



Alameda-Contra Costa Transit District

**STAFF REPORT**

**TO:** Finance and Audit Committee  
 AC Transit Board of Directors

**FROM:** David J. Armijo, General Manager

**SUBJECT:** Allocating AB1107 Funds to Special Transit Service District No. 2

**ACTION ITEM**

**RECOMMENDED ACTION(S):**

Consider the following options concerning the allocation of Assembly Bill 1107 (AB 1107) revenue to Special Transit Service District No. 2 (District 2):

- (1) Make no change. Continue operations and accounting as currently conducted with no allocation of AB1107 revenues to District 2; or
- (2) Allocate AB1107 revenue to District 2 using an approximate 11.67% allocation methodology; and adopt Resolution No. 13-051 directing Staff to implement the allocation of AB1107 revenue to District 2 commencing in the 2014/2015 fiscal year; or
- (3) Direct staff to conduct additional research if appropriate to investigate and report back on other allocation alternatives as suggested by the Board.

**EXECUTIVE SUMMARY:**

This staff report presents information related to the long standing issue of whether AB 1107 revenue should be allocated to District 2. Meetings were held with representatives of District 2 regarding the level of service and financial performance. District 2 representatives requested that consideration be given to the annexation agreement specifically as it relates to providing an equitable level of service consistent with the financial ability of District 2. Additionally, District 2 representatives believe the financial ability of the area should include an allocation of AB1107 revenue to District 2.

The AB1107 revenue is based on the three BART Counties: Alameda, Contra-Costa and San Francisco. AC Transit’s share of this revenue for FY 2012-13 was \$34.8 million. Staff’s conclusion is that the AC Transit Board appears to have the discretion (if it so desires) to allocate part of the AB1107 funding to District 2.

**BUDGETARY/FISCAL IMPACT:**

Given the District’s Enterprise Fund Accounting, the net position of the District will not be affected. However, if AB1107 funds are allocated, operating procedures between the two Special Transit Service Districts may affect service levels.

**BACKGROUND/RATIONALE:**

Assembly Bill 1107 (AB1107) is a half-cent sales tax imposed in the three BART counties: Alameda, Contra Costa and San Francisco. By statute, BART receives 75% of the total collection, and the remaining 25% is administered by the Metropolitan Transportation Commission (MTC) and can be allocated to AC Transit, BART or San Francisco MTA for operations. By MTC policy, the 25% share administered by MTC is divided equally between AC Transit and San Francisco MTA for operations. There is a farebox recovery ratio requirement. In 1984 there was a change in the statute that allows operators to meet the farebox recovery ratio by combining fares with local assistance (i.e., BART transfers, contract services, property taxes and Measure VV, B and J revenues). The farebox recovery ratio requirement is 33%.

The history of AB1107 indicates an intention to solve the financial woes for BART that predated Proposition 13 in 1978 and to address the financial woes for AC Transit and San Francisco MTA as a result of Proposition 13. This revenue source is provided to AC Transit for operations, and it is not tied to providing service to any particular city. The AB1107 revenue is generated in the BART service area including San Francisco which represents approximately 46% of the revenue that the District receives. Even if the District was not providing service to the Cities of Fremont and Newark, staff believes that this revenue would still be allocated to AC Transit based on the authorizing statute.

The District began providing service to the Cities of Fremont and Newark, more commonly referred to as District 2 in 1974. The operating results for District 2 produced positive results for many years. Starting in 2008, the financial performance of District 2 operations produced negative results. Prior to that time period, representatives of the two cities inquired about District 2's eligibility for AB1107 funds.

At the October 30, 2013 AC Transit Board Retreat, staff presented information outlining key dates in AC Transit's history and that of District 2, some of which are listed below:

- 1974 Annexation Agreements – Cities of Fremont and Newark.
- The Annexation Agreements call for "Equitable Level of Service" in annexed area consistent with financial ability of area.
- Annexation Agreements Pre-Date AB1107.
- AB1107 passed in 1977 – resulting in 25% of the half-cent sales tax split between AC Transit and SF MTA.

As directed by the Board, staff held several meetings with District 2 representatives to discuss the issue of allocation. The results of the meetings are as follows:

- All agree that the current accounting methodology for revenue and expenses between the two Special Transit Service Districts is acceptable and accurate.
- All agree that based on the current formula for calculating farebox recovery ratios both Special Transit Service Districts meet the farebox recovery requirement.
- All agree that AB 1107 as amended does not specify a separate allocation to the two Special Transit Service Districts, but allocates the funding to AC Transit.

