



ALAMEDA-CONTRA COSTA TRANSIT DISTRICT PARCEL TAX FISCAL OVERSIGHT COMMITTEE

MINUTES

Special Meeting of the Parcel Tax Fiscal Oversight Committee

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

Tuesday, June 20, 2017 at 9:00 a.m.

MEMBERS OF THE OVERSIGHT COMMITTEE

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

DISTRICT OFFICERS

MICHAEL A. HURSH, GENERAL MANAGER
DENISE C. STANDRIDGE, GENERAL COUNSEL
LINDA A. NEMEROFF, DISTRICT SECRETARY
CLAUDIA ALLEN, CHIEF FINANCIAL OFFICER

SPECIAL PARCEL TAX FISCAL OVERSIGHT COMMITTEE MEETING Janet Abelson, Chair Tuesday, June 20, 2017 at 9:00 a.m.	ACTION SUMMARY
<p>The Alameda-Contra Costa Transit District Parcel Tax Fiscal Oversight Committee held a special meeting on Tuesday, June 20, 2017. Chair Abelson called the meeting to order at 9:05 a.m.</p> <p>1. ROLL CALL Members Present: Eloise Bodine, Mark Chekal-Bain, Beverly Johnson (arrived at 9:09 a.m.), Matt Williams, Janet Abelson</p> <p>Members Absent: Maria Viramontes, Igor Tregub</p> <p>District Board Liaison Present: Director Greg Harper Also Present: Director H. E. Christian Peoples</p> <p>District Officers and Staff Present: Michael A. Hursh, General Manager Denise C. Standridge, General Counsel Linda A. Nemeroff, District Secretary Claudia Allen, Chief Financial Officer Brad Schelle, Crowe Horwath</p> <p>2. PUBLIC COMMENT There was no public comment offered.</p> <p>3. CONSENT ITEMS:</p> <p>3A. Consider approving the minutes of the District Parcel Tax Fiscal Oversight Committee meeting of December 13, 2016.</p> <p>The minutes were continued to the next meeting because there were not enough Committee members present from the previous meeting to obtain approval.</p> <p><i>Items were taken out of sequential order, but are reported in sequential order in the minutes for ease in reading.</i></p> <p>4. DISCUSSION ITEMS:</p> <p>4A. History and scope of the Parcel Tax Fiscal Oversight Committee.</p> <p><i>[Copies of the following documents were distributed at the meeting for the Committee's information and/or consideration:</i></p> <ul style="list-style-type: none"> ▪ <i>Staff Report 15-148c;</i> ▪ <i>Ballot Measure Submittal Form; and</i> ▪ <i>Revenues and Subsidies Pie Charts for Special Districts 1 and 2.]</i> 	<p>CONTINUED TO THE NEXT MEETING</p> <p>REQUEST THE AC TRANSIT BOARD OF DIRECTORS TO DIRECT STAFF TO PROVIDE AN ANNUAL REPORT ON THE PERCENTAGE OF</p>

**UNRESTRICTED
FUNDS
ALLOCATED TO
DISTRICT 1 AND
DISTRICT 2**

General Counsel Denise Standridge gave an overview of the history of the Committee, noting that its scope of review was to ensure that parcel tax funds were spent on operations and maintenance for bus service in Special District 1, and was consistently defined in each parcel tax to include equipment, supplies, fuel and lubricants, personnel, compensation and payment for maintenance of facilities. She added that it was not the role of the Committee to say that it didn't like the amount of money that was spent on compensation, fuel, or the service being provided.

Member Chekal-Bain struggled with the language that appeared in the ballot measures, ballot arguments in favor of the measure, and Board resolutions about the Committee's oversight role with respect to "...independent oversight of all money spent locally" and what that meant. Ms. Standridge advised that it meant the Committee was independent of the District and the Board of Directors. Mr. Chekal-Bain argued that he felt it meant the Committee had oversight of all money spent locally, not just the parcel tax funds. He agreed that the Committee did not have a role with respect to labor negotiations or individual compensation for any employee, but felt, however, how much the District spent on benefits was an appropriate question and concern. He also felt the General Counsel's definition of the scope was too narrow.

