



Annual Report
2013-2014

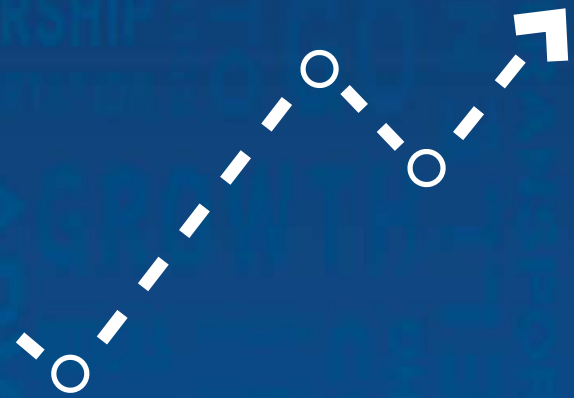
A DRIVING FORCE

FOR A GROWING CAPITAL
REGION ECONOMY



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*CDTA plans, finances, implements,
and delivers transit services that
take people where they want to go
in the Capital Region safely,
efficiently, and at a reasonable cost.*

INTRODUCTION

The Capital District Transportation Authority is a progressive and innovative company, looking to enhance the quality of life for Capital Region residents. Building from the work of our employees, we are changing the way people think about regional mobility. To support our role as a driving force for a growing Capital Region, we have improved our service network, reduced operating costs, and sharpened our community image. The restructuring of our route network and the introduction of Bus Rapid Transit service have solidified CDTA as a critical part of the regional infrastructure, and we constantly look for ways to improve our family of services.

CDTA supports economic development by delivering a range of innovative transportation services for local businesses, municipalities and colleges. Our work furthers the Capital Region's sustainable platform from reducing congestion and carbon emissions to the addition of travel demand management practices that open up green spaces. We are proud to provide first class services and facilities that are safe, affordable, and reliable.

As the region grows, CDTA addresses community needs and changing demographics, providing stakeholders with increased mobility choices. We are working to accommodate future needs and providing a focus on sustainable thinking that will grow travel choices. Our bus fleet is modern and attractive. Our maintenance program is built on a foundation of prevention, and our workforce is accomplished.

As you can see, we have implemented systems to ensure that we are financially strong and people rich. Every great organization relies on its people and our employees demonstrate their commitment to operating a world-class transportation network that supports our growing community. Our future is bright with more choices for our customers and increasing business opportunity for our partners, CDTA is proud to play a pivotal role in moving the region's economic development engine.



FROM THE CHAIRMAN



CHAIRMAN
David M. Stackrow

On behalf of our Board of Directors, I am proud to present the Capital District Transportation Authority Annual Report. Our role as the Capital Region's mobility leader has taken on greater importance as we connect our communities to economic opportunity.

Over the past year we have advanced major projects, enjoyed record ridership and continued to spread our message to key stakeholders. This work has been supported by the creation of innovative partnerships to make our services more valuable and customer focused.

We continue to advocate for the expansion of Bus Rapid Transit services and enhanced

service on our strongest routes. BusPlus, has changed the way people think about transit with more than 1.6 million customers taking our signature service last year. Our redesigned route network has improved connections to jobs, which represents roughly 70% of our trips.

That success is fueling plans to add BRT lines along the busiest corridors in the Capital Region. We are progressing work on the Washington/Western Corridor and the River Corridor. This exciting project will further transform our route network and provide more service to more customers more often.

We have expanded our role as a regional economic development engine. Our success is born out of an ability to connect people and opportunities in ways that are different than in the past. We plan to use these connections to develop new revenue possibilities and opportunities for CDTA.

We have focused on an Innovation Platform that has aligned us with developments across our service area.

Whether it is enhancing community infrastructure through transit centers or providing new services for customers, we have developed a clear vision for CDTA to expand beyond a provider of bus service.

Our employees are the cornerstone of the company and none of our successes is possible without their extraordinary efforts. It takes a team to meet and exceed the goals CDTA has laid out over the past year and our nearly 650 employees have met every challenge. They work together to provide outstanding and award-winning service every day.

CDTA will continue to provide services that address unique community needs, stimulate economic development and improve the quality of life across the Capital Region. That is the pledge of our Board of Directors and every employee that works at our company.

Sincerely,

A handwritten signature in black ink, appearing to read "David M. Stackrow".

David M. Stackrow
Chairman of the Board



FROM THE CHIEF EXECUTIVE OFFICER



CHIEF EXECUTIVE OFFICER
Carm Basile

It has been quite a year for CDTA. We closed the 2014 fiscal year with record ridership, a balanced budget and enhanced services that position us for success.

Our key performance indicator is ridership, and I am pleased to report that we finished the year with record ridership of 16.5 million. This represents an increase of 5% from last year, and is accompanied by a 2% increase in customer revenue. This is the third consecutive year that CDTA posted a ridership increase. The increases are fueled by redesigned services, Bus Rapid Transit, a growing partner base and our universal access program.

As ridership continues its upward trend, we have refined

our network to provide more service on trunk and neighborhood services. We continue to initiate service changes that reflect what our customers want and what our communities need.

We are excited to offer customers a new fare collection system that has more flexibility, security and makes riding easier. New fare boxes, vaulting and software components will be installed during spring 2014. This will pave the way for a move to smart cards and mobile ticketing systems in 2015.

BusPlus on Route 5 has captured the region's attention and as a result we have made progress on our 40-mile network of Bus Rapid Transit service. Earlier this year, Senator Charles Schumer joined us to announce new BRT lines on the Washington/Western and River Corridors.

The Washington Western line spans 8-miles from downtown Albany to Crossgates Mall, while the 15-mile River Corridor connects the cities of Albany and Troy. BRT provides clear connections to economic development opportunities and growth.

Plans are moving forward to develop a coordinated network of transit centers at high volume locations across our four county region. We have identified a flagship center to be built in downtown Albany that will stimulate economic development, provide needed services for the community, and preserve nearby historic sites. We are also working to develop a center at Crossgates Mall, which is the highest boarding location in our system. These state-of-the-art centers will be mixed-use facilities, with some including retail, office space and parking.

We remain focused on our mission of transporting customers, improving regional mobility, while fueling economic development by connecting people to jobs. We always welcome input on our activities as we look to develop better ways to serve the Capital Region.

Sincerely,

A handwritten signature in black ink that reads "Carm Basile". The signature is fluid and cursive.

Carm Basile
Chief Executive Officer



OUR MISSION

CDTA plans, finances, implements, and delivers transit services that take people where they want to go in the Capital Region safely, efficiently, and at a reasonable cost.

CDTA works to accomplish this mission by:

- Continually identifying ways to increase transit ridership and revenue.
- Taking a leadership role to help mold regional growth and improve the transportation network.
- Balancing regional needs for social service, congestion relief and basic access.
- Delivering a range of transportation services that meets a diversity of markets and customers.
- Developing innovative ways to attract and retain a high quality workforce.
- Identifying appropriate funding sources to meet the region's transportation needs.

OUR VISION

CDTA is a growing, vibrant company that seeks to continually increase ridership and the use of its facilities by providing services that people want and need.

CDTA delivers lifeline services to those who need them and provides a full range of transit options for the choice rider in the Capital Region.

CDTA plans for the mobility needs of the Capital Region with a predictable and reliable stream of funding sources to meet those needs.

CDTA is a multi-modal transportation provider, delivering comprehensive transit services, as well as a transportation demand management program that includes vanpool, carpool, and incentive-based ride sharing with a focus on city and suburban locations that have a demonstrated need.

CDTA is responsive to the environment and operates equipment that features the most efficient systems available. In addition, CDTA undertakes continual outreach to enroll the region's travelers in efforts to move toward an environmentally-responsible approach to travel.

CDTA works in partnership with state, regional, and local agencies to advocate for transit-oriented development in the Capital Region and is advancing infrastructure that will meet current and future mobility needs.

CDTA undertakes frequent assessments of the region and seeks community input to effectively position the organization to anticipate and meet market changes and expansions.

OUR VALUES

CDTA designs services people want and delivers services people can rely on. We treat customers, the community, and each other with respect and integrity.

CDTA is a flexible and innovative mobility company that responds to changing needs to keep the Capital Region. We are proactive in meeting the needs of our region. Stakeholder relations and input are integral to our planning and development efforts.

CDTA operates a financially-stable organization that places importance on cost-recovery and operating efficiency in order to deliver optimal service in the Capital Region.

CDTA takes a leadership role in helping to mold regional growth and advocate for mobility. CDTA works with local planning and business organizations to help shape regional growth in a way that provides congestion relief and basic access.

CDTA meets the needs of both the transit-dependent rider and the choice rider by delivering a wide range of transportation alternatives and by working to ensure that its services are easy to identify, use, and pay for.

CDTA helps employers connect their employees to the workplace, delivering commuter solutions that make daily work connections efficient, economical, and reliable.

CDTA employees are the heart and soul of the organization leading innovation and productivity. We promote a positive work environment by supporting each other through effective communication, teamwork, and an appreciation for our diverse abilities and contributions.



RIDERSHIP STATISTICS (FY 2013-2014):

Total Ridership	16,488,000
Fixed Route	15,991,000
NX	188,000
STAR	309,000
Annual Bikes on Buses	72,000
Annual Wheelchair Boardings on Fixed Route	15,350

FARES (EFFECTIVE APRIL 1, 2013):

Base Fare	\$1.50
Day Pass	\$4.00
Weekday Rolling <i>Swiper</i>	\$55.00
31-day Rolling <i>Swiper</i>	\$65.00
10 Trip Card	\$13.00
STAR	\$2.50
NX (varies by zone)	\$4.00 - \$7.00

INFORMATION SOURCES:

Customer Service Center	482-8822
STAR Reservation Center	482-2022
Corporate Pass Sales Inquires	437-6876
Total Calls Answered Annually	450,000
Company Web Site	www.cdta.org
Web Site Visits Annually	1.1 million

BUILDINGS AND FACILITIES:

- Administrative Headquarters, 110 Watervliet Avenue, Albany, NY 12206
- Schenectady Division, 2401 Maxon Road Extension, Schenectady 12308
- Troy Division, 40 Hoosick Street, Troy, NY 12180
- Rensselaer Rail Station, 525 East Street, Rensselaer, NY 12144
- Saratoga Springs Train Station, 26 Station Lane, Saratoga Springs, NY 12866
- Customer Service/Training Center, 85 Watervliet Avenue, Albany, NY 12206

REACH:

Serving Albany, Rensselaer, Saratoga and Schenectady Counties	
Service Area Size	2,300 square miles
Service Area Population	769,000
People living within ¼ mile of bus service	50.6%

FINANCIAL INFORMATION:

