

October 30, 2013 Board Retreat

AB 1107 Update

Agenda Item 3A



Annexation Agreements

- 1974 Annexation Agreements - 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 AB 1107



AB 1107 History

- 1977 – AB 1107 Enacted
- 75% of Half Cent Sales Tax Goes to BART
- 25% of Half Cent Sales Tax Split Between AC Transit and SF Muni
- 33% Fare Box Recovery Ratio Requirement



AB 1107 History

- 1979 – AB 842 Gives MTC Discretion to Allocate AB 1107 Funds to AC Transit with Fare Box Recovery as Low as 28%
- Special Transit Service District 2 Cannot Meet Lower Fare Box Recovery
- MTC Allocates AB 1107 Funds to AC Transit and SF Muni Anyway

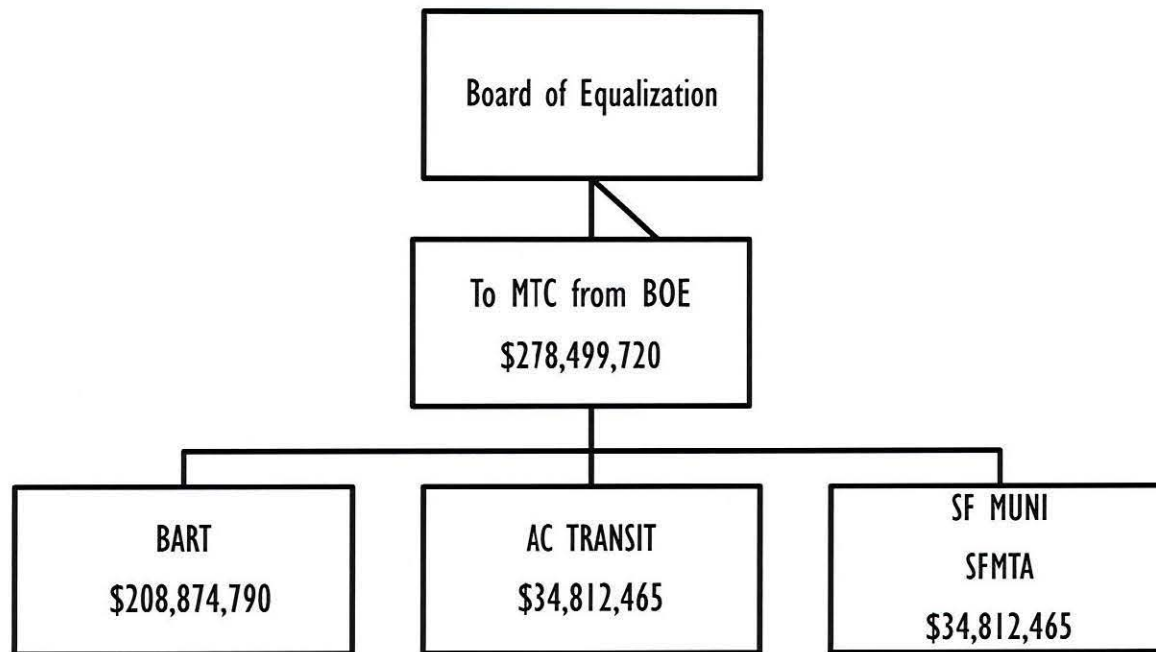


AB 1107 History

- Between 1977 and 1984, SF Muni Raised Fares 140% to Meet Fare Box Recovery Ratio Requirements, as Noted by Those Seeking Repeal of AB 1107
- 1984 - AB 2337 Permits MTC to Consider Local Support Payments to Meet Fare Box Requirements for AB 1107
- Support Payments Include BART Transfers, Contract Services, Property Taxes, Measure B, With Measures VV & J Applying to Special Transit Service District 1 Only



AB 1107 Funding Flow



Note: Amounts are for FY 2012-13



AB 1107 & Special Transit Service District 2

- 2002 – Representatives of the Cities of Fremont and Newark Inquire Whether Special Transit Service District 2 Is Eligible for AB 1107 Funds
- The Cities and AC Transit Attempted to Finalize a Memorandum of Understanding
- 2010 & 2013 – The Allocation Methodology Issue Resurfaces



AB 1107 & Special Transit Service District 2

- May 22, 2013 Briefing Identified Next Steps as Follows:
 - FAC, TAC & PAC Meetings (August/September)
 - Evaluate Suggestions & Feedback (October)
 - Board Retreat (October 30)
 - Decision (November/December)



AB 1107 & Special Transit Service District 2

- AC Transit Has Received AB 1107 Funding Irrespective of Special Transit Service District 2's Fare Box Recovery Ratio
- The Annexation Agreements Require an “Equitable Level of Service” in Special Transit Service District 2 Irrespective of AB 1107 Funding



AB 1107 & Special Transit Service District 2

- While AB 1107 Has Been The Focus of FAC, TAC & PAC Meetings Held in 2013, Increased Service and Service Improvement Are The Core Concerns:
 - More Service
 - Better Headways
 - Better Reliability
 - Better Integration of Routes and Stops With Other Transit Agencies



AB 1107 & Special Transit Service District 2

Discussion & Next Steps





Report No:
Meeting Date:

13-134
May 22, 2013

Alameda-Contra Costa Transit District

STAFF REPORT

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

BRIEFING ITEM

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.

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
Special Transit District 1	53.9%	56%	54.5%	53.1%	51.7%	55.3%	52.2%	57.5%
Special Transit District 2	58.8%	56.2%	59.7%	52.1%	51.7%	49.9%	39.8%	51.9%

The Farebox Recovery Ratio is calculated as follows:

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

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

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 th
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

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**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 3rd 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.

<u>Fiscal Year</u>	<u>Surplus (Deficit)</u>	<u>Cumulative Total</u>
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.

