

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2016



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

For the Fiscal Year Ended June 30, 2016

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, 2016

Table of Contents

<u>Introductory Section</u>	<u>Page</u>
Table of Contents	i
Letter of Transmittal	iii
Certificate of Achievement	x
Organizational Chart	xi
Principal Officials	xii
 <u>Financial Section</u>	 <u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis (Required Supplementary Information)	4
Basic Financial Statements:	
Business-type Activity – Enterprise Fund:	
Statement of Fund Net Position	13
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	15
Statement of Cash Flows	16
Pension Trust Fund:	
Statement of Plan Net Position	18
Statement of Changes in Plan Net Position	19
Notes to the Basic Financial Statements	20
 Required Supplementary Information:	
Schedule of Changes in the Employer's Net Pension Plan Liability and Related Ratio	44
Schedule of Employer's Contribution	45
Schedule of Investment Returns	46
Post Employment Benefits Other than Pension.....	47

Other Supplementary Information:

Comparative Statement of Fund Net Position	47
Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position	49
Comparative Statements of Cash Flows	50
Comparative Schedules of Revenues, Expenses, and Changes in Fund Net Position – Budgetary Basis - Business-type Activity- Enterprise Fund – Transit Only	52
Schedule of Revenues, Subsidies and Expenses, Budget Versus Actual – Business-type Activity – Enterprise Fund – Transit Only	53
Schedule of Revenues and Expenses by Service Area – Business-type Activity - Enterprise Fund – Transit Only	54
Notes to Other Supplementary Information	55

Statistical Section

Financial Trends

Net Position	57
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Revenue Capacity

Revenues by Source	58
Revenues and Operating Assistance – Comparison to Industry Trend Data	59
Sales Tax Revenue - Overlapping Governments	60
Assessed Value of Taxable Property	61
Property Tax Rates – Direct and Overlapping Governments	62
Principal Property Taxpayers	63
Principal Employers	64
Property Tax Levies and Collections	65

Debt Capacity

Ratios of Outstanding Debt by Type.....	66
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Economic and Demographic Information

Demographic and Economic Statistics	67
Appropriations Limitation Calculation	68
Fare History	69
Miscellaneous Statistics	70
Employee History	71

Operating Information

Financial Trends	72
Fare Box Ratio	73
Expenses by Type	74
Operating Expenses – Comparison to Industry Trend Data	75
Operating Statistics	76



Alameda-Contra Costa Transit District

Claudia L. Allen
Chief Financial Officer

December 29, 2016

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, 2016, 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 Governmental Accounting Auditing and Financial Reporting 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 the independent certified public accounting firm of Crowe Horwath 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, 2016, 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, 2016.

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 XIII B of the California Constitution.
- AC Transit Financing Corporation Audit: a component unit of the District.
- Special Transit Service Districts No. 1 and No. 2 Agreed Upon Procedures Review: to evaluate the accuracy of the allocation between Special Transit Service Districts (STSD) No. 1 and No. 2.
- Measure VV Agreed Upon Procedures Report: to evaluate service hours and service miles and the allocation of operations and maintenance expenses by county and STSD in accordance with Measure VV voter approval.
- Evaluation of The Board's 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 one of the largest bus-only systems in the State of California and one of the largest bus-only systems 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 or 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 2015-16, the District incurred excess operating costs of approximately \$11.6 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 Transbay Transit Center in downtown San Francisco. Construction of this approximately \$3 billion project began in early 2010 and is scheduled for completion sometime in 2018. The new terminal will provide capacity for up to 300 bus departures per hour in a 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 Planning Engineering & Construction Officer (CPO), Chief Administrative Services Officer (CAO) and Chief Information Services Officer (CIO). An organization chart that illustrates the organizational structure of the District 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) there is 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 2016, the District had an approved annual budget of approximately \$432 million with \$375 million dedicated to operations and \$57 million approved for current capital projects. The budget contained 2,051 authorized staff positions fiscal year 15/16 @ mid-year.

It is the responsibility of each department manager to administer its operations in such a manner to ensure 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, 2016

The District's performance during FY 2015-16 resulted in a \$17 million change in net position. Compared to the prior year, total revenues increased from \$337.7 million to \$396.2 million, an increase of 16.8%, and total expenditures increased from \$371.2 million to \$430.5 million, an increase of 16%. 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.

Local 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 investment is derived from sales and property taxes that results in the District being disproportionately impacted by changes in the economy.

During fiscal year 2016, California's economy continues the robust expansion it began more than 5 years ago and in particular the Bay Area's economy outperformed most other regional areas in the country.

Strengths: California has been the single largest source of new jobs in the United States with the San Francisco and San Jose metropolitan areas holding the number one and two spots respectively. Job growth has been broad based across industries, wage categories, and skill levels. Employment in the region is anticipated to grow at 2% with overall unemployment at 4.7% while taxable sales are forecasted to grow slightly above 5% in the short-term. Bank lending has eased and has resulted in increased property values (and tax revenues) and renewed investment in Commercial and Industrial construction. As of June 2016, the unemployment rate for the San Francisco Bay Area was at 4.2% while the overall unemployment rate for California was 5.4%. (*US Bureau of Labor Statistics*)

Weaknesses: Perhaps the single greatest threat facing California and the Bay Area economy, above pension costs and infrastructure needs, is the cost of homes. Excessive home prices and low inventory has not only driven up the cost of doing business by increasing wages and skills needed to compete for jobs, but also deprives the area of large numbers of lower- and mid-skilled workers. Being a dual edge sword, home values are good for the homeowners; however, bad for some employees, which could ultimately create a political instability and a dependence on few selected industries that could lead to hypersensitivity in the business cycle.

Long-term outlook: The long-term outlook for the Bay Area economy is stable. Job and population growth is expected to remain stable over the next several years. This should result in financial

stability for the District as the majority of the operating revenues are derived from sales and property tax subsidies. Overall ridership is expected to increase with the service expansion beginning in 2017.

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 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. 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 refines the schedules and budgets from the RTP projects that are occurring in the nearer term. The SRTP uses the most recent Adopted Annual Budget as the baseline for the period it covers.

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

In November 2014, voters of Alameda County approved Measure BB. Measure BB extended the existing sales tax to the year 2045 and increased the sales tax by 0.5% to a total of 1%. The incremental revenue to the District is expected to be approximately \$30 million per year with Measure BB becoming effective in the fourth quarter of fiscal year 2015. A portion of the revenues will be dedicated to Paratransit funding and capital projects. Approximately \$24 million per year will be allocated for operating and maintenance investments, such as reinstating service that was cancelled as a result of the Great Recession. The New Service Expansion will begin in fiscal year 2016 and will be fully implemented by fiscal year 2017.

East Bay Bus Rapid Transit (BRT)

The BRT is the District's largest capital project with a total budget of \$178 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 will break ground in 2017 and expected to be commissioned in or early 2018.

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 2014. GFOA also has presented a **Distinguished Budget Presentation Award** to the District for the fiscal year beginning July 1, 2016. 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 L. Allen
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**Alameda-Contra Costa Transit District
California**

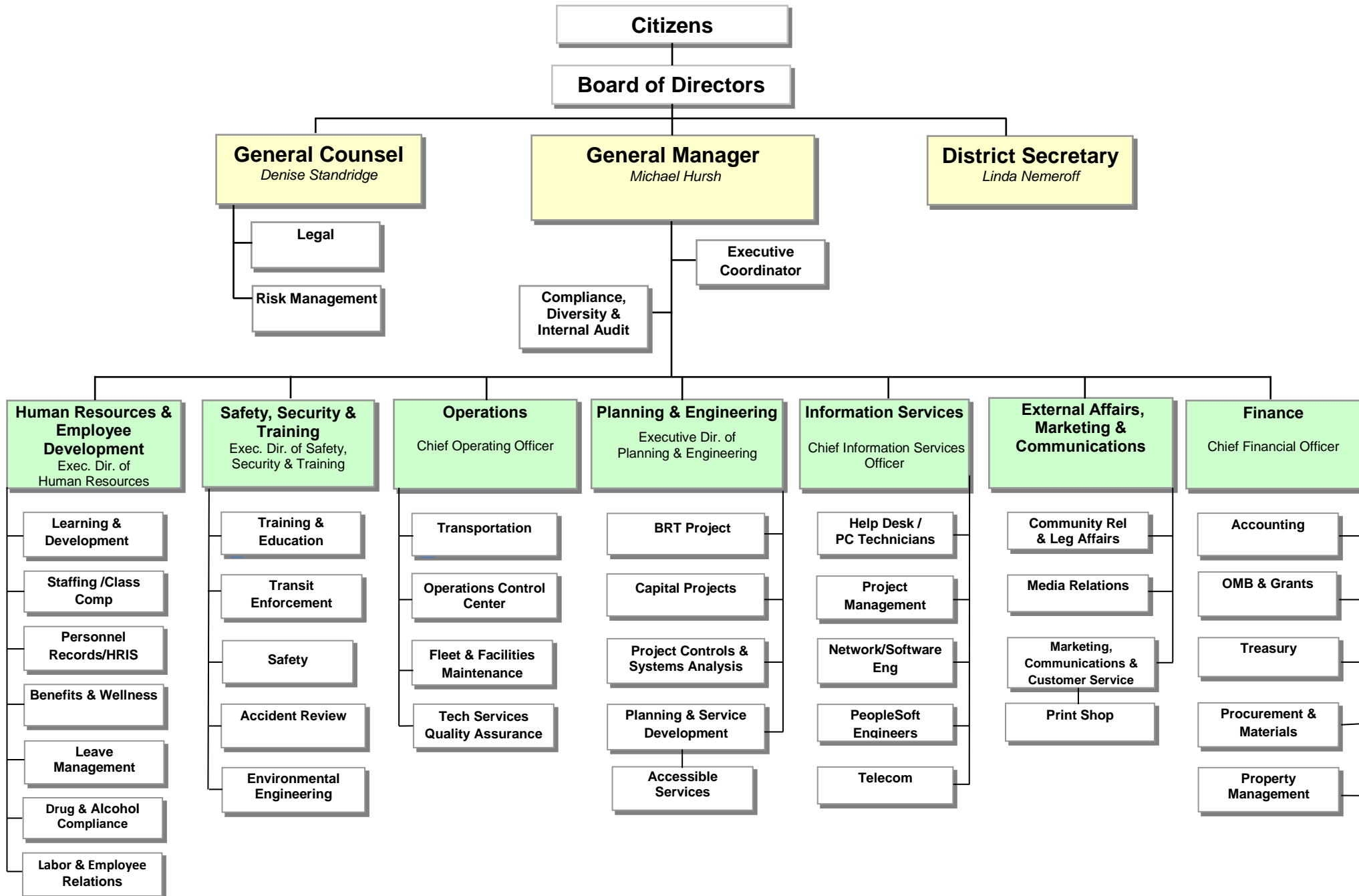
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

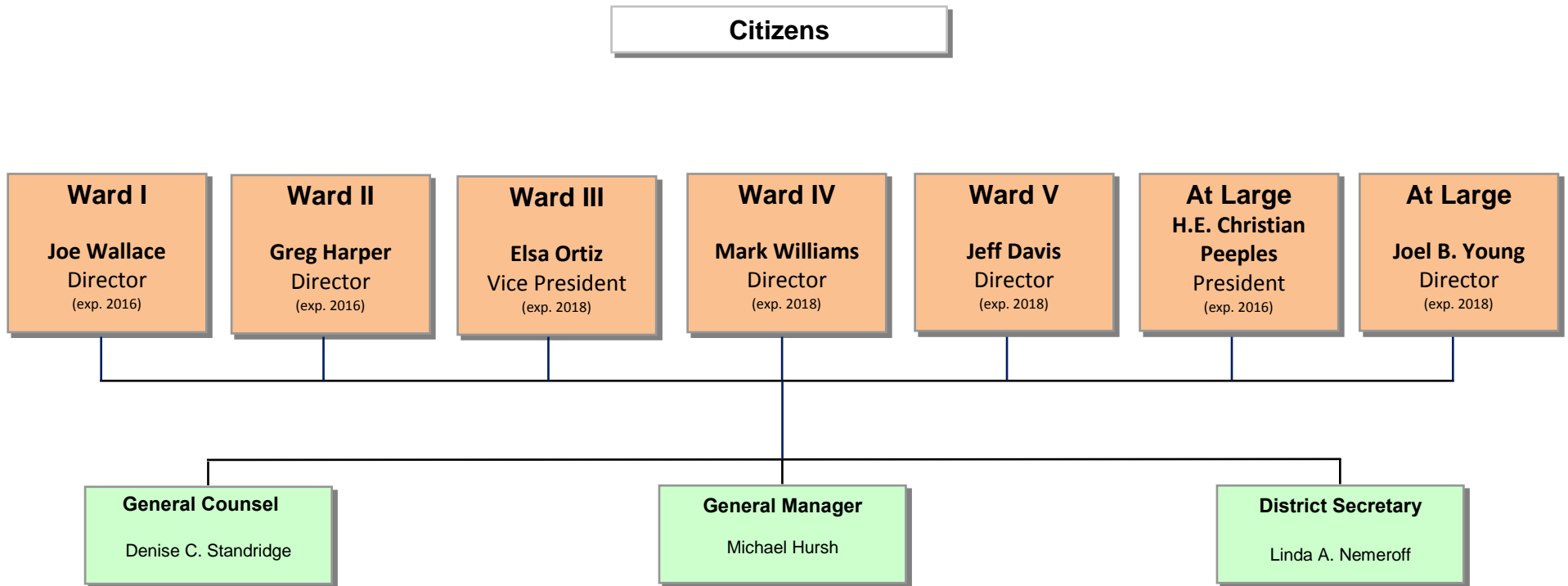


AC Transit District Organizational Chart





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, 2016, 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 Pension Trust Fund, 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 Pension Trust Fund, 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 Pension Trust Fund 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.

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, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, the Schedule of Changes in Employer's Net Pension Liability and Related Ratios on page 44, Schedule of Employer's Contributions on page 45, and Schedule of Funding Progress on page 46, 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, 2016 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Other Supplementary Information on pages 47 through 55 for the year ended June 30, 2016, as listed in the table of contents, is 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 basic financial statements. The Other Supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2016 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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 basic financial statements as a whole for the year ended June 30, 2016.

The District's basic financial statements for the year ended June 30, 2015 (not presented herein), were audited by other auditors whose report thereon dated September 28, 2015, expressed unmodified opinions on the respective financial statements of the business-type activities and fiduciary activities. The report of the other auditors dated September 28, 2015, stated that the Other Supplementary Information on pages 47 through 52 for the year ended June 30, 2015 was subjected to the auditing procedures applied in the audit of the 2015 basic financial statements and certain additional auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or the those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2015.

The Introductory and Statistical Section has 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 13, 2016 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 Horwath LLP

Crowe Horwath LLP

San Francisco, California
December 13, 2016

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MANAGEMENT DISCUSSION AND ANALYSIS

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Management's Discussion & Analysis

This discussion and analysis of the Alameda-Contra Costa Transit District's financial performance provides an overview of the District's activities for Fiscal Year 2016 with comparisons to the prior fiscal year.