Consolidated Operating Budget (2013-14)	\$76.1 million
Customer Revenue	\$16.7 million
Value of Capital Assets (net depreciation)	\$118.9 million
Fleet	42%
Facilities	47%
Other (Technology, Fare Collection)	11%
Planned Capital Expenditures	\$244.7 million over 5 years
Fleet	15%
Facilities	5%
Other (Technology, Fare Collection)	80%

OPERATING AND SERVICE DETAILS:

CDTA Employees	638
Total Number of Revenue Vehicles	306
Fixed Route Vehicles	234
Hybrid-Electric Vehicles	50 (included in overall fleet)
Paratransit Vehicles (STAR)	36
Shuttle Vehicles	22
NX Commuter Coaches	14
Number of Bus Routes	52 (not including rural or seasonal)
Annual Vehicle Miles	9.9 million
Annual Vehicle Hours	735,000
Annual Fuel Consumption	2.2 million gallons
Bus Stops	2,777
Passenger Shelters	261
Park and Ride Lots	29
Available Parking Spaces	1,655

(CDTA Statistics as of March 31, 2014)



BOARD OF DIRECTORS BIOGRAPHIES



DAVID M. STACKROW

Chairperson, Represents Rensselaer County

David M. Stackrow has been a member of the CDTA Board of Directors since October 1995. He is currently Chairman of the Board, now serving his third stint as chair. His tenure makes him one of the longest serving board members in CDTA history. Stackrow is the managing partner of Scott, Stackrow and Co. CPA's, P.C. in Troy. Stackrow earned a Bachelors of Business Administration degree from Siena College and is a licensed CPA. In addition to his service at CDTA, Stackrow is a Director of the Rensselaer Tobacco Asset Securitization Corporation, a board member of the Challenger Learning Center of the Capital Region and a Trustee of the CDTA/ATU 1321 Pension Plan. He is actively involved with the American Public Transit Association, sitting on several board member committees. Stackrow was honored by APTA in 2009 with their Outstanding Board member of the year award. Stackrow is an Assistant Scout Master with Troop 528 of the Boy Scouts of America; he is also a member of the finance committee for the Sacred Heart School in Troy. Stackrow lives in Poestenkill, New York with his wife Karen and their two high school age children.



GEORGEANNA NUGENT LUSSIER

Vice-Chairperson, Represents Saratoga County

Georgeanna "Georgie" Lussier was appointed to the CDTA Board in May 2009. She is a member of the CDTA Planning and Stakeholder Relations Committee and the Governance Committee. She is Senior Project Manager at Foit-Albert Associates Architecture, Engineering and Surveying, P.C. in Albany and holds a Master of Science degree in Environmental Science and Engineering from Colorado School of Mines and Bachelor's degrees in Environmental Science and Geology from SUNY Plattsburgh. She is a Certified Hazardous Materials Manager and a NY Department of Health Certified Asbestos Inspector. Ms. Lussier is a 2008 graduate of Leadership Saratoga and serves on the City of Saratoga Springs Design Review Commission. She is a member of the Earth Day Grant Committee for the Air and Waste Management Association and the Scholarship Committee for the American Council of Engineering Companies of New York. She is also a member of the American Public Transportation Association Sustainability Committee. She moved to Saratoga Springs with her family in 2006 from Denver, Colorado.



JOSEPH M. SPAIRANA

Secretary, Represents Rensselaer County

Joseph M. Spairana, Jr., appointed to the CDTA Board in December 2008, is retired from the New York State Department of Transportation with 35 years of service. At the time of his retirement, Mr. Spairana was Engineer in Charge responsible for construction operations for major roadway and bridge improvement projects throughout the Capital Region. Mr. Spairana serves on the Board of Directors of the Lansingburgh Boys and Girls Club and is active in their Futures and Events Committee. Mr. Spairana is a member of the Performance Oversight Committee and a former member of the Planning and Stakeholder Relations Committees. He is a lifelong resident of Rensselaer County and lives with his family in Wynantskill.

BOARD OF DIRECTORS BIOGRAPHIES



ARTHUR F. YOUNG, JR.

Treasurer, Represents Albany County

Arthur F. Young Jr., appointed to the CDTA Board in October 1995, is a retired officer of Key Bank of New York after more than 49 years in banking. At the time of his retirement from Key Bank, Mr. Young was a Senior Vice President and Manager of the bank's Legal and Recovery Division, Secretary of the bank's Board of Directors, President and CEO of Key Financial Services, and a Director of Key Leasing, Inc. Mr. Young is a Trustee, Investment Officer and past President of the J.O. Wells Albany Memorial Hospital Nursing Education Foundation, Director of VNA Albany Home Health Care Corp., Director of VNA of Albany, Director of VNA of Albany Foundation, Director and Elder and past Governor of the Albany/Colony of Mayflower Descendants, Director and Elder of the New York State Society of Mayflower Descendants, former Captain General and present D.G.G for N.Y. of the General Society of Mayflower Descendants, Director and Review Chairman of Adirondack Swimming, President and Director of the Elder William Brewster Society, Past Director and Treasurer of the Capital District Pop Warner Federation, Junior Vice Commander and Director of Sons of Union Veterans of the Civil War, Director of the Berkshire Family History Association, Trustee and Director of Capital District Genealogy Society, Trustee and Director of the Bethlehem Historical Association and member of the Executive Committee.



NORMAN L. MILLER

Represents Schenectady County

Norman L. Miller has been a member of the CDTA Board since July 2006. Mr. Miller is president of Leadership Management of New York, Inc., and a strategic development company that specializes in strategic planning, organization and management development, executive leadership and team building. He retired from the United States Air Force with 33 years of service and serves as a member of the Schenectady Military Affairs Council. He is a member of the Schenectady Rotary Club and also a founding member of the Albany County Safe Haven organization in Altamont. Active in his community, he was a member of the Princetown Comprehensive Planning Committee and currently, is serving as the Princetown Town Judge. He was a member of the 1988 Olympic Bobsled Coaching Staff. Mr. Miller is the author of "IceSpy", an espionage novel published in 1995. Mr. Miller is a member of the CDTA Planning and Stakeholder Relations Committee. He and his wife reside in Princetown.

BOARD OF DIRECTORS BIOGRAPHIES



THOMAS M. OWENS

Represents Albany County

Thomas M. Owens, appointed to the CDTA Board in July 2008, serves as counsel to the Albany Port District Commission. A graduate of the U.S. Naval Academy (B.S.), Mr. Owens served as a submarine officer for seven years. Mr. Owens has also earned degrees from Georgetown University (M.A.) and Albany Law School (J.D.). He chairs the CDTA Performance Oversight Committee, is a member of the Governance Committee, and the Chairman of the Investment Committee. Mr. Owens resides in Bethlehem with his wife Theresa and their children.



DENISE A FIGUEROA

Represents Albany County

Denise A. Figueroa, a CDTA Board member since December 2003, chairs the CDTA Board of Directors. She is a founding member and current Executive Director of the Independent Living Center of the Hudson Valley, established in 1987. She holds a M.S. from the University of San Francisco and a B.A. from Brooklyn College, City University of New York. Ms. Figueroa is one of the original members of the Disabled Advisory Committee. She is the Chair of the Board of the New York State Independent Living Council, appointed by the Regents. Ms. Figueroa chairs the CDTA Governance Committee. She lives in Cohoes.



LISA BALLOUT

Represents Saratoga County

Lisa Ballout was appointed to the CDTA Board in March 2010. Since 1981, Ms. Ballout has been working in education, starting in Wichita, Kansas, and has been in the Capital District of New York since 1991. She has worked in the Counseling Department at Mohonasen High School and in special education at Niskayuna High School. Ms. Ballout previously served as a tutor and substitute teacher in the Shenendehowa and Niskayuna School Districts. Most recently, she is managing the family ranch business. Ms. Ballout is a member of the Planning and Stakeholder Relations Committee and former member of the Performance Oversight Committee. Ms. Ballout received her Bachelor of General Studies and Master of Education from Wichita State University.



CDTA SENIOR STAFF



Carm Basile
Chief Executive Officer



Christopher G. Desany
Vice President of
Planning and Infrastructure



Amanda Avery
General Counsel



Gary Cook
Director of Transportation



Michael P. Collins
Vice President of
Finance & Administration



Lance Zarcone
Director of Maintenance

THE YEAR IN REVIEW

CDTA's Platform of Innovation has resulted in growth across the board, including the key metrics of ridership, revenue, and relevance. It is clear that the Capital Region is taking notice. We listen to what customers tell us they need to get to work, play and what matters. Looking ahead, we are excited for a year filled with better service, innovative payment options and more community partnerships.

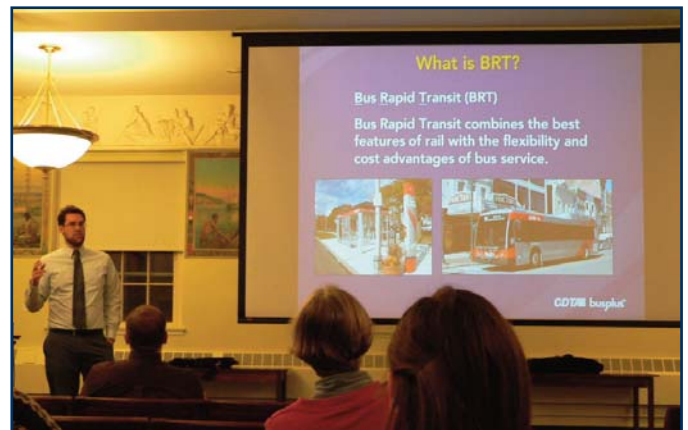
CDTA completed the year with record-breaking gains in ridership, increased recognition of our innovative system and new customer programs. Ridership gains and system improvements are driven by efforts to position the transit system as a better way to travel throughout the Capital Region. CDTA's services take people where they need to go, improve the quality of life for residents, support growth, and most importantly – they provide connections to work, school, and local businesses.

We offer increased mobility, savings to area businesses that improve the bottom line and the ability to take advantage of all the Capital Region has to offer. The addition of access to major metropolitan areas through our Rensselaer and Saratoga Springs Train Stations clearly identifies CDTA as a linchpin in attracting new businesses to the region, while assisting in job creation across numerous sectors.

CDTA is the easiest way to get where you need to go in the Capital Region. We are a valuable partner to many community organizations. We work to provide value, not only in cost effective transit services, but in partnering on procurement options and providing administrative assistance in disciplines where we can be most helpful.



Staying connected with customers is a key to any successful company. Our outreach process has been refined to be transparent, informing stakeholders how we are continually improving services. With a new fare collection system, a coordinated network of transit centers, more real time information and other amenities, customers will see better access to work, school and social opportunities.



Director of Planning Ross Farrell explains the advantages of Bus Rapid Transit at a customer forum for the expansion of future BRT lines.



A COMMUNITY PARTNER

Whether providing shuttle service for Albany's Tulip Festival, Saratoga's First Night, CDTA provides professional service for customers. Many of our employees serve on area boards, volunteer at local events and support numerous initiatives across the region.



