

AC TRANSIT ANNUAL REPORT 1977/78



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Warren E. Robinson
Transportation Engineer

SUMMING UP...

This fiscal year was a challenging period for AC Transit. Passage of Proposition 13, the Jarvis-Gann Property Tax Initiative, virtually eliminated support from local property taxes, necessitating a search for alternative sources of funding.

The clouded financial picture, however, was balanced by such positive trends as patronage increases, which were registered during much of the period. And, while striving to reduce costs, the District still made progress in maintaining and improving services in its two-county, 600-square-mile urban and suburban operating area.

Significant events of the year included:

- Passage of Proposition 13 — the Jarvis-Gann Property Tax Initiative.
- A 69-day work stoppage by members of Amalgamated Transit Union, Division 192.
- A change in leadership following the untimely death of General Manager Alan L. Bingham.
- Substantial ridership increases for much of the period.
- Operators registering improved safety statistics.
- Development of a comprehensive five-year plan for meeting future needs.
- Full implementation of zonal Dial-A-Ride service throughout Fremont and Newark.
- Completion of survey of transit needs of elderly and handicapped persons — and initiation of steps to meet that need.

SERVING RIDERS...

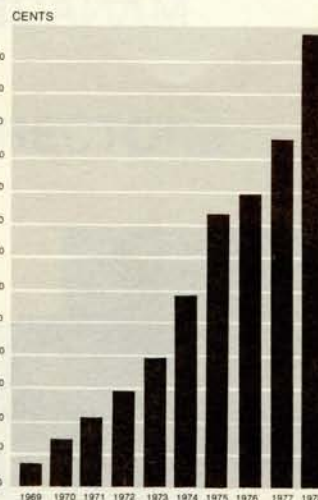
Bus ridership was on the increase as this fiscal period began — a positive trend which was interrupted by a work stoppage beginning November 21, 1977, and ending 69 days later.

During the initial months of the fiscal year, District-wide passenger counts were up an average of seven percent over comparable periods one year earlier.

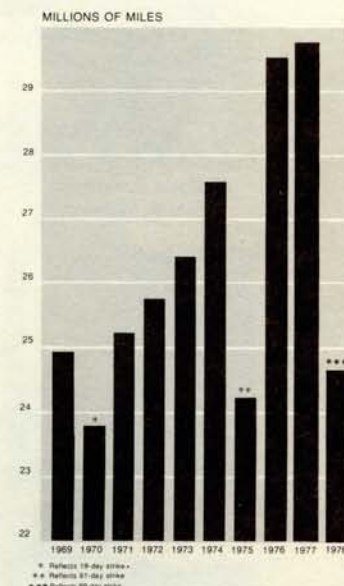
In Special Transit Service District 2 — Fremont and Newark, where voters approved initiation of service in 1974 — growth was phenomenal. Upwards of 40 percent more riders were carried than a year earlier.

And in contract service for communities in Contra Costa County — where, in the June election, voters in Moraga endorsed local bus service by a four-to-one margin — passenger counts revealed 10 to 30 percent increases in ridership.

In the contract services for Pleasant Hill and Pittsburg-Antioch-Brentwood more than 11,000 riders per month were being provided transportation by the end of the fiscal year.



System Expenditures Per Mile
Fiscal year ending June 30



Vehicle Miles
Fiscal year ending June 30

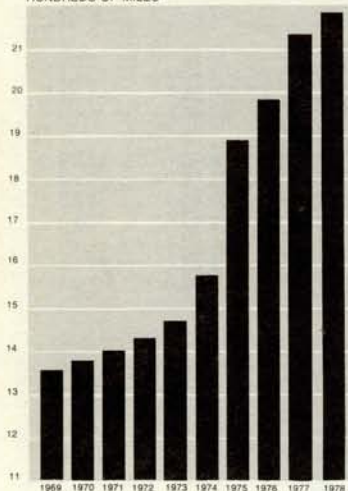


TRAVELING BILLBOARDS — With almost simultaneous launching of several projects, bus advertising display space carried transit messages throughout the 600-square-mile service area. In some areas, signs introduced new services, while in other communities long-established programs were promoted.

PARK 'N' RIDE — General Manager Robert E. Nisbet helped cut ribbon in March at CALTRANS' new "Park-And-Ride" facility — 160 spaces under the MacArthur Freeway, I-580, in Oakland's Fruitvale District. In conjunction with the project, AC Transit rerouted some rush-hour service. Quickly, scores of commuters parked here to continue quick trips to and from San Francisco via freeway.



HUNDREDS OF MILES



One-Way Route Miles
Fiscal year ending June 30

EXPANDING SERVICE...

While transit patronage soared in District 2 — Fremont and Newark — a specially-tailored zonal Dial-A-Ride system (inaugurated in two initial zones more than a year earlier) reached full implementation October 7, 1977. Zones virtually cover both communities.

This door-to-door service (off-peak hours only, including evenings and weekends) complements regular fixed routes and commute-hour-only Mini-Routes (transporting commuters from their neighborhoods to BART train service). The combined system moved more than one million riders during the fiscal year.

In Eastern Contra Costa County, July, 1977, saw the first full month of operation of a new local "Tri Delta Transit" service — a system operated by the District under contract with Pittsburg-Antioch-Brentwood area residents.

