
L. MARK NIELSEN

THE TAHOE TRANSPORTATION
DISTRICT,

By: _____

TAHOE REGIONAL PLANNING AGENCY,

By: _____

DESERT PALACE, INC., a Nevada corporation,
dba CAESARS TAHOE,

By: _____

HORIZON HOTEL AND CASINO

By: _____

LAKESIDE INN AND CASINO

By: _____

THE CITY OF SOUTH LAKE TAHOE,

By: _____

EL DORADO COUNTY,

By: _____

THE TAHOE TRANSPORTATION
DISTRICT,

By: Ron McIntyre

TAHOE REGIONAL PLANNING AGENCY,

By: _____

DESERT PALACE, INC., a Nevada corporation,
dba CAESARS TAHOE,

By: _____

HORIZON HOTEL AND CASINO

By: _____

LAKESIDE INN AND CASINO

By: _____

THE CITY OF SOUTH LAKE TAHOE,

By: _____

EL DORADO COUNTY,

By: _____

THE TAHOE TRANSPORTATION
DISTRICT,

By: _____

TAHOE REGIONAL PLANNING AGENCY,

By: *James W. Baetz*

EXHIBIT 4.1

CTS Operating Plan

Updated Final

Leigh, Scott & Cleary, Inc.
January 6, 1999

This plan for the Coordinated Transit System (CTS) builds upon the decisionmaking process to date, and reflects the results of meetings conducted with the individual organizations participating in the program. It serves as the basis for the formal Participation Agreement signed by the various organizations.

Section 1: Demand Response Service Operating Plan

CTS services are planned to be provided using both fixed and flex routes (for concentrated transit needs and passengers not requiring door-to-door services), and demand-response services. This section describes the operating parameters for the demand-response component.

Service Area

The CTS will provide service throughout the area shown in Figure A. Services criteria is defined in five zones:

- ▶ **Zone 1** encompasses the portion of the City of South Lake Tahoe to the northeast of Trout Creek and the portion of unincorporated Douglas County south of Burke Creek and west of Terrace View Drive (lower Kingsbury). This area will be provided with the highest level of year-round service.
- ▶ **Zone 2** encompasses the remainder of the City of South Lake Tahoe. This area will be provided with year-round service, 24-hour a day service, at a reduced standard reflecting the longer travel times required.
- ▶ **Zone 3** encompasses the remainder of unincorporated Douglas County east of Daggett Pass (including developed area on top of the pass) and south of (and including) Skyland. Year-round service will be provided, but no service will be provided during the early morning period.
- ▶ **Zone 4** encompasses the Tahoe Basin portion of unincorporated El Dorado County, to the south of the City of South Lake Tahoe and east of the base of Echo Summit Grade, including Meyers and Christmas Valley. This area will be provided with year-round service, at a reduced service level; passengers may be required to transfer to complete their trip.
- ▶ **Zone 5** encompasses the Camp Richardson area of unincorporated El Dorado County, north of Fallen Leaf Lake and east of Taylor Creek. Service to this area will be provided 24 hours a day during the summer, with a reduced service level during other seasons.

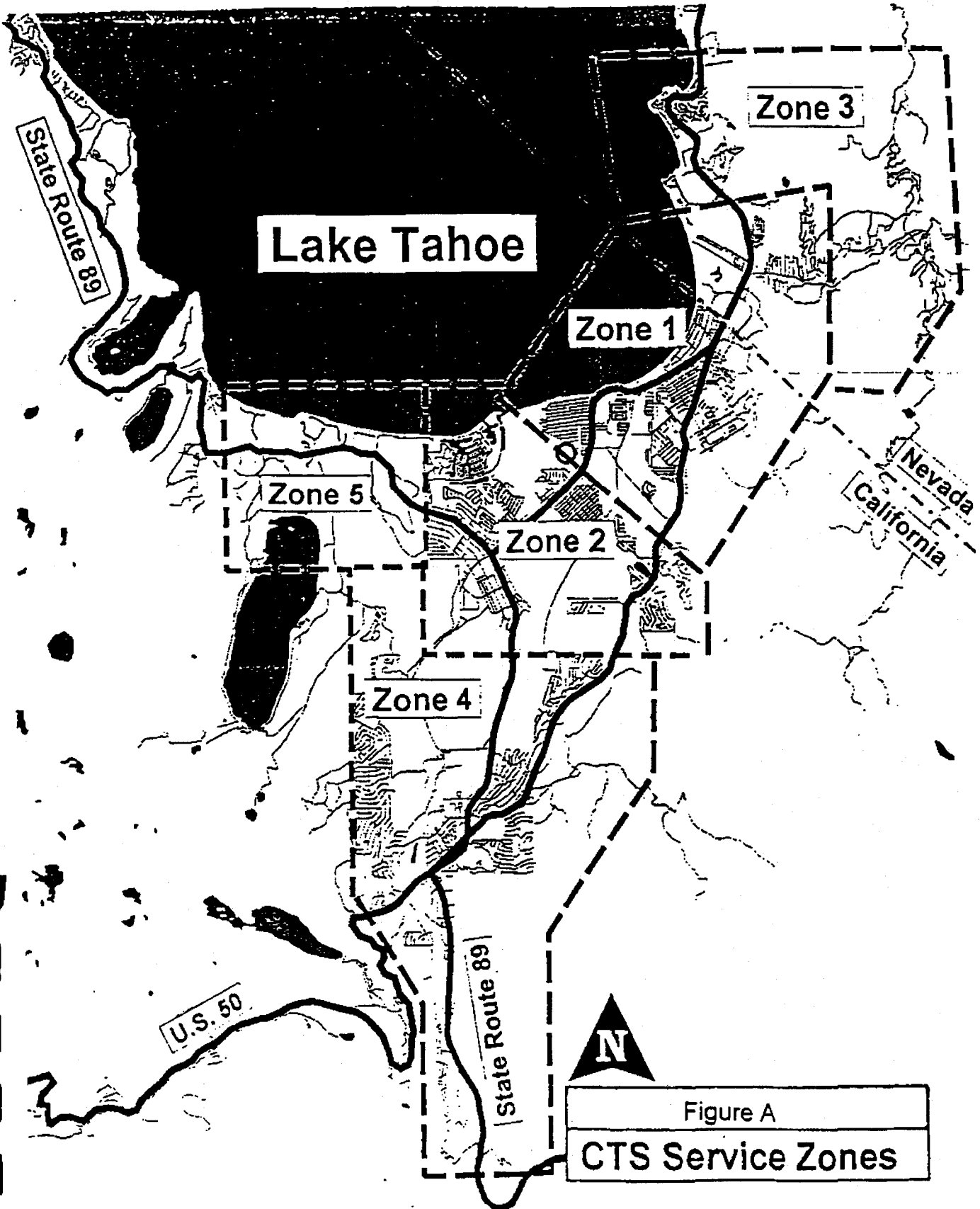


Figure A
CTS Service Zones

Level of Service

Within the zones described above, service shall be provided as presented in Table A. These service parameters are based upon the desires expressed in the Stakeholders Analysis, as well as the service level provided by existing public and private transit services. Standards were identified that provide for efficiencies in the operation of the service, while still providing a high level of service to each passenger (as measured in response time, in-vehicle travel time, and number of intermediate stops). These standards should be considered to be minimum service standards, which can be improved as operational funds are available. Note that response and travel times are maximums; the average passenger would experience faster service than shown here.

TABLE A: CTS Service Standards							Performance Standard
		Zone 1	Zone 2	Zone 3	Zone 4	Zone 5	
Days of Service		Year Round	Year Round	Year Round	Year Round	Year Round	
Span of Service:	Start	24 hr	24 hr	6 AM	24 hr	24 hr	
	Peak Summer & Winter(1) End	per Day	per Day	2 AM	per Day	per Day	
Span of Service:	Start	24 hr	24 hr	6 AM	6 AM	6 AM	
	Offseason End	per Day	per Day	2 AM	9 PM	9 PM	
Maximum Response Time	8AM-Mdnt	10 Min	20 Min	20 Min	30 Min	30 Min	90%
	Mdnt-8AM	20 Min	30 Min	30 Min	30 Min	30 Min	
Maximum Number of Intermediate Stops		3	4	3	4	4	95%
Maximum In-Vehicle Travel Time (2)	8AM-Mdnt	15 Min	30 Min	30 Min	40 Min	40 Min	85%
	Mdnt-8AM	20 Min	40 Min	40 Min	60 Min	60 Min	
Transfers Required (3)		No	No	No	No	No	
Maximum Percent Missed Trips		1.00%	1.00%	1.00%	1.00%	1.00%	
Note 1: Summer only for Zone 5.							
Note 2: To destinations in Zone 1. Figure is a maximum; average travel times will be less.							
Note 3: Trips between Zones 2, 4 and 5 and Zone 3, and between Zones 4 and 5 may require transfer.							

To maximize the efficiency of the overall transit program, service along corridors and during periods of high demand will be provided via a network of "flex routes." Demand-response vehicles will operate along predetermined routes, with stops and schedules determined through dynamic, real-time dispatching in response to passenger requests. Flex routes are planned to be operated along the following corridors:

- ▶ US 50: Y to Stateline
- ▶ Meyers to South Y
- ▶ Pioneer Trail/Ski Run Boulevard

In addition, a flex-route strategy will be employed throughout the Basin portion of Douglas County. Focusing on the Kingsbury/Tramway neighborhoods and other residential areas not directly served by fixed-routes, two vehicles will provide door-to-door service to customers booking trips through the dispatch service. As discussed above, this service will provide Douglas County passengers with both timed transfers to the fixed route services, as well as direct services throughout the South Shore area.

CTS plans for the El Dorado County portion of the study area include 24-hour demand response services during peak seasons, and a 15-hour-long span of service during the off seasons. Though a 30 minute maximum response time is planned, representatives of the County and the special needs community have indicated that service within 60 minutes is acceptable, and that service reliability and schedule adherence are more important than immediacy of response. Historical transit demands in the westerly and southwesterly portion of the county area will be most efficiently served through a flex-route service to facilitate door-to-door trips, which will also provide the flexibility needed to respond to changes in demand for services. Service in the vicinity of Pioneer Trail and Montgomery Estates will be provided through extension of city demand response services.

As a whole, the level of service within El Dorado County will be significantly improved, through the extension of scheduled services during the summer, the availability of direct door-to-door service in lieu of the current need to transfer at the South "Y" Transit Center, as well as expanded hours of operation. Moreover, the increased availability of lift equipped vehicles through the CTS program will provide significantly greater system flexibility in meeting ADA passenger needs.