CDTA began a "Stuff the Bus" tradition last holiday season by partnering on a pair of donation sites to benefit Capital Region charities. We deployed vehicles to accept donations of nonperishable food items and new/slightly-used clothing, with proceeds going to the Alternative Learning Center. One of the buses was stuffed in cooperation with Fly 92's Morning Rush Challenge to raise 2,400 pounds of non-perishable foods items for the Regional Food Bank. The overwhelming support for these initiatives has turned "Stuff the Bus" into a new CDTA Holiday tradition.

In rain, hail, sleet and snow, you will find CDTA assisting in times of community need. Our operators and supervisors are on the scene to help law enforcement and fire departments during emergencies and severe weather. You will also find us out in force on Election Day providing complimentary service for our STAR customers, offering independence to thousands of riders each year.

We are always looking to expand our range of services. To that end, we piloted a summer shuttle with Live Nation and the Saratoga Performing Arts Center. Concert goers received reliable and affordable transportation to get to the most popular shows, reducing parking costs and congestion. Our historic summer trolleys shuttle customers from SPAC to Congress Park after the

concerts ended. The service was a compliment to regular trolley service that runs Memorial Day through Labor Day each summer with stops at SPAC, the Gideon Putnam Hotel, the Museum of Dance, the Saratoga Racecourse and Saratoga Raceway and Casino.

CDTA was honored with the 2013 Northeastern Association of the Blind (NABA) Partnership award in recognition of its extensive partnership in helping people achieve and sustain independence. CDTA has worked with NABA for years helping to transport customers to



CEO Carm Basile, CDTA VP of Finance and Administration and NABA Treasurer Michael Collins, CDTA Chairman David Stackrow and NABA Executive Director Chris Burke and NABA Chairman Mark McCarthy

work, medical appointments and shopping locations. NABA provides services to help blind and visually impaired people achieve independence and growth. Since 1908, NABA has helped people adapt to vision loss, achieve personal goals and remain independent members of our community. NABA provides services to individuals of all ages throughout 14 counties in and around the Capital Region.

CDTA is the preferred transportation partner for the City of Albany's Alive at Five Concert series. Concert goers can avoid the hassles of driving and parking while being connected to just about anywhere. Travel Trainers assist attendees with travel itineraries and handed out information on a number of convenient and affordable transit routes available from State Street, Broadway and South Pearl Streets.

These efforts showcase our services to people who might not otherwise use CDTA, reminding them of the need for a high quality transit system and the things we do to support economic development.

BEYOND THE BUS: DEVELOPING KEY TRANSPORTATION HUBS

CDTA has adopted a platform of innovation to guide development, allowing it to take on exciting new projects to increase ridership, diversify revenue sources, and strengthen our public position in the community. It will result in CDTA being an important partner and a driving force for economic development in the Capital Region.

One initiative in the innovation platform is the development of coordinated and comprehensive transit centers at high volume locations along the network. This includes downtown areas, major commercial and residential centers, and regional shopping centers. The transit centers will provide attractive, comfortable places for CDTA customers and others to gather, use transit service and avail themselves of other conveniences.

These vibrant urban activity centers will include space for retail and commercial development along with parking facilities to provide intermodal connectivity and revenue capacity. The centers will be transportation gateways that are part of the fabric of our communities, elevate and improve the transit experience, promote regional mobility and encourage transit-oriented development.

CDTA has proposed a transit center in downtown Albany to stimulate economic development, provide needed services for the community, and preserve nearby historic sites. The state-of-the-art facility will be served



Artist rendering of the CDTA transit center along the Washington Western BRT line at Crossgates Mall.

by more than 30 CDTA routes, including three BRT lines, intercity carriers (Adirondack Trailways and Greyhound), taxis and limousines. It will offer a climate-controlled customer area and other amenities to improve the travel experience. The center will be a mixed-use, including retail, office space and a parking garage.

The center will be a catalyst for redevelopment including demolition of the outdated Greyhound bus station. Parking consolidation will free land for residential, commercial and public space development. The center will draw thousands of people every day translating to people spending money at shops, restaurants and theaters.

CDTA has an architecture firm to design the transit center which has been incorporated into the City of



Downtown Albany Transit Center



Beyond The Bus: continued

Albany’s Tactical Plan. Appropriate public input has been sought from residents, business owners, and other interested parties.

Another location being closely looked at is Crossgates Mall. This area is being developed exclusively as a transit center for CDTA customers. The center would provide a covered, heated place for customers to wait. This has the potential to include a CDTA sales center and a Mall Information Center. Crossgates Mall is the highest volume bus stopping point in the CDTA system. The transit center is expected to include parking to replace spaces lost as a result of construction. There will also be space for park and ride customers.

CDTA is being proactive in the face of increased expectations based on its successful on street services and first rate facilities. The transit center network and aesthetic improvements across the system are another step forward in representing our communities.

Ridership Hits All-Time High

CDTA finished last fiscal year with record ridership of 16.5 million. This tops the previous record set in 1983. In the last three years, CDTA ridership has surged, with almost 2.7 million more boardings on buses, an increase of 14%.



Over the past three years ridership has surged by nearly 3 million additional boardings thanks to redesigned services, a growing partner base and universal access relationships.

As we optimize services and make them easier to use, we are growing our network of community partners. The centerpiece of these efforts is our Universal Access program. With Universal Access, we provide businesses, schools and colleges with unlimited access to our service network. The Universal Access program delivers a key transit option to Capital Region employees and students. By partnering with nearly all of the area’s higher education institutions, students have increased mobility, needing only their ID card to ride to class, shopping and for recreation.

The benefits of Universal Access also work for commerce. ShopRite Supermarket associates use our system free of charge, helping to ensure they arrive to work safely and on time. These partnerships now account for 25% of all ridership and customer revenue. More important to CDTA, is the growth of Universal Access arrangements and their impact on the attractiveness of transit in the region. The number of boardings has grown by 50% in 2 years with the number of companies and schools pacing similarly.

HVCC adds nearly 500,000 rides in pilot UA program

CDTA and Hudson Valley Community College launched a universal access partnership on August 26, 2013. The agreement, which allows HVCC students to use their ID card to access the CDTA route network, was promoted to students through bus and shelter advertising, social media, direct mail, on campus signage and orientation activities. As a result, HVCC-based boardings increased nearly 25% during the first six months.



HVCC’s Environmental Sustainability Committee identified a need for transportation services and sought support for the program through a student-driven advocacy campaign. Several campus organizations partnered to advance universal access to the college including HVCC’s Administration.

National Recognition for Top-Level Security Measures

CDTA earned top honors for its outstanding security program from the Transportation Security Administration (TSA). The TSA commended six rail and mass transit agencies from across the nation for earning the administrations highest rating of “Gold Standard” on their 2013 Baseline Assessments for Security Enhancement (BASE) for their dedication to building a strong security program.



CEO Carm Basile, CDTA Chairman David Stackrow, Brian Johansson, Transportation Security Administration and Richard Vines, CDTA Director of Risk Management.

Our ongoing security measures keep customers and employees safe. We use the national initiative, “If You See Something, Say Something,” and security cameras installed on most of our fixed-route buses.



A recent security exercise at the Rensselaer Rail Station.

The BASE program establishes a security standard for individual system security programs. The voluntary review of transit security programs include a review of topics such as an agency’s security plans, security training, drills/exercise programs, public outreach efforts and background check programs. The BASE program analyzes the security program for each transit system and identifies opportunities to enhance security.



“Fast Fare” Driving CDTA Innovation

CDTA’s fare collection initiative stands to be one of the most impactful in Authority history. The program will create a state-of-the-art experience and bring unprecedented opportunity for service innovation. Our new “Fast Fare” collection system was installed on the fleet this spring, with the rollout of smart cards and mobile ticketing expected in 2015.

The New Fare Collection System is designed to offer customers more flexibility, and state of the art fare payment options. The system was purchased from SPX Genfare of Elk Grove Village, IL, who has successfully advanced CDTA’s fare collection systems since the early 1990s. The move will update our fare collection system with functionality to accommodate contactless smart cards, mobile (smart phone) ticketing and new point of sale terminals, and mobile transaction processors.



When fully deployed, customers will be able to buy fares on a secure smartcard account supported by a mobile device. Customers and partners will see faster boarding times and more flexible payment options. The base system is expected to be complete sometime in-2015. The system includes a number of innovative features including:

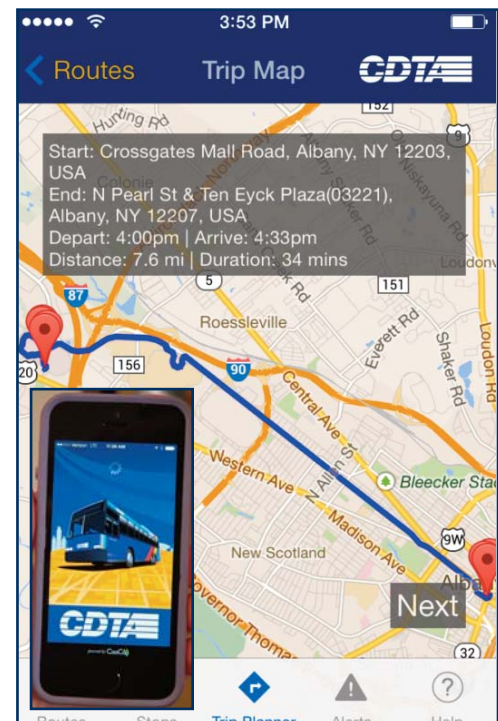
- Ability to register for enhanced security for lost card protection
- Contactless smart cards with new features and benefits
- Web-based portals to give customers the ability to “recharge” cards on-demand or through automatic replenishment (similar to EZ-Pass).
- The ability to purchase and use fare products on a mobile device

Revamped iRide App Hits The Streets

Keeping customers updated on the changing face of transit is a 21st Century necessity. The growing reach of social media, combined with on-the-go lifestyles, has made information more accessible. CDTA’s iRide customer information application makes it easier to access route information, schedules, service advisories, maps and trip planning.

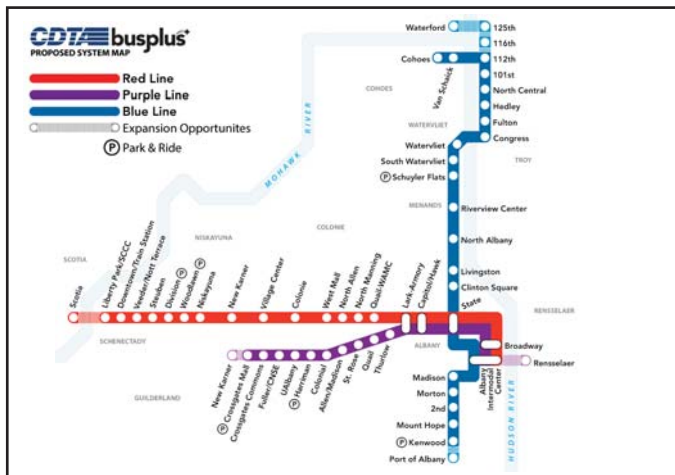
The iRide application offers intuitive searches by route, bus stops or landmarks through GPS-enabled software. Customers can also access the CDTA website, social media outlets and customer service centers. Riders looking to find real time information for BusPlus can also download our BusPlus app from their provider’s store.