Financial Highlights

- At June 30, 2016, total assets and deferred outflow of resources were \$662.7 million, an increase of \$109.0 million, or 20 percent, compared to June 30, 2015, when it was \$553.8 million. Total current assets at June 30, 2016 were \$231.0 million, an increase of \$8.6 million, or 4 percent, primarily due to an increase in receivables at year end. Capital assets, net of accumulated depreciation increased by \$24.3 million or 8 percent, to \$320.4 million. Other non-current Assets remained stable at \$2.5 million. Deferred outflows increased by \$76.1 million to \$109.0 million due to the net of actuarial gains and losses related to the pension plan.
- At June 30, 2016, total liabilities and deferred inflow of resources were \$509.7 million, an increase of \$92.0 million, or 22 percent, compared to June 30, 2015 when they were \$417.7 million. Total current liabilities were stable at \$80.8 million. Total other non-current liabilities increased by 93.7 million, or 30 percent, from June 30, 2015 primarily due to the growth in the net pension liability. Long term liabilities decreased by \$3.5 million due to COPS related activity. The increase in deferred inflows of \$1.8 million is the product of the pension actuarial study.
- For Fiscal Year 2016, operating revenues increased by \$0.4 million, or 1 percent, to \$67.7 million. There were decreases in passenger fare revenues of \$1.0 million; offset by increases in contract services of \$1.0 million, or 10 percent, and in "other" operating revenues of \$0.5 million, or 14 percent. At June 30, 2015 operating revenues were \$67.2 million.
- In Fiscal Year 2016, total operating expenses were \$430.6 million, an increase of \$58.8 million, or 16 percent, compared to \$371.8 million at June 30, 2015. Expenses increased in all categories with the exception of net expenses of joint venture of (\$5.9 million), fuel (\$4.3 million), depreciation (\$2.1 million), and other expenses of (\$2.0 million). The most significant increases occurred in Fringe benefits of \$23.1 million, due to pension and health insurance, salary & wages of \$10.8 million, and insurance of \$6.5 million. The increase of \$32.5 million in the services expense category is primarily related to pass through activities.
- For Fiscal Year 2016, non-operating revenues were \$328.5 million, which is an increase of \$58.0 million, or 21 percent, compared to Fiscal Year 2015 when it was \$270.5 million. Increases when compared to June 30, 2015 results occurred in all major categories with the most notable in sales taxes (\$26.4 million increase) and state funding (\$20.9 million increase). The increase in state funding of \$20.9 million is driven by the receipt of pass through funds used to support the projects of external agencies, which will ultimately benefit Transit operations.
- At June 30, 2016, net position was \$153.1 million, an increase of \$17.1 million, or 13 percent, from June 30, 2015 when it was \$136.0 million. The increase in net position is the result of total revenue of \$396.2 million, combined with capital funds earned during the period of \$51.7 million, totaling \$447.9 million, over total expenses of \$430.8 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.

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.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Analysis of Basic Financial Statements

Alameda-Contra Costa Transit District				
Net Position				
(in thousands)				
June 30, 2016				
	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>%</u>
Assets				
Current Assets	\$ 230,959	\$ 222,378	\$ 8,581	4%
Capital Assets	320,376	296,031	24,345	8%
Other Non-Current Assets	2,488	2,488	-	0%
Total Assets	<u>553,823</u>	<u>520,897</u>	<u>32,926</u>	<u>6%</u>
Deferred Outflows of Resources	108,954	32,865	76,089	232%
Total Assets and Deferred Outflows	<u>\$ 662,777</u>	<u>\$ 553,762</u>	<u>\$ 109,015</u>	<u>20%</u>
Liabilities				
Current Liabilities	\$ 80,813	\$ 80,818	\$ (5)	0%
Long Term Portion of COPS	17,279	20,799	(3,520)	-17%
Other Non-Current Liabilities	409,818	316,117	93,701	30%
Total Liabilities	<u>507,910</u>	<u>417,734</u>	<u>90,176</u>	<u>22%</u>
Deferred Inflows of Resources	1,795	-	1,795	100%
Net Position				
Invested in Capital Assets, net of related debt	298,323	272,831	25,492	9%
Restricted for Capital Purchases	46,131	33,583	12,548	37%
Restricted for Debt Service	2,084	1,505	579	38%
Unrestricted	(193,466)	(171,891)	(21,575)	13%
Total Net Position	<u>153,072</u>	<u>136,028</u>	<u>17,044</u>	<u>13%</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 662,777</u>	<u>\$ 553,762</u>	<u>\$ 109,015</u>	<u>20%</u>

Assets:

At June 30, 2016, total assets and deferred outflow of resources were \$662.8 million, an increase of \$109.0 million, or 20 percent, compared to June 30, 2015, when it was \$553.8 million. Total current assets at June 30, 2016 were \$231.0 million, an increase of \$8.6 million, or 4 percent, primarily due to an increase in receivables, offset by a slight decrease in cash, due to timing, at year end. Capital assets, net of accumulated depreciation increased by \$24.3 million or 8 percent, to \$320.4 million, primarily due to capital asset additions, offset by current year depreciation expense. Other Non-Current Assets remained stable at \$2.5 million. Deferred outflows increased by \$76.1 million to \$108.1 million. The change in this number is equally divided between changes in actuarial assumptions, and the difference between actuarially projected and actual earnings on pension investments.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Liabilities:

At June 30, 2016, total liabilities and deferred inflows of resources were \$509.7 million, an increase of \$92.0 million, or 22 percent, compared to June 30, 2015 when they were \$417.7 million. Total current liabilities were stable between June 30, 2016 and June 30, 2015 at \$80.8 million each year. Several factors participated in this net result, including temporal increases in accounts payable and payroll liabilities of \$10.6 million, increase in short term workers comp and PLPD liabilities of \$6.6 million due to actuarial results, as well as an increases in other short term liabilities. These increases were offset by decreases in unearned revenue of \$19.7 million, which was due to expenditure of pass through funds that had been received in advance.

Total other non-current liabilities are \$409.8 million, an increase of \$93.7 million or 30 percent from June 30, 2015 when it was \$316.1 million. This is primarily due an increase in the net pension liability of \$84.6 million due to the net result of assumption changes, along with actuarial gains and investment losses. The remaining increase is due to a combination of increases in long term claims liabilities of \$5.2 million and other post-employment benefits (OPEB) of \$3.9 million, both primarily due to actuarial results.

The long term portion of the COPS, liability is \$17.3 million at June 30, 2016, a decrease of \$3.5 million over the June 30, 2015 balance when the liability was \$20.8 million, mainly due to normal scheduled payments. The change in deferred inflows of \$1.8 million reflects the net of expected and actual actuarial experience related to the pension plan.

Net Position:

At June 30, 2016, net position was \$153.1 million, an increase of \$17 million, or 13 percent, from June 30, 2015 when it was \$136.0 million. The 2016 is increase is attributable to total revenue of \$396.2 million and contributed capital of \$51.7 million offset by total expenses of \$430.8 million during the period. It can be noted that pass though funds received and expended during the period gave the appearance of increases, of roughly \$30.0 million, in both revenue, and expense categories. Unrestricted net position was (\$193.5) million and (\$171.9) million at June 30, 2016. The negative balances can be attributed to the net pension liability which was \$331.9 million and \$247.3 million at June 30, 2016 and 2015.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

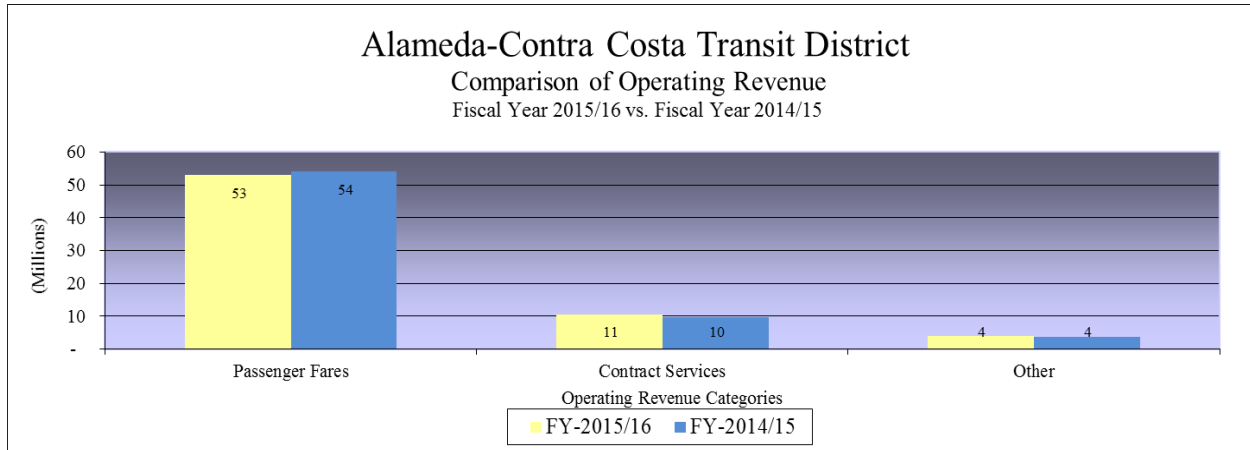
Alameda-Contra Costa Transit District
Statement of Revenues, Expenses and Changes in Net Position
(in thousands)
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>Changes</u>	<u>%</u>
Revenues				
Operating Revenues				
Passenger Fares	\$ 52,955	\$ 54,002	\$ (1,047)	-2%
Contract Services	10,601	9,616	985	10%
Other	4,100	3,589	511	14%
Total Operating Revenues	<u>67,656</u>	<u>67,207</u>	<u>449</u>	<u>1%</u>
Non-Operating Revenues				
Property Taxes	117,497	111,812	5,685	5%
Local Sales Taxes	97,283	70,920	26,363	37%
Local Funds	72,863	71,858	1,005	1%
Federal	6,520	1,682	4,838	288%
State	34,698	13,847	20,851	151%
Loss on sale of capital assets	(475)	(216)	(259)	120%
Interest Income	151	590	(439)	-74%
Total Non-Operating Revenues	<u>328,537</u>	<u>270,493</u>	<u>58,044</u>	<u>21%</u>
Total Revenues	<u>396,193</u>	<u>337,700</u>	<u>58,493</u>	<u>17%</u>
Expenses				
Operating Expenses				
Operator Wages	68,248	62,154	6,094	10%
Other Wages	55,694	51,018	4,676	9%
Fringe Benefits	157,637	134,236	23,401	17%
Depreciation	38,477	40,587	(2,110)	-5%
Fuel & Oil	10,129	14,471	(4,342)	-30%
Other Materials & Supplies	11,359	11,441	(82)	-1%
Services	57,467	24,984	32,483	130%
Insurance	19,731	13,190	6,541	50%
Net Expenses of Joint Venture	4,848	10,698	(5,850)	-55%
Other	6,960	8,982	(2,022)	-23%
Total Operating Expenses	<u>430,550</u>	<u>371,761</u>	<u>58,789</u>	<u>16%</u>
Non-Operating Expenses				
Interest Expense	251	1,515	(1,264)	-83%
Total Expenses	<u>430,801</u>	<u>373,276</u>	<u>57,525</u>	<u>15%</u>
Loss before Contributed Capital	(34,608)	(35,576)	968	-3%
Capital Contributions	51,652	41,750	9,902	24%
Change in Net Position	<u>17,044</u>	<u>6,174</u>	<u>10,870</u>	<u>176%</u>
Net Position, beginning of year	<u>136,028</u>	<u>129,854</u>	<u>6,174</u>	<u>5%</u>
Net Position, end of year	<u><u>\$ 153,072</u></u>	<u><u>\$ 136,028</u></u>	<u><u>\$ 17,044</u></u>	<u><u>13%</u></u>

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Operating Revenue:

For Fiscal Year 2016, operating revenues increased by \$0.4 million, or 1 percent, to \$67.7 million, over June 30, 2015 when they were \$67.2 million. While passenger fares decreased overall by \$1.0 million over 2015 this was offset by an increase in contract fares of \$1.0 million, leaving a modest net increase in other operating revenues to arrive at this result. While there were no changes to fare structure, policy, or pricing, during the period, there is a continued trend away from cash fares to both day passes and smart card based fare products.



Non-Operating Revenue:

For fiscal year 2016, non-operating revenues were \$328.5 million, which is an increase of \$58.0 million, or 21% percent, compared to fiscal year 2015 when it was \$270.5 million. If we were to eliminate "pass through" funds from this comparison, however, the net increase would be \$28.0 million. The overall net increase was primarily comprised of increases in local sales tax funds of \$26.4 million, state taxes of \$20.9 million, property taxes of \$5.6 million, demonstrating a sustained strong local real estate market, local funds of \$1 million, \$4.8 million in federal funds.

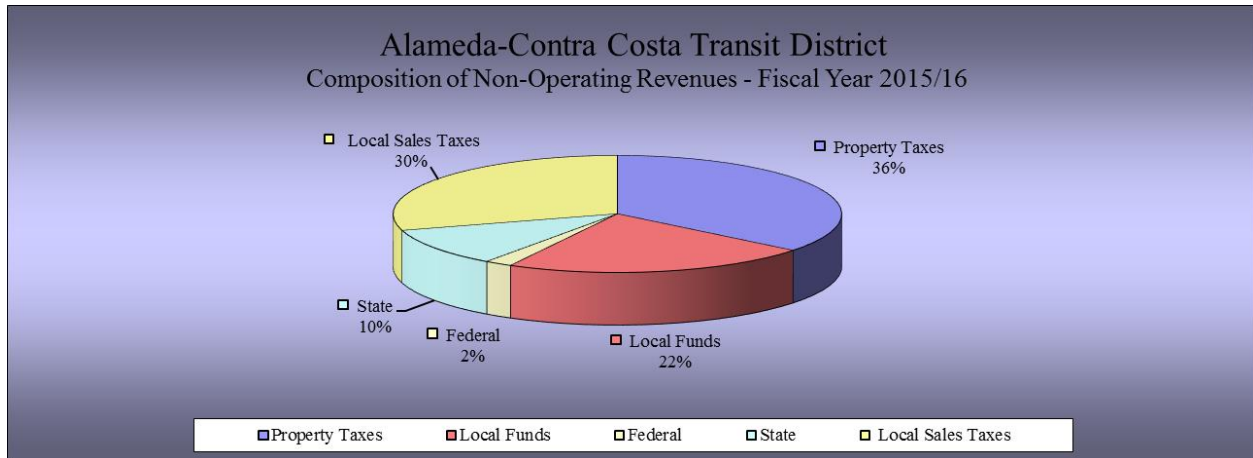
Local sales tax revenues went from \$70.9 million at June 30, 2015 to \$97.3 million as of June 30, 2016, an increase of \$26.4 million, or 37 percent. The current fiscal year was the first time the District has received twelve months of the new Measure BB subsidy, a voter approved local sales tax increment totaling \$30.4 million in receipts this year, which was 24.6 million higher than the 4 months of receipts from last fiscal year. Traditional Measure B funds increased by \$0.9 million, as did AB1107 funds by \$1.5 million, demonstrating a continued stable retail environment in the region. These gains were slightly offset by a decrease in Measure J funds of \$0.4 million, due to lower program allocations, over fiscal year ended June 30, 2015.

Local funds were \$72.9 million at June 30, 2016, an increase of \$1.0 million, or 1 percent, over June 30, 2015 when they were \$71.9 million. Local funds include regional measure 2 (RM2), which stayed flat and transportation development act (TDA) funds which increased by \$0.8 million.