The District's General Counsel has opined that if District 2, as a stand-alone entity, can meet the criteria for the allocation of AB1107 funds, i.e., continue meeting the farebox recovery requirement, then the Board would appear to have the discretion to allocate AB1107 funds to District 2, citing Public Utilities Code section 29142.4, subdivision (b) which preserves the separate status of the two Special Transit Service Districts.

**ADVANTAGES/DISADVANTAGES:**

This report contains alternative courses of action with notable advantages and disadvantages.

**ALTERNATIVES ANALYSIS:**

This report is being provided to inform the Board of findings related to a review of a District revenue source.

**PRIOR RELEVANT BOARD ACTIONS/POLICIES:**

October 30, 2013 Board Retreat AB1107 Update

Staff Report 13-134, May 22, 2013 Assembly Bill 1107 (AB1107) Funding

GM Memo No. 10-130a Adoption of an Allocation Methodology for Special Transit Service Districts One and Two.

**ATTACHMENTS:**

1: Resolution No. 03-051

2: Staff Report 13-134

3: Special Transit Service Districts No. 1 and No. 2 Schedule with Independent Accountant's Report Year Ended June 30, 2013

**Department Head Approval:** Lewis G. Clinton, Jr., Chief Financial Officer

**Reviewed by:** David A. Wolf, General Counsel

**Prepared by:** Lewis G. Clinton, Jr., Chief Financial Officer

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**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
RESOLUTION NO. 13-051**

**A RESOLUTION DIRECTING STAFF TO IMPLEMENT THE ALLOCATION OF  
AB 1107 REVENUE TO SPECIAL TRANSIT SERVICE DISTRICT No. 2 COMMENCING IN THE 2014-  
2015 FISCAL YEAR**

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**WHEREAS**, in 1974 the Cities of Fremont and Newark, California were annexed to AC Transit, now generally referred to as Special Transit Service District No. 2; and

**WHEREAS**, on November 5, 1974, the voters of Fremont and Newark approved annexation into the Alameda-Contra Costa Transit District subject to the terms and conditions set forth in separate annexation agreements; and

**WHEREAS**, Paragraph 6 of the 1974 annexation agreements states that "the District will provide an equitable level of service to all parts of the annexed area consistent with the financial ability of the annexed area;"<sup>1</sup> and

**WHEREAS**, Paragraph 9 of the 1974 annexation agreements requires a separate accounting for Special Transit Service District No. 1 and Special Transit Service District No. 2; and

**WHEREAS**, the District annually provides the separate accounting specified in Paragraph 9 of the annexation agreements; and

**WHEREAS**, annexation agreements are considered to be binding and enforceable under *Morrison Homes Corp. v. City of Pleasanton* (1976) 58 Cal.App.3d 724, 734; and

**WHEREAS**, in 1977 the California Legislature enacted Assembly Bill 1107 (AB 1107) amending the Public Utilities Code to provide revenue to support public transportation in the BART service area; and

**WHEREAS**, AB 1107 specifically added Public Utilities Code section 29142.4 allowing the Metropolitan Transportation Commission (MTC) to allocate a portion of an existing half cent sales tax to each of three public transit agencies (BART, SF Muni, and AC Transit) provided they meet a 33% "farebox requirement;" and

**WHEREAS**, Public Utilities Code section 29142.4, subdivision (b) specifically states that "the two special transit service districts of the Alameda-Contra Costa Transit District shall be considered separate transit districts" and remains current law; and

**WHEREAS**, in 1979, the California Legislature enacted Assembly Bill 842 (AB 842) further amending the Public Utilities Code as to the availability of tax revenue to support public transit within the BART service area; and

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<sup>1</sup> In the Fremont agreement the phrase "annexed area" is replaced with "special transit service district".