In the fiscal period, patronage on this system shot up from 5,000 riders in inauguration month (June, 1977) to more than 11,000 exactly twelve months later.

The local seven-route system in Concord, operated under contract with that city, was modified to better meet local needs. This local service proved popular, too, providing more than half a million passenger trips in fiscal 1977-78.

OPERATIONS...

While the number of buses in operation remained virtually unchanged (723 in June, 1978, versus 726 one year earlier), the number of one-way street miles operated increased significantly — from 1,017.9 to 1,094.3, a change of 7.5 percent.

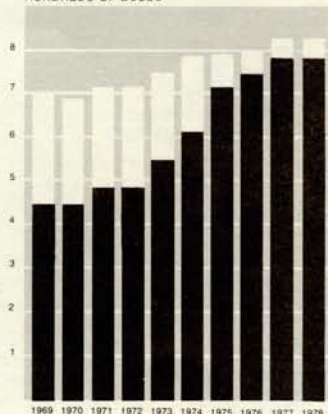
One-way route miles increased by 44.4 miles from 2,146 to 2,191, and poles were added at 141 new stops along the routes, bringing the total of stops to 7,208.

About three-quarters of the District's 201 peak-hour routes — up from 194 the previous year — were making 250 connections with BART service at train stations throughout the East Bay by the end of the fiscal year.

Buses In Service
Fiscal year ending June 30

■ AC Transit □ Former Key System

HUNDREDS OF BUSES



IMPROVING SPECIAL SERVICES...

In connection with contract service in Concord, the District improved operation of a "Special Users Bus" employed specifically to meet the needs of senior citizens and the handicapped.

The fiscal year began with the seniors' bus providing up to 72 door-to-door trips each day. Later, in March, 1978, the special bus began transporting wheelchair users too — after experimental installation of a prototype wheelchair lift was completed.

District Directors went on record in November, 1977, resolving that all buses purchased in the future would provide wheelchair access. This decision was one result of a six-month survey which revealed that six percent (66,000) of the District's residents have transportation handicaps to varying and sometimes debilitating degrees.

While the search for practical, reliable equipment to provide fleet-wide accessibility continues, the District initiated a four-point program for improving accessibility to the present system.

These points include: providing priority seating for elderly and handicapped riders on all buses; developing and implementing a sensitivity training program for drivers; developing community "out-reach" programs; and giving the deaf telephone access to the Information Center via teletype-like printers.

Also, participation in the regional Transit Discount Identification Card program for elderly and handicapped continued with the District energetically involved in certifying new card holders.

Since inception of the program in July, 1975, the District's traveling ID Card Center has issued 26,000 cards to East Bay bus riders. During this fiscal year, the Center made 44 visits to outlying areas of the District for the convenience of card recipients.

BUS SHELTERS...

Another kind of convenience was provided to patrons in the form of 41 additional shelters installed at busier bus stops during the fiscal year — bringing the total installed in this continuing program to 212 shelters.

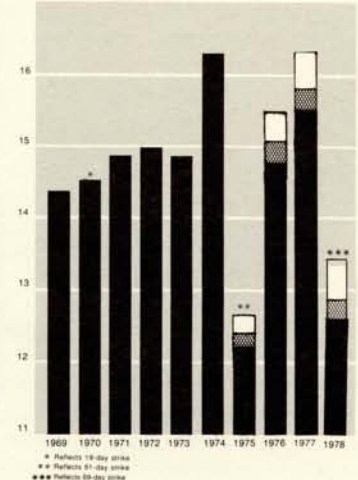


TESTING LIFT — Young Concord resident takes test ride on prototype wheelchair lift. Developed by Environmental Equipment Corp. of San Leandro, device was installed for evaluation in special demonstration service begun in Concord as part of AC Transit's continuing effort to provide wheelchair accessibility.

Fare Box Revenue Fiscal year ending June 30

1978: District #1	\$12,742,884
District #2	200,764
Contract Services	416,192
Total	\$13,359,840

MILLIONS OF DOLLARS



PASSENGERS — FARES — MILEAGE

	1977-78	1976-77	% (1) Change
Passenger Trips			
East Bay	35,600,744	44,533,730	-20.1
Transbay	11,074,156	13,353,347	-17.1
Fremont/Newark	1,061,818	1,174,900	-9.6
Contract Service:			
BART	987,691	1,140,769	-13.4
Concord	473,489	562,852	-15.9
Pleasant Hill	107,486	130,868	-17.9
Moraga/Orinda (2) ...	126,415	110,172	14.7
Pittsburg/Antioch/ Brentwood (3)	96,579	5,487	1,660.1
Total	49,528,378	61,012,125	-18.9
Fare Revenue			
East Bay	\$ 6,906,886	\$ 8,714,117	-20.7
Transbay	5,835,998	6,915,629	-15.6
Fremont/Newark	200,764	218,945	-8.3
Contract Service:			
BART	279,482	368,425	-24.1
Concord	79,826	93,835	-14.9
Pleasant Hill	15,327	18,157	-15.6
Moraga/Orinda (2) ...	20,413	16,625	22.8
Pittsburg/Antioch/ Brentwood (3)	21,144	1,370	1,443.4
Total	\$13,359,840	16,347,103	-18.3
Service Miles			
East Bay	13,630,091	16,957,491	-19.6
Transbay	7,514,216	9,290,486	-19.1
Fremont/Newark	1,240,646	1,239,903	.1
Contract Service:			
BART	1,301,412	1,642,611	-20.8
Concord	453,990	520,558	-12.8
Pleasant Hill	98,143	121,245	-19.1
Moraga/Orinda (2) ...	164,219	149,096	10.1
Pittsburg/Antioch/ Brentwood (3)	320,422	28,291	1,032.6
Total	24,723,139	29,949,681	-17.5

