



# **ALAMEDA-CONTRA COSTA TRANSIT DISTRICT PARCEL TAX FISCAL OVERSIGHT COMMITTEE**

## **MINUTES**

### **Special Meeting of the Parcel Tax Fiscal Oversight Committee**

AC Transit General Offices  
10<sup>th</sup> Floor Conference Room  
1600 Franklin Street  
Oakland, CA 94612

**Tuesday, December 2, 2014, at 1:00 p.m.**

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#### **MEMBERS OF THE OVERSIGHT COMMITTEE**

JANET ABELSON  
ELOISE BODINE  
MARK CHEKAL-BAIN  
BEVERLY JOHNSON  
IGOR TREGUB  
MARIA VIRAMONTES  
MATT WILLIAMS

#### **DISTRICT OFFICERS**

DAVID J. ARMIJO, GENERAL MANAGER  
DENISE C. STANDRIDGE, GENERAL COUNSEL  
LINDA A. NEMEROFF, DISTRICT SECRETARY  
JAMES PACHAN, INTERIM CHIEF FINANCIAL OFFICER

<b>PARCEL TAX FISCAL OVERSIGHT COMMITTEE</b> <b>Tuesday, December 2, 2014, at 1:00 p.m.</b>	<b>ACTION SUMMARY</b>
<p>The Alameda-Contra Costa Transit District Parcel Tax Fiscal Oversight Committee held a special meeting on Tuesday, December 2, 2014. The meeting was called to order at 1:04 p.m. by Member Janet Abelson.</p>	
<p><b>ADMINISTRATION OF THE OATH OFFICE</b>  District Secretary Linda Nemeroff administered the Oath of Office to newly appointed member Igor Tregub.</p>	<p><b>OATH OF OFFICE ADMINISTERED</b></p>
<p><b>1. ROLL CALL</b>  Members Present: Janet Abelson, Eloise Bodine, Mark Chekal-Bain, Beverly Johnson, Igor Tregub, Maria Viramontes, Matt Williams</p> <p>Members Absent: None</p> <p>District Officers and Staff Present:  David Armijo, General Manager  Denise Standridge, General Counsel  Linda Nemeroff, District Secretary  James Pachan, Interim Chief Financial Officer  Ralph Martini, Controller</p>	
<p><b>2. SELECTION OF CHAIRPERSON</b>  The Chair shall serve at the pleasure of the Committee and shall be selected from the majority of the Committee members present.</p> <p>Member Abelson called for nominations for the position of Committee Chair. Member Chekal-Bain nominated member Abelson as chair for 2014 and 2015, which was seconded by member Williams. Nominations were closed by a motion from member Williams and seconded by member Viramontes. The motion carried unanimously.</p> <p>MOTION: CHEKAL-BAIN/WILLIAMS to select Janet Abelson to serve as Chair of the Committee for 2014 and 2015. The motion carried by the following vote:</p> <p>AYES:7: Chekal-Bain, Williams, Abelson, Bodine, Johnson, Tregub, Viramontes</p>	<p><b>APPROVED THE SELECTION OF JANET ABELSON AS CHAIR</b></p>
<p><b>3. PUBLIC COMMENT</b>  There was no public comment offered.</p>	

**4. DISCUSSION/ACTION ITEMS:**

- 4A. Consider approving the minutes of the District Parcel Tax Fiscal Oversight Committee meeting of December 3, 2013.**

**APPROVED**

MOTION: WILLIAMS/BODINE to approve the minutes as presented.  
The motion carried by the following vote:

AYES:4: Williams, Bodine, Chekal-Bain, Abelson

ABSTAIN:3:Johnson, Tregub, Viramontes

- 4B. Consider review and approval of the Measure V V Financial Statement and the adoption of Resolution No. 14-01 determining that the Measure V V funds collected during the 2013-14 Fiscal Year have been appropriated and expended in Special Transit Service District No. 1 for operation and maintenance activities (CFO Report 14-01).**

**ADOPTED  
RESOLUTION  
14-01**

Interim Chief Financial Officer James Pachan gave an update on the District's financial condition and introduced Vicki Rodriguez of Maze and Associates who provided an overview of the agreed-upon procedures used to perform the review of the Measure VV proceeds. She reported that no exceptions, deviations or miscalculations were found and verified that the Measure VV proceeds received by the District did not exceed the operations and maintenance expenses allocated to Special Transit Service District No. 1 (District 1) and that District 1 operations and maintenance expenses exceeded Measure VV funding.