The new technology was developed in cooperation with CooCoo, a Huntington, NY-based transit technology company and is part of a larger project between CDTA, SPX Genfare and CooCoo to provide CDTA customers with industry-leading technology.



Expansion of Bus Rapid Transit (BusPlus)

CDTA was joined by Senator Charles Schumer last October to detail the development of its 40 mile Bus Rapid Transit network. BRT is one of the fastest-growing service categories in the country, and locally provides a transportation alternative that improves connections to jobs and stimulates the Capital Region's economy.



BusPlus, CDTA's version of bus rapid transit was introduced to upstate New York on Route 5 in April 2011, connecting Albany, Colonie, Niskayuna and Schenectady along Route 5. The award-winning project has resulted in 20% ridership gains and prompted CDTA to develop BRT routes on two of the region's busiest transit corridors: Washington-Western Avenues and Routes 4 and 32 along the Hudson River.

BusPlus is a limited-stop service that combines a quicker ride with enhanced customer amenities, including large stations, real-time information, transit signal priority and security features.

BusPlus has increased ridership on Route 5 to more than 4 million boardings and helped the region take notice of the economic benefits and innovative nature of our robust transit system.



Western-Washington BRT

The Purple Line will travel on the Washington and Western Avenue corridor between downtown Albany and Crossgates Mall, improving service to urban areas, the University at Albany and the Harriman Campus. The service will operate through urban neighborhoods and business districts, providing a direction connection to Downtown Albany. Washington-Western Avenue, the second most traveled transit corridor in the region, generates annual ridership of approximately 3.4 million.



River Corridor BRT

The Blue Line will operate through the River Corridor communities along the Hudson River. It will connect Albany, Menands, Watervliet, Troy and Cohoes with potential for it to be extended into Waterford and Lansingburgh. The River Corridor has a large, growing employment base and connects to a host of CDTA services, including the other BusPlus lines. The corridor accounts for more than 2 million annual boardings, making it the third-busiest transit corridor in the Capital Region. BusPlus will reduce traffic congestion, and stimulate economic development while reducing parking demand in Albany and Troy.



Looking Ahead

We recently completed an update to our Transit Development Plan (TDP), the five-year road map that outlines the most effective use of resources to increase ridership. This is accomplished by developing improved services, better facilities and features for customers, and coordinated outreach throughout the community.

The original TDP was the foundation for CDTA's recent growth and development, guiding improvements that increased ridership to record levels. This updated plan improves standards for service, outlines development of new customer facilities and proposes critical capital investments. The plan reflects a continued effort by the organization to make the system easier for people to understand and use.

The TDP builds on the organization's vision to be a regional mobility manager. It uses many of the tenants of CDTA's Innovation Platform and is supportive of our capital, financial and operating plans. It includes service planning principles and guidelines that foster continuous improvement and effective use of resources. It seeks to develop services where people want and need them most. It relies on partnership, community and stakeholder input, and positions CDTA as a leader in the region and key cog in the economic development process.



Here are some key areas outlined in the updated Transit Development Plan that by this report in detail:

Service Improvements and Expansion

CDTA will increase service based on productivity and growth areas, taking into account social and geographic equity. Our plan is to increase frequency and span of service on high volume trunk routes. These routes are the foundation of the system and most have seen dramatic ridership increases over the last 3-5 years. The future of the system is rooted with these services and we will make critical investments in them to benefit the communities that we serve.

We will investigate additional service to express routes, mainly during peak commuting times. We will improve services on neighborhood routes to meet increasing demand and enhance the connectivity of the system.

Park & Ride Expansion and Improvement

Guided by the Regional Park & Ride/Express Bus study, CDTA will look to establish new shared-use lots with an eye towards a more cost effective approach. We will review the purchase or long-term lease of property for park & rides with the highest projected use. The growth of the regional park-&-ride network will support express vehicle improvement and feature lots with shelters, landscaping and paving. Wayfinding signs along major routes and branded entrance signs will also be installed.



Improved Technology

Aside from the significant upgrade to our fare collection system that will include the use of smart cards and mobile ticketing we plan to replace our Computer-Aided

Dispatch and Automated Vehicle Location system and expand Bus Rapid Transit ITS elements (i.e. Transit Signal Priority & real-time arrival information) to local services where possible.

Premium Vehicles for Premium Service

Premium services including express and bus rapid transit will attract choice riders. Vehicle upgrades to improve comfort and customer convenience are also motivators to



use transit service. We are exploring the purchase of high capacity-articulated buses for trunk route corridors to increase capacity. We are also considering the purchase of commuter style buses with cushioned, forward facing seats with added leg room and complimentary Wi-Fi for use on express routes. The continued development of electric and CNG vehicles represents the next wave of buses we have engaged with providers to determine feasibility.

Partnering with the Development Community

We will expand our relationship with the development community to influence design of the region's building environment. We will demonstrate the benefits of easily accessible, transit-oriented development with the ultimate objective being for transit to be included as a infrastructure considered by developers. This includes access to roads, water and power. Moving the transit agenda up the hierarchy of needs is a must have in the development of a more comprehensive and successful transit system in the Capital Region.



Go Behind the Blue

CDTA employees are the cornerstone of our company. That's why we take every opportunity to promote and recognize outstanding performance. We believe in them and are proud of our program of wage, benefits and training. Our workplace is modern and efficient. Employees are equipped with tools for success, and they have the ability to advance through a career ladder program for promotion and recognition.



Attendance is critical in the transit industry as it is a principal factor in the delivery of quality service. That's why we have an attendance bonus and wage progression schedule. At the end of the day, coming to work on time and doing the best job possible are at the core of our performance expectations. We are extremely proud of the work of our employees in this area.

A new activity for us is a comprehensive program to extend the life of older buses (12+ years) through the replacement of engines, transmissions and rear end assemblies in our oldest NOVA style buses. The buses also receive body work and painting as required. All of this work is handled by our technicians in our facilities.

Success in our maintenance department is driven by the technical competency of our employees. Their expertise allows us to build a foundation of preventability. Our preventative maintenance program fuels our ability to take on complicated work plans. These in-house efforts help us to develop our workforce and encourage a new sense of pride among employees.

CDTA employees enjoy an array of programs that improve communication, provide training and educational opportunities, and recognize outstanding effort. We hold an annual dinner for employees and recognize efforts in safety, attendance and customer service. We spotlight long-tenured employees and have instilled a sense of pride throughout the workforce by acknowledging high level performance.

The company is proud to hold annual bus roadeos for operators and technicians. These events give employees the chance to showcase their skills, and highlight the collective efforts of our workforce. We participate in state and national trade association conferences, and our staff serves in leadership roles on industry committees and task forces. We encourage our employees to be active in their community, and we support participation on not-for-profit boards, committees and work groups. Our workplace safety and security programs are



developed with employee input and participation. Workplace injuries have been reduced, driving self-insured workers' compensation costs to industry lows. Accidents are well below industry standards and we manage them with comprehensive training programs. These programs have been recognized for excellence by national oversight organizations. Over the past three years, we have resized the company to align what we spend to what we earn.

From the street, to our facilities, administration and customer service it takes everyone to further our mission.

CDTA FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

**The Board of Directors
Capital District Transportation Authority**

We have audited the accompanying balance sheets of Capital District Transportation Authority (the Authority) (a component unit of the State of New York), a business-type activity, as of March 31, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of March 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis (MD&A) on pages i through v (preceding the financial statements) and the schedule of funding progress for other postemployment benefits on page 17 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2014 on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority’s internal control over financial reporting and compliance.

May 23, 2014



Management's Discussion and Analysis

For the Year Ended March 31, 2014, 2013 and 2012

(Unaudited)

Introduction

This Management Discussion and Analysis (MD&A) of the Capital District Transportation Authority ("CDTA" or "Authority") provides an introduction to the major activities affecting the operations of the Authority and an overview of the financial performance and financial statements of CDTA for the years ended March 31, 2014, 2013 and 2012.

Following the MD&A are the financial statements of the Authority, together with the notes, which are essential to a full understanding of the data contained in the financial statements. The financial statements include the following: balance sheets; statements of revenues, expenses and changes in net position; and statements of cash flows. The balance sheets provide a snapshot of CDTA's financial condition at March 31, 2014 and 2013. The statements of revenues, expenses and changes in net position report the results of CDTA's operations and activities for the years ended March 31, 2014 and 2013. The statements of cash flows report CDTA's sources and uses of cash from operating, non-capital financing, capital and related financing, and investing activities for the years ended March 31, 2014 and 2013.

Financial Position

The summarized balance sheets below provide a snapshot of the financial condition of CDTA as of March 31 of each fiscal year. Increases or decreases in net position may indicate a strengthening or weakening of the Authority's financial position over time.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Current assets	\$ 46,248,073	\$ 41,344,761	\$ 44,639,785
Capital assets, net	119,408,939	118,959,245	114,543,456
Total assets	<u>\$ 165,657,012</u>	<u>\$ 160,304,006</u>	<u>\$ 159,183,241</u>
Liabilities and net position:			
Current liabilities	\$ 8,063,958	\$ 7,214,897	\$ 7,233,847
Noncurrent liabilities	53,824,689	43,181,318	38,670,772
Total liabilities	<u>61,888,647</u>	<u>50,396,215</u>	<u>45,904,619</u>
Net position:			
Net investment in capital assets	105,934,322	111,661,923	114,543,456
Restricted for capital purchases	6,880,000	-	-
Unrestricted	<u>(9,045,957)</u>	<u>(1,754,132)</u>	<u>(1,264,834)</u>
Total net position	<u>103,768,365</u>	<u>109,907,791</u>	<u>113,278,622</u>
Total liabilities and net position	<u>\$ 165,657,012</u>	<u>\$ 160,304,006</u>	<u>\$ 159,183,241</u>

Current assets in 2014 were higher compared to 2013 and 2012 primarily because the Authority received the proceeds of a financing arrangement for vehicles which will be purchased and paid for after year end. This represented an increase in restricted cash of almost \$7 million. Other changes in current assets were an increase in cash (\$3 million) and inventory (\$0.7 million) offset by and a decrease in accounts receivable (\$3.9 million) primarily due to the timing of grants receivable.