Passenger Transfers

Service will be designed to avoid any need to transfer for passengers making the following trips:

- within any single zone;
- within, to, or from Zone 1; and
- between Zone 2 and Zones 4 or 5.

Only passengers traveling between Zones 3 and Zones 2, 4 or 5, or between Zones 4 and 5 may be required to transfer, depending upon prevailing travel demands at the time of their trip, though this should be minimized as much as feasible.

Provision of Dedicated Casino Patron Services

Between the hours of 10:00 A.M. and midnight, any van trip on which the first passenger boards at a lodging property located within the core zone (defined as west of Zephyr Cove and east of Trout Creek) with a desired destination in the Stateline area will make pickups only at lodging properties and will make drop-offs only in the Stateline area, until all passengers are delivered to their destination.

Any CTS vehicle carrying passengers bound for any of the participating Stateline casinos (Caesars, Harrah's, Harveys, Horizon or Lakeside Inn) traveling eastbound on US 50 or Pioneer Trail and passing the US 50/Pioneer Trail intersection will take such passengers to their destination prior to making any other stops.

Demand Response System Capacity

The service standards presented in Table A can be used to estimate the capacity of the CTS demand response system. As presented in Table B, this analysis is based upon the observed capacity in Zone 1, factored by the relative time required to provide service to the other zones.

	Zone				
	1	2	3	4	5
Visitors					
Avg. Stateline-Trip Origin Travel Time (min)	7	15	12	20	25
Avg. Travel Time between Trip Origins (min)	3	5	5	5	2
Avg. Travel Time Between Stateline Destinations (min)	2	2	2	2	2
Avg. Passenger Boarding Time	1	1	1	1	1
Avg. Passenger Deboarding Time	1	1	1	1	1
Maximum Intermediate Stops	3	4	3	4	4
Minutes per Tour (1)	20	37	30	47	57
Maximum Psgr-Trips per Vehicle-Hour(2)	32.0	17.3	21.3	13.6	11.2
Residents					
Average Trip Length	3.2	3.2	3.2	5.0	6.4
Passenger-Trips per Vehicle-Hour(3)	13.2	13.2	13.2	5.9	4.6
Note 1: Assuming that travel between trip origins is towards Stateline.					
Note 2: Zone 1 figure based upon observed trips; other zone figures based upon the value for Zone one times the reciprocal ratio of minutes per tour.					
Note 3: Zone 1 & 2 based upon observed trips; other zone figures based upon the value for non-scheduled pick-up trips per vehicle-hour in Zone 1 times the reciprocal ratio of trip length.					

Variation in Service Levels by Time of Day

One of the benefits of demand-response service is that the level of operations can be varied to match the actual demands for service. Service levels (including the number of vehicles operating in each zone) will be adjusted to maximize the efficiency, while ensuring that the standards presented in Table A are attained.

Section 2: Dispatch Procedures and Scheduled Service Operations

Dispatch Procedures

Passengers will request rides for both demand-response and scheduled CTS operations through the following mechanisms:

- ▶ "Touch screen" video terminal kiosks will be provided in a minimum of 40 lodging, recreational, retail and public locations within the service area. Proposed kiosk locations are presented in Attachment 1. The majority of these will be located within Zones 1 and 2, and will be weather protected and reasonably vandal-proof. Passengers will be provided with the opportunity to select a desired destination by touching a point on a video map, an icon on a selection screen, or keying a destination number from a list of popular destinations. Zoom in/out features will be provided for map displays. A series of "prompts" (in English and Spanish) involving yes/no answers and simple key strokes will provide the information for dispatching and notification of pick-up to the passenger(s). As much as possible, the screens will be designed to avoid a preference between destinations. In addition to providing specific icons for each participating casino property, a "general casino" icon will be provided for the Stateline area as a whole.

- ▶ Dedicated touch tone telephones will be located at a minimum of 75 locations throughout the service area, in order to provide convenient CTS access from locations which may be either subject to weather or potential vandalism. A list of potential locations is presented in Attachment 2. These units will be similar to public telephones, but will not require payment for use. Via a series of prompts and keyed responses between the passenger and an interactive voice response system or digital reader display, the necessary dispatching information will be collected and the passenger notified in real time when a shuttle will arrive. The desired destination will be selected from a posted menu of destination numbers which the passenger will key in response to the appropriate question.
- ▶ The majority of service requests will be made through one of the two procedures identified above, which will automatically identify the location of the service request, and minimize the dispatcher staffing requirements. For passengers requiring service to other locations (such as personal residences and commercial establishments not provided by a kiosk or dedicated telephone device), phone requests will be received by the CTS System dispatch contractor. In all such instances, the dispatcher will not give preference to any commercial destination over any other.
- ▶ In addition, "standing requests" will be accepted for persons making regular daily or weekly trips (such as commuters). These trips will be scheduled unless the passenger calls to cancel; passengers that fail to cancel undesired trips on a consistent basis will be prohibited from making standing requests.

Example of Computerized Vehicle Assignment Process

Passenger service requests received in any of the three ways identified above will be input to the CTS dispatch computer, and assigned to a specific vehicle. This assignment process will be based upon the following factors:

- ▶ The "real-time" location and status of all vehicles that could potentially serve the request;
- ▶ Estimated travel time between these vehicle locations and the desired pick-up location, adjusted for traffic congestion delays;
- ▶ Available capacity on the vehicles, and their ability to make an additional stop considering the standard regarding number of intermediate stops and maximum in-vehicle travel time for passengers already on board;
- ▶ The passenger's desired destination, considering the dedicated casino service that will be operated during periods of high demand (as discussed in Section 1), as well as the efficiencies in CTS operations that accrue from grouping passengers bound to a common destination; and
- ▶ The current status of the CTS activity at each of the casinos, as measured against the activity standards, in order to route passengers not requesting a specific casino to the destination that best meets these activity standards.

These factors will be used to assign that vehicle to a specific trip request that can provide the most convenient service, while maintaining the standards and goals of CTS. This assignment will be

communicated to the driver via a Mobile Data Terminal (MDT) in the vehicle. As the driver boards and deboards the passenger, information regarding location, time, and type of passenger will be entered into the central computer via the MDT. This data in turn will be used to generate the weekly ridership reports, discussed in Section 3, below.

General Public Scheduled Service Operating Plan

In addition to the demand response services described in Section 1, CTS will also encompass scheduled services along corridors where consistent high levels of demand ensure that such service will be more cost effective than demand response service. Scheduled services will take the form of both fixed and flex-route service. At a minimum, these services will encompass the following:

- ▶ On an annual basis, fixed-route service will be provided along US Highway 50 from Stateline to the Wye, seven days per week, between 6:00 A.M. and 12:18 A.M.. Fixed-route service will also be provided to D Street, Gardner Mountain, Ski Run Boulevard, and Pioneer Trail. A minimum of three runs per hour will be operated along the US Highway 50 corridor in each direction during peak periods on weekdays, and a minimum of two runs per hour will be operated in each direction during peak periods on Saturdays, Sundays, and Holidays.
- ▶ Fixed route service will also be provided between South Lake Tahoe and Camp Richardson during the summer months.
- ▶ Within El Dorado County, a fixed route service element will be provided between South Lake Tahoe and Meyers during the summer months, when visitor demand can be combined with resident demand in order to justify scheduled service. This service will be integrated with demand-response service in residential areas of Meyers. Service span and frequency will be determined as plans are refined prior to CTS implementation.
- ▶ Douglas County will benefit from expanded fixed route service provided through a new bi-state route providing service from the Roundhill Square Transit Facility through Stateline to a westerly terminal loop comprised of US 50, Ski Run Boulevard, and Pioneer Trail. A feeder service for passengers off of this route will be provided via the flex-rout/demand response element, providing direct timed transfers at any of the fixed route stops. This feature will provide all Douglas County customers with the convenience of the new bi-state service, while also maximizing the operating efficiency of the service by reducing the need for more costly demand response service out of the area.

General Public Fixed Route Vehicle Requirements

Approximately ten buses (including backups) will be required to provide the fixed-route year-round service. Up to fourteen buses plus five trolleys/trams will be required to provide skier shuttle and other special services. Based on the number of buses currently identified as available to CTS, and adequate bus fleet exists to meet the needs of this service plan.

Service Provided to Heavenly Ski Area

Fixed Route Skier Service, Prior to Gondola Operation

Under CTS, the winter fixed-route service will preserve the status quo with regard to the four basic routes and the Lodge Express. The Tahoe Keys area will be provided with demand-response. Under a reciprocal program involving rolling stock loaned from other sources, CTS will supplement the Heavenly fleet with additional vehicles in order to maintain the targeted 20/30 minute headway during peak demand periods. Heavenly will financially subsidize the additional vehicle hours, if this reciprocal operating plan is adopted by all parties.

Summer operations at the California Base will continue to be served by the "Nifty 50" Trolley.

Demand Response Skier Service, Prior to Gondola Operation

Demand-response skier service will focus on the Douglas County and El Dorado County areas, the Tahoe Keys area, and other residential areas remote to the fixed-route service. Due to the fact skier demand could overwhelm this element of CTS service without the imposition of controls, the following service policy will be implemented:

- ▶ *Morning Service:* Requests to service one to three passengers will typically be provided a free "timed transfer" ride to a nearby fixed-route stop. Occasionally, these riders may be offered direct service if the dispatch center can coordinate a minimum number of passengers. Passengers will be notified of this option at the time the ride is requested. Groups of four or more may request direct service to the California and Nevada Base for the usual full fare (contingent on system capacity). Service to Boulder Lodge may involve a timed transfer to the Blue Route, unless the vehicle seating capacity is fully utilized by the group.
- ▶ *Afternoon Service:* Groups of one to three passengers will be provided a free demand-response ride from fixed route stops to their point of origin. The bus driver will notify the dispatch center of such requests and a "timed transfer" will be coordinated. Groups of four or more returning from the California Base passengers may request direct service to California or Nevada destinations for the usual full fare (contingent on system capacity). Groups of four or more returning from the Nevada lodges must use the Blue fixed-route service to return to the Stateline area. The bus driver will notify the dispatch center of the need for demand-response connecting service and a "timed transfer" will be coordinated.

Kiosks or dedicated telephones will not be installed at any of the base lodges, in order to discourage excessive use of the CTS demand-response service during peak ridership periods. Passengers who use a pay telephone to request demand-response service, however, will be accommodated as capacity permits.