**ALAMEDA-CONTRA COSTA
TRANSIT DISTRICT**

**Special Transit Service Districts No. 1 and No. 2
Schedule with
Independent Accountant's Report**

Year Ended June 30, 2009

OAKLAND
505 14th Street, 5th Floor
Oakland, CA 94612
510.273.8974

SACRAMENTO

VALLEJO OFFICE

LOS ANGELES

NEWPORT BEACH

SAN DIEGO

MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

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

INDEPENDENT ACCOUNTANT'S REPORT

We have performed the procedures enumerated below, which were agreed to by 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, 2009. The District's management is responsible for the allocation methodology and the Schedule. This agreed-upon procedures engagement was conducted in accordance with 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 this 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 county for the year ended June 30, 2009 used for allocation in the supporting worksheets prepared by the District.

Finding: The service hours by STSD and by county for the year ended June 30, 2009 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, 2009 by county and STSD.

Finding: The analysis did not produce any unusual fluctuations. Service hours by STSD and by county agree to the District's OTS 370 report for the year ended June 30, 2009.

- d. We compared service miles by STSD and by county for the year ended June 30, 2009 used for allocation to the supporting worksheets prepared by the District.

Finding: The service miles by STSD and by county for the year ended June 30, 2009 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, 2009 by county and STSD.

Finding: The analysis did not produce any unusual fluctuations. Service miles by STSD and by county agree to the District's VMS78R2 report for the year ended June 30, 2009.

- 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 appears to be calculated in accordance with the methodology provided by the District.

We were not engaged to and did not conduct an examination, 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 these specified parties.

Macias Gini & Cunniff LLP
Certified Public Accountants
Oakland, California

November 25, 2009

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES BY SERVICE AREA
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>STSD #1</u>	<u>STSD #2</u>	<u>TOTAL</u>	<u>Allocation Methodology</u>
<u>REVENUES:</u>				
Farebox	\$ 48,758,990	\$ 2,506,902	\$ 51,265,892	(1)
Other Transit Fares	1,028,146	-	1,028,146	(10)
Bart Transfers	5,142,113	264,377	5,406,490	(3)
Advertising	2,304,388	299,895	2,604,283	(2)
Interest Income	309,836	38,820	348,656	(6)
Other Income	3,470,717	451,681	3,922,398	(14)
OPERATING REVENUES	61,014,190	3,561,675	64,575,865	
<u>SUBSIDIES:</u>				
Property Taxes	58,134,470	14,094,267	72,228,737	(7)
Supplementary Service	2,225,000	611,469	2,836,469	(14)
Sales Tax (AB1107)	30,766,678	-	30,766,678	(10)
Sales Tax TDA	37,832,536	8,477,397	46,309,933	(12)
Federal Assistance - ADA Set Aside	9,828,633	1,003,089	10,831,722	(8)
Federal Assistance - Others	42,652,211	5,550,790	48,203,001	(14)
Measure BB	15,136,307	-	15,136,307	(7)
Measure B	19,177,473	1,555,716	20,733,189	(11)
Measures C and J	1,472,277	-	1,472,277	(10)
ADA Paratransit Service	4,679,548	477,585	5,157,133	(8)
State Transit Assistance	18,520,311	2,436,199	20,956,510	(5)
SUBSIDIES	240,425,444	34,206,512	274,631,956	
TOTAL REVENUES AND SUBSIDIES	301,439,634	37,768,187	339,207,821	
<u>EXPENSES:</u>				
Operator Wages	58,152,819	7,224,156	65,376,975	(4)
Other Wages	51,734,513	6,732,767	58,467,280	(2)
Fringe Benefits	73,820,754	9,376,309	83,197,063	(13)
Pension Expenses	24,387,546	3,097,573	27,485,119	(13)
Services	19,601,918	2,519,071	22,120,989	(2)
Fuel and Lubricants	15,332,460	1,995,378	17,327,838	(2)
Tires and Tubes	2,709,687	352,641	3,062,328	(2)
Office/Printing Supplies	668,624	87,015	755,639	(2)
Bus Parts/Maintenance Supplies	10,427,345	1,357,022	11,784,367	(2)
Utilities	2,633,260	342,694	2,975,954	(2)
Insurance	4,882,322	635,389	5,517,711	(2)
Taxes	2,936,135	382,111	3,318,246	(2)
Leases and Rentals	356,355	46,376	402,731	(2)
Other Expenses	2,882,239	375,097	3,257,336	(2)
ADA Paratransit Service	19,110,762	1,950,403	21,061,165	(8)
Interest Expense	2,715,016	343,086	3,058,102	(9)
Depreciation	33,451,730	4,353,433	37,805,163	(2)
TOTAL EXPENSES	325,803,485	41,170,521	366,974,006	
Income (loss) before capital contributions	(24,363,851)	(3,402,334)	(27,766,185)	
Capital Contributions - Federal and Local	40,685,526	1,941,309	42,626,835	(14)
CHANGE IN NET ASSETS	16,321,675	(1,461,025)	14,860,650	

See accompanying notes to the schedule

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ALLOCATION METHODOLOGY
FOR THE YEAR ENDED JUNE 30, 2009**

(1)	Fare box revenues are allocated on the basis of estimated revenues for each route operated by a district as recorded 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 BB revenues, Measure B revenues, Measures C and 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 service revenues and expenses 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 expense 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, revenues 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.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO THE SCHEDULE OF REVENUES AND EXPENSES BY SERVICE AREA
FOR THE YEAR ENDED JUNE 30, 2009**

(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 areas 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 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 weighing of the relationship of hours and miles of service between the counties and the Special Transit Service Districts within the counties. The complete listing of allocation methodology is reported on page 4.