(1) Figures reflect work stoppage Nov. 21, 1977-Jan. 28, 1978.

(2) Moraga/Orinda Contract Service began Sept. 3, 1976.

(3) Pittsburg/Antioch/Brentwood Contract Service Began June 6, 1977.

SAFETY...

AC Transit's 1,450 bus drivers, compiling a record of almost 25 million miles behind the wheel during the fiscal period, accumulated an impressive safety record in the process.

The roster of 25-year safe driving award winners continued to grow as two names were placed on the honored list — L. P. Sasges and M. P. Garcez — making 25 operators who have safely carried more than two million passengers over more than one million miles.

Sixty-four drivers were qualified by the California Highway Patrol in the School Pupil Activity Bus (SPAB) safety program. Additionally, six employees completed the School Bus Driver Instructors' course.

Figures show that the four divisions beat the monthly safe driving goal a total of 34 times (out of 40 possible) during the year. That goal is 13,250 miles per mishap. Newark Division achieved the goal 10 out of 10 months; Emeryville and Seminary, nine out of the 10 months; Richmond Division, six out of the 10 months that the district was operating.

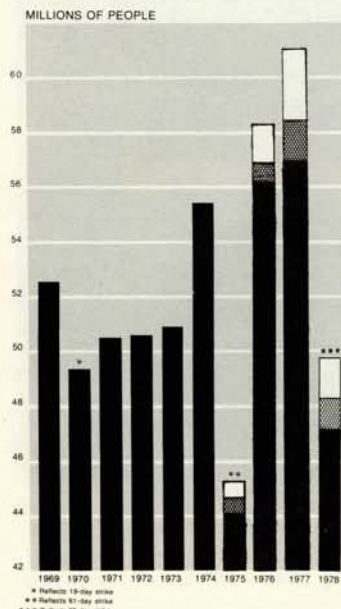
While the statistical frequency of accidents increased minimally (from 5 to 5.38 mishaps per 100,000 miles driven), the frequency of passenger accidents dropped dramatically (from 6.48 per one million passengers to 5.15 — a decrease of 20.5 percent) from statistics in the previous year.

CONFLICT RESOLUTIONS...

Classes in conflict resolutions were taken by 149 drivers, bringing the total number of operators to 861 who have participated in the program. The training sessions, designed to reduce tensions and improve relations between drivers and passengers, have been attended by more than half of AC Transit's operators.

CLAIMS...

Paid losses for the year were \$425,017 compared to \$303,239 for the prior year, reflecting increases in numbers of cases settled, including cases from prior years. Recovery for damage to equipment amounted to \$75,675 compared to \$62,137 in fiscal 1976-77. Paid losses under the District's permissibly self-insured Workers' Compensation program was \$977,750 compared to \$524,136 the previous year, with recovery increasing to \$39,336 (from \$34,753).



Passenger Trips

Fiscal year ending June 30

1978: District #1	46,674,900
District #2	1,061,818
Contract Services	1,791,660
Total	49,528,378



AWARD WINNERS — Three drivers edged out some capable competitors to win top honors in the year's Bus Rodeo — a challenging one-mile, 12-station test in starting, stopping, turning and backing a bus. Rich Vierra (center) placed first, Ron Freund (right) came in second and William Gamlen third.

WORK STOPPAGE...

The year of continuing progress was interrupted by a 69-day work stoppage.

Most of the District's 2,000 employees — including some 1,450 drivers and all other members of Amalgamated Transit Union, Division 192 — walked off the job November 21 after negotiations (which had continued after the June 30 expiration of the previous labor agreement) failed to produce a new contract.

Sixty-nine days later — January 29th, 1978 — union members went back to work under terms of a new agreement effective until June 30, 1980. Drivers returned with an hourly wage of \$8.35 — 32 cents more than they earned when the walkout began.

An agreed-upon formula for periodic cost-of-living adjustments was included in the new labor agreement, which cost the District virtually the same total projected increase in operating expense as that anticipated in the contract offered to, but rejected by, union members in November, 1977.

AFFIRMATIVE ACTION...

The District actively pursued its policy of making Affirmative Action a primary consideration in all aspects of employment procedures and practices. Additionally in fiscal year 1977-78, AC Transit substantially strengthened its Minority Business Enterprise Program, and its specific goals and time tables.

REGIONAL TRANSIT ASSOCIATION...

