

Members of defunct transit system accused of fraud by bankruptcy court trustee

By Kathryn Reed

Former members of South Tahoe Area Transit Authority, Tahoe Regional Planning Agency, and the law firm of Feldman, Shaw & McLaughlin received more bad news this month from the U.S. Bankruptcy Court in Reno.

David Thompson, the federal bankruptcy trustee, filed a complaint against STATA's member agencies in which he states that STATA's members "sought to hinder, delay, and defraud" MV Transportation's collection of funds that STATA owed MV by depositing more than \$1 million of STATA's funds in a Feldman Client Trust Account.

STATA failed to list the cash in the Feldman Client Trust Account in its bankruptcy filing. Mike McLaughlin was the attorney for STATA.



While transit officials on the South Shore fight over millions of dollars, older bus riders in South Lake Tahoe sit in the sun or

snow, depending on the season, without a shelter at BlueGo bus stops. Photo/LTN

The trustee report dated Sept. 7 says that trust account was used to pay TRC, the operator of the BlueGo bus system that replaced MV.

The complaint also states that STATA's board of directors participated in a scheme to wrongfully transfer STATA's assets to the Tahoe Transportation District in order to avoid paying MV the money the Fairfield-based company was owed. It also says the records are so poorly kept that it is hard to know what money was transferred when. Depending on when the transfers were made, "they are fraudulent," Thompson writes.

TRPA's staff recommended STATA hire MV Transportation to provide transit services – primarily the BlueGo buses. The STATA board did so in November 2008.

According to the trustee, STATA immediately asked MV to provide a higher level of service than STATA could afford. Almost immediately STATA had trouble paying MV for the services it provided.

According to the federal bankruptcy trustee, STATA owed MV approximately \$3 million by June 2010. That is the month STATA terminated its contract with MV Transportation. Unwilling to pay MV the money it was owed, STATA filed for bankruptcy in September 2010, disbanded by the end of that year and essentially merged with Tahoe Transportation District.

In the complaint, the trustee states that the participation agreement requires member agencies to contribute additional funds in the event of any budget shortfalls.

The trustee's complaint asks the court to approve specific judgments against member agencies and others as follows: Feldman, Shaw & McLaughlin, \$1,035,197; Tahoe Transportation

District, \$142,000; South Lake Tahoe, \$193,779; Heavenly Mountain Resort, \$558,336; Harveys, \$26,085; MontBleu, \$6,133; Horizon, \$3,800; Douglas County, \$20,000; and Transit Resource Center of Nevada, \$692,669.

In reviewing the court documents, it appears the trustee also asked the court to approve a judgment against all of STATA's members including the El Dorado County and the TRPA in the amount of \$2.29 million, plus interest for which all members would be jointly responsible.

El Dorado County had settled its case with MV, but the trustee is dragging that public body back into the mix by questioning whether that settlement agreement was legal.

No mention of the trustee report was made during the open session of TTD's Sept. 14 meeting, though it was listed as a closed session item.

Ironically, at that meeting John Busskohl with Keolis Transit America gave a report about how things have been going with BlueGo since taking over the operations July 8, 2011.

Busskohl said when his firm took over 60 percent of the fleet was out of service, but that has since been rectified. Three terminals instead of one are being used. An automatic vehicle location system has been installed. This summer's East Shore Express was deemed a success.

Financials, according to TTD Executive Carl Hasty, are positive. The financials for the past year will be revealed and discussed at the October TTD board meeting.

As for the STATA case, the defendants now have an opportunity to respond to the charges leveled by the court trustee. U.S. Bankruptcy Court Judge Gregg Zive in November could make a decision to dismiss the case or send it to trial.