**WHEREAS**, AB 842 specifically repealed and replaced Public Utilities Code section 29142.5 allowing a five percent credit toward meeting the 33% “farebox requirement” among the three operators (BART, SF Muni and AC Transit); and

**WHEREAS**, in 1984 the California Legislature enacted Assembly Bill 2337 (AB 2337) further amending the Public Utilities Code to allow MTC to consider as part of fare revenues certain local support which exceeded base level support, e.g., BART Transfers, Contract Services, Property Taxes and Measures V V, B and J; and

**WHEREAS**, representatives of the cities of Fremont and Newark have repeatedly inquired over a period of several years about a possible allocation of some portion of AB 1107 funds to Special Transit Service District 2, including an effort in the 2004-2005 timeframe to draft a memorandum of understanding regarding the same; and

**WHEREAS**, District staff met in 2013 with the Special Transit Service District’s Financial, Technical, and Political Advisory Committees as directed by the Board of Directors of the Alameda-Contra Costa Transit District and found themselves to be in general agreement with the accounting methods presented by District staff; and

**WHEREAS**, Special Transit Service District Nos. 1 and 2 have met the redefined “farebox requirement” since passage of AB 2337; and

**WHEREAS**, the Alameda-Contra Costa Transit District is not required by statute to allocate the AB 1107 funds it receives to Special Transit Service District No. 2; however, it may do so provided the “farebox requirement” continues to be met.

**NOW THEREFORE**, the Board of Directors of the Alameda-Contra Costa Transit District does resolve as follows:

**Section 1.** District staff is hereby directed to implement, commencing in the 2014-2015 fiscal year, the allocation of AB 1107 revenue to Special Transit District No. 2 of approximately 11.67%, provided Special Transit Service District No. 2 continues to independently meet the farebox requirement of the law.

**Section 2.** This resolution shall become effective immediately upon its passage by four affirmative votes of the Board of Directors.

**PASSED AND ADOPTED** this 11th day of December 2013.

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Greg Harper, President

Attest:

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Linda A. Nemeroff, District Secretary

I, Linda A. Nemeroff, District Secretary for the Alameda-Contra Costa Transit District, do hereby certify that the foregoing Resolution was passed and adopted at a regular meeting of the Board of Directors held on the 11th day of December, 2013 by the following roll call vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

\_\_\_\_\_  
Linda A. Nemeroff, District Secretary

Approved as to Form and Content:

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David A. Wolf, General Counsel



Report No: 13-134  
Meeting Date: May 22, 2013

Alameda-Contra Costa Transit District

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## STAFF REPORT

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**TO:** AC Transit Board of Directors  
**FROM:** David J. Armijo, General Manager  
**SUBJECT:** Assembly Bill 1107 (AB 1107) Funding

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### BRIEFING ITEM

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**RECOMMENDED ACTION(S):**

Consider receiving report on AB 1107 Funding and farebox recovery for Special Districts One and Two.

**EXECUTIVE SUMMARY:**

Every year the District receives AB 1107 funding for its operations. This report brings the Board of Directors up to date on prior discussions regarding the allocation of AB1107 funds. In addition, this report provides statistics on the farebox recovery ratio for Special Transit Districts One and Two and provides a proposed timeline of activities staff would like to undertake to resolve this matter and bring this long standing issue to a close within the next 6 months. While there is no action requested by the Board with regard to this report, staff would like to solicit feedback from the Board on the proposed approach and timeline as well as any other components staff should consider, including possible allocation methodologies for further study.

**BUDGETARY/FISCAL IMPACT:**

There is no budgetary or fiscal impact associated with this report.

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**BACKGROUND/RATIONALE:**

On March 27, 2013, Director Davis requested a discussion regarding AB1107 funds with respect to Special Districts One and Two. This matter was last discussed by the Board on June 9, 2010. At that time, the District was faced with difficult financial and operating challenges, including service cuts, expense and staff reductions, as well as fare increases. District Staff recommended the adoption of an allocation methodology for AB1107 funds for the two Special Transit Service Districts within AC Transit, but a methodology was not formally adopted. (See GM Memo No. 10-130a provided in Attachment 1.)

AB1107 made permanent a half-cent sales tax imposed in three Bay Area Rapid Transit District (BART) counties: Alameda, Contra Costa, and the City and County of San Francisco. By statute, BART receives 75 percent of the total half-cent sales tax revenue collected. By policy of the Metropolitan Transportation Commission (MTC), the remaining 25 percent is shared equally by the District and the San Francisco Municipal Railway (Muni) for transit operations. Because the



allocation of this funding, once received by the District, is discretionary, the Board of Directors has the authority to determine how these funds are used for District operations.

