

Alameda-Contra Costa Transit District

# Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2013



Prepared by the Department of Finance  
Alameda-Contra Costa Transit District  
Oakland, California

1600 Franklin Street Oakland, CA 94612



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Alameda-Contra Costa Transit District

# **Comprehensive Annual Financial Report**

For the Fiscal Year Ended June 30, 2013

*The mission of AC Transit is “Connecting our communities with safe, reliable, sustainable service...we’ll get you there.”*

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Serving Alameda and Contra Costa Counties – Oakland, California

# *ALAMEDA-CONTRA COSTA TRANSIT DISTRICT*

**Year Ended June 30, 2013**

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**Lewis G. Clinton, Jr.**  
Chief Financial Officer

December 23, 2013

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

The Department of Finance is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Alameda-Contra Costa Transit District (AC Transit) for the fiscal year ended June 30, 2013. The CAFR was prepared by the Department of Finance in compliance with the principles and standards for the financial reporting set forth by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position, and results of operations and cash flows of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The District's financial records as of June 30, 2013 have been audited by our independent auditors, Maze and Associates Accountancy Corporation. The audit included consideration of internal control over financial reporting as a basis for designing audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting.

GASB 34 requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of a Management's Discussion and Analysis (MD&A) that should be read in conjunction with the statements. The MD&A can be found immediately following the report of the independent auditors.

The CAFR is divided into the following sections:

The **INTRODUCTORY SECTION** contains a table of contents, a transmittal letter, a Certificate of Achievement for Excellence in Financial Reporting, AC Transit's organizational chart, and a listing of the members of the Board of Directors and the Executive Staff.

The **FINANCIAL SECTION** begins with the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), and the Basic Financial Statements and accompanying notes followed by required and supplementary statements and schedules intended to further enhance an understanding of AC Transit's current financial status.

The **STATISTICAL SECTION** includes selected financial demographic and operational information, generally presented on a multi-year basis.

In addition to the annual audit of the District's Basic Financial Statements with accompanying Supplemental Information and the auditor's review of the CAFR, the District is also required to undergo audit tests to ensure compliance with provisions of laws, regulations, contracts and grant agreements as follows:

- Single Audit: to ascertain compliance with the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program; and to determine that Transportation Development Act Funds allocated to and received by the District were expended in conformance with the applicable statutes, rules and regulations of the Transportation Development Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission as required by Section 667 of Title 21 of the California Code of Regulations.
- Measure B Compliance Attestation: to determine compliance with the requirements described in the Measure B Sales Tax for Mass Transit Funds Agreement between the District and the Alameda County Transportation Improvement Authority (ACTIA).
- Measure J Compliance Attestation: to determine compliance with the requirements described in the Measure C Cooperative Agreement between the District and the Contra Costa Transportation Authority (CCTA).
- Appropriations Limit Calculation Agreed Upon Procedures Report: between District management and the League of California Cities to assist the District in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution.
- AC Transit Financing Corporation Audit: a component unit of the District.
- Special Transit Service Districts No. 1 and No. 2 Agreed Upon Procedures Review: to evaluate the accuracy of the allocation between Special Transit Service Districts (STSD) No. 1 and No. 2.



- Measure VV Agreed Upon Procedures Report: to evaluate service hours and service miles and the allocation of operations and maintenance expenses by county and STSD in accordance with Measure VV voter approval.
- Evaluation of Board of Directors' Expenses Agreed Upon Procedures Report: to evaluate compliance with District policies and guidelines.
- Federal Transit Administration National Transit Database Report Agreed Upon Procedures Report: to ensure compliance with the Federal Transportation Administration (FTA) standards with Federal Funding Allocation Statistics Form FFA-10 of the District's annual NTD report and to ensure eligibility to receive grants under Section 9 of the Urban Mass Transportation Act of 1964.

### **DISTRICT PROFILE**

AC Transit is a special district organized under the Public Utilities Code of the State of California. It was created on November 6, 1956, when residents of Alameda and Contra Costa counties voted to establish the public transit district. Operations began October 1, 1960, with service to Alameda County and the Western Region of Contra Costa County.

The District is the largest bus-only system in the State of California and the largest bus-only system in the nation serving 13 cities and nine adjacent unincorporated areas in Alameda and Contra Costa counties (the "Service Area"). The Service Area extends from San Pablo Bay on the North to the Southern city limits of Fremont, and serves the Western portions of Contra Costa and Alameda counties providing trans-bay services to San Francisco, San Mateo and Santa Clara counties. For the location of the Service Area, see the map on the last page in the Statistical Section of this report. The Service Area is divided into two service divisions: "Special Transit District No. 1," which includes the cities of Alameda, Albany, Berkeley, El Cerrito, Emeryville, Hayward, Oakland, Piedmont, Richmond, San Leandro and San Pablo, and the unincorporated communities of Ashland, Castro Valley, El Sobrante, Kensington and San Lorenzo, and "Special Transit District No. 2," which joined the District in 1974, and includes the cities of Fremont and Newark in Southern Alameda County

A seven-member Board of Directors (Board) establishes policy and sets direction for the management of AC Transit. The general population of the service area elects Board members. Five Board members represent wards and two are elected at-large. Board members serve staggered four-year terms, so that three or four are elected every two years. Three officials report directly to the Board: the General Manager, the General Counsel and the District Secretary.

Responsibility for the day-to-day management of AC Transit rests with the General Manager. AC Transit's Executive Staff consists of the following: Chief Operating Officer, Chief Financial Officer, Chief Performance Officer, Chief Planning &



Development Officer, Chief Human Resources Officer and Chief Technology Officer. An organization chart that illustrates the organizational structure of AC Transit follows later in the introductory section.

AC Transit follows the provision of GASB Statement No. 14, *The Financial Reporting Entity*. This Statement sets forth accountability of a government's elected officials to their constituents as the basic criteria for inclusion of an organization in a governmental reporting entity. The governmental reporting entity consists of AC Transit and organizations for which AC Transit is financially accountable. Financial accountability is defined as an appointment of a voting majority of the component unit's Board, and (1) either AC Transit's ability to impose its will on the organization or (2) there is potential for the organization to provide a financial benefit to, or impose a financial burden on AC Transit.

Although legally separated, based upon the foregoing criteria, the financial activities of the AC Transit Financing Corporation and the Alameda-Contra Costa Transit District Employees' Pension Plan are so financially intertwined with the District that they are, in substance, part of the District. They are included in the accompanying financial statements, along with AC Transit, because of the significance of their operational or financial relationships with AC Transit.

AC Transit is a participant with BART in a joint exercise of power agreement, the East Bay Paratransit Consortium (Consortium), to provide Americans with Disabilities Act (ADA) Paratransit service in Alameda and Western Contra Costa Counties. The Consortium is a joint exercise of power between these entities. The area served encompasses the AC Transit/BART coordinated service area. The Consortium has an executive committee comprised of the General Managers from each District. The Committee, referred to as the Service Review Committee (SRC), approves policy and procedures for the Consortium after policy direction and/or approval is given by the AC Transit and BART Boards of Directors. The Boards act as the policy bodies of the Consortium. AC Transit and BART were responsible for 69% and 31% of the expenses, respectively. In Fiscal Year 2012-13, AC Transit incurred excess operating costs of approximately \$11.2 million related to the Consortium.

As of June 30, 2013, the District operates two main types of service within the Service Area: East Bay Local Service and Transbay Service. East Bay Local Service consists of two limited stop rapid bus routes, eight major trunk routes, 49 local routes in Special Transit Service District 1, 15 local routes in Special Transit Service District 2 (Southern Alameda County), and seven All-Nighter/Owl routes. In addition, East Bay Local Service also includes supplemental school service, which provides direct access to junior high schools and senior high schools within the Service Area during the academic year. Transbay Service consists primarily of three all-day routes and 24 peak period routes originating from various areas of the East Bay and terminating at the Transbay Terminal in Downtown San Francisco. Also falling under the Transbay Service

designation are two all-day routes and four peak period routes which originate in the East Bay and terminate at locations within San Mateo and Santa Clara Counties.

The District is also a member agency of the Transbay Joint Powers Authority, created under State law to develop a new Transbay Transit Center in downtown San Francisco. Construction of this approximately \$3 billion project began in early 2010 and is scheduled for completion sometime in 2016. The new terminal will provide capacity for up to 250 bus departures per hour in a modern, efficient downtown transit terminal. Based on recent ridership studies, the District expects that up to 8,000 passengers per hour will use the new facility by 2030. This number represents nearly a tripling of the current demand.

### **FINANCIAL INFORMATION**

#### **Fiscal Year Ended June 30, 2013**

AC Transit's performance during FY 2012-13 resulted in a positive \$51.5 million change in net assets. Compared to the prior year, total revenues increased from \$322.2 million to \$325.3 million, an increase of 0.96%, and total expenditures decreased from \$351.8 million to \$337.7 million, a decrease of 4.00%. A more detailed analysis of revenue and expense variances can be found in the Management's Discussion and Analysis (MD&A) section of this report.

See comments on financial highlights in MANAGEMENT'S DISCUSSION AND ANALYSIS section.

#### **Fiscal Year 2013-14 Operating and Capital Annual Budget**

The FY 2013-14 Operating Budget totals \$328.8 Million, including \$328.7 Million of expenses offset by \$328.8 Million in operating revenues resulting in a positive net transfer of \$0.1 Million to unrestricted net assets. The budget represents 1,685,688 Revenue Service Hours and 1,790,716 Platform Hours supported by a headcount of 1,870 positions.

This is the first time in many years that AC Transit's Operating Budget does not rely on 'onetime' revenue solutions such as the exchange of federal funding, originally allocated to capital acquisitions, for operating costs. Although this fact signals that financial sustainability is possible, the demands of our operation will continue to grow, and so by no means does this indicate that the journey to long-term financial sustainability has ended. While AC Transit is making progress in meeting its financial obligations, there will continue to be major challenges in the future. In preparing this budget, it was clear that these challenges will be in the three major areas listed below.



- (1) Higher Pension Costs: The District's contribution to the Pension Plan has risen over \$40 million for FY 2013-14. With the uncertainty associated with Public Employees' Pension Reform Act, also known as AB340, the District will have to find solutions to minimize the impact that pension contributions will have on District operations.
- (2) Higher Insurance Premiums: The District faces escalating health care costs from our insurance carriers and new requirements from the Affordable Health Care Act, which will take effect in 2014. Additionally, the renewal of the District General Liability insurance resulted in the District increasing its Self-Insurance Reserve (SIR) to \$2 million. Absent any initiatives to address these growing premiums, the financial consequences could be devastating and have a significant negative impact on the District's ability to provide service.
- (3) Contract Services: The District's ADA consortia costs continue to be under funded, and as a result, are subsidized by the District. The District will contribute approximately \$9 million to subsidize this part of our operation in FY 2013-14.

Each of these three areas are growing well above the annual Consumer Price Index (CPI) and will require work to bring the costs within budget in the coming year. Staff will address this challenge with the Board through a series of workshops and staff reports in the coming year. Unaddressed, it is probable that these rising costs will have a negative impact on future service levels.

Other major challenges that have accompanied the development of FY 2013-14 Operating Budget include:

- Lack of federal funding available for operations in FY 2013-14
- Operating expenses experiencing upward pressure due to expiration of labor agreements
- General Liability insurance and claims expenses continuing an upward trend; Staff will be initiating a safety program in FY 2013-14 to reduce the District's cost in this area
- The pressing need to identify new revenue sources and reauthorize Measure VV

Despite these challenges, Staff will continue to implement a series of strategic initiatives that will make the agency's services more effective and efficient.

The FY 2013-14 budget planning process began in earnest last fall when the Management team developed a new Mission Statement for the District: *Connecting our communities with safe, reliable, sustainable service ... we'll get you there.* The mission statement led to the development of the following organizational goals:

- Provide Quality & Reliable Service

- Utilize Financial Resources Efficiently & Effectively
- Create a Safety Culture
- Attract & Retain a High Quality Workforce
- Effective Communication, Messaging & Marketing

Our work in this new era begins with the implementation of a performance management model that is focused on the agency's core areas - Operations, Transportation and Maintenance. Key Performance Indicators for several metrics are now widely monitored and reinforced District-wide. These indicators show welcome signs of real, sustainable and potentially long-term improvement in service quality. These trends have the added impact of generating positive financial effects on the Operating Budget.

In addition, there are other factors that may impact the FY 2013-14 budget and future year's finances. One of the factors that is critical to AC Transit's operation is the ongoing deliberation and negotiation of a new agreement with the Amalgamated Transit Union (ATU), the District's largest labor unit. Staff believes this presents an opportunity to find a better way and a better path for all stakeholders to collaboratively find solutions to what are really shared and important issues such as:

- Securing sustainable benefits structures that keep the workforce healthy and productive at a shared cost that is affordable for all.
- Securing a working environment that fosters and assures safety and wellness, including the safety of our passengers; The District cannot afford escalating and historically high costs of liabilities and workers compensation costs.
- Securing a compensation structure that rewards continuous productive and performance-focused work.
- Securing a sustainable pension and retirement benefit structure that assures this benefit will be there when needed.

The District's existing capital projects represent a total investment of over \$300 million, with approximately 12 percent provided by District capital funds. Of the \$300 million noted above, \$178 million is funding allocated to the BRT program and \$72 million is for buses. Some projects are nearing completion under budget and some others require additional funds due to revised scope and escalating costs. Staff is recommending a proposed FY 2014 Capital Budget of \$92.4 million funded by Federal, State, Local and District capital sources. Federal funding for FY 2014 capital budget is significantly greater than FY 2012 and FY 2013 due to the District's reprogramming of Federal Operating funds for preventive maintenance to capital.

Staff is proposing to fund 14 new projects for FY 2014. The most significant projects are initial funding for replacement of the CAD/AVL/Radio systems, three bus procurements,



and the replacement of the Division 4 transportation building chiller. The CAD/AVL/Radio replacement project has an estimated total cost of \$37.5 million that is spread over a few years, of which is currently funded by Federal, State and District funds. There are also a few facilities projects where the FY 2014 funding represents the first phase (design/engineering) of a larger project. The remaining amounts of these projects will be programmed in future years as funds are identified.

The District's projected capital needs over the next five years exceed \$290 million. The proposed budget addresses only 32 percent of the existing requests within a five-year window. Additional funding towards these projects will need to be identified as part of future capital budget development. The District's federal funding varies from year to year based on its 'high-scoring' eligible projects - mostly bus purchases - in the Metropolitan Transportation Commission's Transit Capital Priorities process. A lack of federal funding for the region means other important District capital needs that do not score as highly as bus purchases will not receive funding. Additionally, the Federal Transit Administration Program (MAP-21) eliminates discretionary funding for State of Good Repair Program, from which the District has received over \$20 million in the past three years for an asset management system, district-wide elevator rehabilitation, and rehabilitation of the General Office building facade.

AC Transit is once again at a critical juncture in its history. The decisions made over the next 18 months are crucial to the future of transit service in the East Bay. Staff is confident that AC Transit has the resiliency to work through its many challenges. Our continued success will only be achieved through collaboration, creativity and commitment.

### **Long Term Financial Planning and Major Strategic Initiatives**

On May 23, 2012, the Metropolitan Transportation Commission (MTC) adopted the final recommendations of the Transportation Sustainability Project (TSP), which included a performance target and monitoring process for the seven largest transit agencies in the Bay Area. In response to these final recommendations, District's Staff created a strategic plan to reduce operating costs by 5% in FY 2016-17 based on metrics established by MTC. In order to meet the target, staff set baseline metrics and developed strategies to reduce operating costs, including the development of initiatives to improve service delivery and the route network in accordance with District goals and objectives. Staff has estimated cost savings and ridership gains associated with the strategies and has developed a five-year budget projection to display how the strategies meet MTC's target.

The strategic plan would result in a reduction in cost productivity by 5% in FY 2016-17 as measured by one of the following three metrics identified by MTC:

- Cost Per Service Hour
- Cost Per Passenger



- Cost Per Passenger Mile

Implementation of the strategic plan is expected to achieve savings of nearly \$15 million in FY 2016-17 from the District's operating budget.

As part of MTC's adopted TSP final recommendations, the seven largest transit agencies in the Bay Area (AC Transit, BART, Caltrain, Golden Gate Transit, SFMTA, SamTrans and Santa Clara VTA) are required to develop strategic plans to meet the performance measures and targets outlined in the TSP.

Staff conducted the following activities in order to develop the strategic plan:

- Established a baseline and target in each of the metrics outlined by MTC.
- Created a 6-year budget projection through FY 2017-18, which includes conservative estimates of projected operating costs based on historical budget trend analyses.

Developed strategies to reduce costs based on staff's Organizational Direction Setting using Specific Measurable Achievable Results Oriented Time Bound (SMART) Goals and other cost-savings strategies, including:

- Reduction in absenteeism
- Reduction in accidents
- Investment in a health and wellness plan
- Restructuring labor agreements
- Pension Reform / New Tier

Developed strategies to increase ridership based on existing and proposed service planning, capital, marketing and operational improvement projects, including:

- Bus Rapid Transit (BRT)
- Urban Trunk Corridor Improvements
- Comprehensive Operations Analysis (COA)
- Coordinated transfer times for bus service
- On-time Performance improvement
- Area service plans
- Service Marketing and Branding
- Incorporated the effects of the local economy and job market on ridership
- Estimated conservative and realistic values to each strategy and calculated the impact of the strategies of the 6-year budget projection.
- Reviewed strategies and financial projections with key staff from Finance, Planning & Development, Transportation and Human Resources.
- Continually reviewed our process with our agency peers and MTC staff.

The TSP strategic plan sets the framework for the District to increase ridership and minimize operating costs over the next five fiscal years. The plan helps to ensure that the District is making financially sound decisions, operating efficiently and meeting the goals of the Transit Sustainability Plan.

Given financial climate conditions and variables beyond the District's control, it is challenging to predict our future cost and ridership trends. Any anomalies to these factors would need to be conveyed to MTC staff to determine how they would affect the plan. Since MTC has given the transit agencies discretion on the amount of detail presented in their respective plans, staff could have created a less detailed plan that only sets targets and provides narrative descriptions on strategies. However, staff purposefully provided more detail and financial projections in order to realistically display how the District can achieve the targets set by MTC. Therefore, rather than becoming an unsubstantiated report, staff has created a guiding document which is integrated with the newly established goals and objectives of the District.

Between June and August 2012, senior staff participated in an executive strategy session to discuss the organizational goals of the agency. This session included conducting a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis, more specifically for attaining its goals. The strategic session produced a modified mission statement, and five key organizational goals. The next step in the process was to develop a tactical plan that addresses each organizational goal and sets forth a timeline for delivering on each goal in the next year budget. The agency needs to continually seek improvement in its business units. The strategic planning process provides an opportunity for senior management to work collectively to develop a plan that will align agency goals and objectives into a cohesive planning document.

Staff conducted for a number of months a series of meetings, retreats, and training sessions (the latter including departmental managers) as related to the new Strategic Performance Management model. These activities are an important part of the process of generating systematic buy-in for the design and cultivation of a strategic planning, goal-oriented mindset. This process also seeks to create a new organizational culture and improved morale, a new performance-driven attitude. The process was initiated under the leadership of the new Executive team, and it has gained early traction. Staff rolled out the next steps in the process, to include the development of the FY 2013-14 operating and capital budgets according to the steps described, in an introductory manner.

## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a **Certificate of Achievement for Excellence in Financial Reporting** to AC Transit for its CAFR for the fiscal years ended June 30, 1992 through 2012. GFOA also has presented a **Distinguished Budget Presentation Award** to AC Transit for the



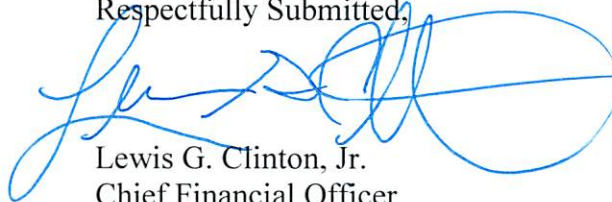
fiscal year beginning July 1, 2006. The District has further demonstrated outstanding achievement in financial reporting by receipt of the **Certificate of Excellence for the Investment Policy** from the Association of Public Treasurers of the United States and Canada.

In order to be awarded a Certificate of Achievement, a governmental unit must establish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements. A Certificate of Achievement is valid for the period of one year.

The Department of Finance believes the current report continues to conform to Certificate of Achievement Program requirements and submits the report to the GFOA with high expectations of receiving another award.

The preparation of the CAFR could not have been accomplished without the support of the Controller and the entire Finance Department staff. I want to express our appreciation to other AC Transit departments for their assistance in this effort. Finally, I wish to thank the Board of Directors and the Finance and Audit Committee, for without their policy direction and authorization of Fiscal Policy No 308 "Accounting Policy", preparation of this report would not have been possible.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Lewis G. Clinton, Jr.", is written over the typed name and title.