Alameda-Contra Costa Transit District

GM MEMO 10-130 ATT.2

Revenue & Expense by Service Area
Fiscal Year to Date at March 31, 2010

	STSD #1	STSD #2	TOTAL	STSD #2 % to TOTAL	Allocation Methodology
REVENUES:					
Farebox	\$37,664,333	\$1,919,832	\$39,584,165	4.85%	(1)
Other Transit Fares	689,997	0	689,997	0.00%	(10)
Bart Transfers	2,936,501	149,680	3,086,181	4.85%	(3)
Contract Services	0	0	0	N/A	(10)
Advertising	731,972	95,423	827,395	11.53%	(2)
Interest Income	27,153	3,188	30,341	10.51%	(6)
Other Income	2,563,933	334,247	2,898,180	11.53%	(14)
OPERATING REVENUES	44,613,890	2,502,371	47,116,260	5.31%	
SUBSIDIES:					
Property Taxes	40,199,067	10,153,888	50,352,955	20.17%	(7)
Supplementary Service	1,575,000	354,104	1,929,104	18.36%	(14)
Sales Tax (AB1107)	21,076,200	0	21,076,200	0.00%	(10)
Sales Tax TDA	26,353,657	5,815,506	32,169,163	18.08%	(12)
Federal Assistance - ADA Set Aside	6,304,377	629,361	6,933,738	9.08%	(8)
Federal Assistance - Others	23,397,911	3,050,264	26,448,175	11.53%	(14)
Measure AA/BB	21,043,901	0	21,043,901	0.00%	(7)
Measure B	13,108,854	1,063,270	14,168,856	7.50%	(11)
Measure C/J	2,607,485	0	2,607,485	0.00%	(10)
ADA Paratransit Service	2,715,647	271,101	2,986,748	9.08%	(8)
State Transit Assistance/RM-2 Operating	8,396,159	988,220	9,384,379	10.53%	(5)
SUBSIDIES	166,778,259	22,325,713	189,100,704	11.81%	
TOTAL REVENUES & SUBSIDIES	211,392,149	24,828,084	236,216,964	10.51%	
EXPENSES:					
Operator Wages	44,467,498	5,524,068	49,991,566	11.05%	(4)
Other Wages	37,518,435	4,891,082	42,409,517	11.53%	(2)
Fringe Benefits	56,750,931	7,208,193	63,959,124	11.27%	(13)
Pension Expenses	25,610,206	3,252,868	28,863,074	11.27%	(13)
Services	13,444,730	1,752,719	15,197,449	11.53%	(2)
Fuel & Lubricants	9,052,407	1,180,115	10,232,522	11.53%	(2)
Tires & Tubes	1,614,521	210,477	1,824,998	11.53%	(2)
Office/Printing Supplies	492,906	64,258	557,163	11.53%	(2)
Bus Parts/Maint. Supplies	6,417,521	836,619	7,254,140	11.53%	(2)
Utilities	1,937,802	252,621	2,190,423	11.53%	(2)
Insurance	3,359,204	437,922	3,797,126	11.53%	(2)
Taxes	318,660	41,542	360,202	11.53%	(2)
Leases & Rentals	254,987	33,241	288,228	11.53%	(2)
Other Expenses	617,095	80,447	697,543	11.53%	(2)
ADA Paratransit Service	15,357,612	1,533,138	16,890,750	9.08%	(8)
Interest Expense	1,831,407	231,202	2,062,609	11.21%	(9)
Depreciation	29,697,378	3,871,492	33,568,870	11.53%	(2)
TOTAL EXPENSES	248,743,298	31,402,005	280,145,303	11.21%	
Net Income (loss) before capital contributions	(37,351,149)	(6,573,922)	(43,928,340)	14.97%	
Capital Contributions - Federal, State & Local	4,857,822	42,447	4,900,269	0.87%	(14)
CHANGE IN NET ASSETS	(\$32,493,328)	(\$6,531,474)	(\$39,028,071)		

**Alameda-Contra Costa Transit District
Revenue and Expense by Service Area
Allocation Methodology Description Legend
As of June 30, 2009**

(1.)	Farebox revenues are allocated on the basis of the estimated revenues for each route operated by a district as recorded 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 each district on the basis of its pro-rata share of service hours & miles. Each district's allocation percentage is calculated using the following formula: $\frac{(\text{district service hours}/\text{total svc. hours})+(\text{district service miles}/\text{total svc. miles})}{2}$
(3.)	Bart transfer revenue is allocated on the basis of each district's pro-rata share of farebox revenues as calculated under number (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 OTS370 report
(5.)	State transit assistance/Regional Measure 2 Operating revenues are allocated to each district based upon its pro-rata share of "qualifying revenues" which are defined by the District to include the following: property taxes, Measure AA revenues, Measure B revenues, Measure C/J revenues, and Dumbarton reimbursement revenues.
(6.)	Interest income is allocated to each district based upon its pro-rata share of total revenues and subsidies, excluding interest income.
(7.)	Property Taxes allocated to each district based upon on the basis of actual revenue as reported by the District by Alameda and Contra Costa Counties.
(8.)	ADA Para transit service revenues and expenses are allocated to each district based upon its pro-rata share of ridership as reported to the District by its Para transit contractor.
(9.)	Interest expense is allocated to each district based upon its pro-rata share of total revenues and subsidies, excluding interest expense.
(10.)	Allocation of this revenue or expense line item is not necessary as it is associated solely with a single district.
(11.)	Measure B revenues were allocated between districts using two different methodologies. Old measure B revenues are allocated using the formula in (2.) above. Subsequent to May 31, 2002, Measure B revenues are based upon 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 where such services are provided, or if district wide, using methodology (2.) above.
(15.)	Capital contributions are allocated to each district based on the actual resources received