**Eligibility for AB 1107 Funding**

To receive AB 1107 funds, fare revenues must equal at least 33% of operating costs. This is known as the “33 percent farebox recovery ratio requirement.” In 1984, the law was amended to allow operators to meet the 33 percent farebox recovery ratio requirement by combining fares with local assistance, e.g., property/parcel taxes and county measures revenue.

Over the last eight (8) fiscal years, Special Transit Service Districts One and Two have both met the 33 percent farebox recovery ratio requirement as illustrated in the following table.

**Farebox Recovery Ratio Chart**

	2005	2006	2007	2008	2009	2010	2011	2012
<b>Special Transit District 1</b>	53.9%	56%	54.5%	53.1%	51.7%	55.3%	52.2%	57.5%
<b>Special Transit District 2</b>	58.8%	56.2%	59.7%	52.1%	51.7%	49.9%	39.8%	51.9%

The Farebox Recovery Ratio is calculated as follows:

$$D1 = \frac{\text{Passenger Fares} + \text{BART Transfers} + \text{Contract Services} + \text{Property Taxes} + \text{Measures VV, B and J}}{\text{Total Expenses} - \text{Depreciation}}$$

Total Expenses – Depreciation

$$D2 = \frac{\text{Passenger Fares} + \text{BART Transfers} + \text{Contract Services} + \text{Property Taxes} + \text{Measure, B}}{\text{Total Expenses} - \text{Depreciation}}$$

Total Expenses – Depreciation

**Next Steps**

Although this is presented as a briefing item, in addition to any other comments from the Board, District staff is seeking comments from the Board on the following: (1) resuming the development of a recommended AB 1107 allocation methodology, (2) continuing to work with the Policy Advisory Committee, the Technical Advisory Committee, and the Financial Advisory Committee (PAC/TAC/FAC) to develop an allocation methodology, and (3) developing a work plan with the goal of enabling the District Board to consider and adopt a recommended methodology. Staff’s goal is to resolve this matter and bring this long standing issue to a close within the next 6 months. To that end, staff proposes the following timeline of activities:

Activity	Target
Hold meetings with the FAC, TAC and PAC in South Alameda County to discuss and receive feedback on possible allocation methodology strategies and suggestions for further study.	Next 60 to 90 Days (August/September)
Evaluate suggestions and feedback received from the FAC, TAC and PAC meetings.	30-45 Days (Early October)
Hold Board Retreat to discuss staff analysis and findings.	October 30 <sup>th</sup>
Decision	November/December

At this time, staff is seeking feedback from the Board on the process outlined in this report and any other components that staff should consider, including possible allocation methodologies for further study.

**ADVANTAGES/DISADVANTAGES:**

This briefing is provided to illustrate that the AB 1107 farebox recovery ratio requirement has been met and to resume and advance the dialog toward adoption of a formal allocation methodology.

There are no disadvantages associated with this report.

**ALTERNATIVES ANALYSIS:**

Staff found no practical alternatives to the course of action outlined in this report.

**PRIOR RELEVANT BOARD ACTIONS/POLICIES:**

GM Memo No. 10-130a – Adoption of an allocation methodology for Special Transit Service Districts One and Two.

**ATTACHMENTS:**

- 1: GM Memo No. 10-130a Adoption of an Allocation Methodology for Special Transit Service Districts One and Two
- 2: Alameda-Contra Costa Transit District Special Transit Service Districts No. 1 and No. 2 Schedule with Independent Accountant’s Report, Year Ended June 30, 2012

Prepared by: David A. Wolf, General Counsel  
 Lewis G. Clinton, Jr., Chief Financial Officer