During summer operations of the California Base gondola, demand-response service will be available to this location consistent with the service parameters of the operating zone.

Fixed Route Skier Service, Subsequent to Gondola Operation

After commencement of the Park Avenue gondola operations, the existing California routes will be modified as follows:

- ▶ The Red Route will remain unchanged.

- ▶ The Yellow and Green Routes will be modified to eliminate service in the Stateline core area, and to combine the existing routes to the west of the Highway 50/Pioneer Trail intersection.
- ▶ A new route will be provided in the Stateline core area operating between the gondola at the Park Avenue Intermodal Transit Center and the casinos, the motel core between Stateline and Park Avenue, the Highway 50 motels east of Pioneer Trail, and the most easterly lodging properties along Pioneer Trail.

Demand Response Skier Service, Subsequent to Gondola Operation

No changes in demand-response service patterns are envisioned once the Heavenly Gondola commences operations. Upon completion of the Park Avenue Intermodal Transit Center, this location will become the Stateline transfer point for all fixed-route transfers to demand-response service.

Provision of Special Skier Service During Interruption of Gondola Operation

Operation of the gondola is expected to be interrupted, due to weather conditions or mechanical problems, as many as 15 to 20 times during a typical operating season. During such periods, CTS will resume the pre-gondola operating plan utilizing the combined fixed-route and demand-response components as previously described. Excess available general public vehicles will be employed in accordance with the reciprocal service plan. Heavenly Ski Resort will be responsible for returning skiers from the mountain to the base lodges. The associated CTS operating subsidy will be reimbursed to CTS.

In the event gondola services are terminated during summer months, CTS services will be increased based on passenger demand. Again, Heavenly would be responsible for transporting guests from the mountain to each of the base lodges, including reimbursement of the associated CTS operating subsidy.

Coordination of CTS Service with Tour Boat Transit Services

Due to the specific transportation needs associated with the provision of ground transportation to a tour boat (such as the need to coordinate with cruise arrival and departure times), CTS is not envisioned as accommodating all of these transportation needs. CTS could, however, serve as a feeder service to fixed bus service operated by a tour boat operator. For example, Travel Systems, LTD.'s in-house service could be limited to bus service on U.S. 50 between the Park Avenue Transit Center and the M.S. Dixie dock at Zephyr Cove. CTS should be used to serve other lodging and residential areas, carrying cruise passengers to and from the Transit Center. With adequate subsidy funding from Travel Systems, LTD., the CTS visitor coupons should be valid for free transportation to tour boat passengers as part of their trip to and from the M.S. Dixie. Similar programs should be established with all tour boat operators operating from the South Shore. In addition, CTS will provide service to Zephyr Cove and other major docks in the area as part of the service plan described above.

Passenger Fares

The fare structure for CTS was developed to be equitable (fares should not differ between area that

have similar transit costs), simple (easy for passengers to understand and drivers to administer), generate substantial revenues, encourage ridership patterns that maximize the efficiency of the overall transit system, and should result in a net *increase* in transit ridership in the South Shore area.

Scheduled Service

Fares for the scheduled services will be based upon the following service corridors:

- ▶ US 50 California Corridor -- extending between (and including) the Stateline Casinos to the South Tahoe Wye area, including deviations serving D Street, Gardner Mountain, and Ski Run Boulevard/Pioneer Trail.
- ▶ US 50 Nevada Corridor -- extending between (and including) the Park Avenue Intermodal Center and the Round Hill area.
- ▶ Kingsbury Corridor -- extending between (and including) the Park Avenue Intermodal Center and the residential/ski areas on the crest of Kingsbury Grade.
- ▶ Camp Richardson Corridor -- extending between the South Tahoe Wye area and the Camp Richardson/USFS Visitors Center area, operated during the summer only.
- ▶ Meyers Corridor -- between the South Wye Intermodal Center and Meyers.

Fares are recommended as follows:

- ▶ The base full fare for a general public one-way trip will be \$1.00 on each corridor. A passenger traveling into a second corridor (whether by riding on a "through" bus or transferring at one of the intermodal centers) will be required to pay a second fare.
- ▶ Elderly (age 60 and above) and disabled fares will be 50 percent of the full fare: \$0.50 for service on one corridor, with \$0.50 additional fare for each additional corridor.
- ▶ A day pass for unlimited service along a specific corridor will be available for \$2.00 (\$1.00 for elderly or disabled). A "super day pass" providing unlimited service throughout the service area will be available for \$4.00/\$2.00 for general public/elderly or disabled.
- ▶ Monthly passes valid for a specific corridor will be available for \$38.00 for general public, or \$19.00 for elderly/disabled. This will provide approximately a 12 percent savings for riders commuting five days a week on the service. A "super monthly pass" will be available for \$75.00/\$37.00, providing unlimited service throughout the system.
- ▶ Children age 8 and under, accompanied by an adult will be carried at no fare.
- ▶ An additional fare reduction program will be provided through the El Dorado County Department of Community Services for disabled and for low-income elderly (age 60 and above) El Dorado County residents of the Tahoe Basin. Eligible passengers with a valid application on file with the Department are provided with a special pass. CTS will provide fixed-route service to passengers displaying this pass and presenting a fare of \$0.25 per trip.

Demand Response

Fares for demand response service should be based on a system of three overlapping zones. As shown in Figure B, these three zones are defined as follows:

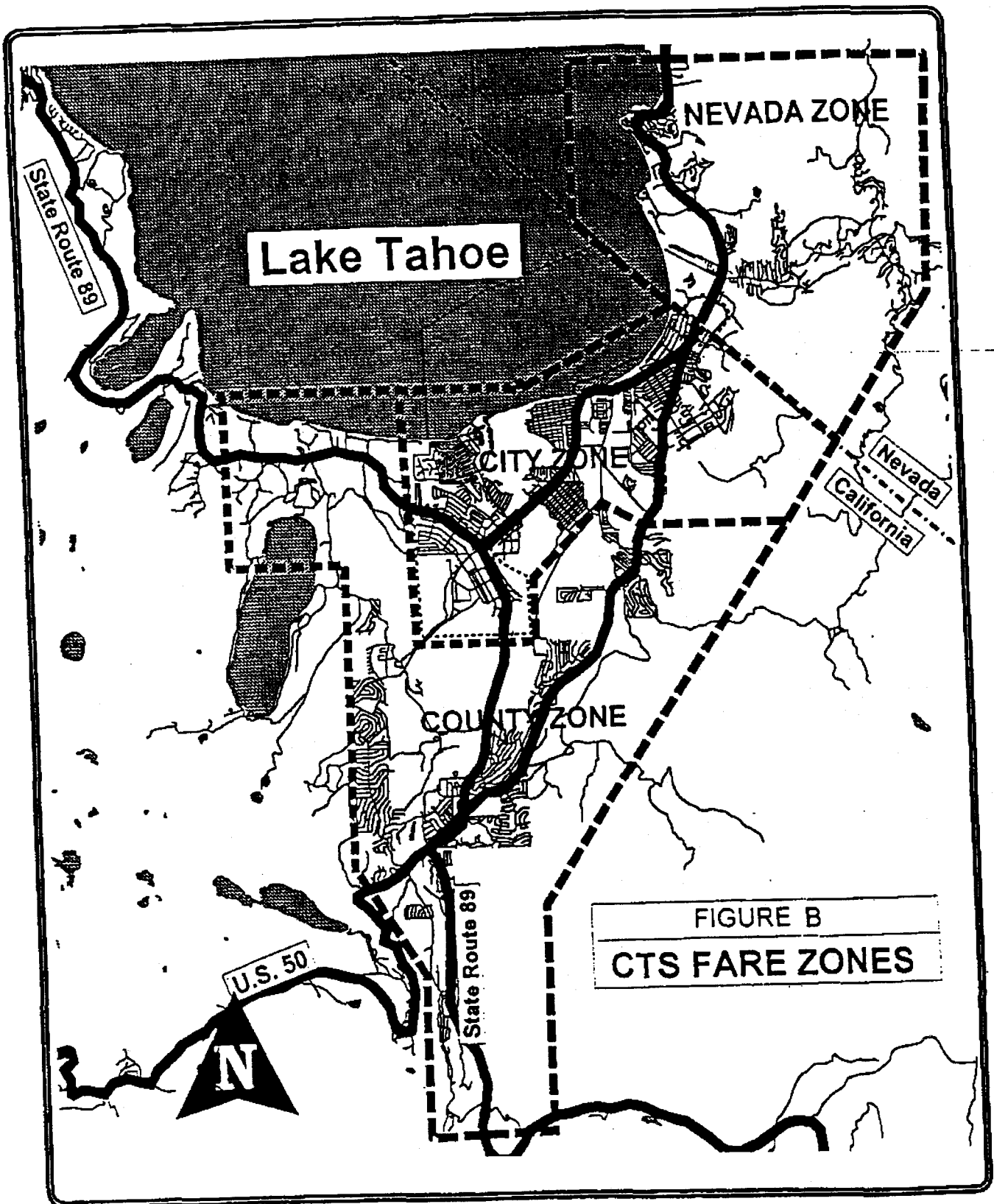
- ▶ The "City Zone" encompasses all of the City of South Lake Tahoe, as well as the casinos in Nevada.
- ▶ The "Nevada Zone" encompasses the Tahoe Basin portion of Douglas County between Stateline, Skyland on the north, and the residential areas at the top of Kingsbury Grade on the east. It also encompasses the portion of South Lake Tahoe to the northeast of the U.S. 50/Pioneer Trail intersection, in order to provide direct, low fare service to the Park Avenue Intermodal Center and employment and commercial centers.
- ▶ The "County Zone" encompasses the portions of unincorporated El Dorado County to the east of Spring Creek Road and the base of Echo Summit, and north of the base of Luther Pass. It also includes the southwestern portion of the City of South Lake Tahoe, including the South Wye Intermodal Center and the Barton Hospital area.

The overlap areas allow vans from both nearby zones to access the two Intermodal Centers, and to ensure that an additional fare is not required for a short additional distance. This fare zone system is the only zone scheme that will be distributed to passengers.