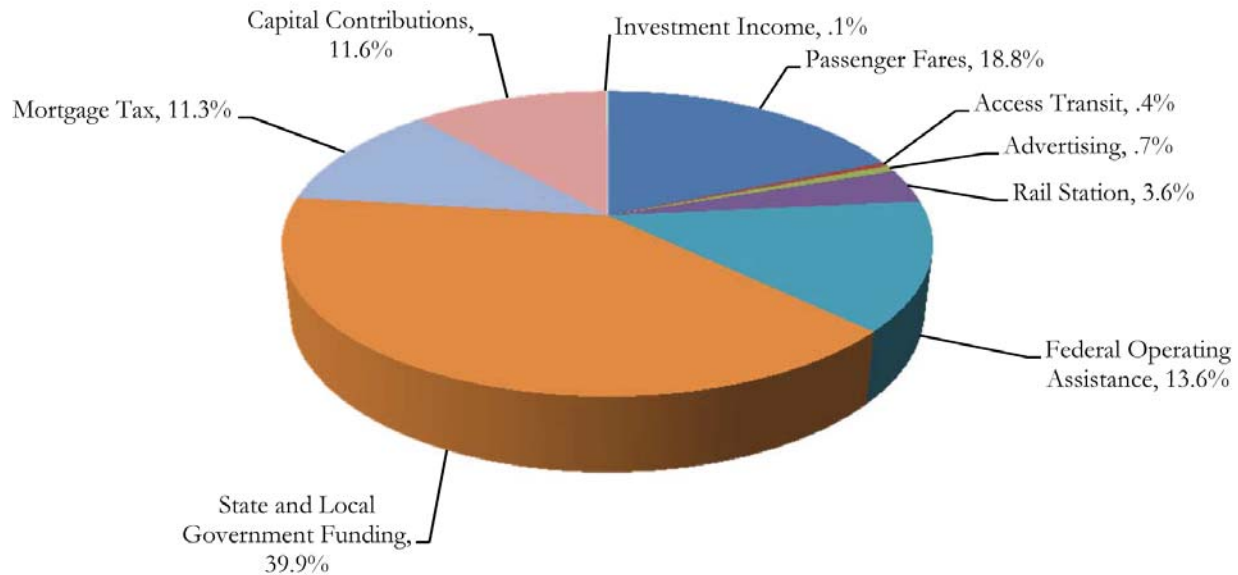
Capital assets increased \$12.8 million in 2014 due to the purchase of new vehicles and other capital additions; however, depreciation on the Authority’s physical plant, revenue equipment, and support equipment totaling \$12.4 million offset the majority of the increase.

Total liabilities at March 31, 2014 increased \$11.5 million compared to 2013 primarily from an increase of \$5.2 million in the obligation for postemployment benefits other than pensions (GASB 45) and an increase in capital lease obligations associated with the pending bus purchase.

Total liabilities at March 31, 2013 increased \$4.5 million primarily due to increased other postemployment benefits obligations and an increase in estimated provision for claims and settlements, offset by payments made on lease obligations.

Revenue Summary

The chart below summarizes the 2014 revenue by source and is followed by a chart showing the amounts associated with each category.



Operating revenue increased slightly over last fiscal year. Gains realized from the parking rate increase at the Rensselaer Rail Station were partially offset by a slight decrease in customer revenue. A portion of the customer revenue reduction can likely be attributed to the increased use of the Authority’s Universal Access program, which offers organizations wholesale pricing for bulk purchases of fares. In prior years, these partners purchased passes on a regular basis in fewer numbers with less than wholesale discounts. Trends indicate that some customers who previously purchased passes likely have the benefit of a Universal Access agreement at their employer or school to meet their transportation needs.

Non-operating revenues, which consist primarily of government allocations and mortgage recording tax (MRT), decreased \$7.5 million (11.5%). These revenues fluctuate from year to year based on how the Authority uses funds and the timing of when they are accessed. In 2014, the \$4.3 million increase in capital contributions was due to use of federal grants matched by New York State to purchase vehicles and other capital items.

The Authority requested less federal operating assistance and more capital contributions in 2014 compared to 2013 based on capital projects and the need for operating assistance. These disbursements fluctuate from year to year based on current projects and cash flow needs. In addition, 2014 MRT was down significantly (\$2 million) from 2013. MRT started the fiscal year near record highs, but as the housing market slowed and higher interest rates affected refinancing, MRT revenue fell sharply late in the fiscal year.

In 2013, operating revenues increased approximately \$.8 million compared to 2012 as a result of increased bus passengers and rail station parking revenue of \$1.1 million offset by a decrease in Access Transit contract revenue of \$.3 million.

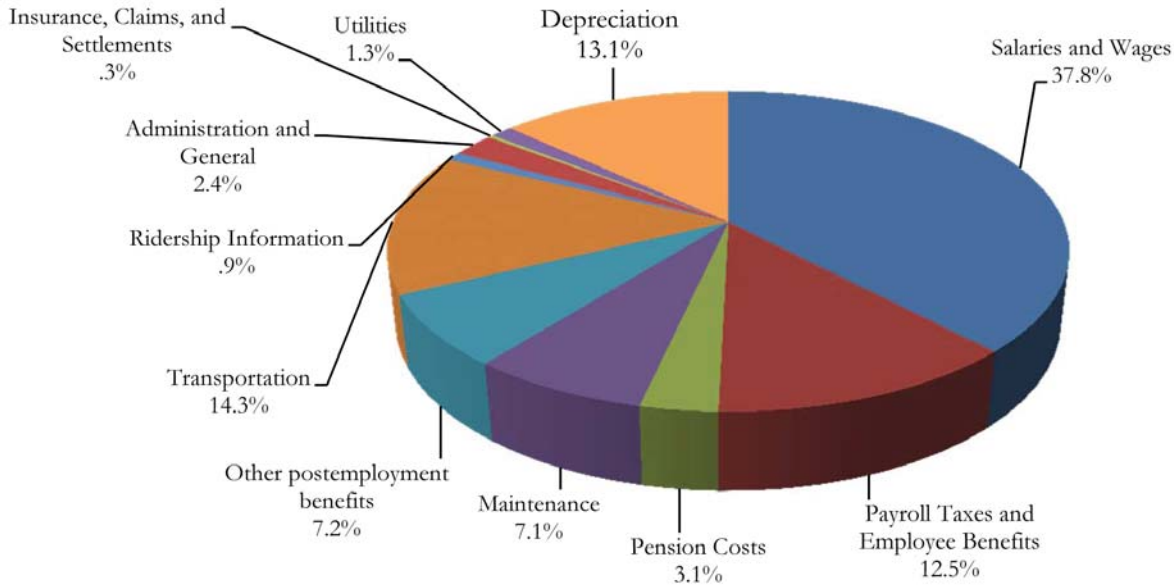
Non-operating revenue in 2013 increased \$14.2 million from 2012, primarily due to the timing of projects and expenses funded by government grants and an increase of \$3.4 million in Mortgage Recording Taxes resulting from an increase in property transactions in the Capital District.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenue:			
Passenger fares	\$ 16,569,733	\$ 16,736,225	\$ 15,807,301
Access Transit	389,194	379,583	637,969
Advertising	606,654	605,562	716,603
Rail station parking and rentals	3,180,454	2,886,772	2,689,461
Total operating revenues	<u>20,746,035</u>	<u>20,608,142</u>	<u>19,851,334</u>
Non-operating revenue:			
Capital contributions	10,278,590	5,945,986	2,152,542
Federal operating assistance	12,042,581	16,615,654	11,457,345
State and local government funding	35,278,731	35,714,290	32,999,033
Mortgage tax	9,995,975	11,994,288	8,584,578
Investment income and other	(20,643)	452,047	1,308,617
Total non-operating revenue	<u>67,575,234</u>	<u>70,722,265</u>	<u>56,502,115</u>
Total revenue	<u>\$ 88,321,269</u>	<u>\$ 91,330,407</u>	<u>\$ 76,353,449</u>



Expense Summary

Total expenses decreased approximately \$0.8 million before depreciation and approximately \$0.2 million after depreciation. The table below provides an overview of the 2014 expenses and is followed by a chart showing a three year comparison of amounts expended by category.



	<u>2014</u>	<u>2013</u>	<u>2012</u>
Expenses:			
Salaries and wages	\$ 35,834,195	\$ 34,903,763	\$ 34,617,849
Payroll taxes and employee benefits	11,766,652	11,568,835	11,908,803
Pension costs	2,933,299	2,861,439	2,780,380
Other postemployment benefits	6,811,540	6,444,593	6,274,876
Maintenance	6,757,724	8,133,548	6,521,037
Transportation	13,486,839	14,144,479	14,148,975
Ridership information	839,873	780,997	589,946
Administration and general	2,254,371	2,101,256	3,877,836
Insurance, claims and settlements	266,309	1,102,400	908,516
Utilities	1,157,267	910,952	988,293
	<u>82,108,069</u>	<u>82,952,262</u>	<u>82,616,511</u>
Depreciation	12,352,626	11,748,976	11,573,045
Total expenses	<u>\$ 94,460,695</u>	<u>\$ 94,701,238</u>	<u>\$ 94,189,556</u>

Considering the nature of the Authority’s operations and the limited control over several major cost drivers, expense increases were largely contained while maintaining the same service levels as previous years. A 3% wage increase was contractually obligated and the uncertainty surrounding the Affordable Care Act did not lead to the increase as expected. Other postemployment benefits increased approximately \$.4 million. To offset increases in these areas, reductions in other areas were made.

Maintenance expense decreased approximately \$1.4 million. The continued influx of new vehicles associated with the fleet replacement program is having a positive impact on expenses. This program, coupled with sound maintenance practices, has created a noticeable decrease in parts expense. By having less part failures, the maintenance department has been able to focus on preventive measures as opposed to focusing on meeting daily service needs.

Transportation expenses decreased approximately \$.7 million from 2013. This decrease is a result of less purchased transportation. The Authority acts as a federal funding pass through for Adirondack Trailways (ATL) for purchased transportation. The expense varies from year to year depending on how much federal funding ATL earns for public transit service in our region. This year ATL received \$0.8 million less than last year.

Total expenses in 2013 increased \$.5 million from 2012 as a result of a 3% contractual wage increase offset by decreases in payroll taxes, employee benefits, and the loss of Access Transit contracts.

Capital Assets

Capital assets, net of accumulated depreciation, are as follows:

	2014	2013	2012
Land and improvements	\$ 1,529,981	\$ 1,529,981	\$ 1,529,981
Construction in progress	2,251,003	2,239,962	1,714,884
Buildings and improvements	54,825,425	55,437,623	55,437,703
Revenue equipment	54,394,649	51,614,095	46,541,603
Service equipment and vehicles	1,154,688	1,081,996	1,256,109
Furniture and equipment	5,253,193	7,055,588	8,063,176
	<u>\$ 119,408,939</u>	<u>\$ 118,959,245</u>	<u>\$ 114,543,456</u>

Capital asset additions, consisting primarily of revenue and other equipment, totaled \$12.8 million and \$16.2 million in 2014 and 2013, offset by disposals of buses and vehicles totaling \$5.1 million and \$6.4 million, in 2014 and 2013, respectively.