Revenue analysis Proposed Biennial Budget FY0910 FY1011 Aug1909.xls

AC TRANSIT FY 2009-10 & FY 2010-11 Biennial Budget - Analysis Property Taxes Subsidies						
Proposed Budget August 13th, 2009						
	3rd Qtr Projection FY 2008-09	Projection FY 2009-10	Projection FY 2010-11	Projection FY 2011-12	Projection FY 2012-13	Projection FY 2013-14
PROPERTY TAXES REVENUE						
Contra Costa County D1	8,170	8,170	7,770	7,692	7,769	8,119
Alameda County D1	47,493	47,493	46,780	47,342	48,336	51,279
Alameda County D2	13,344	13,344	13,077	13,269	13,564	14,451
Total	69,007	69,007	67,627	68,303	69,669	73,849
Growth rate		0.0%	-2.0%	1.0%	2.0%	6.0%

Transit Improvements

The passage of Proposition 13 will have its first transportation impact on the financing of transit. What follows was largely developed prior to Proposition 13 and provides a base upon which to develop alternative funding programs when the effects of Proposition 13 are known. The first five-year transit improvement program was developed using revenue assumptions based on results of the MTC Transit Financing Study.* Some adjustments have been made where estimated property tax losses have been included in the TIP. That study examined ways in which transit services would be financed during the five fiscal years 1976-1981. The study included numerous assumptions about the changes likely in revenue sources not controllable by MTC or the operators. The study also established several guidelines to be followed by the operators in order to control costs and revenues which they can affect.

Operating efficiencies should be effected to reduce operating costs projected for 1978-1981 by 5%.

Collective operating revenues should pay 35% of the collective operating costs of BARTD, MUNI and AC Transit.

Fares should be increased to fund the full cost of any labor settlements that increase salaries and wages more than 5.5% annually.

Equalize tolls for passenger cars crossing the Dumbarton, San Mateo-Hayward and San Francisco-Oakland Bay Bridges, effective July 1, 1977, and seek authority to use bridge toll revenues for funding transit operations. Bridge tolls were increased to \$.75 in July of 1977.

The Transit Financing Study also recommended continuation of the 1/2-cent sales tax used to finance part of the BART operating cost. In 1977 the Legislature passed AB1187 to effect this change. That bill made the 1/2-cent sales tax permanent in San Francisco, Alameda and Contra Costa Counties. Seventy-five percent of the proceeds of that tax are dedicated for use by the BART. Twenty-five percent of the tax proceeds are available to any of three operators, AC Transit, BARTD or MUNI, to fund improvements in their services.

Service improvements eligible for such funding are any operational improvements which increase the amount, reliability or proximity of transit service to the public. The service improvements using these funds must occur after January 1, 1978, and must be approved by MTC in advance of implementation. To be eligible for funds provided by this bill, the operator must maintain fares which produce sufficient farebox revenue to defray 33% of operating cost.

*MTC, "San Francisco Bay Region Transit Financing Study," Jan. 1977.

SUMMARY: Increases the flexibility in allocating certain transit funds in the Bay Area to overcome the impacts of Proposition 13.

ANALYSIS:

A. Detailed

Under existing law an additional 1/2 percent sales tax is collected in the area of the Bay Area Rapid Transit District (BART) to provide funds for transit. BART receives 75 percent of the total revenues and the remaining funds are allocated by the Metropolitan Transportation Commission (MTC) to BART, Alameda-Contra Costa Transit District (AC) and the San Francisco Municipal Railway for service improvements.

This bill deletes the requirement that the 25 percent portion of the sales tax funds go to improvements exclusively, and instead requires that MTC, in conjunction with the three operators, develop a financial management plan to guide the allocation of these funds. The purpose of the plan is to allocate funds in such a way as to maintain essential transit services after Proposition 13. The bill retains the 33 percent fare box requirement, but allows MTC to grant an operator up to 5 percent credit toward this requirement, provided the average fare box recovery of the three operators is not less than 33 percent. Also, the bill provides that funds which accumulate because of an operator's noncompliance can be reallocated to another operator (lost to the originally designated recipient).

d. Cost

No cost to the State. The bill does not result in an increased tax on Bay Area citizens.

SPONSOR: Author

RELATED BILL: AB 1362 (Knox)

REASONS FOR RECOMMENDATION:

The Department recommends SIGN because:

1. The AC Transit District and the San Francisco Municipal Railway were particularly hard-hit by Proposition 13. Even with state bail-out funds it has been estimated that these two operators and BART, combined, will experience a \$38 million reduction.

(continued)

LEGISLATION

SIGN

[Signature] | 7.16.79 | *[Signature]* | 7/18/79

Enrolled Bill Report
Page 2
July 16, 1979

AB 842

REASONS FOR RECOMMENDATION: (continued)

2. This bill would allow existing revenues reserved for service improvements to be used for maintaining existing service. These funds would be allocated according to a plan which considers needs and efforts to improve efficiency and effectiveness.
3. MTC is granted the necessary flexibility to establish a comprehensive region-wide fare policy which recognizes the different operating characteristics of the three transit systems.

FOR FURTHER INFORMATION CONTACT PETER OSWALD (O) 445-8045
(H) 738-7772

Vern Goshring:ay



MEMORANDUM

To: Policy Committee
Fr: Don Morgan
Re: Overview of AB 842 Process

Date: March 19, 1987

W.I.: 1001-40-02

History

In 1976, MTC undertook a transit finance study of major Bay Area transit systems in response to AB 3785 (1976). At that time, the temporary 1/2¢ sales tax for BART was due to expire in June, 1978. BART was not able to continue its operation with fare revenues alone, as originally planned. AC Transit and Muni faced a funding shortage. Other operators appeared to have an adequate financial base. Thus, the Transit Finance Study focused attention on near and long term financing of AC Transit, BART and Muni. The study developed a series of recommendations aimed at providing for an adequate on-going financial basis for the three operators.