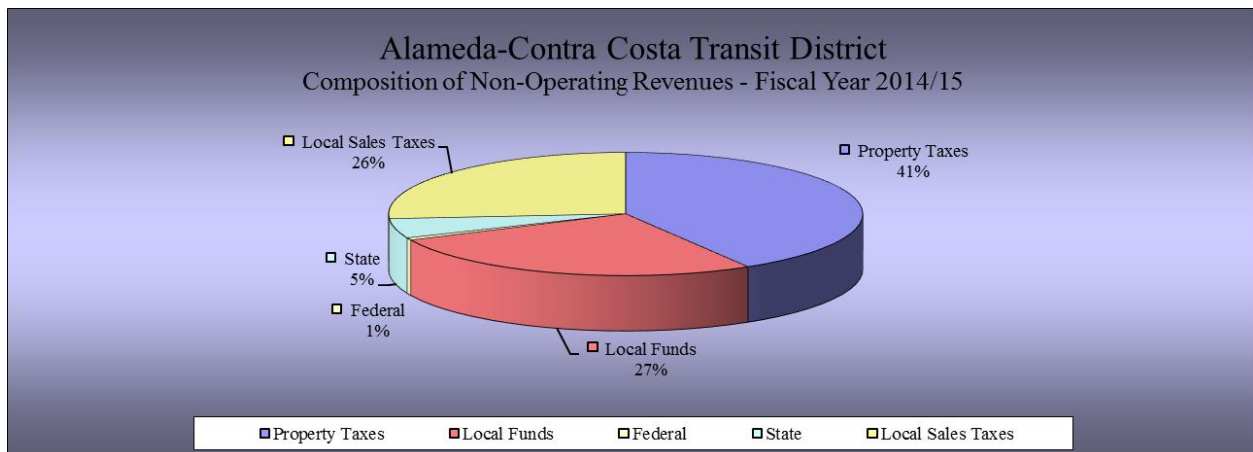
State revenues, which includes state transit assistance (STA), state pass through funds, and AB2972 funds, increased by \$20.9 million over June 30, 2015, when it was \$13.8 million. These changes were derived through a decrease in state transit assistance (STA) of \$0.6 million, an increase in STA pass-thru funds of \$21.4 million, and AB2972 funds were stable at \$2.2 million.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Federal operating funds increased by \$4.8 million, or 288 percent, over June 30, 2015 when they were \$1.7 million. The increase is attributable to federal pass thru funds totaling \$2.7 million, an overall increase in ADA related subsidies, and \$0.6 is largely due to the timing of the federal award cycle. During 2016 federal operating assistance and planning funds, composed of job access reverse commute (JARC) and planning funds, totaling \$1.3 million were received for the first time in a few years.



When comparing the "Composition of Non-Operating Revenue" pie charts from Fiscal Year 2014/15 (below) to Fiscal Year 2015/16 (above) there are shifts in composition between these fiscal years. These include local sales tax, which as a total of non-operating revenue, increased 4 percent, to 30 percent of the total. State subsidies increased by 5 percent to 10 percent, federal stayed constant at 1-2% and local funds decreased by 5 percent, and property taxes decreased by 5 percent, to 36%.



Expense Highlights

Operating Expenses:

In Fiscal Year 2016, total operating expenses were \$430.5 million, an increase of \$58.8 million or 16 percent compared to \$371.8 million in Fiscal Year 2015.

Increases in operating expense categories include operator wages of \$6.1 million due to an increase in FTE in support of higher service levels, and a contractual wage increase. Other wages increased by \$4.7 million were composed of increases in Salary payroll of \$3.2 million due to increased FTE and contractual wage increases, and increased maintenance wages of \$1.5 million also due to contractual wage increases.

Fringe benefits increased by \$23.4 million over June 30, 2015, due to increases in pension of \$20.6 million, \$10.3 million of which is attributable to GASB 68 recording, medical and dental premiums of \$3.2 million, paid time off of \$1.1 million and FICA of \$0.8 million. These increases were offset by decreases in workers comp \$2.2 million and OPEB of \$0.1 million.

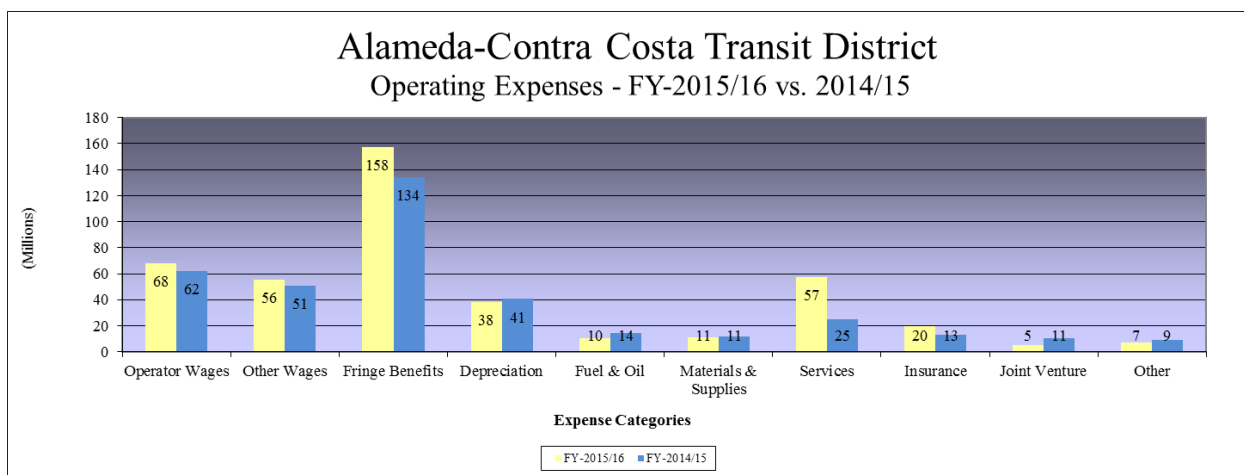
Depreciation decreased by \$2.1 million due to certain asset classes reaching full depreciation. Fuel and Oil decreased by \$4.3 million dollars when compared to 2015, due to falling petroleum prices. Materials and Supplies consumption remained stable year over year.

Outside services - after the removal of the expenditure of "pass through" funds in support of the Transbay Transit Center project of \$32 million during the period, and \$3.0 in 2015, outside services increased year over year by \$3.5 million. This included increases in security services of \$1.4 million, temporary help \$0.8 million, with the net of the other outside services line items making up the remaining \$2.2 million increase.

Insurance increased by \$6.5 million, due to an unfavorable automotive and general actuarial liability of \$5.4 million, increased insurance premiums of \$0.8 million, and less recoveries to offset this category.

Net expenses of joint ventures decreased by \$5.9 million due to the presence of STA lifeline funds totaling \$6.7 million related to our current position on the 3 year STA funding cycle, offset by a slight increase in paratransit operations expense of \$0.9 million.

The category of other expenses decreased by \$2.0 million primarily due to the absence of election expenses \$1.6 million in 2015 and a decrease in use tax expense of \$0.3 million primarily related to lower fuel prices.



Capital Program

The District had capital assets net of depreciation of \$320.4 million and \$296.0 million as of June 30, 2016 and 2015, an increase of \$24.4 million. The District received capital contributions of \$51.7 million in Fiscal Year 2016 compared to \$41.8 million in Fiscal Year 2015, an increase of \$9.9 million. This increase in our capital contributions came from the following sources, federal \$32.7 million, state \$4.5 million and local \$14.5 million. On-going capital investment is crucial to an asset intensive industry such as the District.

Some of the capital acquisitions during the period included:

- Revenue Vehicle Replacement (\$26.0 million)
- Bus Rapid Transit program (\$16.1 million)
- Service Vehicles (\$4.3 million)
- Maintenance Facilities, and building rehabilitation (\$3.2 million)
- Information Services/Communications (\$2.1 million)

Additional information concerning the District's capital assets and capital assistance can be found in Notes 4 and 6, respectively, of the Notes to the Financial Statements.

Debt

On February 1, 2012 the District issued Refunding Certificates of Participation Series 2012 to take advantage of lower interest rates. The proceeds from the issuance, \$9.8 million, were used to refund the 2001 COPS. At June 30, 2016, the outstanding principal component of the annual lease payment was \$6.9 million. The District plans to repay the obligation over six years, which will conclude by August 2018.

In December 2007, the District issued a \$13.5 million COPS to finance its new Finance Human Resources computer system (FHR Project). The COPS are secured by specified capital assets. At June 30, 2016, the principal component of the annual lease payment was \$4.6 million and the District plans to repay the obligation over ten years, which will conclude by August, 2017.

In February 2009 the District issued a \$15.0 million COPS to help fund the July 2008 purchase of property located at 66th avenue in East Oakland. At June 30, 2016, the principal component of the annual lease payment was \$13.2 million. The COPS are secured by specified capital assets and the District plans to repay the obligation over twenty-five years, which will conclude by August 2034.

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

Subsequent Events

- Effective July 1st, 2016 the District ratified a new three year labor contract with the Amalgamated Transit Union 192, the District's largest bargaining unit covering bus operators, mechanics and clerical staff.
- The District anticipates the start of the construction phase of the bus rapid transit project during the 2nd quarter of Fiscal Year 2016/17.
- The Richmond division (D-3) is expected to be ready for full operations by the end of this calendar year.
- Upgrades of existing PeopleSoft Human Capital Management, and Financials, have commenced.

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, 2016
(In thousands)

ASSETS

Current assets

Cash and cash equivalents (Note 3)	\$ 70,551
Restricted cash and cash equivalents:	
Restricted for capital purchases (Note 3)	46,131
Investments (Note 3)	34,301
Receivables:	
Federal and local grants:	
Capital	19,975
Planning, operating and other (Note 7)	10,931
Property tax	11,158
Local sales tax	13,821
Other trade receivables	<u>3,359</u>
Total receivables, net	<u>59,244</u>
Due from Pension Trust Fund (Note 5)	4,361
Inventory	10,766
Prepaid expenses	<u>5,605</u>
Total current assets	<u>230,959</u>

Noncurrent assets

Restricted cash and cash equivalents:	
Restricted for certificates of participation (Note 3)	2,488
Capital assets (Note 4)	
Nondepreciable	36,456
Depreciable, net	<u>283,920</u>
Total capital assets, net	<u>320,376</u>
Total noncurrent assets	<u>322,864</u>
Total assets	<u>553,823</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related (Note 9)	<u>108,954</u>
Total assets and deferred outflows of resources	<u>\$ 662,777</u>

(Continued)

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

June 30, 2016
(In thousands)

LIABILITIES

Current liabilities

Accounts payable and accrued expenses	\$ 12,388
Accrued salaries and wages	4,709
Current portion of accrued vacation and sick leave	15,761
Due to Pension Trust Fund (Note 5)	3,734
Unearned revenue	3,038
Other accrued liabilities	9,686
Accrued interest payable	404
Current portion of claims liabilities (Note 13)	27,372
Current portion of remediation obligations (Note 12)	67
Current portion of certificates of participation (Note 8)	<u>3,654</u>
Total current liabilities	<u>80,813</u>

Noncurrent liabilities

Accrued vacation and sick leave	8,253
Claims liabilities (Note 13)	50,587
Remediation obligations (Note 12)	952
Certificates of participation (Note 8)	17,279
Net pension liability (Note 9)	331,880
OPEB obligation (Note 10)	<u>18,146</u>
Total noncurrent liabilities	<u>427,097</u>

Total liabilities 507,910

DEFERRED INFLOWS OF RESOURCES

Pension related (Note 9)	<u>1,795</u>
Total liabilities and deferred inflows of resources	<u>509,705</u>

NET POSITION

Net investment in capital assets	298,323
Restricted for capital purchases (Note 11)	46,131
Restricted for debt service	2,084
Unrestricted	<u>(193,466)</u>
Total net position	<u>\$ 153,072</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, 2016
(In thousands)

OPERATING REVENUES

Passenger fares	\$ 52,955
Contract services	10,601
Other	<u>4,100</u>

Total operating revenues	<u>67,656</u>
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OPERATING EXPENSES

Operator wages	68,248
Other wages	55,694
Fringe benefits	157,637
Depreciation (Note 4)	38,477
Fuel and oil	10,129
Other material and supplies	11,359
Services	57,467
Insurance	19,731
Net expenses of joint venture	4,848
Other	<u>6,960</u>

Total operating expenses	<u>430,550</u>
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Operating loss	<u>(362,894)</u>
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NON-OPERATING REVENUES (EXPENSES)

Operating assistance:	
Property taxes	117,497
Local sales tax (Note 7)	97,283
Local funds (Note 7)	72,863
State (Note 7)	34,698
Federal (Note 7)	6,520
Loss on sale of capital assets	(475)
Interest income	151
Interest expense	<u>(251)</u>

Net non-operating revenues (expenses)	<u>328,286</u>
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Loss before capital contributions	(34,608)
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Capital contributions (Note 6)	<u>51,652</u>
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Change in net position	17,044
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Net position at beginning of year	<u>136,028</u>
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Net position at end of year	<u>\$ 153,072</u>
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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, 2016
(In thousands)

Cash flows from operating activities:

Cash received from customers	\$ 43,253
Cash payments to suppliers for goods and services	(91,083)
Cash payments to employees for services	(263,670)
Other operating receipts	<u>4,100</u>

Net cash used in operating activities (307,400)

Cash flows from noncapital financing activities:

Operating assistance received	<u>323,812</u>
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Net cash provided by noncapital financial activities 323,812

Cash flows from capital and related financing activities:

Acquisition and construction of capital assets	(69,793)
Proceeds from sale of capital assets	7,616
Capital contributions received	41,854
Principal paid on certificates of participation	(3,405)
Interest paid on certificates of participation	<u>(252)</u>

Net cash used in capital and related financial activities (23,980)

Cash flows from investing activities:

Purchase of investments	(34,301)
Investment income	<u>150</u>

Net cash provided by investing activities (34,151)

Change in cash and cash equivalents (41,719)

Cash and cash equivalents, beginning of year 160,889

Cash and cash equivalents, end of year **\$ 119,170**

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

Unrestricted cash and cash equivalents	70,551
Restricted cash and cash equivalents	46,131
Restricted for certificates of participation	<u>2,488</u>

Total cash and cash equivalents reported on the
Statement of Net Position **\$ 119,170**

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - STATEMENT OF CASH FLOWS
Year Ended June 30, 2016
(In thousands)

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

Operating loss	\$ (362,894)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	38,477
Effect of changes in assets and liabilities:	
Other trade receivables	(557)
Inventory	840
Due to/from Pension Trust Fund	634
Prepaid expenses	(1,216)
Accounts payable and accrued expenses	4,451
Accrued salaries and wages	2,217
Accrued vacation and sick leave	849
Unearned revenue	(19,746)
Other accrued liabilities	3,170
Claims liabilities	12,166
Net pension liability and deferred outflows/inflows from pension	10,277
OPEB obligation	<u>3,932</u>
Net cash used in operating activities	<u>\$ (307,400)</u>

Supplemental disclosure of cash flow information

Non-cash investing, capital and financing transactions:	
Capital assets included in accounts payable	\$ 1,120
Loss on sale of capital assets	(475)
Net appreciation in fair value of investments	25

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, 2015
(In thousands)

ASSETS

Contributions receivable (Note 5)	\$ 3,820
Interest receivable and other investment receivables	59
Investments at fair value (Note 3):	
Short-term investments	5,185
Equity securities	63,197
Equity funds	215,642
Fixed income funds	241,529
Real estate funds	<u>28,180</u>
Total investments	<u>553,733</u>
Total assets	<u>557,612</u>

LIABILITIES

Accrued expenses	199
Due to District (Note 5)	<u>4,228</u>
Total liabilities	<u>4,427</u>
Net position restricted for pensions	<u>\$ 553,185</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, 2015
(In thousands)

ADDITIONS

Employer contributions	\$ 42,274
Investment income:	
Dividends and interest income	7,824
Net depreciation in fair value of investments	(8,082)
Investment expenses	<u>(1,199)</u>
Net investment loss	<u>(1,457)</u>
Total additions	<u>40,817</u>

DEDUCTIONS

Benefit payments	49,875
Administrative expenses	<u>863</u>
Total deductions	<u>50,738</u>
Net decrease in net position	(9,921)
Net position restricted for pensions, at beginning of year	<u>563,106</u>
Net position restricted for pensions, at end of year	<u>\$ 553,185</u>

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

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 fiduciary in the basic financial statements because the Plan exclusively serves the employees of the District. The financial position and changes in financial position of the Plan are reported on a calendar year basis.

