

Alameda-Contra Costa Transit District

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018



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

1600 Franklin Street Oakland, CA 94612



Alameda-Contra Costa Transit District

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

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

Serving Alameda and Contra Costa Counties – Oakland, California

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

Year Ended June 30, 2018

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Alameda-Contra Costa Transit District

Claudia Allen
Chief Financial Officer

December 21, 2018

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 (“District”) for the fiscal year ended June 30, 2018, in accordance with the provisions of Sections 25250 and 25253 of the Government Code of the State of California.

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). The District assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework established for this purpose. In accordance with GAAFR guidance, we are obligated to disclose that the cost of internal controls should not surpass their benefits, and that the objective of internal controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The District’s financial records have been audited by our independent certified public accounting firm of Crowe LLP. The purpose of the independent audit was to provide reasonable assurance that the financial statements of the District for the year ended June 30, 2018, are free of material misstatements. The independent certified public accounting firm has issued an unmodified (“clean”) opinion on the District’s financial statements for the year ended June 30, 2018.

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, District’s organizational chart, and a listing of the members of the Board of Directors (the Board) 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 the District’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 & Measure BB Compliance Attestation: to determine compliance with the requirements described in the Measure B and BB Sales Tax for Mass Transit Funds Agreement between the District and the Alameda County Transportation Commission (ACTC).
- 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 XIIB 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 The Board 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

The District 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 and subsequently approved a \$16.5 million bond issue in 1959 enabling the District to buy out the failing privately owned Key System Transit Lines. 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 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.

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 because of the significance of their operational and financial relationships with the District.

The District is a participant with Bay Area Rapid Transit (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 District/BART coordinated service area. The Consortium has an executive committee comprised of the General Manager (GM) 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 District and BART Boards of Directors. The Boards act as the policy bodies of the Consortium. The District and BART were responsible for 69% and 31% of the expenses, respectively. In Fiscal Year 2017-18, the District incurred excess operating costs of approximately \$1.8 million related to the Consortium.

The District operates two (2) main types of service, East Bay Local Service and Transbay Service. East Bay Local Service consists of two (2) limited stop rapid bus routes, eight (8) major trunk routes, forty-five (45) local routes in Special Transit Service District 1, ten (10) local routes in Special Transit Service District 2 (Southern Alameda County), and seven (7) 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 during the academic year. Transbay Service consists primarily of three (3) all-day routes and twenty-four (24) peak period routes originating from various areas of the East Bay, terminating at the Transbay Terminal in Downtown San Francisco. Also under Transbay are four (4) all-day routes and four peak period routes originating in the East Bay and terminating at locations within San Mateo and Santa Clara Counties.

The District is also a member agency of the Transbay Joint Powers Authority (TJPA), created under State law to develop a new Transit Center in downtown San Francisco. Construction of this approximately \$3 billion project began in early 2010 and was completed in September 2018. Bus operations began in the Salesforce Transit Center in September 2018, but were suspended when structural issues were found in parts of the structures crossing city streets. The structural repairs are expected start soon and the Center should be back in service in 2019. When in service it will have the capacity for up to 300 bus departures per hour from this modern, efficient downtown transit terminal. Based on recent ridership studies, the District expects that up to 7,100 passengers per hour will use the new facility by 2030. This number represents nearly double the current demand.

GOVERNANCE

A seven-member Board establishes policy and sets direction for the management of the District. 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 (GM), the General Counsel and the District Secretary.

Responsibility for the day-to-day management of the District rests with the GM. The District's Executive Staff consists of the following: Chief Operating Officer (COO), Chief Financial Officer (CFO), Chief Information Services Officer (CIO), Executive Director of Planning & Engineering (ED-P&E), Executive Director of Human Resources (ED-HR), Executive Director of Safety, Security & Training (ED-SS&T), and Executive Director of External Affairs, Marketing & Communications (ED-ExM&C). An organization chart that illustrates the District's organizational structure follows later in the introductory section.

The District 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 the District and organizations for which the District is financially accountable. Financial accountability is defined as an appointment of a voting majority of the component unit's Board, and (1) either the District's ability to impose its will on the organization or (2) the potential for the organization to provide a financial benefit to, or impose a financial burden on the District.

BUDGET PROCESS

The District's annual budget serves as the foundation for its financial planning and control. The GM and staff prepare and submit the budget to the Board for approval. The annual budget consists of two budgets: an operating budget and a capital budget.

For fiscal year 2018, the District had an approved annual budget of approximately \$434 million with \$420 million dedicated to operations and \$14 million approved for current capital projects. The budget contained 2,249 authorized staff positions for fiscal year 2017-18 at mid-year. It is the responsibility of each department manager to administer their operations in such a manner as to insure that the use of funds is consistent with the goals and programs authorized by the Board and that approved spending levels are not exceeded.

FINANCIAL INFORMATION

Fiscal Year Ended June 30, 2018

The District's performance during FY 2017-18 resulted in a \$39.6 million increase in net position from operations. This increase was offset by a \$150.7 million decrease in net position resulting from the adoption GASB 75, related to the liability for OPEB Benefits. The net effect was a \$127.1 million dollar decrease in net position to \$23.5 million as of the end of the year. Compared to the prior year, total revenues increased from \$405.5 million to \$442.5 million, an increase of 9.1%, and total expenditures increased from \$451.9 million to \$476.0 million, an increase of 5.3 %. 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.

Economy

Serving the city of Oakland and the East Bay area and adjacent to San Francisco, the District is directly influenced by the economic conditions of its service territory and the Bay Area. Overall growth in the District's transit ridership is strongly correlated with population and employment growth in the region. The majority of the Districts' operating and maintenance funding is derived from sales and property taxes, which means the District is disproportionately impacted by changes in the economy. While the California economy remains strong in 2018, growth is decelerating.

Thanks to large employment increases in logistics, manufacturing, and technical industries, the East Bay's unemployment rate is the lowest it has been in decades, suggesting that the current expansion of the region's economy is not over. The local commercial real estate market stands out as it remains on a strong growth path and rents are increasing. Still, while the East Bay economy is continuing on its upward trajectory, the rate of growth in the region has slowed marginally compared to a year ago. (Beacon Economics, Regional Outlook, East Bay, Fall 2018).

Strengths: From August 2017 to August 2018, the unemployment rate in the East Bay decreased 0.9 percentage points from 3.8% to 2.9%, with the labor market tightening further. Over the same period, total nonfarm payroll increased by 1.8% – an addition of 21,300 jobs, as the region reached a total of 1.2 million jobs. The District also provides service to neighboring San Francisco, which outpaced the greater Bay Area, growing at a rate of 2.1%. (Beacon Economics, Regional Outlook, East Bay, Fall 2018).

Weaknesses: California was a growth leader for the U.S. economy coming out of the Great Recession. As the economic cycle matures, the state is running into some limits to growth. Strong job growth, supported by a vibrant high-tech sector has been a mainstay for the California economy. However, the state averaged a net of just 14,850 jobs gained per month through the first half of 2018, the slowest pace of hiring since 2011. With the state's unemployment rate at a historic low of 4.2 percent in June, it will be difficult to re-accelerate the pace of hiring to that seen in recent years due to a small pool of job candidates.

Long-term outlook: The United States is engaged in a potentially risky trade war with China and its economic growth will plummet over the next two years as the stimulus of tax cuts and spending increases wanes and interest rates rise, according to a new forecast from the UCLA Anderson School of Management. "The economy is in the process of downshifting from the 3% growth in real GDP this year to 2% in 2019 and 1% in 2020," warned senior economist David Shulman, author of the group's national forecast.

Along with a shrinking gross domestic product, job growth is likely to sink from the 190,000 average monthly gain this year to 160,000 a month next year, and a far weaker 40,000 a month in 2020, according to the UCLA outlook.

The trend of the District's ridership levels is also a concern going forward. Ridership has decreased recently with at least some of the losses attributable to transportation network companies (TNCs) such as Uber and Lyft. The service expansion that the District has implemented has countered some of that loss. While recent data show ridership levels stabilizing, the continued growth of TNCs will likely pose challenges for the District.

Long Term Financial Planning

Long-term financial planning at AC Transit is primarily accomplished via the Short Range Transportation Plan (SRTP) and the Regional Transportation Plan (RTP). The SRTP is a ten-year plan that is mandated by MTC to be updated every two years and adopted by the Board. The SRTP uses the most recent Adopted Annual Budget as the baseline for the period it covers. The Metropolitan Transportation Commission does the RTP for the region and it forecasts over a 25-30 year period. The RTP is updated every 4 years. The RTP prioritizes the transit infrastructure projects and transit services for the entire region.

Relevant Financial Policies

Financial policies for the District are the responsibility of the Board and remain in effect until amended by the Board. The District has four significant financial policies: (1) Accounting Policy, (2) Budget Policy, (3) Capital Projects Policy, and (4) Reserve Policy. The Accounting Policy addresses the District's method of accounting, audit schedule, standards of internal controls and audit committee designation. The Budget Policy provides the requirements for submission and approval of a budget and assigns responsibility for budgetary controls. The Capital Projects Policy establishes the process for review of capital projects by the GM and approval by the Board. The Reserve Policy establishes a comprehensive level of cash reserves for the District to withstand economic disruptions as well as unanticipated expenditures.

Major Initiatives

New Service Expansion

The District has implemented the majority of AC Go, its major service expansion plan, with central and southern Alameda County additions and changes beginning March 2017 and continuing through June 2018. AC Go is funded by increased revenues from Alameda County Measure BB, a ½% sales tax increment which was enacted by voters in November 2014.

East Bay Bus Rapid Transit (BRT)

The BRT is the District's largest capital project with a total budget of \$213 million. BRT will bring better transit to one of the East Bay's most diverse corridors through a combination of dedicated transit lanes, level boarding, pre-payment, and other features that has led this technology to be described as "light rail on wheels." The project groundbreaking was in August 2016, and revenue service is planned for late 2019.

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 the District for its CAFR for the fiscal years ended June 30, 1992 through 2017. 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 also want to express our appreciation to other District departments for their assistance in this effort. Finally, I wish to thank the Board 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,



Claudia Allen
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

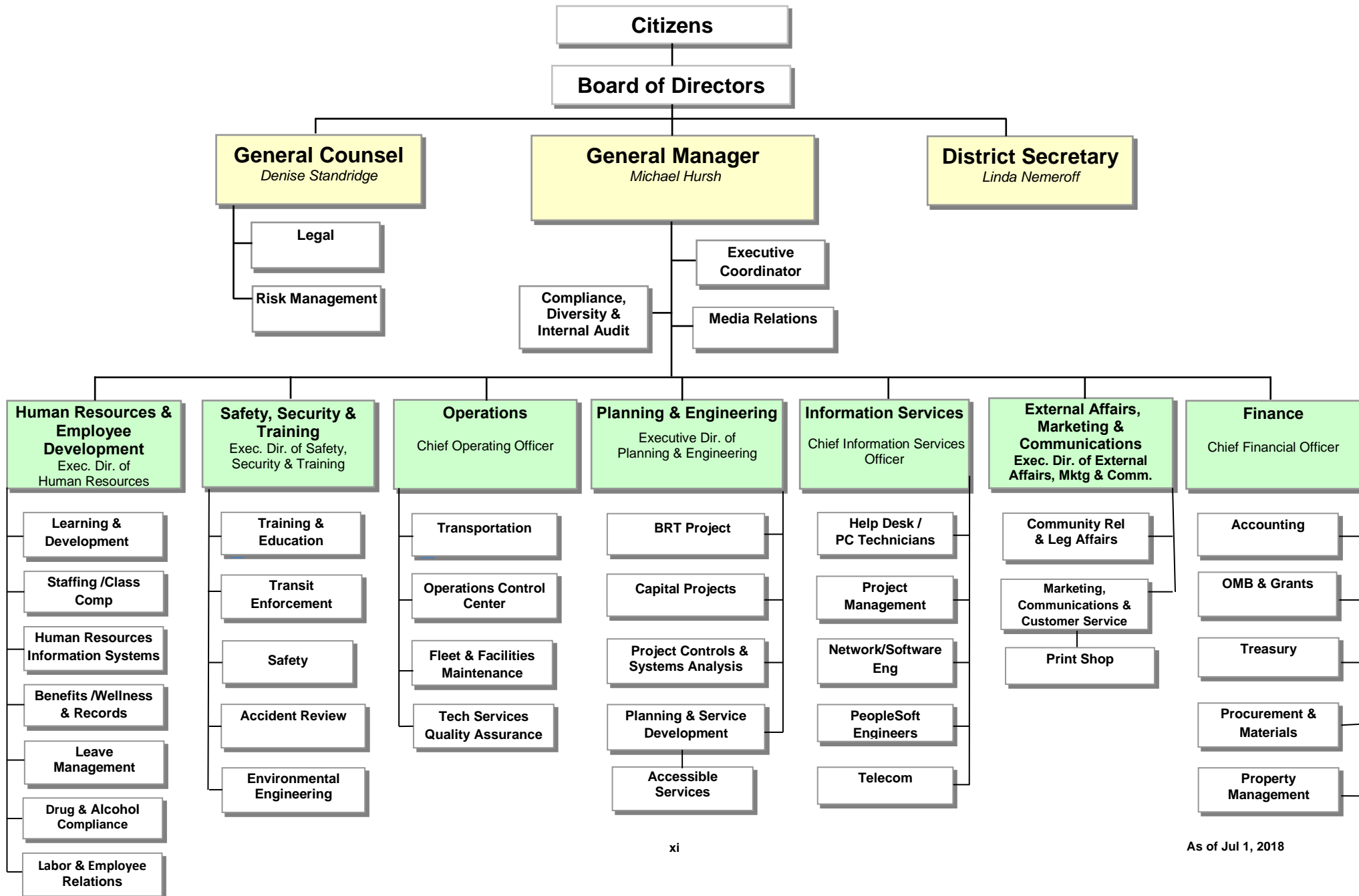
June 30, 2017

Christopher P. Morill

Executive Director/CEO

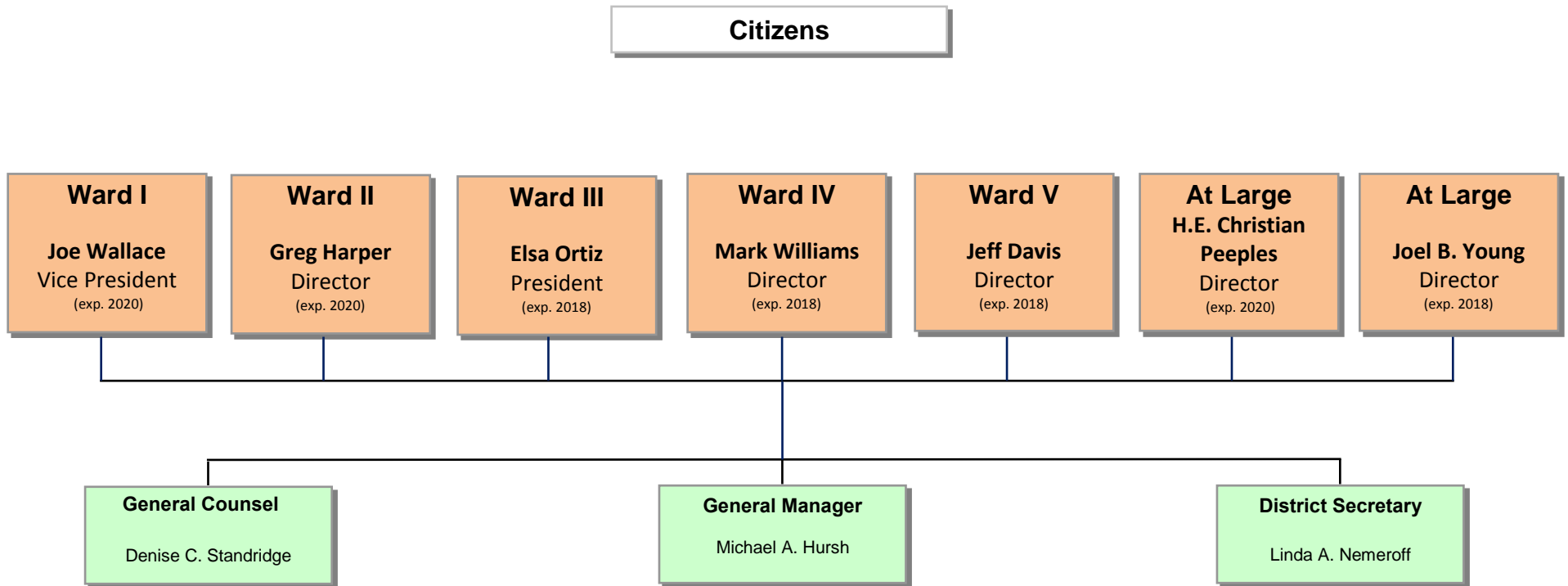


AC Transit District Organizational Chart





AC Transit District Board of Directors



Financial Section

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Alameda-Contra Costa Transit District (the District), as of and for the year ended June 30, 2018, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the AC Transit Employees' Retirement Plan, which represents the fiduciary activities of the District. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the AC Transit Employees' Retirement Plan, is based solely on the report of the other auditors. 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. The financial statements of the AC Transit Employees' Retirement Plan were not audited in accordance with *Government Auditing Standards*.

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(Continued)

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which resulted in a restatement of the District's beginning net position in the amount of \$166,757,448. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in Employer's Net Pension Liability and Related Ratios, Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability and Related Ratios, Schedule of Employer's Contributions, and Schedule of Funding Progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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.

Supplementary Information

Our audit for the year ended June 30, 2018 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Introductory Section, Other Supplementary Information for the year ended June 30, 2018, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information for the year ended June 30, 2018 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 basic financial statements. The Other Supplementary information has been subjected to the auditing procedures applied in the audit of the 2018 basic financial statements for the year ended June 30, 2018 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2018 basic financial statements or to the 2018 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the 2018 basic financial statements as a whole for the year ended June 30, 2018.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the District as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated December 13, 2017, which contained unmodified opinions on the respective financial statements of the business-type activities and fiduciary activities. The Comparative Schedules of Net Position, Comparative Schedules of Revenues, Expenses, and Changes in Net Position, Comparative Schedules of Cash Flows, and Comparative Schedules of Revenues, Expenses, and Changes in Net Position – Budgetary Basis (referred to collectively as “Comparative Schedules”) as of and for the year ended June 30, 2017, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 financial statements. The Comparative Schedules as of and for the year ended June 30, 2017, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Comparative Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

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 December 19, 2018, on our consideration of the 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 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.


Crowe LLP

San Francisco, California
December 19, 2018

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Management Discussion and Analysis

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 2018 with comparisons to the prior fiscal year.