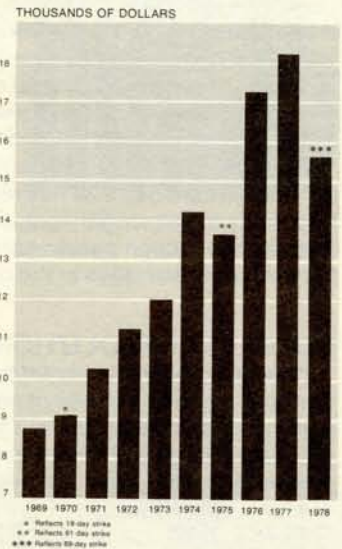
The six major Bay Area public transit operators moved into the second year of working more closely together in the Regional Transit Association (RTA), an organization designed to provide better coordination and improve service.

The agencies joining AC Transit in the RTA included BART, Golden Gate Transit, San Francisco MUNI, SamTrans and Santa Clara County Transit.



SURVEY SUBJECT — French-built "Berliet" was one of four buses new to District riders which were road-tested in a continuing evaluation of developments in transit technology. Riders judged test vehicles on various comfort and convenience features.

Average Annual Employee Earnings
Fiscal year ending June 30



TRANSIT INSTITUTE . . .

AC Transit again participated in the Bay Area Urban Transit Institute (BAUTI), co-sponsoring three institute sessions during this fiscal period.

Attended by an average of 25 representatives of transit systems and officials of assorted government agencies involved with transportation, each BAUTI session gives participants an intimate familiarization with the inner working of several Bay Area transit properties.

The BAUTI program was conducted with the cooperation of the California Department of Transportation (CALTRANS) and the Urban Mass Transportation Administration of the U.S. Department of Transportation.

RAIDERS APPEAR . . .

All-pro Oakland Raiders, Phil Villapiano, Otis Sistrunk and John Matuszak, worked for the sixth year in AC Transit's anti-vandalism program, "Operation Linebacker." The three football veterans, along with representatives from the Personnel Department, visited 45 schools, working with youngsters to create better relations between students and bus drivers.

MAINTENANCE AWARD . . .

For the 16th year in a row AC Transit was awarded the Fleet Owner Maintenance Efficiency Award, reflecting high achievement in maintaining equipment.

COMMUNICATIONS SYSTEM ARRIVES . . .

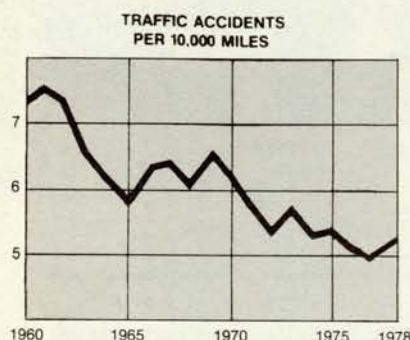
A new \$2,500,000 communications system enabling buses to be in constant communication with Central Dispatch began arriving at the close of the fiscal year.

The new system will ultimately be able to report vehicle locations, count passengers, compile fare box revenues, give mileage statistics and check adherence to schedules.



QUICKER TRIPS — Maintenance man installs traffic-light control emitter atop one of 16 buses employed in MTC-financed test in Concord. The device, in conjunction with receivers in intersections, gives buses priority — and shorter running time — while not noticeably affecting the flow of other traffic.

SPECIAL SERVICE — Summer Sunshine Fun Tours proved popular for the 12th consecutive year. One of several specialized AC Transit services, the tours allowed riders to "get away from it all" with trips daily through scenic countryside to 23 different destinations.



SPECIAL SERVICES . . .

For the twelfth year, AC Transit offered Summer Sunshine Fun Tours for residents and visitors. During the 1977 tour season, 3,161 passengers were carried to historical sites, festivals, wineries and general points of interest.

"Pony Express" service to Golden Gate Fields in Albany carried 109,640 racing fans to the race track during the thoroughbred meet, with 131,746 making return trips by bus. In addition, 3,244 fans were taken to the harness racing meet, with 4,205 leaving by bus.

Special service to East Bay Regional Parks was operated for the fifth summer, with coaches operating daily to Tilden, Roberts, Redwood, and Chabot, and to Don Castro on weekends. The Tilden Park bus was again outfitted with racks for bicycle riders.

"Pedal Hopper" buses continued to operate on Line B-Grand Ave., taking bicycle enthusiasts to and from San Francisco on weekends and holidays.

Special service was also provided to sporting events at the Oakland-Alameda County Coliseum Complex enabling fans to cheer their favorite teams.

DEMONSTRATION BUSES . . .

Three buses were tested by AC Transit during the year. A French built Renault Berliet P. R. 100 was in service from May 15 through June 20, 1978.

A Mercedes-Benz traveled over various routes from March 6 through March 24, 1978. And a Gillig-Neoplan bus was in service from March 6, through April 15, 1978.

NEW EQUIPMENT SOUGHT . . .

In August, 1977, the District moved to gain a substantial UMTA grant for capital acquisition. Funds will be used to purchase 75 new buses for use in the urban East Bay, 20 others for use in contract service, plus additional support equipment and passenger shelters.

FIVE-YEAR PLAN . . .

A thorough 15-month study was launched to provide the District with detailed data for use in developing a five-year plan to meet future needs.