Full one-way fares within and between these zones are presented in Table C. As indicated, a \$3.00 fare would be charged within each of the three zones. Service between zones would be provided for \$5.00. A day pass, providing unlimited rides, should be provided for \$5.00 for service within the City and Nevada Zones, and \$8.00 in the County Zone or throughout the service area. In addition, a 10-ride coupon book should be provided for \$25.00 for service within each of the zones, and \$40.00 for service throughout the service area. Finally, disabled and low-income senior (age 60 and above) El Dorado County residents of the Tahoe Basin displaying a pass distributed through the El Dorado County Department of Community Services will be served for a fare of \$1.00 in the City and County Zones, on Mondays through Fridays from 8 A.M. to 7 P.M..

Zone From	Zone To		
	City	Nevada	County
City	\$3.00(1)	\$5.00	\$5.00(2)
Nevada	\$5.00	\$3.00(1)	\$5.00
County	\$5.00(2)	\$5.00	\$3.00

Note 1: \$1.00 for visitors traveling between lodging and casinos participating in CTS, with free return.
 Note 2: \$3.00 between the county and the Y Transit Center.



In addition, it is necessary to provide a reduced fare for service to and from the casinos, in order to ensure that ridership levels are increased and that an economic benefit is provided to the casinos. A fare of \$0.50 per one-way trip is recommended between lodging properties in the City Zone and Nevada Zone and the casino properties participating in the CTS program. To maximize the convenience to passengers, it is recommended that a \$1.00 fare be accepted for passengers riding from lodging properties in these zones to the casinos. In exchange for their fare, visitors will be provided with service to the casinos, and will also be provided by the driver with a free ride coupon for their return trip to their lodging property.

Driver Tipping

Reflecting the tourism basis of the local economy, tipping is a long-established tradition on many of the area's transit services, including casino shuttles and the Nifty 50 Trolleys. Tips are also an important part of the compensation for drivers on these services. To provide a consistent policy across all of the future CTS services, it is recommended that tipping be *allowed* but not *solicited* on all services (including both fixed-route and demand-response). Drivers should be prohibited from asking or mentioning tips. Passenger fares should be considered the cost to the passenger for transportation, while tips are voluntary recognition of good service on the part of the driver. By allowing tips, the CTS system will also be encouraging drivers to provide courteous and helpful service.

Ticket Distribution

Even with the relatively simple fare structure presented above, there are a total of 17 different fare "instruments": ten fare options for fixed-route service, and seven fare options for the demand-response service. Transit service will be most effective if the number of passengers who pre-purchase their ticket prior to boarding the vehicle is maximized: this will simplify the driver's responsibilities, and speed boarding of the vehicles.

In order to maximize pre-purchasing, it will be important for tickets and passes to be available at a wide variety of locations. Two obvious sales locations are the two intermodal centers, at the South Wye and at Park Avenue. In addition, tickets and passes should be sold through casinos, major employers, lodging properties, supermarkets, and social service offices. In order to compensate private firms for the staff time required to make ticket sales, the various tickets and passes should be sold to the private organizations at approximately a 5 percent discount. Purchasing of tickets and passes for reselling also reduces the accounting issues associated with "third-party" sale of transit tickets and passes; this approach is common among transit systems in major cities across the country.

Vehicle Signage

If desired by the Project Participant providing the vehicle, a sign stating "Vehicle Provided By _____" will be provided on both sides of the vehicle. The dimensions of each sign will be proportional to the size of vehicle. In addition, any CTS Systems vehicles operated in dedicated service for a specific destination shall be provided with signage designating the destination on both sides the vehicle, as well as the front. Final standards for exterior signage will be determined by the Marketing Subcommittee.

Vehicle and Driver Standards

- ▶ Vehicles must be kept clean and in good mechanical condition;
- ▶ Drivers will be provided with training in courtesy, passenger assistance techniques for disabled persons, and also be required to know the location of visitor facilities and the activities provided at such facilities; and
- ▶ Racks will be provided during the ski season to carry skis and snowboards, and during other seasons to carry bicycles.

Section 3: Stateline Operations and Activity Tracking

Specific Drop-off Policies in the Stateline Area

The computerized dispatching functions of the CTS System will be used to track drop-off activity at the various casinos, and route vehicles to ensure that the quotas of passenger "first drops" (as discussed below) are provided during peak activity periods. First drops will be used to measure activity at the casinos rather than passenger alightings, as the former is fully in the control of the CTS management. Peak periods are defined as 5:00 P.M. to 10:00 P.M. year-round, and also 10:00 A.M. to 5:00 P.M. and 10:00 P.M. to Midnight on all days between June 15 and October 15 and weekends and holidays between December 15 and March 31.

When the level of passenger activity allows, passenger-trips will be assigned to vans so that all passengers on a vehicle-trip are bound to the same casino. For vehicle-trips during non-peak periods serving passengers wishing to go to more than one casino, the property requested by the largest number of passengers will typically be served first, followed by the second-most requested property, etcetera.

Ridership Tracking and Reporting

For purposes of compiling passenger statistics, at a minimum the following data will be compiled on a routine basis:

- ▶ Number of passengers by origin and destination by day and time of day
- ▶ Passenger drop-off activity by casino, by day and time of day
- ▶ Number assigned by passenger request
- ▶ Number assigned by dispatcher, from passengers requesting service to "Stateline"
- ▶ Time between request and pick-up, by day and time of day
- ▶ On-board travel time, by day and time of day
- ▶ Number of passengers served by dedicated vehicles, versus shared rides
- ▶ Number of first drops, by day and time of day

These data will be issued in a report on a regular (weekly or monthly) basis; information deemed sensitive will be kept confidential, as necessary.

Section 4: Ridership Potential and Fleet and Funding Requirements

Short-Term Ridership Potential

Table D presents an analysis of potential annual ridership demand at the end of the second and fifth year of CTS operation. Demand for any transit service builds over time, typically reaching its maximum potential in three to five years. As fully discussed in the *South Shore Transit Coordination/Expansion Study Report* (LSC, Inc., 1995), a series of factors were applied to existing ridership levels, based upon the change in potential ridership associated with each factor. "Existing ridership" figures represent the most recent available ridership for the various services, except for general public service in Douglas County (as it is a new service), which is forecast to carry 42,000 passenger-trips per year in the absence of CTS.

	Existing Ridership	Impact of Ridership Factors					Increase	Impact of Secondary Participants	TOTAL	Total Increase	
		APTS System	Service To New Areas	Improved Travel Time	Change In Fare	Increased Marketing				#	%
Year 2											
Casinos	427,000	20%	0%	15%	-20%	8%	98,000	49,000	574,000	147,000	34%
Trolley	72,300	5%	0%	0%	0%	8%	9,000	0	81,300	9,000	12%
Ski Areas	258,000	5%	0%	5%	0%	8%	46,000	0	304,000	46,000	18%
General Public	656,000	20%	10%	10%	8%	8%	367,000	0	1,023,000	367,000	56%
TOTAL	1,413,300						520,000	49,000	1,982,300	569,000	40%
Year 5											
Casinos	427,000	40%	0%	20%	-20%	12%	222,000	49,000	698,000	271,000	63%
Trolley	72,300	10%	0%	0%	0%	12%	16,000	0	88,300	16,000	22%
Ski Areas	258,000	20%	0%	15%	0%	12%	121,000	0	379,000	121,000	47%
General Public	656,000	30%	10%	20%	8%	12%	525,000	0	1,181,000	525,000	80%
TOTAL	1,413,300						884,000	49,000	2,346,300	933,000	66%

As indicated, total South Shore transit ridership is forecast to increase by 40 percent over the first two years of CTS operation, assuming an aggressive implementation and provision of the service levels discussed above. By the fifth year of operation, total ridership is forecast to increase 66 percent above current levels, to approximately 2,346,300 passenger-trips per year.

Peak-day figures can then be calculated as shown in Table E, using the proportion of peak-day to annual ridership currently carried on existing public and casino transit services. This peak day will typically occur on a Saturday in August. Similarly, peak-hour demand can be estimated by applying the proportion of peak-hour ridership to total ridership over a peak day currently carried on existing services. This peak hour will typically occur in the late afternoon. Finally, the proportion of total ridership that will use demand-response versus fixed-route services can be estimated, based upon the characteristics of the service plan presented above, to arrive at the number of passenger-trips demanded for both fixed-route and demand-response CTS services on a peak day.

TABLE E: Calculation of Peak-Day and Peak-Hour CTS Demand -- Year 2

		Service Standard Zone					Total
		1	2	3	4	5	
Annual Demand (Psgr-Trips)	Visitor %	75.00%	16.64%	4.16%	3.00%	1.20%	100.00%
	Resident %	39.39%	38.40%	12.26%	8.97%	0.98%	100.00%
	Total %	57.64%	27.25%	8.11%	5.91%	1.09%	100.00%
	Visitor #	645,000	143,104	35,776	25,800	10,320	860,000
	Resident #	322,198	314,094	100,320	73,354	8,034	818,000
	Total #	967,198	457,198	136,096	99,154	18,354	1,678,000
Peak Day Factor	Visitor	0.53%	0.53%	0.53%	1.00%	2.03%	0.56%
	Resident	0.32%	0.32%	0.32%	0.30%	1.52%	0.33%
	Total	0.46%	0.38%	0.37%	0.48%	1.80%	0.45%
Peak Day Demand (Psgr-Trips)	Visitor	3,393	753	188	258	209	4,801
	Resident	1,031	1,005	321	220	122	2,699
	Total	4,424	1,758	509	478	331	7,500
Peak Hour Factor	Visitor	12.50%	12.50%	12.50%	9.00%	9.00%	12.15%
	Resident	8.00%	8.00%	8.00%	10.00%	10.00%	8.25%
	Total	11.45%	9.93%	9.66%	9.41%	9.37%	10.75%
Peak Hour Demand (Psgr-Trips)	Visitor	424	94	24	23	19	584
	Resident	82	80	26	22	12	223
	Total	507	174	49	45	31	806
Percent Demand Response/Flex Route Service	Visitor	75.00%	70.00%	70.00%	40.00%	20.00%	70.78%
	Resident	12.00%	25.00%	30.00%	20.00%	20.00%	19.75%
	Total	65.00%	49.00%	49.00%	29.00%	20.00%	56.68%
Peak Hour Demand Response/Flex Route Demand	Visitor	318	66	16	9	4	413
	Resident	10	20	8	4	2	44
	Total	328	86	24	13	6	457
Peak Hour Fixed Route Demand	Visitor	106	28	8	14	15	171
	Resident	72	60	18	18	10	179
	Total	179	88	25	32	25	349

Note: Does not include demand for special services, such as ski area or tour boat.