Financial Highlights

- At June 30, 2018, total assets and deferred outflow of resources were \$667.8 million, an increase of \$12.3 million, or 2 percent, compared to June 30, 2017, when it was \$655.5 million. Total current assets at June 30, 2018 were \$215.6 million, a decrease of \$5.7 million, or 3 percent, primarily related to a decrease in cash largely offset by an increase in receivables at year end due to timing. Capital assets, net of accumulated depreciation increased by \$51.4 million or 15 percent, to \$400.1 million. Other Non-Current Assets decreased by \$1.4 million. Deferred outflows decreased by \$32.0 million to \$51.0 million primarily due to the pension related net of investment gains and the amortization of investment losses from prior periods.
- At June 30, 2018, total liabilities and deferred inflow of resources were \$644.3 million, an increase of \$139.5 million, or 28 percent, compared to June 30, 2017 when they were \$504.8 million. Total current liabilities decreased by \$2.2 million over fiscal year 2017 when they were \$88.3 million due to a net decrease in related subcategories at year end. At June 30, 2018 net pension liability was 254.9 million, a decrease of \$53.0 million, or 17 percent, over fiscal year 2017 when it was \$307.9 million. This change is attributable to investment and actuarial gains. Net OPEB liability increased by \$128.9 million, or 575 percent, from June 30, 2017 due to the new Governmental Account Standards Board (GASB) Statement No. 75 being adopted in its first mandatory year. The increase in deferred inflows of \$66.6 million is the product of the net activity of expected and actual experience as reflected in the pension OPEB actuarial studies.
- For Fiscal Year 2018, operating revenues increased by \$1.5 million, or 2 percent, to \$70.6 million. There were increases in passenger fare revenues of \$2.1 million; offset by decreases in contract services of \$0.6 million, or 5 percent. At June 30, 2017 operating revenues were \$69.1 million. Farebox revenue above of \$2.5 million was attributable to the JPA joint ventures for Paratransit and Dumbarton.
- In Fiscal Year 2018, total operating expenses were \$476.0 million, an increase of \$24.1 million, or 5 percent, compared to \$451.9 million at June 30, 2017. The expense categories of salary and wages, depreciation, outside services and insurance showed the larger increases, with salary and wages increasing by \$8.3 million or 6%, due in part to CBA driven wage increases, depreciation increased by \$4.7 million due to an increase in depreciable base due to the District's capital acquisitions program, and insurance increased by \$6.0 million due to the absence of an favorable offsetting actuarial adjustment as was the case in 2017. The increase in the outside services number of \$4.3 million is primarily attributable to the increase in "Pass Thru" expenditures which during the period grew by \$3.5 million. ("Pass Thru" revenues and expenditures are generated from projects belonging to other agencies, which may directly or indirectly benefit the District's operations.) The more significant reductions were in "Other" in the amount of \$3.6 million due to the lack of election expenses during the period. Fringe Benefits had increases in several component sub categories, however, primarily due to favorable pension actuarial results was \$0.7 million less than prior year. The remaining line items in the operating expenses section of the financial statements had increases, comprising the net result.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

- For Fiscal Year 2018, non-operating revenues were \$372.0 million, which is an increase of 35.6 million, or 11 percent, compared to Fiscal Year 2017 when it was \$336.4 million. Notable increases occurred in the categories property taxes of \$10.2 million, local funding of \$13.2 million, local sales tax funding of \$5.9 million, and. There were no notable decreases during the period.
- At June 30, 2018, net position was \$23.5 million, a decrease of \$127.1 million, or 84 percent, from June 30, 2017 when it was \$150.7 million. This 2018 decrease in net position was significantly driven by the required implementation of GASB 75 which records Other Post-Employment Benefits (OPEB) liability and expense in a manner similar to GASB 68 for pension a few years back. The cumulative effect of implementing GASB 75 on the opening net position was \$166.8 million, however, was partially offset during the fiscal year by the net result of total operating and non-operating revenues during the fiscal year of \$442.5 million, combined with capital funds earned during the period of \$74.5 million, totaling \$517.0 million, over total expenses of \$477.4 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* report shows the changes 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.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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

**Alameda-Contra Costa Transit District
Statement of Net Position
(in thousands)
June 30, 2018**

	2018	2017	Change	%
Assets				
Current Assets	\$ 215,578	\$ 221,269	\$ (5,691)	-3%
Capital Assets	400,106	348,725	51,381	15%
Other Non-Current Assets	1,138	2,488	(1,350)	-54%
Total Assets	616,822	572,482	44,340	8%
Deferred Outflows of Resources	50,994	83,009	(32,015)	-39%
Total Assets and Deferred Outflows of Resources	\$ 667,816	\$ 655,491	\$ 12,325	2%
Liabilities				
Current Liabilities	\$ 86,010	\$ 88,259	\$ (2,249)	-3%
Long Term Portion of COPS	11,169	13,389	(2,220)	-17%
Net Pension Liability	254,935	307,948	(53,013)	-17%
Net OPEB Liability	151,324	22,426	128,898	575%
Other Non-Current Liabilities	63,667	62,182	1,485	2%
Total Liabilities	567,105	494,204	72,901	15%
Deferred Inflows of Resources	77,168	10,596	66,572	628%
Total Liabilities and Deferred Inflows of Resources	644,273	504,800	139,473	28%
Net Position				
Net Investment in Capital Assets	386,714	331,581	55,133	17%
Restricted for Capital Purchases	22,769	26,899	(4,130)	-15%
Restricted for Debt Service	763	2,104	(1,341)	-64%
Unrestricted	(386,703)	(209,893)	(176,810)	84%
Total Net Position	23,543	150,691	(127,148)	-84%
Total Liabilities, Deferred Inflows, and Net Position	\$ 667,816	\$ 655,491	\$ (54,247)	-8%

Assets:

At June 30, 2018, total assets and deferred outflow of resources were \$667.8 million, an increase of \$12.3 million, or 2 percent, compared to June 30, 2017, when it was \$655.5 million. Current assets at June 30, 2018 were \$215.6 million, a decrease of \$5.7 million, or 3 percent, primarily due to a decrease in cash and investments of \$31.0 million, which was comprised of an increase in investments of \$5.9 million during the period, offset by the spend down of restricted capital funds on related programs of \$4.1 million and the

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

decrease in cash of \$32.9 million. This overall decrease in cash and investments was offset by an increase in receivables of \$17.9 million from normal operating and non-operating sources due to timing. Additionally, there was a year over year increase in the receivable due from the pension trust fund of \$5.2 million again due to timing. There was an increase of prepaid expenses of \$1.8 million mainly due to a slightly early defeasance of the 2012 refunding certificate of participation, and a slight increase in inventory of \$0.4 million. Capital assets, net of accumulated depreciation increased by \$51.4 million, or 15 percent, to \$400.1 million, primarily due to asset additions. Deferred outflows decreased by \$32.0 million or 39% to \$51.0 million over June 30, 2017 when it was \$83.0 million. The change in this number is the product of changes in actuarial assumptions, and the difference between actuarially projected and actual earnings of pension investments, as well as the addition of \$2.5 OPEB with the implementation of GASB 75.

Liabilities:

At June 30, 2018, total liabilities and deferred inflows of resources were \$644.3 million, an increase of \$139.5 million, or 28 percent, compared to June 30, 2017 when they were \$504.8 million. Current liabilities at June 30, 2018 were \$86.0 million a decrease of \$2.2 million, or 3 percent, over June 30, 2017 when it was \$88.3 million. Several factors contributed to this net result, including increases of \$3.8 million in unearned revenue comprised of an increase of \$2.1 million of regional measure 2 funds on hand, receipt of state prepaid funds of \$1.7 million, and increases in current paid time off balances primarily due to reclassification from long term liabilities. The increases in current liabilities were offset by a decrease in short term claims liability due a reclassification to long term liabilities of \$2.3 million, a reduction in the short-term certificates of participation (COPS) liability of \$1.5 million, due to normal scheduled payments, and in other accrued liabilities due to the clearing of the "pass thru" liability ("Pass Thru" activities are generated from projects belonging to other agencies, which may directly or indirectly benefit the District's operations) at year end.

At June 30, 2018 net pension liability was 254.9 million, a decrease of \$53.0 million, or 17 percent, over fiscal year 2017 when it was \$307.9 million. This change is attributable to investment and actuarial gains. Net OPEB liability increased by \$128.9 million, or 575 percent, from June 30, 2017 due to the new Governmental Account Standards Board (GASB) Statement No. 75 being adopted in its first mandatory year. The long-term portion of the COPS, liability is \$11.2 million, a decrease of \$2.2 million over the June 30, 2017 balance when the liability was \$13.4 million, due to the normal progression on the related amortization tables.

Deferred Inflows was \$77.2 million at June 30, 2018, an increase of \$66.6 million or 628% due to the recording of the OPEB related activity of \$49.7 million, and an increase of \$16.9 million for pension as the net of expected and actual actuarial experience related to the pension and OPEB plans.

Net Position:

At June 30, 2018, net position was \$23.5 million, a decrease of \$127.1 million, or 84 percent, from June 30, 2017 when it was \$150.7 million. This 2018 decrease in net position was significantly driven by the required implementation of GASB 75 which records Other Post-Employment Benefits (OPEB) liability and expense in a manner similar to GASB 68 for pension a few years back. The cumulative effect of implementing GASB 75 on the opening net position was \$166.8 million, however, was partially offset during the fiscal year by the net result of total operating and non-operating revenues during the fiscal year of \$442.5 million, combined with capital funds earned during the period of \$74.5 million, totaling \$517.0 million, over total expenses of \$477.4 million.

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

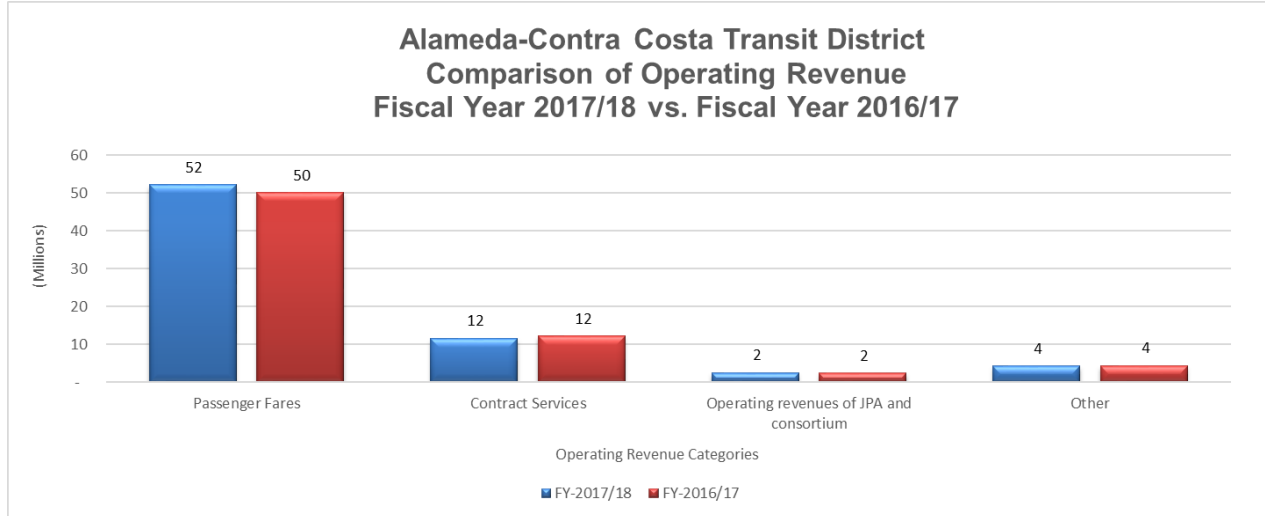
<p style="text-align: center;">Alameda-Contra Costa Transit District Statement of Revenues, Expenses and Changes in Net Position (in thousands) For the Years Ended June 30, 2018 and June 30, 2017</p>				
	<u>2018</u>	<u>2017</u>	<u>Changes</u>	<u>%</u>
Revenues				
Operating Revenues				
Passenger Fares	\$ 52,245	\$ 50,157	\$ 2,088	4%
Contract Services	11,579	12,179	(600)	-5%
Operating revenues of JPA and consortium	2,477	2,410	67	3%
Other	4,261	4,326	(65)	-2%
Total Operating Revenues	<u>70,562</u>	<u>69,072</u>	<u>1,490</u>	<u>2%</u>
Non-Operating Revenues				
Property Taxes	134,694	124,543	10,151	8%
Local Sales Taxes	99,982	94,128	5,854	6%
Local Funds	91,555	78,327	13,228	17%
State	13,681	12,699	982	8%
Federal	5,598	1,240	4,358	351%
Non-operating revenues of JPA and consortium	25,878	25,154	724	3%
Gain (Loss) on sale of capital assets	(1)	(14)	13	-93%
Interest Income	575	315	260	83%
Total Non-Operating Revenues	<u>371,962</u>	<u>336,392</u>	<u>35,570</u>	<u>11%</u>
Total Revenues	<u>442,524</u>	<u>405,464</u>	<u>37,060</u>	<u>9%</u>
Expenses				
Operating Expenses				
Operator Wages	85,733	78,963	6,770	9%
Other Wages	64,353	62,865	1,488	2%
Fringe Benefits	172,335	173,037	(702)	0%
Depreciation	40,230	35,502	4,728	13%
Fuel & Oil	12,734	10,831	1,903	18%
Other Materials & Supplies	13,951	11,973	1,978	17%
Services	40,858	36,530	4,328	12%
Insurance	7,425	1,380	6,045	438%
Expenses of JPA and consortium	30,177	29,003	1,174	4%
Other	8,243	11,816	(3,573)	-30%
Total Operating Expenses	<u>476,039</u>	<u>451,900</u>	<u>24,139</u>	<u>5%</u>
Non-Operating Expenses				
Interest Expense	1,346	1,100	246	22%
Total Expenses	<u>477,385</u>	<u>453,000</u>	<u>24,385</u>	<u>5%</u>
Loss before Contributed Capital	<u>(34,861)</u>	<u>(47,536)</u>	<u>12,675</u>	<u>-27%</u>
Capital Contributions	<u>74,470</u>	<u>45,155</u>	<u>29,315</u>	<u>65%</u>
Change in Net Position	<u>39,609</u>	<u>(2,381)</u>	<u>41,990</u>	<u>-1764%</u>
Net Position, beginning of year	<u>150,691</u>	<u>153,072</u>	<u>(2,381)</u>	<u>-2%</u>
Cumulative effect of adoption of GASB 75	<u>(166,757)</u>			
Net Position, beginning of year, as restated	<u>(16,066)</u>			
Net Position, end of year	<u>\$ 23,543</u>	<u>\$ 150,691</u>	<u>\$ (127,148)</u>	<u>-84%</u>

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Operating Revenue:

For Fiscal Year 2018, operating revenues increased by \$1.5 million, or 2 percent, to \$70.6 million. There were increases in passenger fare revenues of \$2.1 million; offset by decreases in contract services of \$0.6 million, or 5 percent. At June 30, 2017 operating revenues were \$69.1 million. There was a general fare increase effective July 1, 2017.



Non-Operating Revenue:

For fiscal year 2018, non-operating revenues were \$372.0 million, which is a net increase of \$35.6 million, or 11 percent, compared to fiscal year 2017 when it was \$336.4 million. This overall net increase included year over year increases in Property Taxes and local sources of \$29.4 million, as well as net increases in state and federal funds.

At fiscal year-end 2018 property taxes were \$134.7 million an increase of \$10.2 million or 8 percent, over fiscal year 2017, suggesting a sustained strong local real estate market. The property tax number contains regular property tax and a Parcel Tax assessed in a portion of our service area. Of the \$134.7 million for property taxes, the parcel tax contributed \$29.7 million in fiscal year 2018, and as the tax levied is fixed per parcel, it does not fluctuate significantly year over year. Local sales tax revenues went from \$94.1 million at June 30, 2017, to \$100.0 million as of June 30, 2018, an increase of \$5.9 million, or 6 percent. These included increases Measure B, Measure BB, Measure J and AB1107 funds, of \$1.8 Million, \$2.1 million, \$1.8 million, and \$0.2 respectively.

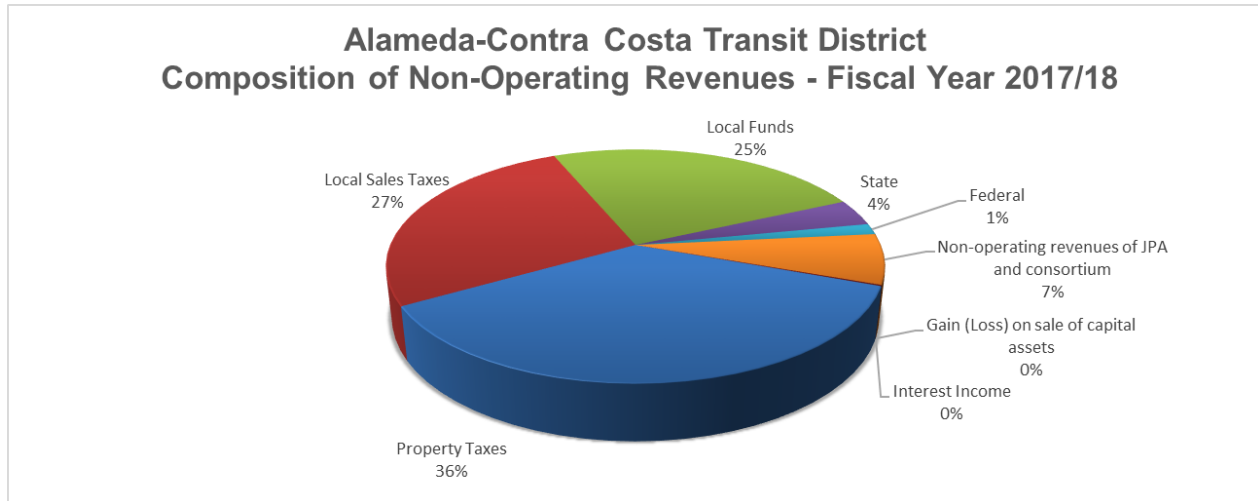
State revenues, which includes state transit assistance (STA), state pass thru funds, AB2972 "home to school" funds, and newly passed ballot initiative "SB-1", increased by \$1.0 million to \$13.7 million, or 8 percent, over June 30, 2017, when it was \$12.7 million. While state pass thru funds decreased by \$2.4 million due to less state participation in the period, and AB2972 funds were written off during the period due to a settlement, regular STA funds increased by \$0.3 million over the prior fiscal year, and this was the first year that the District received funds, in the amount of \$6.5 million, from voter approved proposition "SB-1" which comes from new state gasoline tax revenues.

Federal operating funds increased by \$4.4 million, or 351 percent, over June 30, 2017 when they were \$1.2 million. In fiscal year 2018 federal pass thru funds increased by \$4.6 million, along with modest increases in ADA related subsidies offset with the absence of federal operating assistance during this period.

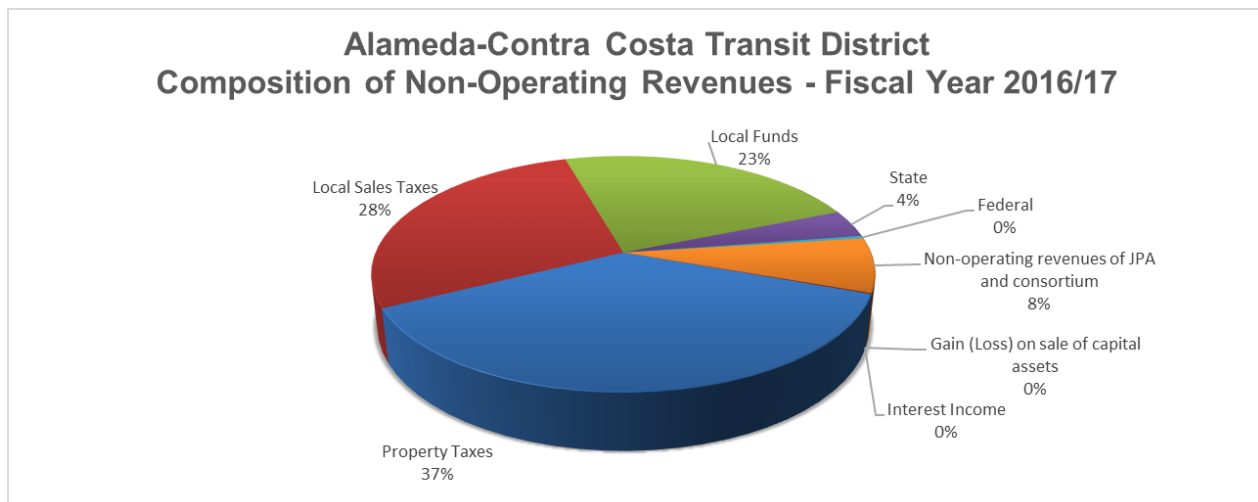
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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Non-Operating revenues of JPA and consortium include discretely allocated revenues from the categories of Local, State and Federal sources and include Local Sales Taxes comprised of Measure B \$6.0 Million, Measure BB \$6.6 million, and Measure J \$0.2 million, Local funds comprised of Transportation Development Act of \$ 4.2 million, Regional Measure 2 operating funds of \$2.8 million, State funds include State Transit Assistance (STA) funds of \$1.1 million, and well as Federal funding of \$5.0 million. Notable year over year increases of \$1.3 million, came from Measure B \$0.4 million, Measure BB of \$0.5 million, a net increase in TDA of \$0.2 million, STA of \$0.4 million offset by a decrease in federal funds of \$0.3 million, and STA lifeline funds of \$0.6 million.



When comparing the “Composition of Non-Operating Revenue” pie charts from FY-16/17 (below) to FY-17/18 (above) shift in composition between these fiscal years, as percent of total non-operating revenue in each respective fiscal year included a reductions in the State category of 2 percent due to reduced pass thru funds and property tax of 1 percent, while increases included the categories of local funds of 3 percent, and federal funds of 1 percent, due pass thru funding while local sales taxes stayed steady at 31 percent.



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Expense Highlights

In Fiscal Year 2018, total operating expenses were \$476.0 million, an increase of \$24.1 million or 5 percent compared to \$451.9 million in Fiscal Year 2017.

Increases in operating expense categories include operator wages of \$6.8 million or 9% due a contractual wage increases of 4% and an increase in bus operators regular and overtime paid hours in support of District service initiatives. Other salary and wages increased by \$1.5 million or 2 percent mainly due to an increase in maintenance wages due to CBA driven wage increases and a slight increase in maintenance headcount, and an increase in regular hours worked. Additionally, there were wage increases ranging from 3.25% to 4.25% percent for some represented groups at the beginning of the period.

