

**REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA**

**THE ALAMEDA-CONTRA COSTA TRANSIT DISTRICT:
SEVENTH AND FINAL QUARTERLY MONITORING REPORT**

REPORT BY THE
OFFICE OF THE AUDITOR GENERAL

P-861.7

THE ALAMEDA-CONTRA COSTA TRANSIT DISTRICT:
SEVENTH AND FINAL QUARTERLY MONITORING REPORT

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Acting Auditor General

July 5, 1990

P-861.7

Honorable Elihu M. Harris, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 2148
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its seventh and final quarterly monitoring report concerning the Alameda-Contra Costa Transit District's progress in implementing the recommendations from the Office of the Auditor General's report P-767 entitled "The Alameda-Contra Costa Transit District's Financial and Administrative Controls Need Improvement." The district has improved aspects of its budgeting process, and in this report we describe the status of the district's operating budget for fiscal year 1989-90 and describe the district's budget for fiscal year 1990-91.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Kurt Sjoberg".

KURT R. SJOBERG
Acting Auditor General

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SUMMARY

RESULTS IN BRIEF

Since March 1988, when we released our initial report about the Alameda-Contra Costa Transit District's (district) financial and administrative controls, the district has taken steps to improve its operations, but in this report, we note that the district's revised budget for fiscal year 1989-90 has an operating deficit. During our review for this report (our seventh and final monitoring report of the district), we noted the following conditions:

- The district's revised budget for fiscal year 1989-90 has a \$2.0 million deficit primarily due to expenses the district incurred as a result of the October 1989 earthquake;
- The district projects that its expenses for fiscal year 1990-91 will equal its revenues and subsidies, resulting in a balanced budget;
- The district plans to raise fares to increase its revenues and will implement the comprehensive service plan, which is intended to increase the number of passengers using district buses; and
- The district plans to cut some bus services to reduce its operating expenses.

BACKGROUND

As required by Chapter 1147, Statutes of 1988, this is our seventh and final quarterly monitoring report on the actions that the district has taken to correct deficiencies noted in the Office of the Auditor General's report entitled "The Alameda-Contra Costa Transit District's Financial and Administrative Controls Need Improvement," Report P-767, March 1988.

The district operates over 800 buses that, in the first ten months of fiscal year 1989-90, provided more than 50 million passenger trips in Alameda and Contra Costa counties and, to a lesser extent, to San Francisco and San Mateo counties. The district's revised budget for fiscal year 1989-90 shows projected revenues and subsidies of \$124.5 million and expected expenses of \$126.5 million, resulting in an estimated deficit of \$2.0 million. The district is governed by an elected board of seven directors. The board of directors appoints a general manager, who is responsible for the operations of the district; a district secretary; and an attorney for the district.

During our March 1988 review, we found that the district had insufficient financial control over its operations, and as a result, the district incurred deficits. In addition, the district had weak controls over the travel and personal expenses of its board of directors and officers, which resulted in some overpayments. Finally, five of the district's six full-time, salaried attorneys used district resources to conduct their private law practices.

PRINCIPAL FINDINGS

Status of the District's Financial Condition

The district's revised budget for fiscal year 1989-90 has a projected deficit of approximately \$2.0 million. We reviewed the district's budget projections and determined that they appear reasonable. The deficit appears to be the result of expenses incurred providing extra services after the Bay Area earthquake in October 1989. However, the district's initial claims for federal and state aid for its earthquake expenses have been denied. We were unable to determine when or if the district's claims will be resolved and whether the district will receive any federal or state relief.

The district's operating budget for fiscal year 1990-91 projects that district revenues and subsidies will equal expenses, resulting in a balanced budget. The district's budget for fiscal year 1990-91 contains provisions for a fare increase to enhance district revenues and also contains funding for the implementation of the district's comprehensive service plan, which is intended to increase the number of passengers using district buses. However, the district plans to reduce some bus services to decrease its operating expenses.

RECOMMENDATIONS

To improve its financial condition, the Alameda-Contra Costa Transit District should take the following actions:

- Develop a balanced or surplus budget for fiscal year 1991-92 and subsequent fiscal years; and
- Continue its efforts to obtain state or federal aid for the expenses incurred as a result of the October 1989 earthquake.

AGENCY COMMENTS

The Alameda-Contra Costa Transit District agrees with the content of our report.