Aimed at defining specific District objectives and establishing service standards, the study will review policies and services of the last seven years and provide projections for the future in such areas as fare revenue, funding and passenger demography.

ADMINISTRATION . . .

Midway in the fiscal year — on January 3, 1978 — the District was shocked by the untimely death of General Manager Alan L. Bingham, who had served in that capacity for ten years after being active in the formation and early success of AC Transit.

After a wide search, the Board of Directors selected another veteran of service to the District to direct AC Transit operations.

Robert E. Nisbet, previously attorney for the District, was appointed acting general manager in mid-January.

As the District's first employee, Nisbet drafted the original Transit District Law — now part of the State Public Utilities Code — which enabled creation of AC Transit in 1956.

Subsequently, Nisbet ably represented AC Transit before the State Legislature while also assisting previous general managers in directing District affairs.

BOARD OF DIRECTORS . . .

As the fiscal period began, two new members had been welcomed to the Board of Directors.

Paul B. Godkin of Oakland and Jean A. Holmes of Fremont were appointed in June, 1977, to fill vacancies on the Board.

John L. McDonnell of Oakland, whose service on the Board dates from its inception in 1956, continued to serve as president. Roy Nakadegawa of Berkeley continued as vice president.

MEETING COSTS . . .

This fiscal period began with the District anticipating a financial deficit and, more importantly, increasing deficits in years to come.

The fiscal year ended with California voters passing Proposition 13, the Jarvis-Gann Property Tax Initiative, which dramatically changed the District's financial prospects by virtually eliminating property tax.

Property tax revenue had been a major source of support of transit operations.

Faced with this new financial reality, the District began energetically seeking alternative sources of funding at the local, regional, state and national levels.

Prompt action by District Directors and the State Legislature ensured that AC Transit would continue operations into the coming fiscal year.

But prospects remained uncertain for meeting financial commitments while continuing current levels of service into coming years.



Alan L. Bingham
1925-1978

General Manager: 1967-1978

TOWARD THE FUTURE . . .

As in the past, AC Transit continues to look to the coming year with a commitment to meet the needs of the vast area it serves.

Steadily increasing numbers of District residents — as demonstrated by ridership trends — believe buses to be a key transportation alternative in the Bay Area. The District faces a challenging year of vigorous efforts in providing and improving this alternative.



LOOKING AHEAD — Research and Planning (left) prepares for meeting future needs. Training instructors (right) keep drivers up-to-date on new developments. Management (above) confers on proposed service extension.





TRANSIT IS PEOPLE — Meeting both general and specialized transit needs is the District's continuing challenge. It requires both hard work and dedication on the part of hundreds of professionals, some of whom are shown here. Charles O. Sigler, assistant superintendent of Newark Division (upper left), explains to a group of Fremont-area senior citizens how to use their zonal Dial-A-Ride, which was fully implemented this year. Working with a much younger public were (upper right) All-Pro Oakland Raiders Phil Villapiano and Otis Sistrunk, who presented anti-vandalism programs at various schools. Bernell Thomas (above) represented Customer Services in issuing reduced-fare identification cards to senior citizens and the certified handicapped.



SERVING THE PUBLIC — In public hearings held this year (center left) the handicapped and elderly appeared before the Board of Directors to give opinions and recommendations on their particular mobility needs. Meanwhile, the demands of day-to-day service meant such activities as training new operators (left) and coping with the heavy traffic (above) which is typical in urban service areas.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
COMBINED BALANCE SHEET (NOTE A)**

June 30, 1978 and 1977

	1978	1977
ASSETS		
Current assets:		
Cash:		
On hand and in commercial accounts	\$ 157,705	\$ 879,667
Time deposits	15,700,000	5,715,625
	<u>15,857,705</u>	<u>6,595,292</u>
Short-term investments, at amortized cost (approximates market)	16,368,538	5,713,406
Receivables:		
Federal operating assistance (Note C)	5,504,708	4,759,360
Local transportation funds	3,492,677	4,388,708
Property tax proceeds, charter service and other	1,304,546	2,080,859
Materials and supplies, at cost	560,703	572,589
Prepaid expenses	103,513	81,471
Total current assets	<u>43,192,390</u>	<u>24,191,685</u>
Property, plant and equipment, at cost (Note D):		
Land	2,239,600	2,239,600
Buildings, structures and improvements	1,494,746	1,494,746
Revenue equipment	29,925,321	30,699,090
Shop, office and other equipment and service vehicles	2,820,474	2,558,173
Acquisitions in progress	1,484,027	567,197
	<u>37,964,168</u>	<u>37,558,806</u>
Less accumulated depreciation	19,594,795	18,685,388
Total property, plant and equipment	<u>18,369,373</u>	<u>18,873,418</u>
	<u>\$61,561,763</u>	<u>\$43,065,103</u>
LIABILITIES AND CAPITAL		
Current liabilities:		
Accounts payable	\$ 1,544,657	\$ 858,627
Salaries and wages	588,596	1,068,732
Accrued payroll taxes and amounts withheld from employees	632,480	375,622
Accrued pension costs (Note A)	13,076,926	8,413,288
Accrued interest on bonded debt	29,042	40,417
Unredeemed tickets and tokens	159,979	150,477
Advances under capital grants:		
Federal capital grants	4,157,965	—
State toll bridge funds	3,495,169	—
Advances of local transportation funds	376,038	202,988
Self-insurance reserves (Note A):		
Public liability and property damage	660,000	679,000
Workers' compensation	1,296,000	900,000
Amount due within one year on general obligation bonds	1,100,000	1,050,000
Total current liabilities	<u>27,116,852</u>	<u>13,739,151</u>
General obligation bonds, due serially to 1980 at various interest rates (1% to 3.25%), less amounts due within one year	2,550,000	3,650,000
Capital (Notes A and H):		
District equity	20,809,543	14,628,469
Contributed capital:		
Federal grants	9,974,882	10,047,006
Local transportation funds	946,532	1,000,477
State toll bridge funds	163,954	—
Total capital	<u>31,894,911</u>	<u>25,675,952</u>
	<u>\$61,561,763</u>	<u>\$43,065,103</u>