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)

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 comprises the District's assets, deferred outflows, liabilities, deferred inflows and net position, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's cost of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) with pricing policies that establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Enterprise funds distinguish operating revenues and expenses from 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 and equipment. 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. 31, the District has reported its investments at fair value based on quoted market information obtained from fiscal agents or other sources.

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

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The reserves are reported as non-current.

Pension Plan: The District's noncontributory pension plan provides retirement benefits for all qualifying union and non-union employees. The District's annual contribution to fund the AC Transit Employees' Retirement Plan (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, and 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 \$1,000 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, 2016

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 million in Measure VV taxes during the year ended June 30, 2016.

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, 2016, the District has restricted net position in the amount of \$2.1 million related to the 2007 and 2009 Certificates of Participation (COPS) and \$46.1 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 2007 and 2009 COPS.
- Unrestricted net position - This category represents net position of the District, not restricted for any projects or other purposes.

(Continued)

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 Generally Accepted Accounting Principles. 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 that will be amortized in future periods.

Recent Accounting Pronouncements Adopted:

- GASB Statement No. 72, *Fair Value Measurement and Application*. The objective is to address accounting and financial reporting issues related to fair value measurements and provide guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. It is effective for the District's fiscal year ended June 30, 2016. The adoption of this Standard had no effect on the District's net position or changes therein.
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, issued on June 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The adoption of this Standard had no effect on the District's net position or changes therein.
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued June 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of this Standard had no effect on the District's net position or changes therein.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued December 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. The adoption of this Standard had no effect on the District's net position or changes therein.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

The Plan's investments are invested pursuant to investment policy guidelines established by the Retirement Board. The long-term asset allocation of the investment portfolio is to have 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, 2016 (December 31, 2015 for the Plan), the District's cash and investments consisted of the following (in thousands):

Cash and cash equivalents	\$ 119,170
Investments	<u>588,034</u>
Total	<u>\$ 707,204</u>
Reported in the Enterprise Fund as:	
Cash and cash equivalents	\$ 70,551
Restricted – current cash and cash equivalents	46,131
Restricted – noncurrent cash and cash equivalents	2,488
Investments	34,301
Reported in the Pension Trust Fund as:	
Investments restricted for payment of accrued pension costs (at December 31, 2015)	<u>553,733</u>
Total	<u>\$ 707,204</u>

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 – CASH AND INVESTMENTS (Continued)

Enterprise Fund – Specific Risks: As of June 30, 2016, the District had the following money market accounts, which are classified as cash equivalents on the statement of net position (amounts are in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Standard & Poor's Rating</u>	<u>Investment Maturities Less Than One year</u>
Money market accounts	\$ 73,030	Aaa	\$ 73,030

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, 2016 (Pension Trust Funds are not subject to fair value disclosures since the balances are as of December 31, 2015):

- U.S. Treasury bills and notes of \$30.0 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 \$4.3 million are based on quoted market prices of similar securities with similar due dates using the market approach (Level 2 inputs).

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 market accounts to the highest ranking attained by the rating agency which is Aaa. The District had investments in money market accounts. 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.

Concentration of Credit Risk: The District manages this risk by requiring that no more than 20% of its total investment portfolio (with the exception of securities of the U.S. Treasury or U. S. government agencies) be invested in a single security type or with a single financial institution. Disclosure requirements state that any investments in a single security type or held with a single financial institution that are greater than 5% of the District's investments must be disclosed, except for investments in external pools and mutual funds. In fiscal year 2016, the District had \$113.1 million of its cash equivalents and investments invested with Wells Fargo, with \$73.0 million of its cash equivalents in Secured Institutional Money Market accounts.

(Continued)

NOTE 3 – CASH AND INVESTMENTS (Continued)

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.

As of June 30, 2016, the book value of the District's cash and cash equivalents with local banks was \$1.9 million. As of June 30, 2016, approximately \$10,000 of the District's bank balance was exposed to custodial credit risk, because it was uncollateralized beyond the FDIC insurance of \$250,000.

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..

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, 2015, \$5.2 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, 2015, 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.

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, 2015, investments in international funds totaled \$115.3 million.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 – CAPITAL ASSETS

Following is a summary of capital assets at June 30, 2016 (in thousands):

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2016</u>
Non-depreciable capital assets:					
Land	\$ 28,686	\$ -	\$ -	\$ -	28,686
Work in progress	<u>1,800</u>	<u>70,913</u>	<u>-</u>	<u>(64,943)</u>	<u>7,770</u>
Total	<u>30,486</u>	<u>70,913</u>	<u>-</u>	<u>(64,943)</u>	<u>36,456</u>
Depreciable capital assets:					
Revenue equipment	320,715	-	(12,980)	39,241	346,976
Service vehicles and other equipment	135,499	-	(14,755)	5,157	125,901
Buildings, structure and Improvements	<u>252,303</u>	<u>-</u>	<u>(1,773)</u>	<u>20,545</u>	<u>271,075</u>
Total	<u>708,517</u>	<u>-</u>	<u>(29,508)</u>	<u>64,943</u>	<u>743,952</u>
Less accumulated depreciation:					
Revenue equipment	(169,610)	(21,151)	12,467	-	(178,295)
Service vehicles and other equipment	(118,757)	(8,015)	8,278	-	(118,494)
Buildings, structure and improvements	<u>(154,605)</u>	<u>(9,311)</u>	<u>673</u>	<u>-</u>	<u>(163,243)</u>
Total	<u>(442,972)</u>	<u>(38,477)</u>	<u>21,418</u>	<u>-</u>	<u>(460,032)</u>
Depreciable capital assets net of accumulated depreciation	<u>265,545</u>	<u>(38,477)</u>	<u>(8,090)</u>	<u>64,943</u>	<u>283,920</u>
Capital assets, net of accumulated depreciation	<u>\$ 296,031</u>	<u>\$ 32,436</u>	<u>\$ (8,090)</u>	<u>\$ -</u>	<u>\$ 320,376</u>

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES

The Enterprise Fund in the accompanying basic financial statements is reported as of June 30, 2016 and the Pension Trust Fund is reported as of December 31, 2015; 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, 2016 and December 31, 2015, the Pension Trust Fund had a payable from the Enterprise Fund of \$4.4 million and \$4.2 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, 2016 and December 31, 2015, the Pension Trust Fund had a receivable from the Enterprise Fund of \$3.7 million and \$3.8 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, 2016

NOTE 6 – CAPITAL ASSISTANCE

The District has 17 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 MTC. These grants are summarized for the year ended June 30, 2016 as follows (in thousands):

Federal grants	\$ 32,628
State and local grants	<u>19,024</u>
	<u>\$ 51,652</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. The State Board of Equalization returns these funds to the local jurisdiction according to the amount of sales taxes collected in that jurisdiction. TDA funds are allocated to the District from Alameda and Contra Costa counties to meet, in part, the District's operating requirements. The allocation is based on population within the District.

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

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

Below is a summary of state and local operating assistance for the year ended June 30, 2016 (in thousands):

Local funds:	
Transportation Development Act	\$ 59,977
Regional Measure 2	<u>12,886</u>
	<u>\$ 72,863</u>
State operating assistance:	
Operating revenues	\$ 8,045
Supplementary service/Welfare to work	2,225
Pass thru	<u>24,428</u>
	<u>\$ 34,698</u>

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016, is summarized below (in thousands):

AB 1107	\$ 40,262
Measure B	22,102
Measure J	4,516
Measure BB	<u>30,403</u>
	<u>\$ 97,283</u>

Section 5307 Funding Sources: All federal funding sources are distributed by FTA after approval by the MTC. Federal funding sources for the year ended June 30, 2016 are summarized below (in thousands):

Federal planning	\$ 40
Non FTA Federal Revenue	211
Americans with Disabilities program - ADA set aside	6,269
Americans with Disabilities Act paratransit program – lease	1,363
Less amount reported within net expenses of joint venture	<u>(1,363)</u>
	<u>\$ 6,520</u>

At June 30, 2016, Federal Section 5307 funds totaling \$6.6 million were recorded as a receivable.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016 (in thousands):

	Original Issue Amount	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Amount Due Within One Year
2007 COP						
4% - 4.75%, due August 8, 2017	\$ 13,500	\$ 4,595	\$ -	\$ (1,460)	\$ 3,135	\$ 1,530
Less unamortized premium		58	-	107	165	27
2009A COP						
3%-6.125%, due August 1, 2034	15,000	13,155	-	(400)	12,755	415
Less unamortized discount		(350)	-	18	(332)	(18)
2012 Refunding COP						
4% - 4.75%, due August 1, 2018	9,840	6,880	-	(1,670)	5,210	1,700
Total long-term debt		24,338	-	(3,405)	20,933	3,654
Accrued vacation and sick leave		23,165	10,086	(9,237)	24,014	15,761
Claims liabilities (Note 13)		65,793	31,871	(19,705)	77,959	27,372
Remediation obligations (Note 12)		1,019	-	-	1,019	67
Total long-term liabilities		\$ 114,315	\$ 41,957	\$ (32,347)	\$ 123,925	\$ 46,854

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 is payable semi-annually on February 1 and August 1 of each year through the year 2017.

On February 1, 2009, proceeds from the issuance of \$15 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, 2016

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>
2017	\$ 3,645	\$ 910	\$ 4,555
2018	3,770	786	4,556
2019	2,220	696	2,916
2020	465	660	1,125
2021	485	637	1,122
Thereafter			
2022-2026	2,830	2,765	5,595
2027-2031	3,760	1,805	5,565
2032-2035	<u>3,925</u>	<u>499</u>	<u>4,424</u>
Total	<u>21,100</u>	<u>\$ 8,758</u>	<u>\$ 29,858</u>
Unamortized premium and discount	<u>(167)</u>		
Total	<u>\$ 20,933</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, 2016, is approximately \$39.4 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'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, 2016

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, 2015, employee membership in the Plan was as follows:

Retirees and beneficiaries currently receiving benefits	1,978
Terminated employees entitled to benefits but not yet receiving them	<u>221</u>
	<u>2,199</u>
Current employees:	
Vested	1,234
Non-vested	<u>776</u>
	<u>2,010</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, 2016, the District's average contribution rate was 35.34% of annual covered payroll and the District's contributions to the Plan were \$47,005,122. 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, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll (13 years remaining as of 1/1/2015) with separate periods of Extraordinary Actuarial Gains or Losses (24 years as of 1/1/2015)
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, 2016

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, 2015, and the total pension liability as of the valuation date, January 1, 2015, rolled forward to December 31, 2015. 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, 2015 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, 2015 (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%	5.9%
Domestic Small Cap Equity	6%	6.7%
International Equity	17%	7.0%
Emerging Market Equity	19%	1.0%
Fixed Income (Core)	13%	9.5%
Fixed Income (Credit)	6%	1.2%
Emerging Market Debt	5%	3.1%
Global Asset Allocation	5%	4.3%
Real Estate	1%	4.6%
Private Debt	5%	6.1%
Cash	1%	0.0%
	<u>100%</u>	

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 – PENSION PLAN (Continued)

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 until at least 2078. As such, the Plan's fiduciary net position is not sufficient to cover the present value of projected benefit payments. However, instead of using a blended discount rate the Plan is using a discount rate of 7.25%. The blended discount rate would have been 7.23% or a difference of .02% (7.23% versus 7.25%). The impact of using the blended rate of 7.23% would have led to an increase in the net pension liability of approximately \$1.7 million (\$333.6 million versus \$331.9 million).

Net Pension Liability: The components of the net pension liability of the District at the measurement date of December 31, 2015 are as follows (in thousands):

Total pension liability	\$ 885,065
Less: Plan fiduciary net position	<u>(553,185)</u>
District's net pension liability	<u>\$ 331,880</u>
Funded ratio (Plan's fiduciary net position / total pension liability)	62.50%

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, 2014	\$ 810,417	\$ 563,108	\$ 247,309
Changes for the year:			
Service cost	16,612	-	16,612
Interest	57,571	-	57,571
Changes of assumptions	52,583	-	52,583
Difference between expected and actual experience	(2,243)	-	(2,243)
Contribution – employer	-	42,274	42,274
Net investment income	-	(1,458)	(1,458)
Benefit payments	(49,875)	(49,875)	-
Administrative expense	-	(864)	864
Net changes	<u>74,648</u>	<u>(9,923)</u>	<u>84,571</u>
Balance at December 31, 2015	<u>\$ 885,065</u>	<u>\$ 553,185</u>	<u>\$ 331,880</u>

During the year ending December 31, 2015, 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. In total, the changes in assumptions resulted in an increase of the total pension liability of approximately \$52.6 million.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016, 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	\$ 425,213	\$ 331,880	\$ 252,141

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, 2016, the District recognized pension expense of \$57,820,450. At June 30, 2016, 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	\$ 23,759	
Differences between expected and actual experience	-	\$ 1,795
Changes in assumptions	42,066	-
Net difference between projected and actual earnings on pension plan investments	<u>43,129</u>	<u>-</u>
Total	<u>\$ 108,954</u>	<u>\$ 1,795</u>

Deferred outflows of resources related to contributions subsequent to the measurement date of \$23.8 million will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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, 2016	\$ 21,645
June 30, 2017	21,645
June 30, 2018	21,645
June 30, 2019	<u>18,465</u>
	<u>\$ 83,400</u>

Payable to the Pension Plan: As disclosed in Note 5, the District reported a payable of \$3.7 million for the outstanding amount of contributions to the Plan for the year ended June 30, 2016.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 A TU Retiree Health & Welfare Program, the AFSCME Retiree Medical Program and the IBEW Retiree Medical Program. The Trust provides medical benefits to all vested retirees at least 55 years old by paying a portion of the medical insurance premiums or reimbursement of eligible medical expenses not to exceed the maximum negotiated rates. Rates are negotiated between the District and the respective bargaining units. The Trust's board of trustees has historically adopted rates based on the premiums offered by participating providers.