**AC TRANSIT DISTRICT  
Board of Directors**

**GM Memo No. 10-130a**

Meeting Date: June 9, 2010

**Committees:**

Operations Committee   
 External Affairs Committee   
 Board of Directors

Planning Committee   
 Finance and Audit Committee   
 Financing Corporation

**SUBJECT:** Consider Recommending Adoption of the Allocation Methodology for Special Transit Districts One and Two

**RECOMMENDED ACTION:**

Information Only     Briefing Item     Recommended Motion

**Adopt the Allocation Methodology for Special Transit Districts One and Two**

**Fiscal Impact:**

None

**Background/Discussion:**

**May 19, 2010 Finance and Audit Committee Meeting**

At the Finance and Audit Committee Meeting on this item, the General Counsel was requested to advise on the District Board's discretion of allocating a portion of AB 1107 funds to Special Transit Service District 2. Public Utilities Code Section 29142.4 sets forth the criteria for receipt of AB 1107 funds – be a participating member of the Metropolitan Transportation Commission's (MTC) regional transit coordinating council; recovery at least 33% of its operating costs from fare revenues for a period established by MTC – a fiscal year, subject to a 5% credit if the 33% recovery had been met, and all three operators (AC Transit, BART and SF Municipal Railway System) together meet the 33% revenue ratio, plus any credit. AC Transit's two special transit service districts were considered as two separate transit districts for purposes of the legislation. See Attachment A.

The history of AB 1107 indicates an intention to solve financial woes for BART that predated Proposition 13 in 1978 and to address the financial woes of AC Transit and Muni as a result of Proposition 13. See Attachment B. AC Transit's two special districts were segregated, it is presumed, in order for District 1 to meet the farebox recovery ratio since in 1977 District 2 had only been part of the District since its annexation in 1974 and its service was still in its infancy and still a semi-rural area. If Districts 1 and 2 had been considered a single entity for the legislation, AC Transit may not have qualified for any AB 1107 funds.

If District 2, as a stand alone entity, can meet the criteria for the allocation of AB 1107 funds then the Board would appear to have the discretion of allocating AB 1107 funds to District 2.

Board of Directors Meeting  
 Date: 6/9/10  
 Item No: 6

**The content of GM Memo No. 10-130 as presented to the Finance and Audit Committee**

Budgets and audited financials are maintained for both District 1 and District 2 for every fiscal year. The audits are conducted based on agreed upon allocation methodologies between District staff and staff of both the City of Fremont and the City of Newark. Macias, Gini & O'Connell LLP, the District's auditors also ensures that revenues generated as a result of ballot measures are being utilized in the areas in which they were received. Staff is required to show documentation of expenses in legally required service areas. As can be seen in the 3<sup>rd</sup> Quarter statements attached, no revenue has been allocated to District 2 from any ballot measures approved only for District 1.

***Cumulative Surplus (Deficit) for District 2***

Management of the District and representatives of District 2 met and agreed that fiscal year 2003/04 would be the base year of evaluating the District's change in net assets related to District 2 activity and assumes a zero balance for the start of fiscal year 2004/05. The annual surpluses and/or deficits for fiscal years 2005 through 2009 are derived from the "change in net assets" as reported in the annual Schedules of Revenues and Expenses by Service Area. The following is a schedule of surpluses and/or deficits in District 2 for the past five years.

<b><u>Fiscal Year</u></b>	<b><u>Surplus (Deficit)</u></b>	<b><u>Cumulative Total</u></b>
2005	\$2,756,950	\$2,756,950
2006	2,696,346	5,453,296
2007	1,546,882	7,000,178
2008	(2,032,679)	4,967,499
2009	(1,461,025)	3,506,474

***AB 1107 Funding Source***

AB 1107 is a half-cent sales tax imposed in the three BART counties: Alameda, Contra Costa and San Francisco. By statute, BART receives 75 percent of the total collection, and the remaining 25 percent is administered by MTC. Transit capital and operating expenses for BART, AC Transit, and San Francisco Muni are eligible for the 25 percent portion. By MTC policy, the 25 percent MTC administered share is shared equally by AC Transit and San Francisco Muni for transit operations. There is a farebox recovery ratio requirement. In 1984 there was a change in the statute that allows operators to meet the farebox recovery ratio by combining fares with local assistance (i.e., property/parcel tax and county measures revenues). The farebox recovery ratio requirement is 33%.

There is a Memorandum of Understanding (MOU) document entitled, "MOU Between Alameda-Contra Costa Transit District, the City of Fremont, and the City of Newark

Clarifying and Implementing the Annexation Agreements Between Those Parties as of November 1974." This document has never been fully executed. Staff is currently updating a working draft of this document to be discussed with the two cities, and submitted to the Board for adoption.