In response to the study's recommendations, the Legislature passed AB 1107 (1977) to make the 1/2¢ sales tax permanent. AB 1107 authorized 75% of the sales tax proceeds to go directly to BART and 25% to MTC for allocation to AC Transit, BART or Muni. AB 1107 required that the three operators participate in the Transit Operators Coordinating Council (TOCC), meet a 33% farebox recovery requirement, maintain local support (property tax, General Fund), and use AB 1107 (25%) funds only for service improvements.

In 1978, passage of Proposition 13 took away much of the property tax upon which the three operators had relied to varying degrees to finance their systems. In 1979, AB 842 was passed to amend AB 1107 at MTC's request to:

- o Eliminate the service improvement requirement.
- o Add a provision to allow for a 5% variance in an operator achieving the required 33% return as long as the three operators had a combined 33% farebox return.
- o Require development of a financial management plan to continue the vital transit services of the three operators. This plan would be the basis of allocations of AB 1107 (25%) funds to the operators.

The AB 842 Study was initiated in 1979 with a policy committee represented by the policy boards of MTC and three operators. An interim financial management plan was submitted to the Legislature in March, 1980.

This plan adopted a strategy to sustain vital transit services by calling for coordinated fare increase which would generate sufficient revenues to support existing services through FY 1980-81. Because of the ongoing nature of the subject of financial planning, the report also recommended continuing the AB 842 planning process on an annual basis.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
BOARD OF DIRECTORS**

MINUTE ORDER

The following action was taken by the Board of Directors on June 9, 2010:

GM Memo No. 10-130a	Consent <input type="checkbox"/>	Regular <input checked="" type="checkbox"/>
Title: Adoption of the allocation methodology for Special Transit Districts One and Two		
Approved as Recommended <input type="checkbox"/>	Approved w/ Modification(s) <input type="checkbox"/>	Other <input checked="" type="checkbox"/>
MOTION: PEEPLES/HARPER to continue the item to the end of the first quarter of FY 2010-11 (6-1-0-0).		
<p>Ayes: Directors Peeples, Harper, Ortiz, Davis, Vice President Young, President Fernandez - 6</p> <p>Noes: Wallace – 1</p> <p>Abstain: None – 0</p> <p>Absent: None – 0</p>		
<p>Summary of Discussion/public comment: General Counsel Ken Scheidig presented the staff report noting that if Special District Two met the requirements (33% farebox recovery) of AB 1107, the Board could allocate funds to District Two.</p> <p>With regard to the allocation methodology and AB 1107 funds, Chief Financial Officer Lewis Clinton advised that unless the Board determined to do it differently, the allocation of funds would be based on the agreed upon allocation methodologies that were already in place for other revenue sources, which was 11.4% or \$3.7 million.</p> <p>Discussion ensued regarding the following issues:</p> <ul style="list-style-type: none"> ▪ The revenue sources included in determining the farebox recovery ratio (farebox receipts, parcel tax, property tax and BART transfers); ▪ Equity and fairness in the distribution of AB 1107 funds to both Special District One and Two; ▪ Allocation methodologies; ▪ Legislative history behind AB 1107 and what the funds were intended for; ▪ The consequences of allocating AB 1107 funds to Special District Two, including the impact on the recent service cuts approved by the Board which could result in removing more service from District One and adding it to District Two, and the potential that AC Transit could lose AB 1107 funds to suburban bus operators; ▪ Potential Title VI disparate impacts; and ▪ Determination of a marginal cost rate for bus service. <p>Mr. Scheidig advised that AB 1107 was passed because BART had financial problems and the 1979 change to the legislation was because AC Transit and MUNI had financial problems. He further noted that Special Districts One and Two are treated as separate Districts because of concern that District Two, in its infancy, had the potential to drag down the farebox recovery ratio for District One.</p> <p>Interim General Manager Mary King commented on the need to be fair to both Districts with regard to the allocation of AB 1107 funds, adding that it was a discretionary matter for the Board to decide regardless of history.</p> <p>Directors Harper and Ortiz were supportive of the need for a fair and equitable distribution of AB 1107 funds.</p> <p>Director Davis commented that the consequences of allocating AB 1107 funds to District Two were highly speculative and that the issue should have been resolved long ago. He added that while he was not seeking retroactive payments, District Two was entitled to its rightful fair share of funds. He further requested that any adopted allocation methodology to be retroactive to July 1, 2010.</p> <p>Director Wallace commented that money should not be shifted to District Two while his area continues to have insufficient bus stops and</p>		

service.

With regard to next steps, Mr. Clinton advised that staff would like to finalize the Memorandum of Understanding with District Two and determine the cost to provide service in that area. He further recommended that staff bring back a proposed allocation methodology after the audited financial statements were available for the fiscal year ending June 30, 2010.

[SEAL]

I certify that the foregoing is a correct copy of a Minute Order adopted by the Alameda-Contra Costa Transit District Board of Directors.

ATTEST:

Linda A. Nemeroff, District Secretary

By: _____
Deputy

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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, 2012



**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, 2012. 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, 2012 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, 2012 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, 2012 by Alameda and Contra Costa counties and STSD.

Findings:

1. We noted total service hours decreased 40,608 or 2.3% due to service reductions.

- D. We compared service miles by STSD and by Alameda and Contra Costa counties for the year ended June 30, 2012 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, 2012 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, 2012 by county and STSD.

Findings:

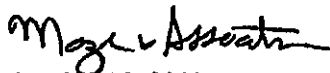
1. Service miles by Alameda and Contra Costa counties agreed to the District's EAMS report for year ended June 30, 2012.
2. We noted total service miles decreased 826,527 or 3.7% due to service reductions.

- 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.