Fringe benefits decreased overall by \$0.7 million over June 30, 2017. While there were increases in medical and dental expense of \$3.6 million, workers comp of \$0.9 million, FICA of \$0.8 million, and regular Pension expense of \$0.8 million as well as in other subcomponents of this series, these were more than offset by an overall reduction in pension expense of \$12.5 million, primarily due to favorable investment outcomes during the period.

Depreciation increased by \$4.7 million due to growth in the depreciable base. Fuel and Oil increased slightly by \$1.9 million which may signal a halt to its previous multiyear downward trend. Materials and Supplies consumption had an increase of \$2.0 million, or 17 percent, over 2017 largely due to write down provisions for obsolete inventory of \$1.2 million, and other inventory adjustments of \$0.3 million at year end.

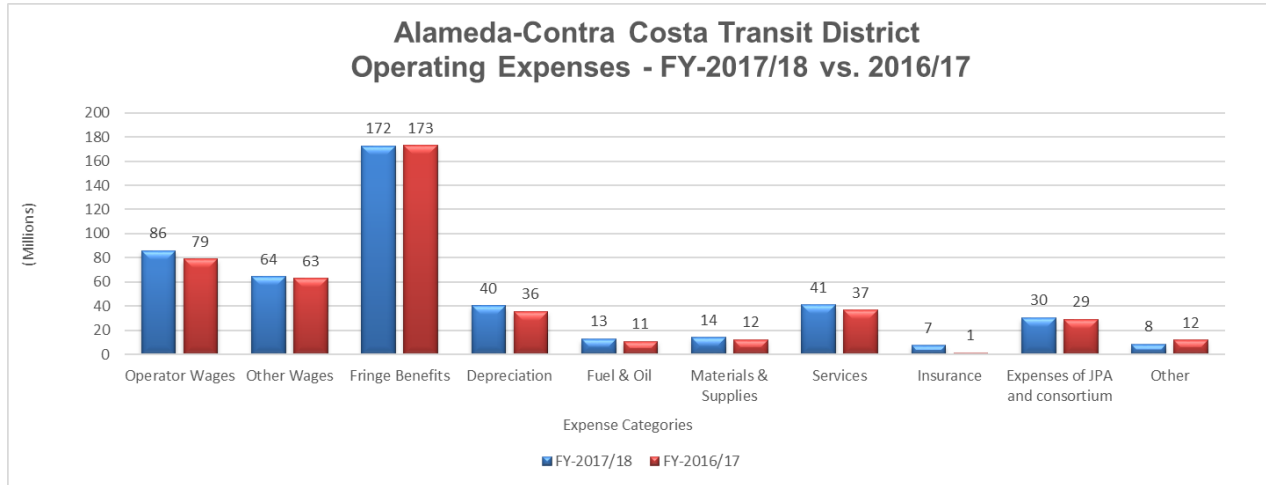
Outside services increased by \$4.3 million over fiscal year 2017 when it was \$36.5 million. Pass thru expenditures which are exclusively reported in this object class were \$12.9 million in 2018, or \$3.4 million more than fiscal 2017 when they were \$9.5 million. It can be noted that the corresponding pass thru revenues had favorable timing to create an overall small net effect in expense during the period of \$0.2 million. Other notable year over year increases in this outside services category include security services and temporary help of \$0.5 million each, and while decreases included contract maintenance services of \$0.2 million and \$0.1 million reductions in outside repair services and outside training services, with the net of the other outside services line items make up the remaining year over year difference in this category.

In fiscal year 2018 insurance is \$7.4 million, an increase of \$6.0 million over 2017, or 438 percent, when it was \$1.4 million. While the cost of policy coverage increased by \$0.7 million during the period, what may appear as a significant increase, was driven by not having the major decrease (\$4.7 million) in the self-insurance component of this number in the prior fiscal year from favorable actuarial results.

The "expenses of JPA and consortium" category includes the Paratransit and Dumbarton consortium expenses, which showed an increase of \$1.2 million over fiscal 2017. In the required financial statement presentation there are line items pertaining to operating and non-operating revenues, as well as this line item for expense. However, if we look at these financial statement line items from a "Net Expenses of Joint Venture" perspective, where all revenues and related expenses are merged, perhaps a more managerially informative picture emerges, namely that during this fiscal year the Dumbarton Consortium was cost neutral, and the Paratransit Consortium had a net expense, to the District of \$2.4 million.

In fiscal year 2018 the category of "other" expenses is \$8.2 million, a decrease of \$3.6 million over fiscal year 2017 when it was \$11.8 million. The primary difference is that we did not have election expenses from Alameda County during the current fiscal year. Other increases in this category include utilities of \$0.2 million, use tax \$0.3 million and marketing expenses of \$0.2 million offset by the net changes in the balance of accounts that compose this line item.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018



Capital Program

The District received capital contributions of \$74.5 million in Fiscal Year 2018 compared to \$45.2 million in Fiscal Year 2017, an increase of \$29.3 million, or 65 percent. In fiscal year 2018 capital contributions came from the following sources, federal \$38.2 million, State \$10.7 million, and local \$25.5 million. On-going capital investment is crucial to an asset intensive industry such as ours.

Some of the capital acquisitions during the period included:

- Revenue Vehicle Replacement (\$45.2 million)
- Bus Rapid Transit program (\$24.2 million)
- CAD/AVL System (\$1.3 million)
- Hydrogen Program (\$1.6 million)
- Maintenance Facilities, and building rehabilitation (\$0.9 million)
- Information Services/Communications (\$2.0 million)

Additional information concerning the District's capital assets can be found in Note 6 to the basic 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, 2018, the outstanding principal component of the annual lease payment was \$1.7 million. The District paid this obligation off just prior to fiscal year end.

In February 2009 the District issued a \$15.0 million COPS to help fund the July 2008 purchase of property located at 66th avenue in East Oakland. At June 30, 2018, the principal component of the annual lease payment was \$11.9 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.

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Subsequent Events

- The District moved into the new "SalesForce Transbay Terminal" located in San Francisco in August 2018, and subsequently relocated its Transbay terminal operations to the old temporary site after structural defects were identified at the new site.
- The District paid off its 2012 refunding certificate of participation.
- Fares increases went into effect as scheduled in July 2018.
- The District settled with the Oakland Unified School District in regard to outstanding receivables related to the State AB2972 subsidy.
- The Federal Transit Administration temporality shut down the ability to draw funds on 3 federal grants due to a draft finding from a procurement audit. Comprehensive measures have been implemented, however, it is possible that this may move up the timeline for the anticipated short-term financing for the District's Bus Rapid Transit project.
- A state ballot proposition which will appear in the November 2018 state wide election, which called for the removal of the new gas tax subsidy that was passed in the previous general election. However, it was upheld by the voters of the State of California and this new subsidy source, of approximately \$12.0 million annually to A.C. Transit stays in place.

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
ENTERPRISE FUND - STATEMENT OF NET POSITION

June 30, 2018
(In thousands)

ASSETS

Current assets

Cash and cash equivalents (Note 3)	\$ 59,375
Restricted cash and cash equivalents:	
Restricted for capital purchases (Note 3)	22,769
Investments (Note 3)	37,531
Receivables:	
Federal and local grants:	
Capital	18,461
Planning, operating and other (Note 7)	12,987
Property tax	13,030
Local sales tax	11,635
Other trade receivables	<u>11,344</u>
Total receivables, net	<u>67,457</u>
Due from Pension Trust Fund (Note 5)	9,670
Inventory	11,209
Prepaid expenses	<u>7,567</u>
Total current assets	<u>215,578</u>

Noncurrent assets

Restricted cash and cash equivalents:	
Restricted for certificates of participation (Note 3)	1,138
Capital assets (Note 4)	
Nondepreciable	96,778
Depreciable, net	<u>303,328</u>
Total capital assets, net	<u>400,106</u>
Total noncurrent assets	<u>401,244</u>
Total assets	<u>616,822</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related (Note 9)	48,534
OPEB related (Note 10)	<u>2,460</u>
Total deferred outflows of resources	<u>50,994</u>
Total assets and deferred outflows of resources	<u>\$ 667,816</u>

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - STATEMENT OF NET POSITION

June 30, 2018
(In thousands)

LIABILITIES

Current liabilities

Accounts payable and accrued expenses	\$ 17,881
Accrued salaries and wages	3,749
Current portion of accrued vacation and sick leave	17,257
Due to Pension Trust Fund (Note 5)	4,959
Unearned revenue	8,414
Other accrued liabilities	12,141
Accrued interest payable	375
Current portion of claims liabilities (Note 13)	18,947
Current portion of remediation obligations (Note 12)	67
Current portion of certificates of participation (Note 8)	<u>2,220</u>
Total current liabilities	<u>86,010</u>

Noncurrent liabilities

Accrued vacation and sick leave	8,963
Claims liabilities (Note 13)	53,752
Remediation obligations (Note 12)	952
Certificates of participation (Note 8)	11,169
Net pension liability (Note 9)	254,935
Net OPEB liability (Note 10)	<u>151,324</u>
Total noncurrent liabilities	<u>481,095</u>

Total liabilities 567,105

DEFERRED INFLOWS OF RESOURCES

Pension related (Note 9)	27,453
OPEB related (Note 10)	<u>49,715</u>
Total deferred inflows of resources	<u>77,168</u>
Total liabilities and deferred inflows of resources	<u>644,273</u>

NET POSITION

Net investment in capital assets	386,714
Restricted for capital purchases (Note 11)	22,769
Restricted for debt service	763
Unrestricted	<u>(386,703)</u>
Total net position	<u>\$ 23,543</u>

The accompanying notes are an integral part of these financial statements.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2018
(In thousands)

OPERATING REVENUES

Passenger fares	\$ 52,245
Contract services	11,579
Operating revenues of JPA and consortium (Note 14)	2,477
Other	<u>4,261</u>
Total operating revenues	<u>70,562</u>

OPERATING EXPENSES

Operator wages	85,733
Other wages	64,353
Fringe benefits	172,335
Depreciation (Note 4)	40,230
Fuel and oil	12,734
Other material and supplies	13,951
Services	40,858
Insurance	7,425
Expenses of JPA and consortium (Note 14)	30,177
Other	<u>8,243</u>
Total operating expenses	<u>476,039</u>
Operating loss	<u>(405,477)</u>

NON-OPERATING REVENUES (EXPENSES)

Operating assistance:	
Property taxes	134,694
Local sales tax (Note 7)	99,982
Local funds (Note 7)	91,555
State (Note 7)	13,681
Federal (Note 7)	5,598
Non-operating revenues of JPA and consortium	25,878
Loss on sale of capital assets	(1)
Interest income	575
Interest expense	<u>(1,346)</u>

Net non-operating revenues (expenses)	<u>370,616</u>
Loss before capital contributions	(34,861)
Capital contributions (Note 6)	<u>74,470</u>
Change in net position	39,609
Net position at beginning of year	<u>150,691</u>
Cumulative effect of adoption of GASB 75 (Note 2)	<u>(166,757)</u>
Net position at beginning of year, as restated	<u>(16,066)</u>
Net position at end of year	<u>\$ 23,543</u>

The accompanying notes are an integral part of these financial statements.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - STATEMENT OF CASH FLOWS
Year Ended June 30, 2018
(In thousands)

Cash flows from operating activities:

Cash received from customers	\$ 63,899
Cash payments to suppliers for goods and services	(117,906)
Cash payments to employees for services and benefit payments	(320,576)
Other operating receipts	<u>4,261</u>

Net cash used in operating activities (370,322)

Cash flows from noncapital financing activities:

Operating assistance received	<u>362,417</u>
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Net cash provided by noncapital financial activities 362,417

Cash flows from capital and related financing activities:

Acquisition and construction of capital assets	(91,612)
Capital contributions received	71,657
Principal paid on certificates of participation	(3,754)
Interest paid on certificates of participation	<u>(1,355)</u>

Net cash used in capital and related financial activities (25,064)

Cash flows from investing activities:

Proceeds from investments	62,117
Purchase of investments	(68,065)
Investment income	<u>575</u>

Net cash used in investing activities (5,373)

Change in cash and cash equivalents (38,342)

Cash and cash equivalents, beginning of year 121,624

Cash and cash equivalents, end of year \$ 83,282

Summary of cash and cash equivalents reported on
on the Statement of Net Position:

Unrestricted cash and cash equivalents	\$ 59,375
Restricted cash and cash equivalents	22,769
Restricted for certificates of participation	<u>1,138</u>

Total cash and cash equivalents reported on the
Statement of Net Position \$ 83,282

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - STATEMENT OF CASH FLOWS
Year Ended June 30, 2018
(In thousands)

**Reconciliation of operating loss to net cash used
in operating activities:**

Operating loss	\$ (405,477)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	40,230
Effect of changes in assets and liabilities:	
Other trade receivables	(6,155)
Inventory	(411)
Due to/from Pension Trust Fund	(5,930)
Prepaid expenses	(1,788)
Accounts payable and accrued expenses	(352)
Accrued salaries and wages	(151)
Accrued vacation and sick leave	211
Unearned revenue	3,753
Other accrued liabilities	(1,868)
Claims liabilities	(99)
Net pension liability and deferred outflows/inflows from pension	(1,681)
Net pension OPEB and deferred outflows/inflows from OPEB	<u>9,396</u>
Net cash used in operating activities	<u>\$ (370,322)</u>

Supplemental disclosure of cash flow information

Non-cash investing, capital and financing transactions:	
Loss on sale of capital assets	\$ (1)
Net appreciation in fair value of investments	271

The accompanying notes are an integral part of these financial statements.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
PENSION TRUST FUND - STATEMENT OF FIDUCIARY NET POSITION
December 31, 2017
(In thousands)

ASSETS

Contributions receivable from the District (Note 5)	\$ 4,674
Interest receivable and other investment receivables	115
Investments at fair value (Note 3):	
Short-term investments	8,550
Equity securities	79,479
Equity funds	275,670
Fixed income funds	281,484
Real estate funds	<u>34,232</u>
Total investments	<u>679,415</u>
Total assets	<u>684,204</u>

LIABILITIES

Accounts payable and accrued expenses	810
Due to the District (Note 5)	<u>4,510</u>
Total liabilities	<u>5,320</u>
Net position restricted for pensions	<u>\$ 678,884</u>

The accompanying notes are an integral part of these financial statements.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
PENSION TRUST FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended December 31, 2017
(In thousands)

Additions:	
Employer contributions	\$ 52,369
Investment income:	
Dividends and interest income	7,065
Net appreciation in fair value of investments	82,176
Investment expenses	<u>(1,760)</u>
Net investment income	<u>87,481</u>
Total additions	139,850
Deductions:	
Benefit payments	54,631
Administrative expenses	<u>1,033</u>
Total deductions	<u>55,664</u>
Net increase in net position	84,186
Net position restricted for pensions, at beginning of year	<u>594,698</u>
Net position restricted for pensions, at end of year	<u>\$ 678,884</u>

The accompanying notes are an integral part of these financial statements.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 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 and are therefore considered blended component units. 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 reported within a fiduciary fund 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.

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.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. 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 comprise 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 non-operating 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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 required 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. 72, the District has reported its investments at fair value based on quoted market information obtained from fiscal agents or other sources.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted for 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 among 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 assets.

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. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

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 \$5,000 and a useful life of more than one year.

Operating Assistance: Grants are accounted for as non-operating revenue as soon as all eligibility requirements have been met.

Contract Services: The District entered in to an agreement with San Francisco Bay Area Rapid Transit District's (BART) in which payments are allocated to the District from BART for feeder services to facilitate the coordination of transit service and encourage transit use and improve the quality of transit service. 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.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Alameda and Contra Costa Counties assess properties, bill for, collect and distribute property taxes. Property taxes are recorded as non-operating 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.

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 \$29.7 million in Measure VV taxes during the year ended June 30, 2018.

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 non-operating 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 is subdivided into net investment in capital assets, restricted and unrestricted.

- Net 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, 2018, the District has restricted net position in the amount of \$1.138 million related to the 2009 Certificates of Participation (COPS) and \$22.8 million for the future acquisition of buses (See Note 11) and other capital expenditures. The net position restricted for debt service is maintained in a reserve fund to service lease payments on the outstanding 2009 COPS.
- Unrestricted net position - This category represents net position of the District, not restricted for any projects or other purposes.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 US GAAP. Actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources: Deferred outflows of resources represent a consumption of net position that applies to a future period(s). Deferred inflows of resources represent an acquisition of net position that applies to a future period(s). These amounts will not be recognized as expense or revenue until the applicable period. The District's activities are related to recognition of changes in its defined benefit plan's net pension liability and net OPEB liability that will be amortized in future periods.

Recent Accounting Pronouncements Adopted:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued on June 2015. The provisions of this Statement are effective for periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. As a result of adopting this Statement, the District reduced fiscal year 2018 beginning unrestricted net position of the enterprise fund by \$166,757,448.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016. The provisions of this Statement are effective for periods beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The adoption of this Statement has no effect on the District's net position or changes therein.

GASB Statement No. 85, *Omnibus 2017*, issued March 2017. The provisions of this Statement are effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The adoption of this Statement has no effect on the District's net position or changes therein.

GASB Statement No. 86, *Certain Debt Extinguishments Issues*, issued May 2017. The provisions of this Statement are effective for periods beginning after June 15, 2017. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. The adoption of this Statement has no effect on the District's net position or changes therein.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 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:

- Repurchase agreements
- Securities of U.S. government and its agencies
- California Local Agency Investment Fund
- Negotiable certificates of deposit
- Commercial paper
- Bankers' acceptances
- Money market accounts (Non U.S. government)

The AC Transit Employees' Retirement Plan's (Plan) 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 28% of the portfolio invested in domestic equities, 17% in international equities, 32% in domestic fixed income securities, 12% in global asset allocation funds, 5% in real estate, 5% in private debt, and 1% in cash. The portfolio is managed by investment managers hired by the Retirement Board. The Retirement Board utilizes both active and passive management in the domestic equity portfolio. The Retirement Board has chosen to manage the investment risks described by GASB 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.

Presentation: At June 30, 2018 (December 31, 2017 for the Plan), the District's cash and investments consisted of the following (in thousands):

Cash and cash equivalents	\$ 83,282
Investments	<u>716,946</u>
Total	<u>\$ 800,228</u>
Reported in the Enterprise Fund as:	
Cash and cash equivalents	\$ 59,375
Restricted – current cash and cash equivalents	22,769
Restricted – noncurrent cash and cash equivalents	1,138
Investments	<u>37,531</u>
	120,813
Reported in the Pension Trust Fund as:	
Investments restricted for payment of accrued pension costs (at December 31, 2017)	<u>679,415</u>
Total	<u>\$ 800,228</u>

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

Fair Value: The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2018:

- U.S. Treasury bills and notes of \$36.8 million are based on quoted market prices in active markets for identical assets using the market approach (Level 1 inputs).
- Negotiable certificates of deposit of \$249,000 are based on quoted market prices of similar securities with similar due dates using the market approach (Level 2 inputs).

The fair value of mutual funds, some U.S. equity securities, and some international equity securities held by the Plan are based on quoted prices in active markets using the market approach. (Level 1 inputs) The fair value of short term investment funds, pooled investments, some U.S. equity securities, and some international equity securities held by the Plan are based on pricing vendors using matrix pricing. (Level 2 inputs)

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Plan Investments:			
Short term investment funds	\$ -	\$ 8,550	\$ 8,550
Mutual funds	45,372	-	45,372
Pooled investments	-	214,349	214,349
U.S. equity securities	120,552	84,216	204,768
International equity securities	71,144	79,238	150,382
	<u>\$ 237,068</u>	<u>\$ 386,353</u>	<u>\$ 623,421</u>

Plan Investments Measured at Net Asset Value (NAV):

	Balance	Unfunded Commitments	Redemption
Fixed income	\$ 21,762	\$ 4,635	Not eligible for redemption Quarterly redemption with 45-60 day notice
Real estate	<u>34,232</u>	<u>2,311</u>	
	<u>\$ 55,994</u>		

Fixed Income – The fixed income portfolio consists of investments in two funds that make direct loans to companies. These funds are valued at the net asset value of the units held at the end of the period based upon the fair value of the underlying investments. These funds are not eligible for redemption but rather distribute proceeds over the funds' lifespans.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

Real Estate – The primary objective of the real estate portfolio is income and appreciation. The real estate portfolio consists of investments in four commingled funds. These funds invest primarily in U.S. commercial real estate (office, industrial, retail, multi-family, and other). These funds are structured as open-end commingled funds and closed-end limited partnerships. The fair value of the investments in each fund is determined using third-party appraisals or internal valuations. For the two open-end funds, distribution of income is made quarterly and redemptions can be made from these funds on a quarterly basis with 45-60 days' notice. Under certain conditions, the fund manager may not allow redemptions from the open-end funds. The two closed-end limited partnerships pay distributions of income and investment sale proceeds at the manager's discretion. They do not allow client-directed redemptions.