Ms. Standridge clarified that the language of the measure specific to "oversight" pertained to how the funds were used for operations and maintenance. She added that other parcel tax committees for school districts have a similar role: oversight of what the parcel tax funds are to be used for. She added that the District's parcel tax is to be used for operations and maintenance, which is defined with respect to Special District 1. For example, funds designated for home-to-school transportation were not a part of the parcel tax.

Mr. Chekal-Bain offered an example involving three revenue sources: federal, local (for District 1 only), and fare revenue, arguing his concern that more federal money was being spent in Special District 2 because District 1 had an additional local funding source that District 2 did not. He felt it was the duty of the Committee to ensure that extra dollars were not spent in Special District 2 or in places like Union City that either refuse to pay extra for service or do not pay at all. He felt that those who were willing to tax themselves should not pay for those that don't, and suggested the Committee consider getting an Attorney General opinion.

Ms. Standridge advised that the Committee was independent, and as such, was free to ask for an Attorney General opinion, but her opinion

was that the only revenue source subject to oversight by the Committee was parcel tax money.

Chief Financial Officer Claudia Allen reported that \$30 million in parcel tax money was received each year in December, and by that time, the District had already expended in excess of the \$30 million in operating expenses. Member Chekal-Bain added that there is no question that the money wasn't being spent appropriately, but the question was whether other revenue sources were being spent in District 2 because that area did not have a parcel tax.

Member Chekal-Bain further called the Committee's attention to Staff Report 15-148c, which placed the parcel on the ballot last November, noting his understanding that it was actually the voters that approved the creation of the Committee and what it does. He also illustrated a scenario whereby there needed be a level playing field between District 1 and District 2 before taking the parcel tax into account. *[Please refer to Exhibit A, which by reference hereto is made part of these minutes.]* He added that those who tax themselves should receive more service. Director of Management and Budget Chris Andrichak commented that while staff understood the scenario that Mr. Chekal-Bain was trying to present, the notion that federal and Regional Measure 2 dollars were unrestricted was not reality. Mr. Chekal-Bain clarified that he wanted to make sure that District 2 was not getting money from elsewhere because District 1 residents had voted to tax themselves.

Member Johnson commented that even though she understood staff's position, the concern posed by Member Chekal-Bain raised a legitimate question for the Committee because tax payers in District 1 should not subsidize the service in District 2. Member Bodine commented that the allocation methodology was key and it was important to ensure that what was spent for service in District 2 was done in accordance with it.

Chair Abelson commented that her concern was with areas outside of AC Transit that received the benefit of bus service without paying it, specifically Transbay. Director of Service Development and Planning Robert del Rosario commented that Transbay service to San Francisco operated only during peak hours from the East Bay, meaning that it could not be used in the morning to travel from San Francisco to the East Bay. He added that only Lines F, NL and O were mixed with local service and operated in both directions. Ms. Standridge advised that an inquiry into whether Measure C1 monies were being spent to operate the three lines mentioned was an example of a legitimate question the Committee could raise.

Chief Financial Officer Claudia Allen reported that the District's operating budget for the next fiscal year was in excess of \$400 million. She added that she can provide an exhibit showing how the \$30 million in parcel tax funds was spent monthly for the types of costs covered by the tax. Member Chekal-Bain advised that he was interested in seeing every source of unrestricted funds (not tied to a capital project) that could be spent in either district and the percentage received by each District. General Counsel Standridge advised that this was outside the purview of the Committee.

Member Chekal-Bain strongly disagreed with the District's General Counsel on the basis that it was the Committee's prerogative to ensure that District 2 did not receive other unrestricted monies over and above what it was entitled to because District 1 approved a local tax measure. Member Johnson agreed, noting that she did not feel data gathering or analysis were outside of the Committee's purview. Member Bodine commented that all funds needed to be distributed according to the allocation formula.

General Manager Michael Hursh offered the Committee any public report already in existence.