Factors Impacting the Authority's Future

Several major factors will impact the Authority's future

Fiscal year 2014 was another successful year as ridership exceeded 16.4 million, an all-time high. The majority of the ridership increase can be attributed to the continued success of the Universal Access program which allows organizations to pay annually for universal (all inclusive) access to the system. This model has been very successful for increasing ridership, although the structure of the program contributed to a \$.2 million decrease in customer revenue.

State Operating Assistance (STOA) did not increase from fiscal year 2013; however, significant efforts have been made by The New York State Public Transit Association (NYPTA), which the Authority is a member of, to change the funding model. These efforts were successful and CDTA will receive a STOA increase for the fiscal year 2015 budget. This is a significant change because STOA accounts for almost 50% of total revenue.

Mortgage Recording Tax receipts is also a very significant revenue source. Although, the Authority ended the year slightly under the \$10 million budgeted, projected improvements in the housing market are expected to positively impact receipts in fiscal year 2015.

CDTA continues to right size operations to maintain fiscal stability. Over the past few years the Authority focused largely on staff size while maintaining similar service levels. The Authority has also taken steps to ensure that other expenses do not negatively impact the operations budget and result in a reduction of service. Despite recent increases in personnel lines, the Authority decreased overall spending by \$0.8 million due to consistent improvements in maintenance and operation practices.

The Authority maintains a capital budget plan which addresses capital needs over the next five years. A critical funding component of this plan is federal aid. After several years of continuing resolutions by Congress to fund the federal capital grant program, federal legislation covering two years was recently passed. The future of federal aid remains uncertain; therefore, the Authority continues to meet with elected officials on this matter. At the same time, the Authority is considering two more Bus Rapid Transit (BRT) corridors for limited stop services that mimic light rail. The Washington/Western Avenue BRT corridor and River Front BRT Corridor are two heavily travelled routes that will see increases in ridership, along with service enhancements when these programs are implemented.

The capital budget plan also projects fleet replacement requirements. As the Authority continues to replace buses every year, the plan has been modified to take into consideration the improved quality of new buses as well as the marked improvement in fleet maintenance.

Request for Information

The Management Discussion and Analysis is intended to provide general information related to Authority operations for fiscal year ended March 31, 2014. Questions concerning this information or requests for additional information can be directed to Michael P. Collins, Vice President of Finance & Administration, Capital District Transportation Authority, 110 Watervliet Avenue, Albany, New York 12206, or telephone 518-437-8330.

CDTA FINANCIAL STATEMENTS

BALANCE SHEETS

March 31,	2014	2013
Assets		
Current assets:		
Cash	\$ 9,033,229	\$ 6,046,536
Restricted cash	6,880,000	-
Investments	22,345,767	24,184,132
Government grants receivable	959,881	4,008,403
Trade and other receivables	2,352,669	2,667,093
Advances to related party	796,415	1,227,946
Materials, parts and supplies	2,910,861	2,257,918
Prepaid expenses	969,251	952,733
	<u>46,248,073</u>	<u>41,344,761</u>
Noncurrent assets:		
Capital assets, net (Note 4)	119,408,939	118,959,245
	<u>119,408,939</u>	<u>118,959,245</u>
Total assets	\$ 165,657,012	\$ 160,304,006
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	5,396,868	5,333,517
Current portion of capital lease obligations	1,376,880	722,705
Unearned passenger revenue	1,290,210	1,158,675
	<u>8,063,958</u>	<u>7,214,897</u>
Noncurrent liabilities:		
Capital lease obligations	12,097,737	6,574,617
Estimated provision for claims and settlements	9,197,800	9,257,100
Other postemployment benefits	32,529,152	27,349,601
	<u>53,824,689</u>	<u>43,181,318</u>
Total liabilities	61,888,647	50,396,215
Net Position		
Net investment in capital assets	105,934,322	111,661,923
Restricted for capital purchases	6,880,000	-
Unrestricted	(9,045,957)	(1,754,132)
Total net position	103,768,365	109,907,791
Total liabilities and net position	\$ 165,657,012	\$ 160,304,006

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended March 31,	2014	2013
Operating revenues:		
Passenger fares	\$ 16,569,733	\$ 16,736,225
Access Transit	389,194	379,583
Advertising	606,654	605,562
Rail station parking and rentals	3,180,454	2,886,772
Total operating revenues	20,746,035	20,608,142
Operating expenses:		
Salaries and wages	35,834,195	34,903,763
Payroll taxes and employee benefits	11,766,652	11,568,835
Pension costs	2,933,299	2,861,439
Other postemployment benefits	6,811,540	6,444,593
Maintenance	6,757,724	8,133,548
Transportation	13,486,839	14,144,479
Ridership information	839,873	780,997
Administration and general	2,254,371	2,101,256
Insurance, claims and settlements	266,309	1,102,400
Utilities	1,157,267	910,952
Total operating expenses before depreciation	82,108,069	82,952,262
Operating loss before depreciation	(61,362,034)	(62,344,120)
Depreciation	(12,352,626)	(11,748,976)
Operating loss	(73,714,660)	(74,093,096)
Non-operating revenues (expenses):		
Federal operating assistance	12,042,581	16,615,654
State and local government funding	35,278,731	35,714,290
Mortgage tax	9,995,975	11,994,288
Investment income (loss)	(24,532)	457,654
Other non-operating revenues (expenses)	3,889	(5,607)
Total non-operating revenues	57,296,644	64,776,279
Change in net position before capital contributions	(16,418,016)	(9,316,817)
Capital contributions	10,278,590	5,945,986
Change in net position	(6,139,426)	(3,370,831)
Net position - beginning of year	109,907,791	113,278,622
Net position - end of year	\$ 103,768,365	\$ 109,907,791

STATEMENTS OF CASH FLOWS

For the years ended March 31,	2014	2013
Operating activities:		
Cash received from passengers	\$ 17,015,692	\$ 16,469,301
Cash payments to suppliers for goods and services	(35,172,632)	(35,996,964)
Cash payments to employees for salaries and wages	(42,421,296)	(41,647,676)
Other operating revenues received	4,176,302	3,871,917
Net operating activities	(56,401,934)	(57,303,422)
Non-capital financing activities:		
Operating assistance, governmental funding and mortgage tax received	60,365,809	63,687,510
Other non-operating revenues received	159,280	192,006
Advances received from (paid to) related party	431,531	(587,460)
Payments for interest	(201,437)	(221,463)
Net non-capital financing activities	60,755,183	63,070,593
Capital and related financing activities:		
Proceeds from sales of capital assets	75,314	82,013
Acquisition of capital assets	(12,831,588)	(16,210,537)
Capital contributed under grants	10,278,590	5,945,986
Use of restricted investments	-	8,000,000
Proceeds (payments) on capital lease obligations	6,177,295	(702,678)
Net capital and related financing activities	3,699,611	(2,885,216)
Investing activities:		
Interest received on investments	431,986	449,592
Proceeds from sales and maturities of investments	18,642,477	11,833,015
Purchases of investments	(17,260,630)	(15,262,203)
Net investing activities	1,813,833	(2,979,596)
Net change in cash	9,866,693	(97,641)
Cash - beginning of year	6,046,536	6,144,177
Cash - end of year	\$ 15,913,229	\$ 6,046,536
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (73,714,660)	\$ (74,093,096)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	12,352,626	11,748,976
Other postemployment benefits	5,179,551	4,817,951
Changes in assets and liabilities:		
Trade and other receivables	314,424	(489,388)
Materials, parts and supplies	(652,943)	302,144
Prepaid expenses	(16,518)	33,668
Accounts payable and accrued expenses	63,351	(261,441)
Unearned passenger revenue	131,535	222,464
Estimated provision for claims and settlements	(59,300)	415,300
Net cash used for operating activities	\$ (56,401,934)	\$ (57,303,422)

NOTES TO FINANCIAL STATEMENTS

NOTE 1: FINANCIAL REPORTING ENTITY

The Capital District Transportation Authority (the Authority) is a public benefit corporation created by New York State (the State), effective August 1, 1970, under Chapters 460 and 461 of the Laws of 1970 (the Law). The purposes of the Authority, as defined by legislation, are “the continuance, further development and improvement of transportation and other services related thereto, within the Capital District, by railroad, omnibus, marine and air, in accordance with the provisions of the Law.” The Law conveys broad powers to the Authority to fulfill its purposes in Albany, Schenectady, Rensselaer and Saratoga Counties in New York State, with a provision for other counties to elect to participate. The properties and income of the Authority are exempt from all Federal and State income and franchise taxes under the provisions of the enabling legislation.

The Authority follows the requirements of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, as well as GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 14, *The Financial Reporting Entity*, which provide guidance to determine whether an affiliated organization is considered a component unit of a financial reporting entity. The Authority is included in the basic financial statements of the State as an enterprise fund.

The Authority’s financial statements include, as blended component units, three public benefit corporations which have been created as operating subsidiaries of the Authority to provide mass transit omnibus operations in the counties of Albany, Schenectady, Rensselaer and Saratoga:

- Capital District Transit System, which acquired the assets and liabilities of the former Schenectady Transit System in 1971.
- Capital District Transportation System Number One, which purchased certain assets of the United Traction Company from Albany County in August 1972.
- Capital District Transportation System Number Two, which provides rural bus service in the counties of Rensselaer and Saratoga and certain demand response (handicapped) services in the cities of Albany, Troy and Schenectady. In April 2003, this entity also commenced operating a Northway commuter bus service that was previously operated by Saratoga County.

The Authority’s financial statements also include as blended component units the accounts of the following two public benefit corporations which were created as subsidiaries of the Authority to provide other transportation related services:

- Access Transit Services, Inc. (Access), incorporated in November 1997, provides Medicaid transportation services to qualifying individuals in Schenectady and Rensselaer Counties.
- CDTA Facilities, Inc., incorporated in September 2002, owns and operates the Rensselaer Rail Station and Saratoga Rail Station.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Authority are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements as well as applicable accounting and financial reporting guidance of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

Measurement Focus

The Authority reports as a special purpose government engaged in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

The Authority's policy for defining operating activities in the statements of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for services and payments made to purchase those goods or services. Certain other transactions are reported as non-operating activities and include government funding and investment income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investments

The Authority's investment policies comply with the New York State Comptroller's guidelines for Public Authorities. Investments consist primarily of government obligations, stated at market value. Securities are held by pledging institutions' agents in the Authority's name.