See accompanying notes

**ALAMEDA-CONTRA COSTA
TRANSIT DISTRICT
NOTES TO COMBINED
FINANCIAL STATEMENTS**

June 30, 1978

**A. Summary of accounting policies
Basis of presentation**

The accompanying financial statements include the combined financial position, results of operations and changes in financial position of Alameda-Contra Costa Transit District, Special Transit Service Districts No. 1 and No. 2 and other areas in which the District has contracted to provide transit service.

The District has contracted to provide transit service for the Bay Area Rapid Transit District and several local cities. The allocated cost of providing such service, less related operating revenue, local transportation funds and federal operating assistance is reimbursed by each entity and recorded as contract service revenue.

Operating revenues and expenses for the year ended June 30, 1978 were affected by a strike against the District by members of the Amalgamated Transit Union (drivers and maintenance and clerical staff) during the period November 21, 1977 through January 28, 1978.

Property, plant and equipment

Property, plant and equipment is depreciated on the straight-line method over the estimated useful lives of the assets which are as follows:

Buildings, structures and improvements	10-35 years
Revenue equipment	15 years
Shop, office and other equipment and service vehicles	5-20 years

Self-insurance reserves

The District is self-insured for public liability and property damage up to \$75,000 and workers' compensation claims up to \$100,000 for any one occurrence. Claims in excess of these amounts are insured with commercial carriers. It is the District's policy to provide, in each period, reserves to cover the estimated charges for the self-insured portion of these claims.

Pensions

The District has a noncontributory pension plan covering all union employees and provides similar retirement benefits for nonunion employees. The pension contributions (provisions in the financial statements) are based on percentages of gross payroll as reviewed annually by the Board of Directors. Effective July 1, 1976, the District adopted a contribution program which provides for normal cost of the plans plus amortization of prior service cost over a period of forty years in accordance with generally accepted accounting principles. During the year ended June 30, 1978, the District received an additional \$1,000,000 apportionment of local transportation funds to provide for a portion of the unfunded prior service cost. This amount and the related additional pension contribution are included in revenues and expenses for the year ended June 30, 1978. The total pension contribution for the year ended June 30, 1978 was \$5,362,000 (1977 - \$4,146,000) plus an allocation of interest earned on District investments in the amount of \$655,000 (1977 - \$348,000).

The excess of prior service cost of the plans over balance sheet pension accruals at January 1, 1978, the date of the most recent actuarial valuations, was approximately \$48,200,000 and the excess of the actuarially computed value of vested benefits over balance sheet pension accruals was approximately \$29,000,000.

The District is eligible to receive an annual

apportionment of local transportation funds (Note B) only if it continues to implement a plan, approved by the Metropolitan Transportation Commission, which will fully fund the plans over a forty-year period.

Reclassifications

Certain 1977 balances have been reclassified to conform to the 1978 presentation.

Contributed capital

The District periodically receives federal grants from the Urban Mass Transportation Administration of the U. S. Department of Transportation and state toll bridge revenues and local transportation funds (Notes B, D and E) for the acquisition of buses and other equipment and improvements. Capital grant funds earned, less the related portion of depreciation on the assets, are credited to contributed capital. Advances received on capital grants are recorded as liabilities until the funds are expended for capital acquisitions.

Changes in contributed capital for the years ended June 30, 1978 and 1977 are as follows:

	Federal transportation grants	Local toll funds	State toll bridge funds
Balance,			
July 1, 1976	\$ 9,201,630	\$ 673,271	\$ —
1977 transactions:			
Capital grant funds earned	1,635,601	386,522	—
Depreciation charges included in operating expenses, transferred from District equity	(790,225)	(59,316)	—
Balance,			
June 30, 1977	10,047,006	1,000,477	—
1978 transactions:			
Capital grant funds earned	799,264	18,884	169,608
Depreciation charges included in operating expenses, transferred from District equity	(871,388)	(72,829)	(5,654)
Balance,			
June 30, 1978	\$9,974,882	\$946,532	\$163,954

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT COMBINED STATEMENT OF REVENUE, EXPENSE AND CAPITAL (NOTE A)