Enterprise Fund – Specific Risks:

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 eighteen 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 markets to the highest ranking attained by the rating agency which is Aaa/AA+. The District had no investments in money market accounts as of June 30, 2018. 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.

The District had \$36.8 million of U.S. Treasury notes and bills as of June 30, 2018, which were all rated Aaa/AA.

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. The District did not have any individual security holdings meeting or exceeding 20% of its total portfolio as of June 30, 2018.

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.

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. At June 30, 2018, there was no exposure to foreign currency risk as all of the District's cash equivalents and investments are denominated in U.S. dollar currency.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

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. As of December 31, 2017, the Plan had the following investments in fixed income funds. (Amounts are in thousands, Duration in years)

<u>Fund</u>	<u>Amount</u>	<u>Duration</u>
SSgA Aggregate Bond Index Fund	\$ 126.7	6.0
Loomis, Sayles Credit Asset Fund	42.8	3.9
PIMCO Diversified Income Fund	45.4	5.0
Investec Emerging Market Debt Fund	44.8	5.1
Park Square	12.5	0.5
Crescent	<u>9.3</u>	2.5
Total fixed income funds	<u>\$ 281.5</u>	

Credit Risk - For the Plan, fixed income assets are invested in two pooled investment vehicles and with an outside money manager. As of December 31, 2017, \$8.5 million was invested in a short term pooled investment fund managed by State Street Corporation. This fund is not rated.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. As of December 31, 2017, the Plan had no investments in a single issuer that equaled or exceeded 5% of the Plan's net position or the Plan's total investments.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. All of the Plan's securities except those owned in a mutual fund or a commingled fund are held by the Plan's custodial bank in the Plan's name.

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, 2017, investments in international equity funds (including emerging markets) totaled \$150.4 million. The Plan had \$145.5 million as of December 31, 2017 in fixed income investments that could have foreign currency exposure. As of December 31, 2017, the Plan had no direct exposure to foreign currency risk.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 – CAPITAL ASSETS

Following is a summary of capital assets at June 30, 2018 (in thousands):

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2018</u>
Non-depreciable capital assets:					
Land	\$ 28,686	\$ -	\$ -	\$ -	28,686
Work in progress	25,864	91,612	-	(49,384)	68,092
Total	54,550	91,612	-	(49,384)	96,778
Depreciable capital assets:					
Revenue equipment	369,476	-	(1)	29,407	398,882
Service vehicles and other equipment	120,465	-	(34)	3,512	123,943
Buildings, structure and Improvements	290,915	-	-	16,465	307,380
Total	780,856	-	(35)	49,384	830,205
Less accumulated depreciation:					
Revenue equipment	(202,260)	(25,360)	1	-	(227,620)
Service vehicles and other equipment	(110,190)	(3,972)	33	-	(114,128)
Buildings, structure and improvements	(174,231)	(10,898)	-	-	(185,129)
Total	(486,681)	(40,230)	34	-	(526,877)
Depreciable capital assets net of accumulated depreciation	294,175	(40,230)	(1)	49,384	303,328
Capital assets, net of accumulated depreciation	\$ 348,725	\$ 51,382	\$ (1)	\$ -	\$ 400,106

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES

The Enterprise Fund in the accompanying basic financial statements is reported as of June 30, 2018 and the Pension Trust Fund is reported as of December 31, 2017; therefore, interfund payables and receivables do not equal. Interfund receivables and payables arise due to the following two reasons:

First, the timing of reimbursements from the Pension Trust Fund for administration costs and retiree benefits payments made by the District. At June 30, 2018 and December 31, 2017, the Pension Trust Fund had a payable from the Enterprise Fund of \$0.5 million and \$4.5 million, respectively, for these administration costs and retiree benefits payments made by the District.

Second, payments to the Pension Trust Fund for contributions based on covered payroll. At June 30, 2018 and December 31, 2017, the Pension Trust Fund had a receivable from the Enterprise Fund of \$5.0 million and \$4.7 million, respectively, for contributions to be made by the Enterprise Fund to the Pension Trust Fund.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – CAPITAL ASSISTANCE

The District has several 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. These funds are received under provisions of the California Streets and Highways Code and are allocated based on claims approved by the Metropolitan Transportation Commission (MTC). These grants are summarized for the year ended June 30, 2018 as follows (in thousands):

Federal grants	\$ 38,245
State and local grants	<u>36,225</u>
	<u>\$ 74,470</u>

NOTE 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 1/4 cent from the retail sales tax collected statewide. State Transit Assistance (STA) funds are generated by the state's sales tax on diesel fuel. The California Department of Tax and Fee Administration (CDTFA) (previously known as 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.

In 2004, voters approved Regional Measure 2 (RM2), raising the toll on regional state-owned toll bridges by \$1. The measure established a Regional Traffic Relief Plan to help finance highway, transit, bicycle and pedestrian projects in the bridge corridors and their approaches, and to provide operating funds for key transit services.

Below is a summary of state and local operating assistance for the year ended June 30, 2018 (in thousands):

Local operating assistance:	
Operating revenues	\$ 8,117
Transportation Development Act	71,618
Regional Measure 2	18,840
Less amount reported within non-operating revenues of JPA and consortium	<u>(7,020)</u>
	<u>\$ 91,555</u>
State operating assistance:	
State Transit Assistance	\$ 15,173
Supplementary service/Welfare-to-Work	(1,150)
Pass thru	767
Less amount reported within non-operating revenues of JPA and consortium	<u>(1,109)</u>
	<u>\$ 13,681</u>

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – OPERATING ASSISTANCE (Continued)

Local Sales Tax: The local sales tax assistance (AB 1107) 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.

In 2015, the District began receiving local sales tax revenue under Measure BB. Approved by the voters of Alameda County, Measure BB provides for the collection and distribution by the Alameda County Transportation Authority of an existing one-half percent transaction and use tax scheduled to terminate on March 31, 2022 and the augmentation of the tax by an additional one-half percent. The District is authorized to receive 23.3% of the annual tax collected under the condition that money be used for transportation improvements benefitting Alameda County.

Local sales tax assistance for the year ended June 30, 2018, is summarized below (in thousands):

AB 1107	\$ 43,009
Measure B	30,827
Measure J	4,878
Measure BB	33,990
Less amount reported within non-operating revenues of JPA and consortium	<u>(12,722)</u>
	<u>\$ 99,982</u>

Section 5307 and 5309 Funding Sources: All federal funding sources are distributed by FTA after approval by the MTC. Federal funding sources for the year ended June 30, 2018 are summarized below (in thousands):

5307 and 5309 Operating grants	\$ 5,598
Americans with Disabilities program - ADA set aside	3,856
Americans with Disabilities Act paratransit program – lease	1,169
Less amount reported within non-operating revenues of JPA and consortium	<u>(5,025)</u>
	<u>\$ 5,598</u>

At June 30, 2018, Federal Section 5307 and 5309 funds totaling \$5.2 million were recorded as a receivable.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – LONG-TERM LIABILITIES

The following is a summary of changes in the District's long-term liabilities for the year ended June 30, 2018 (in thousands):

	Original Issue Amount	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Amount Due Within One Year
2007 COP						
4% - 4.75%, due August 8, 2017	\$ 13,500	\$ 1,605	\$ -	\$ (1,605)	\$ -	\$ -
Less unamortized premium		2	-	(2)	-	-
2009A COP						
3% - 6.125%, due August 1, 2034	15,000	12,340	-	(430)	11,910	445
Less unamortized discount		(314)	-	18	(296)	-
2012 Refunding COP						
4% - 4.75%, due August 1, 2018	9,840	<u>3,510</u>	<u>-</u>	<u>(1,735)</u>	<u>1,775</u>	<u>1,775</u>
Total long-term debt		<u>17,143</u>	<u>-</u>	<u>(3,754)</u>	<u>13,389</u>	<u>2,220</u>
Accrued vacation and sick leave		26,009	15,574	(15,363)	26,220	17,257
Claims liabilities (Note 13)		72,798	21,848	(21,947)	72,699	18,947
Remediation obligations (Note 12)		<u>1,019</u>	<u>-</u>	<u>-</u>	<u>1,019</u>	<u>67</u>
Total long-term liabilities		<u>\$ 116,969</u>	<u>\$ 37,422</u>	<u>\$ (41,064)</u>	<u>\$ 113,327</u>	<u>\$ 38,491</u>

On December 19, 2007, proceeds from the issuance of \$13.5 million 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 was payable semi-annually on February 1 and August 1 of each year. The final principal payments were made in fiscal year 2018.

On February 1, 2009, proceeds from the issuance of \$15 million of Certificates of Participation Series 2009A (2009A COPS) were used to acquire the land at 66th 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 \$9.84 million 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.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 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):

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,220	\$ 696	\$ 2,916
2020	465	660	1,125
2021	485	637	1,122
2022	510	611	1,121
2023	535	584	1,119
Thereafter			
2024-2028	3,155	2,428	5,583
2029-2033	4,235	1,316	5,551
2034-2036	<u>2,080</u>	<u>129</u>	<u>2,209</u>
Total	<u>13,685</u>	<u>\$ 7,063</u>	<u>\$ 20,748</u>
Unamortized premium and discount	<u>(296)</u>		
Total	<u>\$ 13,389</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, 2018, is approximately \$41.4 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.

NOTE 9 – PENSION PLAN

Plan Description: The AC Transit Employees' Retirement Plan (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 Plan issues stand-alone financial statements and copies of these statements can be obtained from the District Controller, 1600 Franklin Street, Oakland, CA 94621.

The Plan's members are members of the Amalgamated Transit Union (ATU), the American 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.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 – PENSION PLAN (Continued)

Benefits Provided: Benefit provisions are established in the Plan document. The Plan document cannot be changed by the Retirement Board. Any change to the Plan document must be made by the District Board and for represented employees no changes can be made without the consent of the applicable union. Retirement benefits vest after either 8 years of service or 5 years of service, depending on the employee's classification. Most District employees who retire at or after age 55 with vested benefits are entitled to an annual retirement benefit, payable monthly for life, at a rate based upon age, the higher of either the average of the last 36 months of employment or the average of the highest 3 years of earnings and the completed years of service with the District.

Participants Covered by Benefit Terms: As of December 31, 2017, employee membership in the Plan was as follows:

Retirees and beneficiaries currently receiving benefits	2,066
Terminated employees entitled to benefits but not yet receiving them	<u>205</u>
	<u>2,271</u>
Current employees:	
Vested	1,178
Non-vested	<u>1,049</u>
	<u>2,227</u>

Contributions: The District makes contributions, based upon the Plan's actuarial calculation each fiscal year. As of January 1, 2013 California law required all new participants in a public retirement system to make employee contributions that covered at least 50% of the normal cost of the retirement benefits accrued each year. This contribution obligation does not apply to District employees hired prior to January 1, 2013. The District is in the process of implementing that obligation as to employees who are not represented by employee organizations. The application of that obligation to employees who are in bargaining units represented by employee organizations and who were hired after that date remains under consideration. For the year ended June 30, 2018, the District's average contribution rate was 32.38% of annual covered payroll and the District's contributions to the Plan were \$54.3 million. As of June 30, 2018, no employee contributions have been received by the Plan.

Actuarial Methods and Assumptions: The actuary used the following assumptions and methods in calculating the annual required contributions and the funded status:

Valuation date	January 1, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll (11 years remaining as of 1/1/2017) with separate periods of Extraordinary Actuarial Gains or Losses (22 years as of 1/1/2017)
Asset valuation method	5-year smoothed market, 80%/120% corridor around market during the prior four years, phased in at 20% per year, but required to be within 20% of market value.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 – PENSION PLAN (Continued)

Actuarial assumptions:

Investment rate of return	7.25%
Amortization growth rate	3.00%
Price inflation	3.00%
Salary increases	3.00% plus merit component based on employee classification and years of service
Health Mortality	Sex distinct RP-2000 Combined Mortality (130% of Blue Collar rates for ATU/IBEW, 120% of White Collar rates for AFSCME/Non-Union), with generational improvement using MP-2015
Disability Mortality	Mortality table for Disabled Participants Receiving Social Security Benefits published by the Pension Benefit: Guaranty Corporation (PBGC)

Measurements as of the reporting date are based on the fair value of assets as of December 31, 2017, and the total pension liability as of the valuation date, January 1, 2017, rolled forward to December 31, 2017. There were no significant events between the valuation date and the measurement date.

Mortality rates were based on the Sex distinct RP-2000 Combined Mortality tables with ages set forward one year for ATU/IBEW members and no set-forward for AFSCME/Non-Union members.

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2011 - December 31, 2014.

The long-term expected rate of return on the pension plan investments was determined using a building block method which estimates expected future rates of return (net of inflation) for each major asset class.

Best estimates of the arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Large Cap Domestic Equity	22%	6.1%
Domestic Small Cap Equity	6%	6.9%
International Equity	14%	6.9%
International Small Cap Equity	3%	7.3%
Emerging Market Equity	6%	9.7%
Fixed Income (Core)	19%	1.2%
Fixed Income (Credit)	13%	2.3%
Emerging Market Debt	6%	3.8%
Real Estate	5%	4.5%
Private Debt	5%	5.5%
Cash	1%	0.0%
	<u>100%</u>	

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 – PENSION PLAN (Continued)

Changes in Assumptions and Benefit Terms Since Prior Measurement Date – There were no changes since the prior year measurement date.

Changes Since the Measurement Date – There were no changes between the measurement date and the District's reporting date.

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the District will continue to contribute to the Plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, the expected Administrative Expenses, and an amount necessary to amortize the remaining unfunded actuarial liability as a level percentage of payroll over an open (rolling) 12-year period, beginning in 2016. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members.

Net Pension Liability: The components of the net pension liability of the District at the measurement date of December 31, 2017 are as follows (in thousands):

Total pension liability	\$ 933,819
Less: Plan fiduciary net position	<u>(678,884)</u>
District's net pension liability	<u>\$ 254,935</u>
Funded ratio (Plan's fiduciary net position / total pension liability)	72.6%

The changes in the net pension liability for the Plan follows (in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2016	\$ 902,646	\$ 594,698	\$ 307,948
Changes for the year:			
Service cost	21,186	-	21,186
Interest	64,249	-	64,249
Difference between expected and actual experience	369	-	369
Contributions – employer	-	52,369	52,369
Net investment income	-	87,481	87,481
Benefit payments	(54,631)	(54,631)	-
Administrative expense	<u>-</u>	<u>(1,033)</u>	<u>(1,033)</u>
Net changes	<u>31,173</u>	<u>84,186</u>	<u>(53,013)</u>
Balance at December 31, 2017	<u>\$ 933,819</u>	<u>\$ 678,884</u>	<u>\$ 254,935</u>

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 – PENSION PLAN (Continued)

Sensitivity of the net pension liability to changes in the discount rate: In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following table presents the net pension liability (in thousands) as of June 30, 2018, calculating using the discount rate of 7.25%, as well as what the District's net pension liability would be if it were calculated using a discount rate of 1-percent-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

	(6.25%) <u>1% Decrease</u>	(7.25%) <u>Current Discount</u>	(8.25%) <u>1% Increase</u>
Net pension liability	\$ 353,025	\$ 254,935	\$ 171,154

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued AC Transit Employees' Retirement Plan audited financial statements and may be obtained from the District Controller.

For the year ended June 30, 2018, the District recognized pension expense of \$52.6 million. At June 30, 2018, the District reported deferred outflows of resources related to pensions from the following sources (in thousands):

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Employer contributions subsequent to measurement date	\$ 27,206	\$ -
Differences between expected and actual experience	295	7,835
Changes in assumptions	21,033	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>19,618</u>
Total	<u>\$ 48,534</u>	<u>\$ 27,453</u>

Deferred outflows of resources related to contributions subsequent to the measurement date of \$27.2 million will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

	<u>Deferred Outflows/ Inflows of Resources</u>
June 30, 2019	\$ 9,175
June 30, 2020	5,994
June 30, 2021	(12,471)
June 30, 2022	<u>(8,823)</u>
	<u>\$ (6,125)</u>

Payable to the Pension Plan: As disclosed in Note 5, the District reported a payable of \$5.0 million for the outstanding amount of contributions to the Plan for the year ended June 30, 2018.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 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. 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.

Benefits Provided: Individuals are eligible for retiree benefits with the following subsidies at age 55 with 8 years of service for ATU and at age 55 with 10 years of service for AFSCME/IBEW. The Trust subsidizes a portion of medical insurance premiums or reimburses eligible medical expenses in an amount not to exceed the following negotiated monthly amounts:

ATU Local 192	Pre-Age 65: \$691	Post-Age 65: \$335
AFSCME	Pre-Age 65: \$601	Post-Age 65: \$282
IBEW	Pre-Age 65: \$691	Post-Age 65: \$335

No subsidy is provided for spouse coverage for IBEW and AFSCME. After the death of an ATU retiree, a subsidy of \$150 per month is available for the life of the surviving spouse. No dental, vision, or life insurance benefits are included.

Participants Covered by Benefit Terms: As of July 1, 2017, employee membership in the Trust was as follows:

Inactive plan members or beneficiaries currently receiving benefits	1,011
Active plan members	<u>2,152</u>
	<u><u>3,163</u></u>

Contributions: 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 2018, the required contribution rates were as follows:

ATU Local 192	\$1.40 per hour per employee (will increase to \$1.50 per hour If the Trust's funds falls below \$2 million in assets.)
AFSCME	\$0.91 per hour per employee
IBEW	\$1.04 per hour per employee

For the year ended June 30, 2018, the District's contributions to the Trust were \$4.7 million. As of June 30, 2018, no employee contributions have been received by the Trust.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Methods and Assumptions: The actuary used the following assumptions and methods in calculating the annual required contributions and the funded status:

Valuation date	July 1, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	1.00%
Health care trend rate	Pre-65: 8.0% for FY2019, decreasing 0.5% per year to an ultimate rate of 5.0% for FY2025 and later Post-65: 6.0% for FY2019, decreasing 0.25% per year to an ultimate rate of 5.0% for FY2023 and later
Administrative expenses	3.00% of benefits
Salary increases	3.50%
Health Mortality	RP-2014 headcount weighted Blue Collar Mortality Table (backed off to 2006 using MP-2014) with application of the MP-2017 improvement scale on a fully generational basis.

Measurements as of the reporting date are based on the fair value of assets as of June 30, 2018 and the total OPEB liability as of the valuation date, July 1, 2017, rolled forward to June 30, 2018. There were no significant events between the valuation date and the measurement date.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study performed in 2015.

Best estimates of the arithmetic real rates of return for each major asset class included in the Trust's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Short term investments	100%	1.0%

Changes in Assumptions and Benefit Terms Since Prior Measurement Date – The discount rate decreased from 3.13% to 2.98% and the mortality improvement scale was updated from MP-2016 on a fully generational basis to MP-2017 on a fully generational basis.

Discount Rate: The discount rate used to measure the total OPEB liability was 2.98%. The projection of cash flows used to determine the discount rate assumed that the District will continue to contribute to the Trust based on the negotiated required contribution for each bargaining unit. Based on those assumptions, the Trust's fiduciary net position was never projected to be greater than the benefits to be made in all years. The plan fiduciary net position will not be sufficient to make all benefit payments due for current participants in the coming year, and will not be sufficient to make any benefit payments thereafter. As a result, the discount rate was determined using the June 30, 2018 municipal bond rate.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Net OPEB Liability: The components of the net OPEB liability of the District at the measurement date of June 30, 2018 are as follows (in thousands):

Total OPEB liability	\$ 101,746
Less: Trust fiduciary net position	<u>(3,669)</u>
District's net OPEB liability	<u>\$ 98,077</u>
Funded ratio (Trust's fiduciary net position / total OPEB liability)	3.6%

The changes in the net OPEB liability for the Trust follows (in thousands):

	Increase (Decrease)		
	Total OPEB Liability (a)	Trust Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017	\$ 145,022	\$ 3,115	\$ 141,907
Changes for the year:			
Service cost	3,475	-	3,475
Interest	4,713	-	4,713
Difference between expected and actual experience	(48,101)	-	(48,101)
Changes of assumptions	857	-	857
Contributions – employer	-	4,739	4,739
Net investment income	-	177	177
Benefit payments	(4,220)	(4,220)	-
Administrative expense	-	(142)	(142)
Net changes	<u>(43,276)</u>	<u>554</u>	<u>(43,830)</u>
Balance at June 30, 2018	<u>\$ 101,746</u>	<u>\$ 3,669</u>	<u>\$ 98,077</u>

Sensitivity of the net OPEB liability to changes in the discount rate: The following table presents the net OPEB liability (in thousands) as of June 30, 2018, calculating using the discount rate of 2.98%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate of 1-percent-point lower (1.98%) or 1-percentage-point higher (3.98%) than the current rate.