Funding Policy: The District is required to make contributions to the Trust based on the number of hours worked by active union employees. The establishment and modification of the memorandums of understanding between the District and the respective bargaining units creates the authority under which the District is obligated to make its contributions. For fiscal year 2016, the required contribution rates were as follows:

<u>Bargaining Unit</u>	<u>Contribution Rate</u>
ATU Local 192	\$1.10 per hour per employee (will increase to \$1.30 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

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

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

Annual required contribution	\$ 5,794
Interest on net OPEB obligation	352
Adjustment to annual required contribution	<u>(327)</u>
OPEB cost	5,819
Contributions made	<u>(3,839)</u>
Increase in net OPEB obligation	1,980
Net OPEB obligation, beginning of year	<u>8,859</u>
Net OPEB obligation, end of year	<u>\$ 10,839</u>

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 5,189	53.9%	\$ 7,013
June 30, 2015	\$ 5,580	66.9%	\$ 8,859
June 30, 2016	\$ 5,819	66.0%	\$ 10,839

Funded Status and Funding Progress: The unfunded actuarial accrued liability is being amortized as a level dollar of expected payroll on an open basis over thirty years, beginning July 1, 2007. As of June 30, 2016, the funded status of the plan was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 100,905
Actuarial value of plan assets	<u>2,209</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 98,696</u>
Funded ratio (actuarial value of plan assets/ AAL)	2.19%
Annual covered payroll (active plan members)	\$ 131,826
UAAL as a percentage of annual covered payroll	74.87%

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

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

In the actuarial valuation as of July 1, 2015, the actuarial cost method used was the projected unit credit method. This method allocates the present value of benefits for each individual attributable to service to date, using future compensation projected to retirement. The amortization method used was the level dollar open method; the remaining amortization period is 30 years. The actuary uses market value to determine the actuarial value of the plan assets.

The actuarial assumptions include a discount rate of 4.0%, an inflation rate of 3.5%, a healthcare cost trend rate of 9.0% for fiscal year grading down 0.5% each year to 5.0% for fiscal year 2023 and beyond.

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

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Retiree Benefits Non-Trust Plan

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

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

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

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

Annual required contribution	\$ 4,357
Interest on net OPEB obligation	214
Adjustment to annual required contribution	<u>(309)</u>
OPEB cost	4,262
 Contribution made	 (2,310)
 Increase in net OPEB obligation	 1,952
Net OPEB obligation, beginning of year	<u>5,355</u>
 Net OPEB obligation, end of year	 <u>\$ 7,307</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 3,454	58.1%	\$ 3,204
June 30, 2015	\$ 4,365	50.7%	\$ 5,355
June 30, 2016	\$ 4,262	54.2%	\$ 7,307

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Funded Status and Funding Progress: The unfunded actuarial accrued liability is being amortized as a level dollar of expected payroll on an open basis over thirty years, beginning July 1, 2007. As of June 30, 2016, the funded status of the plan was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 53,354
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 53,354</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Annual covered payroll (active plan members)	\$ 10,390
UAAL as a percentage of annual covered payroll	513.51%

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

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

In the actuarial valuation as of July 1, 2015, the actuarial cost method used was the projected unit credit method. This method allocates the present value of benefits for each individual attributable to service to date, using future compensation projected to retirement. The amortization method used was the level dollar open method; the remaining amortization period is 30 years. The actuarial assumptions include a discount rate of 4.0%, an inflation rate of 3.2%, a healthcare cost trend rate of 9.0% for fiscal year 2016 grading down 0.5% each year to 5.0% for fiscal year 2023 and beyond, and a dental and vision cost rate of 3.0%.

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.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 – COMMITMENTS (Continued)

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

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 2016, the District received \$4.3 million of funding, and \$12.7 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, 2016 (in thousands) :

<u>Total Allocations as of June 30, 2015</u>	<u>Less Allocations Passed-through to TJPA as of June 30, 2015</u>	<u>Total Allocations Received in FY 2016</u>	<u>Cumulative Expenses Incurred through June 30, 2016</u>	<u>Interest Income</u>	<u>Commitment at June 30, 2016</u>
\$ 108,215	\$ (21,165)	\$ 4,300	\$ 61,088	\$ 149	\$ 30,411

NOTE 12 – CONTINGENCIES

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

Projected contributions are scheduled as follow (in thousands):

	<u>Payments</u>
2017	\$ 2,148
2018	3,631
2019	1,507
2020	1,532
2021	1,817
2022 – 2026	10,369
2027 – 2031	13,905
2032 - 2035	12,648

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.

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 12 – CONTINGENCIES (Continued)

Pollution Remediation: The District has an estimated \$1.019 million in liabilities for the monitoring and potential clean-up costs for pollution remediation obligations. The District has several locations where soil and groundwater has been contaminated.

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

NOTE 13 – RISK MANAGEMENT

As of June 30, 2016 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.

During the year ended June 30, 2016, the actuarial estimates based on the 75th percentile discounted at 3.5% to estimate its liability for worker's compensation and the public liability claims were \$52.5 million and \$25.1 million, respectively.

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

	<u>Workers' Compensation Liability</u>	<u>Public Liability</u>	<u>Dental Liability</u>	<u>Total</u>
Balance at June 30, 2014	\$ 45,398	\$ 10,996	\$ -	\$ 56,394
Claims and changes in estimates	14,446	8,517	4,698	27,661
Claim payments	<u>(9,719)</u>	<u>(3,845)</u>	<u>(4,698)</u>	<u>(18,262)</u>
Balance at June 30, 2015	\$ 50,125	\$ 15,668	\$ -	\$ 65,793
Claims and changes in estimates	12,794	14,251	4,826	31,871
Claim payments	<u>(10,467)</u>	<u>(4,785)</u>	<u>(4,453)</u>	<u>(19,705)</u>
Balance at June 30, 2016	<u>\$ 52,452</u>	<u>\$ 25,134</u>	<u>\$ 373</u>	<u>\$ 77,959</u>

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 13 – RISK MANAGEMENT (Continued)

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, 2016 are summarized as follows (in thousands):

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Workers' compensation liability	\$ 13,257	\$ 39,195	\$ 52,452
Public liability	13,742	11,392	25,134
Dental liability	<u>373</u>	<u>-</u>	<u>373</u>
	<u>\$ 27,372</u>	<u>\$ 50,587</u>	<u>\$ 77,959</u>

NOTE 14 – JOINT VENTURE

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

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

In fiscal year 2016, the District incurred \$28.0 million of expenses related to the Consortium. The Consortium does not issue separate financial statements.

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, 2016
(In Thousands)

	<u>2016</u>	<u>2015</u>
Total pension liability:		
Service cost	\$ 16,614	\$ 16,698
Interest	57,571	55,840
Differences between expected and actual experience	(2,243)	-
Changes of assumptions	52,583	-
Benefit payments, including refunds of member contributions	<u>(49,875)</u>	<u>(47,410)</u>
Net changes in total pension liability	74,649	25,127
Total pension liability, beginning	<u>810,416</u>	<u>785,289</u>
Total pension liability, ending	<u>\$ 885,065</u>	<u>\$ 810,416</u>
Plan fiduciary net position:		
Contributions – employer	\$ 42,274	\$ 40,384
Net investment income	(1,458)	23,507
Benefit payments, including refunds of member contributions	(49,875)	(47,410)
Administrative expense	<u>(863)</u>	<u>(867)</u>
Net change in plan fiduciary net position	(9,922)	15,614
Plan fiduciary net position, beginning	<u>563,107</u>	<u>547,493</u>
Plan fiduciary net position, ending	<u>\$ 553,185</u>	<u>\$ 563,107</u>
Net pension liability, ending	<u>\$ 331,880</u>	<u>\$ 247,309</u>
Plan fiduciary net position as a percentage of the total pension liability	62.50%	69.48%
Covered employee payroll	\$ 133,012	\$ 129,310
Net pension liability as a percentage of covered employee payroll	249.51%	191.25%

Notes to Schedule:

Benefit changes	There were no changes in benefits in FY2016.
Changes in assumptions	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, 2016
(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>
2015	\$ 40,020	\$ 40,020	\$ -	\$ 129,310	30.95%
2016	47,005	47,005	-	133,012	35.34%

* 2016 and 2015 payroll is based on total actual calendar year covered payroll, provided by the Plan.

Notes to Schedule:

Valuation date	January 1, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll (13 years remaining as of 1/1/2015) with separate periods of Extraordinary Actuarial Gains or Losses (24 years as of 1/1/2015)
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
EMPLOYEES' POST EMPLOYMENT BENEFITS OTHER THAN PENSION
SCHEDULE OF FUNDING PROGRESS
Year Ended June 30, 2016
(In Thousands)

Post Employment Benefits Other than Pension

ATU Local 192 Benefits Trust

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a Percent of Payroll</u>
July 1, 2013	\$ 3,868	\$ 88,291	\$ 84,423	4.4%	\$ 105,636	80.0%
July 1, 2014	2,597	98,648	96,051	2.6%	125,417	76.6%
July 1, 2015	2,209	100,905	98,696	2.2%	131,826	74.9%

Retiree Benefits Non-Trust Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a Percent of Payroll</u>
July 1, 2013	\$ -	\$ 41,193	\$ 41,193	0.0%	\$ 108,473	38.0%
July 1, 2014	-	52,400	52,400	0.0%	7,754	675.8%
July 1, 2015	-	53,354	53,354	0.0%	10,390	513.5%

OTHER SUPPLEMENTARY INFORMATION

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF FUND NET POSITION
June 30, 2016 and 2015
(In Thousands)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 70,551	\$ 103,371
Restricted cash and cash equivalents	46,131	55,030
Investments	34,301	-
Receivables:		
Federal and local grants		
Capital	19,975	7,315
Planning, operating and other	10,931	8,682
Property tax	11,158	15,516
Local sales tax	13,821	9,524
Other trade receivables	<u>3,359</u>	<u>2,802</u>
Total receivables, net	<u>59,244</u>	<u>43,839</u>
Due from Pension Trust Fund	4,361	4,143
Inventory	10,766	11,606
Prepaid expenses	<u>6,605</u>	<u>4,389</u>
Total current assets	230,959	222,378
Noncurrent assets		
Restricted for certificates of participation:		
Cash and cash equivalents	2,488	2,488
Capital assets		
Nondepreciable	36,456	30,486
Depreciable, net	<u>283,920</u>	<u>265,545</u>
Total capital assets, net	<u>320,376</u>	<u>296,031</u>
Total noncurrent assets	<u>322,864</u>	<u>298,519</u>
Total assets	<u>553,823</u>	<u>520,897</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	<u>108,954</u>	<u>32,865</u>
Total assets and deferred outflows of resources	<u>662,777</u>	<u>553,762</u>

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF FUND NET POSITION
June 30, 2016 and 2015
(In Thousands)

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 12,388	\$ 6,817
Accrued salaries and wages	4,709	2,492
Current portion of accrued vacation and sick leave	15,761	14,912
Due to Pension Trust Fund	3,734	2,882
Unearned revenue	3,038	6,516
Other accrued liabilities	6,686	405
Accrued interest payable	404	22,784
Current portion of claims liabilities	27,372	20,404
Current portion of remediation obligations	67	67
Current portion of certificates of participation	<u>3,654</u>	<u>3,539</u>
Total current liabilities	80,813	80,818
Noncurrent liabilities		
Accrued vacation and sick leave	8,253	8,253
Claims liabilities	50,587	45,389
Remediation obligations	952	952
Certificates of participation	17,279	20,799
Net pension liability	331,880	247,309
OPEB obligation	<u>18,146</u>	<u>14,214</u>
Total noncurrent liabilities	<u>427,097</u>	<u>336,916</u>
Total liabilities	<u>507,910</u>	<u>417,734</u>
Deferred Inflows of Resources		
Pension related	<u>1,795</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>509,705</u>	<u>417,734</u>
NET POSITION		
Net investment in capital assets	298,323	272,831
Restricted for capital purchases	46,131	33,583
Restricted for debt service	2,084	1,505
Unrestricted	<u>(193,466)</u>	<u>(171,891)</u>
Total net position	<u>\$ 153,072</u>	<u>\$ 136,028</u>

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF REVENUES,
EXPENSES, AND CHANGES IN FUND NET POSITION
For the years Ended June 30, 2016 and 2015
(In Thousands)

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Passenger fares	\$ 52,955	\$ 54,002
Contract services	10,601	9,616
Other	<u>4,100</u>	<u>3,589</u>
Total operating revenues	<u>67,656</u>	<u>67,207</u>
Operating expenses		
Operator wages	68,248	62,154
Other wages	55,694	51,018
Fringe benefits	157,637	134,236
Depreciation	38,477	40,587
Fuel and oil	10,129	14,471
Other material and supplies	11,359	11,441
Services	57,467	24,984
Insurance	19,731	13,190
Net expenses of joint venture	4,848	10,698
Other	<u>6,960</u>	<u>8,982</u>
Total operating expenses	<u>430,550</u>	<u>371,761</u>
Operating loss	<u>(362,894)</u>	<u>(304,554)</u>
Nonoperating revenues (expense)		
Operating assistance:		
Property taxes	117,497	111,812
Local sales tax	97,283	70,920
Local funds	72,863	71,858
Federal	6,520	1,682
State	34,698	13,847
Loss on sale of capital assets	(475)	(21 6)
Interest income	151	590
Interest expense	<u>(251)</u>	<u>(1,515)</u>
Net nonoperating revenues	<u>328,286</u>	<u>268,978</u>
Loss before capital contributions	(34,608)	(35,576)
Capital contributions	<u>51,652</u>	<u>41,750</u>
Change in net position	17,044	6,174
Net position at beginning of year	<u>136,028</u>	<u>129,854</u>
Net position at end of year	<u><u>\$ 153,072</u></u>	<u><u>\$ 136,028</u></u>

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF CASH FLOWS
For the years Ended June 30, 2016 and 2015
(In Thousands)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from customers	\$ 43,253	\$ 63,618
Cash payments to suppliers for goods and services	(91,083)	(79,943)
Cash payments to employees for services	(263,670)	(248,858)
Other operating receipts	<u>4,100</u>	<u>22,479</u>
Net cash used in operating activities	<u>(307,400)</u>	<u>(242,704)</u>
Cash flows from noncapital financing activities:		
Operating assistance received	<u>323,812</u>	<u>269,056</u>
Net cash provided by noncapital financial activities	<u>323,812</u>	<u>269,056</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(69,793)	(50,063)
Capital contributions received	41,854	55,231
Proceeds from sale of capital assets	7,616	89
Principal paid on certificates of participation	(3,405)	(3,430)
Interest paid on certificates of participation	<u>(252)</u>	<u>(1,678)</u>
Net cash used in capital and related financial activities	<u>(23,980)</u>	<u>149</u>
Cash flows from investing activities:		
Interest received on investments	150	552
Purchase of investments	<u>(34,301)</u>	<u>-</u>
Net cash provided by investing activities	<u>(34,151)</u>	<u>552</u>
Change in cash and cash equivalents	(41,719)	27,053
Cash and cash equivalents, beginning of year	<u>160,889</u>	<u>133,836</u>
Cash and cash equivalents, end of year	<u><u>\$ 119,170</u></u>	<u><u>\$ 160,889</u></u>
Summary of cash and cash equivalents reported on on the Statement of Net Position:		
Unrestricted cash and cash equivalents	\$ 70,551	\$ 103,371
Restricted cash and cash equivalents	46,131	57,518
Restricted for certificates of participation	<u>2,488</u>	<u>-</u>
Total cash and cash equivalents reported on the Statement of Net Position	<u><u>\$ 119,170</u></u>	<u><u>\$ 160,889</u></u>