Years ended June 30, 1978 and 1977

	1978	1977
Operating revenue:		
Fares	\$13,359,840	\$16,289,711
Charter	449,897	653,098
Advertising	245,832	304,138
Interest	300,365	230,271
Other operations	81,366	119,973
	<u>14,437,300</u>	<u>17,597,191</u>
Operating expense (excluding depreciation):		
Transportation	28,188,717	31,305,955
Maintenance	5,187,020	5,522,957
Operating taxes and licenses	1,768,798	1,781,482
Administrative and general	3,445,951	3,172,426
Welfare and pensions (Note A)	8,480,749	7,261,406
Insurance and safety	2,658,017	1,991,324
Public information and advertising	467,054	459,285
	<u>50,196,306</u>	<u>51,494,835</u>
Operating loss before depreciation	<u>35,759,006</u>	<u>33,897,644</u>
Depreciation (Note A)	<u>1,690,554</u>	<u>1,647,955</u>
Operating loss	<u>37,449,560</u>	<u>35,545,599</u>
Nonoperating items:		
Property taxes applied to operations (Note G)	21,425,748	19,726,950
Local transportation funds (Note B)	12,848,029	7,143,241
Federal operating assistance (Note C)	5,504,708	4,759,360
Contract service revenue	1,906,936	1,978,106
Interest and fees on bonded debt	(96,328)	(130,486)
	<u>41,589,093</u>	<u>33,477,171</u>
Excess of revenues over expenses (expenses over revenues)	<u>4,139,533</u>	<u>(2,068,428)</u>
Capital:		
Balance at beginning of year	25,675,952	24,680,591
Property taxes applied to redemption of bond principal (Note G)	1,091,670	1,041,666
Capital grant funds for acquisition of assets:		
Federal grant funds	799,264	1,635,601
State toll bridge funds	169,608	—
Local transportation funds	18,884	386,522
Balance at end of year	<u>\$31,894,911</u>	<u>\$25,675,952</u>

See accompanying notes.

B. Local transportation funds

Pursuant to the Transportation Development Act of 1971, the District has received an apportionment of local transportation funds generated within Alameda and Contra Costa Counties to meet, in part, its operating and capital requirements. The funds are apportioned based on an annual claim filed by the District and approved by the Metropolitan Transportation Commission.

C. Federal operating assistance

The District was allocated a total of up to \$5,567,514 of federal operating assistance for the year ending June 30, 1978 pursuant to Section 5 of the Urban Mass Transportation Act of 1964, as amended by the Mass Transportation Assistance Act of 1974. The estimated reimbursement for eligible operating expenses during the year (\$5,504,708) has been accrued and is subject to final audit by the Metropolitan Transportation Commission and the Urban Mass Transportation Administration.

Federal operating assistance funds are apportioned to the local urbanized area and are distributed to individual transit operators by the Metropolitan Transportation Commission after approval by the Urban Mass Transportation Administration.

D. Federal capital grants

At June 30, 1978, buses and other equipment with a cost of \$19,272,638 had been purchased under federal grant contracts. Under the terms of the grants, proceeds from equipment sold during its useful life in proportion to the related federal capital grant funds, are refundable to the federal government unless reinvested in like equipment.

The District has five grant contracts in process with the Urban Mass Transportation Administration which provide federal funds for the acquisition of buses and other equipment and improvements. Budgeted capital additions applicable to the grant projects are \$37,118,607. The related federal participation is \$27,971,911 of which \$12,182,676 had been earned at June 30, 1978. At June 30, 1978, in connection with these projects, the District has committed to purchase equipment at a cost of approximately \$8,500,000.

E. State toll bridge funds

Under the provisions of the California Streets and Highways Code which became effective January 1, 1976, the District has received an allocation of state transportation funds generated from toll bridge net revenues of the San Francisco Bay Bridges in the amount of \$3,664,777 to meet certain of its capital

requirements. The funds are apportioned based on claims approved by the Metropolitan Transportation Commission.

F. Litigation

The District is the defendant in an action brought by individual plaintiffs on behalf of certain union employees which involves the application of the California Labor Code to the District's union agreement in effect prior to September, 1974. The matter was decided in favor of the District in the trial court. However, the trial court's decision was reversed by the appellate court in 1976, and the matter has been remanded to the trial court for the determination of damages. This litigation is without legal precedent and, therefore, it is difficult to forecast the probable financial impact on the District. However, the amounts of damages, if any, are not expected to have a material effect on the District's operations or financial condition.

The District is involved in various other claims and litigation arising in the ordinary course of business. None of these is expected to have a significant effect on its operations or financial condition.

G. Property tax limitation

In June, 1978, the voters of the State of

California approved a constitutional amendment which limits the maximum annual amount of ad valorem taxes on real property to one percent of the full cash value of such property. The limitation does not apply to property taxes for the payment of principal and interest on indebtedness, such as the District's outstanding bonded debt, which was previously approved by the voters. The effect of this constitutional amendment will be to decrease the amount of annual property taxes applicable to operations that will accrue to the District in future years. Property tax proceeds applied to operations for the year ended June 30, 1978 amounted to \$21,425,748. The District's projection of such proceeds for the year ending June 30, 1979 is \$7,667,000.

Subsequent to the passage of the constitutional amendment, the State of California has agreed to provide aid to the District in the amount of \$2,960,434 for the fiscal year 1979. The amount of such assistance, if any, which the state will provide in future years is uncertain.