	(1.98%) 1% Decrease	(2.98%) Current Discount	(3.98%) 1% Increase
Net OPEB liability	\$ 110,566	\$ 98,077	\$ 87,636

Sensitivity of the net OPEB liability to changes in the health care trend rate: The Trust Plan only provides for a fixed subsidy to retirees, therefore the total liability is not affected by changes in the health care trend rate. Sensitivity analysis is not applicable.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

OPEB plan fiduciary net position: For the year ended June 30, 2018, the District recognized OPEB expense of \$0.1 million. At June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources (in thousands):

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 45,490
Changes in assumptions	750	4,225
Net difference between projected and actual earnings on OPEB plan investments	<u>33</u>	<u>-</u>
Total	<u>\$ 783</u>	<u>\$ 49,715</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (in thousands):

	<u>Deferred Outflows/ Inflows of Resources</u>
June 30, 2019	\$ (8,085)
June 30, 2020	(8,085)
June 30, 2021	(8,085)
June 30, 2022	(6,998)
June 30, 2023	(5,913)
June 30, 2024	(5,913)
June 30, 2025	<u>(5,853)</u>
	<u>\$ (48,932)</u>

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.

During fiscal year 2018, the District joined the California Employer's Retirement Benefit Trust Program (CERBT) to pre-fund OPEB liabilities. The CERBT is an agent multiple employer plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions that are administered by CalPERS. A copy of the aggregate CERBT annual financial report may be obtained at www.calpers.ca.gov. CERBT serves as an irrevocable trust, ensure that funds contributed into the Trust are dedicated to service the needs of member districts, and their employees and retirees. The OPEB Plan does not issue stand-alone financial statements.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Benefits Provided: Individuals are eligible for retiree benefits with the following subsidies at age 55 with 8 years of service for ATU and at age 55 with 10 years of service for AFSCME/IBEW.

Medical benefits before age 65 (HMO) – The District does not subsidize directly.

Medical benefits after age 65 (HMO) – The District subsidizes a fixed \$40.00 per month for single coverage and \$80.00 per month for dual coverage directly from the District assets. This amount is in addition to subsidy provided under the Trust Plan.

Dental benefits – The District subsidizes a fixed \$20.00 per month for any level of dental coverage. If retiree waives dental coverage, the retiree is given \$20.00 as additional earnings in pension. If the retiree dies and surviving spouse was enrolled in the dental plan, the spouse also receives \$20.00 subsidy. If the surviving spouse waives dental coverage, the spouse receives \$20.00 as additional earnings.

Vision benefits – The District subsidizes the full cost (currently \$14.90 per month) for single coverage only. If the spouse was enrolled in vision plan at the time of retiree's death, the spouse is eligible to elect vision at no cost.

Life insurance benefits – The District subsidizes \$14.18 per month for retiree only.

Non-represented participants are eligible for retiree benefits with the following subsidies at age 50 with 5 years of service.

Medical benefits before age 65 (HMO) – The District subsidizes a percentage of the lowest offered premium (currently \$1,022.07 per month). The spouse is also eligible for the lowest offered premium, but the spouse must contribute \$100.00 per month.

Medical benefits after age 65 (HMO) – The District subsidizes a percentage of the lowest offered premium (currently \$371.74 per month) for the retiree. The District also gives the retiree and the spouse \$40.00 each if they are enrolled in Medicare Parts A and B. The spouse is also eligible for lowest offered premium, but the spouse must contribute \$100.00 per. Subsidized spouse medical benefit coverage continues after the death of the retiree if the spouse continues to make the requisite \$100 per month contribution. The spouse of an employee who dies in active service is not eligible for subsidized coverage.

Dental benefits – The District subsidizes \$76.58 per month for single coverage. No additional subsidy is assumed for dependent coverage.

Vision benefits – The District Subsidizes \$14.75 per month for single coverage. No subsidy is assumed for dependent coverage.

Life insurance benefits – The District subsidizes \$14.18 per month for single coverage. No subsidy is assumed for dependent coverage.

Participants Covered by Benefit Terms: As of July 1, 2017, employee membership in the OPEB Plan was as follows:

Inactive plan members or beneficiaries currently receiving benefits	1,559
Active plan members	<u>2,224</u>
	<u><u>3,783</u></u>

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Contributions: 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. For the year ended June 30, 2018, the District's contributions to the OPEB Plan were \$3.5 million (\$2.5 million in benefit payments and \$1.0 million to the CERBT). As of June 30, 2018, no employee contributions have been received by the OPEB Plan.

Actuarial Methods and Assumptions: The actuary used the following assumptions and methods in calculating the annual required contributions and the funded status:

Valuation date	July 1, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.28%
Health care trend rate	Pre-65: 8.0% for FY2019, decreasing 0.5% per year to an ultimate rate of 5.0% for FY2025 and later Post-65: 6.0% for FY2019, decreasing 0.25% per year to an ultimate rate of 5.0% for FY2023 and later
Salary increases	3.50%
Health Mortality	RP-2014 headcount weighted Blue Collar Mortality Table (backed off to 2006 using MP-2014) with application of the MP-2017 improvement scale on a fully generational basis for Union employees and retirees. RP-2014 headcount weighted White Collar Mortality Table (backed off to 2006 using MP-2014) with application of the MP-2017 improvement scale on a fully generational basis used for non-represented employees and retirees.

Measurements as of the reporting date are based on the fair value of assets as of June 30, 2018 and the total OPEB liability as of the valuation date, July 1, 2017, rolled forward to June 30, 2018. There were no significant events between the valuation date and the measurement date.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study performed in 2015.

Best estimates of the arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return Years 1-10</u>	<u>Long Term Expected Real Rate of Return Years 11-60</u>
Global equity	57%	5.25%	5.71%
Fixed income	27%	1.79%	2.40%
Real Estate Investment Trusts	8%	3.25%	7.88%
Treasury Inflation-Protected Securities	5%	1.00%	2.25%
Commodities	3%	0.34%	4.95%

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Changes in Assumptions and Benefit Terms Since Prior Measurement Date – The discount rate decreased from 4.00% to 2.98%, the mortality improvement scale was updated from MP-2016 on a fully generational basis to MP-2017 on a fully generational basis, and the actuarial cost method was changed to Entry Age Normal, which is required by GASB Statement No. 75.

Discount Rate: The discount rate used to measure the total OPEB liability was 2.98%. The projection of cash flows used to determine the discount rate assumed that the District will continue to contribute to the OPEB Plan based on the negotiated required contribution for each bargaining unit. Based on those assumptions, the OPEB Plan's fiduciary net position was never projected to be greater than the benefits to be made in all years. The plan fiduciary net position will not be sufficient to make all benefit payments due for current participants in the coming year, and will not be sufficient to make any benefit payments thereafter. As a result, the discount rate was determined using the June 30, 2018 municipal bond rate.

Net OPEB Liability: The components of the net OPEB liability of the District at the measurement date of June 30, 2018 are as follows (in thousands):

Total OPEB liability	\$ 54,247
Less: OPEB Plan fiduciary net position	<u>(1,000)</u>
District's net OPEB liability	<u>\$ 53,247</u>
Funded ratio (OPEB Plan's fiduciary net position / total OPEB liability)	1.8%

The changes in the net OPEB liability for the OPEB Plan follows (in thousands):

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017	\$ 51,998	\$ -	\$ 51,998
Changes for the year:			
Service cost	2,136	-	2,136
Interest	1,655	-	1,655
Difference between expected and actual experience	739	-	739
Changes of assumptions	223	-	223
Contributions – employer	-	3,504	3,504
Benefit payments	<u>(2,504)</u>	<u>(2,504)</u>	<u>-</u>
Net changes	<u>2,251</u>	<u>1,000</u>	<u>3,251</u>
Balance at June 30, 2018	<u>\$ 54,247</u>	<u>\$ 1,000</u>	<u>\$ 53,247</u>

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate: The following table presents the net OPEB liability (in thousands) as of June 30, 2018, calculating using the discount rate of 2.98%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate of 1-percent-point lower (1.98%) or 1-percentage-point higher (3.98%) than the current rate.

	(1.98%) <u>1% Decrease</u>	(2.98%) <u>Current Discount</u>	(3.98%) <u>1% Increase</u>
Net OPEB liability	\$ 63,251	\$ 53,247	\$ 46,491

Sensitivity of the net OPEB liability to changes in the health care trend rate: The following table presents the net OPEB liability (in thousands) as of June 30, 2018, calculating using the health care trend rate of 8.00% (pre-65) and 6.00% (post-65), as well as what the District's net OPEB liability would be if it were calculated using a health care trend rate of 1-percent-point lower (7.00% and 5.00%) or 1-percentage-point higher (9.00% and 7.00%) than the current rate.

	(7.00% pre-65) (5.00% pre-65) <u>1% Decrease</u>	(8.00% pre-65) (6.00% pre-65) <u>Current Discount</u>	(9.00% pre-65) (8.00% pre-65) <u>1% Increase</u>
Net OPEB liability	\$ 47,757	\$ 53,247	\$ 61,861

OPEB plan fiduciary net position: For the year ended June 30, 2018, the District recognized OPEB expense of \$4.1 million. At June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources (in thousands):

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Differences between expected and actual experience	\$ 632	\$ -
Changes in assumptions	<u>1,045</u>	<u>-</u>
Total	<u>\$ 1,677</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (in thousands):

	<u>Deferred Outflows/ Inflows of Resources</u>
June 30, 2019	\$ 284
June 30, 2020	284
June 30, 2021	284
June 30, 2022	284
June 30, 2023	284
June 30, 2024	<u>257</u>
	<u>\$ 1,677</u>

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 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 \$8.8 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.

The District also acts a pass-through agency for the Transbay Joint Powers Authority (the TJPA) for various transportation projects such as the Transbay Transit Center.

In fiscal year 2018, the District did not receive any additional funding, and \$7.4 million of cost was incurred for the purchase of buses and Transit Access Improvement projects.

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, 2018 (in thousands):

<u>Total Allocations as of June 30, 2018</u>	<u>Less Allocations Passed-through to TJPA as of June 30, 2018</u>	<u>Total Allocations Received in FY 2018</u>	<u>Cumulative Expenses Incurred through June 30, 2018</u>	<u>Interest Income</u>	<u>Commitment at June 30, 2018</u>
\$ 112,515	\$ 23,089	\$ -	\$ 72,390	\$ 358	\$ 17,394

NOTE 12 – CONTINGENCIES

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 \$1.0 million in liabilities for the monitoring and potential clean-up costs for pollution remediation obligations. The District has several locations where soil and groundwater have 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.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 – CONTINGENCIES (Continued)

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 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 follows (in thousands):

	<u>Payments</u>
2019	\$ 1,368
2020	2,670
2021	2,606
2022	2,543
2023	2,483
2024 – 2028	11,550

NOTE 13 – RISK MANAGEMENT

As of June 30, 2018 the District has the following coverages:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limit</u>
General Liability	\$1,000,000	\$2,000,000 per occurrence with excess up to \$53,000,000
Auto Liability	\$2,000,000	\$2,000,000 per occurrence with excess up to \$53,000,000
Workers' Compensation	\$1,000,000	Statutory Limit
Property, Boiler and Machinery, 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.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 – RISK MANAGEMENT (Continued)

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

	Workers' Compensation <u>Liability</u>	Public <u>Liability</u>	Dental <u>Liability</u>	<u>Total</u>
Balance at June 30, 2016	\$ 52,452	\$ 25,134	\$ 373	\$ 77,959
Claims and changes in estimates	14,146	(4,675)	(31)	9,440
Claim payments	<u>(11,672)</u>	<u>(2,743)</u>	<u>(186)</u>	<u>(14,601)</u>
Balance at June 30, 2017	54,926	17,716	156	72,798
Claims and changes in estimates	15,442	788	5,618	21,848
Claim payments	<u>(10,951)</u>	<u>(5,477)</u>	<u>(5,519)</u>	<u>(21,947)</u>
Balance at June 30, 2018	<u>\$ 59,417</u>	<u>\$ 13,027</u>	<u>\$ 255</u>	<u>\$ 72,699</u>

Settled claims have not exceeded the commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the previous year.

The classification of the current and long-term portion of the self-insurance liabilities for the year ended June 30, 2018 are summarized as follows (in thousands):

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Workers' compensation liability	\$ 14,317	\$ 45,100	\$ 59,417
Public liability	9,674	3,353	13,027
Dental liability	<u>255</u>	<u>-</u>	<u>255</u>
	<u>\$ 24,246</u>	<u>\$ 48,453</u>	<u>\$ 72,699</u>

NOTE 14 – JOINT POWERS AUTHORITY (JPA) AND CONSORTIUM

In 1994, the District and BART executed a joint powers authority (JPA) 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 69/31 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.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 – JOINT POWERS AUTHORITY (JPA) AND CONSORTIUM (Continued)

Since July 1, 1993, under a cooperative agreement, the District has also been serving as the lead agency in a consortium that also includes BART, The City of Union City, San Mateo County Transit District (SamTrans) and the Santa Clara Valley Transportation Authority (VTA) to provide Dumbarton Express Bus Service which runs from the Union City Bart Station across the Dumbarton Bridge into Santa Clara and San Mateo counties, including a connection with CalTrain. Over this timespan this service has been periodically put out to bid, and typically it has been run by a third party purchased transportation provider. While the District is the lead agency, funding from other agencies is directed to the District in order to support this consortium service.

In fiscal year 2018, the District recognized \$28.4 million of revenue and subsidy and incurred \$30.2 million of expenses related to the JPA and the Consortium. Neither the JPA nor the Consortium issue separate financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
PENSION PLAN - SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS – LAST 10 FISCAL YEARS
Year Ended June 30, 2018
(In Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:				
Service cost	\$ 21,186	\$ 18,740	\$ 16,614	\$ 16,698
Interest	64,249	62,964	57,571	55,840
Differences between expected and actual experience	369	(11,563)	(2,243)	-
Changes of assumptions	-	-	52,583	-
Benefit payments, including refunds of member contributions	<u>(54,631)</u>	<u>(52,560)</u>	<u>(49,875)</u>	<u>(47,410)</u>
Net changes in total pension liability	31,173	17,581	74,649	25,127
Total pension liability, beginning	<u>902,646</u>	<u>885,065</u>	<u>810,416</u>	<u>785,289</u>
Total pension liability, ending	<u>\$ 933,819</u>	<u>\$ 902,646</u>	<u>\$ 885,065</u>	<u>\$ 810,416</u>
Plan fiduciary net position:				
Contributions – employer	\$ 52,369	\$ 48,479	\$ 42,274	\$ 40,384
Net investment income (loss)	87,481	46,601	(1,458)	23,507
Benefit payments, including refunds of member contributions	(54,631)	(52,560)	(49,875)	(47,410)
Administrative expense	<u>(1,033)</u>	<u>(1,007)</u>	<u>(863)</u>	<u>(867)</u>
Net change in plan fiduciary net position	84,186	41,513	(9,922)	15,614
Plan fiduciary net position, beginning	<u>594,698</u>	<u>553,185</u>	<u>563,107</u>	<u>547,493</u>
Plan fiduciary net position, ending	<u>\$ 678,884</u>	<u>\$ 594,698</u>	<u>\$ 553,185</u>	<u>\$ 563,107</u>
Net pension liability, ending	<u>\$ 254,935</u>	<u>\$ 307,948</u>	<u>\$ 331,880</u>	<u>\$ 247,309</u>
Plan fiduciary net position as a percentage of the total pension liability	72.70%	65.88%	62.50%	69.48%
Covered payroll	\$ 167,786	\$ 150,234	\$ 133,012	\$ 129,310
Net pension liability as a percentage of covered payroll	151.94%	204.98%	249.51%	191.25%

Notes to Schedule:

Benefit changes	There were no changes in benefits in FY2018, FY2017, or FY2016.
Changes in assumptions	There were no changes in assumptions in FY2018 or FY2017. In FY2016, there were changes in the demographic assumptions, which among other things included the adoption of generational mortality assumptions. Additionally there were minor changes in the mortality tables.

This is a 10 year schedule. The information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

The amounts presented for each fiscal year were determined as of the December 31 year-end that occurred within the fiscal year.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
PENSION PLAN - SCHEDULE OF EMPLOYER'S CONTRIBUTIONS – LAST 10 FISCAL YEARS
Year Ended June 30, 2018
(In Thousands)

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation To the Actuarially Determined Contribution	Contributions Deficiency (Excess)	Covered Payroll*	Contributions as a Percentage of Covered Payroll
2015	\$ 40,384	\$ 40,384	\$ -	\$ 129,310	31.23%
2016	42,274	42,274	-	133,012	31.78%
2017	48,479	48,479	-	150,234	32.27%
2018	52,369	52,369	-	167,786	31.21%

* Payroll is based on total actual calendar year covered payroll, provided by the Plan.

Notes to Schedule:

Valuation date	January 1, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll (11 years remaining as of 1/1/2017) with separate periods of Extraordinary Actuarial Gains or Losses (22 years as of 1/1/2017)
Asset valuation method	5-year smoothed market, 80% / 120% corridor around market

Actuarial assumptions:

Discount rate	7.25%
Amortization growth rate	3.00%
Price inflation	3.00%
Salary increases	3.00% plus merit component based on employee classification and years of service
Mortality	Sex distinct RP-2000 Combined Mortality (130% of Blue Collar rates for ATU/IBEW, 120% of White Collar rates for AFSCME/Non-Union), with generational improvement using MP-2015

This is a 10 year schedule. The information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
OPEB PLAN (TRUST)- SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET OPEB LIABILITY AND RELATED RATIOS – LAST 10 FISCAL YEARS
Year Ended June 30, 2018
(In Thousands)

	<u>2018</u>
Total OPEB liability:	
Service cost	\$ 3,475
Interest	4,713
Differences between expected and actual experience	(48,101)
Changes of assumptions	857
Benefit payments	<u>(4,220)</u>
Net changes in total OPEB liability	(43,276)
Total OPEB liability, beginning	<u>145,022</u>
Total OPEB liability, ending	<u><u>\$ 101,746</u></u>
Plan fiduciary net position:	
Contributions – employer	\$ 4,739
Net investment income (loss)	177
Benefit payments	(4,220)
Administrative expense	<u>(142)</u>
Net change in plan fiduciary net position	554
Plan fiduciary net position, beginning	<u>3,115</u>
Plan fiduciary net position, ending	<u><u>\$ 3,669</u></u>
Net OPEB liability, ending	<u><u>\$ 98,077</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.61%
Covered employee payroll	\$ 215,200
Net OPEB liability as a percentage of covered employee payroll	45.57%

Notes to Schedule:

Benefit changes	There were no changes in benefits in FY2018.
Changes in assumptions	In FY2018 The discount rate decreased from 3.13% to 2.98% and the mortality improvement scale was updated from MP-2016 on a fully generational basis to MP-2017 on a fully generational basis.

This is a 10 year schedule. The information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
OPEB PLAN (TRUST) - SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
LAST 10 FISCAL YEARS
Year Ended June 30, 2018
(In Thousands)

<u>Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions In Relation To the Actuarially Determined Contribution</u>	<u>Contributions Deficiency (Excess)</u>	<u>Covered Employee Payroll*</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2018	\$ 5,212	\$ 4,739	\$ 473	\$ 215,200	2.2%

* Payroll is based on total actual calendar year covered employee payroll, provided by the Plan.