October 30, 2012

**ALAMEDA CONTRA-COSTA TRANSIT
SCHEDULE OF REVENUES AND EXPENSES BY SERVICE AREA
FOR THE YEAR ENDED JUNE 30, 2012**

<u>REVENUES:</u>	<u>STSD #1</u>	<u>STSD #2</u>	<u>TOTAL</u>	<u>Allocation Methodology</u>
Farebox	\$ 48,377,310	\$ 2,945,955	\$ 51,323,265	(1)
Bart Transfers	2,691,471	163,898	2,855,369	(3)
Contract Services	4,865,766	7,441	4,873,207	(14)
Advertising	1,034,858	138,930	1,173,788	(2)
Interest income	30,243	3,627	33,870	(6)
Other Income	1,969,870	264,455	2,234,325	(14)
REVENUES	<u>58,969,518</u>	<u>3,524,306</u>	<u>62,493,824</u>	
SUBSIDIES				
Property Taxes	56,716,873	14,164,635	70,881,508	(7)
Property Taxes Measures AA/VV	29,268,624	-	29,268,624	(7)
Local Sales Tax - Measure B	21,307,001	1,730,791	23,037,792	(11)
Local Sales Tax - Measure J	3,522,100	-	3,522,100	(10)
Local Operating Assistance	10,134,506	1,966,458	12,100,964	(14)
State: AB1107	32,500,536	-	32,500,536	(10)
State AB2972 Home to School	2,225,000	-	2,225,000	(10)
State - TDA	43,638,070	9,202,165	52,840,235	(12)
State - STA	11,395,217	1,364,694	12,759,911	(5)
Federal Operating Assistance	29,217,080	3,894,252	- 33,111,332	(14)
SUBSIDIES	<u>239,925,007</u>	<u>32,322,995</u>	<u>272,248,002</u>	
TOTAL REVENUE AND SUBSIDIES	<u>298,894,525</u>	<u>35,847,301</u>	<u>334,741,826</u>	
EXPENSES				
Operator Wages	52,288,668	6,095,283	58,383,951	(4)
Other Wages	42,608,154	5,720,150	48,328,304	(2)
Fringe Benefits	70,226,645	8,741,808	78,968,453	(13)
Pension Expenses	34,348,727	4,275,727	38,624,454	(13)
Services	18,168,054	2,377,745	20,545,799	(2)
Fuel & Lubricants	16,391,451	2,200,554	18,592,005	(2)
Office/Printing Supplies	471,822	63,342	535,164	(2)
Bus Parts/Maint. Supplies	11,791,546	1,583,017	13,374,563	(2)
Utilities	2,271,995	305,016	2,577,011	(2)
Insurance	8,165,685	1,096,244	9,261,929	(2)
Other Expenses	10,217,216	1,371,663	11,588,879	(2)
Purchased Transportation	21,650,584	2,587,535	24,238,119	(8)
Interest Expense	1,639,157	208,214	1,847,371	(9)
Depreciation	33,411,852	4,485,545	37,897,397	(2)
TOTAL EXPENSES	<u>323,651,556</u>	<u>41,111,843</u>	<u>364,763,399</u>	
Income (loss) before capital contributions	(24,757,031)	(5,264,542)	(30,021,573)	
Capital Contributions - Federal and Local	47,467,145	409,913	47,877,058	(14)
CHANGE IN NET ASSETS	<u>\$ 22,710,114</u>	<u>\$ (4,854,629)</u>	<u>\$ 17,855,485</u>	

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**ALAMEDA CONTRA-COSTA TRANSIT DISTRICT
NOTES TO THE SCHEDULE OF REVENUES AND EXPENSES
BY SERVICE AREA
FOR THE YEAR ENDED JUNE 30, 2012**

(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 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
ALLOCATION METHODOLOGY
FOR THE YEAR ENDED JUNE 30, 2012**

(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.

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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, 2006

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES BY SERVICE AREA
FOR THE YEAR ENDED JUNE 30, 2006

	<u>STSD #1</u>	<u>STSD #2</u>	<u>TOTAL</u>	<u>Allocation Methodology</u>
REVENUES:				
Farebox	\$ 45,649,109	\$ 1,887,298	\$ 47,536,407	(1)
Other Transit Fares	622,800	-	622,800	(10)
Bart Transfers	4,440,465	183,585	4,624,050	(3)
Advertising	2,059,022	231,398	2,290,420	(2)
Interest Income	1,888,912	234,575	2,123,487	(6)
Other income	3,470,879	389,961	3,860,840	(14)
OPERATING REVENUES	58,131,187	2,926,817	61,058,004	
SUBSIDIES:				
Property Taxes	47,099,400	12,168,622	59,268,022	(7)
Supplementary Service	4,944,603	-	4,944,603	(14)
Sales Tax (AB1107)	31,990,351	-	31,990,351	(10)
Sales Tax TDA	42,882,041	-9,651,176	52,533,217	(12)
Federal Assistance - ADA Set Aside	5,696,482	526,508	6,222,990	(8)
Federal Assistance - Others	20,976,442	2,344,536	23,320,978	(14)
Measure BB	13,810,551	-	13,810,551	(7)
Measure B	21,013,346	1,708,876	22,722,222	(11)
Measure C	1,377,143	-	1,377,143	(10)
ADA Paratransit Service	5,755,917	532,002	6,287,919	(8)
Dumbarton Reimbursement	-	1,102,130	1,102,130	(10)
State Transit Assistance	12,325,609	2,073,001	14,398,610	(5)
SUBSIDIES	207,871,885	30,106,851	237,978,736	
TOTAL REVENUES AND SUBSIDIES	266,003,072	33,033,668	299,036,740	
EXPENSES:				
Operator Wages	53,219,247	5,413,561	58,632,808	(4)
Other Wages	43,225,368	4,857,782	48,083,150	(2)
Fringe Benefits	66,400,420	7,075,232	73,475,652	(13)
Pension Expenses	19,146,858	2,040,175	21,187,033	(13)
Services	14,897,045	1,658,105	16,555,150	(2)
Fuel and Lubricants	12,405,131	1,394,122	13,799,253	(2)
Tires and Tubes	2,010,284	225,921	2,236,205	(2)
Office/Printing Supplies	610,789	68,642	679,431	(2)
Bus Parts/Maint. Supplies	6,187,299	695,345	6,882,644	(2)
Utilities	2,682,025	301,413	2,983,438	(2)
Insurance	6,370,792	715,967	7,086,759	(2)
Taxes	2,283,834	256,663	2,540,497	(2)
Leases and Rentals	409,845	46,059	455,904	(2)
Other Expenses	924,473	103,895	1,028,368	(2)
Purchased Transportation Service	-	1,893,613	1,893,613	(10)
ADA Paratransit Service	15,864,168	1,466,276	17,330,444	(8)
Interest Expense	1,572,017	179,573	1,751,590	(9)
Depreciation	27,779,959	3,121,986	30,901,945	(2)
TOTAL EXPENSES	275,989,554	31,514,330	307,503,884	
Income (loss) before capital contributions	(9,986,482)	1,519,338	(8,467,144)	
Capital Contributions - Federal and Local	21,414,913	1,177,008	22,591,921	(14)
CHANGE IN NET ASSETS	11,428,431	2,696,346	14,124,777	