Materials, Parts and Supplies

Materials, parts and supplies are stated at average cost, net of an allowance for obsolescence of approximately \$350,000 at March 31, 2014 and 2013. To reduce its exposure to rising fuel costs, the Authority has entered into a contract that fixes the prices of 168,000 gallons per month of certain vehicle fuels purchased from May 2014 through September 2015. It is probable the Authority will take delivery of the fuel as specified and, therefore, the contract is considered a normal purchase contract and not subject to the requirements of GASB Statement No. 53.

Restricted Cash

Restricted cash held in a custodian account in a financial institution consists of proceeds from a municipal lease arrangement to purchase transit vehicles in 2014 (Note 5). The Authority’s policy is to use restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Capital Assets

Capital assets are reported at actual historical cost. For assets placed in service, depreciation is calculated over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization Policy	Estimated Useful Life
Buildings and improvements	\$5,000	10-40 years
Revenue equipment	\$5,000	4-12 years
Service equipment and vehicles	\$5,000	3-7 years
Furniture and equipment	\$5,000	5-7 years

Compensated Absences

The Authority provides for vacation, sick and compensatory time that is attributable to services already rendered. The liabilities are recorded based on employees’ rates of pay as of the end of the fiscal year, and include all payroll related liabilities. In the event of a voluntary termination, an employee is reimbursed for accumulated vacation days up to a stated maximum. In addition, upon retirement, union employees are reimbursed for sixty percent of all accumulated sick days, up to a stated maximum, as specified in contractual agreements.

Net Position

- Net investment in capital assets – consists of net capital assets typically reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of the asset.
- Restricted – consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets whose use is constrained to a particular purpose. Restrictions are imposed by external organizations or federal or state laws.
- Unrestricted – The net amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources that do not meet the definition of the above restrictions and are available for general use of the Authority.



Operating Revenues

The Authority derives passenger revenues from farebox rider payments and the advance sale of transit passes. Amounts received from these advance sales are credited to unearned revenue at the time of sale. As passes are redeemed, passenger revenue is recognized. Unearned passenger revenue represents the face value of unexpired transit passes at year end. Access revenues are primarily comprised of revenues earned from facilitating transportation services for Medicaid qualified individuals. Rail station parking and rental revenues are comprised of parking receipts and rentals earned at the Authority's Rensselaer and Saratoga Rail Stations.

Capital Contributions

Capital contributions are derived from capital project grants and other resources which are restricted to or available for capital asset acquisition or construction. The Authority recognizes capital contributions arising from capital project grants when earned (generally when the related capital expenditure is made). Capital project grants generally require the Authority to match a certain percentage of the capital project grant funds.

Reclassifications

The 2013 financial statements have been reclassified to conform with the presentation adopted for 2014.

NOTE 3: CASH AND INVESTMENTS

The Authority has a written investment policy that applies to all its investments. The policy allows for the following investments:

- Certificates of Deposit in banks doing business in New York State which are also members of the Federal Deposit Insurance Corporation (FDIC)
- Deposits in money market accounts in banks specified above
- Money market funds that invest exclusively in obligations of the United States Government or one of its agencies
- Obligations of the State, the United States Government or Agencies of the United States Government, or obligations guaranteed as to principal and interest by one of these entities



The amount of investments by type and maturities at March 31, 2014 and 2013 are presented below:

March 31, 2014				Maturities (in Years)		
Investment type	Rates	Fair value	% of total	Less than 1	1-5	5-9
Certificates of Deposit	.2 - 2.7%	\$ 9,540,282	42.7%	\$ 7,825,513	\$ 1,714,769	\$ -
Federal Agency notes	.25 - 5.5%	12,686,788	56.8%	3,437,006	9,249,782	-
Money market funds	0.01%	118,697	0.5%	118,697	-	-
		\$ 22,345,767	100%	\$ 11,381,216	\$ 10,964,551	\$ -

March 31, 2013				Maturities (in Years)		
Investment type	Rates	Fair value	% of total	Less than 1	1-5	5-9
Certificates of Deposit	0.3 - 1.5%	\$ 5,855,829	24.2%	\$ 4,608,017	\$ 1,247,812	\$ -
U.S. Treasury Notes	0%	3,249,835	13.4%	\$ 3,249,835	-	-
Federal Agency notes	0 - 5.5%	14,832,448	61.4%	4,861,905	7,534,230	2,436,313
Money market funds	0.01%	246,020	1.0%	246,020	-	-
		\$ 24,184,132	100%	\$ 12,965,777	\$ 8,782,042	\$ 2,436,313

The Authority limits its investments to those investment banks or firms and brokers who have been in business for over five years, have invested over \$500 million in assets for their clients at the time of any investment made by the Authority.

Investments are designated for the following purposes:

	2014	2013
Operating	\$ 4,795,214	\$ 6,210,703
Vehicle replacement	2,270,163	2,455,457
Capital projects and local match	1,291,388	1,568,165
Risk retention	5,777,343	5,813,940
Workers' compensation self-insurance	8,211,659	8,135,867
Total investments	\$ 22,345,767	\$ 24,184,132

- Operating: funds for future operating contingencies
- Vehicle replacement: funds for the future replacement of vehicles
- Capital projects and local match: funds to pay for future capital projects and provide the local share to match anticipated funding from federal and state grant funds
- Risk retention: funds to cover potential future self-insurance liability claims
- Workers' compensation self-insurance: funds to pay for future workers' compensation self-insurance claims and any retroactive premiums that come due on previous workers' compensation plans maintained with an insurance carrier

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of March 31, 2014 and 2013, none of the Authority's bank deposits were exposed to custodial credit risk.

NOTE 4: CAPITAL ASSETS

	April 1, 2013	Additions	Reclassifications and Disposals	March 31, 2014
Non-depreciable capital assets:				
Land and improvements	\$ 1,529,981	\$ -	\$ -	\$ 1,529,981
Construction-in-progress	2,239,962	11,041	-	2,251,003
Total non-depreciable capital assets	3,769,943	11,041	-	3,780,984
Depreciable capital assets:				
Buildings and improvements	90,672,624	2,262,299	-	92,934,923
Revenue equipment	121,184,185	10,104,505	(4,970,813)	126,317,877
Service equipment and vehicles	4,393,122	268,543	(91,628)	4,570,037
Furniture and equipment	16,731,268	185,200	-	16,916,468
Total depreciable capital assets	232,981,199	12,820,547	(5,062,441)	240,739,305
Less accumulated depreciation:				
Buildings and improvements	(35,235,001)	(2,874,497)	-	(38,109,498)
Revenue equipment	(69,570,090)	(7,294,684)	4,941,546	(71,923,228)
Service equipment and vehicles	(3,311,126)	(195,851)	91,628	(3,415,349)
Furniture and equipment	(9,675,680)	(1,987,595)	-	(11,663,275)
Total accumulated depreciation	(117,791,897)	(12,352,627)	5,033,174	(125,111,350)
Total depreciable capital assets, net	115,189,302	467,920	(29,267)	115,627,955
Total capital assets, net	\$ 118,959,245	\$ 478,961	\$ (29,267)	\$ 119,408,939

	April 1, 2012	Additions	Reclassifications and Disposals	March 31, 2013
Non-depreciable capital assets:				
Land and improvements	\$ 1,529,981	\$ -	\$ -	\$ 1,529,981
Construction-in-progress	1,714,884	525,078	-	2,239,962
Total non-depreciable capital assets	3,244,865	525,078	-	3,769,943
Depreciable capital assets:				
Building and improvements	87,893,338	2,779,286	-	90,672,624
Revenue equipment	115,757,620	11,849,531	(6,422,966)	121,184,185
Service equipment and vehicles	4,366,243	26,879	-	4,393,122
Furniture and equipment	15,701,505	1,029,763	-	16,731,268
Total depreciable capital assets	223,718,706	15,685,459	(6,422,966)	232,981,199
Less accumulated depreciation:				
Building and improvements	(32,455,635)	(2,779,366)	-	(35,235,001)
Revenue equipment	(69,216,017)	(6,731,267)	6,377,194	(69,570,090)
Service equipment and vehicles	(3,110,134)	(200,992)	-	(3,311,126)
Furniture and equipment	(7,638,329)	(2,037,351)	-	(9,675,680)
Total accumulated depreciation	(112,420,115)	(11,748,976)	6,377,194	(117,791,897)
Total depreciable capital assets, net	111,298,591	3,936,483	(45,772)	115,189,302
Total capital assets, net	\$ 114,543,456	\$ 4,461,561	\$ (45,772)	\$ 118,959,245

NOTE 5: CAPITAL LEASE OBLIGATIONS

In 2013, the Authority entered into an \$6,900,000 Master Lease-Purchase agreement with a financial institution to acquire fifteen transit buses by December 1, 2015, the proceeds of which are held in restricted cash at March 31, 2014 (Note 2). Lease payments of \$387,928, including interest at 2.33%, are due semi-annually from May 2014 through November 2023.

In, 2011, the Authority entered into an \$8,000,000 Master Equipment Lease/Purchase agreement with a financial institution to acquire twenty-five transit buses. The lease agreement consists of a one-year original term with nine consecutive renewal options through November 15, 2021, and contains a \$1 purchase option, exercisable beginning November 2016. Lease payments of \$462,071, including interest at 2.83%, are due semi-annually from May 2012 through November 2021.

Required lease payments subsequent to March 31, 2014 are as follows:

Years Ending March 31,	Principal	Interest
2015	\$ 1,376,880	\$ 323,118
2016	1,398,003	301,994
2017	1,434,638	265,359
2018	1,472,242	227,755
2019	1,510,841	189,157
2020-2024	6,282,013	369,690
	<u>\$ 13,474,617</u>	<u>\$ 1,677,073</u>

NOTE 6: PUBLIC SUPPORT AND OPERATIONS ASSISTANCE

The Authority's operations are funded primarily by farebox revenues from passengers and operating subsidy payments from the Federal Transit Administration (FTA) under §5307 and §5309 of the Urban Mass Transportation Administration (UMTA) Act; Federal Department of Transportation; New York State; and Albany, Rensselaer, Schenectady and Saratoga Counties.