Notes to Schedule:

Valuation date	July 1, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value

Actuarial assumptions:

Discount rate	2.98%
Salary increases	3.50%
Mortality	RP-2014 headcount weighted Blue Collar Mortality Table (backed off to 2006 using MP-2014) with application of the MP-2017 improvement scale on a fully generational basis for Union employees and retirees.
	RP-2014 headcount weighted White Collar Mortality Table (backed off to 2006 using MP-2014) with application of the MP-2017 improvement scale on a fully generational basis used for non-represented employees and retirees.
Health care trend rate	Pre-65: 8.0% for FY2019, decreasing 0.5% per year to an ultimate rate of 5.0% for FY2025 and later Post-65: 6.0% for FY2019, decreasing 0.25% per year to an ultimate rate of 5.0% for FY2023 and later

This is a 10 year schedule. The information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
OPEB PLAN (NON-TRUST)- SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET OPEB LIABILITY AND RELATED RATIOS – LAST 10 FISCAL YEARS
Year Ended June 30, 2018
(In Thousands)

	<u>2018</u>
Total OPEB liability:	
Service cost	\$ 2,136
Interest	1,655
Differences between expected and actual experience	739
Changes of assumptions	223
Benefit payments	<u>(2,505)</u>
Net changes in total OPEB liability	2,249
Total OPEB liability, beginning	<u>51,998</u>
Total OPEB liability, ending	<u><u>\$ 54,247</u></u>
Plan fiduciary net position:	
Contributions – employer	\$ 3,505
Benefit payments	<u>(2,505)</u>
Net change in plan fiduciary net position	1,000
Plan fiduciary net position, beginning	<u>-</u>
Plan fiduciary net position, ending	<u><u>\$ 1,000</u></u>
Net OPEB liability, ending	<u><u>\$ 53,247</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.81%
Covered employee payroll	\$ 229,600
Net OPEB liability as a percentage of covered employee payroll	23.19%

Notes to Schedule:

Benefit changes	There were no changes in benefits in FY2018.
Changes in assumptions	In FY2018 The discount rate decreased from 3.13% to 2.98% and the mortality improvement scale was updated from MP-2016 on a fully generational basis to MP-2017 on a fully generational basis, and the actuarial cost method was changed to Entry Age Normal, which is required by GASB Statement No. 75.

This is a 10 year schedule. The information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
OPEB PLAN (NON-TRUST) - SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
LAST 10 FISCAL YEARS
Year Ended June 30, 2018
(In Thousands)

<u>Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions In Relation To the Actuarially Determined Contribution</u>	<u>Contributions Deficiency (Excess)</u>	<u>Covered Employee Payroll*</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2018	\$ 3,781	\$ 3,505	\$ 276	\$ 229,600	1.5%

* Payroll is based on total actual calendar year covered employee payroll, provided by the Plan.

Notes to Schedule:

Valuation date	July 1, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value

Actuarial assumptions:

Discount rate	2.98%
Salary increases	3.50%
Mortality	RP-2014 headcount weighted Blue Collar Mortality Table (backed off to 2006 using MP-2014) with application of the MP-2017 improvement scale on a fully generational basis for Union employees and retirees.
	RP-2014 headcount weighted White Collar Mortality Table (backed off to 2006 using MP-2014) with application of the MP-2017 improvement scale on a fully generational basis used for non-represented employees and retirees.
Health care trend rate	Pre-65: 8.0% for FY2019, decreasing 0.5% per year to an ultimate rate of 5.0% for FY2025 and later Post-65: 6.0% for FY2019, decreasing 0.25% per year to an ultimate rate of 5.0% for FY2023 and later

This is a 10 year schedule. The information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF NET POSITION
June 30, 2018 and 2017
(In Thousands)

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 59,375	\$ 92,237
Restricted cash and cash equivalents	22,769	26,899
Investments	37,531	31,583
Receivables:		
Federal and local grants		
Capital	18,461	15,648
Planning, operating and other	12,987	9,828
Property tax	13,030	13,127
Local sales tax	11,635	5,726
Other trade receivables	<u>11,344</u>	<u>5,189</u>
Total receivables, net	<u>67,457</u>	<u>49,518</u>
Due from Pension Trust Fund	9,670	4,455
Inventory	11,209	10,798
Prepaid expenses	<u>7,567</u>	<u>5,779</u>
Total current assets	215,578	221,269
Noncurrent assets		
Restricted for cash and cash equivalents:		
Restricted for certificates of participation	1,138	2,488
Capital assets		
Nondepreciable	96,778	54,550
Depreciable, net	<u>303,328</u>	<u>294,175</u>
Total capital assets, net	<u>400,106</u>	<u>348,725</u>
Total noncurrent assets	<u>401,244</u>	<u>351,213</u>
Total assets	<u>616,822</u>	<u>572,482</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	48,534	83,009
OPEB related	<u>2,460</u>	<u>-</u>
Total deferred outflows of resources	<u>50,994</u>	<u>83,009</u>
Total assets and deferred outflows of resources	<u>667,816</u>	<u>665,491</u>

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF NET POSITION
June 30, 2018 and 2017
(In Thousands)

	<u>2018</u>	<u>2017</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 17,881	\$ 18,233
Accrued salaries and wages	3,749	3,900
Current portion of accrued vacation and sick leave	17,257	16,310
Due to Pension Trust Fund	4,959	5,674
Unearned revenue	8,414	4,661
Other accrued liabilities	12,141	14,009
Accrued interest payable	375	384
Current portion of claims liabilities	18,947	21,267
Current portion of remediation obligations	67	67
Current portion of certificates of participation	<u>2,220</u>	<u>3,754</u>
Total current liabilities	86,010	88,259
Noncurrent liabilities		
Accrued vacation and sick leave	8,963	9,699
Claims liabilities	53,752	51,531
Remediation obligations	952	952
Certificates of participation	11,169	13,389
Net pension liability	254,935	307,948
OPEB obligation	<u>151,324</u>	<u>22,426</u>
Total noncurrent liabilities	<u>481,095</u>	<u>405,945</u>
Total liabilities	<u>567,105</u>	<u>494,204</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related	27,453	10,596
OPEB related	<u>49,715</u>	<u>-</u>
Total deferred inflows of resources	<u>77,168</u>	<u>10,596</u>
Total liabilities and deferred inflows of resources	<u>644,273</u>	<u>504,800</u>
NET POSITION		
Net investment in capital assets	386,714	331,581
Restricted for capital purchases	22,769	26,899
Restricted for debt service	763	2,104
Unrestricted	<u>(386,703)</u>	<u>(209,893)</u>
Total net position	<u>\$ 23,543</u>	<u>\$ 150,691</u>

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
For the years Ended June 30, 2018 and 2017
(In Thousands)

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Passenger fares	\$ 52,245	\$ 50,157
Contract services	11,579	12,179
Operating revenues of JPA and consortium	2,477	2,410
Other	<u>4,261</u>	<u>4,326</u>
Total operating revenues	<u>70,562</u>	<u>69,072</u>
Operating expenses		
Operator wages	85,733	78,963
Other wages	64,353	62,865
Fringe benefits	172,335	173,037
Depreciation	40,230	35,502
Fuel and oil	12,734	10,831
Other material and supplies	13,951	11,973
Services	40,858	36,530
Insurance	7,425	1,380
Expenses of JPA and consortium	30,177	29,003
Other	<u>8,243</u>	<u>11,816</u>
Total operating expenses	<u>476,039</u>	<u>451,900</u>
Operating loss	<u>(405,477)</u>	<u>(382,828)</u>
Nonoperating revenues (expense)		
Operating assistance:		
Property taxes	134,694	124,543
Local sales tax	99,982	94,128
Local funds	91,555	78,327
Federal	5,598	1,240
State	13,681	12,699
Non-operating revenues of JPA and consortium	25,878	25,154
Loss on sale of capital assets	(1)	(14)
Interest income	575	315
Interest expense	<u>(1,346)</u>	<u>(1,100)</u>
Net nonoperating revenues	<u>370,616</u>	<u>335,292</u>
Loss before capital contributions	(34,861)	(47,536)
Capital contributions	<u>74,470</u>	<u>45,155</u>
Change in net position	39,609	(2,381)
Net position at beginning of year	<u>150,691</u>	<u>153,072</u>
Cumulative effect of adoption of GASB 75	<u>(166,757)</u>	
Net position at beginning of year, as restated	<u>(16,066)</u>	
Net position at end of year	<u>\$ 23,543</u>	<u>\$ 150,691</u>

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF CASH FLOWS
For the years Ended June 30, 2018 and 2017
(In Thousands)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from customers	\$ 63,899	\$ 64,539
Cash payments to suppliers for goods and services	(117,906)	(96,732)
Cash payments to employees for services	(320,576)	(296,739)
Other operating receipts	<u>4,261</u>	<u>4,326</u>
Net cash used in operating activities	<u>(370,322)</u>	<u>(324,606)</u>
Cash flows from noncapital financing activities:		
Operating assistance received	<u>362,417</u>	<u>342,283</u>
Net cash provided by noncapital financial activities	<u>362,417</u>	<u>342,283</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(91,612)	(67,131)
Capital contributions received	71,657	3,266
Proceeds from sale of capital assets	-	50,519
Principal paid on certificates of participation	(3,754)	(3,790)
Interest paid on certificates of participation	<u>(1,355)</u>	<u>(1,120)</u>
Net cash used in capital and related financial activities	<u>(25,064)</u>	<u>(18,256)</u>
Cash flows from investing activities:		
Proceeds from investments	62,117	37,266
Purchase of investments	(68,065)	(34,548)
Investment income	<u>575</u>	<u>315</u>
Net cash provided by (used in) investing activities	<u>(5,373)</u>	<u>3,033</u>
Change in cash and cash equivalents	(38,342)	2,454
Cash and cash equivalents, beginning of year	<u>121,624</u>	<u>119,170</u>
Cash and cash equivalents, end of year	<u><u>\$ 83,282</u></u>	<u><u>\$ 121,624</u></u>
Summary of cash and cash equivalents reported on on the Statement of Net Position:		
Unrestricted cash and cash equivalents	\$ 59,375	\$ 92,237
Restricted cash and cash equivalents	22,769	26,899
Restricted for certificates of participation	<u>1,138</u>	<u>2,488</u>
Total cash and cash equivalents reported on the Statement of Net Position	<u><u>\$ 83,282</u></u>	<u><u>\$ 121,624</u></u>

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF CASH FLOWS
For the years Ended June 30, 2018 and 2017
(In Thousands)

	<u>2018</u>	<u>2017</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (405,477)	\$ (382,828)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	40,230	35,502
Effect of changes in assets and liabilities:		
Other trade receivables	(6,155)	(1,830)
Inventories	(411)	(32)
Due to/from Pension Trust Fund	(5,930)	1,846
Prepaid expenses	(1,788)	(174)
Accounts payable and accrued expenses	(352)	5,845
Accrued salaries and wages	(151)	(809)
Accrued vacation and sick leave	211	1,995
Unearned revenue	3,753	1,623
Other accrued liabilities	(1,868)	4,323
Claims liabilities	(99)	(5,161)
Net pension liability and deferred outflows/inflows from pension	(1,681)	10,814
OPEB obligation	<u>9,396</u>	<u>4,280</u>
Net cash used in operating activities	<u>\$ (370,322)</u>	<u>\$ (324,606)</u>

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
BUDGETARY BASIS - ENTERPRISE FUND - TRANSIT ONLY
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the years Ended June 30, 2018 and 2017
(In Thousands)

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Passenger fares	\$ 54,722	\$ 52,567
Bart transfers	4,263	3,914
Contract services	7,316	8,265
Advertising	1,365	1,554
Interest income	575	314
Other	<u>2,895</u>	<u>2,772</u>
Total operating revenues	71,136	69,386
Subsidies		
Property taxes	105,023	95,034
Property taxes - Measure VV	29,671	29,509
Local sales tax - Measure B	30,827	28,563
Local sales tax - Measure BB	33,990	31,421
Local sales tax - Measure J	4,878	4,705
Local operating assistance	26,958	17,754
State - AB 1107	43,009	41,214
State - AB2972 Home to School	(1,150)	2,225
State - TDA	71,618	67,360
State - STA	15,940	8,634
State operating assistance other	-	3,127
Federal operating assistance	<u>10,624</u>	<u>6,544</u>
Total subsidies	<u>371,388</u>	<u>336,090</u>
Total revenue and subsidies	<u>442,524</u>	<u>405,476</u>
Expenses:		
Operator wages	85,733	78,963
Other wages	64,353	62,865
Fringe benefits	121,411	110,413
Pension expense	50,923	62,623
Services	40,858	36,530
Fuel and lubricants	12,734	10,830
Office/printing supplies	743	829
Other materials and supplies	14,849	13,679
Utilities	3,310	3,074
Insurance	7,425	1,380
Expenses of JPA and consortium	30,177	29,003
Other expenses	3,605	6,222
Interest expense	<u>1,329</u>	<u>931</u>
Total expenses	<u>437,450</u>	<u>417,342</u>
Net revenues	5,074	(11,866)
Capital contributions	74,470	45,155
Depreciation	<u>(40,230)</u>	<u>(35,502)</u>
Excess of revenues over expenses	<u>\$ 39,314</u>	<u>\$ (2,213)</u>

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
BUDGETARY BASIS- ENTERPRISE FUND - TRANSIT ONLY
SCHEDULE OF REVENUES, SUBSIDIES AND EXPENSES, BUDGET VERSUS ACTUAL
For the year Ended June 30, 2018
(In Thousands)

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Passenger fares	\$ 54,722	\$ 55,788	\$ (1,066)
Bart transfers	4,263	3,572	691
Contract services	7,316	10,085	(2,769)
Advertising	1,365	1,200	165
Interest income	575	330	245
Other	<u>2,895</u>	<u>2,998</u>	<u>(103)</u>
Total operating revenues	71,136	73,973	(2,837)
Subsidies			
Property taxes	105,023	92,456	12,567
Property taxes - Measure VV	29,671	29,500	171
Local sales tax - Measure B	30,827	28,993	1,834
Local sales tax - Measure BB	33,990	32,156	1,834
Local sales tax - Measure J	4,878	4,868	10
Local operating assistance	26,958	27,644	(686)
State - AB1107	43,009	42,420	589
State - AB2972 Home to School	(1,150)	500	(1,650)
State - TDA	71,618	66,840	4,778
State - STA	15,940	14,689	1,251
Federal operating assistance	<u>10,624</u>	<u>6,366</u>	<u>4,258</u>
Total subsidies	<u>371,388</u>	<u>346,432</u>	<u>24,956</u>
Total revenue & subsidies	<u>442,524</u>	<u>420,405</u>	<u>22,119</u>
Expenses:			
Operator wages	85,733	83,089	(2,644)
Other wages	64,353	63,274	(1,079)
Fringe benefits	121,411	109,868	(11,543)
Pension expense	50,923	51,931	1,008
Services	40,858	27,313	(13,545)
Fuel and lubricants	12,734	12,473	(261)
Office/printing supplies	743	570	(173)
Other materials and supplies	14,849	16,689	1,840
Utilities	3,310	3,435	125
Insurance	7,425	14,015	6,590
Expenses of JPA and consortium	30,177	30,364	187
Other expenses	3,605	6,124	2,519
Interest expense	<u>1,329</u>	<u>770</u>	<u>(559)</u>
Total operating expenses	<u>437,450</u>	<u>419,915</u>	<u>(17,535)</u>
Excess of revenues over expenses	<u>5,074</u>	<u>\$ 490</u>	<u>\$ 4,584</u>
Depreciation and amortization	(40,230)		
Capital contributions	<u>74,470</u>		
Change in net position	<u>\$ 39,314</u>		

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
BUDGETARY BASIS - ENTERPRISE FUND - TRANSIT ONLY
SCHEDULE OF REVENUES AND EXPENSES BY SERVICE AREA
For the year Ended June 30, 2018

	Special Transit District 1	Special Transit District 2	Total	STSD 2 as a % of Total
Revenues				
Passenger fares	\$ 52,520,831	\$ 2,201,415	\$ 54,722,246	4.02%
BART transfers	4,091,072	171,478	4,262,550	4.02%
Contract services	7,316,050	-	7,316,050	0.00%
Advertising	1,219,112	146,001	1,365,113	10.70%
Interest income	502,570	72,281	574,851	12.57%
Other income	<u>2,585,998</u>	<u>309,650</u>	<u>2,895,648</u>	10.69%
Total revenue	<u>68,235,633</u>	<u>2,900,825</u>	<u>71,136,458</u>	4.08%
Subsidies				
Property taxes	84,219,568	20,802,687	105,022,255	19.81%
Property taxes - Measure VV	29,671,365	-	29,671,365	0.00%
Local sales tax - Measure B	28,510,823	2,315,965	30,826,788	7.51%
Local sales tax - Measure BB	30,354,804	3,635,293	33,990,097	10.70%
Local sales tax - Measure J	4,878,282	-	4,878,282	0.00%
Local operating assistance	22,209,545	4,748,093	26,957,638	17.61%
State - AB1107	37,989,984	5,019,168	43,009,152	11.67%
State - AB2972 Home to School	(1,150,000)	-	(1,150,000)	0.00%
State - TDA	58,448,666	13,169,568	71,618,234	18.39%
State - STA	14,059,153	1,881,033	15,940,186	11.80%
Federal operating assistance	<u>9,454,016</u>	<u>1,169,605</u>	<u>10,623,621</u>	11.01%
Total subsidies	<u>318,646,206</u>	<u>52,741,412</u>	<u>371,387,618</u>	14.20%
Total revenue and subsidies	<u>386,881,839</u>	<u>55,642,237</u>	<u>442,524,076</u>	19.24%
Expenses				
Operator wages	77,065,636	8,667,634	85,733,270	10.11%
Other wages	57,470,584	6,882,680	64,353,264	10.70%
Fringe benefits	108,833,156	12,578,218	121,411,374	10.36%
Pension expenses	45,647,606	5,275,649	50,923,255	10.36%
Services	36,488,244	4,369,834	40,858,078	10.70%
Fuel & lubricants	11,372,452	1,361,966	12,734,418	10.70%
Office and printing supplies	663,434	79,453	742,887	10.70%
Bus parts and maintenance supplies	13,260,526	1,588,081	14,848,607	10.70%
Utilities	2,955,709	353,976	3,309,685	10.70%
Insurance	6,630,749	794,099	7,424,848	10.70%
Other expenses	3,218,953	385,502	3,604,455	10.70%
Expenses of JPA and consortium	24,323,617	5,853,873	30,177,490	19.40%
Interest expense	1,182,128	146,508	1,328,636	11.03%
Depreciation	<u>35,927,273</u>	<u>4,302,652</u>	<u>40,229,925</u>	10.70%
Total expenses	<u>425,040,160</u>	<u>52,640,032</u>	<u>477,680,192</u>	11.03%
Income (loss) before capital contributions	(38,158,321)	3,002,205	(35,156,116)	
Capital contributions - federal and local	<u>71,944,115</u>	<u>2,526,278</u>	<u>74,470,393</u>	3.39%
Change in net position	<u>\$ 33,785,794</u>	<u>\$ 5,528,483</u>	<u>\$ 39,314,277</u>	

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the year Ended June 30, 2018
(In Thousands)

NOTE 1 - 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.

NOTE 2 - 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, 2018 basic financial statements of the District's budgeted fund is as follows (in thousands):

Change in net position on GAAP basis	\$ 39,609
Perspective differences	<u>(295)</u>
Change in net position on the budgetary basis	<u>\$ 39,314</u>

NOTE 3 - 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

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u> ³	<u>2016</u>	<u>2017</u>	<u>2018</u> ⁴
Net Position:										
Net invested in capital assets,	\$231,130	\$209,056	\$207,548	\$187,570	\$202,095	\$260,221	\$272,831	\$298,323	\$331,581	\$386,714
Restricted for capital purchases ²	18,342	14,567	14,897	46,893	74,531	44,528	33,583	46,131	26,899	22,769
Restricted for debt service ¹	1,350	1,350	1,350	1,174	1,605	1,505	1,505	2,084	2,104	763
Unrestricted	14,362	16,922	26,730	33,124	40,781	40,891	(171,891)	(193,466)	(210,470)	(386,703)
Total net position	<u>\$265,184</u>	<u>\$241,895</u>	<u>\$250,525</u>	<u>\$268,761</u>	<u>\$319,012</u>	<u>\$347,145</u>	<u>\$136,028</u>	<u>\$153,072</u>	<u>\$150,114</u>	<u>\$23,543</u>

Notes:

¹ Restricted amounts relate to payments on the Certificates of Participation.

² Restricted for capital purchases was required starting FY 2011.