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF CASH FLOWS
For the years Ended June 30, 2016 and 2015
(In Thousands)

	<u>2016</u>	<u>2015</u>
Reconciliation of operating loss to net cash used		
in operating activities:		
Operating loss	\$ (362,894)	\$ (304,554)
Adjustments to reconcile operating loss to		
net cash used in operating activities:		
Depreciation and amortization	38,477	40,587
Effect of changes in assets and liabilities:		
Other trade receivables	(557)	(582)
Inventories	840	2,275
Due to/from Pension Trust Fund	634	(299)
Prepaid expenses	(1,216)	(694)
Accounts payable and accrued expenses	4,451	(10,593)
Accrued salaries and wages	2,217	445
Accrued vacation and sick leave	849	352
Unearned revenue	(19,746)	19,472
Other accrued liabilities	3,170	1,122
Claims liabilities	12,166	12,835
Net pension liability and deferred outflows/inflows from pension	10,277	(223)
OPEB obligation	<u>3,932</u>	<u>(2,847)</u>
Net cash used in operating activities	<u>\$ (307,400)</u>	<u>\$ (242,704)</u>

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
BUDGETARY BASIS - ENTERPRISE FUND - TRANSIT ONLY
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
For the years Ended June 30, 2016 and 2015
(In Thousands)

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES:		
Passenger fares	\$ 55,349	\$ 56,470
Bart transfers	3,402	3,240
Contract services	7,198	6,338
Advertising	1,776	1,969
Interest income	146	68
Other	<u>2,324</u>	<u>1,596</u>
Total operating revenues	<u>70,195</u>	<u>69,681</u>
SUBSIDIES		
Property taxes	88,009	82,418
Property taxes - Measure VV	29,489	29,394
Local sales tax - Measure B	27,395	26,447
Local sales tax - Measure BB	30,403	5,843
Local sales tax - Measure J	4,516	4,930
Local operating assistance	15,339	15,164
State - AB I 1107	40,262	38,810
State - AB2972 Home to School	2,225	2,225
State - TDA	63,709	62,868
State - STA	15,997	9,934
State operating assistance other	24,427	3,039
Federal operating assistance	<u>7,883</u>	<u>3,115</u>
Total subsidies	349,654	284,187
Total revenue and subsidies	<u>419,849</u>	<u>353,868</u>
EXPENSES:		
Operator wages	68,248	62,155
Other wages	55,694	51,017
Fringe benefits	99,816	96,976
Pension expense	57,820	37,260
Services	57,465	24,984
Fuel and lubricants	10,129	14,472
Office/printing supplies	618	630
Other materials and supplies	13,233	13,591
Utilities	2,780	2,750
Insurance	19,731	13,191
Net expenses of joint venture	28,037	27,198
Other expenses	2,155	3,670
Interest expense	<u>980</u>	<u>993</u>
Total expenses	<u>416,706</u>	<u>348,887</u>
Net revenues	3,143	4,981
Capital contributions	51,652	41,751
Depreciation	<u>(38,479)</u>	<u>(40,588)</u>
Excess of revenues over expenses	<u>\$ 16,316</u>	<u>\$ 6,144</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, 2016
(In Thousands)

	<u>Actual</u>	<u>Final Budget</u>	<u>Final Budget Positive (Negative)</u>
REVENUES:			
Passenger fares	\$ 55,349	\$ 56,427	\$ (1,078)
Bart transfers	3,402	3,402	-
Contract services	7,198	7,177	21
Advertising	1,776	1,800	(24)
Interest income	146	160	(14)
Other	<u>2,324</u>	<u>1,850</u>	<u>474</u>
Total operating revenues	<u>70,195</u>	<u>70,816</u>	<u>(621)</u>
SUBSIDIES			
Property taxes	88,009	84,700	3,309
Property taxes - Measure VV	29,489	29,500	(11)
Local sales tax - Measure B	27,395	27,640	(245)
Local sales tax - Measure BB	30,403	30,796	(393)
Local sales tax - Measure J	4,516	4,667	(151)
Local operating assistance	15,339	13,677	1,662
State - AB1107	40,262	41,600	(1,338)
State - AB2972 Home to School	2,225	2,000	225
State - TDA	63,709	64,300	(591)
State - STA	15,997	16,300	(303)
State operating assistance other	24,427	-	24,427
Federal operating assistance	<u>7,883</u>	<u>8,792</u>	<u>(909)</u>
Total subsidies	<u>349,654</u>	<u>323,972</u>	<u>25,682</u>
Total revenue & subsidies	<u>419,849</u>	<u>394,788</u>	<u>25,061</u>
EXPENSES:			
Operator wages	68,248	65,061	(3,187)
Other wages	55,694	61,092	5,398
Fringe benefits	99,816	97,489	(2,327)
Pension expense	57,820	45,502	(12,318)
Services	57,465	26,541	(30,924)
Fuel and lubricants	10,129	13,639	3,510
Office/printing supplies	618	717	99
Other materials and supplies	13,233	16,311	3,078
Utilities	2,780	2,869	89
Insurance	19,731	11,545	(8,186)
Net expenses of joint venture	28,037	28,565	528
Other expenses	2,155	4,885	2,730
Interest expense	<u>980</u>	<u>1,037</u>	<u>57</u>
Total operating expenses	<u>416,706</u>	<u>375,253</u>	<u>(41,453)</u>
Excess of revenues over expenses	<u>3,143</u>	<u>\$ 19,535</u>	<u>\$ (16,392)</u>
Depreciation and amortization	(38,479)		
Capital contributions	<u>51,652</u>		
Change in net position	<u>\$ 16,316</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, 2016
(In Thousands)

	Special Transit District 1	Special Transit District 2	Total
REVENUES:			
Passenger fares	\$ 52,759	\$ 2,590	\$ 55,349
Bart transfers	3,243	159	3,402
Contract services	7,198	-	7,198
Advertising	1,581	195	1,776
Interest income	128	18	146
Other	<u>2,070</u>	<u>254</u>	<u>2,324</u>
Total operating revenues	<u>66,979</u>	<u>3,216</u>	<u>70,195</u>
SUBSIDIES			
Property taxes	70,668	17,341	88,009
Property taxes - Measure VV	29,489	-	29,489
Local sales tax - Measure B	25,337	2,058	27,395
Local sales tax - Measure BB	27,064	3,339	30,403
Local sales tax - Measure C	4,516	-	4,516
Local operating assistance	11,667	3,672	15,339
State - AB1107	35,563	4,699	40,262
State - AB2972 Home to School	2,225	-	2,225
State - TDA	51,930	11,779	63,709
State - STA	35,837	4,587	40,424
Federal operating assistance	<u>7,338</u>	<u>545</u>	<u>7,883</u>
Total subsidies	<u>301,634</u>	<u>48,020</u>	<u>349,654</u>
Total revenue & subsidies	<u>368,613</u>	<u>51,236</u>	<u>419,849</u>
EXPENSES:			
Operator wages	61,246	7,002	68,248
Other wages	49,578	6,116	55,694
Fringe benefits	89,255	10,561	99,816
Pension	51,703	6,117	57,820
Services	54,668	2,797	57,465
Fuel and lubricants	9,017	1,112	10,129
Office/printing supplies	550	68	618
Bus parts/maintenance supplies	11,780	1,453	13,233
Utilities	2,475	305	2,780
Insurance	17,564	2,167	19,731
Purchased transportation	22,908	5,129	28,037
Other expenses	1,918	237	2,155
Interest expense	878	102	980
Depreciation	<u>34,253</u>	<u>4,226</u>	<u>38,479</u>
Total expenses	<u>407,793</u>	<u>47,392</u>	<u>455,185</u>
Income (loss) before capital contributions	(39,180)	3,844	(35,336)
Capital contributions	<u>47,873</u>	<u>3,779</u>	<u>51,652</u>
Change in net position	<u>\$ 8,693</u>	<u>\$ 7,623</u>	<u>\$ 16,316</u>

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the year Ended June 30, 2016
(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, 2016 basic financial statements of the District's budgeted fund is as follows (in thousands):

Increase in net position on GAAP basis	\$ 17,044
Perspective differences	<u>(728)</u>
Increase in net position on the budgetary basis	<u>\$ 16,316</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

Statistical Section

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

CONTENTS	PAGE
FINANCIAL TRENDS	57

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

REVENUE CAPACITY	58
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These schedules contain trend information to help the reader assess the District's most significant local revenue source, the property tax.

DEBT CAPACITY	66
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These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

ECONOMIC AND DEMOGRAPHIC INFORMATION	67
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These schedules offer economic and demographic indicators to help the reader understand how the environment within which the District's financial activities take place.

OPERATING INFORMATION	72
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These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

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

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

	<u>2007</u>	<u>2008</u>	<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>
Net Position:										
Net invested in capital assets,	\$229,109	\$212,754	\$231,130	\$209,056	\$207,548	\$187,570	\$202,095	\$260,221	\$272,831	\$298,323
Restricted for capital purchases ²	n/a	15,668	18,342	14,567	14,897	46,893	74,531	44,528	33,583	46,131
Restricted for debt service ¹	-	1,350	1,350	1,350	1,350	1,174	1,605	1,505	1,505	2,084
Unrestricted	35,704	19,184	14,362	16,922	26,730	33,124	40,781	40,891	(171,891)	(193,466)
Total net position	<u>\$264,813</u>	<u>\$248,956</u>	<u>\$265,184</u>	<u>\$241,895</u>	<u>\$250,525</u>	<u>\$268,761</u>	<u>\$319,012</u>	<u>\$347,145</u>	<u>\$136,028</u>	<u>\$153,072</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

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>2007</u>	<u>2008</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>
Farebox	\$48,550	\$49,889	\$52,173	\$53,229	\$50,648	\$49,363	\$50,357	\$54,945	\$56,470	\$55,349
Other Transit Fares	827	1,001	120	110	120	55	207			
Bart Transfers	4,596	5,104	5,301	4,026	2,460	2,855	2,460	6,322	3,240	3,402
Contract Service	4,493	5,279	5,226	5,553	4,849	4,873	5,826	5,607	6,338	7,198
Service Funding-Alameda	-	-	-	-	-	-	-	-	-	-
Advertising	2,394	2,536	2,604	1,250	1,212	1,174	1,819	1,821	1,969	1,776
Other Income	4,476	2,962	3,922	3,234	2,043	2,234	3,953	1,880	1,596	2,323
TOTAL	65,336	66,771	69,346	67,402	61,332	60,554	64,622	70,575	69,613	70,048

NONOPERATING REVENUES

Property Taxes	77,655	83,138	87,365	96,610	94,539	100,151	108,798	105,807	111,812	117,497
State Funding	14,678	13,600	14,079	2,225	13,800	14,985	26,117	19,878	15,198	42,649
Sales Tax (AB1107)	33,180	33,833	30,767	27,767	30,145	32,501	34,812	36,912	38,810	40,262
Sales Tax TDA ⁴	53,299	53,017	46,310	54,458	54,883	52,840	57,282	61,264	62,868	63,708
Capital Contribution - Fed & State	36,267	31,402	42,627	8,238	26,664	47,878	64,014	51,517	41,751	51,652
Operating Assistance										
Federal Sec. 8 & 9	25,690	12,088	48,162	55,175	44,421	45,212	28,486	24,920	18,279	23,222
Measure "B" ¹	23,288	23,868	20,733	19,723	17,400	23,038	24,657	24,328	26,447	27,395
Measure "BB" ⁵									5,843	30,403
Measure "J" ²	1,609	1,489	1,472	3,528	3,585	3,522	3,978	3,940	4,930	4,516
Prop. 111-STA	6,991	3,968	9,103	-	-	-	-	-	-	-
Interest Income	3,104	2,741	1,690	130	187	585	764	64	68	146
ADA Paratransit Service ³	5,627	7,860	9,370	-	-	-	-	-	-	-
TOTAL	281,388	267,004	311,678	267,854	285,624	320,712	348,908	328,630	326,006	401,450

**REVENUES &
SUBSIDIES**

\$346,724	\$333,775	\$381,024	\$335,256	\$346,956	\$381,266	\$413,530	\$399,205	\$395,619	\$471,498
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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>	
2007	0.314	0.065	0.379	0.310	0.236	0.075	0.621	1.000
2008	0.313	0.064	0.377	0.295	0.258	0.070	0.623	1.000
2009	0.315	0.058	0.373	0.065	0.225	0.253	0.543	1.000
2010	0.321	0.054	0.375	0.065	0.216	0.25	0.531	1.000
2011	0.328	0.049	0.377	0.065	0.221	0.243	0.529	1.000
2012	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	*	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*	*

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>	
2007	0.159	0.061	0.220	0.609	0.070	0.101	0.780	1.000
2008	0.168	0.062	0.230	0.646	0.058	0.066	0.770	1.000
2009	0.173	0.057	0.230	0.617	0.076	0.077	0.770	1.000
2010	0.164	0.044	0.208	0.621	0.007	0.164	0.792	1.000
2011	0.158	0.033	0.191	0.627	0.043	0.139	0.809	1.000
2012	0.153	0.036	0.188	0.670	0.041	0.101	0.812	1.000
2013	0.152	0.033	0.185	0.651	0.082	0.082	0.815	1.000
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	0.157	0.010	0.167	0.629	0.148	0.055	0.833	1.000

Notes:

* - Not Available

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

² Includes sales and use tax revenue.