**Prior Relevant Board Actions/Policies:**

N/A

**Attachments:**

1. Macias Gini & O'Connell Special Transit Service Districts No. 1 and 2 Audited Financial Statements FY June 30, 2009
2. AC Transit Internal Financial Statement for Districts No. 1 and 2 March 30, 2010
3. FY 2009-10 & 2010-11 Proposed Biennial Budget Analysis Property Taxes Subsidies
- A. Public Utilities Code Section 29142.4
- B. 4 page excerpts from GM Memo No. 03-350 – District's Financial History Report

**Approved by:** Mary V. King, Interim General Manager  
Lewis Clinton, Chief Financial Officer  
Kenneth C. Scheidig, General Counsel

**Prepared by:** Kenneth C. Scheidig, General Counsel

**Date Prepared:** June 4, 2010

**AB 1107 Excerpt**

**29142.4.** No funds shall be allocated to an entity pursuant to Section 29142.2, after January 1, 1978, unless, as determined by the Metropolitan Transportation Commission, the transit operator:

(a) Is a participating member of a regional transit coordinating council which the commission shall establish to better coordinate routes, schedules, fares, and transfers among the San Francisco Bay area transit operators and to explore potential advantages of joint ventures in areas such as marketing, maintenance, and purchasing. The commission shall be a member of the council.

(b) Establishes, for the period for which the funds are allocated, fare levels such that fare revenues equal at least 33 percent of its operating cost, which shall be all of its costs in the expense object classes, exclusive of the costs of the depreciation and amortization expense object classes, of the uniform system of accounts and records adopted by the State Controller pursuant to Section 99243. The allocation period shall not be less than one calendar quarter nor longer than one fiscal year, as determined by the commission. For purposes of this subdivision, the two special transit service districts of the Alameda-Contra Costa Transit District shall be considered separate transit districts. On and after July 1, 1981, the commission may grant, any operator which was in compliance with the 33 percent requirement prior to that date, a credit not to exceed 5 percent to meet that requirement on the basis of special operating characteristics of its transit system, including, but not limited to, its transfer and special fare policies. In no event shall the combined fare revenues of the three operators, excluding any credit granted by the commission, be less than 33 percent of their combined operating cost.

(c) Has complied with standards established by the commission pursuant to Section 66517.5 of the Government Code.

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**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**Special Transit Service Districts No. 1 and No. 2**  
**Schedule with**  
**Independent Accountant's Report**  
**Year Ended June 30, 2013**



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**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

Board of Directors  
Alameda-Contra Costa Transit District  
Oakland, California

We have performed the procedures enumerated below, which were agreed to by the management of the Alameda-Contra Costa Transit District (District), solely to assist you in evaluating the accuracy of the allocation between Special Transit Service Districts (STSD) No. 1 and No. 2 in the accompanying Schedule of Revenues and Expenses by Service Area (Schedule) for the year ended June 30, 2013. The District's management is responsible for the allocation methodology and the Schedule. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

**GENERAL**

- A. We read the Special Transit Service Districts (STSD) No. 1 and No. 2 allocation methodology for consistency with the prior year. We inquired of the rationale for any changes in methodology with District management.

**Finding:** No changes in the allocation methodology were noted in the current year.

**SCHEDULE OF REVENUES AND EXPENSES BY SERVICE AREA**

- A. We reconciled the Schedule to the audited financial statements.

**Finding:** The Schedule reconciles to the audited financial statements.

- B. We compared service hours by STSD and by Alameda and Contra Costa counties for the year ended June 30, 2013 used for allocation in the supporting worksheets prepared by the District.

**Finding:** The service hours by STSD and by Alameda and Contra Costa counties for the year ended June 30, 2013 are supported by worksheets prepared by the District.

C. We performed analytical procedures over service hours by reviewing the net changes in service hours from the prior year to the year ended June 30, 2013 by Alameda and Contra Costa counties and STSD.

**Findings:**

1. We noted total service hours increased 2,097 or 0.1%.

D. We compared service miles by STSD and by Alameda and Contra Costa counties for the year ended June 30, 2013 used for allocation to the supporting worksheets prepared by the District.

**Finding:** The service miles by STSD and by Alameda and Contra Costa counties for the year ended June 30, 2013 are supported by worksheets prepared by the District.

E. We performed analytical procedures over service miles by reviewing the net changes in service miles from the prior year to the year ended June 30, 2013 by county and STSD.