Lewis G. Clinton, Jr.  
Chief Financial Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Alameda-Contra Costa  
Transit District, California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

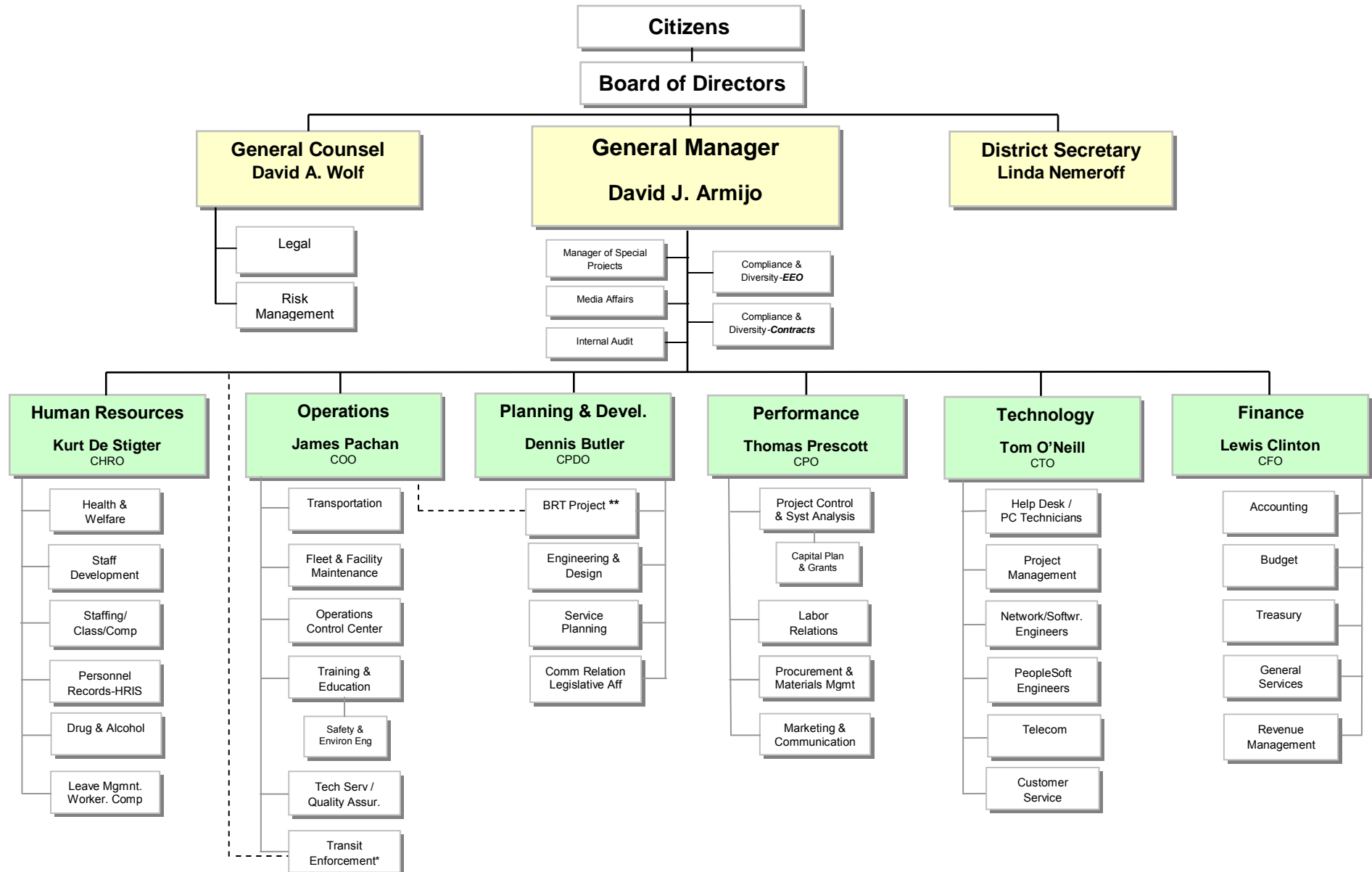
**June 30, 2012**

Executive Director/CEO



Alameda-Contra Costa Transit District

# Alameda Contra Costa Transit District



\* Transit Enforcement reports to Operations as well as the General Manager.

\*\*Due to the significance of the BRT Program, the BRT Program Director has direct access to the Chief Operating Officer if circumstances warrant.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**

**PRINCIPAL OFFICIALS**

**JUNE 30, 2013**

**Board of Directors**

President, Director Ward II.....Greg Harper  
Vice President, Director Ward I ..... Joe Wallace  
Director Ward III.....Elsa Ortiz  
Director Ward IV..... Mark Williams  
Director Ward V.....Jeff Davis  
Director at Large..... H.E. Christian Peoples  
Director at Large.....Joel B. Young

**Executive Staff**

General Manager.....David J. Armijo  
District Secretary.....Linda Nemeroff  
General Counsel .....David Wolf  
Chief Operating Officer.....James D. Pachan  
Chief Financial Officer.....Lewis G. Clinton, Jr.  
Chief Performance Officer ..... Thomas Prescott  
Chief Planning & Development Officer ..... Dennis Butler  
Chief Human Resource Officer.....Kurt De Stigter  
Chief Technology Officer.....Tom O'Neil

## **Financial Section**

## INDEPENDENT AUDITOR'S REPORT

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

### *Report on Financial Statements*

We have audited the accompanying financial statements of the business-type activities of the Alameda-Contra Costa Transit District (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of AC Transit Pension Trust Fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the AC Transit Pension Trust Funds, is based on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



## ***Opinions***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the business-type activity and Pension Trust Fund of the District as of June 30, 2013, and the respective changes in the financial positions and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matters***

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2013 and had material effects on the financial statements:

Statement 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. See Note 1 to the financial statements for relevant disclosures.

Statement 65 - *Items Previously Reported as Assets and Liabilities*. See Note 8 to the financial statements for relevant disclosures.

The emphasis of these matters does not constitute a modification to our opinions.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and the schedules of employer contributions and funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to this information in accordance with generally accepted auditing standards in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alameda-Contra Costa Transit District's financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013 on our consideration of the Alameda-Contra Costa Transit District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pleasant Hill, California  
September 30, 2013

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## **Management's Discussion and Analysis**

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## Management's Discussion & Analysis

This discussion and analysis of the Alameda-Contra Costa Transit District's financial performance provides an overview of the District's activities for Fiscal Year 2013 with comparisons to the prior fiscal year.

### Financial Highlights

- At June 30, 2013, total assets were \$464.7 million, an increase of \$48.5 million or 12 percent compared to June 30, 2012. In Fiscal Year 2012, total assets were \$416.2 million. Total current assets at June 30, 2013 were \$230.5 million, an increase of \$36.1 million or 19 percent due largely to the receipt of grant funds restricted for future capital programs, offset by slightly lower receivables. Capital assets, net of accumulated depreciation, increased \$12.4 million. Other Non-Current Assets remained constant.
- At June 30, 2013, total liabilities were \$145.3 million, a decrease of \$3.5 million or 2 percent compared to June 30, 2012. Total current liabilities were \$62.9 million, with a \$2.3 million decrease, or 3 percent primarily due to lower accrued expenses, and unearned revenue, at year end. Total other non-current liabilities increased by \$1.7 million or 3 percent from June 30, 2012 due to increases in OPEB liabilities, that were partially offset by favorable actuarial results related to claims.
- For Fiscal Year 2013, Operating Revenues increased by \$2.8 million or 5 percent. There were increases in Passenger fares revenues of \$1.2 million, Contract Services of \$0.3 million, and in "Other" operating revenues of \$1.3 million. In the case of passenger fares, it should be noted that the fares charged to passengers did not change during the period, indicative of a corresponding increase in passengers carried.
- In Fiscal Year 2013, total operating expenses were \$336.4 million, a decrease of \$13.7 million or 4 percent compared to \$350.1 million in Fiscal Year 2012. The 2013 results were mostly due to significant decreases in "Net Expenses of Joint Venture", primarily due to a temporary increase in State Transit Assistance Lifeline funding to this category, and the application of Regional Measure 2 revenue. "Other Expenses" is down as well. Other decreases in overall Salaries & Wages, fringe benefits, depreciation, and other materials and supplies, which were partially offset by increases in the Services, and Insurance, categories also contributed to this result.
- For Fiscal Year 2013, non-operating revenues were \$261.8 million, which is an increase of \$0.2 million compared to Fiscal Year 2012. While this result provides an impression of overall flat performance in this category, there were however notable changes. Federal funds available for operations continued to decrease, in this fiscal year by \$20.3 million when compared to June 30, 2012. This was due to District mandates that emphasized capital investments, rather than operating programs. There were off setting increases in Property Taxes, Sales Tax based subsidies, as well as State, and other Local subsidies. Some of these were due to growth in the sales tax base and improving property values, in certain instances one time funding was also received from these sources.
- At June 30, 2013, net position was \$319. million, an increase of \$51.5 million or 19 percent from June 30, 2012. The 2013 increase was primarily due to continued State contributions for capital projects, and reduced expenses. At June 30, 2012, net position was valued at \$267.5 million\*

### Overview of the Financial Statements

The Financial Section of this report presents the District's financial statements as two components: basic financial statements and notes to the financial statements. It also includes other supplemental information in addition to the basic financial statements.

### Basic Financial Statements

The *Statement of Net Position* presents information about assets and liabilities with the difference between the two reported as *net position*. The change in net position over time is an indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* reports how have changed during the year and presents a comparison between operating revenues and operating expenses. Operating revenues and expenses are related to the District's principal business of providing bus transit services. Operating expenses include the cost of direct services to passengers, administrative expenses, contracted services and depreciation on capital assets. All other revenues and expenses not included in these categories are reported as non-operating.

The *Statement of Cash Flows* reports inflows and outflows of cash and is classified into four major components:

- *Cash flows from operating activities* which includes transactions and events reported as components of operating income in the statement of revenues, expenses and changes in net position.
- *Cash flows from non-capital financing activities* which include operating grant proceeds as well as operating subsidy payments from third parties and other non-operating items.
- *Cash flows from capital and related financing activities* which arise from the borrowing and repayment (principal and interest) of capital-related debt, the acquisition and construction of capital assets and the proceeds of capital grants and District contributions.
- *Cash flows from investing activities* which includes the proceeds from the sale of investments and receipt of interest. Outflows in this category include the purchase of investments.

## **Notes to the Financial Statements**

Various notes provide additional information that is essential to a full understanding of the information provided in the basic financial statements. These are found immediately following the financial statements to which they refer.

## **Other Information**

This report also presents certain required supplementary information in accordance with the requirements of GASB. In addition, supplementary information and associated notes concerning compliance with the District's annual budget appear immediately following the required supplementary information.

## **Analysis of Basic Financial Statements**

### **Assets:**

- At June 30, 2013, total assets were \$464.3 million, an increase of \$46.8 million or 11 percent compared to June 30, 2012. In Fiscal Year 2012, total assets were \$416.2 million. As of June 30, 2013 total current assets are \$230.1 million, an increase of \$35.7 million or 18 percent, mainly due to the receipt of grant funds, restricted for future capital programs, and an increase in inventory of \$1.2 million, offset by a net reduction in receivables of \$3.3 million due to timing. As of June 30, 2013 capital assets, net of accumulated depreciation increased by \$12.4 million. The net capital assets increase was mainly due to capital asset additions of new Bus fleets, as well as other fixed asset categories.

**Alameda-Contra Costa Transit District**  
**Net Assets**  
**(in thousands)**  
**Fiscal Year Ended June 30, 2013**

	2013	2012	Change	%
<b>Assets</b>				
Current Assets	\$ 230,074	\$ 194,418	\$ 35,656	18%
Capital Assets	231,768	219,332	12,436	6%
Other Non-Current Assets	2,488	2,488	-	0%
<b>Total Assets</b>	<b>\$ <u>464,330</u></b>	<b>\$ <u>416,238</u></b>	<b>\$ <u>48,092</u></b>	<b><u>12%</u></b>
<b>Liabilities</b>				
Current Liabilities	\$ 62,889	\$ 65,162	\$ (2,273)	-3%
Long Term Portion of COPS	27,777	30,616	(2,839)	-9%
Other Non-Current Liabilities	54,652	52,994	1,658	3%
<b>Total Liabilities</b>	<b>\$ <u>145,318</u></b>	<b>\$ <u>148,772</u></b>	<b>\$ <u>(3,454)</u></b>	<b><u>-2%</u></b>
<b>Net Position</b>				
Invested in Capital Assets, net of related debt	\$ 202,095	\$ 187,570	\$ 14,525	8%
Restricted for Capital Purchases	74,531	46,893	27,638	59%
Restricted for Debt Service	1,605	1,174	431	37%
Unrestricted	40,781	31,829	8,952	28%
<b>Total Net Position</b>	<b>\$ <u>319,012</u></b>	<b>\$ <u>267,466</u></b>	<b>\$ <u>51,546</u></b>	<b><u>19%</u></b>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>464,330</u></b>	<b>\$ <u>416,238</u></b>	<b>\$ <u>48,092</u></b>	<b><u>12%</u></b>

**Liabilities:**

- At June 30, 2013, total liabilities were \$145.3 million, a decrease of \$3.5 million or 2 percent when compared to June 30, 2012. This includes a decrease of \$2.3 million in current liabilities. The overall decrease in this category included a \$4.6 million dollar decrease in accrued expenses, mainly due to timing and fewer obligations, including a \$2.0 million decrease in unearned revenue, and a series of smaller reductions, including but not limited to, interest payable, and other accrued liabilities. These reductions were partially offset however, by an increase in current portion of claims liabilities of \$2.9 million, and in OPEB liabilities of \$1.1 million.

Other non-current liabilities are \$54.7 million, an increase of \$1.7 million over FY-11/12. This included increases in long term OPEB obligations of \$2.8 million due to higher actuarial results and a funding level during the period that had not yet caught up with those changes, and smaller increases in paid leave, offset by a reduction in long term claims liabilities of \$1.7 million due to some shifts from long term to short term classifications. Total Liabilities at June 30, 2012 were \$148.8 million.

**Net Position:**

- At June 30, 2013, net position was \$319 million, an increase of \$51.5 million or 19 percent from June 30, 2012. The 2013 increase was primarily due to continued state contributions for capital projects. At June 30, 2012, net position was valued at \$267.5 million,\* which was after the implementation of GASB 65 which resulted in a restatement that lowered prior fiscal year net position by \$1.3 million, from \$268,761 to \$267,466.



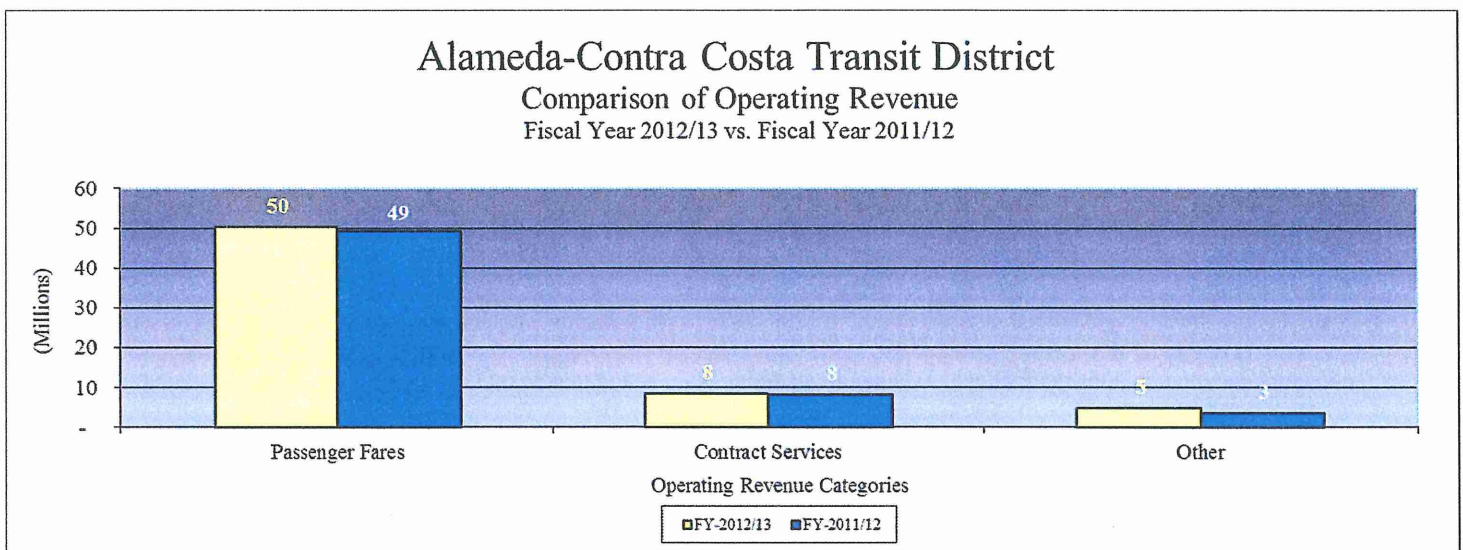
## Revenue and Expense:

**Alameda-Contra Costa Transit District**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
(in thousands)  
**For the Years Ended June 30, 2013 and June 30, 2012**

	2013	2012	Changes	%
<b>Revenues</b>				
<b>Operating Revenues</b>				
Passenger Fares	\$ 50,357	\$ 49,125	\$ 1,232	3%
Contract Services	8,330	8,021	309	4%
Other	4,720	3,408	1,312	38%
<b>Total Operating Revenues</b>	<b>\$ 63,407</b>	<b>\$ 60,554</b>	<b>\$ 2,853</b>	<b>5%</b>
<b>Non-Operating Revenues</b>				
Property Taxes	108,799	100,150	8,649	9%
Local Sales Taxes	58,683	54,609	4,074	7%
Local Funds	66,745	60,901	5,844	10%
Federal	12,070	32,458	(20,388)	-63%
State	15,953	13,193	2,760	21%
Gain (Loss) on sale of capital assets	(1,175)	(293)	(882)	301%
Interest Income	764	585	179	31%
<b>Total Non-Operating Revenues</b>	<b>261,839</b>	<b>261,603</b>	<b>236</b>	<b>0%</b>
<b>Total Revenues</b>	<b>325,246</b>	<b>322,157</b>	<b>3,089</b>	<b>1%</b>
<b>Expenses</b>				
<b>Operating Expenses</b>				
Operator Wages	58,526	58,384	142	0%
Other Wages	46,363	48,328	(1,965)	-4%
Fringe Benefits	116,849	117,593	(744)	-1%
Depreciation	35,420	37,899	(2,479)	-7%
Fuel & Oil	18,613	18,593	20	0%
Other Materials & Supplies	12,393	13,913	(1,520)	-11%
Services	26,593	20,547	6,046	29%
Insurance	11,529	9,262	2,267	24%
Net Expenses of Joint Venture	2,249	11,396	(9,147)	-80%
Other	7,842	14,164	(6,322)	-45%
<b>Total Operating Expenses</b>	<b>336,377</b>	<b>350,079</b>	<b>(13,702)</b>	<b>-4%</b>
<b>Non-Operating Expenses</b>				
Interest Expense	1,338	1,720	(382)	-22%
<b>Total Expenses</b>	<b>337,715</b>	<b>351,799</b>	<b>(14,084)</b>	<b>-4%</b>
<b>Loss before Contributed Capital</b>	<b>(12,469)</b>	<b>(29,642)</b>	<b>17,173</b>	<b>-58%</b>
<b>Capital Contributions</b>	<b>64,015</b>	<b>47,878</b>	<b>16,137</b>	<b>34%</b>
<b>Change in Net Position</b>	<b>51,546</b>	<b>18,236</b>	<b>33,310</b>	<b>183%</b>
<b>Net Position, beginning of year*</b>	<b>267,466</b>	<b>250,525</b>	<b>16,941</b>	<b>7%</b>
* Restatements due to implementation of GASB 65:		(1,295)		
<b>Net Position, end of year</b>	<b><u>\$ 319,012</u></b>	<b><u>\$ 267,466</u></b>	<b><u>\$ 51,546</u></b>	<b><u>19%</u></b>

## Operating Revenue:

- For Fiscal Year 2013 total Operating Revenue was \$63.4 million an increase of \$2.9 million or 5 percent over fiscal year 2012 when Operating Revenues were \$60.6 million. The components Operating Revenue include Passenger Fares, Contract Services, and Other Operating Revenues. For Fiscal Year 2013 passenger fares were \$50.4 million, an increase of \$1.2 million or 3 percent compared to Fiscal Year 2012 when passenger fares totaled \$49.1 million. The 2013 passenger fares showed an increase in the sales of most fare products, and due to the fact that there were no changes in the fare structure, support reported increases in ridership. There also was continued growth in the use of smart card fare media, particularly for full adult fares during this period. There was a mild increase in contract fares, primarily due to the increase in "Easy Pass" sales attributable to marketing efforts directed towards that program. Other Operating Revenues increased by \$1.3 million primarily due to a one time utility rebate for the installation of a fuel cell system, for electrical generation at one of our operating divisions.