³ Net Position for FY 2015 was reduced by the Net Pension Obligation required by GASB 68

⁴ Net Position for FY 2018 was reduced by the cumulative effect of the OPEB Obligation required by GASB 75

Source: Office of Controller, AC Transit

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

OPERATING REVENUES

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Farebox	\$52,173	\$53,229	\$50,648	\$49,363	\$50,357	\$54,945	\$56,470	\$55,349	\$52,567	\$54,722
Other Transit Fares	120	110	120	55	207					
Bart Transfers	5,301	4,026	2,460	2,855	2,460	6,322	3,240	3,402	3,914	4,263
Contract Service	5,226	5,553	4,849	4,873	5,826	5,607	6,338	7,198	8,265	7,315
Service Funding-Alameda	-	-	-	-	-	-	-	-	-	-
Advertising	2,604	1,250	1,212	1,174	1,819	1,821	1,969	1,776	1,554	1,365
Other Income	3,922	3,234	2,043	2,234	3,953	1,880	1,596	2,323	2,772	2,896
TOTAL	69,346	67,402	61,332	60,554	64,622	70,575	69,613	70,048	69,072	70,561

NONOPERATING REVENUES

Property Taxes	87,365	96,610	94,539	100,151	108,798	105,807	111,812	117,497	124,543	134,694
State Funding	14,079	2,225	13,800	14,985	26,117	19,878	15,198	42,649	13,986	14,790
Sales Tax (AB1107)	30,767	27,767	30,145	32,501	34,812	36,912	38,810	40,262	41,214	43,009
Sales Tax TDA ⁴	46,310	54,458	54,883	52,840	57,282	61,264	62,868	63,708	67,360	71,618
Capital Contribution - Fed & State	42,627	8,238	26,664	47,878	64,014	51,517	41,751	51,652	45,155	74,470
Operating Assistance										
Federal Sec. 8 & 9	48,162	55,175	44,421	45,212	28,486	24,920	18,279	23,222	24,297	37,590
Measure "B" ¹	20,733	19,723	17,400	23,038	24,657	24,328	26,447	27,395	28,563	30,827
Measure "BB" ⁵							5,843	30,403	31,421	33,990
Measure "J" ²	1,472	3,528	3,585	3,522	3,978	3,940	4,930	4,516	4,705	4,878
Prop. 111-STA	9,103	-	-	-	-	-	-	-	-	-
Interest Income	1,690	130	187	585	764	64	68	146	315	575
ADA Paratransit Service ³	9,370	-	-	-	-	-	-	-	-	-
TOTAL	311,678	267,854	285,624	320,712	348,908	328,630	326,006	401,450	381,559	446,441

**REVENUES &
SUBSIDIES**

\$381,024	\$335,256	\$346,956	\$381,266	\$413,530	\$399,205	\$395,619	\$471,498	\$450,631	\$517,002
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Notes:

¹ Sales Tax-Measure "B" is administered by Alameda County Transportation Authority

² Sales Tax-Measure "J" is administered by Contra Costa County Transportation Authority

³ There were no ADA Paratransit Service Revenues during FY 2010-2011

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

⁵ Sales Tax-Measure "BB" is administered by Alameda County Transportation Authority

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>	
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	0.325	0.046	0.371	0.284	0.256	0.089	0.629	1.000
2013	0.325	0.038	0.363	0.286	0.262	0.089	0.637	1.000
2014	0.320	0.039	0.359	0.301	0.254	0.086	0.641	1.000
2015	0.325	0.049	0.374	0.311	0.232	0.083	0.626	1.000
2016	0.313	0.05	0.363	0.314	0.242	0.08	0.637	1.000
2017	*	*	*	*	*	*	*	*
2018	*	*	*	*	*	*	*	*

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> ¹	<u>TOTAL</u>	<u>LOCAL</u> ²	<u>STATE</u>	<u>FEDERAL</u>	<u>TOTAL</u>	
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
2014	0.158	0.045	0.203	0.644	0.081	0.072	0.797	1.000
2015	0.159	0.037	0.196	0.653	0.052	0.099	0.804	1.000
2016	0.134	0.037	0.171	0.726	0.087	0.016	0.829	1.000
2017	0.130	0.043	0.173	0.781	0.033	0.014	0.827	1.000
2018	0.124	0.036	0.160	0.785	0.034	0.021	0.840	1.000

Notes:

* - Not Available

¹ Other miscellaneous revenue includes interest income, advertising, and other non-operating income.

² Includes sales and use tax revenue.

Source: The American Public Transportation Association, "APTA 2018 Transportation Fact Book"

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

SALES TAX (AB 1107) RECEIPTS ¹

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
2013-14	367,991,334
2014-15	378,664,574
2015-16	395,572,853
2016-17	429,091,916
2017-18	436,284,385

LOCAL TRANSPORTATION FUNDS ²

	<u>ALAMEDA COUNTY</u>	<u>CONTRA COSTA COUNTY</u>	<u>TOTAL</u>
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
2013-14	70,647,277	50,300,617	120,947,894
2014-15	77,022,649	48,246,414	125,269,063
2015-16	79,014,940	48,391,982	127,406,922
2016-17	89,705,891	49,516,739	139,222,630
2017-18	95,961,547	50,017,295	145,978,842

Notes:

¹ AB1107 Sales Tax receipts are shared by AC Transit, San Francisco Municipal Railways and Bay Area Rapid Transit. AC Transit received \$41.2 million in the fiscal year 2018

² The distribution of Local Transportation Funds derived from a one-quarter percent (1/4%) Retail Sales Tax is based on population. For fiscal year 2018, AC Transit received \$60.8 million from Alameda County and \$6.4 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)**

ALAMEDA COUNTY									
Fiscal Year	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Institutional Property	Utility and Unsecured Property¹	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
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
2014	149,092,989	29,348,915	20,120,895	1,456,520	2,689,140	15,633,013	7,566,667	210,774,805	1.00
2015	161,954,196	29,475,074	20,596,312	1,501,740	2,871,593	15,748,875	8,858,490	223,289,300	1.00
2016	174,707,996	30,784,933	21,604,658	1,573,372	3,008,754	16,840,363	7,931,121	240,588,955	1.00
2017	186,918,732	32,806,144	23,888,234	1,756,511	3,170,216	17,221,687	8,558,188	257,203,336	1.00
2018	200,674,894	34,676,697	25,376,448	1,894,968	3,298,031	17,548,323	9,106,096	274,363,265	1.00

CONTRA COSTA COUNTY						
Fiscal Year	Real Property ²	Personal Property ²	Total	Less: Tax-Exempt Property	Net Assessed Value	Total Direct Tax Rate
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
2014	152,094,496	3,117,109	155,211,605	5,081,776	150,129,829	1.00
2015	165,375,782	3,381,581	168,757,363	5,245,692	163,511,671	1.00
2016	177,534,793	3,543,798	181,078,591	5,471,705	175,606,886	1.00
2017	188,155,283	3,548,242	191,703,525	5,747,702	185,955,823	1.00
2018	198,906,818	3,514,927	202,421,745	6,032,619	196,389,126	1.00

Notes:

¹ The utility and unsecured rolls are not available by property type.

² 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					
	County General	County Special Districts	Local Special Districts	Agency Districts	Schools	Cities	Total ¹
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
2014	1.0000	0.0054	0.0015	0.0240	0.1346	0.0529	1.2184
2015	1.0000	0.0054	0.0022	0.0183	0.1393	0.0546	1.2198
2016	1.0000	0.0074	0.0018	0.0177	0.1310	0.0469	1.2048
2017	1.0000	0.0071	0.0019	0.0198	0.1279	0.0513	1.2080
2018	1.0000	0.0077	0.0020	0.0244	0.1406	0.0526	1.2273

CONTRA COSTA COUNTY

Fiscal Year	County Direct Rate	Overlapping Rates					
	Countywide Rate ²	County Special Districts	Local ₃ Special Districts	Agency Districts	Schools	Cities	Total
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
2014	1.0000	0.0000	0.0024	0.0155	0.1168	0.0122	1.1469
2015	1.0000	0.0000	0.0021	0.0131	0.1254	0.0125	1.1531
2016	1.0000	0.0000	0.0020	0.0094	0.1227	0.0128	1.1469
2017	1.0000	0.0000	0.0019	0.0113	0.1112	0.0126	1.1370
2018	1.0000	0.0000	0.0017	0.0105	0.1116	0.0127	1.1365

Notes:

¹ 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.

² 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.

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

**ALAMEDA-CONTRA COSTA COUNTY TRANSIT DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2018
(in thousands)**

ALAMEDA COUNTY

Taxpayer	2018			2009		
	Secured Assessed Value	Rank	Percentage of Total Secured Assessed Value	Secured Assessed Value	Rank	Percentage of Total Secured Assessed Value
Tesla Motors Inc	\$ 2,424,307	1	0.93 %			
Pacific Gas & Electric Co.	2,388,621	2	0.91	1,259,820	1	0.65 %
Kaiser Foundation Hospitals	528,383	3	0.20	388,378	4	0.20
Kaiser Foundation Health Plan	398,668	4	0.15	343,403	6	0.18
Russell City Energy Company, LLC	387,800	5	0.15			
BMR Gateway Boulevard LLC	383,876	6	0.15			
AT&T	361,957	7	0.14	447,813	3	0.23
Bayer Healthcare LLC	353,961	8	0.14	272,907	8	0.14
BRE Properties	341,918	9	0.13			
5616 Bay Street Investors LLC	319,450	10	0.12			
New United Motor Manufacturing, Inc.				1,087,910	2	0.56
Deutsche Bank National Trust				375,817	5	0.19
Catellus Development Corporation				325,597	7	0.17
Northern California Industrial Portfolio Inc				267,347	9	0.14
SCI Limited Partnership I				262,577	10	0.14
	<u>\$ 7,888,941</u>		<u>3.02 %</u>	<u>\$ 5,031,569</u>		<u>2.60 %</u>

CONTRA COSTA COUNTY

Taxpayer	2018			2009		
	Secured Assessed Value	Rank	Percentage of Total Secured Assessed Value	Secured Assessed Value	Rank	Percentage of Total Secured Assessed Value
Chevron USA	\$ 3,405,224	1	1.79 %	\$ 4,062,139	1	2.67 %
Equilon Enterprises LLC	1,597,288	2	0.84	2,035,939	2	1.34
Tesoro Refining & Marketing	1,145,265	3	0.60	1,347,011	3	0.89
Phillips 66 Company	1,008,681	4	0.53			
SDC7	838,352	5	0.44			
First Walnut Creek Mutual	694,960	6	0.37			
BRE Properties, Inc	597,825	7	0.31			
Sierra Pacific Properties Inc.	543,445	8	0.29			
NRG Delta LLC	542,275	9	0.29			
Shadelands Park LLC	394,262	10	0.21			
Pacific Gas & Electric				1,202,116	4	0.79
Tosco Corporation				1,062,776	5	0.70
Seeno Construction Co.				808,792	6	0.53
Sunset Land Company				746,985	7	0.49
Mirant Delta/Delta Energy Co				549,140	8	0.36
ATT/Pac Bell (SBC Communications)				543,666	9	0.36
Shappel Industries, Inc.				502,415	10	0.33
	<u>\$ 10,767,577</u>		<u>5.67 %</u>	<u>\$ 12,860,979</u>		<u>8.46 %</u>

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

**ALAMEDA-CONTRA COSTA COUNTY TRANSIT DISTRICT
PRINCIPAL EMPLOYERS
JUNE 30, 2018
(in thousands)**

ALAMEDA COUNTY

Employer	Type of Business	2018			2009		
		Number of Employees JUNE 8, 2018 ¹	Rank	Percentage of Total County Employment ²	Number of Employees JUNE 30, 2009 ¹	Rank	Percentage of Total County Employment ²
Kaiser Permanente Medical Group Inc. 3	Health Care	34,398	1	4.21 %	-	20+	- %
Sutter Health 3	Health Care	10,184	2	1.25	-	20+	-
Tesla 3	Electric Vehicle Manufacturer	10,000	3	1.22	-	20+	-
County of Alameda	Local Government	9,545	4	1.17	9029.00	2	1.30
Safeway Inc. 3	Supermarkets & Other Grocery	9,373	5	1.15	-	20+	-
John Muir Health 3	Health Care	6,484	6	0.79	-	20+	-
Chevron Corp. 3	Energy	5,252	7	0.64	-	20+	-
PG&E Corporation 3	Energy	5,100	8	0.62	-	20+	-
Wells Fargo Bank 3	Financial Services	5,089	9	0.62	-	20+	-
UPS 3	Trucking/Shipping/Freight	4,500	10	0.55	-	20+	-
Total		<u>99,925</u>		<u>12.22 %</u>	<u>9,029</u>		<u>1.30 %</u>

CONTRA COSTA COUNTY

Taxpayer	2018 ³			2009 ³		
	Estimated Employees	Rank	Percentage of Total County Employment	Estimated Employees	Rank	Percentage of Total County Employment
Chevron Corporation	10,000+	1	1.82%	4,700	1	0.99 %
Bay Alarm Co.	1,000-4,999	T-2	0.55%			
St Mary's College	1,000-4,999	T-2	0.55%			
Bio-Rad Laboratories, Inc	1,000-4,999	T-2	0.55%	1,700	4	0.36 %
Job Connections	1,000-4,999	T-2	0.55%			
John Muir Medical Center	1,000-4,999	T-2	0.55%	1,900	3	0.40 %
Kaiser Permanente	1,000-4,999	T-2	0.55%			
La Raza Market	1,000-4,999	T-2	0.55%			
Martinez Medical Offices	1,000-4,999	T-2	0.55%			
USS Posco Industries	1,000-4,999	T-2	0.55%	975	8	0.20 %
Kaiser Foundation Hospital				2,300	2	0.49 %
John Muir/Mt. Diablo Medical Center				1,500	5	0.32 %
24 Hours Fitness				1,300	6	0.27 %
Doctors Medical Center				1,000	7	0.21 %
Contra Costa Newspapers, Inc				900	9	0.19 %
Bank of the West				800	10	0.17 %
All Others	511,900		93.26%	456,725		96.40 %
	<u>548,900</u>		<u>100.00%</u>	<u>473,800</u>		<u>100.00%</u>

Notes:

¹ Source: The County of Alameda number of employees as of June 30, 2018 is obtained from the Alameda County Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2018.

² Percentage from the Alameda County Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2018

³ Information from Contra Costa County Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2018

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

ALAMEDA COUNTY

Fiscal Year	Taxes Levied for the Fiscal Year ¹	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years ^{2,3}	Total Collections to Date		%
		Amount	Percentage of Levy		Amount	Percentage of Levy	
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	58,031	2,322,473	99.78	
2012	2,358,081	2,300,192	97.55	51,506	2,351,698	99.73	
2013	2,402,703	2,359,713	98.21	40,041	2,399,754	99.88	
2014	2,539,344	2,503,557	98.59	32,553	2,536,110	99.87	
2015	2,711,822	2,675,977	98.68	27,569	2,703,546	99.69	
2016	2,880,728	2,840,578	98.61	32,850	2,873,428	99.75	
2017	3,082,262	3,040,805	98.65	31,867	3,072,672	99.69	
2018	3,350,221	3,313,841	98.91				

CONTRA COSTA COUNTY

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ³		Collections in Subsequent Years ³	Total Collections to Date		%
		Amount	Percentage of Levy		Amount ³	Percentage of Levy ³	
2009	2,061,930	1,975,895	95.83	85,512	2,061,407	99.97	
2010	1,964,724	1,909,306	97.18	54,857	1,964,163	99.97	
2011	1,932,504	1,896,819	98.15	34,740	1,931,559	99.95	
2012	1,973,646	1,918,653	97.21	53,452	1,972,105	99.92	
2013	1,974,838	1,953,215	98.91	19,417	1,972,632	99.89	
2014	2,083,810	2,072,121	99.44	17,959	2,090,080	100.30	
2015	2,286,998	2,266,716	99.11	16,288	2,283,004	99.83	
2016	2,425,972	2,405,237	99.15	13,286	2,418,523	99.69	
2017	2,554,066	2,532,723	99.16	13,217	2,545,940	99.68	
2018	2,707,459	2,686,909	99.24				

Notes:

¹ Taxes levied for the fiscal year are based on the original charge and are not adjusted for any value changes that may reduce or increase taxes levied and impact percentage of levy collections, including collections to be greater than one hundred percent.

² Data only available beginning fiscal year 2012.

³ Revised

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)**

Fiscal Year	Certificates of Participation	ACTC	Premiums and Discounts	Total Primary Government	Percentage of Taxable Assessed Value ¹	Per Capita ²
2009	42,765	15,000	(581)	57,184	0.016%	2.235%
2010	40,335	7,000	(552)	46,783	0.013%	1.811%
2011	37,465	-	(523)	36,942	0.011%	1.435%
2012	32,735	-	(265)	32,470	0.010%	1.251%
2013	31,085	-	(274)	30,811	0.009%	1.174%
2014	28,060	-	(283)	27,777	0.008%	1.044%
2015	24,630		(292)	24,338	0.006%	0.898%
2016	21,100		(167)	20,933	0.005%	0.760%
2017	17,455		(312)	17,143	0.004%	0.617%
2018	13,685		(296)	13,389	0.003%	0.476%

Notes:

¹ See Schedule of Assessed Value of Taxable Property for taxable assessed value.

² 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 statements

Source: Office of Controller, AC Transit

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

ALAMEDA COUNTY

Fiscal Year	Population	Total Personal Income (amounts expressed in thousands) ²	Per Capita Personal Income	Unemployment Rate ³
2009	1,497,799	69,974,222	46,695	11.1
2010	1,510,271	72,757,457	48,087	11.3
2011	1,517,756	75,908,145	49,617	10.8
2012	1,530,176	85,017,099	54,683	9.5
2013	1,548,681	85,173,987	53,798	7.4
2014	1,573,254	90,631,392	56,261	5.8
2015	1,599,888	- ¹	- ¹	4.6
2016	1,627,865	- ¹	- ¹	4.7
2017	1,638,215	101,370,460	61,879	4.0
2018	1,663,190	118,554,685	71,282	3.3

CONTRA COSTA COUNTY

Fiscal Year	Population ⁴	Total Personal Income (amounts expressed in thousands) ⁵	Per Capita Personal Income ⁵	Unemployment Rate ⁶
2009	1,061,325	55,781,843	56,703	10.8
2010	1,073,055	57,700,398	55,455	11.3
2011	1,056,064	60,778,678	59,053	11.0
2012	1,065,117	66,544,007	61,638	9.4
2013	1,074,702	69,375,880	63,403 [#]	7.3
2014	1,087,008	70,849,779	63,752	6.0
2015	1,111,143	74,756,916	66,348	4.9
2016	1,126,824	80,041,324	70,840	4.9
2017	1,139,513	N/A ¹	N/A ¹	4.1
2018	1,149,363	N/A ¹	N/A ¹	3.5

Notes:

[#] Estimated

¹ Data not yet published.

² Dollar estimates are in current dollars (not adjusted for inflation); Per Capita Personal Income was computed using Census Bureau's midyear population estimates, which differ from the population column of this page.

³ Unemployment rates reflected as of June of each year

⁴ California Department of Finance Estimate for January 1 of each year.