INTRODUCTION

As required by Chapter 1147, Statutes of 1988, this is the seventh and final quarterly monitoring report on the actions that the Alameda-Contra Costa Transit District (district) has taken to correct deficiencies noted in the Office of the Auditor General's report entitled "The Alameda-Contra Costa Transit District's Financial and Administrative Controls Need Improvement," Report P-767, March 1988. (Appendix A contains a summary of our six previous monitoring reports.)

The district operates over 800 buses that, in the first ten months of fiscal year 1989-90, provided more than 50 million passenger trips in Alameda and Contra Costa counties and, to a lesser extent, San Francisco and San Mateo counties. The district, which has its headquarters in Oakland, has over 2,000 employees. The district's original operating budget for fiscal year 1989-90 showed projected revenues and subsidies of \$124.8 million and projected expenses of \$124.8 million, yielding a balanced budget. However, the January revision of the budget for fiscal year 1989-90 shows projected revenues and subsidies of \$124.5 million and expected expenses of \$126.4 million, resulting in a projected deficit of approximately \$2.0 million. (Appendix B shows a comparison between the district's original operating budget for fiscal year 1989-90 and the district's revised operating budget for fiscal year 1989-90.)

As specified in the California Public Utilities Code, the district is governed by a board of directors that supervises and regulates every transit facility owned and operated by the district. The board of directors is also responsible for administering the district's affairs and approving the district's budget. The voters of Alameda and Contra Costa counties elect the board's seven directors, who serve four-year terms. The board of directors appoints the officers of the district: a general manager, who is responsible for the operations of the district; a secretary; and an attorney for the district.

During our initial review, the results of which we released in March 1988, we found that the district had several weaknesses in its operations. For example, for fiscal years 1984-85 and 1986-87, the district's expenses had exceeded its revenues, and as a result, the district incurred deficits. We found that the district had insufficient controls over its financial operations, with weaknesses in its budgeting process contributing to its financial difficulties. For example, we found that the district generally overestimated its revenues and always underestimated its expenses. Furthermore, the district's monthly budget variance reports contained errors and were not submitted promptly to the board of directors.

We also found that the district had weak controls over the travel and personal expenses of its board of directors and officers, which resulted in some overpayments. Finally, five of the district's six full-time, salaried attorneys used district resources to conduct their private law practices.

To ensure that the district resolved its fiscal problems, we recommended that the district develop well-documented and reliable budget estimates; develop and promptly submit to the board of directors accurate variance reports; and balance its budget by increasing its revenues, decreasing its expenses, or both. We also recommended that the district recover overpayments made to district directors and that the district develop a policy prohibiting the use of district resources for nondistrict purposes.

As a result of our review, the Legislature enacted Chapter 1147, Statutes of 1988, requiring the Office of the Auditor General to monitor the progress of the district in correcting the deficiencies noted in our March 1988 report. The Office of the Auditor General is required to issue quarterly reports through July 1990.

In our previous monitoring reports, we reported that the district has improved its operations. In our last monitoring report, issued April 4, 1990, we reported that the district has implemented our recommendations concerning its budgeting process and budget variance

reports, reimbursement of travel and personal expenses, and controls over the use of district resources by employees for nondistrict purposes.

SCOPE AND METHODOLOGY

Because we reported in our last quarterly monitoring report that the district has implemented our recommendations from our March 1988 report, we limited the purpose of this report to a review of the district's operating budget for fiscal year 1989-90 and the preparation of its budget for fiscal year 1990-91. We did not review the district's preparation of its capital budget.

We reviewed the status of the district's revised operating budget for fiscal year 1989-90, and we reviewed the district's monthly financial statements and documented any budget variances. We also reviewed the district's efforts to acquire federal or state aid to offset its costs from the October 1989 earthquake. Furthermore, we evaluated the effect of the costs from the October 1989 earthquake on the district's budget.

Finally, we reviewed the district's preparation of its budget for fiscal year 1990-91. We compared the district's process for preparing its budget for fiscal year 1990-91 with the process the district had used in previous fiscal years. In earlier monitoring

reports, we had determined that the process the district used for the preparation of its budgets for fiscal years 1988-89 and 1989-90 was documented and based on reasonable assumptions.