Vehicle Fleet Requirements

Table F presents the results of dividing the total peak-hour demand in each zone (from Table E) by the vehicle operating efficiency (from Table B), to determine the number of operating demand-response vehicles required during the peak-hour. As indicated, a total of 20 vehicles are required to accommodate the demand level identified in Table E, in accordance with the service criteria identified in Table A. Four vans would also be required as backups for vehicle servicing, yielding a total fleet requirement of 24 vans.

In addition, approximately 15 vehicles (including STAGE, trolley, Douglas County, a new El Dorado County service, and backups) will be required to provide the fixed-route, year-round service, and expanded peak season services, and up to fourteen vehicles will be required to provide skier shuttle and other special services, for a total of 53 vehicles.

Table F also presents a summary of Year 5 vehicle needs. As indicated, the total number of required demand response vehicles increases to 28, while the number of fixed-route vehicles increases to 30. Total vehicle needs therefore would equal approximately 58.

TABLE F: Calculation of CTS Vehicles Required To Serve Operating Plan

		Service Standard Zone					Total
		1	2	3	4	5	
		Stateline Area	S. Wye Area	NE Douglas Co. Area	Meyers Area	SR 89N Area	
Year 2							
Demand Response							
Peak-Hour Passenger-Trips	Visitor	318	66	16	9	4	413
	Resident	10	20	8	4	2	44
	Total	328	86	24	13	6	457
Psgr-Trips per Vehicle-Hour	Visitor	32.0	17.3	21.3	13.6	11.2	--
	Resident	13.2	13.2	13.2	5.9	4.6	--
Active Vehicles Required	Visitor	9.90	3.80	0.80	0.70	0.40	15.60
	Resident	0.80	1.50	0.60	0.70	0.40	4.00
	Total	10.70	5.30	1.40	1.40	0.80	19.60
Backup Vehicles	Visitor	1.98	0.76	0.16	0.14	0.08	3.12
	Resident	0.16	0.30	0.12	0.14	0.08	0.80
	Total	2.14	1.06	0.28	0.28	0.16	3.92
Total Demand Response Vehicles	Visitor	12.12	4.65	0.98	0.86	0.49	19.10
	Resident	0.98	1.84	0.73	0.86	0.49	4.90
	Total	13.10	6.49	1.71	1.71	0.98	24.00
Fixed Route/Flex Route							
		S. Wye/Stateline Corridor (1)					4
		Douglas County Corridors					2
		S. Wye/Meyers Corridor					1
		Backup Public Buses					2
		Backup Flex -Route Van					1
		Trolleys & Trams					5
		Skier Services					14
							<hr/>
							29
Total Vehicles							53
Year 5							
Demand Response							
Peak-Hour Passenger-Trips	Visitor	373	77	19	11	5	485
	Resident	12	23	9	5	2	51
	Total	385	100	28	16	7	536
Psgr-Trips per Vehicle-Hour	Visitor	32.0	17.3	21.3	13.6	11.2	--
	Resident	13.2	13.2	13.2	5.9	4.6	--
Active Vehicles Required	Visitor	11.7	4.5	0.9	0.8	0.4	18.3
	Resident	0.9	1.7	0.7	0.8	0.4	4.5
	Total	12.6	6.2	1.6	1.6	0.8	23
Backup Vehicles							5
Total Demand Response Vehicles Required							28
Fixed Route/Flex Route							
		S. Wye/Stateline Corridor (1)					5
		Douglas County Corridors					2
		S. Wye/Meyers Corridor					1
		Backup Public Buses					2
		Backup Flex -Route Van					1
		Trolleys & Trams					5
		Skier Services					14
							<hr/>
							30
Total Vehicles							58
Note 1: Including service to adjacent residential areas.							

Financial Requirements of the Operating Plan

The figures regarding passenger demand and operating efficiency presented above can also be used to estimate the operating costs and subsidy requirements incurred under the service standards identified in Table A. A necessary analytical tool for this analysis (and to allocate costs) is a "cost allocation model" for CTS. This procedure allocates all of the various costs associated with transit operations to one of four service variables: fixed (such as management salaries and facility maintenance), per peak vehicle (such as driver training and vehicle insurance costs), vehicle-hours of van service (such as fuel and vehicle maintenance costs), and vehicle-hours of bus service. This equation is a more accurate estimator of total costs than is a straight "per vehicle-hour" factor, as it reflects the unit cost savings associated with a larger transit system. As indicated in Table G, this procedure is based upon an estimated "unit cost" for each element required for a transit service. The estimates and assumptions required for this model are based upon costs incurred by ATM, which operates the majority of existing transit services in the community.

One factor that requires additional analysis is the benefits provided per hour for vehicle drivers. To incorporate the assumption that only full-time drivers will be provided benefits, it is necessary to identify a weighted average benefit rate, assuming a specific level of full time driver employees. As indicated in Table H, benefit rates and a proportion of total driver-hours operated by full-time versus seasonal or part time employees can be identified. The weighted average benefit rate is found to equal 30.10 percent for bus drivers, and 31.39 percent for van drivers.

As indicated at the bottom of Table G, the cost equation for CTS through the first two years of operation is estimated to be as follows:

$$\begin{array}{l} \text{Total Annual} \\ \text{Operating and} \\ \text{Administrative Cost} \end{array} = \begin{array}{l} \$159,900 + 1.05 \times ((773,815 + (\$12,914 \times \# \text{ of Peak Vehicles}) \\ + (\$18.79 \times \# \text{ of Van Vehicle-Hours}) \\ + (\$23.39 \times \# \text{ of Bus Vehicle-Hours})) \end{array}$$

Note that this equation does not include any costs for vehicle purchase or depreciation. Also, fixed costs are separated into "contractor" costs (which are subject to the 5 percent contractor profit factor) and "CTS management" costs (which are not).

Next, it is necessary to identify the total number of vehicle-hours required to operate all CTS services, under the service standards discussed above. This analysis is presented in Table I. To reflect the fact that demand-response services will not be as efficient during off-peak hours and seasons, it is assumed that average annual vehicle efficiency is 22 percent below peak-day, peak-hour efficiency for visitor service (shown in Table B), and 10 percent below for resident service (this lower factor is due to the relatively low variation in demand for resident service). Dividing total annual demand for each zone by these efficiency figures, the total annual required demand-response vehicle-hours can be identified to be 44,900. For fixed-route and flex-route service, estimated annual vehicle-hours total 46,705, including an increase in fixed-route service of 4,400 vehicle-hours per year in South Lake Tahoe to accommodate the forecast increase in ridership and the expansion of fixed-route services.

Applying the cost equation discussed above to these forecast quantities of CTS service, the total annual operating/administrative costs in the second year of CTS operation are estimated to equal

TABLE G: CTS Cost Model - Year 2

Contractor Profit Rate 5%

	# Staff	Salary	Benefits			Total	% CTS	CTS Total
			Workers Comp	Payroll Taxes	Medical			
Administrative Costs								
Program Manager (CTS)	1	\$50,000	\$4,500	\$6,000	\$3,000	\$63,500	100%	\$63,500
Computer Manager (CTS)	1	\$40,000	\$3,600	\$4,800	\$3,000	\$51,400	100%	\$51,400
Dispatchers (Contractor)	7	\$24,500	\$2,205	\$2,940	\$3,000	\$228,515	100%	\$228,515
Telephone Operators (Contractor)	2	\$16,300	\$1,467	\$1,956	\$3,000	\$45,446	80%	\$36,357
Data Entry - Operations & Shop (Contractor)	2	\$18,400	\$1,656	\$2,208	\$3,000	\$50,528	80%	\$40,422
Building Custodian (Contractor)	1	\$12,480	\$1,123	\$1,498	\$3,000	\$18,101	80%	\$14,481
Administration/Supervision (Contractor)						\$369,200	80%	\$295,360
Office Supplies (Contractor)						\$6,000	80%	\$4,800
Employee Recruitment (Contractor)						\$3,600	80%	\$2,880
Office Equipment Maintenance (Contractor)						\$4,000	80%	\$3,200
Building Maintenance: Vehicle Maintenance Shop (Contractor)						\$10,000	80%	\$8,000
Building Part-time Staffing & Maintenance: South Y Transit Center & Bus Stops (Contractor)						\$19,000	100%	\$19,000
Building Maintenance: Intermodal Transit Facility (Contractor)						\$5,000	100%	\$5,000
Snow Removal: Vehicle Maintenance Shop and Bus Stops						\$4,000	100%	\$4,000
Utilities: Vehicle Maintenance Shop (Contractor)						\$18,000	80%	\$14,400
Utilities: South Y Center (Contractor)						\$8,400	100%	\$8,400
Utilities: Park Avenue Transit Center (Contractor)						\$10,000	100%	\$10,000
Hazardous Waste Disposal (Contractor)						\$4,000	80%	\$3,200
Insurance: Facility (Contractor)						\$10,000	80%	\$8,000
Insurance: General Liability (Contractor)						\$2,000	80%	\$1,600
Administrative Vehicle Fuel & Fluids (Contractor)						\$4,000	80%	\$3,200
Administrative Vehicle Maintenance Costs (Contractor)						\$2,500	80%	\$2,000
Dues/Subscriptions (Contractor)						\$1,000	80%	\$800
Professional Services: Legal, Accounting, Software Maintenance (CTS)						\$30,000	100%	\$30,000
Professional Services: Legal, Accounting (Contractor)						\$18,000	80%	\$14,400
Currency Counting and Transport (Contractor)						\$15,000	100%	\$15,000
Travel & Transportation (Contractor)						\$3,000	80%	\$2,400
Marketing (CTS): Funded Through Year 2 by Federal Grant						\$0	100%	\$0
Towing (Contractor)						\$16,000	80%	\$12,800
Computer and Dispatch Equipment Replacement (CTS)						\$15,000	100%	\$15,000
Telephone Fees (Contractor)						\$15,600	100%	\$15,600
						Subtotal: CTS Mgmt. Costs		\$159,900
						Subtotal: Contractor Costs		\$773,815
						Total		\$1,050,790

Operating Costs per Peak Vehicle							
Vehicle MDT and AVL Maintenance Cost							\$120
Vehicle Insurance							\$3,300
Taxes							\$500
Vehicle Equipment: Chains, racks, emergency							\$600
Driver Training							\$1,000
Employee Drug Testing							\$250
Driver Uniforms							\$500
Driver Supplies							\$150
Mechanics (Contractor)	FTE per Vehicle						\$6,494
	0.15	\$33,300	\$2,997	\$3,996	\$3,000		\$12,914
Total							