See accompanying notes to the schedule

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ALLOCATION METHODOLOGY
FOR THE YEAR ENDED JUNE 30, 2006**

(1)	Fare box revenues are allocated on the basis of estimated revenues for each route operated by a district as recorded 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 BB revenues, Measure B revenues, Measure C 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 service revenues and expenses 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 expense 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 revenues 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.

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

**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)
TOTAL REVENUES	63,226,779	3,927,332	67,154,111	
<u>SUBSIDIES</u>				
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)
TOTAL SUBSIDIES	250,419,023	33,711,952	284,130,975	
TOTAL REVENUE AND SUBSIDIES	313,645,802	37,639,284	351,285,086	
<u>EXPENSES</u>				
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)
TOTAL EXPENSES	323,113,566	39,594,591	362,708,157	
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)
CHANGE IN NET ASSETS	\$ 54,325,341	\$ (1,734,359)	\$ 52,590,982	

AGREEMENT FOR ANNEXATION
OF
CITY OF FREMONT
COUNTY OF ALAMEDA
TO
ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

THIS AGREEMENT made and entered into by and between ALAMEDA-CONTRA COSTA TRANSIT DISTRICT, a body corporate and politic organized and existing under and by virtue of the laws of the State of California, hereinafter referred to as "DISTRICT", and CITY OF FREMONT, a municipal corporation organized and existing under and by virtue of the laws of the State of California, hereinafter referred to as "CITY";

W I T N E S S E T H:

WHEREAS, City seeks to annex to District all territory contained within the incorporated limits and District is agreeable to said annexation in accordance with the provisions of the law authorizing annexation of cities to District upon the following terms and conditions:

1. After annexation all property now or hereafter situate within the City shall be subject to taxes as may be levied by District pursuant to Article 8, Chapter 6, of the Transit District Law of the State of California, but in no case will a tax be levied until the formation of the Special Transit Service District provided for herewith.

2. This agreement shall not take effect unless and until a proposition for the annexation of City is approved by a majority of the voters within City, voting at a special election to be called by City to be held November 2, 1974, in the manner provided by law. City agrees to bear all expenses of such election.

3. District agrees that subsequent to annexation, and prior to the next regular election of Directors, it will make every effort possible to include all of the annexed area in a single ward, in accordance with the Transit District Law and applicable case law.

4. It is understood and agreed by the parties hereto that subsequent to the approval of the annexation by the voters in City, that District will commence proceedings to establish a Special Transit Service District pursuant to Sections 27401 through 27417 of the Transit District Law, Part 1, Division 10, Public Utilities Code of the State of California, consisting of the area contained within City.

District agrees that it will not proceed with the establishment of a Special Transit Service District containing City without the consent of the City Council of City.

5. Upon annexation there shall be created a Transit Advisory Committee composed of four representatives of the City of Fremont, two representatives of the City of Newark, and two representatives of the City of Union City, provided said cities are a part of the annexed area. Advisory Committee representatives shall represent the interests of the respective cities and shall serve at the pleasure of the respective City Councils. District agrees to provide staff support to the Transit Advisory Committee, including written staff reports, agendas, minutes, resolutions and other actions of the Committee. District agrees to consult with said Committee with regard to the establishment of a change in routes, service levels, fares, tax rates, or other matters of substance affecting the operation of the transit service in the annexed area. District agrees that at the request of the Transit Advisory Committee it will, from time to time, after consultation with the Committee, set forth in a letter to City its intent with respect to special operational considerations including, but not limited to, routing, logo, special express runs, publicity, fares, transfers, bus stop locations, and consultant's services.

6. District intends to provide service within the boundaries of City as set forth in the recommendations of the Tri-City Transit Implementation Project report entitled, "An Integrated Public Transportation System for the Cities of Fremont, Newark and Union City," to the extent that the recommendations contained in the above-entitled report can be implemented within the boundaries of City, taking into consideration the degree of implementation to be carried out in the Cities of Newark and Union City, and the financial ability of the area within the Special Transit Service District containing city. District, in any case, will provide an equitable level of service to all parts of said Special Transit Service District consistent with the financial ability of said Special Transit Service District.

7. District agrees that it will expeditiously process appropriate applications for Federal and State capital assistance for the purchase of new equipment for use in the annexed areas, and that it will purchase all new equipment as soon as practical. It is understood, however, that until such time as new equipment is available, the District will utilize available equipment suitable to the types of service required in order to expedite the commencement of transit service.

8. District agrees that all transit service to be operated by District subsequent to annexation in the area of City shall be appropriately integrated and coordinated with the service operated by District in Special Transit Service District No. 1, and other transit systems.