H. Special transit service districts and contract service areas

Revenue, expense and capital for Special Transit Service Districts No. 1 and No. 2 and contract service areas for the year ended June 30, 1978 are summarized below. Combined depreciation on all District revenue equipment and maintenance facilities is allocated to the respective Transit Service Districts and contract service areas based on mileage. Indirect operating expenses are allocated based on direct costs. The operating loss applicable to the B.A.R.T.D. Contract Service (\$186,684) is equivalent to the depreciation charge on buses used in providing that service. B.A.R.T.D. is not charged for such depreciation since the buses were acquired with federal capital grant funds and local transportation funds received from B.A.R.T.D.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION (NOTE A)

Years ended June 30, 1978 and 1977

	1978	1977
Sources of working capital:		
Nonoperating revenues, less interest on bonded debt of \$96,328 (1977 - \$130,486)	\$41,589,093	\$33,477,171
Property taxes applied to redemption of bond principal	1,091,670	1,041,666
Capital grant funds for acquisition of assets	987,756	2,022,123
	<u>43,668,519</u>	<u>36,540,960</u>
Applications of working capital:		
Operating loss before depreciation	35,759,006	33,897,644
Current installments due on bonded debt	1,100,000	1,050,000
Acquisition of property, plant and equipment	1,186,509	2,159,186
	<u>38,045,515</u>	<u>37,106,830</u>
Increase (decrease) in working capital	<u>\$ 5,623,004</u>	<u>\$ (565,870)</u>
Changes in the components of working capital:		
Current assets:		
Cash	\$ 9,262,413	\$ (664,437)
Short-term investments	10,655,132	1,213,415
Receivables	(926,996)	3,015,981
Materials and supplies	(11,886)	93,340
Prepaid expenses	22,042	7,718
	<u>19,000,705</u>	<u>3,666,017</u>
Current liabilities:		
Accounts payable and accrued liabilities	460,879	336,163
Accrued pension costs	4,663,638	3,399,744
Advances	7,826,184	64,980
Self-insurance reserves	377,000	381,000
Amount due within one year on general obligation bonds	50,000	50,000
	<u>13,377,701</u>	<u>4,231,887</u>
Increase (decrease) in working capital	<u>\$ 5,623,004</u>	<u>\$ (565,870)</u>

See accompanying notes.

	Special transit service districts		Contract service areas					
	Combined	District No. 1	District No. 2	B.A.R.T.D. Express	City of Concord	City of Pleasant Hill	City of Moraga	Eastern Contra Costa County
Operating revenue								
Fares, charter and other	\$14,437,300	\$13,654,179	\$ 343,821	\$ 292,339	\$ 84,300	\$ 16,310	\$ 22,036	\$ 24,315
Operating expense (allocated), including start-up costs and depreciation	51,886,860	44,732,629	3,097,310	2,150,563	850,980	173,500	307,211	574,667
Operating loss	37,449,560	31,078,450	2,753,489	1,858,224	766,680	157,190	285,175	550,352
Nonoperating items:								
Property taxes applied to operations	21,425,748	19,106,512	2,319,236	—	—	—	—	—
Local transportation funds	12,848,029	10,804,122	1,087,535	—	449,360	67,478	212,118	227,416
Federal operating assistance	5,504,708	4,532,504	404,575	—	206,320	62,800	42,910	255,599
Contract service revenue	1,906,936	—	—	1,671,540	111,000	26,912	30,147	67,337
Interest and fees on bonded debt	(96,328)	(96,328)	—	—	—	—	—	—
	<u>41,589,093</u>	<u>34,346,810</u>	<u>3,811,346</u>	<u>1,671,540</u>	<u>766,680</u>	<u>157,190</u>	<u>285,175</u>	<u>550,352</u>
Excess of revenues over expenses (expenses over revenues)	4,139,533	3,268,360	1,057,857	(186,684)	—	—	—	—
Capital:								
Balance at beginning of year	25,675,952	19,040,368	3,496,628	2,656,883	77,204	129,877	263,650	11,342
Property taxes applied to redemption of bond principal	1,091,670	1,091,670	—	—	—	—	—	—
Capital grant funds for acquisition of assets:								
Federal grant funds	799,264	759,367	41,430	244	—	(592)	(1,185)	—
State toll bridge funds	169,608	157,833	11,775	—	—	—	—	—
Local transportation funds	18,884	—	—	—	1,077	—	—	17,807
Balance at end of year	<u>\$31,894,911</u>	<u>\$24,317,598</u>	<u>\$4,607,690</u>	<u>\$2,470,443</u>	<u>\$ 78,281</u>	<u>\$129,285</u>	<u>\$262,465</u>	<u>\$ 29,149</u>

ARTHUR YOUNG & COMPANY

1330 BROADWAY
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The Board of Directors
Alameda-Contra Costa Transit District

We have examined the accompanying combined balance sheets of Alameda-Contra Costa Transit District at June 30, 1978 and 1977 and the related combined statements of revenue, expense and capital and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the combined financial position of Alameda-Contra Costa Transit District at June 30, 1978 and 1977 and the combined results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

November 3, 1978



AC Transit

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