AUDIT RESULTS

THE ALAMEDA-CONTRA COSTA TRANSIT DISTRICT'S REVISED BUDGET FOR FISCAL YEAR 1989-90 CONTAINS AN OPERATING DEFICIT AND THE BUDGET FOR FISCAL YEAR 1990-91 IS BALANCED

The Alameda-Contra Costa Transit District's (district) revised budget for fiscal year 1989-90 has a projected deficit of approximately \$2.0 million. We reviewed the district's budget projections and determined that they appear reasonable. The deficit appears to be the result of expenses incurred providing extra services after the Bay Area earthquake in October 1989. However, the district's initial claims for federal and state aid for earthquake expenses have been denied. We were unable to determine when or if the district's claims will be resolved and whether the district will receive any federal or state relief.

The district's operating budget for fiscal year 1990-91 projects total revenues and subsidies of \$135.5 million and expenses of \$135.5 million, resulting in a balanced budget. To enhance district revenues, the district's budget for fiscal year 1990-91 contains provisions for a fare increase. The new budget also contains funding for the implementation of the district's comprehensive service plan, which is intended to increase the number of passengers using district buses. However, the district plans to reduce some bus services to decrease its operating expenses.

THE DISTRICT'S REVISED BUDGET
FOR FISCAL YEAR 1989-90
HAS A \$2.0 MILLION DEFICIT

In January 1990, the district's general manager submitted a revised budget for fiscal year 1989-90. The revised budget showed that the district's projected total revenues and subsidies would be \$345,000 less than budgeted and expenses would be \$1.6 million more than budgeted, resulting in a possible deficit of approximately \$2.0 million. Revenues include fares collected from passengers, advertising revenues, and interest income. Subsidies are funds provided by federal, state, and local governmental agencies and include the district's share of property and sales taxes. Expenses are the costs of operating the district and include items such as salaries and wages, fuel, and interest.

The district told us it was taking several steps to reduce the deficit in its revised budget for fiscal year 1989-90. As we noted in our last monitoring report, almost every unit within the district was required to absorb some budget cut as a result of the January revision of the budget for fiscal year 1989-90. Furthermore, the district told us it was going to postpone and eliminate some programs and freeze vacant staff positions. The district also planned other cost cuts in personnel, service expenses, materials and supplies, capital acquisitions, and travel and meeting expenses. However, the district did not cut bus services.

The District's Budget
Projections Appear Reasonable
for Fiscal Year 1989-90

In our March 1988 report, we stated that the district had experienced operating deficits and that the district had insufficient controls over its financial operations, with weaknesses in its budgeting process contributing to its financial difficulties. For example, we found that the district generally overestimated its revenues and always underestimated its expenses. To ensure that the district resolved its fiscal problems, we recommended that it develop well-documented and reliable budget estimates.

In our previous monitoring reports since the March 1988 report, we had determined that the district's estimates of revenues, subsidies, and expenses were based on reasonable assumptions and were more reliable than in the past. In this report, to determine whether the district's budget estimates appeared reasonable, we compared the district's financial statements for the first ten months of fiscal year 1989-90 with its revised budget. According to the data in the financial statements, the district has a deficit of \$1.8 million. Using the district's first ten months of data and assuming that the last two months of data for the fiscal year do not significantly differ, we project that the district's final deficit should be approximately \$2.0 million. Since our projection of the district's final deficit is similar to the amount the district projected, we believe the district's deficit projection appears reasonable.

Furthermore, for the first ten months of fiscal year 1989-90, the district's revenues and subsidies were less than one percent higher than projected, and expenses were only one percent over budget. (Appendix C shows a comparison of the district's actual revenues, subsidies, and expenses with the revised budget for the first ten months of fiscal year 1989-90.)

The Costs of the October 1989 Earthquake

On October 17, 1989, a major earthquake occurred in the San Francisco Bay Area. The earthquake resulted in widespread injuries and damage, destroying major sections of the Bay Area's freeway and bridge systems. The earthquake destroyed or severely damaged sections of the San Francisco-Oakland Bay Bridge (Bay Bridge), the Embarcadero Freeway (I-480), and the Cypress Viaduct (I-880); all of these major thoroughfares were closed as a result. It was estimated that thousands of Bay Area commuters were affected by these closures.