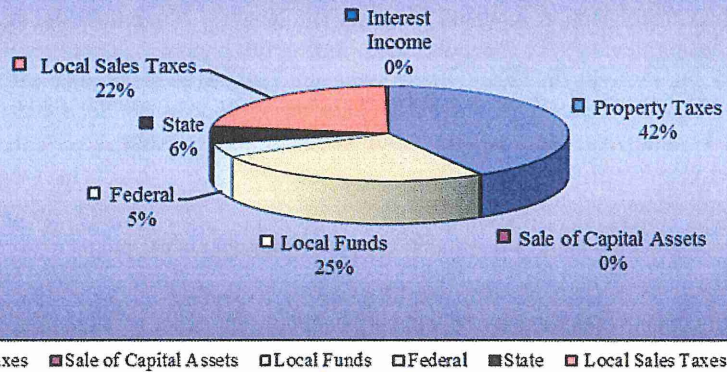
## Non-Operating Revenue:

- For Fiscal Year 2013, non-operating revenues were \$261.8 million, an increase of \$0.2 million compared to Fiscal Year 2012. On the surface this gives the impression that activity was flat, however, changes between categories did occur. The most significant of these changes, is a decrease of Federal preventive maintenance funds of \$20.4 million over Fiscal year 2012. This wind down of the Federal preventive maintenance program is due change in emphasis by the District from operating funds, to investments in capital projects and programs. During 2013, the loss of federal preventive maintenance funds was effectively offset by a series of increases, some of them temporary, over Fiscal Year 2012, in Property Taxes, Local Sales Taxes and Other Local and State Funds.

Property Taxes increased \$8.6 million, due in part to a regional economic recovery and property tax funds received that otherwise would have gone to local redevelopment agencies, which have been eliminated by the State of California. It is not clear if the District will continue to receive a portion of those funds in the future. Local Sales Taxes increased by \$4.1 million over Fiscal year 2012 due to the on-going regional economic recovery. Local funds increased by 5.8 million, largely due to increases in Transportation Development Act allocations, Regional Measure 2 and other local assistance funds. State funds had an overall increase of \$2.8 million. In Fiscal Year 2012, non-operating revenues were \$261.6 million.

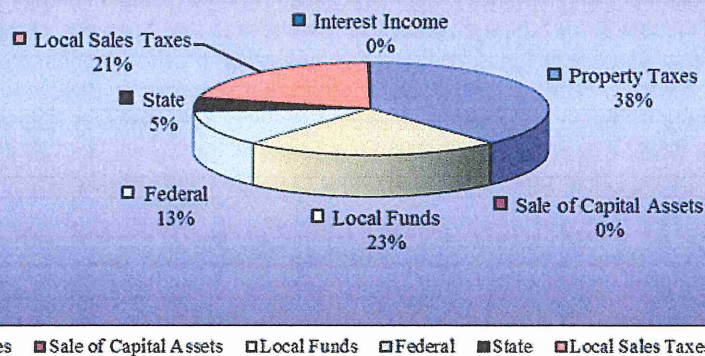


### Alameda-Contra Costa Transit District Composition of Non-Operating Revenues - Fiscal Year 2012/13



The "Composition of Non-Operating Revenue" pie charts illustrates that from FY-11/12 (below) to FY-12/13 (above) Federal funds, as a total of non-operating revenue, decreased from 13 percent to 5 percent, due to a reduction in operating funds for the Preventive Maintenance programs. Major shifts in composition between these fiscal years show increases in Property Taxes by of 4%, Local funds by 2%, Local Sales Tax by 1%, and also State by 1%. Given that the non-operating revenue was in total within \$0.2 million between these fiscal years, the ability for the local and state funds to fill behind the decrease in Federal Operating funds is notable, and suggestive, in part, of on-going economic and real estate market recoveries in the region. When comparing the graphics, it indicates that other categories did not significantly fluctuate.

### Alameda-Contra Costa Transit District Composition of Non-Operating Revenues - Fiscal Year 2011/12



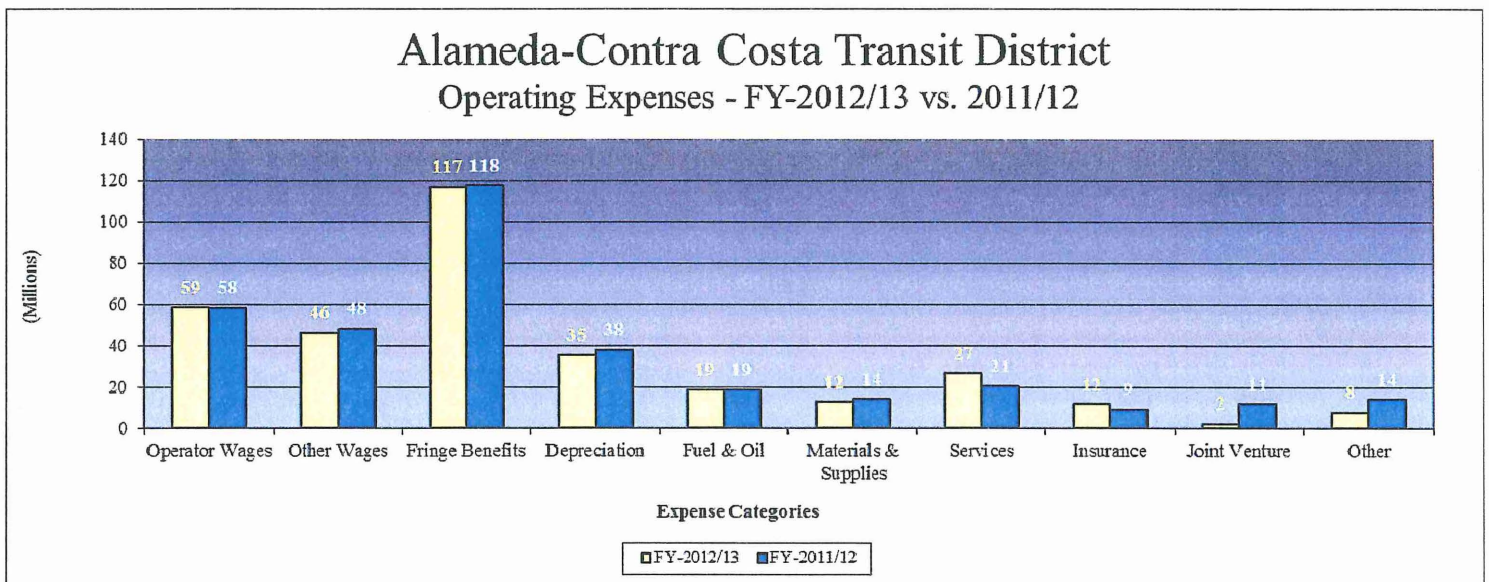


## Expense Highlights

### Operating Expenses:

- In Fiscal Year 2013, total operating expenses were \$336.4million, a decrease of \$13.7 million or 4 percent compared to Fiscal Year 2012 when total expense was \$350.1million. Salary, Wages, and Fringe decreased in 2013 by \$2.6 over prior year, other decreases included depreciation of 2.5 million, other materials & supplies of \$1.5 million, expenses of joint venture of \$9.1 million, and other expenses by \$6.3 million. Increases included the categories of Services, mainly due to inter agency pass through payments of \$5.2 million and Insurance due to higher premiums paid during the period related to an incident that settled in 2011.

The largest decrease was in Net Expenses of Joint Venture of \$9.1 million. During this period the expense portion of this category increased by \$2.5 million, due to increases in cost of the Para-transit services, and the first full year of outsourcing the Dumbarton bridge service to a third party provider. The revenue increase for this category consisted of \$9.4 million was from State Transit Assistance funds, most of which will not be recurring, and \$2.4 million of regional measure 2 funds which is expected to be permanent. The next largest decrease was in the category "Other Expenses" of \$6.3 million. This decrease was primarily due to not having a pending settlement as we had in the prior period. Decreases in Salary, Wages and fringe was the result of management's efforts to control overtime costs, and while there were increases as predicted in fringe benefits, mainly due to medical and contractually scheduled reductions in the unions contributions for medical, these were offset during the period by a favorable actuarials for workers compensation and sick leave.



### Non-Operating Expenses:

- In Fiscal Year 2013, non-operating expense was \$1.4 million, compared to \$1.7 million in Fiscal Year 2012. The slight decrease is largely due to the more favorable interest rate from the refunding of the 2001 COPS, which is covered in the Debt section.

## Capital Program

The District received capital contributions of \$64.0 million in Fiscal Year 2013 compared to \$47.9 million in Fiscal Year 2012, an increase of \$16.1 million over Fiscal Year 2012. This included \$27.6 million in State Public Transportation Modernization, Improvement, and Service Enhancement Account Program (PTMISEA) Funds. During the period the District received two new bus fleets as a part of the on-going bus replacement program.

Some of the capital acquisitions included:

- Revenue Vehicle Replacement (\$42.3 Million)
- Bus Rapid Transit program (\$11.2 Million)
- Maintenance Facilities, and buildings rehabilitation (\$1.2 million)
- Fuel Cell program for Bio Gas electricity generation (\$6.9 Million)
- Security improvements (\$1.3 million)

Additional information concerning the District's Capital Assets can be found in *Note #6 - Capital Assistance in the Notes to the Financial Statements*.

## **Debt**

On February 1, 2012 the District issued Refunding Certificates of Participation Series 2012 to take advantage of lower interest rates. The proceeds from the issuance, \$9.8 million, were used to refund the 2001 COPS. At June 30, 2013, the outstanding principal component of the annual lease payment was \$9.8 million. The District plans to repay the obligation over six years, which will conclude by August 2018.

In December 2007, the District issued a \$13.5 million COPS to finance its new Finance Human Resources computer system (FHR Project). The COPS are secured by specified capital assets. At June 30, 2013, the principal component of the annual lease payment was \$7.3 million and the District plans to repay the obligation over ten years, which will conclude by August, 2017.

In February 2009 the District issued a \$15.0 million COPS to help fund the July 2008 purchase of property located at 66<sup>th</sup> Avenue in East Oakland. At June 30, 2013, the principal component of the annual lease payment was \$13.9 million. The COPS are secured by specified capital assets and the District plans to repay the obligation over twenty-five years, which will conclude by August 2034.

Additional information on the District's long-term debt can be found in note (8) to the basic financial statements.

## **Subsequent Events**

- The current labor agreement with A.C. Transit's largest labor union (ATU 192) expired on June 30<sup>th</sup>, 2013. While two tentative agreements have been reached to date, membership has declined both of them. Currently A.C. Transit sought and received a 60 day cooling off period from the governor of the State of California. This cooling off period ends mid-December 2013.
- Since the labor agreement with ATU 192 expired, the pre contract OPEB Trust contribution rates have come back in to effect. It is expected that these higher contribution rates will significantly reduce the growth of related liabilities.
- The labor agreement (AFSCME 3916) with most management employees expired on September 30, 2013. However, an agreement was reached to extend the current contract until March 31, 2014.
- During the course of the fiscal year ended June 30, 2013 A.C. Transit adopted and implemented the state mandated pension reform act (State of California Assembly Bill 1140, also known as "PEPPRA") which applied to all new employees. Subsequently the unions brought a lawsuit in federal court, on the basis of a 1964 federal law that had provisions to protect the labor agreements of transit workers. The result of this action was that the federal court put the implementation of Assembly Bill 1140 on hold, to provide time for the challenges work their way through the federal courts.
- During September and October 2013, AC Transit held public meetings to review a proposal for a new fare structure. As currently proposed, this new structure would eliminate bus transfers, requiring passengers to pay for each trip segment but in return, the current proposal also provides for a reduced price on unlimited monthly bus passes, and the option for customers to purchase a new "day pass". It is anticipated, that whatever is finally adopted, will be implemented within the next twelve months.

## **Economic Factors**

As Beacon Economics reports, the US financial markets have been behaving erratically recently for a number of possible reasons including fear of a slowdown in an already paltry economic recovery, the end of quantitative easing, and worry over another bubble forming in the financial and housing markets. These reactions, however, seem to be 'overreactions' as the U.S. economy continues a slower-than-usual but ongoing expansion. The U.S. economy has been averaging slightly over 2% growth—a number it will likely match in the second quarter of 2013. This is below average in the long run—but not by much. Beacon mentions that the total impact on the economy from the sequestration is not liable to be very large, coming to about \$100 billion in spending out of a \$15 trillion dollar economy—roughly one-half of 1%.

The East Bay labor market recovery continues to move forward in 2013 with the Construction industry acting as one of the major drivers of local employment growth. Total nonfarm employment in April increased by 900 jobs over the previous month, and since April of last year the East Bay has added back 13,900 jobs, a 1.7% increase. Nonfarm employment in the state overall grew only marginally faster at 1.9% year-over-year. The latest numbers show the local economy is moving in the right direction and catching up to growth in the state overall. Another major driver of industry growth in the East Bay has been the Professional, Scientific, and Technical Services sector. These high wage jobs are a boon to the local economy, and as major tech centers in the South Bay and San Francisco ramp up activity, the East Bay is enjoying its role as the source of a skilled labor force that commutes to areas of high employment growth.

The East Bay's residential real estate market has grown significantly over the last year. The median price for an existing single-family home was nearly \$400,000 as of the first quarter of 2013, a 25% increase over the median price in the first quarter of 2012 (\$319,000). One reason for the rising prices is a shortage of homes available for sale in the East Bay. With demand outpacing supply, prices that are in line with incomes, historically low mortgage interest rates, and a larger number of East Bay residents finding work, prices have jumped. Another contributing factor to the East Bay's, and the nation's, housing recovery is the decline in the number of distressed properties on the market. Each quarter there are fewer and fewer mortgages in default, and fewer homes go into foreclosure. According to DataQuick, defaults in the East Bay were down 66% in the first quarter of 2013 over one year ago, and foreclosures were down 63% over the same time period.

Finally, taxable sales in the East Bay area have accelerated notably during the calendar year, and therefore the Metropolitan Transportation Commission is revising its projected allocations on subsidies derived from those taxable sales upwards.

## **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate accountability for the funds the District receives. If you have questions about this report or need additional financial information, please contact the Alameda-Contra Costa Transit District, attn: Chief Financial Officer, 1600 Franklin St. Oakland, California 94612.

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# **Basic Financial Statements**



**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**STATEMENT OF FUND NET POSITION**  
**BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND**  
**JUNE 30, 2013**  
(In thousands)

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents (Note 3)	\$ 95,891
Restricted cash and cash equivalents	71,829
Receivables:	
Federal and local grants:	
Capital	18,946
Planning, operating and other	2,250
Property tax	10,799
Local sales tax	8,076
Other, principally trade receivables	3,358
Total receivables - net	<u>43,429</u>
Due from Pension Trust Fund (Note 5)	3,672
Inventories at average cost	12,164
Prepaid expenses	3,089
Total current assets	<u>230,074</u>

**NONCURRENT ASSETS:**

Restricted for certificates of participation:	
Cash and cash equivalents (Note 3):	2,488
Capital assets (Note 4):	
Nondepreciable	32,394
Depreciable, net	199,374
Total capital assets, net	<u>231,768</u>
Total noncurrent assets	<u>234,256</u>
Total assets	<u>464,330</u>

**LIABILITIES**

**CURRENT LIABILITIES:**

Accounts payable and accrued expenses	12,513
Accrued salaries and wages	1,628
Current portion of accrued vacation and sick leave	14,974
Due to Pension Trust Fund (Note 5)	3,442
Unearned revenue	5,555
Other accrued liabilities	4,804
Accrued interest payable	604
Current portion of OPEB obligation (Note 10)	1,276
Current portion of claims liabilities (Note 13)	14,873
Current portion of remediation obligations (Note 12)	186
Current portion of certificates of participation (Note 8)	3,034
Total current liabilities	<u>62,889</u>

**NONCURRENT LIABILITIES:**

Accrued vacation and sick leave	7,476
OPEB obligation (Note 10)	5,101
Claims liabilities (Note 13)	40,608
Remediation obligations (Note 12)	1,467
Certificates of participation (Note 8)	27,777
Total noncurrent liabilities	<u>82,429</u>
Total liabilities	<u>145,318</u>

**NET POSITION**

Net investment in capital assets	202,095
Restricted for capital purchases (Note 11)	74,531
Restricted for debt service	1,605
Unrestricted	40,781
TOTAL NET POSITION	<u>\$ 319,012</u>

See accompanying notes to the basic financial statements.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
(In thousands)

**OPERATING REVENUES:**

Passenger fares	\$ 50,357
Contract services	8,330
Other	4,720
	<hr/>
Total operating revenues	63,407
	<hr/>

**OPERATING EXPENSES:**

Operator wages	58,526
Other wages	46,363
Fringe benefits	116,849
Depreciation (Note 4)	35,420
Fuel and oil	18,613
Other material and supplies	12,393
Services	26,593
Insurance	11,529
Net expenses of joint venture	2,249
Other	7,842
	<hr/>
Total operating expenses	336,377
	<hr/>
Operating loss	(272,970)
	<hr/>

**NONOPERATING REVENUES (EXPENSE):**

Operating assistance:	
Property taxes	108,799
Local sales tax (Note 7)	58,683
Local funds (Note 7)	66,745
Federal (Note 7)	12,070
State (Note 7)	15,953
Loss on sale of capital assets	(1,175)
Interest income	764
Interest expense	(1,338)
	<hr/>
Net nonoperating revenues	260,501
	<hr/>
Loss before capital contributions	(12,469)
	<hr/>
CAPITAL CONTRIBUTIONS (Note 6)	64,015
	<hr/>
CHANGE IN NET POSITION	51,546
NET POSITION, beginning of year	267,466
	<hr/>
Restatements due to implementation of GASB 65 (Note 8)	
	<hr/>
NET POSITION, end of year	\$ 319,012
	<hr/>

See accompanying notes to the basic financial statements.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
(In thousands)

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers	\$ 58,687
Cash payments to suppliers for goods and services	(79,128)
Cash payments to employees for services	(222,276)
Other operating receipts	3,155
Net cash used in operating activities	<u>(239,562)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Operating assistance received	278,430
Interest paid on notes payable	(205)
Net cash provided by noncapital financing activities	<u>278,225</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Acquisition and construction of capital assets	(49,161)
Capital contributions received	51,133
Proceeds from sale of capital assets	130
Principal paid on certificates of participation	(1,650)
Interest paid on certificates of participation	(1,221)
Net cash used in capital and related financing activities	<u>(769)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Investment income	361
Net cash provided by investing activities	<u>361</u>

**CHANGE IN CASH AND CASH EQUIVALENTS**

CASH AND CASH EQUIVALENTS, beginning of year	131,953
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 170,208</u>

**SUMMARY OF CASH AND CASH EQUIVALENTS REPORTED ON THE STATEMENT OF NET POSITION:**

Unrestricted cash and cash equivalents	\$ 95,891
Restricted cash and cash equivalents	74,317
Total cash and cash equivalents reported on the Statement of Net Position	<u>\$ 170,208</u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:**

Operating loss	(\$272,970)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	35,420
Effect of changes in assets and liabilities:	
Receivables	402
Inventories	(1,201)
Due from Pension Trust Fund	(324)
Prepaid expenses and OPEB asset	424
Accounts payable and accrued expenses	(4,635)
Accrued salaries and wages	267
Accrued vacation and sick leave	(119)
Unearned revenue	(1,967)
Due to Pension Trust Fund	149
Other accruals	(511)
Long term liabilities	5,503
Net cash used in operating activities	<u>\$ (239,562)</u>

See accompanying notes to the basic financial statements.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**STATEMENT OF PLAN NET POSITION - PENSION TRUST FUND**  
**DECEMBER 31, 2012**  
(In thousands)

**ASSETS**

Contributions receivable	\$ 3,082
Receivable from brokers	98
Interest receivable on investments	106
Investments at fair value (Note 3):	
Short-term investments	11,380
Equity securities	61,358
Equity funds	177,901
Fixed income funds	176,199
Global asset allocation funds	44,913
Real estate funds	10,101
Total investments for payment of accrued pension costs	<u>481,852</u>
Total assets	<u>485,138</u>

**LIABILITIES AND DEFERRED INFLOWS**

Accrued expenses	136
Due to Enterprise Fund	3,478
Payable to brokers for unsettled transactions	<u>71</u>
Total liabilities	<u>3,685</u>

<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	<u><u>\$ 481,453</u></u>
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See accompanying notes to the basic financial statements.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**STATEMENT OF CHANGES IN PLAN NET POSITION - PENSION TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(In thousands)

<b>ADDITIONS:</b>	
Employer contributions	\$ 38,374
Investment income:	
Earnings on investments	6,020
Net appreciation in fair value of investments	51,579
Investment expenses	<u>(857)</u>
Net investment income	<u>56,742</u>
Total additions	<u>95,116</u>
<b>DEDUCTIONS:</b>	
Benefit payments	40,732
Administrative expenses	<u>799</u>
Total deductions	<u>41,531</u>
NET INCREASE	53,585
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS:</b>	
Beginning of year	<u>427,868</u>
End of year	<u><u>\$ 481,453</u></u>

See accompanying notes to the basic financial statements.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(1) THE FINANCIAL REPORTING ENTITY**

**Organization** – The Alameda-Contra Costa Transit District (the District) is a political subdivision of the State of California established in 1956 and is subject to Transit District Law as codified in the California Public Utilities Code.