Operating Costs per Vehicle-Hour of Service				
	Average Salary per Hour	Average Benefits per Hour	Hours per Vehicle-Hour of Service	Cost per Vehicle-Hour of Service
Driver Salary & Benefits: Bus (Contractor)	\$10.00	\$3.01	1.10	\$14.31
Driver Salary & Benefits: Van (Contractor)	\$8.00	\$2.82	1.10	\$13.01
Maintenance Worker Salary (Contractor)	\$6.00	\$1.26	0.10	\$0.73
Vehicle Parts, Tires and Tubes: Vans				\$3.06
Vehicle Parts, Tires and Tubes: Buses				\$4.40
Transit Vehicle Fuel & Fluids				
	Miles per Gallon	Cost per Gallon	Miles per Hour	Fuel Cost per Hour
Vans	8	\$1.30	12	\$1.95
Buses	4	\$1.30	12	\$3.90
				Other Fluids
				\$0.05
Total				
Vans				\$18.79
Buses				\$23.39

Cost Equation

Annual Transit Cost = CTS Fixed Costs + Profit x (Contractor Fixed Cost + Cost/Peak Vehicle x # of Peak Vehicles + # of Van Vehicle-Hours x Cost/Van Vehicle-Hour + # of Bus Vehicle-Hours x Cost/Bus Vehicle-Hour)

Annual Transit Cost = \$159,900 + 1.05 X (\$773,815 + \$12,914 x # of Peak Vehicles + \$18.79 x # of Van Vehicle-Hours + \$23.39 x # of Bus Vehicle-Hours)

TABLE H: Analysis of Average Driver Benefit Rate

	Bus Drivers			Van Drivers		
	With Benefits	Without Benefits	Total	With Benefits	Without Benefits	Total
Equivalent Annual Salary	20,400	20,400		18,360	18,360	
Workers Comp (9 percent)	1,836	1,836		1,652	1,652	
Payroll Taxes (12 percent)	2,448	2,448		2,203	2,203	
Paid Vacation (80 hours per year)	800	0		720	0	
Medical (\$250 per month)	3,000	0		3,000	0	
End Season Bonus	0	600		0	600	
Total Benefits	8,084	4,884		7,576	4,456	
Resulting Benefit Rate	39.63%	23.94%		41.26%	24.27%	
Total Annual Driver-Hours			39,930			60,836
Full Time Year-Round Drivers	8			13		
Annual Driver-Hours	15,680	24,250		25,480	35,356	
Proportion	39.27%	60.73%	100.00%	41.88%	58.12%	100.00%
Weighted Average Benefits			30.10%			31.39%

\$3,402,736, as shown in Table J. This total figure includes both CTS management costs (\$159,900 per year) and contractor costs (\$3,242,836 per year). Dividing this latter figure by the total number of vehicle-hours operated (91,605) yields an average in-service hourly contractor rate of \$35.40.

Fare revenues can be estimated based upon ridership forecasts within and between the three fare zones, as shown in Table K. At the fare levels identified above, and considering the reduction in average fare associated with discounts for elderly/disabled passengers and those purchasing coupons, total farebox revenues of the system are estimated to equal \$1,699,000. Note that this figure assumes that all visitors traveling between lodging properties and the casinos participating in the CTS program are provided with reduced-fare service of \$1.00 for a round-trip on flex-route/demand-response services; visitors traveling to or from other destinations would pay full fare. Subtracting this figure from the total operating cost yields an operating subsidy requirement of \$1,703,736 per year.

Existing available subsidy funding, based upon information developed in the *South Shore Transit Coordination/Expansion Study Draft Final Report* and the *CTS Stakeholder Analysis Final Report* currently totals approximately \$1,942,350 per year, as shown in the central portion of Table J, including private and public funding. Subtracting the annual operating costs, a total net annual surplus of \$238,614 is forecast.

These operating cost and resulting surplus figures are based upon the cost model, which yields an average contractor cost per in-service vehicle-hour of \$35.40, as discussed above. Area Transit Management, however, has indicated a willingness to provide CTS service at a rate of \$34.50 per vehicle-hour. As indicated in the bottom portion of Table J, applying this rate yields a total CTS

TABLE I: Analysis of CTS Year 2 Service Vehicle-Hours

	Zone					Annual Vehicle-Hours	
	1	2	3	4	5	Van	Bus
DEMAND RESPONSE							
Annual Passenger-Trips (1)							
Visitor: Casino	430,500	95,514	23,878	0	0		
Visitor: Other	53,300	4,686	1,122	10,300	2,100		
Visitor: Total	483,800	100,200	25,000	10,300	2,100		
Resident	38,700	78,500	30,100	14,700	1,600		
Total	522,500	178,700	55,100	25,000	3,700		
Avg Annual Psgr-Trips per Veh-Hour (2)							
Visitor	25.0	13.5	16.6	10.6	8.7		
Resident	11.9	11.9	11.9	5.3	4.1		
Annual Vehicle-Hours Required (3)							
Visitor: Casino	17,200	7,100	1,400	0	0	25,700	0
Visitor: Other	2,100	300	100	1,000	200	3,700	0
Visitor: Total	19,400	7,400	1,500	1,000	200	29,500	0
Resident	3,300	6,600	2,500	2,800	400	15,600	0
Total	22,600	14,000	4,000	3,700	600	44,900	0
FIXED ROUTE/FLEX ROUTE							
Service	Operating Vehicles (4)	Hrs/day	Days/wk	Days/Yr			
STAGE							
Route A	1	18.00	7	365	0	6,600	
Route B	1	18.70	7	365	0	6,800	
Route E	1	9.00	5	261	0	2,300	
Total	3				0	15,700	
STAGE Expansion	1	12.00	7	365	0	4,400	
STAGE Total	4				0	20,100	
Trolley Program	5	12.50	7	86	0	5,400	
Douglas							
Winter Season Flex Route	2	17.00	7	120	4,080	0	
Other Seasons Flex Route	1	17.00	7	245	4,165	0	
Total	2				8,245	0	
Meyers Flex Route	1	12.00	7	180	2,160	0	
TOTAL: Public/Trolley Services	12	-	-	-	10,405	25,500	
Heavenly Service	14	-	-	-	0	10,800	
TOTAL: Fixed Route	26	-	-	-	10,405	36,300	
TOTAL CTS PROGRAM					55,305	36,300	
Note 1: See Table E. Annual demand times proportion of demand response/flex route service. Note 2: Assuming annual average passenger-trips per vehicle-hour is 78 percent of peak value for visitor trips, and 90 percent of peak value for resident trips. Note 3: Annual passenger-trips divided by passenger-trips per vehicle-hour. Note 4: Assuming vans for Douglas County and Meyers service, and buses for all other services. Excludes backup vehicles.							

TABLE J: CTS Year-2 Financial Analysis

Annual Operating Cost (1)	Factor	Quantity	
Fixed: CTS Management	\$159,900	1	\$159,900
Fixed: Contractor	\$773,815	1	\$773,815
Peak Vehicle (2)	\$12,914	33	\$426,200
Van Vehicle-Hours of Service	\$18.79	55,305	\$1,039,300
Bus Vehicle-Hours of Service	\$23.39	36,300	\$849,100
Subtotal	-	91,605	\$3,088,415
Contractor Profit	5%	-	\$154,421
Subtotal: Contractor Costs			\$3,242,836
Contractor Cost per In-Service Total Vehicle-Hour of Service		\$35.40	
Total Annual Operating Costs			\$3,402,736
Passenger Fares (3)			\$1,699,000
Total Operating Subsidy Requirement			\$1,703,736
Funding Sources			
Private Sector Contributions	Casinos	\$717,800	
	Heavenly	\$350,000	
	Private Trolley Funding	\$57,000	
	Subtotal		\$1,124,800
Local Transportation Fund – City of South Lake Tahoe			\$323,500
State Transportation Assistance – City of South Lake Tahoe			\$44,000
TDA Funding – El Dorado County			\$142,100
Rental Car Mitigation Fees			\$8,700
AB 2766 Air Pollution Fees			\$10,400
Airport Mitigation Fees			\$16,350
Douglas County Transient Occupancy Tax			\$232,500
Vehicle Advertising			\$40,000
Total: Available Funding			\$1,942,350
Annual Funding Surplus: For Capital Replacement Fund			\$238,614
Evaluation of Costs and Funding Surplus At Contractor Rate of \$34.50			
Total Contractor Costs	91,605 Vehicle - Hours x	\$34.50	= \$3,160,373
Fixed: CTS Management			\$159,900
Total Annual Operating Costs			\$3,320,273
Annual Funding Surplus			\$321,077
Note 1: See Table G.			
Note 2: Excluding backup vehicles. Trolleys, trams and ski buses assumed to operate one third of the year.			
Note 3: See Table K.			

TABLE K: Analysis of Ridership and Fare Revenues by Zone - Year 2

Fare Zone		Demand Response			Fixed	
Between	And	To/From Casinos	Other	Total	Route	Total
Annual Ridership (1-Way Psgr-Trips)						
City	City	459,400	108,500	567,900	606,500	1,174,400
City	Nevada	0	19,900	19,900	24,100	44,000
City	County	0	40,400	40,400	88,100	128,500
Nevada	Nevada	114,600	31,800	146,400	135,700	282,100
Nevada	County	0	1,100	1,100	3,400	4,500
County	County	0	9,200	9,200	35,300	44,500
TOTAL		574,000	210,900	784,900	893,100	1,678,000
Average Fare						
City	City	\$0.50	\$2.60	—	\$0.75	—
City	Nevada	—	\$4.30	—	\$1.50	—
City	County	—	\$4.30	—	\$1.50	—
Nevada	Nevada	\$0.50	\$2.60	—	\$0.75	—
Nevada	County	—	\$4.30	—	\$2.25	—
County	County	—	\$2.60	—	\$0.75	—
Fare Revenues						
City	City	\$229,700	\$282,100	\$511,800	\$454,900	\$966,700
City	Nevada	\$0	\$85,600	\$85,600	\$36,200	\$121,800
City	County	\$0	\$173,700	\$173,700	\$132,200	\$305,900
Nevada	Nevada	\$57,300	\$82,700	\$140,000	\$101,800	\$241,800
Nevada	County	\$0	\$4,700	\$4,700	\$7,700	\$12,400
County	County	\$0	\$23,900	\$23,900	\$26,500	\$50,400
TOTAL		\$287,000	\$652,700	\$939,700	\$759,300	\$1,699,000

cost which is \$82,463 less than that identified above. This reduced operating cost estimate in turn would increase the annual operating fund surplus to \$321,007.