⁵ U.S. Department of Commerce - Bureau of Economic Analysis (thousands)

⁶ State of California - Employment Development Department - June Data

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
APPROPRIATIONS LIMITATION CALCULATION
For the Fiscal Year Ending June 30, 2018**

2016 -17 Appropriations Limit, Budgetary Purposes	\$460,781,041
Change in Consumer Price Index	1.0369
Weighted Average Change in Population	1.0111
Total Adjustment Factor (rounded)	1.0484
Annual adjustment in dollars (rounded)	22,401,821
2017-18 Appropriations Limit	\$483,182,862

Source: Office of Controller, AC Transit

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

<u>FARE CATEGORY ¹</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>LOCAL CASH</u>										
<u>LOCAL SINGLE RIDE</u>										
Adult	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.25
Youth (5-18)	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.10
Child (0-4)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sr/Disabled	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.10
<u>LOCAL PASSES</u>										
Adult	\$ 80.00	\$ 80.00	\$ 80.00	\$ 80.00	\$ 80.00	\$ 80.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 81.00
Youth/Child (5-18)	\$ 15.00	\$ 15.00	\$ 15.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 26.50
Sr/Disabled	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 26.50
10-ride pass										
Adult	\$ 20.00	\$ 20.00	\$ 20.00	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sr/Dis/Youth	\$ 10.00	\$ 10.00	\$ 10.00	n/a	n/a	n/a	n/a	n/a	n/a	n/a
BART-to-Bus Transfer										
Adult	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.85	\$ 1.85	\$ 1.85	\$ 1.85	\$ 1.85	\$ 1.85	\$ 2.00
Sr/Dis/Youth ³	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.85
Sports Special	\$ 2.50	\$ 2.50	\$ 2.50	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<u>TRANSBAY BASIC CASH</u>										
Adult	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.20	\$ 4.20	\$ 4.20	\$ 4.20	\$ 4.20	\$ 4.20	\$ 4.50
Youth (5-18)	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.20
Child (0-4)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sr/Disabled	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.20
<u>TRANSBAY BASIC PASS</u>										
Adult	\$ 132.50	\$ 132.50	\$ 132.50	\$ 151.20	\$ 151.20	\$ 151.20	\$ 151.20	\$ 151.20	\$ 151.20	\$ 162.00
<u>CLIPPER FARES AND PASSES ⁴</u>										
<u>LOCAL CASH</u>										
Adult	n/a	n/a	n/a	n/a	n/a	n/a	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.25
Youth/Child (5-18)	n/a	n/a	n/a	n/a	n/a	n/a	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.10
Sr/Disabled	n/a	n/a	n/a	n/a	n/a	n/a	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.10
<u>LOCAL DAY PASSES</u>										
Adult	n/a	n/a	n/a	n/a	n/a	n/a	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
Youth/Child (5-18)	n/a	n/a	n/a	n/a	n/a	n/a	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Sr/Disabled	n/a	n/a	n/a	n/a	n/a	n/a	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
<u>TRANSBAY SINGLE RIDE</u>										
Adult	n/a	n/a	n/a	n/a	n/a	n/a	\$ 4.20	\$ 4.20	\$ 4.20	\$ 4.50
Youth/Child (5-18)	n/a	n/a	n/a	n/a	n/a	n/a	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.20
Sr/Disabled	n/a	n/a	n/a	n/a	n/a	n/a	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.20
<u>LOCAL 31-DAY PASS</u>										
Adult	n/a	n/a	n/a	n/a	n/a	n/a	\$ 75.00	\$ 75.00	\$ 75.00	\$ 81.00
Youth/Child (5-18)	n/a	n/a	n/a	n/a	n/a	n/a	\$ 20.00	\$ 20.00	\$ 20.00	\$ 26.50
Sr/Disabled	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$ 20.00	\$ 20.00	\$ 26.50
<u>TRANSBAY 31-DAY PASS</u>										
Adult	n/a	n/a	n/a	n/a	n/a	n/a	\$ 151.20	\$ 151.20	\$ 151.20	\$ 162.00
Youth/Child (5-18)	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
<u>TRANSFER FEE See Note ²</u>	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	n/a	n/a	n/a	n/a

Notes:

¹ Effective Sept. 2003, Child Fare was eliminated and became part of Youth Fare.

² Valid for 2 hours and a 1-use only. This Transfer fee was eliminated in July 2014

³ Bart-to-Bus transfer is a \$0.25 credit toward all fares

⁴ Clipper fares were implemented in FY 2014-2015

Source: Office of Controller, AC Transit

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
MISCELLANEOUS STATISTICS
June 30, 2018**

EMPLOYEES: 2,275 (1,988 in Vehicle Operations, which includes 1,558 drivers;
430 in Maintenance; and 287 in General Administration)

SERVICE AREA: Approximately 364 Sq. Miles, with a population of 1.43 million ⁵
District 1 - 279 Sq. Miles
District 2 (Fremont and Newark) - 85 Sq. Miles

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

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

BASIC FARES	EAST BAY	TRANSBAY
Adults	\$2.10	\$4.50
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 - 171,308 average weekday (52.4 million annually) ⁵

Youth . . . (13-17). 21 percent of riders ⁴

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

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

ROUTES - 109, most of which connect with BART, and seven connecting with ferry boats

Transbay - 29 routes	East Bay District 1 - 67 routes
District 2 (Fremont & Newark) - 9 routes	Special Service - 4

FLEET - Total Buses: 629. Weekday Peak Hour Requirement: 574. Basic Service: 272
ADA Accessible Buses: 629

MILEAGE - Annual Total Vehicle Miles - 21 23,497

Notes:

¹ Contra Costa County

² San Mateo County Express Bus Service.

³ Contract Service with a consortium led by AC Transit.

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

⁵ NTD Report 2017-18

Source: Office of Controller, AC Transit

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

	Vehicle Operations	Vehicle Maintenance	Non Vehicle Maintenance	Capital Labor	General & Administration	Total Permanent Employees	Total Part-Time Employees	Total Employees
2009	1,429	405	46	1	266	2,147	11	2,158
2010	1,361	377	44	1	249	2,032	6	2,038
2011	1,332	325	45	0	234	1,936	6	1,942
2012	1,276	349	45	0	223	1,893	9	1,902
2013	1,333	341	48	0	243	1,965	9	1,974
2014	1,352	368	52	1	240	2,013	9	2,022
2015	1,408	346	39	0	231	2,024	7	2,031
2016	1,434	340	42	0	260	2,076	11	2,087
2017	1,583	372	46	0	271	2,272	10	2,282
2018	1,444	381	49	0	287	2,161	8	2,169

Source: AC Transit - National Transit Database Report 2018

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

Operating Revenues

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u> ²	<u>2016</u> ²	<u>2017</u> ²	<u>2018</u>
Passenger fares	\$52,173	\$53,229	\$50,648	\$51,323	\$52,976	\$52,508	\$54,002	\$52,955	\$50,157	\$52,245
Contract service	10,646	9,689	7,520	7,728	8,335	11,929	9,616	10,601	12,179	11,579
Other	6,527	4,484	3,164	3,408	5,772	4,165	3,589	4,100	4,326	4,260
Total operating revenues	\$ 69,346	\$ 67,402	\$ 61,332	\$ 62,459	\$ 67,083	\$ 68,602	\$ 67,207	\$ 67,656	\$ 66,662	\$ 68,084

Non-operating revenues

Property taxes	\$ 87,365	\$ 96,610	\$ 94,539	\$ 100,151	\$108,799	\$105,807	\$111,812	\$117,497	\$124,543	\$134,694
Local sales tax	52,972	51,018	51,130	26,560	28,634	60,280	70,920	97,283	100,386	106,749
Local funds ¹	58,164	54,458	54,883	12,101	15,329	70,234	71,858	72,863	78,327	91,555
Federal	57,532	53,502	44,421	33,111	13,157	8,746	1,682	6,520	5,224	7,251
State	11,328	2,225	13,800	100,326	118,211	16,853	13,847	34,698	12,699	9,455
Gain on sale of capital assets		1,441	204			(90)	(216)	(475)	(14)	(1)
Interest income	1,690	130	187	34	72	674	590	151	315	575
Total non- operating revenues	\$269,051	\$259,384	\$259,164	\$272,283	\$284,202	\$262,504	\$270,493	\$328,537	\$321,480	\$350,278

Total Revenues

	\$338,397	\$326,786	\$320,496	\$334,742	\$351,285	\$331,106	\$337,700	\$396,193	\$388,142	\$418,362
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Expenses

Operator wages	67,436	67,206	61,115	58,384	58,525	58,529	62,154	68,248	78,963	85,733
Other wages	59,252	56,751	50,267	48,328	46,361	47,106	51,018	55,694	62,865	64,353
Fringe benefits	112,939	122,016	116,399	117,593	116,850	128,755	134,236	157,637	173,037	167,795
Depreciation and amortization	37,805	38,990	35,531	37,899	35,420	39,495	40,587	38,477	35,502	40,808
Fuel and oil	17,721	13,581	16,209	18,593	18,613	17,359	14,471	10,129	10,831	12,734
Other material and supplies	15,752	13,895	11,775	13,913	13,277	11,345	11,441	11,359	11,973	13,951
Services	22,125	20,064	20,261	20,547	26,592	26,510	24,984	57,467	36,530	40,858
Insurance	5,150	6,983	4,267	9,262	11,529	7,115	13,190	19,731	1,380	7,425
Net expenses of joint venture	13,564	9,263	10,292	24,238	26,754	8,515	10,698	4,848	11,681	6,016
Interest expense	3,077	2,425	1,996	1,847	654	1,898	1,515	251	1,677	1,346
Other	9,975	7,139	10,417	14,164	8,132	7,863	8,982	6,960	11,816	7,662
Total expenses	\$364,796	\$358,313	\$338,529	\$364,768	\$362,707	\$354,490	\$373,276	\$430,801	\$436,255	\$448,681

Income (Loss) before capital contributions	\$ (26,399)	\$ (31,527)	\$ (18,033)	\$ (30,026)	\$ (11,422)	\$ (23,384)	\$ (35,576)	\$ (34,608)	\$ (48,113)	\$ (30,319)
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CAPITAL CONTRIBUTIONS	42,627	8,238	26,663	47,878	64,014	51,517	41,750	51,652	45,155	74,471
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CHANGE IN NET POSITION	\$ 16,228	\$ (23,289)	\$ 8,630	\$ 17,852	\$ 52,592	\$ 28,133	\$ 6,174	\$ 17,044	\$ (2,958)	\$ 44,152
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Notes:

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

² Prior Period Adjustment per implementation of GASB 68 of \$217,291,000 not included in Change in net position for 2015

Source: Office of Controller, AC Transit

ALAMEDA CONTRA-COSTA TRANSIT DISTRICT
FARE BOX RATIO
LAST TEN FISCAL YEARS
(in Thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
NTD - MB/DO ¹										
Fare Revenue	\$51,786	\$53,236	\$50,670	\$57,121	\$58,234	\$64,403	\$63,595	\$64,217	\$68,314	\$69,052
Operating Cost	295,513	299,691	284,897	294,246	292,493	300,279	316,885	386,563	376,632	372,030
Fair Box Recovery	17.52%	17.76%	17.79%	19.41%	19.91%	21.45%	20.07%	16.61%	18.14%	18.56%
NTD - MB/PT ²										
Fare Revenue	0	0	0	0	575	622	540	695	649	625
Operating Cost	0	0	0	0	2,725	3,423	3,025	2,733	2,806	2,949
Fair Box Recovery					21.10%	18.17%	17.85%	25.43%	23.13%	21.19%
NTD - DR/PT ³										
Fare Revenue	\$2,059	\$2,119	\$2,526	\$2,798	\$1,856	\$1,850	\$1,913	\$1,929	\$1,917	\$1,982
Operating Cost	30,245	31,291	33,501	35,959	26,237	26,663	27,732	25,639	26,629	41,056
Fair Box Recovery	6.81%	6.77%	7.54%	7.78%	7.07%	6.94%	6.90%	7.52%	7.20%	4.83%
NTD - DR/PT BART ⁴										
Fare Revenue					\$834	\$831	\$860	\$867	\$861	\$890
Operating Cost					10,545	10,564	11,031	11,917	12,382	28,002
Fair Box Recovery	0.00%	0.00%	0.00%	0.00%	7.91%	7.87%	7.80%	7.28%	6.95%	3.18%
Grand Total										
Fare Revenue	\$53,845	\$55,355	\$53,196	\$59,919	\$61,499	\$67,706	\$66,908	\$67,708	\$71,741	\$72,549
Operating Cost	325,758	330,982	318,398	330,205	332,000	340,929	358,673	426,852	418,449	444,037
Fair Box Recovery	16.53%	16.72%	16.71%	18.15%	18.52%	19.86%	18.65%	15.86%	17.14%	16.34%

¹ Revenue pertains to Motorbus - Directly Operated

² Revenue pertains to Motorbus - Purchased Transportation (Dumbarton Service)

³ Revenue pertains to Motorbus - Directly Operated Purchased Transportation

⁴ Revenue pertains to Motorbus - Directly Operated Purchased Transportation - Bay Area Rapid Transit (BART)

Source: National Transit Database Report

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

OPERATING EXPENSES (excluding depreciation & amortization)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Operator Wages	67,436	67,206	61,115	58,384	58,526	58,529	62,154	68,248	78,963	85,733
Other Wages	59,252	56,751	50,265	48,328	46,363	47,106	51,018	55,694	62,865	64,353
Fringe Benefits	112,939	122,016	120,217	117,593	116,849	128,755	134,236	157,637	173,037	167,795
Fuel and Oil	17,721	13,581	16,209	18,593	18,613	17,359	14,471	10,129	10,831	12,734
Other Materials/Supplies	15,752	13,895	11,777	13,913	12,393	11,345	11,441	11,359	11,973	13,951
Services	22,125	20,064	20,063	20,547	26,593	26,510	24,984	57,467	36,530	40,858
Insurance	5,150	6,983	4,266	9,262	11,529	7,115	13,190	19,731	1,380	7,425
Leases & Rentals	403	336	567	559	475					
Purchased Transportation - ADA	13,564	9,263	14,579	11,396	2,249	8,515	10,698	4,848	11,681	6,016
Other	9,511	6,803	9,850	13,605	7,367	7,863	8,982	6,960	11,816	7,662
TOTAL	323,853	316,898	308,908	312,180	300,957	313,097	331,174	392,073	399,076	406,527

NONOPERATING ITEMS

Loss/(Gain) on Disposal of Personal Property and Equipment	61	(1,441)	(204)	293	1,175	(90)	(216)	(475)	(14)	(1)
Interest	3,077	2,425	1,983	1,720	1,338	1,898	1,515	-251	-1,677	-771
TOTAL	3,138	984	1,779	2,013	2,513	1,808	1,299	-726	-1,691	-772
GRAND TOTAL	\$326,991	\$317,882	\$310,687	\$314,193	\$303,470	\$314,905	\$332,473	\$391,347	\$397,385	\$405,755

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 & WAGES</u>	<u>FRINGE BENEFITS</u>	<u>SERVICES</u>	<u>MATERIALS & SUPPLIES</u>	<u>UTILITIES</u>	<u>CASUALTY & LIABILITY COSTS</u>	<u>PURCHASED TRANSPORTATION</u>	<u>OTHER</u>	<u>TOTAL OPERATING EXPENSES</u>
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	36.2%	27.8%	6.9%	11.7%	3.2%	2.2%	13.8%	-1.8%	100.0%
2013	34.5%	26.2%	7.1%	11.2%	3.1%	2.4%	13.7%	1.8%	100.0%
2014	34.7%	26.4%	6.9%	11.0%	3.2%	2.5%	13.6%	1.7%	100.0%
2015	35.1%	26.4%	7.3%	9.8%	3.0%	2.4%	14.2%	1.7%	100.0%
2016	35.3%	27.5%	7.6%	8.9%	2.7%	2.7%	13.7%	1.6%	100.0%
2017	*	*	*	*	*	*	*	*	*
2018	*	*	*	*	*	*	*	*	*

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

<u>YEAR</u>	<u>SALARIES & WAGES</u>	<u>FRINGE BENEFITS</u>	<u>SERVICES</u>	<u>MATERIALS & SUPPLIES</u>	<u>UTILITIES</u>	<u>CASUALTY & LIABILITY COSTS</u>	<u>PURCHASED TRANSPORTATION</u>	<u>OTHER</u>	<u>TOTAL OPERATING EXPENSES</u>
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%
2014	33.7%	41.1%	7.6%	9.2%	0.9%	2.3%	2.7%	2.5%	100.0%
2015	34.2%	40.5%	7.8%	6.7%	0.9%	4.0%	3.2%	2.7%	100.0%
2016	31.6%	40.2%	14.0%	5.5%	0.7%	5.0%	1.2%	1.8%	100.0%
2017	35.5%	43.4%	8.4%	5.7%	0.8%	0.3%	2.9%	3.0%	100.0%
2018	36.9%	41.3%	9.2%	6.6%	0.8%	1.8%	1.5%	1.9%	100.0%

Notes:

* - Not Available

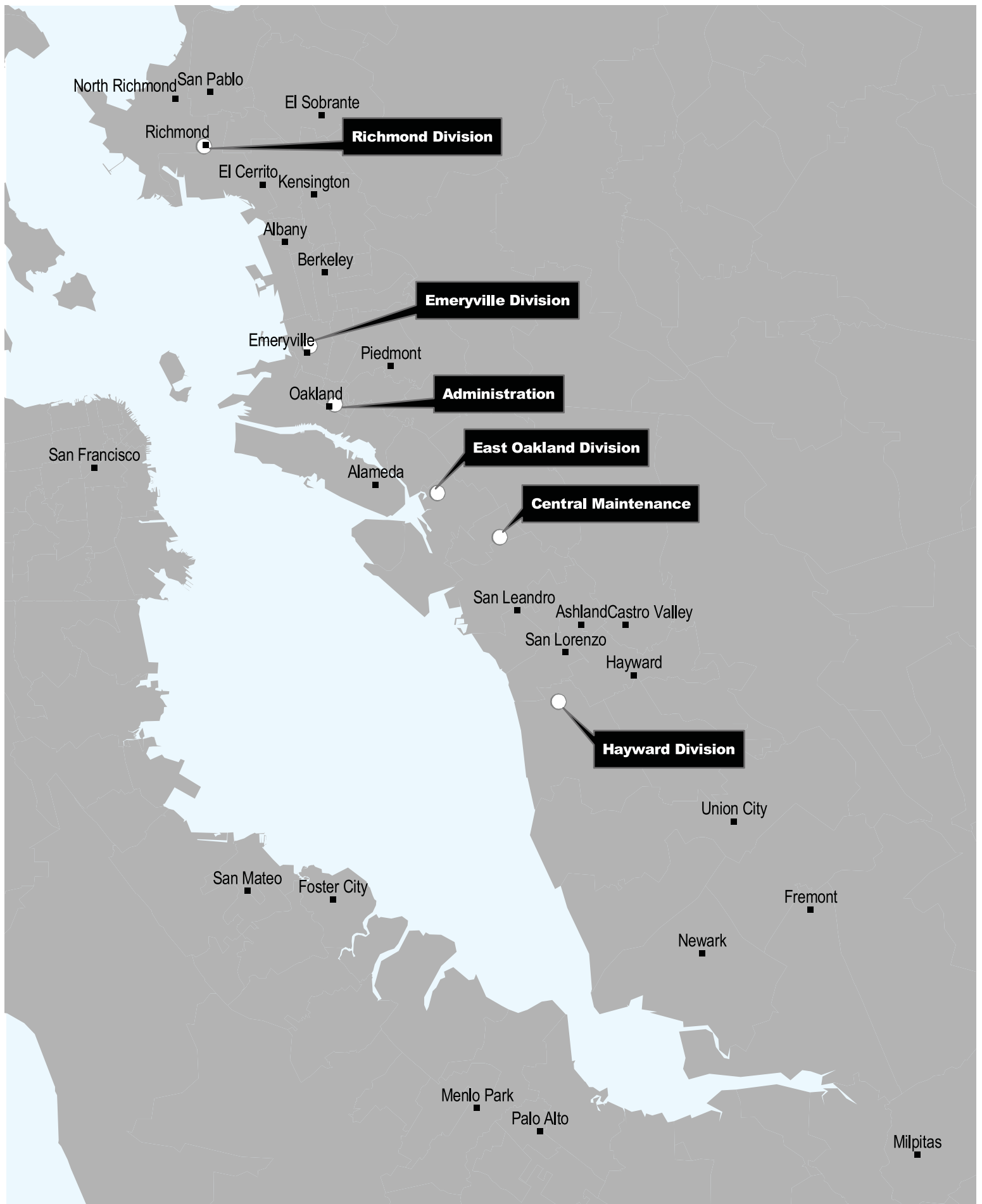
Source: The American Public Transportation Association, "APTA 2018 Transit Fact Book"

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Revenue Vehicle Statistics</u>										
Active Fleet Size	646	643	604	637	611	576	593	598	629	658
Maximum Peak Vehicles	518	518	475	436	438	465	466	485	574	564
Average Age of Active Revenue Vehicles (Yrs)	8.0	8.0	9.0	9.3	8.1	7.3	8.3	5.8	6.6	7.0
<u>General Operating Statistics</u>										
Vehicle miles (000's)	25,971	25,283	22,496	21,556	21,557	21,735	22,083	22,782	23,497	23,590
Platform hours (000's)	2,074	2,025	1,832	1,763	1,762	1,787	1,842	1,918	2,087	2,149
Miles per hour	12.5	12.5	12.3	12.2	12.2	12.2	12.0	11.9	11.3	11.0
Revenue vehicle fuel: Gallons (000's)	6,868	6,789	5,822	5,618	5,650	5,423	5,358	4,572	4,572	4,806
<u>Ridership Statistics</u>										
Unlinked Passengers (000's)	60,468	61,369	57,333	53,643	53,721	55,740	54,987	53,563	52,425	51,760
Passengers per hour	29.2	30.3	31.3	30.4	30.5	31.2	29.9	27.9	25.1	24.1
<u>Reliability</u>										
Collision accidents	29	48	33	32	35	49	63	44	38	28
Miles between accidents (000's)	895.6	526.7	681.7	673.6	615.9	443.6	350.5	517.8	618.3	842.5

Notes:

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



ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