Source: The American Public Transportation Association, "APTA 2016 Transportation Fact Book"

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

SALES TAX (AB 1107) RECEIPTS ¹

2006-07	265,437,528
2007-08	270,100,824
2008-09	245,780,556
2009-10	222,061,988
2010-11	270,405,651
2011-12	344,169,564
2012-13	339,957,670
2013-14	367,991,334
2014-15	378,664,574
2015-16	395,572,853

LOCAL TRANSPORTATION FUNDS ²

	<u>ALAMEDA COUNTY</u>	<u>CONTRA COSTA COUNTY</u>	<u>TOTAL</u>
2006-07	63,918,498	35,180,377	99,098,875
2007-08	63,873,885	35,017,978	98,891,863
2008-09	55,643,496	35,080,119	90,723,615
2009-10	50,359,342	28,866,624	79,225,966
2010-11	52,185,762	32,700,534	84,886,296
2011-12	65,188,207	38,486,598	103,674,805
2012-13	66,773,139	42,343,841	109,116,980
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

Notes:

¹ AB1107 Sales Tax receipts are shared by AC Transit, San Francisco Municipal Railways and Bay Area Rapid Transit. AC Transit received \$40.3 million in the fiscal year 2016

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 2016, AC Transit received \$53.1 million from Alameda County and \$5.9 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
2007	129,127,345	22,467,714	17,022,667	1,225,484	2,023,259	13,001,842	4,312,765	180,555,546	1.00
2008	140,379,422	24,458,944	17,854,260	1,360,579	2,203,804	13,629,455	4,880,956	195,005,508	1.00
2009	146,399,031	25,895,769	19,172,805	1,466,409	2,263,501	14,086,040	5,115,665	204,167,890	1.00
2010	139,524,668	27,086,816	19,319,349	1,499,707	2,437,587	14,398,367	5,476,280	198,790,214	1.00
2011	137,082,662	26,746,547	19,385,756	1,435,643	2,450,098	14,454,882	5,793,021	195,762,567	1.00
2012	138,442,842	27,114,991	18,540,107	1,412,736	2,506,623	14,447,692	6,560,413	195,904,578	1.00
2013	140,479,280	27,958,514	19,450,625	1,412,563	2,599,792	15,321,277	6,549,698	200,672,353	1.00
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

CONTRA COSTA COUNTY							
Fiscal Year	Real Property²	Personal Property²	Total	Less: Tax-Exempt Property	Net Assessed Value	Total Direct Tax Rate	
2007	145,844,300	3,408,666	149,252,966	2,729,501	146,523,465	1.00	
2008	158,953,496	3,592,778	162,546,274	3,101,166	159,445,108	1.00	
2009	158,825,416	3,714,884	162,540,300	3,721,464	158,818,836	1.00	
2010	149,232,578	3,518,009	152,750,587	4,106,372	148,644,215	1.00	
2011	145,251,206	3,388,408	148,639,614	4,495,004	144,144,610	1.00	
2012	144,914,804	3,464,048	148,378,852	4,756,022	143,622,830	1.00	
2013	146,175,023	3,550,351	149,725,374	4,916,847	144,808,527	1.00	
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	

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					Total ¹
	County General	County Special Districts	Local Special Districts	Agency Districts	Schools	Cities	
2007	1.0000	0.0031	0.0013	0.0166	0.0834	0.0546	1.1590
2008	1.0000	0.0031	0.0015	0.0216	0.0862	0.0524	1.1648
2009	1.0000	0.0035	0.0018	0.0249	0.0987	0.0520	1.1809
2010	1.0000	0.0042	0.0015	0.0195	0.1164	0.0582	1.1998
2011	1.0000	0.0052	0.0017	0.0179	0.1163	0.0582	1.1993
2012	1.0000	0.0063	0.0018	0.0176	0.1273	0.0584	1.2114
2013	1.0000	0.0048	0.0016	0.0159	0.1289	0.0560	1.2072
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

CONTRA COSTA COUNTY

Fiscal Year	County Direct Rate	Overlapping Rates					Total
	Countywide Rate ²	County Special Districts	Local ³ Special Districts	Agency Districts	Schools	Cities	
2007	1.0000	0.0000	0.0014	0.0137	0.0649	0.0126	1.0926
2008	1.0000	0.0000	0.0013	0.0158	0.0684	0.0130	1.0985
2009	1.0000	0.0000	0.0013	0.0192	0.0691	0.0131	1.1027
2010	1.0000	0.0000	0.0015	0.0167	0.0911	0.0126	1.1219
2011	1.0000	0.0000	0.0026	0.0114	0.1070	0.0127	1.1337
2012	1.0000	0.0000	0.0024	0.0114	0.1070	0.0127	1.1335
2013	1.0000	0.0000	0.0024	0.0096	0.1070	0.0144	1.1334
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

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.

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

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

**ALAMEDA-CONTRA COSTA COUNTY TRANSIT DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2016
(in thousands)**

ALAMEDA COUNTY

Taxpayer	2016			2007		
	Secured Assessed Value	Rank	Percentage of Total Secured Assessed Value	Secured Assessed Value	Rank	Percentage of Total Secured Assessed Value
Pacific Gas & Electric Co.	\$ 1,860,353	1	0.82 %	\$ 1,126,061	1	0.66 %
Tesla Motors Inc	755,816	2	0.33			
Kaiser Foundation Hospitals	628,848	3	0.28	304,811	5	0.18
Digital 720 2nd LLC	500,388	4	0.22			
Russell City Energy Company, LLC	486,000	5	0.21	407,085	3	0.24
AT&T	424,722	6	0.19			
Kaiser Foundation Health Plan	374,304	7	0.16			
5616 Bay Street Investors LLC	302,435	8	0.13			
PSB Northern California Industrial Portfoli	292,275	9	0.13			
Bayer Healthcare LLC	286,875	10	0.13	228,966	10	0.13
New United Motor Manufacturing, Inc.				987,625	2	0.58
BMR Gateway Boulevard LLC				350,639	4	0.21
Calwest Industrial Properties, LLC				255,646	6	0.15
SCI Limited Partnership 1				251,772	7	0.15
Chiron Corp				237,128	8	0.14
Catellus Development Corporation				230,379	9	0.14
	<u>\$ 5,912,016</u>		<u>2.60 %</u>	<u>\$ 4,380,112</u>		<u>2.58 %</u>

CONTRA COSTA COUNTY

Taxpayer	2016			2007		
	Secured Assessed Value	Rank	Percentage of Total Secured Assessed Value	Secured Assessed Value	Rank	Percentage of Total Secured Assessed Value
Chevron USA	\$ 3,410,625	1	2.02 %	\$ 5,372,494	1	3.84 %
Equilon Enterprises LLC	1,516,729	2	0.90	3,384,896	2	2.42
Tesoro Refining & Marketing	1,273,356	3	0.75	1,595,843	3	1.14
Tosco Corporation	1,048,546	4	0.62	1,500,771	4	1.07
NRG Delta LLC	669,335	5	0.40			
SDC 7	642,914	6	0.38			
First Walnut Creek Mutual	585,049	7	0.35			
BRE Properties, Inc	534,903	8	0.32			
Sierra Pacific Properties Inc.	464,005	9	0.27			
Shapell Industries, Inc.	385,772	10	0.23			
Pacific Gas & Electric				1,008,158	5	0.72
Posco				713,614	6	0.51
Walnut Creek Mutual				666,479	7	0.48
Sunset Land Company				448,075	8	0.32
Delta Energy Co				438,200	9	0.31
SBC Communications, Inc.				393,488	10	0.28
	<u>\$ 10,531,234</u>		<u>6.24 %</u>	<u>\$ 15,522,018</u>		<u>11.09 %</u>

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

**ALAMEDA-CONTRA COSTA COUNTY TRANSIT DISTRICT
PRINCIPAL EMPLOYERS
JUNE 30, 2015
(in thousands)**

ALAMEDA COUNTY

Employer	Type of Business	Number of Employees		Rank	Percentage of Total County Employment ²	Number of Employees		Rank	Percentage of Total County Employment ²
		2016 ¹				2007 ¹			
Kaiser Permanente Medical Group Inc. ⁶	Health Care	28,481	1		3.59	25,070	2		3.54
Safeway Inc. ⁶	Supermarkets & Other Grocery	11,553	2		1.46	10,000	4		1.41
County of Alameda	Local Government	8,690	3		1.10	8,683	5		1.23
Chevron Corporation ⁶	Energy	6,244	4		0.79	-	20+		-
John Muir Health ⁶	Health Care	6,181	5		0.78	-	20+		-
Wells Fargo Bank ⁶	Financial Services	5,326	6		0.67	-	20+		-
PG&E Corporation ⁶	Energy	5,154	7		0.65	-	20+		-
UPS ⁶	Mailing and Shipping	4,980	8		0.63	8,472	6		1.20
Lam Research Corporation ⁶	Manufacturing	4,500	9		0.57	-	20+		-
Alta Bates Summit Medical Center ⁶	Health Care	4,122	10		0.52	-	20+		-
Total		85,231			10.75%	52,225			7.37%

CONTRA COSTA COUNTY

Taxpayer	2016 ³			2007 ⁵		
	Estimated Employees	Rank	Percentage of Total County Employment	Estimated Employees	Rank	Percentage of Total County Employment
Chevron Corporation	10,000+	1	1.90%	4,700	1	0.94 %
AAA Northern California, Nevada & Utah	500-999	2	1.42%			
Bay Alarm Co.	500-999	T-3	0.47%			
Bay Area Rapid Transit	500-999	T-3	0.47%			
Bio-Rad Laboratories	500-999	T-3	0.47%	1,700	4	0.34 %
John Muir Medical Center	500-999	T-3	0.47%	1,900	3	0.38 %
Kaiser Permanente	500-999	T-3	0.47%	900	9	0.18 %
La Raza Market	500-999	T-3	0.47%			
St. Mary's College	500-999	T-3	0.47%			
USS Posco Industries	500-999	T-3	0.47%	975	8	0.19 %
John Muir/Mt. Diablo Medical Center				1,500	5	0.30 %
Doctors Medical Center				1,000	6-7	0.20 %
Liberty Mutual Insurance Co.				1,000	6-7	0.20 %
Kaiser Foundation Hospital				2,300	2	0.46 %
Sutter Delta Medical Center				850	10	0.17 %
All Others	48,500		92.92%	484,375		96.64 %
	527,000 ⁴		100.00%	501,200 ⁶		100.00%

Notes:

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

² Percentage calculated based on Alameda County's Employment of 780,500 for 2015 and 698,600 for 2006 (Source: Employment Development Department)

³ East Bay - EDA

⁴ State of California Employment Development Department, 2015 annual

⁵ State of California Employment Development Department, 2008 annual, not adjusted

⁶ Information from InfoGroup USA as of January 1, 2015. Information as of June 30, 2016 is not available, except for County of Alameda employer.

⁷ Information from County of Alameda's database as of June 30, 2015.

Source: InfoGroup USA for 2016 employment data and San Francisco Business Times Book of Lists 2008 for 2006 employment data

**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	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	2,082,187	2,005,869	96.33	-	-	-
2008	2,259,012	2,155,685	95.43	-	-	-
2009	2,393,333	2,284,204	95.44	-	-	-
2010	2,360,181	2,283,101	96.73	-	-	-
2011	2,327,545	2,264,442	97.29	56,905	2,321,347	99.73
2012	2,358,081	2,300,192	97.55	492	2,300,684	97.57
2013	2,402,703	2,359,713	98.21	379	2,360,092	98.23
2014	2,539,344	2,503,557	98.59	29,792	2,533,349	99.76
2015	2,711,822	2,675,977	98.68	25,491	2,701,468	99.62
2016	2,880,728	2,840,578	98.61			

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
2007	1,967,771	1,886,919	95.89	80,328	1,967,247	99.97
2008	2,077,283	1,971,251	94.90	105,163	2,076,414	99.96
2009	2,061,930	1,975,895	95.83	84,386	2,060,281	99.92
2010	1,964,724	1,909,306	97.18	53,318	1,962,624	99.89
2011	1,932,504	1,896,819	98.15	32,419	1,929,238	99.83
2012	1,973,646	1,918,653	97.21	50,606	1,969,259	99.78
2013	1,974,838	1,953,215	98.91	16,222	1,969,437	99.73
2014	2,083,810	2,072,121	99.44	13,293	2,085,414	100.08
2015	2,286,998	2,266,716	99.11		2,266,716	99.11
2016	2,425,972	2,405,237	99.15		2,405,237	99.15

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
2007	18,070	25,000	(418)	42,652	0.005%	0.690%
2008	30,360	25,000	(122)	55,238	0.008%	1.156%
2009	42,765	15,000	(581)	57,184	0.012%	1.612%
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%	0.900%
2016	21,100		(167)	20,933	0.005%	0.761%

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 DISTRICT¹
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
2007	1,470,622	71,893,560	49,387	4.8
2008	1,484,085	74,305,916	50,302	6.1
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

CONTRA COSTA COUNTY

Fiscal Year	Population ⁴	Total Personal Income (amounts expressed in thousands) ²	Per Capita Personal Income ⁵	Unemployment Rate ³
2007	1,035,097	58,043,926	57,881	4.7
2008	1,048,185	59,914,142	57,874	6.3
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	1,102,871	N/A ¹	N/A ¹	4.9
2016	1,123,429	N/A ¹	N/A ¹	4.9

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)

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
APPROPRIATIONS LIMITATION CALCULATION
For the Fiscal Year Ending June 30, 2016**

2013 -14 Appropriations Limit, Budgetary Purposes	\$411,195,815
Change in Consumer Price Index	-0.23
Weighted Average Change in Population	1.0123
Total Adjustment Factor (rounded)	1.1199
Annual adjustment in dollars (rounded)	21,258,824
2014-15 Appropriations Limit	\$432,454,639

Source: Office of Controller, AC Transit

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

<u>FARE CATEGORY¹</u>	<u>2007</u>	<u>2008</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>LOCAL CASH</u>										
<u>LOCAL SINGLE RIDE</u>										
Adult	\$1.75	\$1.75	\$2.00	\$2.00	\$2.00	\$2.10	\$2.10	\$2.10	\$2.10	\$2.10
Youth (5-18)	0.85	0.85	1.00	1.00	1.00	1.05	1.05	1.05	1.05	1.05
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	0.85	0.85	1.00	1.00	1.00	1.05	1.05	1.05	1.05	1.05
<u>LOCAL PASSES</u>										
Adult	70	70	80	80	80	80	80	80	75	75
Youth/Child (5-18)	15	15	15	15	15	20	20	20	20	20
Sr/Disabled	20	20	20	20	20	20	20	20	20	20
10-ride pass										
Adult	17.5	17.5	20	20	20	n/a	n/a	n/a	n/a	n/a
Sr/Dis/Youth	8.5	8.5	10	10	10	n/a	n/a	n/a	n/a	n/a
BART-to-Bus Transfer										
Adult	1.5	1.5	1.75	1.75	1.75	1.85	1.85	1.85	1.85	1.85
Sr/Dis/Youth ³	0.65	0.65	0.75	0.75	0.75	0.8	0.8	0.8	0.8	0.8
Sports Special	2.5	2.5	2.5	2.5	2.5	n/a	n/a	n/a	n/a	n/a
<u>TRANSBAY BASIC CASH</u>										
Adult	3.5	3.5	4.00	4.00	4.00	4.20	4.20	4.20	4.20	4.20
Youth (5-18)	1.7	1.7	2.00	2.00	2.00	2.10	2.10	2.10	2.10	2.10
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	1.7	1.7	2.00	2.00	2.00	2.10	2.10	2.10	2.10	2.10
<u>TRANSBAY BASIC PASS</u>										
Adult	116	116	132.5	132.5	132.5	151.2	151.2	151.2	151.2	151.2
<u>CLIPPER FARES AND PASSES⁴</u>										
<u>LOCAL CASH</u>										
Adult	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$2.00	\$2.00
Youth/Child (5-18)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$1.00	\$1.00
Sr/Disabled	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$1.00	\$1.00
<u>LOCAL DAY PASSES</u>										
Adult	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$5.00	\$5.00
Youth/Child (5-18)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$2.50	\$2.50
Sr/Disabled	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$2.50	\$2.50
<u>TRANSBAY SINGLE RIDE</u>										
Adult	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$4.20	\$4.20
Youth/Child (5-18)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$2.10	\$2.10
Sr/Disabled	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$2.10	\$2.10
<u>LOCAL 31-DAY PASS</u>										
Adult	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$75.00	\$75.00
Youth/Child (5-18)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$20.00	\$20.00
Sr/Disabled	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<u>TRANSBAY 31-DAY PASS</u>										
Adult	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$151.20	\$151.20
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 Note²</u>	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	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, 2016**

EMPLOYEES: 2,076 (1,774 in Vehicle Operations, which includes 1,434 drivers;
340 in Maintenance; and 260 in General Administration)

