

Annual Report 1985



**Alameda-Contra Costa
Transit District**

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Alameda–Contra Costa Transit District 1985



Dedication of AC Transit's Central Maintenance Center, October 19, 1984



Mayor Leon Mezzetti, Fremont; AC Board VP Linda Shepard; Mayor Dave Smith, Newark; and Director Ray Rinehart at 10 year celebration of local bus service



Groundbreaking for new General Office building located at 1600 Franklin Street, April 11, 1985. The project is scheduled for completion in Fall 1986.



Introduction of bicycle-bus project; testing bike racks mounted on the fronts of buses serving Line T between Alameda and downtown Oakland



Award winning campaign to protect mass transit funding





708 buses handle the morning commute each day.



1,450 AC drivers transport passengers throughout the East Bay. 1,200 AC drivers are at work on any given weekday.

In Fiscal Year 1985, AC Transit undertook major internal reorganization aimed at increasing productivity—with particular emphasis on the improvement of on-street service to patrons and the refinement of operational structures which provide the service. Restructuring of major operational units enabled the District to end the fiscal year with an appreciably more streamlined and efficient system.

One key change in the reorganization of the operating divisions was the creation of general superintendent positions with full responsibility for all activities, functional units, and transit service emanating from each facility. In addition to providing bus service and performing routine coach servicing and repair (activities traditionally separated into "transportation" and "maintenance" functions), each general superintendent is now responsible for, and has the necessary authority and resources to accomplish, all division operational and support activities, from stocking pocket timetables to conducting community relations outreach programs.

Other operations functions were realigned to improve support required by the divisions. The Operations Center was established to consolidate scheduling and road-supervision of buses, and the Telephone Information Center

necessary to ensure service for passengers. In addition, a new Operations Programming and Analysis Department was established to monitor and assess all operational functions, and to plan programs that will improve the performance of these functions.

In this revised structure, major bus repair takes place at the new \$21 million Central Maintenance Center located in East Oakland—officially opened this year to perform all heavy bus maintenance, to remanufacture major bus components, to diagnose and repair drive trains, chassis, brake systems, and the various electronic systems and components installed in the revenue vehicle fleet. Through this new organization, the operating divisions are free to focus their attention on preventive maintenance, routine servicing, and cleaning of buses.

With the newly-established support units and realigned, redefined functional areas, Operations ended the fiscal year in an improved position, enabling the provision of more productive on-street services.



42% of weekday riders travel to and from employment centers.



AC operates 6 transbay, 101 local/intercity, and 8 contract service routes. During commute hours, service expands to 171 routes, including 47 transbay.

Operations

A major program of route and schedule refinements went into effect in September, 1984, financed in part by an agreement with the Bay Area Rapid Transit District (BART) which funded improvements in local East Bay bus routes that also serve as effective intersystem connectors at the rail stations. This wheels-rails pact followed successful efforts of an ad hoc committee of AC Transit and BART directors dedicated to forging mutually-acceptable policy that could result in added service linkages.

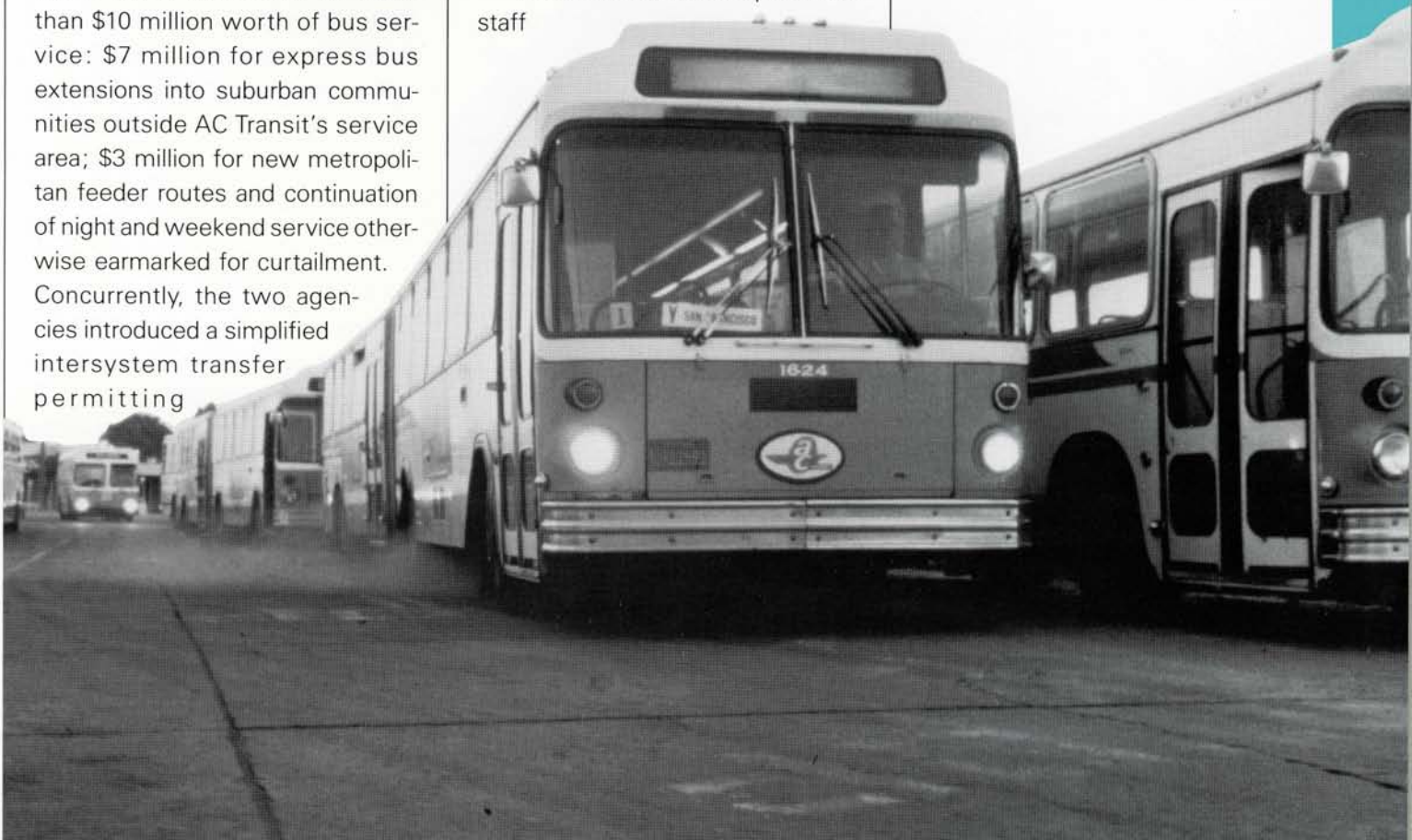
In the initial year of the agreement, BART contracted for more than \$10 million worth of bus service: \$7 million for express bus extensions into suburban communities outside AC Transit's service area; \$3 million for new metropolitan feeder routes and continuation of night and weekend service otherwise earmarked for curtailment. Concurrently, the two agencies introduced a simplified intersystem transfer permitting

easy, economical trips using both systems—particularly during non-commute periods.

In November, 1984, the cities of Fremont and Newark in southern Alameda County observed the 10th anniversary of local bus service in their area. During that decade, more than 20 million riders were served by buses linking neighborhood to neighborhood—providing trips between the two suburban communities as well as to both local traffic centers and to mainline AC Transit bus routes serving other East Bay cities.

Also, the District's operational staff

joined the East Bay Bicycle Coalition in introducing a new bicycle-bus project—working with the California Highway Patrol (CHP) to test a bike rack mounted on the front of buses. An independent testing laboratory assured the District (and the CHP) that the prototype rack offered no interference with bus headlamp systems and driver vision. With issuance of a special one-year experimental permit from the CHP, the bike racks became a regular fixture on Line T buses for testing in service between Alameda and downtown Oakland.



Facilities

While visiting AC Transit this year, the Urban Mass Transportation Administration's (UMTA) deputy administrator (who participated in the official opening of the Central Maintenance Center) announced that \$37.7 million in federal assistance would be forthcoming to support the District's facilities improvement program. Two-thirds of the grant sum is for rehabilitation of aged operating facilities in Emeryville and East Oakland, with another segment funding a new operating yard in Hayward which will absorb the activities currently conducted in a smaller division in Newark.



254,000 passengers board AC buses each weekday.

The system-wide \$100-million facilities program also includes reconstruction of the Richmond Division and establishment of a new Training and Education Center at the Hayward site. AC Transit, joining other systems in congratulating UMTA on the occasion of its 20th anniversary (November, 1984), noted that federal aid over two decades had provided the system with some \$228 million, both for the much-needed facilities program and for the purchase of more than 900 new buses to serve East Bay riders.

This fiscal year, AC Transit also completed groundwork for a novel developer-financed project making possible, without direct use of public funds, the construction of new administrative offices in downtown Oakland. Groundbreaking at the site, 1600 Franklin Street (on land previously purchased by the District), took place in April, 1985, signalling construction of a \$14 million, ten-story structure that will house executive offices, the expanded Operations Center, and most administrative and support functions. The public will also benefit from these new, more efficient facilities at which they can purchase passes and tickets, apply for discount identification cards, and use lost-and-found services.



29 cities and 10 unincorporated communities in suburban Alameda and Contra Costa Counties are serviced by AC Transit, and its contract service.

While this new facility was made possible by private sector funds, the innovative financing package includes a lease-purchase arrangement that will eventually create public ownership of the building. Participants in this package include Stolte Inc./Force Ltd. (a joint venture involving full-equity partnership between a veteran Oakland-based development firm and a new Oakland-based, Black-owned development corporation); the Jim Ishimaru Design Group; and Union Bank, through which financing was arranged. It is anticipated that AC Transit will move into these new offices (located just two blocks from its current, over-crowded quarters in the aged Latham Square Building) in late 1986.



School aged passengers comprise 26% of weekday ridership.



77% of AC weekday riders (85% of weekend riders) do not have cars available for immediate needs.

Future Operations

AC Transit's planning programs were expanded this year to encompass detailed assessment of major corridors within and adjacent to the District's service area, and to formulate a long-range "Comprehensive Plan" study process aimed at charting the service route structure necessary to meet transit needs through the year 2000. The corridor assessment study will evaluate potential travel patterns, projected trends in employment and residential growth, and anticipated travel demand within Alameda and Contra Costa counties through the end of the 20th Century. Information garnered will be pivotal to the development of an efficient route network for turn-of-the-Century transit service.

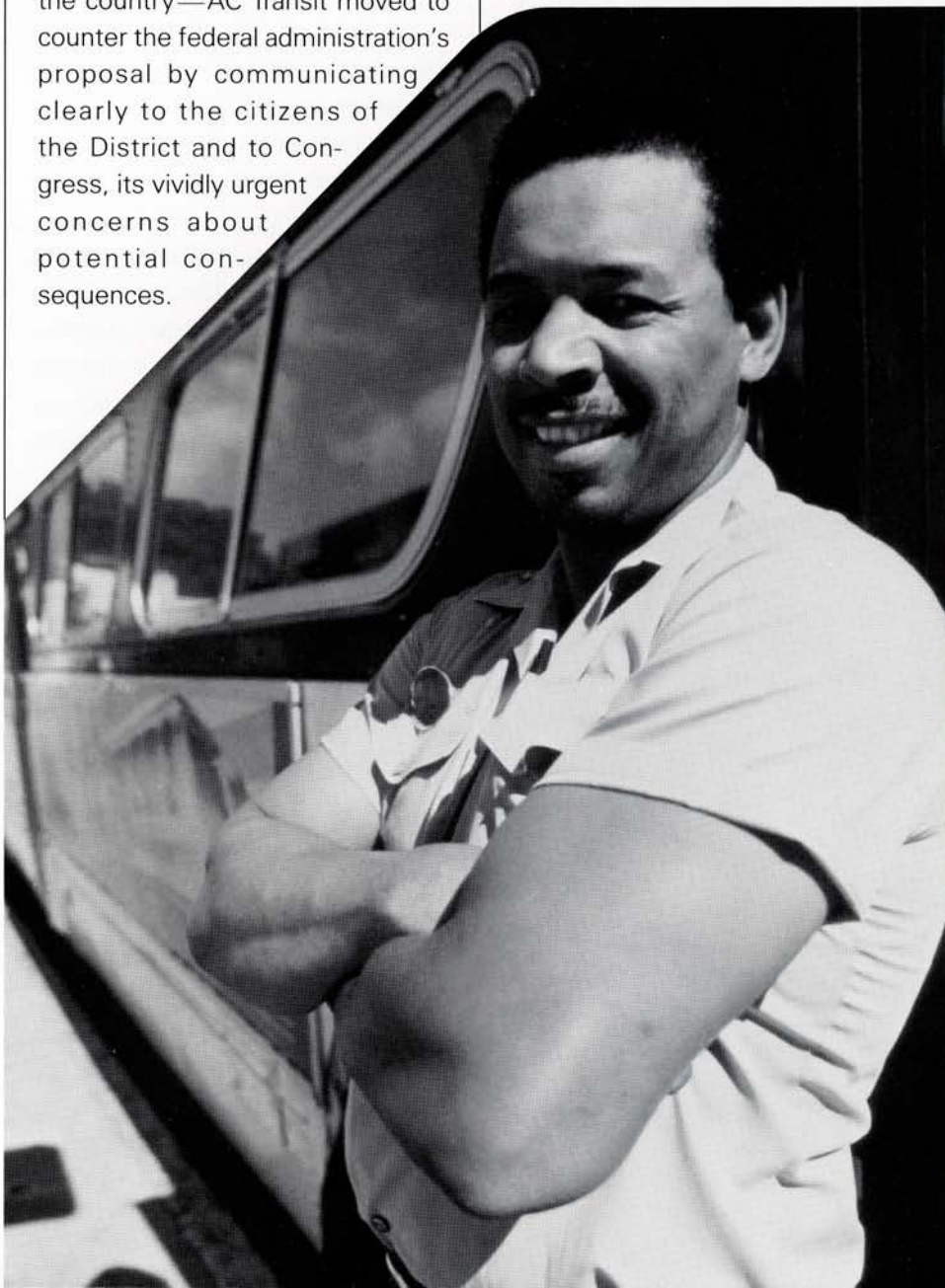
Funding

While continuing the search for funding to support bus operations, AC Transit also devoted energies this fiscal year to countering an added complication—a Reagan Administration proposal to eliminate Federal operating assistance. Though AC Transit anticipated monies amounting to less than 10 percent of the operating budget from this source, sudden elimination of these dollars (after some two dec-

ades of national partnership in funding mass transit operations) would have sorely weakened the District.

In conjunction with other segments of the transit industry—both here in the Bay Area and from across the country—AC Transit moved to counter the federal administration's proposal by communicating clearly to the citizens of the District and to Congress, its vividly urgent concerns about potential consequences.

The result: a responsive Congress continued aid to AC Transit and to many other segments of the nation's transportation infrastructure into the coming fiscal period.



8 Interagency Links

The Bay Area's newest transbay bus link—Line DB-Palo Alto-Union City—went into service in September, 1984, linking East Bay transit systems and networks with the high-tech employment centers of northern Santa Clara County. Funded as a one-year demonstration project, Line DB operates from BART/Union City station across the Dumbarton Bridge to make connections with SamTrans (in San Mateo County), Santa Clara County Transit, and the state-operated Peninsula CALTRAIN rail service.



AC Maintenance Center overhauls 3 engines, 8 transmissions, and up to 11 buses (body work, upholstery, or chassis repair) each week.

This year, AC Transit also led the effort to continue the so-called "Martinez Link" bus service connecting the western portion of Contra Costa County with its central core. This route, begun during the last fiscal year by BART, was administered by AC Transit beginning in September, 1984, for a second year of demonstration operation. The District succeeded in increasing ridership significantly, demonstrating the need for bus service from western Contra Costa to the county seat in Martinez. Though outside the District's service area, the cross-county link still benefits from an AC Transit contribution to its subsidy under operation of WestCAT ("West County Area Transit," the local transit authority); and the District persuaded other agencies to contribute to its support.

Working with the Regional Transit Association (RTA), the District carried out a major revamping of the Transit Discount ID card program—under which seniors 65 and over and certified handicapped riders qualify for discounted fares on all public transit systems within the nine county region. The revised cards, "Regional Transit Connection" IDs, provide expanded eligibility to new categories of riders, including veterans with disability ratings of 50% or greater; persons



AC buses are washed three times per week.

denied driver's licenses for specified reasons; and to Bay Area visitors holding similar discount identification cards from their home towns. The program revision required reissuance of all existing ID cards, with AC Transit issuing some 60,000 of the new cards during the transition period.

Two major events required considerable effort and pre-planning within the District and the region this year: arrival in the East Bay of official delegations to the 1984 Democratic National Convention (held in San Francisco in July, 1984) and of the American Football Conference contenders in Superbowl XIX (played at Stanford Stadium in Palo Alto). AC Transit joined other RTA member systems gearing up for these events, both of which required buses to carry official participants as well as visitors drawn to the Bay Area by each activity. Reportedly, nearly 85 percent of Superbowl XIX spectators (as well as the contenders) traveled to the stadium on public transit. Similarly high patronage was reported by transit systems serving the Democratic National Convention.



AC Transit employs 2,150 people.



AC's upholstery shop maintains 39,629 bus seats.

Personnel Services

New ingredients were added this year to the District's long-term programs for recognizing exceptional employee performance and safe-driving milestones. A formal Employee Recognition Program was established to identify particular distinction of a bus driver, a maintenance worker, and an employee representing the remaining classifications. Quarterly honors go to these employees for exceptional on-the-job accomplishments, and/or extraordinary commendations from others, including peers, supervisors, and the public. These honorees, along with other exemplary employees, vie for recognition as "Employee of the Year."

In anticipation of official opening (scheduled for late 1985) of the new Training and Education Center, AC Transit's instructional staff established close relationships with local educational institutions. One important result was an inaugural "College Day" in June, 1985, which enabled approximately 100 employees to consult directly with representatives of numerous Bay Area colleges and universities. This day-long educational fair initiated an array of activities at the Center—designed to become a vital new regional source of career and personal-development classes and programs for transportation work-

ers, including enrollees from other agencies.

Interagency cooperation also yielded continued productivity in employee-advancement training this year. The College of Alameda continued assistance in providing a nine-month course of classroom study and hands-on practice to help ambitious service employees become diesel mechanics. Also, a dozen District employees completed an RTA Career Development Program which, in cooperation with Golden Gate University, provided a variety of skills-development classes.

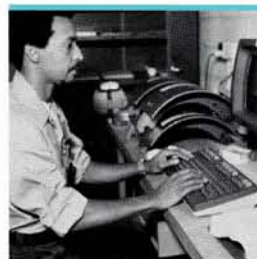
This fiscal year, personnel-

related activities also included a study of the District's policies and practices with respect to salaried employees. This effort included assessment of policies and procedures inherent in the District's management classification system, and in the benefits and conditions of employment for salaried personnel. The assessment continued at year's end, with all questions concerning recommendations for adjustments deferred to the coming year.





The information center answers approximately 714,000 queries about route information from the public.



AC warehouses 12,000 separate items from paper clips to bus power-trains.

Administration

William J. Bettencourt of San Leandro, a Director since the District's inception in the mid-1950's, was elected to serve as President of the Board this year. Linda Shepard of Fremont was elected Vice President. A new Director, Jerome G. Wiggins, was chosen by Ward II voters in the general election to represent Richmond, Albany, Emeryville, and parts of Berkeley.

Risk and Insurance

Paid losses for personal injury and property damage claims decreased slightly from \$1,525,042 in FY 1984 to \$1,377,852 in the current fiscal year. The District also gained \$134,903 in subrogation recoveries for damage to equipment during FY 1985. Under AC Transit's self-ensured Workers Compensation Program, net costs paid on claims was \$1,870,331—up from FY 1984 costs (\$1,397,817) because of increases in benefits mandated by state law.





*Central Dispatch
handles 1,400
calls per day.*

Special Achievers

Three new names were added to the roster of operators who have earned the singular 25-Year Safe Driving Award. Eddie A. Haffer, Carl E. Swanson, and Clarence H. Tinsley became, respectively, the 53rd, 54th, and 55th bus drivers to achieve a quarter-century of accident-free driving. Bus Driver John Zorman continued to lead this select group, having accumulated a total of 34 years of accident free driving.



Board of Directors



William J. Bettencourt,
President



Linda Shepard,
Vice President



Michael H. Fajans



J. G. "Jerry" Wiggins



John McDonnell



Roy Nakadegawa



Ray Rinehart

Management

L. A. "Kim" Kimball
General Manager



Richard W. Meier
Attorney for the District



Lawrence A. Rosenberg
*Assistant General
Manager of Administration
and District Secretary*



Nathaniel A. Gage
*Assistant General
Manager for Finance*



Robert J. Shamoon
*Assistant General
Manager for Operations*



Glenn R. Andrade
*Purchases and Stores
Manager*



Richard A. Fratus
Controller



Mike Mills
Marketing Manager



Loren A. Ball
Transportation Manager





Ozro D. Gould
Risk Manager



John W. Rose, Jr.
*Affirmative Action
Coordinator*



Warren E. Robinson
Transportation Engineer



Gregory L. Ford
*Administrative Projects
Manager*



Donald S. Larson
*Research and Planning
Manager*



Joe M. Kinchen
*Computer Operations
Manager*



ADAMS, GRANT, WERNER & CO.

505 14th Street, Suite 950
Oakland, California 94612
(415) 832-0257

DELOITTE HASKINS & SELLS

One Kaiser Plaza
Oakland, California 94612
(415) 452-0250

CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors,
Alameda-Contra Costa Transit District:

We have examined the combined balance sheets of Alameda-Contra Costa Transit District as of June 30, 1985 and 1984 and the related combined statements of revenues and expenses, changes in 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, such financial statements present fairly the combined financial position of Alameda-Contra Costa Transit District at June 30, 1985 and 1984 and the combined results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examinations were made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplemental schedule of certain revenues and expenses by special transit service district and contract service area for the year ended June 30, 1985 is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such supplemental schedule has been subjected to the auditing procedures applied in the examination of the basic combined financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic combined financial statements taken as a whole.

September 6, 1985

Adams, Grant, Werner & Co.

Deloitte Haskins & Sells

Combined Balance Sheets, June 30, 1985 and 1984 (in thousands)

Assets	1985	1984
Current Assets:		
Cash and investments	\$ 17,641	\$ 37,791
Accounts receivable and accrued revenues (see notes 3, 4):		
Federal grants	13,003	8,177
Other, principally state and local assistance	8,091	2,638
Materials and supplies, at cost	5,335	2,726
Prepaid expenses	680	608
Total current assets	44,750	51,940
Cash and Investments Appropriated for Accrued Pension Costs (see notes 2, 6)	70,861	62,611
Property, Plant, and Equipment (see note 2):		
Land	11,298	11,158
Buildings, structures, and improvements	23,683	2,448
Revenue equipment	103,683	93,469
Shop, office and other equipment, and service vehicles	16,992	5,873
Acquisitions in progress	13,014	31,801
Total property, plant, and equipment	168,670	144,749
Accumulated depreciation	(41,975)	(35,221)
Property, plant, and equipment—net	126,695	109,528
Total	\$242,306	\$224,079
Liabilities and Capital	1985	1984
Current Liabilities:		
Accounts payable	\$ 4,560	\$ 1,936
Salaries, wages, and vacations	5,774	5,312
Other accrued liabilities	2,154	3,305
Advances under grants (see note 2)	2,826	11,928
Self-insurance reserves (see note 2):		
Workers' compensation	2,631	2,219
Public liability and property damage	2,600	2,632
Total current liabilities	20,545	27,332
Accrued Pension Costs (see notes 2, 6)	70,861	62,611
Capital (see notes 2, 5, 8):		
District equity	31,322	36,314
Contributed capital:		
Federal grants	86,386	71,633
State toll bridge funds	21,437	17,409
Local transportation funds	11,755	8,780
Total capital	150,900	134,136
Total	\$242,306	\$224,079

See notes to combined financial statements.

Combined Statements of Revenues and Expenses for the Years Ended June 30, 1985 and 1984
(in thousands)

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	1985	1984
Revenues:		
Fares	\$ 30,691	\$31,773
Property taxes	14,627	11,835
Contract service	9,313	5,883
Other operating revenues	745	970
Operating assistance (see note 4):		
Local sales tax (AB 1107)	11,400	16,400
Local transportation funds	20,199	15,884
Federal	8,111	7,863
State Transit Assistance Fund	3,093	5,760
Interest earned on appropriated District funds and working capital, less amounts allocated to accrued pension costs (see notes 2, 5, 6)	3,541	3,068
Total	101,720	99,436
Expenses:		
Operator wages	33,885	33,526
Other wages	18,678	17,545
Fringe benefits	26,362	24,238
Fuel and oil	6,172	6,250
Other materials and supplies	6,704	5,946
Services	4,957	3,608
Insurance	1,683	2,086
Loss on disposal of property, plant, and equipment	2,941	
Other	3,393	3,256
Total	104,775	96,455
Excess of Revenues (Expenses) Before Depreciation (see notes 2, 5, 6)	(3,055)	2,981
Depreciation (see note 2)	16,586	6,579
Excess of Expenses Over Revenues	\$ (19,641)	\$ (3,598)

See notes to combined financial statements.

Combined Statements of Changes in Capital for the Years Ended June 30, 1985 and 1984
(in thousands)

	Contributed Capital				Total
	District Equity	Federal Grants	State Toll Bridge Funds	Local Transportation Funds	
Balance, June 30, 1983	\$34,115	\$59,887	\$13,881	\$ 7,916	\$115,799
Excess of expenses over revenues	(3,598)				(3,598)
Depreciation expense transferred from District equity	5,797	(4,407)	(808)	(582)	
Capital grant funds earned (see note 3)		16,153	4,336	1,597	22,086
Land transferred to CCCTA (see note 1)				(151)	(151)
Balance, June 30, 1984	36,314	71,633	17,409	8,780	134,136
Excess of expenses over revenues	(19,641)				(19,641)
Depreciation expense transferred from District equity	14,649	(10,830)	(2,646)	(1,173)	
Capital grant funds earned (see note 3)		25,583	6,674	4,148	36,405
Balance, June 30, 1985	<u>\$31,322</u>	<u>\$86,386</u>	<u>\$21,437</u>	<u>\$11,755</u>	<u>\$150,900</u>

**Combined Statements of Changes in Financial Position
for the Years Ended June 30, 1985 and 1984 (in thousands)**

1985 1984

Sources of Working Capital:

Operations:

Excess of expenses over revenues	\$(19,641)	\$ (3,598)
Expenses not requiring working capital—depreciation	16,586	6,579

Working capital provided (used) by operations	(3,055)	2,981
Increase in accrued pension costs	8,250	7,717
Capital grant funds earned	36,405	22,086
Transfer of land and revenue equipment to CCCTA		151

Total	41,600	32,935
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Application of Working Capital:

Increase in cash and investments appropriated for accrued pension costs	8,250	7,717
Acquisition of property, plant, and equipment—net	33,753	22,114
Transfer of land and revenue equipment to CCCTA		151

Total	42,003	29,982
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Increase (Decrease) in Working Capital	\$ (403)	\$ 2,953
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Increase (Decrease) In Components of Working Capital:

Current assets:

Cash and investments	\$(20,151)	\$10,388
Accounts receivable and accrued revenues	10,280	(3,752)
Materials and supplies	2,609	1,201
Prepaid expenses	72	(111)

Total	(7,190)	7,726
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Current liabilities:

Accounts payable and accrued liabilities	(1,936)	(2,360)
Advances under grants	9,102	7,025
Self-insurance reserves	(379)	108

Total	6,787	4,773
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Increase (Decrease) in Working Capital	\$ (403)	\$ 2,953
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1. Organization and basis of presentation

Alameda-Contra Costa Transit District (the District) is a political subdivision of the State of California established in 1956 and subject to transit district law as codified in the California Public Utilities Code.

The accompanying financial statements include the combined financial position, results of operations, and changes in financial position of the District's 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 (BART) and several cities and other areas in Contra Costa County. The allocated cost of providing such service, less related operating revenue, is funded from local transportation funds, Federal operating assistance and, for BART express service, by direct reimbursement which is recorded as contract service revenue.

The District has entered into an agreement with the Central Contra Costa Transit Authority (CCCTA) whereby transit services in Central Contra Costa County which were previously provided by the District were assumed by CCCTA during fiscal 1982. As a part of this agreement, the District transferred to CCCTA land having a book value of \$151,000 during 1984.

2. Significant accounting policies

Investments are stated at amortized cost which approximates market value.

Property, plant, and equipment is stated at cost and depreciated using the straight-line method. Estimated useful lives of property, plant, and equipment were revised effective July 1, 1984 to more closely approximate actual experience as follows:

Buildings, structures, and improvements	30 years
Revenue equipment	12 years
Shop, office and other equipment, and service vehicles	3 to 10 years

Prior to July 1, 1984 estimated useful lives were as follows:

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

Revising the estimated useful lives increased depreciation and the excess of expenses over revenues in 1985 by \$8,517,000.

Self-insurance reserves—The District is self-insured for public liability and property damage up to \$250,000 and workers' compensation claims up to \$100,000 for each occurrence. Claims in excess of these amounts are insured with commercial carriers. The District provides, in each period, reserves to cover the estimated costs of the self-insured portion of these claims.

Pensions—The District has two noncontributory pension plans, one covering all union employees and another providing similar benefits for nonunion employees. Provisions for pension accruals are based on percentages of gross payroll which provide for the normal cost of the plans plus amortization of prior service cost over a period of not more than forty years. Cash and investments equal to such provisions are appropriated annually by the Board of Directors to provide for the payment of benefits.

Contributed capital—The District periodically receives Federal grants from the Urban Mass Transportation Administration (UMTA) of the U.S. Department of Transportation, local transportation funds and state toll bridge revenues (see note 3) for the acquisition of buses and other equipment and improvements. Capital grant funds earned, less depreciation of the related assets, are included in contributed capital. Advances received on capital grants are recorded as liabilities until the funds are expended for capital acquisitions.

3. Capital grants

The District has fifteen grant contracts in process with UMTA which provide Federal funds for the acquisition of buses and other equipment and improvements. These grants are summarized at June 30, 1985 as follows (in thousands):

Total approved costs	\$170,615
Total Federal grants	\$134,467
Less:	
Amounts received	(81,592)
Amounts receivable—net	(4,870)
Remaining amount available under Federal grants	\$ 48,005

The District is committed to purchase additional equipment at a cost of approximately \$45,305,000 in connection with these projects.

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 also received allocations of funds generated from net toll bridge revenues of the San Francisco Bay Bridges. These funds are received under provisions of the California Streets and Highways Code and are allocated based on claims approved by the Metropolitan Transportation Commission (MTC).

Local transportation funds received for capital grant projects include allocations received pursuant to the Transportation Development Act of 1971, certain property tax revenues, and certain local sales tax funds.

4. Operating assistance

Federal operating assistance funds are received pursuant to Sections 5 and 9 of the Urban Mass Transportation Act of 1974. Such funds are apportioned to the local urbanized area and are allocated to individual transit operators by MTC after approval by UMTA. Allocations granted during 1985 are subject to final audit and approval by MTC and UMTA.

The District also received allocations of local transportation funds pursuant to the Transportation Development Act of 1971, certain local sales tax funds, and allocations from the State Transit Assistance Fund. These funds are allocated based on annual claims filed by the District and approved by MTC.

5. Appropriated District funds

The Board of Directors has authorized the appropriation of portions of available funds for the replacement of facilities and equipment and other expenditures, as follows (in thousands):

	Balance, June 30, 1984	Interest Earned	Net Reductions	Balance, June 30, 1985
Amounts appropriated:				
Restricted Fund	\$ 7,785	\$1,337	\$ 678	\$ 8,444
Facilities and Equipment Replacement Fund	1,257	216		1,473
Improvement Allowance Fund	1,149	197	907	439
Unemployment Compensation Fund	663			663
Building Fund	6,470	1,112		7,582
Working capital	3,950	679	3,055	1,574
Total	\$21,274	\$3,541	\$4,640	\$20,175

The appropriated funds are to be used for the following purposes:

Restricted fund—to provide for unusual or otherwise necessary expenditures for repair, improvements to or replacement of essential elements of the District's facilities or for operating requirements.

Facilities and equipment replacement fund—for the purpose of meeting the District's contractual and related responsibilities as a recipient of Federal, state and local capital grants.

Improvement allowance fund—to fund certain nonrecurring operating expenses or costs of preliminary engineering, environmental impact studies, preparation of capital grant applications, professional and technical service agreements and the procurement of equipment and material related to capital improvements which initially may not be reimbursable by Federal grants.

Unemployment compensation fund—to provide for potential unemployment liabilities which may result in the event of curtailment of services to or deannexation of District No. 2.

Building fund—to assist in meeting the District's potential financial requirements associated with the purchase, construction or rehabilitation of a building to provide adequate permanent accommodations for the District's general offices consistent with the master Facilities Improvement Program.

6. Pensions

The provision for pension accrual for the year ended June 30, 1985 was \$5,134,000 (1984, \$5,009,000) plus an allocation of \$6,888,000 of interest earned on District investments (1984, \$5,943,000). Benefit payments for the year were \$3,772,000 (1984, \$3,235,000).

A summary of accumulated plan benefits and cash and investments appropriated for accrued pension costs as of January 1, 1983, the date of the most recent actuarial valuation, follows (in thousands):

Actuarial present value of accumulated plan benefits:	
Vested	\$54,933
Nonvested	5,555
Total	<u>\$60,488</u>
Cash and investments appropriated for accrued pension costs	<u>\$51,499</u>

The entry age normal actuarial cost method is used assuming an 8% rate of return on investments and retirement age of 65.

7. Deferred compensation plan

The District has a deferred compensation plan, adopted pursuant to Internal Revenue Code Section 457(b), which provides for the deferral of a portion of participating employees' compensation until retirement, termination, or certain other covered events. Plan assets totaled \$1,508,000 and \$1,059,000 at June 30, 1985 and 1984. The benefits due under the plan are fully funded. Plan assets are held by an administrator in a segregated fund. As required by IRC Section 457, however, plan assets remain the property of the District until paid or made available to the participants, subject only to the District's general creditors.

8. Litigation

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

Supplemental Schedule of Certain Revenues and Expenses by Special Transit Service District and Contract Service Area for the Year Ended June 30, 1985 (in thousands)

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	Special Transit Service District		Contract Service Area		
	District No. 1	District No. 2	BART	Western Contra Costa County	Combined
Revenues:					
Fares	\$ 28,584	\$ 974	\$ 1,102	\$ 31	\$ 30,691
BART transfers	1,584	140			1,724
Property taxes	12,793	1,834			14,627
Contract service	1,482		6,247		7,729
Operating assistance:					
Local sales tax (TDA)	17,026	3,033			20,059
Local sales tax (AB 1107)	11,400				11,400
State Transit Assistance Fund	3,032	61			3,093
Federal grants	6,968	927		216	8,111
Other operating revenue:					
Advertising	362	34	41	1	438
Charter	72				72
Other transit fares	68				68
Other	167				167
Interest earned on unrestricted funds	558	121			679
Total	84,096	7,124	7,390	248	98,858
Expenses:					
Operator wages	29,303	2,333	2,177	72	33,885
Other wages	15,804	1,390	1,436	48	18,678
Fringe benefits	22,623	1,867	1,812	60	26,362
Fuel and oil	5,210	459	487	16	6,172
Other materials and supplies	5,666	499	521	18	6,704
Services	4,179	398	367	13	4,957
Insurance	1,420	125	133	5	1,683
Loss on disposal of property, plant, and equipment	2,483	218	232	8	2,941
Other	2,873	274	238	8	3,393
Total	89,561	7,563	7,403	248	104,775
Excess of Expenses Before Depreciation	(5,465)	(439)	(13)		(5,917)
Depreciation	14,003	1,232	1,308	43	16,586
Excess of Expenses Over Revenues	<u>\$(19,468)</u>	<u>\$(1,671)</u>	<u>\$(1,321)</u>	<u>\$ (43)</u>	<u>\$ (22,503)</u>
Statistical Data:					
Hours	1,842	155	135	5	2,137
Miles	25,551	2,351	2,921	97	30,920
Farebox recovery ratio	33.76%	14.73%	14.89%	12.50%	31.00%
Operating revenue ratio	36.71%	16.78%	99.82%	12.90%	39.67%

See notes to supplemental schedule of certain revenues and expenses by special transit service district and contract service area.

Notes to supplemental schedule of certain revenues and expenses by special transit service district and contract service area

1. Basis of presentation

The accompanying schedule includes certain revenues and expenses of the District's Special Transit Service Districts No. 1 and No. 2 and other areas in which the District has contracted to provide transit service. Interest earned by the District on restricted funds has been excluded from the accompanying schedule.

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2. Allocation of revenues and expenses

Operator wages and fringe benefit costs are based on actual costs incurred. Other expenses are allocated based on vehicle mileage and hours. The following costs are not allocated to the contract service areas and have been charged to Special Transit Service Districts No. 1 and No. 2 as follows:

	District No. 1	District No. 2
Interest	100%	
Charter Office	100	
Purchased transportation services for elderly and handicapped patrons		100%
Board of Directors	80	20
General Manager	80	20
Meetings and memberships	80	20
Transbay Terminal	100	

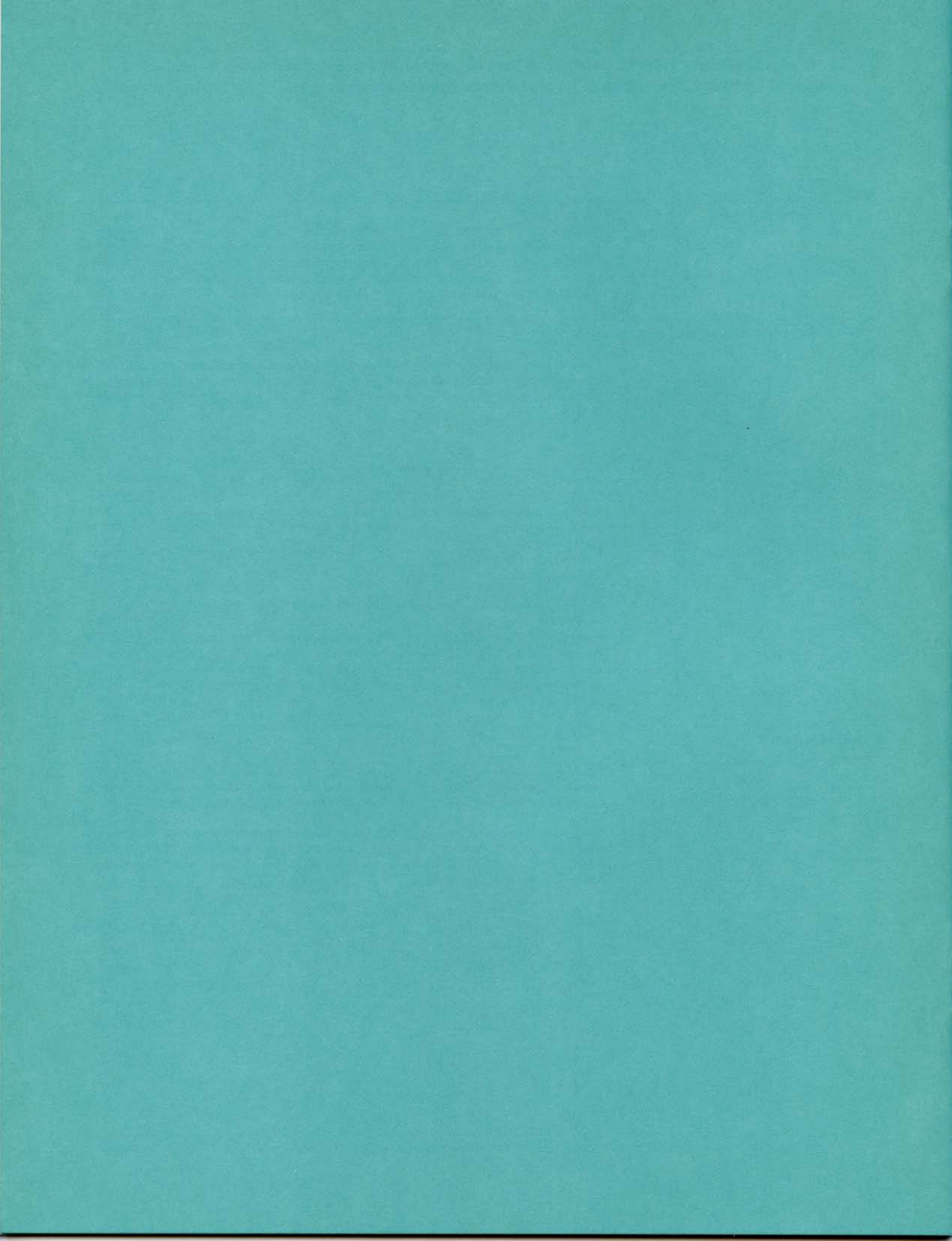
Marketing expenses are allocated to all Contract Service Areas except BART.

Fare revenue is allocated based on vehicle mileage and hours and passenger test counts. Advertising revenue is allocated based on vehicle miles. The allocated cost of providing transit service, less related operating revenue, is funded from local transportation funds, state and Federal operating assistance and, for BART express service, by direct reimbursement which is recorded as contract service revenue.

3. Statistical data

Hours and miles represent the standard operating time and distance for each route multiplied by the number of times each route is traveled in the production of revenue. Included is a standard allowance for vehicles traveling to and from the beginning and end of each route.

Farebox recovery ratio is the sum of fares, BART transfers, and other transit fares divided by total expenses before depreciation. Operating revenue ratio is the sum of fares, contract service, BART transfers, other operating revenue and interest earned on unrestricted funds divided by total expenses before depreciation.





508 16th Street Oakland, California 94612