**Reporting Entity** – The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended. This statement sets forth accountability of a government's elected officials to their constituents as the basic criteria for inclusion of an organization in a governmental reporting entity. The governmental reporting entity consists of the District (primary government) and organizations for which the District is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the District's ability to impose its will on the organization or (ii) the potential for the organization to provide a financial benefit to, or impose a financial burden on the District.

The basic financial statements include legally separate component units, which are so financially intertwined with the District that they are, in substance, part of the District. The component units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

For financial reporting purposes, the District's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the District's Board of Directors. As such, the basic financial statements include the financial activities of the District's Special Transit Service Districts (Special Districts) No. 1 and No. 2 and other areas in which the District has contracted to provide transit service. Because these districts are not legally separate entities, they are not considered component units under GASB Statement No. 14. Special District No. 1 was the designation used from the creation of the District for its original territory, consisting of the cities and unincorporated areas from roughly Richmond and San Pablo through Hayward. Special District No. 2 was created by annexation agreements among the cities of Fremont and Newark, the County of Alameda and the District and ratified by a subsequent special election in November 1974 in Fremont and Newark. All property within the Special Districts is subject to taxes that may be levied by the District.

In May 1988, the District created AC Transit Financing Corporation (the Corporation), a nonprofit public benefit corporation incorporated in the State of California under the guidelines of the Nonprofit Public Benefit Corporation Law. Legally separate from the District, the Corporation is blended with the primary government because its sole purpose is to provide financial assistance to the District by financing, refinancing, acquiring, constructing, improving, leasing and selling buildings, equipment, land, building improvements, and other public improvements.

The financial activities of the Alameda-Contra Costa Transit District Employees' Pension Plan (the Plan) are fiduciary in the basic financial statements because the Plan exclusively serves the employees of the District. The financial position and changes in financial position of the Plan are reported on a calendar year basis.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(1) THE FINANCIAL REPORTING ENTITY (Continued)**

The Plan is administered by the five-member Retirement Board made up of two representatives of the general public selected by the District's Board, two District employees who are elected officials of the Amalgamated Transit Union, Local 192 (ATU) and one District employee selected by the District's Board of Directors from the employees who are not represented by ATU. The Retirement Board has administrative and fiduciary responsibility over the Plan. The Retirement Board utilizes a third-party banking institution as custodian over the Plan's assets.

Separate financial statements for the Corporation and the Plan may be obtained from the District Controller.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The basic financial statements provide information about the District's enterprise fund and the pension trust fund. Separate statements for each fund category – *enterprise and fiduciary* – are presented. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied; revenue from sales taxes are recognized in the fiscal year when the underlying exchange occurs; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

*Enterprise Fund (proprietary fund)* – The accounts of the District are organized on the basis of a proprietary fund-type, specifically an enterprise fund. The activities of this fund are accounted for with a set of self-balancing accounts that comprises the District's assets, deferred outflows, liabilities, deferred inflows and net position, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's cost of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) with pricing policies that establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to passengers for services provided. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets and equipment. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.



**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

***Pension Trust Fund*** – The Pension Trust Fund accounts for the accumulated resources to be used for retirement annuity payments to all members of the Plan.

***Cash and Cash Equivalents*** - For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Any restricted cash and investments used to service debt principal and interest payments of the District would not be considered cash equivalents.

***Investments*** – The District applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which require governmental entities to report certain investments at fair value in the statement of net position and the statement of plan net position and recognize the corresponding change in fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 31, the District has reported its investments at fair value based on quoted market information obtained from fiscal agents or other sources.

***Restricted for Certificates of Participation*** – In connection with the 2007 Certificates of Participation, the District was required to establish and maintain a reserve fund in the amount of \$1.35 million. Pursuant to a trust agreement by and between the Corporation, the District, and the trustee, the restricted assets in the fund can only be used to service lease payments on the outstanding certificates of participation.

In connection with the 2009A Certificates of Participation, the District was required to establish and maintain a reserve fund in the amount of \$1.138 million. Pursuant to a trust agreement by and between the Corporation, the District, and the trustee, the restricted assets in the fund can only be used to service lease payments on the outstanding certificates of participation.

The reserves are reported as non-current.

***Pension Plan*** – The District's noncontributory pension plan provides retirement benefits for all qualifying union and non-union employees. The District's annual contribution to fund the Plan is actuarially determined based on a percentage of gross payroll, which includes the normal cost of the Plan plus amortization of prior service costs over a period of not more than thirty years. Cash and investments in the Plan are restricted by law to provide for the future payment of pension benefits and related expenses.

***Inventories*** – Inventories consist primarily of bus replacement parts and fuel and are stated at average cost. Inventory usages are charged to expense, on a weighted-average basis, at the time that individual items are withdrawn from inventory.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets** – Capital assets are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

Building, structures and other improvements	30 years
Revenue equipment	12 years
Service vehicles and other equipment	3 to 10 years
Engines and transmissions	5 years
Revenue vehicles (Mini Vans)	7 years

The District's policy is to capitalize all property and equipment with a cost greater than \$1,000 and a useful life of more than one year.

**Operating Assistance** - Grants are accounted for as nonoperating revenue as soon as all eligibility requirements have been met.

**Contract Services** – The Metropolitan Transportation Commission (MTC) allocates a portion of the San Francisco Bay Area Rapid Transit District's (BART) State Transportation Assistance funds to the District for allowing BART passengers to ride District buses at a discounted rate when they provide a BART transfer. Allocations from MTC totaled \$2.46 million for the year ended June 30, 2013 and are recorded as contract services. See Note 14 for related party disclosures on the Consortium.

**Property Taxes, Collection and Maximum Rates** – The State of California (State) Constitution Article XIII A provides that the maximum basic property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be increased by no more than 2% per year unless the property is sold, transferred or improved. The State Legislature has determined the method of distribution of receipts of the tax levy among the counties, cities, school districts and other districts, including the District.

Alameda and Contra Costa counties assess properties, bill for, collect and distribute property taxes. Property taxes are recorded as nonoperating revenue (including secured delinquent property taxes) net of estimated uncollectible amounts, in the fiscal year of levy.

Assessed values are determined annually by the Assessor's Offices of Alameda and Contra Costa counties on January 1, and become a lien on the real properties at January 1. The levy date for secured and unsecured properties is July 1 of each year. Secured taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent after August 31.

The District accrues delinquent property taxes from Contra Costa County. The cumulative amount of delinquent taxes uncollected for the current and prior years has been recorded as a receivable. The District, through the County of Alameda (County), is under the Teeter plan whereby, delinquent taxes are received by the District from the County's own funds in the event that delinquent taxes are not received by a certain due date. In return, the District forgoes the penalties and interests that would accrue on these delinquent property taxes.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

On November 30, 2004, the voters approved Measure BB, which superseded the Measure AA parcel tax. Measure BB increased the amount of annual parcel tax to \$48 per year and the term of the tax to 10 years from the date of implementation. The tax became effective on July 1, 2005 and was to terminate on June 30, 2015. However, on November 4, 2008, the voters approved Measure VV, which supersedes the Measure BB parcel tax. Measure VV became effective July 1, 2009 and increased the annual parcel tax to \$96 per parcel. Measure VV is effective through June 30, 2019. The revenue derived from this measure is to be used to sustain public transportation services provided by the District in Special District No. 1. The District received approximately \$29.4 million in Measure VV taxes during the year ended June 30, 2013.

***Compensated Absences*** – The personnel policies of the District generally allow employees to accrue up to 240 hours of vacation and 140 days of sick leave. Unused accrued vacation is paid to the employee upon termination from District employment. Unused accrued, vested sick leave is paid, upon retirement, to those employees with ten or more years of District service.

***Capital Contributions*** – The District receives grants from the Federal Transit Administration (FTA) and state and local transportation funds for the acquisition of buses and other equipment and improvements. Capital contributions are recorded as revenues after net nonoperating revenues and the cost of the related assets is included in capital assets.

***Net position*** – The financial statements utilize a net position presentation. Net position are categorized as investment in capital assets, restricted and unrestricted.

- Investment in capital assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted net position – This category represents restrictions on net position externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation. At June 30, 2013, the District has restricted net position in the amount of \$1.35 million related to the 2007 Certificates of Participation (COPS) and \$57 million for the future acquisition of buses (See Note 12). The net position restricted for debt service are maintained in a reserve fund to service lease payments on the outstanding 2007 COPS.
- Unrestricted net position – This category represents net position of the District, not restricted for any projects or other purposes.

***Use of Estimates*** – Management has made estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare the basic financial statements in conformity with Generally Accepted Accounting Principles. Actual results could differ from those estimates.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(3) CASH AND INVESTMENTS**

***Investment policy*** - The District's investment policy, which is more restrictive than required by the California Government Code, stipulates the type, maturity limit, and diversification of securities held by the District. The objectives of the policy, in order of priority, are compliance with applicable laws, preservation of capital, liquidity to meet required cash demands and maximization of income. The District's investment policy does not permit investments in medium term notes, municipal securities or reverse repurchase agreements, which are permitted by the California Government Code. In accordance with the District's investment policy, the District may invest in the following types of investments, subject to certain restrictions, such as rating quality or maximum percentages of the portfolio:

- (a) Repurchase agreements
- (b) Securities of U.S. government and its agencies
- (c) California Local Agency Investment Fund
- (d) Negotiable certificates of deposit
- (e) Commercial paper
- (f) Bankers acceptances

The Plan's investments are invested pursuant to investment policy guidelines established by the Retirement Board. The long-term asset allocation of the investment portfolio is to have 33% of the portfolio invested in domestic equities, 20% in international equities, 37% in domestic fixed income securities, and 10% in three global asset allocation funds. The portfolio is managed by investment managers hired by the Board. The Board utilizes both active and passive management in the domestic equity portfolio. The Board has chosen to manage the investment risks described by Government Accounting Standards Board Statement No. 40 by requiring investment managers to abide by certain guidelines that are tailored to the portfolio that the manager manages. These guidelines specify the amount of credit, interest, and foreign currency risk that a manager may take and the performance objective of the portfolio.

The allocation to global asset allocation Funds allow the investment managers to adjust the portfolio managed based on which asset classes (primarily stocks and bonds) they consider desirable. The specific asset allocation decisions are made by the investment managers within their investment policy limits. Global asset allocation results in the placement of the asset allocation decision on the investment manager, rather than the Retirement Board.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(3) CASH AND INVESTMENTS (Continued)**

**Presentation** - At June 30, 2013 (December 31, 2012 for the Plan), the District's cash and investments consisted of the following (in thousands):

Cash and cash equivalents	\$ 170,208
Investments	<u>481,852</u>
Total	<u><u>\$ 652,060</u></u>
Reported in the Enterprise Fund as:	
Cash and cash equivalents	\$ 95,891
Restricted cash and cash equivalent	74,317
Reported in the Pension Trust Fund as:	
Investments restricted for payment of accrued pension costs (at December 31, 2012)	<u>481,852</u>
Total	<u><u>\$ 652,060</u></u>

**Fund Investments – Specific Risks**

As of June 30, 2013, the District had the following investments and maturities (amounts are in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Standard &amp; Poor's Rating</u>	<u>Investment Maturities Less Than 1 Year</u>
Bank Repurchase Agreements	\$ 25,000	Not rated	\$ 25,000
Money Market Mutual Funds	67,403	Aaam	67,403
Total	<u><u>\$ 92,403</u></u>		<u><u>\$ 92,403</u></u>

**Interest Rate Risk** – The District has limited exposure to interest rate risk due to its liquidity needs to meet cash flow demand requirements. All of its investments have a remaining maturity at date of purchase of three months or less. None of the District's investments are highly sensitive to interest rate changes.

**Credit Risk** – The District's credit rating risk is governed by the California Government Code 53601 which limits investments in money market mutual funds to the highest ranking attained by the rating agency which is Aaam. The District had investments in U.S. government agencies, bank repurchase agreements (underlying of U.S. Treasury securities) and in money market mutual funds. There are no credit limits on the securities of U.S. Treasury since these investments are backed by the full faith and credit of the United States government.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(3) CASH AND INVESTMENTS (Continued)**

***Concentration of Credit Risk*** – The District manages this risk by requiring that no more than 20% of its total investment portfolio (with the exception of securities of the U.S. Treasury or U.S. government agencies) be invested in a single security type or with a single financial institution. Disclosure requirements state that any investments in a single security type or held with a single financial institution that are greater than 5% of the District's investments must be disclosed, except for investments in external pools and mutual funds. In fiscal year 2013, the District had \$25 million of its investments invested in repurchase agreements.

***Custodial Credit Risk*** - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The California Government Code requires California banks and savings and loan associations to secure governmental deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure governmental deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. Such collateral is considered to be held in the District's name.

**Pension Trust Fund – Specific Risks**

***Interest Rate Risk*** – For the Plan, interest rate risk is managed through the duration of its fixed income securities. Bond prices are highly sensitive to the movement of interest rates. A decline in interest rates will tend to increase bond prices while an increase in rates will depress prices. Duration is a measure of interest rate risk with a higher duration signifying greater price volatility in response to a change in interest rates.

At December 30, 2012, the Plan did not have any direct investment in fixed income securities.

***Credit Risk*** – For the Plan, fixed income assets are invested in two pooled investment vehicles and with an outside money manager. As of April 2010, the Plan converted all of the fixed income investments of the Plan to investments in commingled pools or mutual funds.

As of December 31, 2012, \$10.5 million was invested in a short term pooled investment fund managed by State Street Corporation. This fund is not rated.

***Concentration of Credit Risk*** – The Plan also has investments that represent 5% or more of Plan net position as of December 31, 2012. The Plan had no investments in a single issuer that equaled or exceeded 5% of Plan net position.

***Foreign Currency Risk*** – Foreign currency risk is the risk that the changes in foreign exchange rates will affect the fair value of an investment denominated in a foreign currency. The Plan has, or could have, exposure to foreign currencies through its investment in several commingled investments. As of December 31, 2012, investments in international funds totaled \$88.9 million.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(4) CAPITAL ASSETS**

Following is a summary of capital assets at June 30, 2013 (in thousands):

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2013</u>
Non-depreciable capital assets:					
Land	\$27,662	\$3			\$27,665
Work in progress	730	48,273		(\$44,274)	4,729
Total	<u>28,392</u>	<u>48,276</u>		<u>(44,274)</u>	<u>32,394</u>
Depreciable capital assets					
Revenue equipment	265,820		(\$18,120)	29,888	277,588
Service vehicles and other equipment	157,513	212	(683)	2,011	159,053
Buildings, structure and improvements	194,670	673	(73)	12,375	207,645
Total	<u>618,003</u>	<u>885</u>	<u>(18,876)</u>	<u>44,274</u>	<u>644,286</u>
Less accumulated depreciation					
Revenue equipment	(168,464)	(18,063)	16,888		(169,639)
Service vehicles and other equipment	(130,273)	(9,958)	683		(139,548)
Buildings, structure and improvements	(128,326)	(7,399)			(135,725)
Total	<u>(427,063)</u>	<u>(35,420)</u>	<u>17,571</u>		<u>(444,912)</u>
Depreciable capital assets, net of accumulated depreciation	<u>190,940</u>	<u>(34,535)</u>	<u>(1,305)</u>	<u>\$44,274</u>	<u>199,374</u>
Capital assets, net of accumulated depreciation	<u>\$219,332</u>	<u>\$13,741</u>	<u>(\$1,305)</u>		<u>\$231,768</u>

**(5) INTERFUND RECEIVABLES/PAYABLES**

The Enterprise Fund in the accompanying basic financial statements is reported as of June 30, 2013 and the Pension Trust Fund is reported as of December 31, 2012; therefore, interfund payables and receivables do not equal. Interfund receivables and payables arise due to the timing of reimbursements from the Pension Trust Fund for administration costs and retiree benefits payments made by the District and payments to the Pension Trust Fund for contributions based on covered payroll.

December 31, 2013  
(in thousands)

<u>Interfund payable</u>	<u>Interfund receivable</u>	
Pension trust fund	Enterprise fund	\$3,082

December 31, 2012  
(in thousands)

<u>Interfund payable</u>	<u>Interfund receivable</u>	
Pension trust fund	Enterprise fund	\$3,254



**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(6) CAPITAL ASSISTANCE**

The District has 18 grant contracts in process with the FTA that provide federal funds for the acquisition of buses, other equipment and improvements. Under the terms of the grants, proceeds from equipment sold or retired are refundable to the federal government in proportion to the original federal capital grant funds used in the purchase. The District has also received allocations of funds generated from net bridge toll revenues of the San Francisco-Oakland Bay Bridge and from PTMISEA grants, see Note 11 (State grants). These funds are received under provisions of the California Streets and Highways Code and are allocated based on claims approved by the MTC. These grants are summarized for the year ended June 30, 2013 as follows (in thousands):

Federal grants	\$ 12,887
State grants	51,128
	<u>\$ 64,015</u>

**(7) OPERATING ASSISTANCE**

*State and Local Operating Assistance* - The Transportation Development Act (TDA) creates in each local jurisdiction a Local Transportation Fund that is funded by a ¼ cent from the retail sales tax collected statewide. The State Board of Equalization returns these funds to the local jurisdiction according to the amount of sales taxes collected in that jurisdiction. TDA funds are allocated to the District from Alameda and Contra Costa counties to meet, in part, the District's operating requirements. The allocation is based on population within the District.

Supplementary service revenues (AB 2972) are formula allocated funds that are passed to the District through the Oakland Unified School District (OUSD) for OUSD's home to school service program. Funds are allocated for this program based on the cost of running the OUSD program as a percentage of total school districts statewide applying for these funds.

Welfare to work grant funding is provided by the State to match the federal welfare to work program that is used to fund the District's Job Access and Reverse Commute program. The welfare to work grant is funded based on the population within a local area that are below the poverty level and comprise CalWORKS recipients. The Job Access and Reverse Commute program provides transportation to key low-income neighborhoods, homeless centers and targeted work centers particularly during evening, night and weekend hours.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(7) OPERATING ASSISTANCE (Continued)**

Below is a summary of state and local operating assistance for the year ended June 30, 2013 (in thousands):

Local funds:	
Transportation Development Act	\$ 53,979
Regional Measure 2	12,766
	<u>\$ 66,745</u>
State operating assistance	
Operating Revenues	\$ 10,071
Supplementary Service/Welfare to Work	2,000
Pass thru	3,882
	<u>\$ 15,953</u>

**Local Sales Tax** – The local sales tax assistance (AB1107) is derived from the one-half percent retail tax imposed on the three BART counties (Alameda, Contra Costa and San Francisco). Of the total amount collected, 75% is a direct BART subsidy with the District and the San Francisco Municipal Railway System (MUNI) sharing the remaining 25% equally.

In 1987, the District began receiving local sales tax revenue under Measure B. Approved by the voters of Alameda County, Measure B provides for the collection and distribution by the Alameda County Transportation Authority of a one-half percent transactions and use tax. The District is authorized to receive 11.617% of the annual tax collected under the condition that the money be used for service exclusively in Alameda County.

In 2009, the District began receiving local sales tax revenue under Measure J, which is an extension of existing Measure C one-half percent sales tax for financing of transportation projects in Contra Costa County. As a transit operator in Contra Costa County, the District is eligible to submit project proposals to the Contra Costa Transportation Authority (CCTA) for funding under Measure J.