As a result of the earthquake, the district took a series of actions to provide added services to affected commuters. It established "bus bridges" to transport commuters across the Golden Gate Bridge, the Richmond-San Rafael Bridge, and the San Mateo Bridge, supplementing its regular service with its reserve fleet of buses. Recognizing that extensive freeway damage was forcing Bay Area commuters to travel by alternative means, the district expanded its "feeder" service to San Francisco Bay Area Rapid Transit District

(BART) stations and ferries, and it honored transit passes of other transit agencies. These actions added considerable expenses that were not part of the district's original budget for fiscal year 1989-90. While the district noted that it had other cost overruns that it had not anticipated in its original budget for fiscal year 1989-90, the district contends that it was able to take actions that reduced expenses in these other areas by a nearly equal amount. As a result, the district's final deficit for fiscal year 1989-90 appears to be the consequence primarily of the district's earthquake-related expenses.

On November 6, 1989, the governor signed legislation that increased the State's sales tax by a quarter of a percent. This 13-month increase in the tax will generate an estimated \$800 million for earthquake relief. The federal government has also approved earthquake relief funds.

Since the earthquake, the district has received \$225,000 in state and county emergency funds. In November 1989, after the Bay Bridge reopened, the district began its attempts to obtain federal aid. According to a financial evaluation, dated December 5, 1989, that the district prepared for the Federal Emergency Management Agency (FEMA), the district added 469,215 extra revenue miles for the month following the earthquake. Revenue miles are defined as miles when district buses are in service carrying fee-paying passengers.

The additional miles translate into an additional 37,537 revenue hours for this period. Revenue hours are defined as hours in which district buses are in service carrying fee-paying passengers. For its claim for aid from FEMA, the district calculated that this expanded service increased the district's expenses, which, even when offset by its added revenue from carrying new passengers, cost the district \$2.0 million more than anticipated for the month after the earthquake. The district's claim is for expenses through the reopening of the Bay Bridge when the district was able to reestablish trans-bay bus service.

According to the district, jurisdictional disputes between state and federal officials delayed the review of the district's claim to FEMA until March 2, 1990. Moreover, the reviewer of the district's claim, who is a representative of the State Controller's Office (SCO), the state agency responsible for evaluating the district's claim, recommended that the claim be denied. The reviewer believed that the district's estimates of fares received were artificially low, that the district made compilation errors when calculating revenue hours, and that the district incorrectly included revenue hours for certain bus routes in the claim.

According to the district, it will continue its efforts to obtain state and federal aid. We were unable to determine when or if the district will receive state or federal aid. As of the end of our fieldwork on June 27, 1990, the district had not received any further federal or state aid to offset its deficit.

THE DISTRICT'S BUDGET FOR
FISCAL YEAR 1990-91 IS BALANCED

In our March 1988 report, we recommended that the district develop a balanced or surplus budget. The district's budget for fiscal year 1990-91 is balanced and projects that revenues and subsidies will equal expenses. Moreover, the district's process for preparing the budget for fiscal year 1990-91 was similar to the process used for developing the budgets for fiscal years 1988-89 and 1989-90, a process we examined during our previous monitoring reviews and found to be documented and based on reasonable assumptions.

The district projects that its revenues for fiscal year 1990-91 will increase to \$43.7 million, \$5.4 million or 11 percent more than its projected revenues for fiscal year 1989-90. The increase is due mainly to the district's proposed implementation of a fare increase for September 1990. In our last monitoring report, we recommended that the district evaluate ways to increase its revenues to finance district programs. The district's initial projections show that the increase will add approximately \$1.7 million in district revenues for fiscal year 1990-91.

The district projects that its subsidies for fiscal year 1990-91 will increase to \$91.8 million, \$5.7 million more than its projected subsidies for fiscal year 1989-90. Most of the increase in subsidies is in the share the district receives from property and sales

taxes. The estimation of property and sales taxes is based on projections provided by the Metropolitan Transportation Commission, which is the local transportation planning agency for the district. However, the percentage increases are less than they were in fiscal year 1989-90. For fiscal year 1989-90, the district projected that its share of property taxes would increase 26 percent and sales taxes would increase 17 percent over the previous fiscal year. In contrast, the district projects that the increase in property and sales taxes for fiscal year 1990-91 will be 8 percent and 16 percent, respectively. Moreover, the total increase in subsidies during fiscal year 1989-90 is just 6 percent, which is substantially lower than the 12 percent increase the district had projected for fiscal year 1989-90.