9. District agrees to provide a completely separate accounting for the Special Transit Service District created to serve the annexed area.

(a) It is understood that direct costs incurred and advanced by the District in the start-up of service are appropriate charges to funds generated by Special Transit Service District, following approval by the voters for annexation.

(b) Subsequent to the commencement of bus service, the District will make appropriate charges to the Special Transit Service District created in the annexed area to pay for all direct costs. In addition, District will make appropriate charges to the Special Transit Service District for the annexed area for indirect costs on the basis that appropriately reflects the proportion of said indirect services applicable to the Special Transit Service District, as compared to the District as a whole, utilizing acceptable accounting procedures.

10. District agrees that Transportation Development Act funds set aside for the Special Transit Service District as provided herewith shall be utilized for the Special Transit Service District and not for other areas of District.

11. District agrees to continue its policy of non-discrimination in hiring practices, and to work with the annexed area to encourage qualified minority residents of the annexed area to seek employment with the District as bus drivers and other employees.

12. City and District reserve the right to amend this agreement from time to time, by mutual consent, to the extent they may legally do so.

Dated: November 26, 1974.

CITY OF FREMONT

BY

Donald F. Dillon
Donald F. Dillon, Mayor

ATTEST

Robert A. Nelson
Robert A. Nelson, City Clerk

APPROVED AS TO FORM

Allen E. Sprague
Allen E. Sprague, City Attorney

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

BY

Alan L. Bingham
Alan L. Bingham, General Manager

ATTEST

Lawrence A. Rosenberg
Lawrence A. Rosenberg, Secretary

APPROVED AS TO FORM

Robert E. Nisbet
Robert E. Nisbet, Attorney

AGREEMENT FOR ANNEXATION
OF
CITY OF NEWARK
COUNTY OF ALAMEDA
TO
ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

THIS AGREEMENT made and entered into by and between ALAMEDA-
CONTRA COSTA TRANSIT DISTRICT, a body corporate and politic organized
and existing under and by virtue of the laws of the State of California, hereinafter
referred to as "DISTRICT", and CITY OF NEWARK, a municipal corporation
organized and existing under and by virtue of the laws of the State of California,
hereinafter referred to as "CITY";

WITNESSETH:

WHEREAS, City seeks to annex to District all territory contained within
the incorporated limits and District is agreeable to said annexation in accordance
with the provisions of the law authorizing annexation of cities to District upon the
following terms and conditions:

1. After annexation all property now or hereafter situate within the
City shall be subject to taxes as may be levied by District pursuant to Article 8,
Chapter 6, of the Transit District Law of the State of California, but in no case
will a tax be levied until the formation of the Special Transit Service District
provided for herewith.
2. This agreement shall not take effect unless and until a proposition
for the annexation of City is approved by a majority of the voters within City, voting
at a special election to be called by City to be held November 5, 1974, in the
manner provided by law. City agrees to bear all expenses of such election.

3. District agrees that subsequent to annexation, and prior to the next regular election of Directors, it will make every effort possible to include all of the annexed area in a single ward, in accordance with the Transit District Law and applicable case law.

4. It is understood and agreed by the parties hereto that subsequent to the approval of the annexation by the voters in City, that District will commence proceedings to establish a Special Transit Service District pursuant to Sections 27401 through 27417 of the Transit District Law, Part 1, Division 10, Public Utilities Code of the State of California, consisting of the area contained within City.

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in a letter to City its intent with respect to special operational considerations including, but not limited to, routing, logo, special express runs, publicity, fares, transfers, bus stop locations, and consultant's services.

6. District intends to provide service within the boundaries of City as set forth in the recommendations of the Tri-City Transit Implementation Project report entitled, "An Integrated Public Transportation System for the Cities of Fremont, Newark and Union City", to the extent that the recommendations contained in the above-entitled report can be implemented within the boundaries of City, taking into consideration the degree of implementation to be carried out in the Cities of Fremont and Union City, and the financial ability of the Special Transit Service District to be created pursuant to this Agreement. District, in any case, will provide an equitable level of service to all parts of the annexed area consistent with the financial ability of the annexed area.

7. District agrees that it will expeditiously process appropriate applications for Federal and State capital assistance for the purchase of new equipment for use in the annexed areas, and that it will purchase all new equipment as soon as practical. It is understood, however, that until such time as new equipment is available, the District will utilize available equipment suitable to the types of service required in order to expedite the commencement of transit service.

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(b) Subsequent to the commencement of bus service, the District will make appropriate charges to the Special Transit Service District created in the annexed area to pay for all direct costs. In addition, District will make appropriate charges to the Special Transit Service District for the annexed area for indirect costs on the basis that appropriately reflects the proportion of said indirect services applicable to the Special Transit Service District, as compared to the District as a whole, utilizing acceptable accounting procedures.

10. District agrees that Transportation Development Act funds set aside for the area in the Special Transit Service District shall be utilized for that area, and not for other areas of District.

11. District agrees to continue its policy of non-discrimination in hiring practices, and to work with the annexed area to encourage qualified minority residents of the annexed area to seek employment with the District as bus drivers and other employees.

12. City and District reserve the right to amend this agreement from time to time, by mutual consent, to the extent they may legally do so.

Dated: November 27, 1974

CITY OF NEWARK

By *James E. Balentine*
James E. Balentine, Mayor

ATTEST

A. T. Huez
A. T. Huez, City Clerk

APPROVED AS TO FORM

Anthony J. Garcia
Anthony J. Garcia, City Attorney

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

By *Alan L. Bingham*
Alan L. Bingham, General Manager

ATTEST

Lawrence A. Rosenberg
Lawrence A. Rosenberg, Secretary

APPROVED AS TO FORM

Robert E. Nisbet
Robert E. Nisbet, Attorney