Local sales tax assistance for the year ended June 30, 2013, is summarized below (in thousands):

AB1107	\$ 34,812
Measure B	19,893
Measure J	3,978
	<u>\$ 58,683</u>

**Section 5307 Funding Sources** – All federal funding sources are distributed by FTA after approval by the MTC. Federal funding sources for the year ended June 30, 2013 are summarized below (in thousands):

Preventative maintenance	\$ 9,594
Americans with Disabilities program - ADA set aside	2,476
Americans with Disabilities Act paratransit program - lease	1,088
Less amount reported within net expenses of joint venture	(1,088)
	<u>\$ 12,070</u>

At June 30, 2013, Federal Section 5307 funds totaling \$2,250 were recorded as a receivable.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(8) LONG-TERM LIABILITIES**

The following is a summary of changes in the District's long-term liabilities for the year ended June 30, 2013 (in thousands):

	Original Issue Amount	Balance June 30, 2012	Retirements	Balance June 30, 2013	Amount due within one year
2007 Certificates of Participation					
4%-4.75%, due 08/01/2017	\$ 13,500	\$ 8,600	\$ (1,280)	\$ 7,320	\$ 1,330
Less unamortized premium		139	(27)	112	27
2009A Certificates of Participation					
3%-6.125%, due 08/01/2034	15,000	14,295	(370)	13,925	380
Less unamortized discount		(404)	18	(386)	(18)
2012 Refunding Certificates of Participation					
4%-4.75%, due 08/01/2018	9,840	9,840		9,840	1,315
Total Long-Term Debt		32,470	\$ (1,659)	30,811	\$ 3,034
Less:					
Amount due within one year		(1,626)		(3,034)	
Total Long-Term Debt, net		\$ 30,844		\$ 27,777	

On December 19, 2007, proceeds from the issuance of \$13,500,000 of Certificates of Participation, Series 2007 (2007 COPS) were used to acquire and install a financial and human resources/payroll software system, including wiring and implementation of support services during the first year following completion. Interest on the 2007 COPS is payable semi-annually on February 1 and August 1 of each year through the year 2017.

On February 1, 2009, proceeds from the issuance of \$15,000,000 of Certificates of Participation Series 2009A (2009A COPS) were used to acquire the land at 66<sup>th</sup> Avenue and all existing facilities and improvements. Interest on the 2009A COPS is payable semiannually on February 1 and August 1 of each year through the year 2034.

On February 1, 2012, The District issued Refunding Certificates of Participation Series 2012 (2012 COPS). The proceeds from the issuance of the \$9,840,000 were used to refund and retire the 2001 COPS. Interest on the 2012 COPS is payable semi-annually on February 1 and August 1 of each year through the year 2018.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(8) LONG-TERM LIABILITIES (Continued)**

The District's debt service requirements to maturity for each of the next 5 fiscal years and thereafter are summarized as follows (in thousands):

For The Year Ending June 30	Principal	Interest	Total
2014	\$ 3,025	\$ 1,245	\$ 4,270
2015	3,430	1,140	4,570
2016	3,530	1,027	4,557
2017	3,645	910	4,555
2018	3,770	786	4,556
2019 - 2023	4,215	3,188	7,403
2024 - 2028	3,155	2,428	5,583
2029 - 2033	4,235	1,316	5,551
2034 - 2035	2,080	131	2,211
Total	31,085	<u>\$ 12,171</u>	<u>\$ 43,256</u>
Unamortized premium and discount	<u>(274)</u>		
Total payment	<u>\$ 30,811</u>		

***Debt Limit***

Board policy on debt limitation (as defined by Ordinance No. 3773) states that "total annual debt service expenses shall not exceed ten percent of operating revenue (including subsidies) provided that in no event shall such indebtedness exceed twenty percent of the assessed value of all real and personal property within the District." The District's legal annual debt service limit as June 30, 2013, is approximately \$33 million.

***Arbitrage***

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the District performed a calculation to determine if there were any excess investment earnings on the District's COPS at June 30, 2013, and as a result of this calculation the District does not expect to incur a liability.

***GASB 65***

With the early implementation of GASB 65, *Items Previously Reported as Assets and Liabilities*, the District has restated and eliminated deferred bond issuance costs previously recognized. The net impact to the beginning balance of net position is shown on the Statement of Revenue, Expenses and Changes in Net Position.



**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(9) PENSION PLAN**

**Plan Description** – The Plan is a noncontributory single-employer defined benefit pension plan, which provides retirement benefits for all qualifying union and non-union employees. Administration of the Plan is performed by the Plan’s management staff and overseen by the Plan’s Retirement Board.

The District makes contributions, based upon the Plan’s actuarial calculation each fiscal year. The Plan’s members are members of the Amalgamated Transit Union (ATU), the America Federation of State, County and Municipal Employees (AFSCME), the International Brotherhood of Electrical Workers (IBEW) and unrepresented employees. Each union vesting period is based upon its individual collective bargaining entity, which is 5 years for all employees other than ATU employees, who have an 8-year vesting requirement.

**Actuarial methods and assumptions**

The actuary used the following assumptions and methods in calculating the annual required contribution and the funded status:

Valuation date	January 1, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage open
Remaining amortization period	16 years (decreasing one year annually, 12 year minimum) 50% of 2008 investment loss is amortized over 30 years
Asset valuation method	Market value less unrecognized investment gains or losses during the prior four years, phased in at 20% per year, but required to be within 20% of market value.
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases*	3.5% - 7.0% for ATU/IBEW participants 3.5% for AFSCME and non-represented participants
*Includes inflations at	3.0%
Cost of living adjustments	None

Actuarial valuations of an on-going plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contribution of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Basis of Accounting** – Contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds of prior contributions are recognized when due and payable in accordance with the terms of the Plan. Investments are stated at fair value. Quoted market values are used to value investments. Investment gains and losses are based on average cost. Purchases and sales of securities are recorded on the trade date.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(9) PENSION PLAN (Continued)**

**Funding Policy** – The District’s contributions to the Plan normally are made in accordance with actuarially determined requirements. The Plan’s funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when they are due. Significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the District’s actuarial accrued liability.

The District’s annual required contribution in the current year was \$38,962 representing 100% of projected actuarial payroll.

The three-year trend information for the Plan is as follows (dollars in thousands):

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 37,861	100%	\$ -
June 30, 2012	38,624	100%	-
June 30, 2013	38,962	100%	-

**Funded Status and Funding Progress** – The unfunded actuarial liability is being amortized as a level percentage of expected payroll on an open basis over twenty-one years. As of January 1, 2013, the most recent actuarial valuation date, the funded status of the plan was as follows (dollars in thousands):

Actuarial accrued liability (AAL)	\$ 721,195
Actuarial value of plan assets	453,422
Unfunded actuarial accrued liability (UAAL)	<u>\$ 267,773</u>
Funded ratio (actuarial value of plan assets/AAL)	63%
Annual covered payroll (active plan members)	\$ 126,239
UAAL as a percentage of annual covered payroll	212%

A schedule of funding progress that shows a trend analysis of funding progress can be found in the required supplementary information. The Plan issues stand-alone financial statements and copies of these statements can be obtained from the AC Transit Retirement Department, 1600 Franklin Street, Oakland, CA 94621.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(10) POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**ATU Local 192 Benefit Trust**

***Plan Description***

The ATU Local 192 Benefits Trust (the Trust) administers a single-employer defined benefit post employment plan to assist eligible retirees with their medical costs. The Trust consists of three programs that provide other post employment benefits: the ATU Retiree Health & Welfare Program, the AFSCME Retiree Medical Program and the IBEW Retiree Medical Program. The Trust provides medical benefits to all vested retirees at least 55 years old by paying a portion of the medical insurance premiums or reimbursement of eligible medical expenses not to exceed the maximum negotiated rates. Rates are negotiated between the District and the respective bargaining units. The Trust's board of trustees has historically adopted rates based on the premiums offered by participating providers.

***Funding Policy***

The District is required to make contributions to the Trust based on the number of hours worked by active union employees. The establishment and modification of the memorandums of understanding between the District and the respective bargaining units creates the authority under which the District is obligated to make its contributions. For fiscal year 2013, the required contribution rates were as follows:

<u>Bargaining Unit</u>	<u>Contribution Rate</u>
ATU Local 192	\$0.65 per hour per employee
AFSCME	No contribution
IBEW	\$0.55 per hour per employee

***Annual OPEB Cost and Net OPEB Obligation (Asset)***

The District's annual other post employment benefit (OPEB) cost is equal to the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and unfunded actuarial liabilities amortized over thirty years.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(10) POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

The following table shows the components of the District's annual OPEB cost for the year, the amount contributed to the plan, and changes in the District's net OPEB asset to the plan (in thousands):

Annual required contribution	\$ 5,013
Interest on net OPEB obligation	70
Adjustment to annual required contribution	<u>(60)</u>
OPEB cost	5,023
Contribution made	<u>(1,808)</u>
Increase in net OPEB obligation	3,215
Net OPEB obligation - beginning of year	<u>1,404</u>
Net OPEB obligation - end of year	<u><u>\$ 4,619</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for the current year is as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2011	\$ 4,334	66.5%	\$ (1,338)
June 30, 2012	4,561	39.9%	1,404
June 30, 2013	5,023	36.0%	4,619

***Funded Status and Funding Progress***

The unfunded actuarial accrued liability is being amortized as a level dollar of expected payroll on an open basis over thirty years, beginning July 1, 2007. As of June 30, 2013, the funded status of the plan was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 81,355
Actuarial value of plan assets	<u>6,237</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 75,118</u></u>
 Funded ratio (actuarial value of plan assets/AAL)	 7.7%
Annual covered payroll (active plan members)	110,995
UAAL as a percentage of annual covered payroll	67.7%



**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(10) POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

***Actuarial Methods and Assumptions***

Actuarial valuations of an on-going plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation as of January 1, 2012, the actuarial cost method used was the projected unit credit method. This method allocates the present value of benefits for each individual attributable to service to date, using future compensation projected to retirement. The amortization method used was the level dollar open method; the remaining amortization period is 30 years. The actuary uses market value to determine the actuarial value of the plan assets.

The actuarial assumptions include an investment rate of 5%, an inflation rate of 3.5%, a healthcare cost trend rate of 10% for fiscal year grading down 1.0% each year to 5.0% for fiscal year 2018 and beyond.

The Trust issues stand-alone financial statements and copies of these statements can be obtained from the District Controller, 1600 Franklin Street, Oakland, CA 94621.

**Retiree Benefits Non-Trust Plan**

***Plan Description***

The District administers a single-employer defined benefit post employment plan called the Retiree Benefits Non-Trust Plan (the OPEB Plan) to assist eligible retirees with their medical costs. The OPEB Plan provides medical, dental, vision and life insurance benefits to all vested retirees and their spouses at least 55 years old by paying the current participating providers' insurance premiums. The medical insurance benefit is also available for a retiree's dependent, if applicable. The OPEB Plan differs from the Trust in that it provides Trust plan members supplemental healthcare benefits in addition to medical benefits, as well as providing medical benefits to District employees who are unrepresented. Insurance premium rates are negotiated between the District and the respective bargaining units. The District has historically adopted rates based on the premiums offered by participating providers. The OPEB Plan does not issue stand-alone financial statements.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(10) POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

***Funding Policy***

The District has historically funded the OPEB Plan on a pay-as-you-go basis. There is currently no requirement for either the District or the OPEB Plan members to make contributions to the OPEB Plan.

***Annual OPEB Cost and Net OPEB Obligation***

The District's annual other post employment benefit (OPEB) cost is equal to the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and unfunded actuarial liabilities amortized over thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount contributed to the plan, and changes in the District's net OPEB obligation to the plan (in thousands):

Annual required contribution	\$ 2,524
Interest on net OPEB obligation	51
Adjustment to annual required contribution	<u>(69)</u>
OPEB cost	2,506
Contribution made	<u>(1,871)</u>
Increase in net OPEB obligation	635
Net OPEB obligation - beginning of year	<u>1,123</u>
Net OPEB obligation - end of year	<u><u>\$ 1,758</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior years are as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2011	\$ 1,396	93.5%	\$ 1,162
June 30, 2012	1,551	102.5%	1,123
June 30, 2013	2,506	74.7%	1,758

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(10) POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

***Funded Status and Funding Progress***

The unfunded actuarial accrued liability is being amortized as a level dollar of expected payroll on an open basis over thirty years, beginning July 1, 2007. As of June 30, 2013, the funded status of the plan was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 31,930
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 31,930</u>
 Funded ratio (actuarial value of plan assets/AAL)	 0%
Annual covered payroll (active plan members)	\$117,641
UAAL as a percentage of annual covered payroll	27.1%

***Actuarial Methods and Assumptions***

Actuarial valuations of an on-going plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation as of June 30, 2013, the actuarial cost method used was the projected unit credit method. This method allocates the present value of benefits for each individual attributable to service to date, using future compensation projected to retirement. The amortization method used was the level dollar open method; the remaining amortization period is 30 years. The actuarial assumptions include an investment rate of 4.5%, an inflation rate of 3.2%, a healthcare cost trend rate of 10% for fiscal year 2013 grading down 1.0% each year to 5.0% for fiscal year 2017 and beyond, and a dental and vision cost rate of 3.0%.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(11) COMMITMENTS**

***PTMISEA Grants***

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters as Proposition 1B on November 7, 2006, includes a program of funding in the amount of \$4 billion to be deposited in the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). Of this amount, \$3.6 billion in the PTMISEA is available to project sponsors in California for allocation to eligible public transportation projects.

During fiscal year 2010, the District submitted a Corrective Action Plan requesting additional PTMISEA grant funding on top of its fiscal year 2009 allocation to purchase buses.

The California Department of Transportation (CalTrans) determined that the District was eligible to receive an additional allocation totaling \$8.826 million (2009 allocation). The funds were sent to the District prior to its purchase of the buses but are committed to funding future bus purchases. The funds must be encumbered within three years and expended within three years of being encumbered.

In fiscal year 2013, the District received grant funds for the purchases of buses and Transit Access Improvement projects in the amount of \$27.574 million.

The following table shows the changes in activity related to the PTMISEA grant funds during the fiscal year as well as the remaining commitment as of June 30, 2013 (in thousands):

Total Allocations as of June 30, 2012	Total Allocations received in FY 2013	Cumulative Expenses Incurred through June 30, 2013	Interest Income	Commitment at June 30, 2013
\$ 46,893	\$ 27,611	\$ 12,586	\$ 27	\$ 74,531

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(12) CONTINGENCIES**

***Lease and Use Agreement for the Temporary Terminal and Transit Center***

In September 2008, the District approved a Lease and Use Agreement for the Temporary Terminal and the new Transit Center with the Transbay Joint Powers Authority (the TJPA). The agreement sets forth the parties' rights and obligations up to the year 2050 with respect to (a) the District's bus operations in the Temporary Terminal and the new Transit Center; (b) the District's contribution to offset annual operating costs for the Temporary Terminal and Transit Center; and (c) the District's capital contributions to build the Transit Center in the sum of \$57 million (in 2011 dollars). The District's \$57 million contribution will be funded through a combination of payments from various grant funded sources and a proposed passenger facilities charge.

Projected contributions are scheduled as follow (in thousands):

	<u>Payments</u>
2014	\$ 8,302
2015	7,758
2016	4,626
2017	987
2018	960
2019 - 2023	5,284
2024 - 2028	5,901
2029 - 2033	6,282
2034 - 2034	340

***Claims and Potential Litigation***

There are claims and litigation pending, which are considered normal to the District's operation of the transit system. The District maintains insurance coverage for such incidents, as summarized in Note 13, and provisions have been made in the financial statements for estimated losses under the self-insurance retention limits of insurance policies.

***Pollution Remediation***

The District has an estimated \$1.653 million in liabilities for the monitoring and potential clean-up costs for pollution remediation obligations. The District has several locations where soil and groundwater has been contaminated.

The Alameda County Health Care Services Agency (ACHCS) and the Alameda County Water District (ACWD) issued directives to the District to perform groundwater monitoring and require conceptual models and feasibility studies to address possible mitigation measures. The estimated liabilities were measured at current value using the expected cash flow technique for each obligating event based on current and estimated costs. Changes to estimated liabilities will be made when new information, such as changes in remediation plans, technology and legal or regulatory requirements, becomes available.



**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(13) RISK MANAGEMENT**

As of June 30, 2013 the District has the following coverages:

Type of Coverage	Deductible	Coverage Limit
General Liability	\$200,000	\$2,000,000 per occurrence with excess up to \$55,000,000
Workers' Compensation	1,000,000	Statutory Limit
Property, B&M, Auto Physical Damage	100,000	\$100,000,000

The District accrues a liability for claims and litigation (including a reserve for claims incurred but not reported) based on an actuarial study. The liability includes allocated and unallocated claims adjustment expenses and incremental claim expense. In addition, the District is partially self-insured for health and dental exposure. Management has evaluated the potential liability and recorded an accrual, which includes an amount for incurred but not reported claims.

During the year ended June 30, 2013, the actuarial estimates based on the 75<sup>th</sup> percentile discounted at 3.0 to 3.5% to estimate its liability for worker's compensation and the public liability claims were \$43.7 million and \$11.7 million, respectively.

Changes in the reported liability resulted from the following (in thousands):

	Workers' Compensation Liability	Public Liability	Health and Dental Liability	Total
Balance at June 30, 2011	\$ 41,143	\$ 7,297	\$ 225	\$ 48,665
Claims and changes in estimates	13,303	6,708	4,685	24,696
Claim Payments	(9,971)	(4,257)	(4,793)	(19,021)
Balance at June 30, 2012	44,475	9,748	117	54,340
Claims and changes in estimates	11,571	8,998	4,110	24,679
Claim Payments	(12,377)	(7,051)	(4,110)	(23,538)
Balance at June 30, 2013	<u>\$ 43,669</u>	<u>\$ 11,695</u>	<u>\$ 117</u>	<u>\$ 55,481</u>

The classification of the current and long-term portion of the self-insurance liabilities for the year ended June 30, 2013 are summarized as follows (in thousands):

	Current	Long-term	Total
Workers' compensation liability	\$ 8,820	\$ 34,849	\$ 43,669
Public liability	5,936	5,759	11,695
Health & Dental liability	117		117
	<u>\$ 14,873</u>	<u>\$ 40,608</u>	<u>\$ 55,481</u>

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(14) JOINT VENTURE**

In 1994, the District and BART executed an agreement establishing the East Bay Paratransit Consortium. The District supports the project primarily through its own operating funds, with some financial assistance from Alameda County Measure B funds. The purpose of the Consortium is to provide Americans with Disabilities complementary paratransit services in Alameda and western Contra Costa counties. The area served encompasses the AC Transit/BART coordinated service area. Revenues and expenses for the Consortium are split evenly between the District and BART, respectively, and the District's financial statements reflect its portion of revenues and expenses as operating activities. The District has no equity interest in the Consortium.

Effective October 1, 2003, the Consortium discontinued the practice of rotating lead agency responsibilities on an annual basis. Key administrative support functions are now permanently assigned to each participating agency. Also effective October 1, 2003, a Service Review Advisory Committee (SRAC) was established to serve in an advisory capacity to the Service Review Committee. The primary mission of the SRAC will be to advise on planning, policy and other matters related to the Consortium; advocate for high quality, safe, reliable and courteous paratransit services; and to provide a forum for public input and participation in the review, assessment and evaluation of the ADA paratransit service.

In fiscal year 2013, the District incurred expenses of \$26.684 million related to the Consortium.