Expenses for the district are projected to increase 8 percent from \$125.5 million for fiscal year 1989-90 to \$135.5 million for fiscal year 1990-91. The district projects that its expenses for transportation, maintenance, fuel and oil, and tires will increase only 2 percent. The greatest percentage increase in projected district expenses is for the handling of hazardous wastes, an increase of 135 percent.

In our last monitoring report, we recommended that the district ensure that it implement its comprehensive service plan. Over the next five years, the comprehensive service plan is intended to restructure the district's bus routes. The district hopes that the plan will address the needs of current passengers by reducing wait and travel time and, more importantly, that the plan will also attract new passengers. By increasing the number of passengers using district buses, the district intends to increase revenue from passenger fares. It projects that more than 3 million new passengers will use its buses after the implementation of the plan. The district's budget for fiscal year 1990-91 contains funding for the implementation of the first two phases of the plan. Nevertheless, to decrease its operating expenses, the district plans to reduce certain services, eliminating some bus routes with low ridership.

CONCLUSION

The Alameda-Contra Costa Transit District's revised budget for fiscal year 1989-90 has a \$2.0 million deficit. The deficit appears to be the result of expenses incurred providing extra services after the Bay Area earthquake in October 1989. However, the district's initial claims for federal and state aid for earthquake expenses have been denied. We were unable to determine when or if the district's claims will be resolved and whether the district will receive any federal or state relief.

The district's operating budget for fiscal year 1990-91 projects that the district's revenues and subsidies will equal its expenses, resulting in a balanced budget. The district's budget for fiscal year 1990-91 contains provisions for a fare increase to enhance district revenues and also contains funding for the implementation of the district's comprehensive service plan. However, the district plans to reduce some bus services to decrease its operating expenses.


RECOMMENDATIONS

To improve its financial condition, the Alameda-Contra Costa Transit District should take the following actions:

- Develop a balanced or surplus budget for fiscal year 1991-92 and subsequent fiscal years; and
- Continue its efforts to obtain state or federal aid for the expenses incurred as a result of the October 1989 earthquake.

We conducted this review under the authority vested in the auditor general by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,


KURT R. SJOBERG
Acting Auditor General

Date: July 2, 1990

Staff: Samuel D. Cochran, Audit Manager
Clifton John Curry

**SUMMARY OF PREVIOUS MONITORING REPORTS OF
THE ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**

Alameda-Contra Costa Transit District: First Quarterly Monitoring Report, January 5, 1989, Report P-861.1

In our first quarterly monitoring report, we noted that the Alameda-Contra Costa Transit District (district) had improved aspects of its budgeting process but that its budget for fiscal year 1988-89 contained a \$2.0 million deficit. We also noted that the district had revised its rules and added new policies that appear to better control the travel and personal expenses of its directors and district officers. We found that the district had recovered travel and personal expense overpayments from all but one of its directors. We also determined that the district had added new policies that prohibit employees from using district resources for nondistrict purposes and that it had prohibited its attorneys from engaging in private law practices while employed by the district.

Alameda-Contra Costa Transit District: Second Quarterly Monitoring Report, April 6, 1989, Report P-861.2

In our second monitoring report, we found that the district developed a budget for fiscal year 1988-89 that is better documented and contained what should prove to be more reliable estimates of revenues, subsidies, and expenses. Nevertheless, we noted that the revised budget contained a \$2.5 million deficit. We determined that the district was substantially complying with its rules and policies for the travel and personal expenses of its directors, officers, and employees. We also noted that the district's attorneys appeared to be adhering to the policy prohibiting them from private law practice while employed by the district. However, we did determine that the district had not fully disseminated its policy prohibiting employees from using district resources for nondistrict purposes.

Alameda-Contra Costa Transit District: Third Quarterly Monitoring Report, July 7, 1989, Report P-861.3

The third monitoring report showed that the district's revised budget for fiscal year 1988-89 appeared more accurate than district budgets of the past. We noted, however, that the district's system for reporting budget variances needed improvement. Moreover, the one director who still owed the district for travel and personal expense overpayments had agreed to repay the district. In addition, we found that the district had disseminated its policy prohibiting the use of district resources for nondistrict purposes.