MOTION: CHEKAL-BAIN/JOHNSON to request that the AC Transit Board of Directors direct staff to provide information to the Parcel Tax Oversight Committee annually on the percentage amount of unrestricted funds allocated to District 1 and District 2 and that it be discussed annually.

Member Bodine asked why the motion was necessary when the Committee already received this information. Member Chekal-Bain advised that he felt it was necessary given the General Counsel's opinion that an analysis of the information was outside the Committee's purview. He was also concerned that the Committee would no longer receive this information.

The motion carried by the following vote:

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

ABSTAIN:1: Williams

ABSENT:2: Tregub, Viramontes

Public Comment:

- H. E. Christian Peoples, AC Transit Board of Directors, commented that the issue of whether the parcel tax funds were spent appropriately had been addressed because of Director Harper's request to look at monies from a District 2 perspective. He added that all money spent in District 2 was raised in District 2. He further

felt that the request to break down each unrestricted fund source was absurd; noting that the report that was requested already existed.

- Greg Harper, AC Transit Board of Directors, commented that the Committee had the ability to determine the methods by which they exercise their oversight. He added that the Board of Directors could not tell the Committee which method to use to fulfill their obligation under the statute.

Member Johnson left the meeting at 10:00 a.m.

4B. History of the District 1 - District 2 Allocation Methodology.

**INFORMATION
ONLY**

Chief Financial Officer Claudia Allen presented information on the allocation methodology, noting that allocations for expenses were primarily service miles and service hours, while revenues were directly assigned. The current methodology was developed approximately 10 years ago and formed the Board-approved agreed-upon procedures currently used. Any revisions to these procedures would require review, agreement and adoption by the Board of Directors and the Cities of Fremont and Newark.

The item was presented for information only.

4C. Auditor Agreed-upon Procedures.

**INFORMATION
ONLY**

Senior Manager with Crowe Horwath Brad Schelle discussed the role, responsibilities and reporting of the auditor with respect to Measure VV and Special Districts 1 and 2. He added that the existing procedures were meant to test the allocation methodology, which was consistent with other transit agencies.

With respect to the parcel tax, Mr. Schelle advised that AC Transit was somewhat unique in that the taxing area was divided between two districts within the same agency while other agencies generally had one tax applicable to the entire district.

The item was presented for information only.

4D. Special District 2 Hours and Miles Comparison.

**INFORMATION
ONLY**

Director of Service Development and Planning Robert del Rosario gave an overview of staff's analysis of the hours and miles comparison for Special District 2, noting that in FY 2014-15 and FY 2015-16 platform hours increased while platform miles decreased for service in District 2. He added that during this time period, the District had increased travel time and layover time on a number of routes in District 2, creating an

increase in hours operated without an increase in miles since the routes generally remained unchanged.

The item was presented for information only.

4E. FY 2016-17 audit.

Chief Financial Officer Claudia Allen presented reporting alternatives for the Committee to consider.

Member Chekal-Bain asked how the conflict in opinion between the General Counsel and some members of the Committee would be resolved (see Item 4A). General Manager Michael Hursh advised that staff would report to the Board on the Committee's request and seek their direction. Member Chekal-Bain advised that he would attend the meeting and would like to address the Board.

District Secretary Linda Nemeroff sought clarification from the Committee as to which reporting methodology they wanted to use and it was confirmed that the Committee would continue to provide a resolution to the Board.

After a brief discussion of the timeline and the availability of the audit documents, the Committee determined that the next meeting would occur in late October.

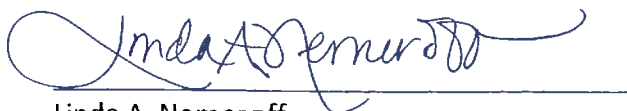
5. COMMITTEE/STAFF COMMENTS

There were no comments offered.

6. ADJOURNMENT

There being no further business to come before the Committee, the meeting adjourned at 10:26 a.m.

Respectfully submitted,



Linda A. Nemeroff
District Secretary

**INFORMATION
ONLY**