It is recommended that the "cost model" approach described above be used to prepare CTS budgets, and to identify funding requirements. This will provide a contingency in the operating budget estimates that is prudent in light of the variability of key cost assumptions, such as wage rates, operating effectiveness, and maintenance costs.

Allocation of Casino Financial Requirements

Operating Costs

The financial responsibility of individual participating casinos was identified in a two-step process. As discussed below, the total cost of all casino services was first identified, based upon the proportion of total CTS vehicle-hours and vehicles that will be required to serve the casinos. This total casino cost is then allocated to individual properties according to the proportion of first drops of

passengers at each property. Three properties (Caesars, Harveys and Harrah's) will be full participants, shouldering 30 percent of the casino CTS costs and gaining 30 percent of the first drops provided by casino service. Lakeside and Horizon will be "secondary participants," providing 5 percent of funding and gaining 5 percent of first drops.

The proportion of CTS operations associated with the casino shuttle services is identified as the demand-response vehicle-hours required to provide service to and from the casinos (as shown in Table I). The number of vans required for casino service is identified as the total number of vehicles required for visitor service (as shown in Table F), factored by the proportion of visitor passenger-trips that are generated by casino patrons (as shown in Table I). This procedure yields service quantities of 25,700 vehicle-hours per year and 16 vehicles (including backup vehicles). By entering these quantities into the cost equation presented above, the costs associated with operating the casino shuttle services as part of CTS were identified at \$724,100 per year, as shown in Table L.

TABLE L: Analysis of Casino Service Financial Requirements

Operating Subsidy	Unit	Cost per Unit (4)	Extension	# of Full Participants	# of Secondary Participants
				3	2
				Psgr Share	Psgr Share
Flex-Route/DR Service Levels Req'd for Casino Service				30.00%	5.00%
- Vehicle-Hours (1)	25,700	\$19.73	\$507,100	\$152,100	\$25,400
- Peak Operating Vehicles (2)	16	\$13,560	\$217,000	\$65,100	\$10,900
Operating Costs for Casino Service			\$724,100	\$217,200	\$36,200
Assigning Fixed Costs by Vehicle-Hours					
Fixed Costs: CTS Management		\$159,900	\$159,900		
Fixed Costs: Contractor (3)		\$812,506	\$812,506		
Proportion of Total Vehicle-Hours Req'd for Casino Service (4)			28.06%		
Fixed Costs Allocated to Casino Service		\$272,800	\$272,800	\$81,800	\$13,600
Total Annual Operating & Fixed Costs			\$996,900	\$299,100	\$49,800
Fares Generated by Casino Passengers			\$287,000	\$86,100	\$14,400
Operating Subsidy Required for Casino Service			\$709,900	\$213,000	\$35,500
Vehicle Cost					
Total Number of Vans Required for Casinos		16			
Total Vehicle Cost			\$208,000		
Reduction in Cost to CTS Provided by Federal Funding					
Total (5)		-\$124,800			
Casino Share (6)			-\$83,200		
Initial Casino Vehicle Replacement Reserve (7)			\$13,000		
Total Annual Casino Vehicle Cost			\$137,800	\$41,340	\$6,890
Total Annual Cost			\$847,700	\$254,340	\$42,390
Total Annual Financial Requirement -- Years 1 and 2					
Properties Providing 3 Vans (Harveys, Harrah's, Caesars)				\$215,340	
Properties Providing 1 Van (Lakeside)					\$29,390
Properties Not Providing Vans (Horizon)					\$42,390
<p>Note 1: See Table I. Total for casino visitor service.</p> <p>Note 2: See Table F. Total vans required for visitor services in zones 1, 2, and 3, factored by the proportion of visitor passenger-trips generated by casino visitors (from Table I).</p> <p>Note 3: Including 5 percent contractor profit on all contractor costs.</p> <p>Note 4: See Table I. Proportion of total CTS vehicle-hours required by casino demand-response service.</p> <p>Note 5: 12 vans to be purchased x \$13,000 avoided lease cost per year x 80% Federal funding.</p> <p>Note 6: Based upon forecast that two-thirds of peak van needs will be for casino service.</p> <p>Note 7: 5 Federally-funded vans x \$13,000 per year avoided lease costs x 20% local share.</p>					

The total fixed costs will be allocated based upon the proportion of vehicle-hours of service used for casino service. This approach can be considered to identify the "fair share" of all overhead costs (including some, such as facility maintenance, that are currently funded solely by public agencies) that will partially be allocated to casino services. Using this approach, fixed costs allocated to casino service equals \$272,800 per year. Total costs assigned to the casino service therefore equal \$996,900 per year. Annual fares generated on these services (\$287,000) are credited to the participating casinos; subsidy requirements assigned to the participating casinos therefore equals \$709,900 per year.

Applying the proportions for each participating casino presented above, the annual operating funding requirements through the first two years of the CTS program are identified as \$213,000 for the full participants, and \$35,500 for the secondary participants.

Capital Costs

In addition, the participating casinos will be responsible for a portion of CTS capital costs. Sixteen vehicles will be required to operate the casino shuttle service (including backups). Lease cost for a 16-passenger van (over a five-year lease period) is approximately \$1,080 per month, or \$13,000 per year. Total costs associated with the 16 vehicles required at peak to serve the casinos is therefore \$208,000.

As vans are purchased with outside funding (such as federal funds), these vans will be used to reduce the local requirement to provide vehicles. Presently, twelve vans are planned to be purchased with 80 percent federal funds, which will reduce capital costs incurred by the CTS organization by a total of \$124,800. Based upon the proportion of vans required for casino service (16 of 24), two-thirds of this total benefit (or \$83,200) will be credited to the participating casinos. Five federally-funded vans will be used in the casino service (in addition to the 11 to be donated by the casinos). To ensure that the 20 percent local "match" funds are available when these vehicles require replacement, it is reasonable that this capital match be funded through the casinos. Casino costs for federally funded vehicles will therefore be 20 percent of \$13,000 per year (or \$2,600 per van) times 5 vans, for a total annual capital replacement cost of \$13,000. Total annual capital cost is therefore calculated as \$208,000 minus \$83,200 plus \$13,000, or \$137,800 per year.

During the first two years of CTS operation, the value of vans donated (or leased at nominal cost) by the casinos to the CTS system will be credited based upon the avoided lease cost for the vehicle. For each acceptable vehicle provided for use by CTS, a casino will be credited with the avoided lease cost. Over a full year, each vehicle will reduce the total required subsidy of the donating property by \$13,000. As indicated in the bottom portion of Table L, adding operating subsidy and capital costs and subtracting the value of donated vehicles yields annual financial requirements ranging from \$29,390 for Lakeside (providing one vehicle) to \$42,390 for Horizon (not providing a vehicle) to \$215,340 apiece for Harveys, Caesars and Harrah's (each providing three vehicles).

In order to achieve parity between the public and private participants, every reasonable effort will be expended to acquire all CTS rolling stock following the conclusion of the second year of operation through the state and federal grant processes. Consequently, the participating casinos will be relieved of their initial obligation to furnish 100 percent of the initial eleven non-federal vans (or funding equivalent). In lieu of this obligation, the participating casinos will assume the

responsibility to fund the local match requirements pertaining to such grants, based upon the number of vehicles required to provide the casino element of the CTS service.

The casino participants will provide funding to the CTS program on a quarterly basis, in advance. The required funding will be based upon a formula, identifying the equitable share of fixed costs (for administration and facilities), required operating subsidies for casino services, and required vehicle costs. Operating subsidy will be a function of the forecasted number of vehicle-hours of service provided for casino services during the upcoming quarter, minus forecasted casino passenger revenues.

For the first two years of CTS operation, vehicle costs will reflect the cost to CTS of providing vehicles for casino service (including the 20 percent local match for vehicles purchased with federal funds), minus the value of vehicles provided to CTS by the property (at the "avoided lease cost" rate of \$13,000 per year). Commencing the third year of operation, the casino participants will provide capital funding at the rate of \$2,600 per year per vehicle (increasing with inflation) for each vehicle required for the provision of the casino elements of CTS service, in order to accrue the local match requirements for federal grants.

For each participating casino, the quarterly financial requirement will be calculated as follows:

$$\begin{aligned} & \text{Annual Overhead Cost Allocated to Casino Service} \times \text{Participation \%} \times 0.25 \\ & + (\text{Quarterly Vehicle-Hours of Casino Service} \times \text{Participation \%} \times \\ & \quad \text{Operating Subsidy per Vehicle-Hour of Casino Service}) \\ & + (\text{Annual Vehicle Cost for Casino Service} \times \text{Participation \%} \times 0.25 \\ & \quad - \# \text{ Vehicles Provided} \times \$3,250) \end{aligned}$$

The number of vehicle-hours actually operated in casino service will be tracked on a quarterly basis, and a credit provided to the casinos for subsequent "bills" at the rate equal to the subsidy per vehicle-hour previously paid for but not operated. The cost equation will be adopted by the CTS organization as a "cap" on potential casino financial requirements.

Use of "Surplus Funding"

As discussed above, these analyses procedures and assumptions indicate that Year 2 total revenues will exceed operating and administrative costs between \$238,614 and \$321,077, depending upon the final results of the service contract negotiation process. This positive condition does not indicate that funding levels can be safely scaled back; rather, a strong operating fund balance will be necessary to ensure the ongoing viability of the CTS program for the following reasons:

- ▶ *Capital replacement funds will be required.* None of the reserves discussed above include any expenditures for major capital items, such as the replacement of vehicles. Even if federal funding can be obtained for all vehicle replacements, current funding programs require a minimum of 20 percent local matching funds. As shown in Table M, applying estimated purchase price and expected useful life for the various elements of the planned transit fleet indicates that even the optimistic assumption that federal funding is available for all vehicles yields a minimum local share of depreciation of \$141,000 per year. In rough terms, a *minimum* of \$141,000 per year of local funds needs to be deposited into a transit replacement fund to ensure that local match will be

TABLE M: Annual Minimum Local Vehicle Depreciation for Year 2 CTS Program

Type of Vehicle	Current Purchase Price	Useful Life (years)	Annual Depreciation	Required Vehicle Fleet	Total Annual Depreciation	Minimum Local Matching Funds Required (1)
Van	\$55,000	7	\$7,900	28	\$221,200	\$44,200
Transit Bus	\$240,000	10	\$24,000	6	\$144,000	\$28,800
Skier Bus	\$180,000	12	\$15,000	14	\$210,000	\$42,000
Trolley	\$260,000	10	\$26,000	5	\$130,000	\$26,000
					\$705,200	\$141,000

Note 1: Assuming Federal funding is available for replacement of all vehicles, requiring a 20 percent match.

available for replacement of vehicles. If it is more conservatively assumed that only 50 percent of the fleet replacement will be financed with federal funds (rather than 100 percent), this annual figure increases to \$423,100 per year.