During the meeting, discussion ensued regarding the following:

- The cost of fringe benefits;
- Concerns about service miles and service hours in District 1 versus District 2;
- The issue of supplanting as it may pertain to property tax distribution in District 1 versus District 2; and
- Experience rates for workers' compensation.

Member Viramontes noted the cost of fringe benefits. While Mr. Pachan explained the District's efforts to control some costs, he also pointed out that the pension plan was a major expense which has yet to benefit from pension reform as transit agencies are exempt from the Public Employees' Pension Reform Act until a decision is rendered by the courts. General Manager David Armijo added that the pension system was still recovering from the economic downturn of 2008 and, in addition to paying the normal pension costs, the District also had to pay additional money towards the unfunded liability.

Member Viramontes inquired about the District rate on insurance for workers' compensation. Mr. Armijo advised that there had been at

least one major settlement in the past two years, therefore, insurance costs have increased.

Members of the Committee expressed concern that the Schedule of Service hours and Service Miles reflected an increase in service hours in Special District No. 1 but a decrease in service miles. It also showed an increase in service hours and miles in Special District No. 2. Staff attempted to justify the differential, but advised that the Planning Department would need to review the figures and provide a response, which will be forwarded to the Committee.

Member Tregub asked for more information on the Committee's discussion from 2012 regarding supplanting. After a brief recap, members of the Committee questioned 1) whether District 2 had received a disproportionately larger share of property taxes, and 2) whether supplanting may have occurred through the distribution of property taxes to District 1 and District 2.

Member Chekal-Bain commented on a chart depicting the revenue sources for District 1 and District 2, noting that the property tax revenue allocated to District 2 seemed much higher than it should be when compared with District 1 given that property values in District 1 tend to be much higher. Ms. Rodriguez advised that while property values may go up, the revenue from property tax receipts will not increase until pre-Proposition 13 properties are resold. She also advised that the amount of the property tax revenues received were confirmed with the county. Member Viramontes added that property tax proceeds were distributed by the county and were return to source.

*[Subsequent to the meeting and after further review of the aforementioned charts, District 1 receives approximately 80% of all property tax revenue AC Transit receives while District 2 receives approximately 20%. In addition, 40% of all revenue District 2 receives is from property tax, while 20% of all revenue District 1 receives is from property tax. The charts are incorporated into the minutes as Exhibit A.*

Discussion ensued as to the methodology used by each county to allocate property tax revenue. Member Chekal-Bain wanted to know how much property tax revenue is received from Alameda County and what formula is used to determine how much of it goes to District 1 and District 2. He added that he would not feel comfortable voting to support the resolution without the information. Controller Ralph Martini advised that property tax revenues come directly from the county identified by District and are allocated based upon the county designations. He added that the District received \$68.5 million for Alameda County of which District 2 receives \$15.3 million and District 1 receives \$53.2 million.

Member Chekal-Bain raised a concern in that the Schedule of Revenues and Expenses by Service Area Business Type Activity and Schedule of Revenues and Expenses by Service Area did not balance, noting that while District No. 1 was receiving 89% of the revenues, it was only receiving 85% of the service. *[Subsequent to the meeting, upon review and recalculation, it was determined that the percentages for revenues and expenses for both schedules did balance in that 89% of the revenues were allocated to District 1 as were 89% of the expenses for service.]*

Member Chekal-Bain made a motion that the District provide the Committee with information on the formula used by the county to distribute property taxes or that the Committee write a letter to the County Administrator requesting an explanation. Members of the Committee discussed the motion and determined that staff could request the information and provide it to the Committee.

The Committee discussed whether or not to schedule a follow-up meeting to review the information requested from staff. The General Manager advised that staff could schedule a follow-up meeting if necessary.

Member Chekal-Bain commented that he would abstain on the resolution until he could see a chart of the breakdown of property tax revenue by city because the intent of the voters was to receive extra service for paying the parcel tax.

The District Secretary advised that the Committee could issue another report to the Board of Directors if it decided to meet again in January.

**MOTION: WILLIAMS/VIRAMONTES** to approve of the Measure VV Financial Statement and the adoption of **Resolution No. 14-01** determining that the Measure V V funds collected during the 2013-14 Fiscal Year have been appropriated and expended in Special Transit Service District No. 1 for operation and maintenance activities. The motion carried by the following vote:

AYES:6: Williams, Viramontes, Bodine, Johnson, Tregub, Abelson

ABSTAIN:1: Chekal-Bain

*[A response to the Committee's questions is provided in Exhibit B of these minutes.]*

## **5. COMMITTEE/STAFF COMMENTS**

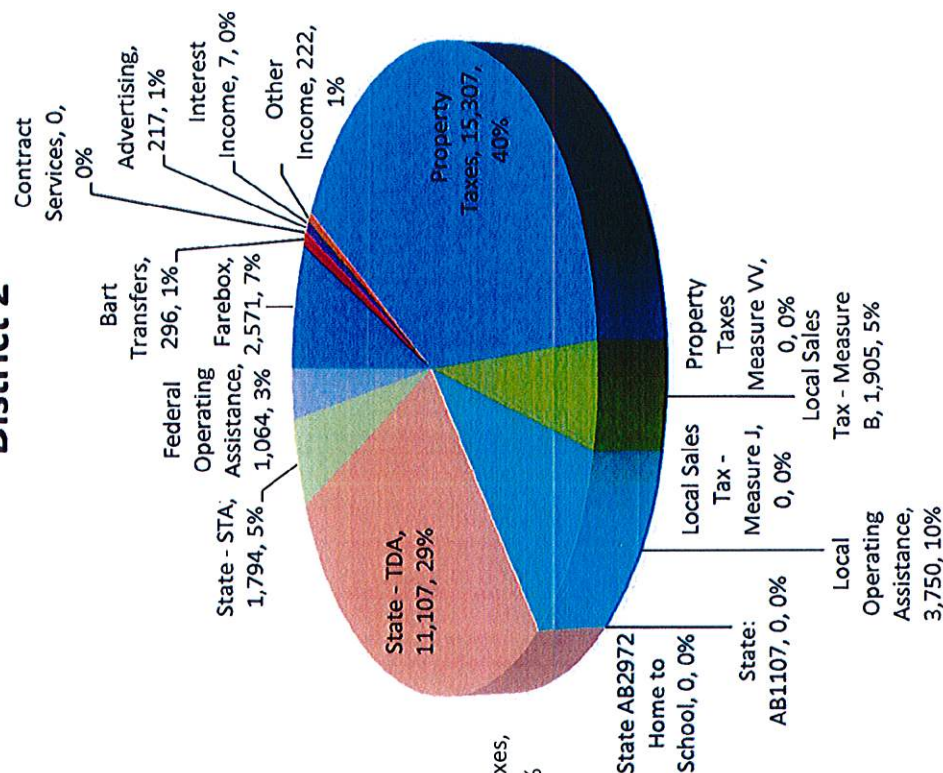
There were no comments offered.

6. **ADJOURNMENT**

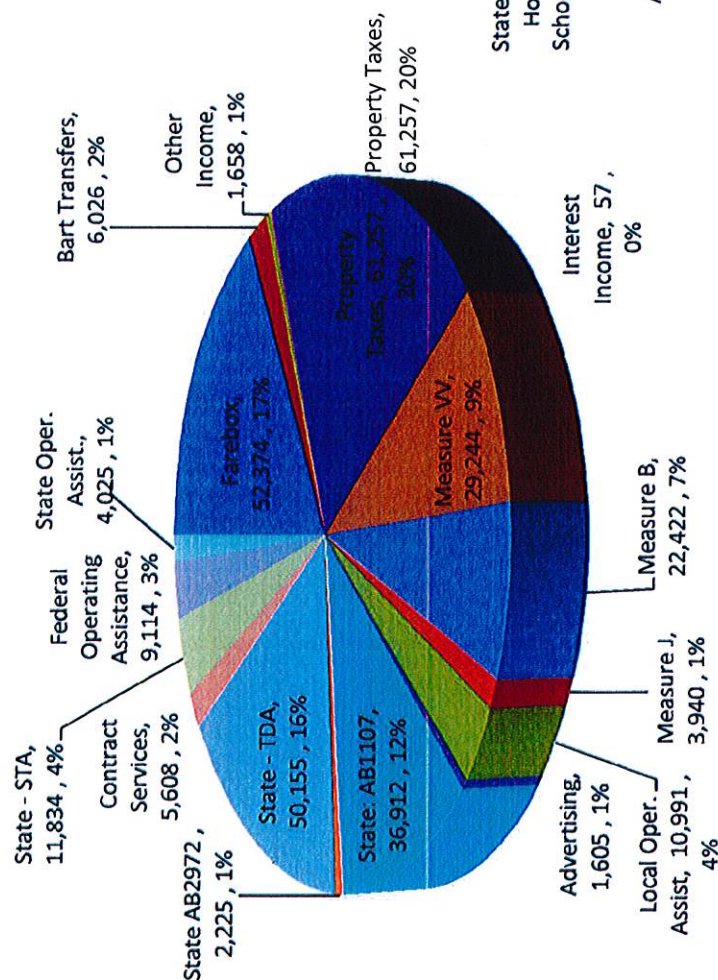
There being no further business to come before the Committee, the meeting adjourned at 2:37 p.m. The next meeting of the District Parcel Tax Fiscal Oversight Committee is scheduled for December 2015.

Respectfully submitted,

  
\_\_\_\_\_  
Linda A. Nemeroff  
District Secretary



## District 1



The pie charts shown above illustrate revenue by source and percentage share of each revenue source by District. These pie charts mirror the information stated in the "Schedule of Revenues" by service area for the year ended June 30, 2014, presented in staff report 14-260, dated 10/22/2014. Total Revenue and Subsidies for the year ended June 30, 2014 for District 1 was \$309.5 Million and for District 2 \$38.2 Million.





## Alameda-Contra Costa Transit District

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December 8, 2014

### Parcel Tax Fiscal Oversight Committee

Janet Abelson  
Eloise Bodine  
Mark Chekal-Bain  
Beverly Johnson  
Igor Tregub  
Maria Viramontes  
Matt Williams

### RE: Response to open issues from the Parcel Tax Oversight Committee meeting

The Parcel Tax Oversight Committee members asked a series of detailed questions and provided valuable feedback to staff at the December 2<sup>nd</sup> Parcel Tax Fiscal Oversight Committee meeting. District staff and the representative from Maze and Associates were able to provide answers to many of the inquiries; however, there were a few open issues remaining at the end of the meeting that District staff agreed to investigate and report back to the committee. The responses to the open issues are provided below:

**Workers' Compensation Rates** – The Legal Department investigated the workers' compensation rate issue that was brought up at the meeting. The Workers' Compensation Manager advised that the District is self-insured and does not have an experience modification rate. The District's workers' compensation insurance services broker also verified that the District has self-insured retention of \$1 million and therefore does not have a traditional experience modification rate. The broker noted that the current rate to calculate the premium for the District is .2764 multiplied by payroll (per \$100), but noted that the calculated rate is not the experience modification rate.

**Service Hours / Service Miles Variations** – The Planning Department provided the rationale for the variations in the service hours and service miles. The increase in Service Hours for both Special District No. 1 and No. 2 was related to the service enhancement program initiated during the past fiscal year. The mileage reduction in District No. 1 was due to the addition of operator running time (service hours) into existing schedules to improve on-time performance without the addition of any new trips. The addition of service hours to existing schedules for off-peak buses resulted in an increase in service hours along with a decrease in deadhead miles from buses returning to divisions.

The increase in mileage in Special District No. 2 was the result of deadheading buses to and from the Hayward Division to avoid high travel time costs. In Fiscal Year 2012/13, the District was unsuccessful in an arbitration related to operator travel time to provide in-service relief to operators. A cost / benefit analysis determined that the routing of buses back to the Hayward division was more efficient than paying the additional travel time for operators to take public transportation to provide relief to the operators providing service due to the larger headways and travel distances for relief in District No. 2. The increase in mileage is related to the increase in deadhead miles back to divisions to provide operator relief.





## Alameda-Contra Costa Transit District

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**Resource Allocation** – The meeting included a discussion about ensuring that Special District No. 1 resources were not being used to supplant resources in Special District No. 2. A committee member indicated that the table on page 3 of the *“Special Transit Service Districts No. 1 and No. 2 - Schedule with Independent Auditors Report”* in section 4 of the binder showed that the revenues for District 1 of \$309,447,513 were 89 percent of the total revenues; however, the expenses of \$332,047,881 were 85 percent of the total expenses. Staff reported that the revenues are allocated on a return to source basis and not used to supplant resources for other districts; however, the actual percentages for the revenues and expenditures were not calculated in the meeting. After the meeting, staff conducted a review of the revenues and expenses and found that the calculations being presented at the meeting were incorrect. The following represents the correct calculations for the total revenue and expense calculations for District 1 from that report:

### Revenues

$$\begin{array}{rcl} \$ & 309,447,513 & \\ \hline \$ & 347,688,607 & = 89.0\% \end{array}$$

### Expenses

$$\begin{array}{rcl} \$ & 332,047,881 & \\ \hline \$ & 373,498,545 & = 88.9\% \end{array}$$

During this review, staff identified that an earlier draft of the “Special Transit Service Districts No. 1 and No. 2” report (version of 10/13/2014) was provided in the Parcel Tax Oversight Committee packet. This report overstated Operator Wages expenses by \$2.0 million; however, the correction would result in only a one-tenth of a percentage point adjustment in the expense percentage. The reduction in the expenses for District 1 to \$330,047,881 would result in expenditures of 88.8 percent of the total expenses.

The correct calculations for the District 1 revenues and expenses in comparison to the total revenues and expenses clarifies that there is no supplanting of resources from Special District 1 to Special District No. 2.

**Property Tax Allocations** - The meeting included a discussion about the property taxes allocated to Special District No. 1 and Special District No. 2. In the meeting, staff provided an explanation that the property tax amounts in the report are based upon Alameda County Tax Collection disbursements. Staff also noted that the amounts from Special District No. 1 and Special District No. 2 could vary based upon the value of the homes sold in the region and the impact of Prop 13. In the meeting, staff reported that the County tax disbursements were provided to the District with a designation of Special District No. 1 or Special District No. 2, and that the information was provided by city and unincorporated area. A further review of the data revealed that redevelopment disbursements are listed by city, but the County taxes are provided as disbursements to Special District No. 1 or Special District No. 2. Staff requested more detailed disbursement information by city and unincorporated area from the County; however, the County provided documentation noting that the Countywide 1% tax revenue is allocated according to the AB8 allocation factors that staff included along with this letter.



## Alameda-Contra Costa Transit District

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Finally, a review of the recording from the meeting revealed that clarification of the information included in the pie charts behind the 2<sup>nd</sup> tab in the binder is necessary. The review of the discussion from the meeting appeared to suggest that the pie charts were showing a larger percentage of property taxes going to District 2, since the percentage listed in the District 2 pie chart (40%) was larger than on the District 1 pie chart (20%). It is important to note that each pie chart provides a breakdown of each district's individual revenues. The percentages from the District 1 pie chart total to 100 percent and the percentages from the District 2 pie chart total to 100 percent. While property taxes comprise only 20 percent of the total revenues from District 1, the amount of property tax revenues is \$61,256,734, which is 80% of all property tax revenue received by AC Transit, compared to only \$15,306,651 or 20% for District 2.

I want to thank the members of the Parcel Tax Fiscal Oversight Committee for all of your efforts and thoughtful questions concerning issues involving the appropriation and expenditure of revenues from Measure VV. The District is committed to ensuring that the Measure VV revenues are appropriated and expended in accordance with the will of the voters.

If there are any additional questions, please contact me by email at [jpachan@actransit.org](mailto:jpachan@actransit.org) or by phone at (510) 891-7215. If the Committee wishes to call another meeting to review this information in more detail, please let me know and one can be facilitated at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'JPachan', with a long horizontal flourish extending to the right.

James D. Pachan  
Interim Chief Financial Officer

cc: AC Transit Board of Directors  
David J. Armijo, General Manager  
Linda A. Nemeroff, District Secretary  
Denise C. Standridge, General Counsel

Attachments: Email from Alameda County Tax Analysis  
County tax revenue allocations based upon AB8 allocation factors

**From:** Caballero, Trina, Auditor Agency [<mailto:trina.caballero@accgov.org>]  
**Sent:** Friday, December 05, 2014 3:11 PM  
**To:** Ralph Martini  
**Subject:** Request

Good Afternoon,

Countywide 1% tax revenue is allocated according to the attached AB8 allocation factors. The base factors were set in the late 1980's, according to law, and are adjusted annually for the revenue growth within each district in comparison to the Countywide revenue growth. Although they are recalculated annually, the change from one year to the next is generally insignificant.

*Trina Caballero*  
Tax Analysis  
510-272-6557, tieline 2-6557  
Fax 510-272-6725 QIC 20109



<u>AGENCY</u>		<u>2014/15</u>	<u>2013/14</u>
County General	T	0.17959930	.17977713
County Free Library	T	0.00893884	.00883357
County Free Library Sp. Tax Zone	T	0.00017287	.00016760
Alameda County Fire Department	T	0.01565494	.01608345
AlaCo Fire Zone 1 (Castro Valley)	T	0.00015651	.00015601
AlaCo Fire Zone 2 (Ramon)	T	0.00001497	.00001422
AlaCo Fire Zone 3 (Castlewood)	T	0.00013635	.00013910
AlaCo Fire Zone 4 (Happy Valley)	T	0.00005530	.00005553
County Service Area PP-1991-1	T	0.00716412	.00715978
Fairview Fire District	T	0.00129199	.00128902
Ala. Co. Resource Conservation	T	0.00008471	.00008337
County Flood Control	T	0.00132825	.00132774
Flood Control Zone No. 2	T	0.00159933	.00159246
Flood Control Zone No. 2A	T	0.00009837	.00009740
Flood Control Zone No. 3A	T	0.00160775	.00160138
Flood Control Zone No. 4	T	0.00013095	.00014204
Flood Control Zone No. 5	T	0.00281078	.00276984
Flood Control Zone No. 6	T	0.00215062	.00215811
Flood Control Zone No. 7		0.00305268	.00298753
Flood Control Zone No. 9	T	0.00009945	.00011817
Flood Control Zone No. 12	T	0.00398790	.00398805
Flood Control Zone No. 13	T	0.00039802	.00039436
Ala. Co. Mosquito Abatement	T	0.00090278	.00090231
County Service Area R-1967-1	T	0.00001914	.00001964
County Service Area SL-1970-1	T	0.00000382	.00000396
Hayward Area Recreation & Park	T	0.00773023	.00776080
Livermore Area Recreation & Park	T	0.00363823	.00360676
Audio Visual Capital	T	0.00016519	.00016505
Co. Supt. Sch. Service	T	0.00106676	.00106677
Co. Supt.Sch. Capital	T	0.00082172	.00082173
Sch. Dev. Center	T	0.00082983	.00083030
Sch. TMR EC 1887	T	0.00036413	.00035916
Sch. Phy.HDCP EC 1856	T	0.00135954	.00134103
Sch. Instit. Pupils	T	0.00171742	.00171748
Sch. Juv. Hall Education	T	0.00035432	.00035434
Sch. TMR PH Capital	T	0.00002979	.00002940
Sch. TMR PH Tuition	T	0.00018291	.00018044
Alameda Unif. Gen.	T	0.00934198	.00935370
Albany Unif. Gen.	T	0.00210928	.00214852
Berkeley Unif. Gen.	T	0.01244983	.01273396
Castro Valley Unif. Gen.	T	0.00497066	.00518775
Fremont Unif. Gen.	T	0.03250145	.03232455
Dublin Unif. Gen.	T	0.01240913	.01143333
Hayward Unif. Gen.	T	0.01584828	.01580837
Livermore Vly. Jt. Unif. Gen.	T	0.01622507	.01604123
Oakland Unif. Gen.	T	0.03676317	.03666264
Newark Unif. Gen.	T	0.00628393	.00620048
New Haven Unif. Gen.	T	0.00859011	.00861660
Piedmont Unif. Gen.	T	0.00341960	.00345138
San Leandro Unif.Gen.	T	0.00646426	.00695047
San Lorenzo Unif. Gen.	T	0.00595680	.00590992

<u>AGENCY</u>		<u>2014/15</u>	<u>2013/14</u>
Pleasanton Unif. Gen.	T	0.02059456	.02064367
Sunol Glen Unif. Gen.	T	0.00047274	.00046346
Emery Unif. Gen.	T	0.00220411	.00223932
Mt. House Elem. Gen.	T	0.00008011	.00008980
Ohlone Comm. Col. Gen.	T	0.00731964	.00726872
Peralta Comm. Col. Gen.	T	0.00966519	.00971209
Chabot-Las Positas Comm. Col. Gen.	T	0.01223238	.01222931
City of Alameda	T	0.01276226	.01277063
City of Albany		0.00191056	.00194648
City of Berkeley		0.02231526	.02282984
City of Dublin		0.01184629	.01091093
City of Emeryville		0.00400505	.00406673
City of Fremont		0.02556748	.02542254
City of Hayward		0.01328439	.01329010
City of Livermore		0.01199849	.01182253
City of Newark		0.00488408	.00481738
City of Oakland		0.05658815	.05644274
City of Oakland - Zoo		0.00035559	.00035480
City of Piedmont	T	0.00491034	.00495597
City of Pleasanton		0.02158864	.02160150
City of San Leandro		0.00578986	.00615304
City of Union City		0.00658316	.00658429
Bay Area Air Quality Mgmt.	T	0.00216672	.00216675
Education Rev. Augmentation Fund	T	0.23488996	.23490230
Castro Valley Sanitary Dist.	T	0.00032894	.00034541
East Bay Regional Park District		0.02969186	.02968780
AC Transit Sp. Dist. 1		0.02778675	.02813740
AC Transit Sp. Dist. 2		0.00717460	.00712332
BART		0.00636634	.00636642
Alameda County Water Dist.		0.00212175	.00210936
Byron Bethany Irrigation Dist.	T	0.00019244	.00022605
EBMUD		0.00724180	.00735087
EBMUD Sp. Dist. 1		0.00191429	.00192412
Lammersville Unif. Gen		0.00008243	.00009240
San Joaquin Delta Com. Col. Gen.	T	0.00003033	.00003400
Tracy Jt. Un. Hi. Gen.		0.00000000	.00000000
TOTAL		1.00000000	1.00000000
Note: School District Subtotal =		.19676750	.19630705
Co. Supt. of Sch. Subtotal =		.00689161	.00686461
E.R.A.F.		.23488996	.23508723
Community Colleges		.02924754	.02924832
Cities		.20438960	.20445364
special districts		.13910278	.13938205
County		.17959930	.17970599
Co. Library		.00911171	.00895111
Teeter		.72785040	.72753186
Non Teeter		.27214960	.27246814
T = Teeter Plan			