# **Required Supplementary Information**

(Other than MD&A)

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
**ALAMEDA-CONTRA COSTA TRANSIT EMPLOYEES' PENSION PLAN (UNAUDITED)**  
**YEAR ENDED DECEMBER 31, 2012**  
(In Thousands)

**Pension Actuarial Plan**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percent of Payroll
January 1, 2010	\$ 391,062	\$ 625,116	\$ 234,054	63%	\$ 136,127	172%
January 1, 2011	428,644	692,487	263,843	63%	126,536	223%
January 1, 2012	453,422	721,195	267,773	63%	126,239	212%

**SCHEDULE OF FUNDING PROGRESS**  
**ALAMEDA-CONTRA COSTA TRANSIT EMPLOYEES' POST EMPLOYMENT BENEFITS OTHER**  
**THAN PENSION (UNAUDITED)**  
**YEAR ENDED JUNE 30, 2013**  
(In Thousands)

**A. ATU Local 192 Benefits Trust**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percent of Payroll
June 30, 2010	\$ 8,895	\$ 70,574	\$ 61,679	13%	\$ 120,000	52%
June 30, 2012	8,542	80,381	71,839	11%	103,858	69%
June 30, 2013	6,237	81,355	75,118	8%	110,995	68%

**B. Retiree Benefits Non-Trust Plan**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percent of Payroll
June 30, 2010	\$ -	\$ 25,328	\$ 25,328	0%	\$ 130,000	20%
June 30, 2012	-	28,498	28,498	0%	111,792	26%
June 30, 2013	-	31,930	31,930	0%	117,641	27%

## **Other Supplementary Information**



**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**COMPARATIVE SCHEDULES OF FUND NET POSITION**  
**BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND**  
**JUNE 30, 2013 AND 2012**  
(In thousands)

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 95,891	\$ 129,423
Restricted cash and cash equivalents	71,829	42
Receivables:		
Federal and local grants:		
Capital	18,946	6,064
Planning, operating and other	2,250	19,692
Property tax	10,799	9,823
Local sales tax	8,076	7,790
Other, principally trade receivables	3,358	3,760
Total receivables - net	<u>43,429</u>	<u>47,129</u>
Due from Pension Trust Fund	3,672	3,348
Inventories at average cost	12,164	10,963
Prepaid expenses	3,089	3,513
Total current assets	<u>230,074</u>	<u>194,418</u>
<b>NONCURRENT ASSETS:</b>		
Restricted for certificates of participation:		
Cash and cash equivalents (Note 3)	2,488	2,488
Capital assets (Note 4):		
Nondepreciable	32,394	28,392
Depreciable, net	199,374	190,940
Total capital assets, net	<u>231,768</u>	<u>219,332</u>
Total noncurrent assets	<u>234,256</u>	<u>221,820</u>
Total assets	<u>464,330</u>	<u>416,238</u>
<b>LIABILITIES AND DEFERRED INFLOWS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	12,513	17,148
Accrued salaries and wages	1,628	1,361
Current portion of accrued vacation and sick leave	14,974	15,093
Due to Pension Trust Fund	3,442	3,293
Other accrued liabilities	4,804	5,315
Accrued interest payable	604	1,314
Unearned revenue	5,555	7,522
Current portion of OPEB obligation	1,276	232
Current portion of claims liabilities	14,873	12,010
Current portion of remediation obligations	186	248
Current portion of certificates of participation	3,034	1,626
Total current liabilities	<u>62,889</u>	<u>65,162</u>
<b>NONCURRENT LIABILITIES:</b>		
Accrued vacation and sick leave	7,476	7,023
OPEB obligation	5,101	2,295
Claims liabilities	40,608	42,330
Remediation obligations	1,467	1,346
Certificates of participation	27,777	30,616
Total noncurrent liabilities	<u>82,429</u>	<u>83,610</u>
Total liabilities	<u>145,318</u>	<u>148,772</u>
<b>NET POSITION</b>		
Net investment in capital assets	202,095	187,570
Restricted for capital purchases	74,531	46,893
Restricted for debt service	1,605	1,174
Unrestricted	40,781	31,829
	<u>\$ 319,012</u>	<u>\$ 267,466</u>
<b>TOTAL NET POSITION</b>		

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**COMPARATIVE SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**  
(In thousands)

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Passenger fares	\$ 50,357	\$ 49,125
Contract services	8,330	8,021
Other	4,720	3,408
Total operating revenues	<u>63,407</u>	<u>60,554</u>
OPERATING EXPENSES:		
Operator wages	58,526	58,384
Other wages	46,363	48,328
Fringe benefits	116,849	117,593
Depreciation	35,420	37,899
Fuel and oil	18,613	18,593
Other material and supplies	12,393	13,913
Services	26,593	20,547
Insurance	11,529	9,262
Net expenses of joint venture	2,249	11,396
Other	7,842	14,164
Total operating expenses	<u>336,377</u>	<u>350,079</u>
Operating loss	<u>(272,970)</u>	<u>(289,525)</u>
NONOPERATING REVENUES (EXPENSE):		
Operating assistance:		
Property taxes	108,799	100,150
Local sales tax	58,683	54,609
Local funds	66,745	60,901
Federal	12,070	32,458
State	15,953	13,193
Gain (loss) on sale of capital assets	(1,175)	(293)
Interest income	764	585
Interest expense	(1,338)	(1,720)
Net nonoperating revenues	<u>260,501</u>	<u>259,883</u>
Loss before capital contributions	<u>(12,469)</u>	<u>(29,642)</u>
CAPITAL CONTRIBUTIONS	<u>64,015</u>	<u>47,878</u>
CHANGE IN NET POSITION	51,546	18,236
NET POSITION beginning of year	267,466	250,525
Restatement due to implementation of GASB 65	<u></u>	<u>(1,295)</u>
NET POSITION end of year	<u>\$ 319,012</u>	<u>\$ 267,466</u>

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**COMPARATIVE SCHEDULES OF CASH FLOWS**  
**BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**  
(In thousands)

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 58,687	\$ 57,146
Cash payments to suppliers for goods and services	(79,128)	(72,959)
Cash payments to employees for services	(222,276)	(223,554)
Other operating receipts	3,155	5,128
Net cash used in operating activities	<u>(239,562)</u>	<u>(234,239)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Operating assistance received	278,430	271,834
Principal paid on notes payable		
Interest paid on notes payable	(205)	(205)
Net cash provided by noncapital financing activities	<u>278,225</u>	<u>271,629</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(49,161)	(15,298)
Capital contributions from grants	51,133	54,762
Proceeds from sale of capital assets	130	(134)
Principal paid on certificates of participation	(1,650)	(4,729)
Interest paid on certificates of participation	(1,221)	(1,475)
Net cash provided by (used in) capital and related financing activities	<u>(769)</u>	<u>33,126</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received on investments	361	585
Net cash provided by investing activities	<u>361</u>	<u>585</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	38,255	71,101
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>131,953</u>	<u>60,852</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 170,208</u>	<u>\$ 131,953</u>
<b>SUMMARY OF CASH AND CASH EQUIVALENTS AND INVESTMENTS REPORTED ON THE STATEMENT OF NET ASSETS:</b>		
Cash and cash equivalents (unrestricted)	\$ 95,891	\$ 129,423
Restricted cash and cash equivalents	74,317	2,530
Total cash and cash equivalents reported on the statement of net assets	<u>\$ 170,208</u>	<u>\$ 131,953</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (272,970)	\$ (289,525)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	35,420	37,899
Effect of changes in assets and liabilities:		
Receivables	402	(632)
Inventories	(1,201)	189
Due from Pension Trust Fund	(324)	(238)
Prepaid expenses and OPEB asset	424	1,070
Accounts payable and accrued expenses	(4,635)	6,067
Accrued salaries and wages	267	(854)
Accrued vacation and sick leave	(119)	325
Unearned revenue	(1,967)	2,352
Due to Pension Trust Fund	149	484
Other accruals	(511)	1,034
Long term liabilities	5,503	7,590
Net cash used in operating activities	<u>\$ (239,562)</u>	<u>\$ (234,239)</u>

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**COMPARATIVE SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**BUDGETARY BASIS - BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND - TRANSIT ONLY**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**  
(In thousands)

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Passenger fares	\$ 52,976	\$ 51,323
Bart transfers	2,460	2,855
Contract services	5,875	4,873
Advertising	1,819	1,174
Interest income	72	34
Other	3,952	2,234
Total operating revenues	<u>67,154</u>	<u>62,493</u>
SUBSIDIES		
Property taxes	79,360	70,882
Property taxes - Measure VV	29,439	29,269
Local sales tax - Measure B	24,656	23,038
Local sales tax - Measure J	3,978	3,522
Local operating assistance	15,329	12,101
State - AB11107	34,812	32,501
State - AB2972 Home to School	2,000	2,225
State - TDA	57,282	52,840
State - STA	20,235	12,780
State operating assistance other	3,882	(20)
Federal operating assistance	13,157	33,111
Total subsidies	<u>284,130</u>	<u>272,249</u>
Total revenue & subsidies	<u>351,284</u>	<u>334,742</u>
EXPENSES:		
Operator wages	58,525	58,384
Other wages	46,362	48,328
Fringe benefits	77,837	78,968
Pension expense	39,013	38,625
Services	26,592	20,547
Fuel and lubricants	18,613	18,593
Office/printing supplies	461	535
Other materials and supplies	12,817	13,378
Utilities	2,413	2,577
Insurance	11,528	9,262
Expenses of joint venture	26,754	24,238
Other expenses	5,719	11,587
Interest expense	653	1,847
Total expenses	<u>327,287</u>	<u>326,869</u>
Net revenues	23,997	7,873
Capital contributions	64,015	47,878
Depreciation	<u>(35,420)</u>	<u>(37,899)</u>
Excess of revenues over expenses	<u>\$ 52,592</u>	<u>\$ 17,852.00</u>

See accompanying notes to other supplementary information.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**SCHEDULE OF REVENUES, SUBSIDIES AND EXPENSES, BUDGET VERSUS ACTUAL**  
**BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND - TRANSIT ONLY**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
(In thousands)

	Actual	Final Budget	Variance with Final Budget Positive (Negative)
<b>OPERATING REVENUES:</b>			
Passenger fares	\$ 52,976	\$ 50,433	\$ 2,543
Bart Transfers	2,460	2,460	0
Contract services	5,875	4,399	1,476
Advertising	1,819	1,150	669
Interest income	72	50	22
Other	3,952	2,498	1,454
Total operating revenues	<u>67,154</u>	<u>60,990</u>	<u>6,164</u>
<b>SUBSIDIES</b>			
Property taxes	79,360	73,002	6,358
Property taxes - Measure VV	29,439	29,241	198
Local sales tax - Measure B	24,656	23,757	899
Local sales tax - Measure J	3,978	3,938	40
Local operating assistance	15,329	12,655	2,674
State - AB1107	34,812	33,800	1,012
State - AB2972 Home to School	2,000	2,000	-
State - TDA	57,282	53,175	4,107
State - STA	20,235	21,304	(1,069)
State operating assistance other	3,882		3,882
Federal operating assistance	13,157	22,291	(9,134)
Total subsidies	<u>284,130</u>	<u>275,163</u>	<u>8,967</u>
Total revenue & subsidies	<u>351,284</u>	<u>336,153</u>	<u>15,131</u>
<b>EXPENSES:</b>			
Operator wages	58,525	60,176	1,651
Other wages	46,362	47,789	1,427
Fringe benefits	77,837	73,547	(4,290)
Pension expense	39,013	39,137	124
Services	26,592	22,126	(4,466)
Fuel and lubricants	18,613	20,145	1,532
Office/printing supplies	461	634	173
Other materials and supplies	12,817	14,866	2,049
Utilities	2,413	3,037	624
Insurance	11,528	9,535	(1,993)
Purchased transportation	26,754	26,759	5
Other expenses	5,719	6,222	503
Interest expense	653	1,741	1,088
Total operating expenses	<u>327,287</u>	<u>325,714</u>	<u>(1,573)</u>
Excess of revenues over expenses	23,997	<u>\$ 10,439</u>	<u>\$ 13,558</u>
Depreciation and amortization	(35,420)		
Capital contributions	<u>64,015</u>		
Change in net position	<u>\$ 52,592</u>		

See accompanying notes to other supplementary information.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENSES BY SERVICE AREA**  
**BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND - TRANSIT ONLY**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
(In thousands)

	Special Transit District 1	Special Transit District 2	Total
<b>REVENUES:</b>			
Passenger fares	\$ 50,136	\$ 2,840	\$ 52,976
BART transfers	2,328	132	2,460
Contract services	5,602	273	5,875
Advertising	1,606	213	1,819
Interest income	64	8	72
Other	3,490	462	3,952
Total operating revenues	<u>63,226</u>	<u>3,928</u>	<u>67,154</u>
<b>SUBSIDIES</b>			
Property taxes	63,481	15,879	79,360
Property taxes - Measure VV	29,439		29,439
Local sales tax - Measure B	22,804	1,852	24,656
Local sales tax - Measure J	3,978		3,978
Local operating assistance	13,537	1,792	15,329
State - AB1107	34,812		34,812
State - AB2972 Home to School	2,000		2,000
State - TDA	47,198	10,084	57,282
State - STA	17,613	2,622	20,235
State operating assistance	3,882		3,882
Federal operating assistance	11,674	1,483	13,157
Total subsidies	<u>250,418</u>	<u>33,712</u>	<u>284,130</u>
Total revenues and subsidies	<u>313,644</u>	<u>37,640</u>	<u>351,284</u>
<b>EXPENSES:</b>			
Operator wages	52,503	6,022	58,525
Other wages	40,939	5,423	46,362
Fringe benefits	69,345	8,492	77,837
Pension	34,757	4,256	39,013
Services	24,142	2,450	26,592
Fuel and lubricants	16,436	2,177	18,613
Office/printing supplies	407	54	461
Bus parts/maintenance supplies	11,318	1,499	12,817
Utilities	2,131	282	2,413
Insurance	10,180	1,348	11,528
Purchased transportation	24,047	2,707	26,754
Other expenses	5,050	669	5,719
Interest Expense	582	71	653
Depreciation	31,277	4,143	35,420
Total expenses	<u>323,114</u>	<u>39,593</u>	<u>362,707</u>
Income (loss) before capital contributions	(9,470)	(1,953)	(11,423)
Capital contributions	63,794	221	64,015
Change in net position	<u>\$ 54,324</u>	<u>\$ (1,732)</u>	<u>\$ 52,592</u>

See accompanying notes to other supplementary information.



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**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO OTHER SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2013**

***Budgetary Basis of Accounting***

The District's fiscal policies establish the framework for the management and control of the District's resources to ensure that the District remains fiscally sound. The District's goals and policies, which are approved by the Board of Directors, determine where and how District resources should be dedicated. For this reason, District goals, objectives, short and long-range planning and performance analyses are incorporated into the budget development process.

It is the policy of the District that the Board of Directors approves an annual budget prior to the beginning of each fiscal year. The budget is developed generally using the accrual basis of accounting. See the following section for a reconciliation of budget versus generally accepted accounting principles.

***Budgetary Basis Differences***

As discussed in Note 2, the accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The following is a summary of the differences between GAAP and budgetary basis:

- Perspective differences resulting from the Corporation and the Paratransit operations not budgeted.
- Capital outlay presented represents capital outlay funded by the District's operations and this is reported as an outflow of budgetary resources but is not considered an expense for financial reporting purposes.
- Depreciation on capital assets funded by District operations is not budgeted, as it is not an outflow of budgetary resources.

The effect of these differences between budgetary and GAAP accounting on the June 30, 2013 basic financial statements of the District's budgeted fund is as follows (in thousands):

Increase in net position on GAAP basis	\$51,546
Perspective difference	<u>1,046</u>
Increase in net position on the budgetary basis	<u><u>\$52,592</u></u>

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO OTHER SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2013**

***Schedule of Revenues and Expense by Service Area***

As discussed in note 1 to the financial statements, the District's basic financial statements include the financial activities of the District's Special Transit Service Districts No. 1 and No. 2. The amounts recorded in this schedule do not reflect paratransit activity and activity of the AC Transit Financing Corporation. The District's revenues between these Special Transit Service Districts are allocated based predominantly either on estimated actual revenues, farebox revenue allocations or on a ratio that uses service hours and service miles in Special Transit Service Districts No. 1 and No. 2. The District's expenses between these Special Transit Districts are allocated based predominantly either on operator wages or on a ratio that uses service hours and service miles in both Special Transit Service Districts No. 1 and No. 2.

## **Statistical Section**

## Statistical Section

The information in this section is not covered by the independent Auditors' Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

<b>CONTENTS</b>	<b>PAGE</b>
<b>FINANCIAL TRENDS</b>	<b>61</b>

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

<b>REVENUE CAPACITY</b>	<b>62</b>
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These schedules contain trend information to help the reader assess the District's most significant local revenue source, the property tax.

<b>DEBT CAPACITY</b>	<b>70</b>
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These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

<b>ECONOMIC AND DEMOGRAPHIC INFORMATION</b>	<b>71</b>
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These schedules offer economic and demographic indicators to help the reader understand how the environment within which the District's financial activities take place.

<b>OPERATING INFORMATION</b>	<b>75</b>
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These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports from the relevant year.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NET ASSETS**  
**LAST TEN FISCAL YEARS**  
**(in thousands)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Net Assets:</b>										
Invested in capital assets, net of related debt	\$241,579	\$222,238	\$222,482	\$229,109	\$212,754	\$231,130	\$209,056	\$207,548	\$187,570	\$202,095
Restricted for capital purchases <sup>3</sup>	n/a	n/a	n/a	n/a	15,668	18,342	14,567	14,897	46,893	74,531
Restricted for debt service <sup>2</sup>	2,013	1,975	1,975	-	1,350	1,350	1,350	1,350	1,174	1,605
Unrestricted	(14,388)	4,658	18,833	35,704	19,184	14,362	16,922	26,730	33,124	40,781
<b>Total net assets</b>	<u>\$229,204</u>	<u>\$228,871</u>	<u>\$243,290</u>	<u>\$264,813</u>	<u>\$248,956</u>	<u>\$265,184</u>	<u>\$241,895</u>	<u>\$250,525</u>	<u>\$268,761</u>	<u>\$319,012</u>

Notes:

<sup>1</sup> Implementation of GASB 34 effective beginning FYE June 30, 2002.

<sup>2</sup> Restricted amounts relate to payments on the Certificates of Participation.

<sup>3</sup> Restricted for capital purchases was required starting FY 2011.

Source: Office of Controller, AC Transit



**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(in thousands)**

**OPERATING REVENUES**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Farebox	\$43,904	\$43,266	\$47,536	\$48,550	\$49,889	\$52,173	\$53,229	\$50,648	\$49,363	\$50,357
Other Transit Fares	325	589	623	827	1,001	120	110	120	55	207
Bart Transfers	4,803	4,164	4,624	4,596	5,104	5,301	4,026	2,460	2,855	2,460
Contract Service	4,011	4,250	4,129	4,493	5,279	5,226	5,553	4,849	4,873	5,826
Service Funding-Alameda	56	-	-	-	-	-	-	-	-	-
Advertising	2,086	2,188	2,290	2,394	2,536	2,604	1,250	1,212	1,174	1,819
Other Income	5,102	4,144	3,861	4,476	2,962	3,922	3,234	2,043	2,234	3,953
<b>TOTAL</b>	<b>60,287</b>	<b>58,601</b>	<b>63,063</b>	<b>65,336</b>	<b>66,771</b>	<b>69,346</b>	<b>67,402</b>	<b>61,332</b>	<b>60,554</b>	<b>64,622</b>

**NONOPERATING REVENUES**

Property Taxes	59,365	60,520	73,078	77,655	83,138	87,365	96,610	94,539	100,151	108,798
State Funding	3,422	3,808	11,386	14,678	13,600	14,079	2,225	13,800	14,985	26,117
Sales Tax (AB1107)	28,526	29,729	31,990	33,180	33,833	30,767	27,767	30,145	32,501	34,812
Sales Tax TDA <sup>4</sup>	46,490	48,259	52,533	53,299	53,017	46,310	54,458	54,883	52,840	57,282
Capital Contribution - Fed & State	35,543	17,482	22,592	36,267	31,402	42,627	8,238	26,664	47,878	64,014
Operating Assistance										
Federal Sec. 8 & 9	37,207	35,083	32,263	25,690	12,088	48,162	55,175	44,421	45,212	28,486
Measure "B" <sup>1</sup>	20,246	20,818	22,722	23,288	23,868	20,733	19,723	17,400	23,038	24,657
Measure "J" <sup>2</sup>	1,506	1,273	1,377	1,609	1,489	1,472	3,528	3,585	3,522	3,978
Prop. 111-STA	3,077	4,036	5,238	6,991	3,968	9,103	0	0	0	
Interest Income	466	1,171	2,123	3,104	2,741	1,690	130	187	585	764
ADA Paratransit Service <sup>3</sup>	4,627	5,646	6,289	5,627	7,860	9,370	0	0	0	
<b>TOTAL</b>	<b>240,475</b>	<b>227,825</b>	<b>261,591</b>	<b>281,388</b>	<b>267,004</b>	<b>311,678</b>	<b>267,854</b>	<b>285,624</b>	<b>320,712</b>	<b>348,908</b>

**REVENUES &  
SUBSIDIES**

<b>\$300,762</b>	<b>\$286,426</b>	<b>\$324,654</b>	<b>\$346,724</b>	<b>\$333,775</b>	<b>\$381,024</b>	<b>\$335,256</b>	<b>\$346,956</b>	<b>\$381,266</b>	<b>\$413,530</b>
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Notes:

<sup>1</sup> Sales Tax-Measure "B" is administered by Alameda County Transportation Authority

<sup>2</sup> Sales Tax-Measure "J" is administered by Contra Costa County Transportation Authority

<sup>3</sup> There were no ADA Paratransit Service Revenues during FY 2010-2011

<sup>4</sup> RM2 revenues were reclassified from State Funding to Sales Tax TDA starting in FY 2010

Source: Office of Controller, AC Transit

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
REVENUES AND OPERATING ASSISTANCE - COMPARISON TO INDUSTRY TREND DATA  
LAST TEN FISCAL YEARS**

TRANSPORTATION INDUSTRY

<u>YEAR</u>	<u>OPERATING AND OTHER MISCELLANEOUS REVENUE</u>			<u>OPERATING ASSISTANCE</u>				<u>TOTAL REVENUES</u>
	<u>PASSENGER</u>	<u>OTHER</u>	<u>TOTAL</u>	<u>LOCAL</u>	<u>STATE</u>	<u>FEDERAL</u>	<u>TOTAL</u>	
2004	0.329	0.167	0.496	0.208	0.226	0.070	0.504	1.000
2005	0.324	0.157	0.481	0.210	0.236	0.073	0.519	1.000
2006	0.332	0.070	0.402	0.293	0.228	0.077	0.598	1.000
2007	0.314	0.065	0.379	0.310	0.236	0.075	0.621	1.000
2008	0.313	0.064	0.377	0.295	0.258	0.070	0.623	1.000
2009	0.315	0.058	0.373	0.065	0.225	0.253	0.543	1.000
2010	0.321	0.054	0.375	0.065	0.216	0.25	0.531	1.000
2011	0.328	0.049	0.377	0.065	0.221	0.243	0.529	1.000
2012	*	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*	*

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

<u>YEAR</u>	<u>OPERATING AND OTHER MISCELLANEOUS REVENUE</u>			<u>OPERATING ASSISTANCE</u>				<u>TOTAL REVENUES</u>
	<u>PASSENGER</u>	<u>OTHER</u> <sup>1</sup>	<u>TOTAL</u>	<u>LOCAL</u> <sup>2</sup>	<u>STATE</u>	<u>FEDERAL</u>	<u>TOTAL</u>	
2004	0.173	0.043	0.216	0.612	0.026	0.146	0.784	1.000
2005	0.167	0.059	0.226	0.611	0.030	0.133	0.774	1.000
2006	0.163	0.052	0.215	0.617	0.056	0.112	0.785	1.000
2007	0.159	0.061	0.220	0.609	0.070	0.101	0.780	1.000
2008	0.168	0.062	0.230	0.646	0.058	0.066	0.770	1.000
2009	0.173	0.057	0.230	0.617	0.076	0.077	0.770	1.000
2010	0.164	0.044	0.208	0.621	0.007	0.164	0.792	1.000
2011	0.158	0.033	0.191	0.627	0.043	0.139	0.809	1.000
2012	0.153	0.036	0.188	0.670	0.041	0.101	0.812	1.000
2013	0.152	0.033	0.185	0.651	0.082	0.082	0.815	1.000

Notes:

\* - Not Available

<sup>1</sup> Other miscellaneous revenue includes interest income, advertising income and other non-operating income.