In addition to FTA funding, other non-operating revenues include the gross receipts tax, which is imposed by New York State on gas and oil companies and allocated to public transportation operators, and the mortgage recording tax, which is a tax imposed on substantially all mortgages granted within the Authority's Transportation District and collected by the various counties. Public support and operating assistance recognized for the years ended March 31, 2014 and 2013 were:

	2014	2013
FTA:		
Operating assistance	<u>\$ 12,042,581</u>	<u>\$ 16,615,654</u>
New York State:		
Public transit operating assistance	4,074,931	4,510,491
Gross receipts tax	<u>29,286,800</u>	<u>29,286,800</u>
Total New York State	<u>33,361,731</u>	<u>33,797,291</u>
Albany County:		
Mortgage recording tax	3,427,728	4,440,898
Operating assistance	<u>1,075,437</u>	<u>1,075,437</u>
Total Albany County	<u>4,503,165</u>	<u>5,516,335</u>
Rensselaer County:		
Mortgage recording tax	1,399,186	1,602,670
Operating assistance	<u>446,661</u>	<u>446,661</u>
Total Rensselaer County	<u>1,845,847</u>	<u>2,049,331</u>
Schenectady County:		
Mortgage recording tax	1,192,652	1,494,578
Operating assistance	<u>316,305</u>	<u>316,305</u>
Total Schenectady County	<u>1,508,957</u>	<u>1,810,883</u>
Saratoga County:		
Mortgage recording tax	3,976,409	4,456,142
Operating assistance	<u>78,596</u>	<u>78,596</u>
Total Saratoga County	<u>4,055,005</u>	<u>4,534,738</u>
	<u>\$ 57,317,286</u>	<u>\$ 64,324,232</u>

NOTE 7: ADVANCES TO CAPITAL DISTRICT TRANSPORTATION COMMITTEE

In accordance with an agreement between the Authority and the New York State Department of Transportation, the Authority functions as the “host agency” for the Capital District Transportation Committee (CDTC). As designated by this agreement, CDTC is the Capital District Regional Transportation Metropolitan Planning Organization and, as such, is the recipient of various Federal and State funded grants relating to regional transportation planning. The Committee’s board is composed of elected and appointed officials from each of the four counties; from each of the eight cities in the four counties; from the New York State Department of Transportation; the Authority; the Capital District Regional Planning Commission; and a member representing the area’s towns and villages. The Authority has no budgetary oversight and no responsibility for CDTC’s deficits or debts.

The Authority’s agreement with CDTC provides that the Authority assume certain responsibilities relating to grant management and accounting functions. Additionally, the Authority advances CDTC periodic working capital funds. Such advances, which do not bear interest, total \$796,415 and \$1,227,946 at March 31, 2014 and 2013.

The Authority’s financial statements do not include the assets, liabilities, revenues or expenses of CDTC.

NOTE 8: POSTEMPLOYMENT HEALTHCARE BENEFITS

The Authority provides postemployment healthcare benefits for retirees meeting eligibility requirements based on date of hire, attainment of retirement age, and years of service. Benefits are provided in the form of insurance premium payments for coverage of eligible retirees and spouses. Employees retiring on or after January 1, 2007 contribute 10-15% of premiums, while employees retiring prior to January 1, 2007 are provided full coverage. Surviving spouses are entitled to continue coverage by paying 100% of the premiums. Benefit provisions and retiree contribution rates are determined through negotiations between the Authority and its employees or the collective bargaining units that represent its employees. The plan does not issue a publicly available financial report.

GASB Statement No. 45 requires that the Authority recognize the cost of postemployment benefits during the periods when employees render the services that will ultimately entitle them to the benefits. This cost is referred to as the annual required contribution (ARC) and includes:

- Amortization of the unfunded actuarial accrued liability (UAAL) for the current year, which is the actuarially-determined, unfunded present value of all future OPEB costs associated with current employees and retirees as of the beginning of the year.
- Normal cost which is the actuarially-determined cost of future OPEB earned in the current year.

The ARC represents an amount that, if funded each year, would ultimately satisfy the UAAL at the end of the amortization period (the Authority is using the maximum period of 30 years) as well as each year’s normal cost during that timeframe. A liability is recognized to the extent that actual funding of the plan is less than the ARC. This liability is reflected on the balance sheets as other postemployment benefits. The Authority’s Board of Directors has the authority to establish a funding policy for the plan. The current policy is to fund the plan to the extent of premium payments and reimbursements on a pay as you go basis.

The following table summarizes the Authority’s ARC, the amount actually contributed, and changes in the Authority’s net OPEB obligation for the years ended March 31, 2014 and 2013:

	2014	2013
Annual required contribution		
Normal cost	\$ 3,316,472	\$ 3,100,480
Amortization of UAAL	3,982,714	3,745,855
Annual required contribution	<u>7,299,186</u>	6,846,335
Interest on OPEB obligation	1,093,984	901,266
ARC adjustment	<u>(1,581,630)</u>	(1,303,008)
Annual OPEB cost	<u>6,811,540</u>	6,444,593
Contributions made	<u>(1,631,989)</u>	(1,626,642)
Increase in net OPEB obligation	5,179,551	4,817,951
Net OPEB obligation - beginning of year	<u>27,349,601</u>	22,531,650
Net OPEB obligation - end of year	<u>\$ 32,529,152</u>	\$ 27,349,601

The Authority’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the previous three years were as follows:

Year Ended March 31,	OPEB Cost	OPEB Cost Contributed	OPEB Obligation
2014	\$ 6,811,540	23.9%	\$ 32,529,152
2013	\$ 6,444,593	25.2%	\$ 27,349,601
2012	\$ 6,274,876	24.3%	\$ 22,531,650

As of April 1, 2013, based upon an interim valuation, the actuarial accrued liability for benefits was \$71,663,246, all of which is unfunded. The annual payroll of employees covered by the Plan was \$35,710,077, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 201%.

The actuarial valuation involves estimates of costs and the impact of events far into the future. Examples include employee turnover and retirement rates, employee and retiree mortality, and changes in healthcare costs and interest rates. The benefits will be subject to routine actuarial valuations in future years and these analyses will reflect revised estimates and assumptions as actual results are compared to past projections and expectations of the future. Similarly, the April 1, 2013 and 2012 valuations reflected benefits and cost sharing in effect at the time. Any changes in these factors will impact the results of future valuations.



The actuarial calculations reflect a long-term perspective and utilize techniques designed to reduce short-term volatility in actuarial accrued liabilities. A summary of the methods and assumptions is provided below:

- Healthcare cost trend: 5.0% - 7.0% next year, ultimately declining to 5.0% in 2023
- Actuarial cost method: Projected unit credit
- Amortization method: 30 years, open, level dollar
- Discount rate: 4.0%
- Mortality: RP-2000 Mortality Table
- Turnover: T-7 of the Pension Actuary's Handbook for Union employees and T-3 of the Pension Actuary's handbook for Authority employees
- Retirement incidence: Rates of retirement are based on the experience under the New York State and Local Employees' Retirement System (ERS)
- Election percentage: It was assumed that 100% of future retirees eligible for coverage will elect postemployment healthcare benefits and that upon Medicare eligibility, 45% of eligible retirees will move to a Medicare Plan
- Spousal coverage: 40% of future retirees are assumed to elect spousal coverage upon retirement
- Per capita costs: All retiree plans are offered through the New York State Health Insurance Program (NYSHIP) Empire Plan

NOTE 9: RETIREMENT PLANS

Employees of the Authority

The Authority participates in the New York State and Local Employees' Retirement System (ERS), which is a cost-sharing, multiple-employer, public employee retirement system. ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the New York State and Local Retirement Systems – Employees' Retirement System, 110 State Street, Albany, New York, 12244 or on the internet at www.osc.state.ny.us/retire.

No employee contribution is required for those hired prior to July 1976. ERS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined from July 1976 through December 31, 2009. Participants hired on or after January 1, 2010 and before April 1, 2012 contribute 3% of their gross salary during the length of employment. Contribution rates for participants hired on or after April 1, 2012 are based on annual wages and range from 3% to 6% annually. The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by employers to the pension accumulation fund.

The required contributions and rates over the past three years were:

		Contribution	Contribution
		Contribution	Rates
2014	\$	1,191,649	11.4% - 21.0%
2013	\$	1,109,237	10.1% - 18.6%
2012	\$	743,749	12.7% - 15.8%

The Authority’s contributions made to ERS were equal to 100% of the amounts required for each year.

Deferred Compensation

The Authority offers its employees participation in the Deferred Compensation Plan for Employees of New York State (the Plan). The Plan, which is available to all Authority employees, permits participants to defer a portion of their salary until future years. Amounts deferred under the Plan are not available to employees until termination, retirement, death or unforeseeable emergency. Plan assets and liabilities are not included in these financial statements.

Employees of Operating Subsidiaries

Union employees of the Authority’s operating subsidiaries (blended component units) are covered by various pension plans (the Plans) that are sponsored by unions that represent those operating subsidiary employees. The Authority contributes to the plans based on negotiated benefits determined under various union agreements. Under these negotiated benefits, all employees with 60 days of service are eligible to participate in the Plans. Both the Authority and its employees contribute on a weekly basis. The Authority’s contributions to the Plans are included in amounts recorded for pension expense and amounted to \$1,984,037 and \$1,966,244 for the years ended March 31, 2014 and 2013. The Authority is not obligated to make any other payments to fund the benefits or to meet any expenses of administration, and in the event of termination, the Authority will have no obligation for further contributions to the plans. Therefore, net pension assets and liabilities of the plans are not recorded by the Authority.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Risk Management

The Authority is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include economic conditions, collective bargaining disputes, federal, state and local government regulations and changes in law.

The Authority is also exposed to various risks of loss related to torts; damage to, theft of and destruction of assets; errors and omissions; natural disasters and employee injuries. To limit its exposure, the Authority purchases a variety of insurance policies, subject to specific deductibles and coverage limits. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.



Self-Insured Claims

The Authority assumes liability for certain risks including personal injury and workers' compensation claims. Additionally, the Authority has specific excess workers' compensation insurance from a commercial insurer to cover claims made in excess of the coverage limits. Estimated liabilities for claims that are not covered by insurance have been reflected in the financial statements. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Workers' compensation liabilities are estimated based on an actuarial valuation dated April 23, 2014. Personal injury liabilities are estimated by the Authority based on available information. Changes in the reported liability are as follows:

Fiscal Year	Liability at Beginning	Current Year Claims and Changes in Estimates	Claim Payments	Liability at End
Workers' compensation				
2014	\$ 8,058,600	\$ 2,043,400	\$ 1,848,300	\$ 8,253,700
2013	\$ 7,833,000	\$ 2,073,900	\$ 1,848,300	\$ 8,058,600
Personal injury liability				
2014	\$ 1,198,500	\$ (4,500)	\$ 249,900	\$ 944,100
2013	\$ 1,008,800	\$ 616,900	\$ 427,200	\$ 1,198,500

Grants

The Authority receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. Based on prior experience, Authority management expects any such amounts to be immaterial.

Litigation

The Authority is involved in legal proceedings which, in the opinion of management, will not have a material adverse effect upon the financial position of the Authority.

Commitments

The Authority has entered into a contract to purchase a new fare collection system totaling \$9.6 million. The system is expected to be funded primarily with future government grants.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**The Board of Directors
Capital District Transportation Authority**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the balance sheet of Capital District Transportation Authority (the Authority) (a component unit of the state of New York), a business-type activity, as of March 31, 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 23, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

May 23, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW

The Board of Directors
Capital District Transportation Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Capital District Transportation Authority (the Authority) (a component unit of the State of New York), a business-type activity, as of March 31, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated May 23, 2014.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended March 31, 2014. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.

May 23, 2014





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