We also showed that the district had had operating deficits for three of the previous fiscal years (fiscal year 1984-85 through fiscal year 1988-89). We explained that the district's expenses have increased at a rate higher than its revenues and subsidies and that the district's working capital and its cash and investments have generally decreased.

Alameda-Contra Costa Transit District: Fourth Quarterly Monitoring Report, October 4, 1989, Report P-861.4

In our fourth monitoring report, we showed that the district used the same improved budgeting process to develop its operating budget for fiscal year 1989-90 as it used to develop its operating budget for fiscal year 1988-89. The district's budget was balanced, with operating revenues and subsidies of \$124.8 million equal to its operating expenses. We also noted that the district had improved the accuracy of its budget variance reports. Finally, we found that the director who owed the district for travel and personal expense overpayments was repaying the district.

Alameda-Contra Costa Transit District: Fifth Quarterly Monitoring Report, December 20, 1989, Report P-861.5

In this monitoring report, we reported that the district's projected revenues and subsidies for fiscal year 1989-90 would equal the district's expenses, resulting in a balanced budget of \$124.8 million. For the first three months of fiscal year 1989-90, the district's expenses were slightly less than its revenues and subsidies. Further, for the first three months ended September 30, 1989, the district's actual revenues, subsidies, and expenses were all within one percent of the budgeted amount.

However, on October 17, 1989, the San Francisco Bay Area was hit by a devastating earthquake. The San Francisco-Oakland Bay Bridge was severely damaged and was closed to thousands of daily commuters. As a result, the district substantially increased services and expected to incur significant costs.

Alameda-Contra Costa Transit District: Sixth Quarterly Monitoring Report, April 4, 1990, Report P-861.6

This monitoring report was a comprehensive review of the district's actions in implementing the recommendations from both our March 1988 report and all of the recommendations from our previous five monitoring reports. We also reported on the district's overall financial condition. We determined that the district had implemented all of our previous recommendations. However, we noted that the district's financial condition still needs improvement.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
COMPARISON OF THE ORIGINAL BUDGET
FOR FISCAL YEAR 1989-90 WITH THE
JANUARY 1990 REVISION OF THE BUDGET

	<u>Revised 1989-90 Budget</u>	<u>Original 1989-90 Budget</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<u>REVENUES</u>				
Farebox	\$ 29,032,661	\$ 29,323,301	\$ (290,640)	(1.0)%
BART transfers	6,255,618	6,255,618	0	0.0
Contract service	0	0	0	
Advertising	609,000	609,000	0	0.0
Interest income	1,750,000	1,266,667	483,333	38.2
Other income	<u>772,362</u>	<u>527,362</u>	<u>245,000</u>	46.5
Total Revenues	<u>38,419,641</u>	<u>37,981,948</u>	<u>437,693</u>	1.2
<u>SUBSIDIES</u>				
Property taxes	24,479,500	25,539,603	(1,060,103)	(4.2)
State Transit Assistance	361,078	361,078	0	0.0
Sales tax (AB 1107)	18,040,418	18,040,418	0	0.0
Sales tax (Transportation Development Act)	29,584,769	29,584,769	0	0.0
Federal Operating Assistance Section 9	6,764,292	6,827,626	(63,334)	(0.9)
Federal Operating Assistance Section 8	64,000	64,000	0	0.0
Measure B	<u>6,752,000</u>	<u>6,411,311</u>	<u>340,689</u>	5.3
Total Subsidies	<u>86,046,057</u>	<u>86,828,805</u>	<u>(782,748)</u>	(0.9)
Total Revenues and Subsidies	<u>124,465,698</u>	<u>124,810,753</u>	<u>(345,055)</u>	(0.3)
<u>EXPENSES</u>				
Salaries and wages	61,036,828	60,594,032	442,796	0.7
Fringe benefits	31,831,739	31,955,853	(124,114)	(0.4)
Services	9,265,338	8,625,376	639,962	7.4
Fuel and oil	4,923,558	4,923,558	0	0.0
Other materials and supplies	8,733,907	8,408,094	325,813	3.9
Insurance	3,653,421	3,670,000	(16,579)	(0.5)
Leases and rentals	611,691	635,950	(24,259)	(3.8)
Other expenses	<u>4,215,120</u>	<u>3,860,672</u>	<u>354,448</u>	9.2
Total Operating Expenses	<u>124,271,602</u>	<u>122,673,535</u>	<u>1,598,067</u>	1.3
Interest Expenses	2,137,218	2,137,218	0	0.0
Total Expenses	<u>126,408,820</u>	<u>124,810,753</u>	<u>\$1,598,067</u>	
Net Surplus (Deficit)	<u>\$ (1,943,122)</u>	<u>\$ 0</u>		

Source: Alameda-Contra Costa Transit District, revised budget for fiscal year 1989-90.

