

Alameda-Contra Costa Transit Popular Annual Financial Report

Fiscal Year Ended June 30, 2015



*"To Provide Safe, Convenient, Courteous and Reliable
Transit Service. We'll Get You There."*



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Letter to the Community

February 2016

To our riders and general public:

We are pleased to present this financial report of the Alameda-Contra Costa Transit District for the fiscal year ended June 30, 2015. The following pages provide a summary of AC Transit's organizational structure, major initiatives, statistical data and financial condition. The report is aimed at satisfying the requirements of a Popular Annual Financial Report (PAFR) as defined by the Government Finance Officers Association (GFOA).

The financial information presented here is summarized and does not substitute for the District's Comprehensive Annual Financial Report (CAFR). The CAFR details the District's financial position and operating activities for each fiscal year, in conformity with Generally Accepted Accounting Principles (GAAP). This PAFR, by its summary nature, is not intended to conform to GAAP and associated reporting standards set forth by applicable governing bodies. The District has received numerous awards for outstanding financial reporting from the GFOA for previous budget presentations and the CAFR.

We hope this report will give you a better understanding of the District and its financial condition. We welcome your comments and suggestions.

You may find other information regarding Alameda Contra-Costa Transit, including this PAFR, annual budget and CAFR, on the District's website actransit.org.

Sincerely,



Claudia L. Allen

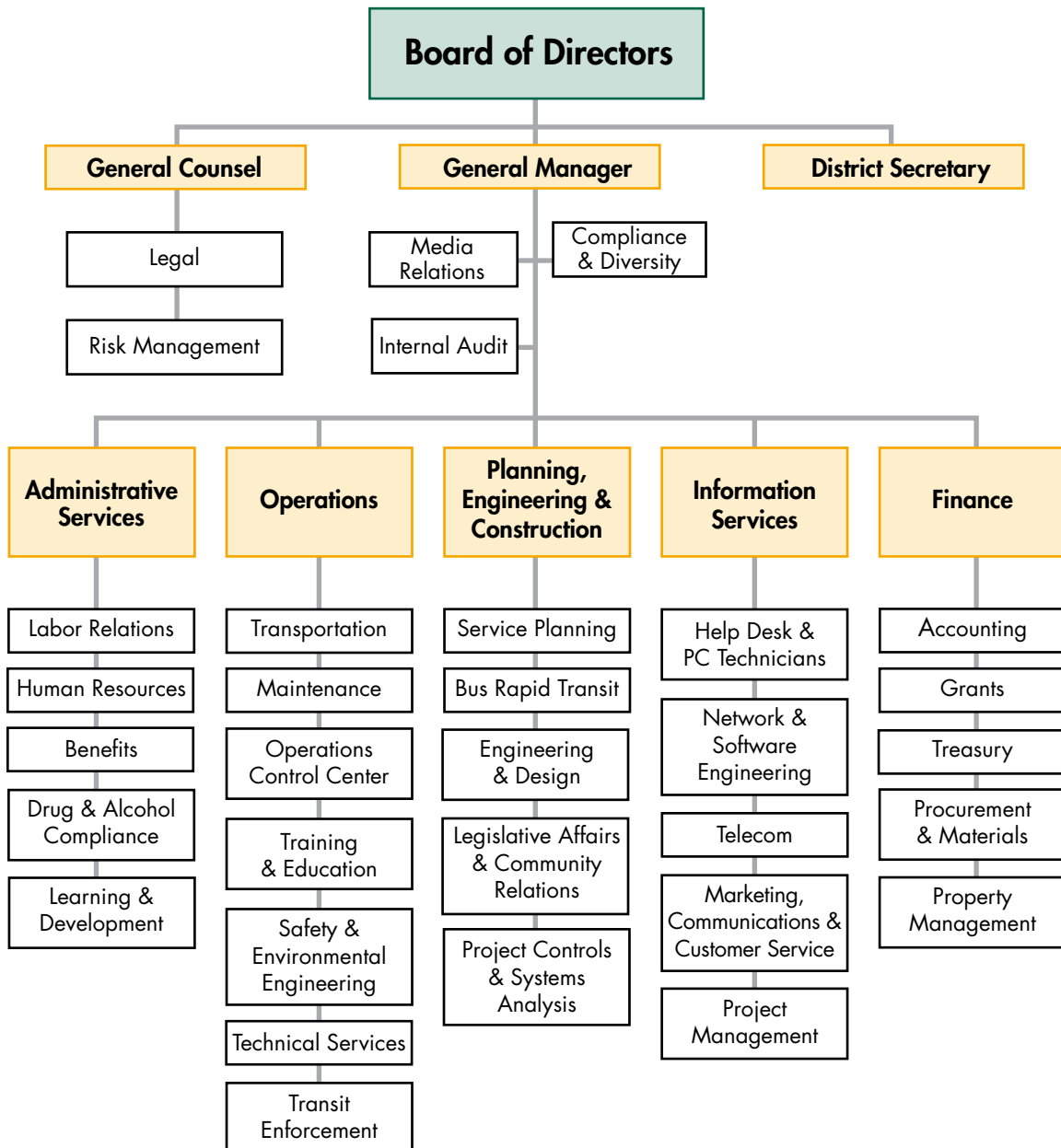
Chief Financial Officer

Service Area



AC Transit Service Area Adjacent Communities Served

Organizational Chart



Note: Chart represents the structure as of June 30, 2015.

Board of Directors

H. E. Christian Peeples, At-Large President

H. E. Christian Peeples was appointed to the Board in November 1997 to fill an at-large vacancy. He was then elected in 1998 and is now serving his fifth full term, which expires in 2016. Director Peeples is a long-time advocate for public transit and is active in many transit groups as well as local community affairs. He is a strong supporter of the District's zero-emission fuel-cell bus program. Director Peeples is a graduate of Crown College, University of California at Santa Cruz, and Hastings College of Law.

Elsa Ortiz, Ward 3 Vice-President

Elsa Ortiz was elected in November 2006 and is serving her third term representing Alameda and portions of Oakland and San Leandro. Her current term expires in 2018. During her tenure, she has spearheaded the development of the District's Buy American Goods policy and advocated for fiscal reform. Director Ortiz earned her Bachelor's Degree with honors and teaching credentials from the University of California at Berkeley and her Juris Doctor from John F. Kennedy College of Law.

Joe Wallace, Ward 1

Director Wallace was elected in November 2000 and is now serving his fourth term representing western Contra Costa County, Albany, and a portion of Berkeley. His current term expires in 2016. He was instrumental in the creation of AC Transit's Line 376 service in Contra Costa County—California's first specifically designed "welfare-to-work" bus line and is very active in the local community.



Greg Harper, Ward 2

Director Harper was elected in November 2000 and is now serving his fourth term representing Emeryville, Piedmont, and portions of Oakland and Berkeley. His current term expires in 2016. Director Harper is a principal in his law firm and previously served as an Emeryville City Council member and as mayor over the course of 12 years. He earned his Bachelor's Degrees at the University of Illinois in Electrical Engineering and Economics, and his law degree from Hastings College of Law.

Mark Williams, Ward 4

Director Williams was elected in November 2010 and re-elected in 2014. His current term expires in 2018. He represents the unincorporated areas of central Alameda County and portions of San Leandro and Hayward. Director Williams is a life-long user of public transit and is particularly interested in addressing global warming, reducing dependence on fossil fuels and supporting the local economy. He is the youngest individual ever elected to the Board and is an active member of the National Young Elected Officials Network.

Jeff Davis, Ward 5

Director Davis was elected in November 2006 and is now serving his third term representing Fremont, Newark and a portion of Hayward. His current term expires in 2018. He has been involved in transportation at the local government level for more than 20 years, including service as the Administrator of Santa Clara County's \$1.5 billion Measure B Transportation Improvement Program and Chief Fiscal Officer for the Contra Costa Transportation Authority. Director Davis earned a Bachelor's Degree from Yale University and received a Master's Degree in Public Policy from the University of California at Berkeley.

Joel E. Young, At-Large

Director Young was appointed to the Board in February 2009 to fill an at-large vacancy. He was subsequently elected in 2010 and re-elected in 2014. His current term expires in 2018. He practices employment law and takes on complex class and collective actions that advance the public interest. Director Young earned his Bachelor's Degree from the University of California at Berkeley and his Juris Doctor from the UC Berkeley's Boalt Hall.

Facts and Figures

Organization

The Alameda-Contra Costa Transit District (AC Transit) is a special transit district under state law based in Oakland, California. Voters created AC Transit in 1956 and subsequently approved a \$16,500,000 bond issue in 1959, enabling the District to buy out the failing, privately owned Key System Transit Lines. AC Transit's service began operating in October 1960. The new district built up its bus fleet with 250 new "transit liner" buses, extended service into new neighborhoods, created an intercity express bus network, and increased Bay Bridge bus operations.

In the 55 years that AC Transit has been in operation, the District has increased its service area, expanded the types of services it offers, and become a leader in the use of hydrogen fuel cell buses.

AC Transit has a seven-member elected Board of Directors that sets policy and hires the General Manager and General Counsel. Five of the directors represent specific wards within the service area and two are elected at-large. The General Manager leads the executive team that implements Board policy.

There are 2,040 approved staff positions at seven facilities, 87 percent being within the Operations Department. Most employees are represented by one of three bargaining units: Amalgamated Transit Union; American Federation of State, County, and Municipal Employees; and International Brotherhood of Electrical Workers.



Operations

The District is 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 local service area is 364 square miles and extends from San Pablo in the north to Fremont in the south, with transbay services to San Francisco, San Mateo and Santa Clara counties. Approximately 1.5 million people live within the service area.

Through strong fiscal management and efficient operations, the District has been able to keep fares affordable and competitive. The District has not raised fares since 2011 and is expected to continue under the current fare structure through fiscal year 2017.

Service

- 151 bus lines
- 5,600 bus stops
- 586 buses
- 19.2 million revenue service miles
- Connections to 16 other transit operators

Ridership

- 56.7 million trips annually
- 193,616 passengers each weekday

Rider Profile

- 40% do not own automobiles
- 43% of all trips are work-related
- 22% of all trips are school-related



Major Initiatives

Service Expansion Plan

In November 2014, the voters of Alameda County approved Measure BB, extending the existing transportation sales tax to 2045 and doubling the amount collected. The increased revenue to the District is expected to be approximately \$30 million per year.

This new funding will allow the District to implement the Service Expansion Plan (SEP). The SEP will increase service by approximately 14 percent and return service levels to what they were in 2007 before the Great Recession. The SEP will be implemented in three phases starting in June 2016 and concluding in June 2017. When fully in place, the operating and maintenance investment will be approximately \$24 million per year.

The goals of the SEP are to (1) increase frequency of service; (2) get more customers where they need to go; and (3) improve performance. Frequency of service translates into reduced wait times and faster trips overall. Expanding weekend, mid-day and evening service enables customers to use AC Transit for more of their travel needs. Getting customers to where they need to go means re-evaluating routes and schedules based on where the greatest job, population, and commercial growth is occurring. Finally, improving performance means adjusting service to reduce delays and make the most of limited resources by strategies such as terminating multiple lines at common locations.

The SEP will require an extensive ramp-up of staff, including 160 new bus operators, and additional maintenance and support employees. Expanded service requires more buses and more space for storage and maintenance. To that end, the District is rehabilitating and re-opening its Richmond Division operating facility to accommodate increased fleet and staff.



East Bay Bus Rapid Transit

The East Bay Bus Rapid Transit project (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 areas from downtown Oakland to San Leandro along International Boulevard and East 14th Street. It is expected to break ground by mid 2016 and be operating by late 2017 or early 2018.

BRT employs a combination of new technologies and facilities to create a safer, faster, more reliable and more comfortable type of transit service often called "light rail on wheels."

Important elements of BRT include:

- Dedicated bus lanes – Buses have their own lane, greatly reducing delays from traffic and improving schedule reliability.
- Stations with level and multiple-door boarding – Raised platforms match the bus floor, eliminating stairs, and customers can enter at any door for faster boarding.
- Proof of payment – Elimination of delays at the farebox.. Customers tag their Clipper smart card at the station or use cash to purchase a ticket before boarding.
- Signal priority – Speed and reliability improve as new high-tech signals communicate with buses and traffic lights recognize the bus position and extend green lights.

The BRT project includes improved accessibility features that meet or exceed Americans with Disabilities Act requirements, and comfortable, well lighted bus stations. The project will be a plus for business as better transit equates to more foot traffic in the corridor and reconstructed streets and sidewalks improve infrastructure. The project has already begun attracting additional private investment in the corridor for housing and commerce.



Financial Performance

The majority of the District's revenues are derived from various forms of sales and property taxes. The next largest revenue source is fares, which at nearly 20% of revenues is at or above the norm for similar transit agencies. Smaller sources of revenue include contract services with the regional rail service (BART), federal and state assistance for paratransit service, advertising, investment and leases. The District also receives grant funding from local, state, and federal agencies for both operating and capital budget needs.

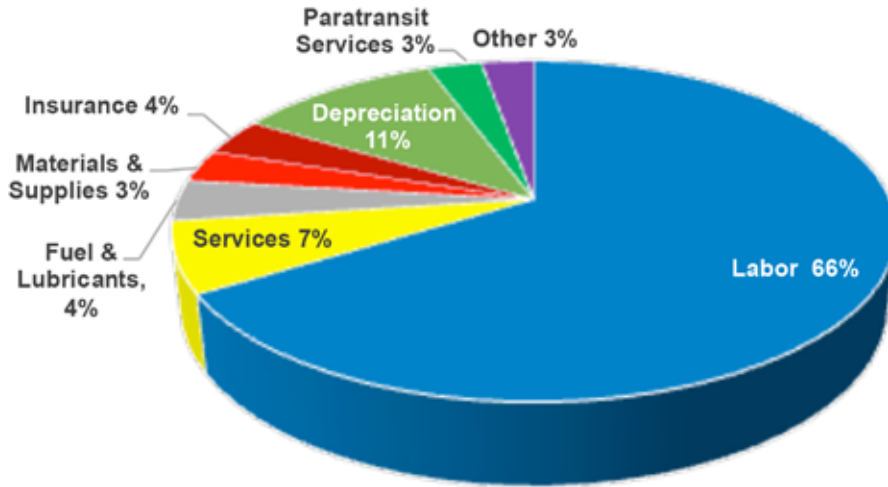
The majority of the District's expenses are related to labor, including fringe benefits. Other major expenses include fuel, materials, parts for the fleet and various professional services.

The District has improved its net position for the past four years as shown in the table below. In fiscal year 2015, the District implemented the new Government Accounting Standards Board Statement 68, requiring inclusion of the entire net pension liability, resulting in the large negative change in net position shown in the final column. While this adjustment recognizes that the District's pension plan is not fully funded (and has not been for many years), as the table shows, the District's fiscal fundamentals continue to be sound.

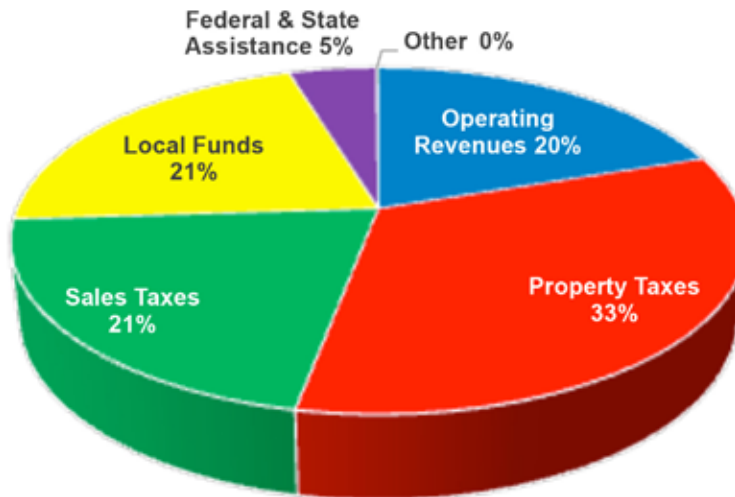
Net Position Trend (in millions)					
	FY11*	FY12	FY13	FY14	FY15
Operating Revenues	\$61.3	\$60.6	\$63.4	\$68.6	\$67.2
Operating Expenses	(301.3)	(313.9)	(302.3)	(313.1)	(331.2)
Income (Loss) before depreciation and other non-operating revenues and expenses	(240.0)	(253.3)	(238.9)	(244.5)	(264.0)
Depreciation	(35.5)	(37.9)	(35.4)	(39.5)	(40.6)
Operating Gain (Loss)	(275.5)	(291.2)	(274.3)	(284.06)	(304.6)
Other non-operating revenues and expenses, net	257.5	261.6	261.8	260.6	269.0
Income (Loss) before capital contributions	(18.0)	(29.6)	(12.5)	(23.4)	(35.6)
Capital contributions	26.7	47.9	64.0	51.5	41.8
GASB 68 Adjustment	\$0.0	\$0.0	\$0.0	\$0.0	(\$217.3)
Change in net position	\$8.6	\$18.2	\$51.5	\$28.1	(\$211.1)

*FY11= fiscal year 2010-11 (July 2010 – June 2011)

Total Expenses (\$373.3 million in FY 2015)

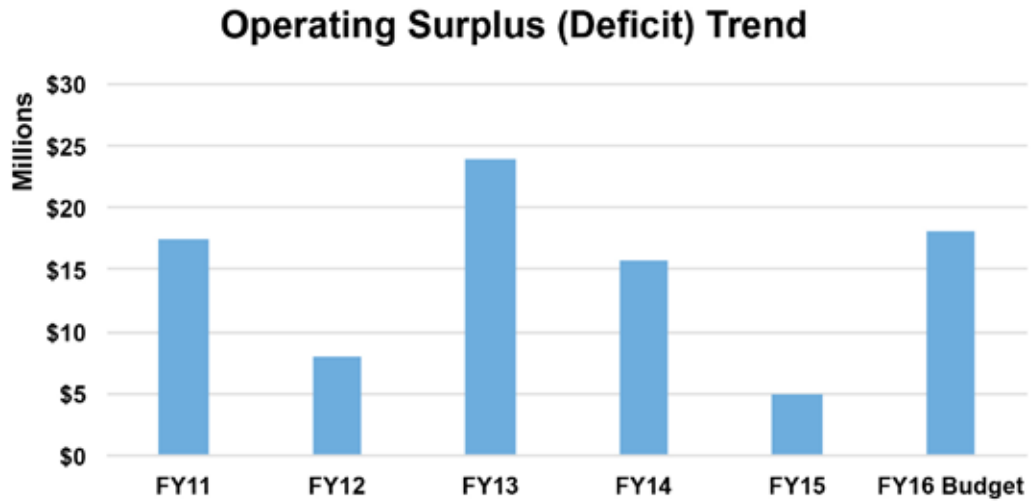


Total Revenues (\$337.7 million in FY 2015)



Operating Surplus

The District is in stable financial condition and emerged from the Great Recession a more efficient agency. The chart below illustrates a healthy financial trend due to a combination of a strong local economy and financial discipline in controlling costs. The fiscal year 2016 budget includes a full year of Measure BB funding. The operating surplus allows the District to fund capital projects, build reserves, or pay down principal on debt.

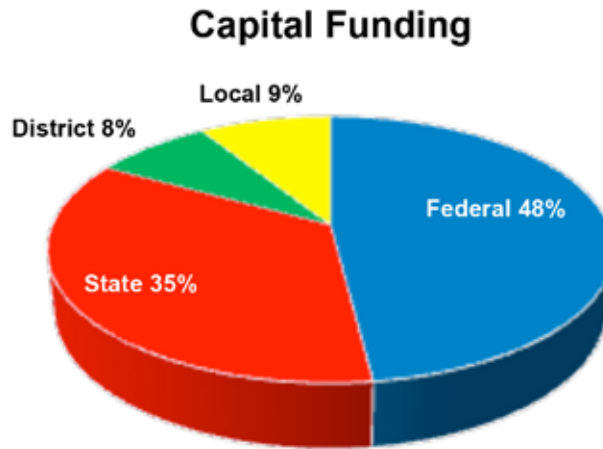


Capital Investment

Public transportation is a capital-intensive business. The District's total multi-year capital budget is approximately \$400 million, with new projects approved each year in the range of \$40-\$60 million. The East Bay Bus Rapid Transit project is currently the largest part of the capital budget at \$180 million.

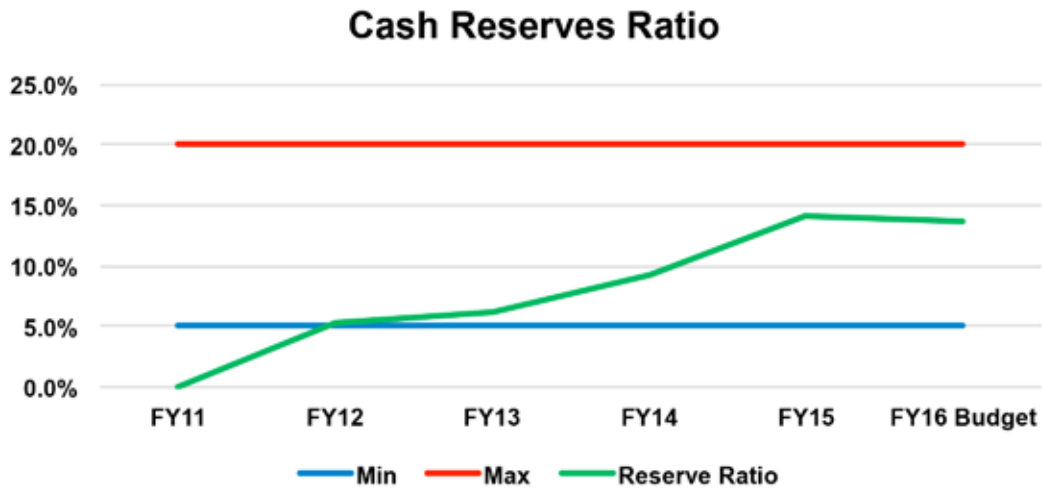
The four main categories of investment are: (1) Fleet Replacement and Expansion, (2) Facilities, (3) Technology and (4) Corridors. Fleet Replacement and Expansion are the District's top priority to ensure efficient and effective service to our riders. Facilities investments consist of rehabilitation and upgrades to the District's building and service infrastructure. Technology investments focuses on the various computer and network systems used to manage all of the District's operations. Corridor investments help to improve the efficiency and reliability of bus operations throughout the District's service area.

The chart below illustrates the funding sources of the capital budget at the end of fiscal year 2015.