- ▶ *Contingency operating funds must be available.* Of necessity, this financial analysis is based upon a large number of assumptions. Additional operating funds may well be necessary to address any or all of the following major factors:
 - Increases in wage rates or benefit rates necessary to retain a high quality of workforce;
 - Increases in technology costs over the estimates used in this analysis;
 - Relocation of the dispatch center from a temporary location to the permanent location in the Park Avenue project, once the Intermodal Center is completed;
 - Increases in inflation, particularly for fuel; and
 - Increases in the number of vehicle-hours of demand response service required, due to actual operating efficiency below the levels assumed in the analysis.

- ▶ *Operating funds must be available to maintain positive cash flow.* Like any business enterprise, the CTS program will require a positive fund balance to be able to meet ongoing contract, salary and other expenses. Funding needs for cash flow purposes are particularly high for the CTS program, as many state and federal transit funding programs disburse funds on a quarterly or annual basis, and are processed on a reimbursement basis.

In light of these additional financial considerations, the positive annual fund balance indicated in Table J can be considered to be necessary, in order to ensure that the CTS program can avoid future funding shortfalls.



CTOPS10.WPD

ATTACHMENT 1

PROPOSED KIOSK LOCATIONS

(One unit unless otherwise noted)

Lodging (21)

Harveys Resort Hotel (2)
Harrahs Lake Tahoe (2)
Caesars Tahoe (2)
Horizon Casino Resort (2)
Lakeside Inn & Casino
Embassy Suites Hotel
Embassy Vacation Resort
Park Avenue Project (2)
Lakeland Village
Timber Cove Lodge
Tahoe Beach & Ski Club
Super 8 Motel
Inn By The Lake
Tahoe Seasons Resort
Station House Inn
Motel 6

Retail/Resorts (11)

Park Avenue Project (2)
Camp Richardson Resort (2)
Factory Stores at the "Y"
Ski Run Marina
Round Hill Square
Crescent V Raleys
So. "Y" Raleys
Lucky's / Rite-Aid
Safeway-CSLT

Public/Other (11)

SLT Chamber of Commerce
T/D Chamber of Commerce
L/T Community College
Tahoe Senior Plaza
Barton Hospital
Meyers Visitor Center
So. "Y" Transit Center
Intermodal Transit Center
L.T. Convention Center*
St. Theresa Catholic Church*
Meyers Grocery Store & Senior Apts.*

* TRPA developer required kiosk installations

ATTACHMENT 2

POTENTIAL DEDICATED TELEPHONE LOCATIONS

(One unit unless otherwise noted)

Lodging (34)

Zephyr Cove Lodge
 Holiday Inn Express
 Value Inn
 Royal Valhalla Lodge
 Shamrock Inn
 Stardust Lodge
 Americana Village
 Fantasy Inn
 Viking Motor lodge
 Travelodge-SLT
 Travelodge-Casinos
 Travelodge-Stateline
 Forest Inn
 Bavarian Village
 Quality Inn
 Tahoe Chalet Inn
 Tahoe Colony Inn
 Pacifica Lodge
 Green Lantern
 Best Tahoe West
 Ambassador Lodge
 Tradewinds Motel
 Chamonix Inn
 Cedar Lodge
 Blue Jay Lodge
 Tahoe Marina Inn
 The Lodge @ Tahoe
 National 9 Inn
 Montgomery Inn
 Days Inn-Park Ave.
 Days Inn-Hwy 50
 Econolodge
 Rodeway Inn
 Beachcomber (summer only)

Retail/Resorts (32)

Crescent V Center
 So. "Y" Shopping Center
 Lucky's/Rite-Aid/US Bank
 Bijou Center
 Mikasa Center
 Fremont Mall
 Swiss Chalet Village
 Pine Cone Plaza
 Hills Center-DMV
 Tahoe Valley Pharmacy Center
 Roundhill Square
 7/11 Hwy 50
 7/11-Hwy 89
 7/11 Marla Bay
 Roundhill Sears
 Longs Drug Store
 Bumpers / Urgent Care
 Eagles Nest Rest.
 Chevy's Mexican Rest.
 Alpen Sierra-Pioneer Trail
 McDonalds-Ski Run
 McDonalds-South "Y"
 Fresh Ketch Rest.-Tahoe Keys
 Cantina Rest. & Bar
 Marie Callender's Rest.
 New Lakeside Theater @ "Y"
 Camp Richardson Resort (2)
 Tahoe Valley Campground
 KOA Campground
 Campground by the Lake
 Prim Project Pkg. Garage

Public/Other (34)

Lake Tahoe Airport
 USFS Visitor Center
 US Post Office-Kingsbury
 US Post Office-SR 89
 US Post Office-Main Office
 T/D Senior Center
 Lake Tahoe Senior Center
 Pope Beach
 El Dorado Beach
 Lakeside Marina/Beach
 Nevada Beach Campground
 Roundhill Pines Beach
 Zephyr Cove Campground
 Zephyr Cove Pier
 Wells Fargo Bank
 B of A - CSLT
 B of A / Kingsbury Square
 Bank of the West
 Nevada Banking Company
 Norwest Bank
 Douglas County Offices
 Kahle Park Rec. Center
 CSLT Rec. Ctr./ Ice Rink
 CSLT Adm. Bldg.
 ELDC Library
 ELDC Adm. Offices
 ELDC Mental Health
 ELDC Courthouse/Police
 Kahle Drive Apts.
 Ponderosa Trailer Park
 Chateau Bijou Apts.
 Lake Village Clubhouse
 Pinewild Condominiums
 The Ridge Tahoe

Various bus stops as shelters are installed

EXHIBIT 6.1

PARTICIPATION AGREEMENT
EXHIBIT #6.1, cont'd.

COORDINATED TRANSIT SYSTEM:
AIR QUALITY MITIGATION CREDIT PROGRAM

January 20, 1999

Ridership Impact of CTS System:
(Annual Numbers)

	Existing Ridership	% of Total Ridership	Year 5 Increase
Casinos/Lodging	427,000	0.30	222,000
Trolley	72,300	0.05	16,000
Ski Areas	258,000	0.18	121,000
General Public	656,000	0.46	525,000
Total:	1,413,300	1.00	884,000

Casino Credit:

Ridership Increase (@ 5-year forecast): 222,000
Converted to DVTE: 2,018

	% Share	Increase in Ridership (@ 5 years)	Reduction in DVTE	Credit Value
Harrah's	30.0	66,600	605	\$ 15,125
Harvey's	30.0	66,600	605	\$ 15,125
Horizon	5	11,100	101	\$ 2,525
Lakeside	5	11,100	101	\$ 2,525
Caesar's	30.0	66,600	605	\$ 15,125
Totals:	100	222,000	2018	\$ 50,425

Conversion of annual ridership to daily vehicle trips:

Daily peak: 2% X (Annual Ridership) 0.02
Average Vehicle Occupancy: 2.2 persons per vehicle 2.2

	Baseline Ridership	% of Public Ridership
STAGE	513,800	78%
Bus Plus (CSLT)	89,000	14%
Bus Plus (EDCo)	15,000	2%
Douglas County	38,200	6%
	656,000	100%

Credit for El Dorado and Douglas Counties:

	Baseline Ridership	% Total Public	Increase in Ridership (@ 5 years)	Reduction in DVTE	Credit Value
El Dorado	15,000	0.02	12,005	109	\$2,728
Douglas	38,200	0.06	30,572	278	\$6,948

PARTICIPATION AGREEMENT
EXHIBIT #6.1

COORDINATED TRANSIT SYSTEM
AIR QUALITY MITIGATION CREDIT PROGRAM

Background

The concept of the Coordinated Transit System (CTS) was developed to provide for a means of mitigating traffic and air quality impacts from large projects that were proposed at the time. Rather than providing "the usual" physical improvements, CTS was allowing for the development of a transit system that would reduce vehicle trips, thus relieving the need for capacity increasing improvements.

In order to develop a truly "coordinated" transit system, it would be necessary to incorporate all the existing transit systems operating in the area, which in this case includes both public and private operators. For this reason, the private transit providers were approached about participating in the program. As opposed to the other participants who were participating in order to offset impacts from proposed projects, the private providers were asked to participate with no need to mitigate any impacts. In order to provide some incentive to participate, TRPA is proposing to develop a mitigation credit program.

Proposed Credit Program

Because TRPA's air quality mitigation program is based on the number of vehicle trips generated by a project, the number of vehicle trips that will be reduced as a result of the participation of the various private participants and other transit operators will be calculated. The vehicle trips reduced will be "allocated" to each of these participants based on their level of contribution, or the percent share of baseline ridership. For each vehicle trip reduced beyond those required as mitigation for the original participants, an air quality mitigation credit would be given. The participants can use these credits for their own future projects, or they can bank it and sell or trade it with other projects that may need it. At this time, it is suggested that these credits be used for projects within the CTS service area.

Because of the potential risk involved in participating in CTS from the beginning, TRPA proposes that a minimum credit be given to these participants. The ridership on the system will be forecasted to five years after implementation. This ridership level will be given as a minimum air quality credit. If it turns out that the actual ridership is higher than the forecast, credit will be given based on the actual ridership. If it is lower, the original forecast numbers will be used. TRPA will continue to consider the extension of the credit program beyond the first five years.

The attached spreadsheet (Exhibit #6.1, cont'd.), calculates the actual credits to be awarded to the private participants (casinos), and the additional public participants (El Dorado and Douglas Counties). As stated above, the guaranteed credit to be awarded will be based on what the ridership is forecasted to be after the system has been in operation for five years. The anticipated increase in ridership of the system was converted to a reduction in daily vehicle trip ends (DVTE). It is the reduction in DVTE that will be used to award the credit. For the public participants who will be receiving credit, the credit was distributed according to what the percent share of the baseline ridership was. For the casinos, the credit was distributed based on what each of the five levels of contribution will be.

EXHIBIT 7.1

CTS-MCO ORGANIZATIONAL CHART