**Findings:**

1. Service miles by Alameda and Contra Costa counties agreed to the District's EAMS report for year ended June 30, 2013.

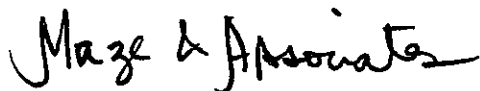
2. We noted total service miles decreased 72,699 or .3%.

F. We recalculated the allocation of each financial statement caption in the Schedule by applying the District's allocation methodology for each caption to the District's total revenue or expense line item amount and compared this to the Schedule provided by the District.

**Finding:** The allocation of each financial statement caption between STSD No. 1 and No. 2 is calculated in accordance with the methodology provided by the District.

We were not engaged to, and did not, conduct and audit, the objective of which would be the expression of an opinion on the accompanying schedule. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the District's Board of Directors and management and is not intended to be and should not be used by anyone other than those specified parties.



September 20, 2013

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
SCHEDULE OF REVENUES AND EXPENSES BY SERVICE AREA  
FOR THE YEAR ENDED JUNE 30, 2013**

<u>REVENUES:</u>	<u>STSD #1</u>	<u>STSD #2</u>	<u>TOTAL</u>	<u>Allocation Methodology</u>
Farebox	\$ 50,136,255	\$ 2,839,501	\$ 52,975,756	(1)
Bart Transfers	2,328,144	131,856	2,460,000	(3)
Contract Services	5,601,848	273,249	5,875,097	(14)
Advertising	1,606,380	212,776	1,819,156	(2)
Interest income	63,850	7,659	71,509	(6)
Other Income	3,490,302	462,291	3,952,593	(14)
<b>TOTAL REVENUES</b>	<u>63,226,779</u>	<u>3,927,332</u>	<u>67,154,111</u>	
<b><u>SUBSIDIES</u></b>				
Property Taxes	63,480,911	15,878,852	79,359,763	(7)
Property Taxes Measures AA/VV	29,438,709	-	29,438,709	(7)
Local Sales Tax - Measure B	22,804,453	1,852,430	24,656,883	(11)
Local Sales Tax - Measure J	3,977,908	-	3,977,908	(10)
Local Operating Assistance	13,537,386	1,791,656	15,329,042	(14)
State: AB1107	34,812,465	-	34,812,465	(10)
State AB2972 Home to School	2,000,000	-	2,000,000	(10)
State - TDA	47,197,802	10,084,134	57,281,936	(12)
State - STA	17,613,062	2,622,187	20,235,249	(5)
State operating assistance other	3,882,040	-	3,882,040	(10)
Federal Operating Assistance	11,674,287	1,482,693	13,156,980	(14)
<b>TOTAL SUBSIDIES</b>	<u>250,419,023</u>	<u>33,711,952</u>	<u>284,130,975</u>	
<b>TOTAL REVENUE AND SUBSIDIES</b>	<u>313,645,802</u>	<u>37,639,284</u>	<u>351,285,086</u>	
<b><u>EXPENSES</u></b>				
Operator Wages	52,503,123	6,022,262	58,525,385	(4)
Other Wages	40,938,751	5,422,619	46,361,370	(2)
Fringe Benefits	69,345,215	8,492,046	77,837,261	(13)
Pension Expenses	34,756,535	4,256,300	39,012,835	(13)
Services	24,141,713	2,450,123	26,591,836	(2)
Fuel & Lubricants	16,436,281	2,177,099	18,613,380	(2)
Office/Printing Supplies	406,617	53,859	460,476	(2)
Bus Parts/Maint. Supplies	11,317,563	1,499,089	12,816,652	(2)
Utilities	2,130,773	282,236	2,413,009	(2)
Insurance	10,180,302	1,348,451	11,528,753	(2)
Other Expenses	5,050,183	668,931	5,719,114	(2)
Purchased Transportation	24,047,013	2,707,338	26,754,351	(8)
Interest Expense	582,067	71,327	653,394	(9)
Depreciation	31,277,430	4,142,911	35,420,341	(2)
<b>TOTAL EXPENSES</b>	<u>323,113,566</u>	<u>39,594,591</u>	<u>362,708,157</u>	
Income (loss) before capital contributions	(9,467,764)	(1,955,307)	(11,423,071)	
Capital Contributions - Federal and Local	63,793,105	220,948	64,014,053	(14)
<b>CHANGE IN NET ASSETS</b>	<u>\$ 54,325,341</u>	<u>\$ (1,734,359)</u>	<u>\$ 52,590,982</u>	