SERVICE AREA: Approximately 364 Sq. Miles, with a population of 1.4 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	\$4.20
Youth (5-17)	1.05	\$2.10
Sr/Disabled	1.05	\$2.10
Discounts available for all fare categories with tickets and passes		

PASSENGER TRIPS - 174,022 average weekday (56 million annually) ⁴

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 six connecting with ferry boats

Transbay - 31 routes	East Bay District 1 - 63 routes
District 2 (Fremont & Newark) - 11 routes	Special Service - 4

FLEET - Total Buses: 498. Weekday Peak Hour Requirement: 466. Basic Service: 288
ADA Accessible Buses: 593

MILEAGE - Annual Total Vehicle Miles - 19,801,978 miles

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 2015-16

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
2007	1,409	396	63	1	287	2,156	7	2,163
2008	1,464	415	48	1	296	2,224	11	2,235
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

Source: National Transit Database Report

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

Operating Revenues

	<u>2007</u>	<u>2008</u>	<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
Passenger fares	\$49,377	\$50,890	\$52,173	\$53,229	\$50,648	\$51,323	\$52,976	\$52,508	\$54,002	\$52,955
Contract service	9,089	10,383	10,646	9,689	7,520	7,728	8,335	11,929	9,616	10,601
Other	6,870	5,498	6,527	4,484	3,164	3,408	5,772	4,165	3,589	4,100
Total operating revenues	\$ 65,336	\$ 66,771	\$ 69,346	\$ 67,402	\$ 61,332	\$ 62,459	\$ 67,083	\$ 68,602	\$ 67,207	\$ 67,656

Non-operating revenues

Property taxes	\$ 77,655	\$ 83,138	\$ 87,365	\$ 96,610	\$ 94,539	\$ 100,151	\$108,799	\$105,807	\$111,812	\$117,497
Local sales tax	58,077	59,191	52,972	51,018	51,130	26,560	28,634	60,280	70,920	97,283
Local funds ¹	53,299	53,017	58,164	54,458	54,883	12,101	15,329	70,234	71,858	72,863
Federal	31,317	19,948	57,532	53,502	44,421	33,111	13,157	8,746	1,682	6,520
State	21,670	17,567	11,328	2,225	13,800	100,326	118,211	16,853	13,847	34,698
Gain on sale of capital assets				1,441	204			(90)	(216)	(475)
Interest income	3,104	2,741	1,690	130	187	34	72	674	590	151
Total non- operating revenues	\$245,122	\$235,602	\$269,051	\$259,384	\$259,164	\$272,283	\$284,202	\$262,504	\$270,493	\$328,537

Total Revenues

	\$310,458	\$302,373	\$338,397	\$326,786	\$320,496	\$334,742	\$351,285	\$331,106	\$337,700	\$396,193
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Expenses

Operator wages	63,044	66,108	67,436	67,206	61,115	58,384	58,525	58,529	62,154	68,248
Other wages	52,526	55,221	59,252	56,751	50,267	48,328	46,361	47,106	51,018	55,694
Fringe benefits	96,971	103,646	112,939	122,016	116,399	117,593	116,850	128,755	134,236	157,637
Depreciation and amortization	36,994	34,465	37,805	38,990	35,531	37,899	35,420	39,495	40,587	38,477
Fuel and oil	14,928	19,400	17,721	13,581	16,209	18,593	18,613	17,359	14,471	10,129
Other material and supplies	11,858	12,585	15,752	13,895	11,775	13,913	13,277	11,345	11,441	11,359
Services	18,733	22,516	22,125	20,064	20,261	20,547	26,592	26,510	24,984	57,467
Insurance	7,029	8,807	5,150	6,983	4,267	9,262	11,529	7,115	13,190	19,731
Net expenses of joint venture	11,282	13,233	13,564	9,263	10,292	24,238	26,754	8,515	10,698	4,848
Interest expense	1,726	2,403	3,077	2,425	1,996	1,847	654	1,898	1,515	251
Other	10,111	11,248	9,975	7,139	10,417	14,164	8,132	7,863	8,982	6,960
Total expenses	\$325,202	\$349,632	\$364,796	\$358,313	\$338,529	\$364,768	\$362,707	\$354,490	\$373,276	\$430,801

Income (Loss) before capital contributions	\$ (14,744)	\$ (47,259)	\$ (26,399)	\$ (31,527)	\$ (18,033)	\$ (30,026)	\$ (11,422)	\$ (23,384)	\$ (35,576)	\$ (34,608)
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CAPITAL CONTRIBUTIONS	36,267	31,402	42,627	8,238	26,663	47,878	64,014	51,517	41,750	51,652
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CHANGE IN NET POSITION	\$ 21,523	\$ (15,857)	\$ 16,228	\$ (23,289)	\$ 8,630	\$ 17,852	\$ 52,592	\$ 28,133	\$ 6,174	\$ 17,044
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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>2007</u>	<u>2008</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>
NTD - MB/DO ¹										
Fare Revenue	\$49,622	\$50,328	\$51,786	\$53,236	\$50,670	\$57,121	\$58,234	\$64,403	\$63,595	\$64,217
Operating Cost	268,964	283,791	295,513	299,691	284,897	294,246	292,493	300,279	316,885	386,563
Fair Box Recovery	18.45%	17.73%	17.52%	17.76%	17.79%	19.41%	19.91%	21.45%	20.07%	16.61%
NTD - MB/PT ²										
Fare Revenue	0	0	0	0	0	0	575	622	540	695
Operating Cost	0	0	0	0	0	0	2,725	3,423	3,025	2,733
Fair Box Recovery							21.10%	18.17%	17.85%	25.43%
NTD - DR/PT ³										
Fare Revenue	\$1,303	\$1,951	\$2,059	\$2,119	\$2,526	\$2,798	\$1,856	\$1,850	\$1,913	\$1,929
Operating Cost	18,011	26,136	30,245	31,291	33,501	35,959	26,237	26,663	27,732	25,639
Fair Box Recovery	7.23%	7.46%	6.81%	6.77%	7.54%	7.78%	7.07%	6.94%	6.90%	7.52%
NTD - DR/PT BART ⁴										
Fare Revenue							\$834	\$831	\$860	\$867
Operating Cost							10,545	10,564	11,031	11,917
Fair Box Recovery	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	7.91%	7.87%	7.80%	7.28%
Grand Total										
Fare Revenue	\$50,925	\$52,279	\$53,845	\$55,355	\$53,196	\$59,919	\$61,499	\$67,706	\$66,908	\$67,708
Operating Cost	286,975	309,927	325,758	330,982	318,398	330,205	332,000	340,929	358,673	426,852
Fair Box Recovery	17.75%	16.87%	16.53%	16.72%	16.71%	18.15%	18.52%	19.86%	18.65%	15.86%

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>2007</u>	<u>2008</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>
Operator Wages	\$63,044	66,108	67,436	67,206	61,115	58,384	58,526	58,529	62,154	68,248
Other Wages	52,526	55,221	59,252	56,751	50,265	48,328	46,363	47,106	51,018	55,694
Fringe Benefits	96,971	103,646	112,939	122,016	120,217	117,593	116,849	128,755	134,236	157,637
Fuel and Oil	14,928	19,400	17,721	13,581	16,209	18,593	18,613	17,359	14,471	10,129
Other Materials/Supplies	11,858	12,585	15,752	13,895	11,777	13,913	12,393	11,345	11,441	11,359
Services	18,733	22,516	22,125	20,064	20,063	20,547	26,593	26,510	24,984	57,467
Insurance	7,029	8,807	5,150	6,983	4,266	9,262	11,529	7,115	13,190	19,731
Leases & Rentals	342	385	403	336	567	559	475			
Purchased Transportation - ADA	11,282	13,233	13,564	9,263	14,579	11,396	2,249	8,515	10,698	4,848
Other	11,369	10,863	9,511	6,803	9,850	13,605	7,367	7,863	8,982	6,960
TOTAL	288,082	312,764	323,853	316,898	308,908	312,180	300,957	313,097	331,174	392,073

NONOPERATING ITEMS

Loss/(Gain) on Disposal of Personal Property and Equipment	(1,600)	(2,110)	61	(1,441)	(204)	293	1,175	(90)	(216)	(475)
Interest	1,726	2,403	3,077	2,425	1,983	1,720	1,338	1,898	1,515	-251
TOTAL	126	293	3,138	984	1,779	2,013	2,513	1,808	1,299	-726
GRAND TOTAL	\$288,208	\$313,057	\$326,991	\$317,882	\$310,687	\$314,193	\$303,470	\$314,905	\$332,473	\$391,347

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>
2007	39.0%	26.8%	6.1%	11.6%	3.4%	2.4%	13.0%	-2.3%	100.0%
2008	38.2%	25.7%	6.3%	12.8%	3.4%	2.2%	13.7%	-2.3%	100.0%
2009	38.2%	26.7%	6.6%	11.3%	3.5%	2.3%	14.0%	-2.5%	100.0%
2010	37.8%	27.4%	6.6%	10.7%	3.4%	2.6%	13.8%	-2.3%	100.0%
2011	37.4%	27.6%	6.6%	11.4%	3.3%	2.6%	13.3%	-2.2%	100.0%
2012	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	*	*	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*	*	*

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>
2007	40.3%	33.8%	7.5%	4.1%	5.2%	2.5%	3.1%	3.4%	100.0%
2008	38.7%	33.3%	7.2%	4.0%	6.2%	2.8%	4.2%	3.6%	100.0%
2009	39.1%	34.9%	6.8%	4.9%	5.5%	1.6%	4.2%	3.0%	100.0%
2010	39.1%	38.5%	6.3%	4.4%	4.3%	2.2%	2.9%	2.3%	100.0%
2011	36.1%	38.9%	6.5%	9.1%	0.9%	1.4%	4.7%	2.4%	100.0%
2012	34.2%	37.7%	6.6%	10.4%	0.8%	3.0%	3.7%	3.7%	100.0%
2013	30.0%	36.7%	8.4%	10.0%	0.9%	3.6%	6.1%	4.3%	100.0%
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%

Notes:

* - Not Available

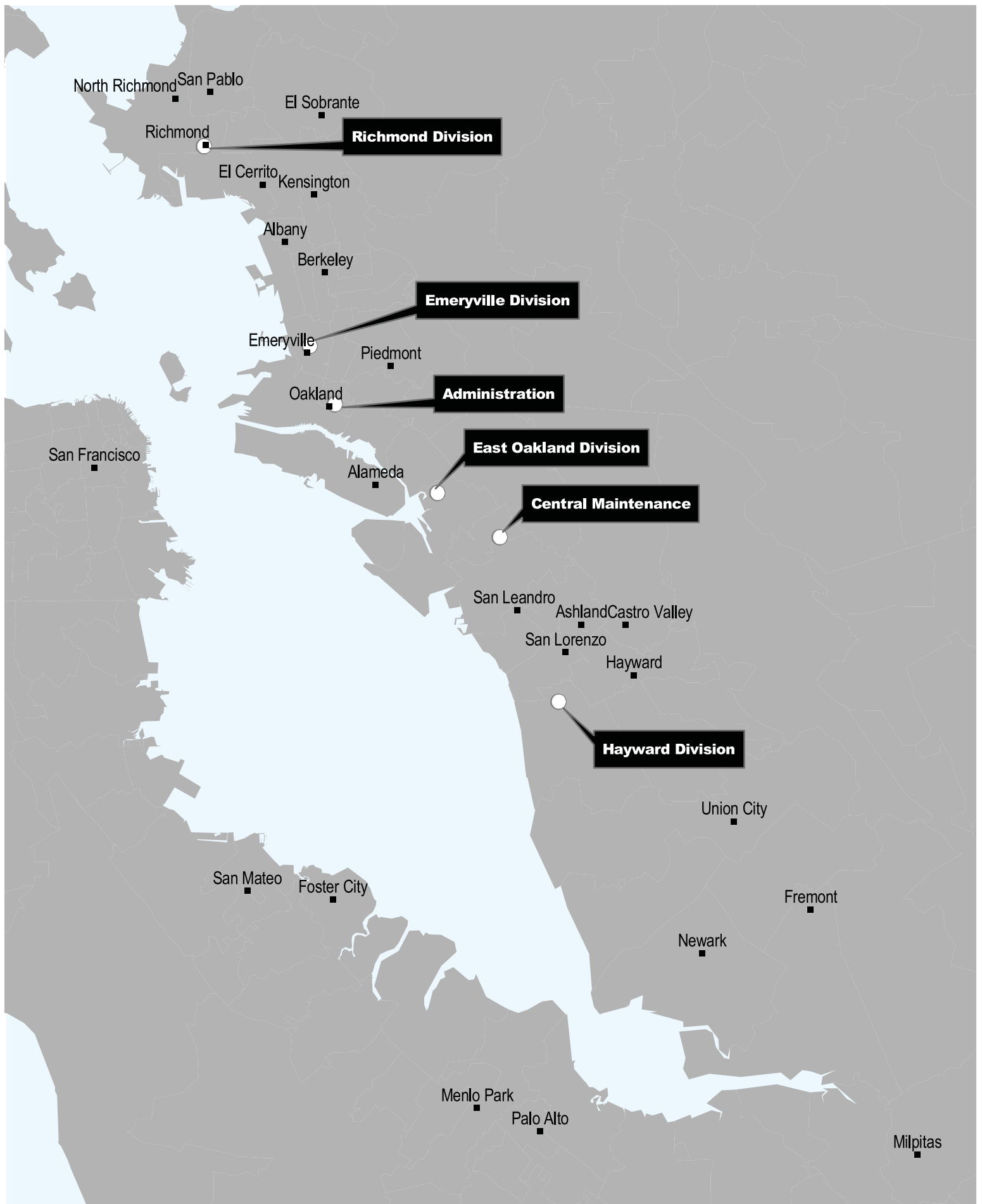
Source: The American Public Transportation Association, "APTA 2015 Transit Fact Book"

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

	<u>2007</u>	<u>2008</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>Revenue Vehicle Statistics</u>										
Active Fleet Size	678	646	646	643	604	637	611	576	593	498
Maximum Peak Vehicles	508	512	518	518	475	436	438	465	466	362
Average Age of Active Revenue Vehicles (Yrs)	8.5	8.0	8.0	8.0	9.0	9.3	8.1	7.3	8.3	5.8
<u>General Operating Statistics</u>										
Vehicle miles (000's)	25,122	25,044	25,971	25,283	22,496	21,556	21,557	21,735	22,083	22,782
Platform hours (000's)	1,981	2,044	2,074	2,025	1,832	1,763	1,762	1,787	1,842	1,918
Miles per hour	12.7	12.3	12.5	12.5	12.3	12.2	12.2	12.2	12.0	11.9
Revenue vehicle fuel: Gallons (000's)	6,666	6,638	6,868	6,789	5,822	5,618	5,650	5,423	5,358	4,572
<u>Ridership Statistics</u>										
Unlinked Passengers (000's)	66,970	65,194	60,468	61,369	57,333	53,643	53,721	55,740	54,987	53,563
Passengers per hour	33.8	31.9	29.2	30.3	31.3	30.4	30.5	31.2	29.9	27.9
<u>Reliability</u>										
Collision accidents	17	29	29	48	33	32	35	49	63	44
Miles between accidents (000's)	1,477.8	863.6	895.6	526.7	681.7	673.6	615.9	443.6	350.5	517.8

Notes:

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



ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



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