<sup>2</sup> Includes sales and use tax revenue.

Source: The American Public Transportation Association, "APTA 2013 Transportation Fact Book"

**ALAMEDA -CONTRA COSTA TRANSIT DISTRICT  
SALES TAX REVENUE-OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

SALES TAX (AB 1107) RECEIPTS <sup>1</sup>

2003-04	227,747,920
2004-05	237,790,088
2005-06	255,922,812
2006-07	265,437,528
2007-08	270,100,824
2008-09	245,780,556
2009-10	222,061,988
2010-11	270,405,651
2011-12	344,169,564
2012-13	339,957,670

LOCAL TRANSPORTATION FUNDS <sup>2</sup>

	<u>ALAMEDA COUNTY</u>	<u>CONTRA COSTA COUNTY</u>	<u>TOTAL</u>
2003-04	55,175,813	31,412,304	86,588,117
2004-05	58,105,164	32,921,222	91,026,386
2005-06	62,869,170	35,040,997	97,910,167
2006-07	63,918,498	35,180,377	99,098,875
2007-08	63,873,885	35,017,978	98,891,863
2008-09	55,643,496	35,080,119	90,723,615
2009-10	50,359,342	28,866,624	79,225,966
2010-11	52,185,762	32,700,534	84,886,296
2011-12	65,188,207	38,486,598	103,674,805
2012-13	66,773,139	42,343,841	109,116,980

Notes:

<sup>1</sup> AB1107 Sales Tax receipts are shared by AC Transit, San Francisco Municipal Railways and Bay Area Rapid Transit. AC Transit received \$34.8 million in the fiscal year 2013

<sup>2</sup> The distribution of Local Transportation Funds derived from a one-quarter percent (1/4%) Retail Sales Tax is based on population. For fiscal year 2013, AC Transit received \$47.8 million from Alameda County and \$6.1 million from Contra Costa County.

Source: Metropolitan Transportation Commission State Board of Equalization

**ALAMEDA-CONTRA COSTA COUNTY TRANSIT DISTRICT  
ASSESSED VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS  
(in thousands)**

<b>ALAMEDA COUNTY</b>									
<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Agricultural Property</b>	<b>Institutional Property</b>	<b>Utility and Unsecured Property <sup>1</sup></b>	<b>Less: Tax-Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
2004	94,976,679	19,186,774	15,977,934	1,081,747	1,603,399	12,701,210	3,243,636	142,284,107	1.00
2005	103,803,391	20,091,593	15,998,280	1,093,305	1,773,362	12,468,944	3,834,506	151,394,369	1.00
2006	115,620,542	20,968,026	16,482,414	1,181,328	1,884,812	13,061,858	4,206,190	164,992,790	1.00
2007	129,127,345	22,467,714	17,022,667	1,225,484	2,023,259	13,001,842	4,312,765	180,555,546	1.00
2008	140,379,422	24,458,944	17,854,260	1,360,579	2,203,804	13,629,455	4,880,956	195,005,508	1.00
2009	146,399,031	25,895,769	19,172,805	1,466,409	2,263,501	14,086,040	5,115,665	204,167,890	1.00
2010	139,524,668	27,086,816	19,319,349	1,499,707	2,437,587	14,398,367	5,476,280	198,790,214	1.00
2011	137,082,662	26,746,547	19,385,756	1,435,643	2,450,098	14,454,882	5,793,021	195,762,567	1.00
2012	138,442,842	27,114,991	18,540,107	1,412,736	2,506,623	14,447,692	6,560,413	195,904,578	1.00
2013	140,479,280	27,958,514	19,450,625	1,412,563	2,599,792	15,321,277	6,549,698	200,672,353	1.00

<b>CONTRA COSTA COUNTY</b>							
<b>Fiscal Year</b>	<b>Real Property <sup>2</sup></b>	<b>Personal Property <sup>2</sup></b>	<b>Total</b>	<b>Less: Tax-Exempt Property</b>	<b>Net Assessed Value</b>	<b>Total Direct Tax Rate</b>	
2004	108,071,968	3,190,706	111,262,674	2,190,126	109,072,548	1.00	
2005	117,931,015	3,167,502	121,098,517	2,322,240	118,776,277	1.00	
2006	130,458,278	3,235,764	133,694,042	2,568,829	131,125,213	1.00	
2007	145,844,300	3,408,666	149,252,966	2,729,501	146,523,465	1.00	
2008	158,953,496	3,592,778	162,546,274	3,101,166	159,445,108	1.00	
2009	158,825,416	3,714,884	162,540,300	3,721,464	158,818,836	1.00	
2010	149,232,578	3,518,009	152,750,587	4,106,372	148,644,215	1.00	
2011	145,251,206	3,388,408	148,639,614	4,495,004	144,144,610	1.00	
2012	144,914,804	3,464,048	148,378,852	4,756,022	143,622,830	1.00	
2013	146,175,023	3,550,351	149,725,374	4,916,847	144,808,527	1.00	

Notes:

<sup>1</sup> The utility and unsecured rolls are not available by property type.

<sup>2</sup> Assessed values are those defined under California Revenue and Taxation Code Sections: 601 and 721 et. seq.

Source: Auditor-Controller, County of Alameda and County Assessor - County of Contra Costa

**ALAMEDA-CONTRA COSTA COUNTY TRANSIT DISTRICT  
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

**ALAMEDA COUNTY**

Fiscal Year	County Direct Rate	Overlapping Rates					Total <sup>1</sup>
	County General	County Special Districts	Local Special Districts	Agency Districts	Schools	Cities	
2004	1.0000	0.0029	0.0012	0.0084	0.0777	0.0555	1.1457
2005	1.0000	0.0023	0.0009	0.0083	0.0873	0.0507	1.1495
2006	1.0000	0.0027	0.0012	0.0127	0.0871	0.0517	1.1554
2007	1.0000	0.0031	0.0013	0.0166	0.0834	0.0546	1.1590
2008	1.0000	0.0031	0.0015	0.0216	0.0862	0.0524	1.1648
2009	1.0000	0.0035	0.0018	0.0249	0.0987	0.0520	1.1809
2010	1.0000	0.0042	0.0015	0.0195	0.1164	0.0582	1.1998
2011	1.0000	0.0052	0.0017	0.0179	0.1163	0.0582	1.1993
2012	1.0000	0.0063	0.0018	0.0176	0.1273	0.0584	1.2114
2013	1.0000	0.0048	0.0016	0.0159	0.1289	0.0560	1.2072

**CONTRA COSTA COUNTY**

Fiscal Year	County Direct Rate	Overlapping Rates					Total
	Countywide Rate <sup>2</sup>	County Special Districts	Local <sup>3</sup> Special Districts	Agency Districts	Schools	Cities	
2004	1.0000	0.0005	0.0029	0.0064	0.0549	0.0134	1.0781
2005	1.0000	0.0004	-0.0002	0.0059	0.0572	0.0128	1.0761
2006	1.0000	0.0000	0.0017	0.0107	0.0564	0.0127	1.0815
2007	1.0000	0.0000	0.0014	0.0137	0.0649	0.0126	1.0926
2008	1.0000	0.0000	0.0013	0.0158	0.0684	0.0130	1.0985
2009	1.0000	0.0000	0.0013	0.0192	0.0691	0.0131	1.1027
2010	1.0000	0.0000	0.0015	0.0167	0.0911	0.0126	1.1219
2011	1.0000	0.0000	0.0026	0.0114	0.1070	0.0127	1.1337
2012	1.0000	0.0000	0.0024	0.0114	0.1070	0.0127	1.1335
2013	1.0000	0.0000	0.0024	0.0096	0.1070	0.0144	1.1334

**Notes:**

<sup>1</sup> Rates reflect voter approved Proposition 13 provisions limiting property tax levy to 1 percent of full cash value plus levies to pay for indebtedness approved by voters. The rates shown under special districts, schools and cities represent the levies for indebtedness.

<sup>2</sup> In June 1978, California voters approved Proposition 13 which restricted the taxing power of local government agencies. Individual agencies do not establish in their own property tax rates, except for voter approved indebtedness. Instead, a countywide rate is levied with the proceeds distributed to all agencies according to formulas specified by the state legislature. The countywide rate is 1 percent of assessed value (\$1 per \$100 of taxable assessed valuation). The rates shown above are allocations of the 1% tax on assessed valuation.

<sup>3</sup> The 2005 rate for Local Special Districts includes a negative rate computed for the Los Medanos Community Healthcare District to affect a refund to the taxpayers of \$850k. The District's taxpayers had paid a special property tax for many years to fund the bond payments for healthcare facilities. Because of positive District financing, the District's Board determined the best use of any remaining bond funds (after covering all of the District's bond-related expenses) was to return the balance to taxpayers.

Source: Auditor-Controller, County of Alameda and County Assessor - County of Contra Costa

**ALAMEDA-CONTRA COSTA COUNTY TRANSIT DISTRICT  
PRINCIPAL PROPERTY TAXPAYERS  
JUNE 30, 2013  
(in thousands)**

**ALAMEDA COUNTY**

<b>Taxpayer</b>	<b>2013</b>			<b>2004</b>		
	<b>Secured Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Secured Assessed Value</b>	<b>Secured Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Secured Assessed Value</b>
Pacific Gas & Electric Co.	\$ 1,590,102	1	0.84 %	\$ 895,051	2	0.68 %
Kaiser Foundation Hospitals	1,179,499	2	0.62			
AT&T California	414,382	3	0.22	680,051	3	0.51
Apple Computer Inc	389,496	4	0.21			
Kaiser Foundation Health Plan Inc	356,480	5	0.19	221,287	8	0.17
Russell City Energy Company, LLC	287,200	6	0.15			
Leland Stanford Jr University Board Trus	282,895	7	0.15			
PSB Northern California Ind. Portfolio LL	281,487	8	0.15			
BRE Properties Inc	281,133	9	0.15			
Bayer Healthcare, LLC	274,499	10	0.15			
New United Motor Manufacturing, Inc.				987,385	1	0.75
Sun Microsystems Inc.				500,554	4	0.38
Calwest Industrial Properties, LLC				282,662	5	0.21
Cutter Laboratories				264,061	6	0.20
SCI Limited Partnership 1				236,867	7	0.18
Chiron Corp				218,437	9	0.16
Stoneridge Properties				200,156	10	0.15
	<u>\$ 5,337,173</u>		<u>2.83 %</u>	<u>\$ 4,486,511</u>		<u>3.39 %</u>

**CONTRA COSTA COUNTY**

<b>Taxpayer</b>	<b>2013</b>			<b>2004</b>		
	<b>Secured Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Secured Assessed Value</b>	<b>Secured Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Secured Assessed Value</b>
Chevron USA	\$ 4,373,188	1	3.21 %	\$ 5,014,020	1	4.60 %
Equilon/Shell Oil Co.	2,304,715	2	1.69	2,586,143	3	2.37
Pacific Gas & Electric	1,853,593	3	1.36	863,388	7	0.79
Tosco Corporation	1,578,835	4	1.16	1,504,771	4	1.38
Tesoro Refining & Marketing	1,565,599	5	1.15	3,137,757	2	2.88
Sunset Land Company	727,243	6	0.53			
AT & T/Pacific Bell	552,075	7	0.40			
Shappell Industries, Inc.	533,126	8	0.39			
Seeno Construction Co.	499,709	9	0.37			
Calpine/Delta Energy Center LLC	393,529	10	0.29			
USS Posco				1,266,913	5	1.12
Delta Energy				1,082,800	6	0.99
First Walnut Creei Mutual				834,446	8	0.77
Southern Bell Company				700,499	9	0.64
Union Pacific				558,490	10	0.51
	<u>\$ 14,381,612</u>		<u>10.55 %</u>	<u>\$ 17,549,227</u>		<u>16.05 %</u>

Source: Auditor-Controller, County of Alameda and County of Contra Costa



**ALAMEDA-CONTRA COSTA COUNTY TRANSIT DISTRICT  
PRINCIPAL EMPLOYERS  
JUNE 30, 2013  
(in thousands)**

**ALAMEDA COUNTY**

Employer	Type of Business	Number of Employees 2012 <sup>1</sup>	Rank	Percentage of Total County Employment	Number of Employees 2003 <sup>1</sup>	Rank	Percentage of Total County Employment <sup>2</sup>
University of California Berkeley (including Berkeley National Labs) <sup>8</sup>	Education	20,319	1	2.61%	35,221	1	4.73%
Kaiser Permanente Medical Group Inc. <sup>9</sup>	Health Care	10,914	2	1.40%	25,070	2	3.37%
County of Alameda <sup>10</sup>	Local Government	8,735	3	1.12%	8,747	7	1.17%
Lawrence Livermore National Laboratory <sup>8</sup>	Small Arms Ammunition Manufacturing	8,000	4	1.03%	8,646	8	1.16%
Safeway Inc. <sup>9</sup>	Supermarkets & Other Grocery	7,599	5	0.97%	10,000	5	1.34%
Oakland Unified School Dist <sup>9</sup>	Elementary and Secondary Schools	7,200	6	0.92%	6,184	11	0.83%
Novartis Vaccines & Diagnostics <sup>8</sup>	Research & Development in Biotech	5,400	7	0.69%	0	25+	0.00%
City of Oakland <sup>8</sup>	Local Government	5,252	8	0.67%	5,537	14	0.74%
Alta Bates Summit Medical Center <sup>8</sup>	Hospitals	4,628	9	0.59%	5,000	16	0.67%
Tesla Motors <sup>8</sup>	General Automotive Repair	4,500	10	0.58%	0	25+	0.00%
<b>Total</b>		<b>82,547</b>		<b>10.58%</b>	<b>104,405</b>		<b>14.02%</b>

**CONTRA COSTA COUNTY**

Taxpayer	2013 <sup>3</sup>			2005 <sup>5,7</sup>		
	Estimated Employees	Rank	Percentage of Total County Employment	Estimated Employees	Rank	Percentage of Total County Employment
John Muir Health	2,200	1	0.40%			
Kaiser Foundation Hospital	2,000	2	0.36%			
Chevron Corporation	1,329	3	0.24%	5,000	1	1.03%
Target Corporation	1,262	4	0.23%	3,400	2	0.70%
Walmart Stores, Inc.	1,150	5	0.21%			
Contra Costa Newspapers, Inc.	1,140	6	0.21%			
Doctors Medical Center	937	7	0.17%	900	8	0.19%
Shell/Martinez Refinery	900	8	0.16%	1,000	6	0.21%
Bio-Rad Laboratories	900	9	0.16%			
Texaco Inc	800	10	0.15%			
Kaiser Foundation Hospital				2,300	3	0.48%
John Muir Medical Center				1,900	4	0.39%
John Muir/Mt. Diablo Medical Center				1,500	5	0.31%
USS Posco Industries				975	7	0.20%
Bank of the West				800	9	0.17%
Aetna Health Services				600	10	0.12%
All Others	536,100			465,825		
	<b>548,718 <sup>4</sup></b>		<b>2.29%</b>	<b>484,200 <sup>6</sup></b>		<b>3.80%</b>

Notes:

<sup>1</sup> The number of employees, except for County of Alameda, City of Oakland, and City of Berkeley, include all employees in the East Bay area. Total employment within County of Alameda is unavailable.

<sup>2</sup> Percentage calculated based on Alameda County's Employment of 663,600 for 2011 and 719,700 for 2002 (Source: Employee Development Department)

<sup>3</sup> Harris Info Source, January (2013) - Contra Costa County

<sup>4</sup> Rich's Everyday Sales Prospecting Directory (2005) - Contra Costa County

<sup>5</sup> Rich's Everyday Sales Prospecting Directory (2005) - Contra Costa County

<sup>6</sup> State of California Employment Development Department, 2005 annual, not adjusted

<sup>7</sup> Principal Employer information for 2004 is not available

<sup>8</sup> Information from InfoGroup USA

<sup>9</sup> Information from EconoVue

<sup>10</sup> 2013 information from County's database

Source: Harris Infosource April 2011; State of California EDD for 2002 data

**ALAMEDA-CONTRA COSTA COUNTY TRANSIT DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(in thousands)**

**ALAMEDA COUNTY**

Fiscal Year <sup>1</sup>	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years <sup>2</sup>	Total Collections to Date	
		Amount	Percentage of Levy		Amount <sup>2</sup>	Percentage of Levy <sup>2</sup>
2006	\$ 1,891,314	\$ 1,847,316	97.67 %	-	-	-
2007	2,082,187	2,005,869	96.33	-	-	-
2008	2,259,012	2,155,685	95.43	-	-	-
2009	2,393,333	2,284,204	95.44	-	-	-
2010	2,360,181	2,283,101	96.73	-	-	-
2011	2,327,545	2,264,442	97.29	-	-	-
2012	2,358,081	2,300,192	97.55	2.45	-	-
2013	2,402,703	2,359,713	98.21	-	-	-

**CONTRA COSTA COUNTY**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>3</sup>		Collections in Subsequent Years <sup>3</sup>	Total Collections to Date	
		Amount	Percentage of Levy		Amount <sup>3</sup>	Percentage of Levy <sup>3</sup>
2004	1,402,895	1,375,570	98.05	27,016	1,402,586	99.98
2005	1,584,132	1,557,533	98.32	26,029	1,583,562	99.96
2006	1,720,978	1,685,279	97.93	35,096	1,720,375	99.96
2007	1,967,771	1,886,919	95.89	79,229	1,966,148	99.92
2008	2,077,283	1,971,251	94.90	101,904	2,073,155	99.80
2009	2,061,930	1,975,895	95.83	76,796	2,052,691	99.55
2010	1,964,724	1,909,306	97.18	44,102	1,953,408	99.42
2011	1,932,504	1,896,819	98.15	21,497	1,918,316	99.27
2012	1,973,646	1,918,653	97.21	43,875	1,962,528	99.44
2013	1,974,838	1,953,215	98.91	-	1,953,215	98.91

Notes:

<sup>1</sup> Data not available for fiscal years prior to 2006.

<sup>2</sup> Unable to determine subsequent collections by fiscal year.

<sup>3</sup> General taxes collected are the same as the amounts levied, because the county follows California's alternate method of apportionment (the Teeter Plan). Under the Teeter Plan, all amounts levied are apportioned to the county and other taxing agencies regardless of whether they are collected in the current year or not. A Tax Losses Reserve Agency fund insures losses resulting when a property is sold for taxes and the proceeds are insufficient to pay the outstanding amounts due.