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
NOTES TO THE SCHEDULE OF REVENUES AND EXPENSES  
BY SERVICE AREA  
FOR THE YEAR ENDED JUNE 30, 2013**

**(1) General**

Special Transit Service District (STSD) No. 1 was the designation used from the creation of the Alameda-Contra Costa Transit District (District) for its original territory, consisting of the cities and surrounding unincorporated area from Richmond and San Pablo through Hayward. STSD No. 1 extends from San Pablo Bay to Hayward, including the cities of Richmond, San Pablo, El Cerrito, Albany, Berkeley, Emeryville, Oakland, Piedmont, Alameda, San Leandro, Hayward, and the unincorporated areas of Ashland, Castro Valley, Cherryland, El Sobrante, Kensington, and San Lorenzo. STSD No. 2 was created through an annexation agreement and includes the City of Fremont and the City of Newark in southwestern Alameda County where the District operates a network of local routes. Local service within Union City is operated by a separate agency, Union City Transit. Service to Palo Alto across the Dumbarton Bridge on the DB line is provided by the District under contract with a consortium of operators, led by the District.

**(2) Summary of Significant Accounting Policies and Schedule Presentation**

The accompanying Schedule was prepared in accordance with accounting principles generally accepted in the United States of America and the allocation methodology guidelines listed below. This Schedule does not present the financial position, changes in financial position, or cash flows of the District Alameda-Contra Costa Transit District.

**(3) Basis of Accounting**

The Schedule has been prepared in accordance with the accrual basis of accounting.

**(4) Basis of Allocation**

The revenues and expenses on the Schedule are prorated between STSD No. 1 and No. 2 based on an allocation methodology that is specific to each financial statement caption. The primary allocation basis is an equal weighting of the relationship of hours and miles of service between the counties and the Special Transit Service District within the counties. The complete listing of allocation methodology is reported on page 4.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
ALLOCATION METHODOLOGY  
FOR THE YEAR ENDED JUNE 30, 2013**

(1)	Fare box revenues are allocated on the basis of estimated revenues for each route operated by a district as record by the GFI system. Estimated revenues consist of cash collected on a route, plus the impact of estimated revenues related to passes and tickets used on that same route.
(2)	This revenue/expense line item is allocated to the district in which such services are provided, and then on the basis of the district's pro-rata share of service hours and service miles. Each district's allocation percentage is calculated using the following formula:  $\frac{(\text{District svc. Hours}/\text{total svc. Hours}) + (\text{district svc. Miles}/\text{total svc. Miles})}{2}$
(3)	Bart transfer revenue is allocated on the basis of each district's pro-rata share of fare box revenues as calculated under (1) above.
(4)	Actual operator pay per the general ledger is allocated to each district based on its pro-rata share of scheduled operator pay as recorded by the OTS 370 report.
(5)	State transit assistance revenues are allocated to each district based on its pro-rata share of "qualifying revenues" which are defined by the District to include the following: property taxes, Measure VV revenues, Measure B revenues, Measure J revenues, fare box revenues and Dumbarton reimbursement Revenues.
(6)	Interest income is allocated to each district based on its pro-rata share of total revenues and subsidies, excluding interest income.
(7)	Property taxes are allocated to each district on the basis of actual revenue as reported to the District by Alameda and Contra Costa County.
(8)	ADA paratransit subsidies are expenses that are allocated to each district based on its pro-rata share of ridership as reported to the District by its paratransit contractor.
(9)	Interest expense is allocated to each district based on its pro-rata share of total expenses, excluding interest expense.
(10)	Allocation of this revenue or expenses line item is not necessary as it is associated solely with a single district.
(11)	Measure B revenues were allocated between the districts using two different methodologies. For the former Measure B, revenue are allocated using the formula in (2) above. Subsequent to May 31, 2002, Measure B revenues are based on the revised legislation, which allocates a specific portion of the total revenues received from each district.
(12)	TDA revenues are allocated to each district on the basis of actual revenues as reported to the District by the Metropolitan Transportation Commission.
(13)	Fringe benefits and pension expenses are allocated using the sum of each District's pro-rata share of operator's wages and other wages divided by the sum of total operator wages and other wages.
(14)	This revenue or expense line item is allocated to the district in which such services are provided, or if district wide, using methodology (2) above.