Cash Reserves

Cash reserves are important so the District has enough resources to handle economic disruptions or unexpected expenditures without impacting service. The District has a Board Policy that requires it to maintain cash reserves between 5 percent and 20 percent of the current year's operating expense budget. Internally, the District has a goal of 17 percent based on GFOA's best practices. The table below shows how the District has made great strides to build reserves following the Great Recession.



Long-Term Debt

The issuance of long-term debt (Certificates of Participation or bonds) allows the District to acquire major assets and finance large projects such as buildings and technology improvements. The District is governed by Board Policy that sets limits on how much debt the District may issue. At the end of fiscal year 2015, the District had \$24.5 million of outstanding debt, well below proscribed policy limits. The current three outstanding issues include:

1. **December 2007** – \$13.5 million issued to acquire and install a financial and human resources/payroll software system.
2. **February 2009** – \$15 million issued to acquire land at 66th Avenue in Oakland and for improvements to existing facilities.
3. **February 2012** – \$9.84 million issued to refinance existing debt.

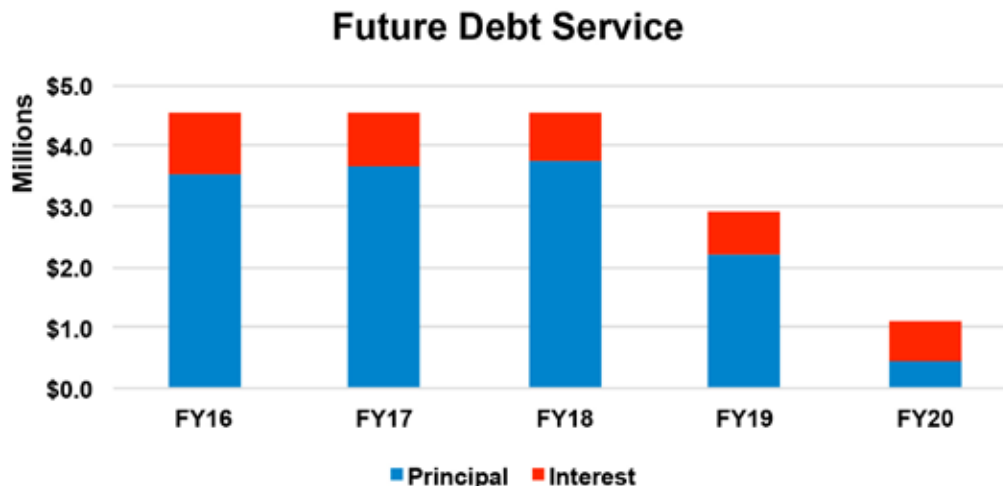
Credit Rating

During the fiscal year, Standard & Poor's reviewed the District and affirmed its A+ credit rating with a stable outlook. The reasons for this good rating include the District's robust financial policies, professional management and very strong economic fundamentals with very low debt burden.

Future Debt Service

Future debt service (principle and interest) is the amount to be paid on existing debt using operating revenues and subsidies.

While issuing debt provides quick access to resources to finance projects, the debt burden can impact the District's ability to support current services. When resources are committed to pay fixed amounts for debt service, the ability to maintain service levels becomes more difficult if revenues decline. Therefore, the District is extremely cautious when considering issuing new debt. Of the District's three outstanding debt issues, two will mature over the next five years. The table below illustrates the declining debt service payments.



Contact Information

AC Transit website	actransit.org
Trip-Planning Assistance	call 511 (and say, "AC Transit")
Telephone Device for the Deaf	Dial "711" (through the California Relay Service)
Customer Feedback	actransit.org/feedback or call 511 (and say, "AC Transit")
Finance Department	financePAFR@actransit.org
Staff & Department Directory	(510) 891-4777
General Offices Address	1600 Franklin Street Oakland, CA 94612



Alameda-Contra Costa Transit District
1600 Franklin Street
Oakland, CA 94612

actransit.org

Finance Department • February 2016