Source: Auditor-Controller, County of Alameda and County of Contra Costa

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
(in thousands)**

<b>Fiscal Year</b>	<b>Certificates of Participation</b>	<b>ACTIA</b>	<b>Total Primary Government</b>	<b>Percentage of Taxable Assessed Value <sup>1</sup></b>	<b>Per Capita <sup>2</sup></b>
2004	20,958	20,000	40,958	0.008%	0.837%
2005	19,891	20,000	39,891	0.007%	0.787%
2006	18,789	-	18,789	0.006%	0.739%
2007	17,652	25,000	42,652	0.005%	0.690%
2008	29,980	25,000	54,980	0.008%	1.156%
2009	42,184	15,000	57,184	0.012%	1.612%
2010	39,783	7,000	46,783	0.013%	1.812%
2011	36,656	-	36,656	0.011%	1.428%
2012	30,616	-	30,616	0.009%	1.179%
2013	28,060		28,060	0.008%	1.070%

**Notes:**

<sup>1</sup> See Schedule of Assessed Value of Taxable Property for taxable assessed value.

<sup>2</sup> See Schedule of Demographic and Economic Statistics for population data

Details regarding the District's outstanding debt can be found in the notes to the financial statement

Source: Office of Controller, AC Transit

**ALAMEDA-CONTRA COSTA COUNTY TRANSIT DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

**ALAMEDA COUNTY**

<b>Fiscal Year</b>	<b>Population</b>	<b>Total Personal Income (amounts expressed in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
2004	1,498,125	59,419,621	40,920	5.9
2005	1,507,500	62,331,734	42,956	5.1
2006	1,510,303	66,325,334	45,689	4.4
2007	1,526,148	70,761,435	48,679	4.7
2008	1,543,000	73,159,586	49,757	7.2
2009	1,556,657	71,596,468	48,004	11.1
2010	1,509,240	72,757,457	48,087	11.3
2011	1,510,271	- <sup>1</sup>	- <sup>1</sup>	10.8
2012	1,532,137	- <sup>1</sup>	- <sup>1</sup>	9.5
2013	1,548,681	- <sup>1</sup>	- <sup>1</sup>	7.4

**CONTRA COSTA COUNTY**

<b>Fiscal Year</b>	<b>Population</b>	<b>Total Personal Income (amounts expressed in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
2004	1,005,698	48,917,847	49,275	5.4%
2005	1,016,372	51,528,384	51,566	5.1%
2006	1,025,436	55,313,098	55,241	4.5%
2007	1,035,097	58,491,374	57,881	4.7%
2008	1,048,185	59,348,149	57,874	6.3%
2009	1,061,325	59,043,740	56,703	10.8%
2010	1,073,055	N/A <sup>1</sup>	N/A <sup>1</sup>	11.3%
2011	1,056,064	N/A <sup>1</sup>	N/A <sup>1</sup>	11.0%
2012	1,065,117	N/A <sup>1</sup>	N/A <sup>1</sup>	9.4%
2013	1,074,702	68,253	57,264	7.3%

Notes:

<sup>1</sup> Data not yet published.

Source: State of California Employment Development Department Labor Market Information

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
APPROPRIATIONS LIMITATION CALCULATION  
For the Fiscal Year Ending June 30, 2013**

2011 -12 Appropriations Limit, Budgetary Purposes	\$364,652,384
Change in Consumer Price Index	3.77
Weighted Average Change in Population	1.0091
Total Adjustment Factor (rounded)	1.0471
Annual adjustment in dollars (rounded)	17,175,127
2012-13 Appropriations Limit	\$381,827,511

Source: Office of Controller, AC Transit

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
FARE HISTORY  
LAST TEN FISCAL YEARS**

FARE CATEGORY <sup>1</sup>	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<u>LOCAL CASH</u>										
Adult	\$1.50	\$1.50	\$1.75	\$1.75	\$1.75	\$2.00	\$2.00	\$2.00	\$2.10	\$2.10
Youth (13-17)	0.75	0.75	0.85	0.85	0.85	1.00	1.00	1.00	1.05	1.05
Child (5-12)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sr/Disabled	0.75	0.75	0.85	0.85	0.85	1.00	1.00	1.00	1.05	1.05
<u>LOCAL PASSES</u>										
Adult	60	60	70	70	70	80	80	80	80	80
Youth/Child (5-17)	15	15	15	15	15	15	15	15	20	20
Sr/Disabled	20	20	20	20	20	20	20	20	20	20
10-ride pass										
Adult	15	15	17.5	17.5	17.5	20	20	20	n/a	n/a
Sr/Dis/Youth	7.5	7.5	8.5	8.5	8.5	10	10	10	n/a	n/a
BART-to-Bus Transfer										
Adult	1.25	1.25	1.5	1.5	1.5	1.75	1.75	1.75	1.85	1.85
Sr/Dis/Youth <sup>3</sup>	0.55	0.55	0.65	0.65	0.65	0.75	0.75	0.75	0.8	0.8
Sports Special	2	2.5	2.5	2.5	2.5	2.5	2.5	2.5	n/a	n/a
<u>TRANSBAY BASIC CASH</u>										
Adult	3	3	3.5	3.5	3.5	4.00	4.00	4.00	4.20	4.20
Youth (13-17)	1.5	1.5	1.7	1.7	1.7	2.00	2.00	2.00	2.10	2.10
Child (5-12)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sr/Disabled	1.5	1.5	1.7	1.7	1.7	2.00	2.00	2.00	2.10	2.10
<u>TRANSBAY BASIC PASS</u>										
Adult	100	100	116	116	116	132.5	132.5	132.5	151.2	151.2
10-ride pass										
Adult	30	30	35	35	35	n/a	n/a	n/a	n/a	n/a
Sr/Dis/Youth	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sports Special	3.5	3.5	3.5	3.5	3.5	n/a	n/a	n/a	n/a	n/a
<u>TRANSBAY LONG DISTANCE CASH</u>										
Adult	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Youth (13-17)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Child (5-12)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sr/Disabled	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10-ride pass										
Adult	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sr/Dis/Youth	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<u>TRANSBAY LONG DISTANCE PASS</u>										
Adult	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<u>TRANSFER FEE See Note <sup>2</sup></u>	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25

Notes:

<sup>1</sup> Effective Sept. 2003, Child Fare was eliminated and became part of Youth Fare.

<sup>2</sup> Valid for 2 hours and a 1-use only.

<sup>3</sup> Bart-to-Bus transfer is a \$0.25 credit toward all fares

Source: Office of Controller, AC Transit



**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
MISCELLANEOUS STATISTICS  
June 30, 2013**

EMPLOYEES: 1,965 (1,682 in Vehicle Operations, which includes 1,341 drivers;  
341 in Maintenance; and 244 in General Administration)

SERVICE AREA: Approximately 364 Sq. Miles, with a population of 1.4 million <sup>5</sup>  
District 1 - 279 Sq. Miles  
District 2 (Fremont and Newark) - 85 Sq. Miles

Cities Served:	Alameda	Milpitas	Richmond <sup>1</sup>
	Albany	(Milpitas Blvd. and	San Francisco
	Berkeley	Dixon Landing Rd.	(Transbay Transit
	El Cerrito <sup>1</sup>	only)	Terminal only)
	Emeryville	Newark	San Mateo <sup>2</sup>
	Foster City <sup>2</sup>	Oakland	San Leandro
	Fremont	Palo Alto <sup>3</sup>	San Pablo <sup>1</sup>
	Hayward	Piedmont	Union City
	Menlo Park <sup>3</sup>		

Major Unincorporated Areas Served:	Ashland	El Sobrante <sup>1</sup>	Kensington <sup>1</sup>
	Castro Valley	North Richmond <sup>1</sup>	San Lorenzo
	Cherryland		

BASIC FARES	EAST BAY	TRANSBAY
Adults	\$2.10	\$4.20
Youth (5-17)	1.05	\$2.10
Sr/Disabled	1.05	\$2.10
Discounts available for all fare categories with tickets and passes		

PASSENGER TRIPS - 174,022 average weekday (54 million annually) <sup>4</sup>

**Youth . . . (13-17).** . . . . . 21 percent of riders <sup>4</sup>

**Adults . . . (18-64)** . . . . . 74 percent of riders

**Seniors. . (65 and older).** . . . . . 5 percent of riders

ROUTES - 111, most of which connect with BART, and six connecting with ferry boats

Transbay - 34 routes	East Bay District 1 - 63 routes
District 2 (Fremont & Newark) - 14 routes	Special Service - 7

FLEET - Total Buses: 611. Weekday Peak Hour Requirement: 438. Basic Service: 293  
ADA Accessible Buses: 611

MILEAGE - Annual Total Vehicle Miles - 21,154,830 miles

Notes:

<sup>1</sup> Contra Costa County

<sup>2</sup> San Mateo County Express Bus Service.

<sup>3</sup> Contract Service with a consortium led by AC Transit.

<sup>4</sup> Based on survey data. Riders under the age of 13 are not surveyed due to 'Human Subject Privacy' issues.

<sup>5</sup> NTD Report 2012-13

Source: Office of Controller, AC Transit

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
FINANCIAL TRENDS  
LAST TEN FISCAL YEARS  
(in thousands)**

**Operating Revenues**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Passenger fares	\$44,230	\$43,855	\$48,159	\$49,377	\$50,890	\$52,173	\$53,229	\$50,648	\$51,323	\$52,976
Contract service	8,814	8,414	8,753	9,089	10,383	10,646	9,689	7,520	7,728	8,335
Other	7,244	6,332	6,151	6,870	5,498	6,527	4,484	3,164	3,408	5,772
<b>Total operating revenues</b>	<b>\$ 60,288</b>	<b>\$ 58,601</b>	<b>\$ 63,063</b>	<b>\$ 65,336</b>	<b>\$ 66,771</b>	<b>\$ 69,346</b>	<b>\$ 67,402</b>	<b>\$ 61,332</b>	<b>\$ 62,459</b>	<b>\$ 67,083</b>

**Non-operating revenues**

Property taxes	\$ 59,365	\$ 60,520	\$ 73,078	\$ 77,655	\$ 83,138	\$ 87,365	\$ 96,610	\$ 94,539	\$ 100,151	\$108,799
Local sales tax	50,278	51,820	56,090	58,077	59,191	52,972	51,018	51,130	26,560	28,634
Local funds <sup>1</sup>	46,490	48,259	52,533	53,299	53,017	58,164	54,458	54,883	12,101	15,329
Federal	37,207	35,083	32,996	31,317	19,948	57,532	53,502	44,421	33,111	13,157
State	6,499	7,844	16,624	21,670	17,567	11,328	2,225	13,800	100,326	118,211
Gain on sale of capital assets							1,441	204		
Interest income	466	1,171	2,290	3,104	2,741	1,690	130	187	34	72
<b>Total non- operating revenues</b>	<b>\$200,305</b>	<b>\$204,697</b>	<b>\$233,611</b>	<b>\$245,122</b>	<b>\$235,602</b>	<b>\$269,051</b>	<b>\$259,384</b>	<b>\$259,164</b>	<b>\$272,283</b>	<b>\$284,202</b>

**Total Revenues**

<b>Total Revenues</b>	<b>\$260,593</b>	<b>\$263,298</b>	<b>\$296,674</b>	<b>\$310,458</b>	<b>\$302,373</b>	<b>\$338,397</b>	<b>\$326,786</b>	<b>\$320,496</b>	<b>\$334,742</b>	<b>\$351,285</b>
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**Expenses**

Operator wages	59,916	57,762	60,141	63,044	66,108	67,436	67,206	61,115	58,384	58,525
Other wages	45,917	46,158	48,807	52,526	55,221	59,252	56,751	50,267	48,328	46,361
Fringe benefits	81,274	83,539	95,775	96,971	103,646	112,939	122,016	116,399	117,593	116,850
Depreciation and amortization	29,362	34,451	30,938	36,994	34,465	37,805	38,990	35,531	37,899	35,420
Fuel and oil	8,126	10,344	14,126	14,928	19,400	17,721	13,581	16,209	18,593	18,613
Other material and supplies	7,792	9,728	9,925	11,858	12,585	15,752	13,895	11,775	13,913	13,277
Services	14,538	15,397	16,560	18,733	22,516	22,125	20,064	20,261	20,547	26,592
Insurance	5,141	4,291	7,073	7,029	8,807	5,150	6,983	4,267	9,262	11,529
Net expenses of joint venture	12,445	11,132	12,567	11,282	13,233	13,564	9,263	10,292	24,238	26,754
Interest expense	1,372	1,708	1,928	1,726	2,403	3,077	2,425	1,996	1,847	654
Other	5,716	6,603	7,007	10,111	11,248	9,975	7,139	10,417	14,164	8,132
<b>Total expenses</b>	<b>\$271,599</b>	<b>\$281,113</b>	<b>\$304,847</b>	<b>\$325,202</b>	<b>\$349,632</b>	<b>\$364,796</b>	<b>\$358,313</b>	<b>\$338,529</b>	<b>\$364,768</b>	<b>\$362,707</b>

Income (Loss) before capital contributions	\$ (11,006)	\$ (17,815)	\$ (8,173)	\$ (14,744)	\$ (47,259)	\$ (26,399)	\$ (31,527)	\$ (18,033)	\$ (30,026)	\$ (11,422)
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CAPITAL CONTRIBUTIONS	35,543	17,482	22,592	36,267	31,402	42,627	8,238	26,663	47,878	64,014
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CHANGE IN NET ASSETS	\$ 24,537	\$ (333)	\$ 14,419	\$ 21,523	\$ (15,857)	\$ 16,228	\$ (23,289)	\$ 8,630	\$ 17,852	\$ 52,592
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Notes:

<sup>1</sup> RM2 revenues were reclassified from State Funding to Sales Tax TDA starting in FY 2010

Source: Office of Controller, AC Transit

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
EXPENSES BY TYPE  
LAST TEN FISCAL YEARS  
(in thousands)**

**OPERATING EXPENSES (excluding depreciation & amortization)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Operator Wages	\$59,916	\$57,762	\$59,146	\$63,044	66,108	67,436	67,206	61,115	58,384	58,526
Other Wages	45,917	46,158	48,808	52,526	55,221	59,252	56,751	50,265	48,328	46,363
Fringe Benefits	81,274	83,539	95,775	96,971	103,646	112,939	122,016	120,217	117,593	116,849
Fuel and Oil	8,126	10,344	14,126	14,928	19,400	17,721	13,581	16,209	18,593	18,613
Other Materials/Supplies	7,792	9,728	9,926	11,858	12,585	15,752	13,895	11,777	13,913	12,393
Services	14,538	15,397	16,560	18,733	22,516	22,125	20,064	20,063	20,547	26,593
Insurance	5,141	4,291	7,073	7,029	8,807	5,150	6,983	4,266	9,262	11,529
Leases & Rentals	592	564	456	342	385	403	336	567	559	475
Purchased Transportation - ADA	17,073	16,778	18,122	11,282	13,233	13,564	9,263	14,579	11,396	2,249
Other	5,184	6,124	6,550	11,369	10,863	9,511	6,803	9,850	13,605	7,367
<b>TOTAL</b>	<b>245,553</b>	<b>250,685</b>	<b>276,542</b>	<b>288,082</b>	<b>312,764</b>	<b>323,853</b>	<b>316,898</b>	<b>308,908</b>	<b>312,180</b>	<b>300,957</b>

**NONOPERATING ITEMS**

Loss/(Gain) on Disposal of Personal Property and Equipment	-62	-85	-7	-1,600	-2,110	61	-1,441	-204	293	1,175
Interest	1,372	1,708	1,752	1,726	2,403	3,077	2,425	1,983	1,720	1,338
<b>TOTAL</b>	<b>1,310</b>	<b>1,623</b>	<b>1,745</b>	<b>126</b>	<b>293</b>	<b>3,138</b>	<b>984</b>	<b>1,779</b>	<b>2,013</b>	<b>2,513</b>
<b>GRAND TOTAL</b>	<b>\$246,863</b>	<b>\$252,308</b>	<b>\$278,287</b>	<b>\$288,208</b>	<b>\$313,057</b>	<b>\$326,991</b>	<b>\$317,882</b>	<b>\$310,687</b>	<b>\$314,193</b>	<b>\$303,470</b>

Source: Office of Controller, AC Transit.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
OPERATING EXPENSES - COMPARISON TO INDUSTRY TREND DATA  
LAST TEN FISCAL YEARS**

TRANSPORTATION INDUSTRY:

<u>YEAR</u>	<u>SALARIES &amp; WAGES</u>	<u>FRINGE BENEFITS</u>	<u>SERVICES</u>	<u>MATERIALS &amp; SUPPLIES</u>	<u>UTILITIES</u>	<u>CASUALTY &amp; LIABILITY COSTS</u>	<u>PURCHASED TRANSPORTATION</u>	<u>OTHER</u>	<u>TOTAL OPERATING EXPENSES</u>
2004	42.0%	26.7%	5.8%	9.1%	3.0%	2.5%	13.2%	-2.3%	100.0%
2005	40.2%	26.7%	5.8%	10.1%	3.2%	2.5%	13.8%	-2.3%	100.0%
2006	39.8%	26.3%	5.9%	11.3%	3.2%	2.5%	13.4%	-2.4%	100.0%
2007	39.0%	26.8%	6.1%	11.6%	3.4%	2.4%	13.0%	-2.3%	100.0%
2008	38.2%	25.7%	6.3%	12.8%	3.4%	2.2%	13.7%	-2.3%	100.0%
2009	38.2%	26.7%	6.6%	11.3%	3.5%	2.3%	14.0%	-2.5%	100.0%
2010	37.8%	27.4%	6.6%	10.7%	3.4%	2.6%	13.8%	-2.3%	100.0%
2011	37.4%	27.6%	6.6%	11.4%	3.3%	2.6%	13.3%	-2.2%	100.0%
2012	*	*	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*	*	*

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

<u>YEAR</u>	<u>SALARIES &amp; WAGES</u>	<u>FRINGE BENEFITS</u>	<u>SERVICES</u>	<u>MATERIALS &amp; SUPPLIES</u>	<u>UTILITIES</u>	<u>CASUALTY &amp; LIABILITY COSTS</u>	<u>PURCHASED TRANSPORTATION</u>	<u>OTHER</u>	<u>TOTAL OPERATING EXPENSES</u>
2004	43.7%	33.8%	6.1%	6.6%	1.3%	2.1%	5.2%	1.2%	100.0%
2005	41.2%	33.3%	6.2%	8.0%	1.1%	1.8%	6.8%	1.6%	100.0%
2006	40.1%	35.2%	6.1%	8.9%	1.0%	2.6%	4.6%	1.5%	100.0%
2007	40.3%	33.8%	7.5%	4.1%	5.2%	2.5%	3.1%	3.4%	100.0%
2008	38.7%	33.3%	7.2%	4.0%	6.2%	2.8%	4.2%	3.6%	100.0%
2009	39.1%	34.9%	6.8%	4.9%	5.5%	1.6%	4.2%	3.0%	100.0%
2010	39.1%	38.5%	6.3%	4.4%	4.3%	2.2%	2.9%	2.3%	100.0%
2011	36.1%	38.9%	6.5%	9.1%	0.9%	1.4%	4.7%	2.4%	100.0%
2012	34.2%	37.7%	6.6%	10.4%	0.8%	3.0%	3.7%	3.7%	100.0%
2013	30.0%	36.7%	8.4%	10.0%	0.9%	3.6%	6.1%	4.3%	100.0%

Notes:

\* - Not Available

Source: The American Public Transportation Association, "APTA 2013 Transit Fact Book"

**ALAMEDA CONTRA-COSTA TRANSIT DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Revenue Vehicle Statistics</u>										
Active Fleet Size	685	614	626	678	646	646	643	604	637	611
Maximum Peak Vehicles	624	499	505	508	512	518	518	475	436	438
Average Age of Active Revenue Vehicles (Yrs)	6.4	6.6	7.9	8.5	8.0	8.0	8.0	9.0	9.3	8.1
<u>General Operating Statistics</u>										
Vehicle miles (000's)	25,636	24,180	24,617	25,122	25,044	25,971	25,283	22,496	21,557	21,557
Platform hours (000's)	2,064	1,941	1,974	1,981	2,044	2,074	2,025	1,832	1,763	1,763
Miles per hour	12.4	12.5	12.5	12.7	12.3	12.5	12.5	12.3	12.2	12.2
Revenue vehicle fuel: Gallons (000's)	6,678	6,357	6,333	6,666	6,638	6,868	6,789	5,822	5,618	5,650
<u>Ridership Statistics</u>										
Unlinked Passengers (000's)	64,456	64,409	66,963	66,970	65,194	60,468	61,369	57,333	53,643	53,721
Passengers per hour	31.2	33.2	33.9	33.8	31.9	29.2	30.3	31.3	30.4	30.5
<u>Reliability</u>										
Collision accidents	22	15	21	17	29	29	48	33	32	35
Miles between accidents (000's)	1,165.3	1,612.0	1,172.2	1,477.8	863.6	895.6	526.7	681.7	673.7	615.9

Notes:

Source: AC Transit, National Transportation Database Report, and Monthly Safety and Security data.



Photo: H. Der 11/11/2013