APPENDIX C

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
COMPARISON OF ACTUAL REVENUES, SUBSIDIES,
AND EXPENSES WITH THE BUDGET FOR
THE FIRST TEN 10 MONTHS OF FISCAL YEAR 1989-90
(UNAUDITED)

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under) Budget</u>	<u>Variance Percentage</u>
<u>REVENUES</u>				
Farebox	\$ 23,948,893	\$ 23,973,226	\$ (24,333)	(0.10)%
Other transfer fares	80,294	30,661	49,633	161.88
BART transfers	5,213,016	5,213,013	3	0.00
Advertising	510,416	507,023	3,393	0.67
Interest income	1,805,822	1,479,379	326,443	22.07
Other income	<u>350,540</u>	<u>581,753</u>	<u>(231,213)</u>	<u>(39.74)</u>
Total Revenues	<u>31,908,981</u>	<u>31,785,055</u>	<u>123,926</u>	0.39
<u>SUBSIDIES</u>				
Property taxes	20,525,770	20,525,770	0	0.00
State Transit Assistance	322,325	322,325	0	0.00
Sales tax (AB 1107)	15,033,680	15,033,680	0	0.00
Sales tax (Transportation Development Act)	24,653,874	24,653,938	(64)	0.00
Federal Operating Assistance Section 9	5,644,450	5,644,450	0	0.00
Federal Operating Assistance Section 8	53,335	53,335	0	0.00
Measure B	<u>5,586,110</u>	<u>5,586,110</u>	<u>0</u>	<u>0.00</u>
Total Subsidies	<u>71,819,544</u>	<u>71,819,608</u>	<u>(64)</u>	0.00
Total Revenues and Subsidies	<u>103,728,525</u>	<u>103,604,663</u>	<u>123,862</u>	0.12
<u>EXPENSES</u>				
Operator wages	29,269,408	28,977,729	291,679	1.01
Other wages	21,141,496	21,662,742	(521,246)	(2.41)
Fringe benefits	27,993,406	26,470,202	1,523,204	5.75
Services	6,977,494	7,267,173	(289,679)	(3.99)
Materials and supplies	11,097,679	11,271,917	(174,238)	(1.55)
Utilities	1,888,296	1,605,293	283,003	17.63
Insurance	2,900,613	3,158,010	(257,397)	(8.15)
Taxes	1,093,689	1,073,071	20,618	1.92
Leases and rentals	521,588	481,978	39,610	8.22
Other expenses	977,807	765,673	212,134	27.71
Interest expenses	<u>1,637,535</u>	<u>1,715,802</u>	<u>(78,267)</u>	<u>(4.56)</u>
Total Operating Expenses	<u>105,499,011</u>	<u>104,449,590</u>	<u>\$ 1,049,421</u>	1.00
Net Surplus (Deficit)	<u>\$ (1,770,486)</u>	<u>\$ (844,927)</u>		

Source: Alameda-Contra Costa Transit District, financial statement for the ten months ended April 30, 1990.

June 27, 1990

Mr. Kurt R. Sjoberg
Acting Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, California 95814

Dear Mr. Sjoberg:

Thank you for allowing us to comment on your seventh and final monitoring report of the Alameda-Contra Costa Transit District (District). Since your office's initial audit in March 1988, the District has improved its administrative and financial operations by implementing the recommendations of the Auditor General.

The District concurs with the recommendations in the current monitoring report. The District will continue to develop balanced or surplus budgets in subsequent years. The District will also continue to actively pursue obtaining state and federal aid for the expenses incurred providing extra services after the October 1989 earthquake.

We would like to thank the staff of the Office of the Auditor General for their professional approach in conducting its reviews.

Sincerely,



Ruth Ganong
President, Board of Directors



James L. O'Sullivan
General Manager

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps