

ACTION MEMO

AC TRANSIT DISTRICT
Board of Directors
Executive Summary

GM Memo No. 05-124

Meeting Date: May 18, 2002

Committees:

- | | | | |
|----------------------------|-------------------------------------|------------------------------|--------------------------|
| Planning Committee | <input type="checkbox"/> | Finance Committee | <input type="checkbox"/> |
| External Affairs Committee | <input type="checkbox"/> | Operations Committee | <input type="checkbox"/> |
| Board of Directors | <input checked="" type="checkbox"/> | Financing Corporation | <input type="checkbox"/> |

SUBJECT: CONSIDER THE ADOPTION OF RESOLUTION NO. 05-016 AUTHORIZING THE GENERAL MANAGER TO TRANSFER FORTY-FIVE (45) OPERABLE 1993 GILLIG 40-FOOT BUSES TO THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY IN EXCHANGE FOR \$1,125,000 IN LOCAL FUNDS

RECOMMENDED ACTION:

- Information Only Briefing Item Recommended Motion

Adopt Resolution No. 05-016.

Fiscal Impact:

\$1,125,000 revenue increase for FY 2004-05

Background/Discussion:

In March 2004, the Board approved a number of strategies outlined in GM Memo No. 04-097 (attached) to balance the FY 2003-04 and FY 2004-05 budgets. Among the strategies recommended by staff was the transfer of title to the 2800 Gillig series buses to another transit agency (page 5 of GM Memo No. 04-097).

BOARD ACTION: Approved as Recommended [x] Other []
Approved with Modification(s) []

MOTION: WALLACE/PEEPLS adopt Resolution No. 05-016 as presented (6-0-0-1).

Ayes: President Wallace, Directors Peeples, Hayashi, Bischofberger, Kaplan,
 Vice President Harper - 6
Noes: None – 0
Abstain: None – 0
Absent: Director Jaquez - 1

The above order was passed on
May 18, 2005.

Rose Martinez, District Secretary

By _____

GM Memo No. 05-124

**Subject: Consider Approval of Resolution No. 05-016 Authorizing Transfer of 45
1993 2800 Series Buses to the Municipal Transportation Agency in
Exchange for \$1,125,000 in Local Funds**

Date: May 18, 2005

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The General Counsel's office is in the process of finalizing an agreement with the San Francisco Municipal Transportation Agency (MUNI) for the transfer of forty-five (45) 1993 operable 40-foot Gillig 2800 series buses to MUNI in exchange for \$1,125,000 in local funds (\$25,000 per bus). MUNI has need of these clean diesel buses to replace old diesel buses in its reserve fleet.

These buses were purchased with FTA funds in 1993. In 2000 and 2002, the buses were re-powered. In addition to FTA funding, the District has invested its own operating funds in refurbishing the buses. The buses are fully depreciated according to FTA standards, and have reached the end of their useful life. In addition to 45 operable buses, the agreement includes the transfer of a non-repairable "hard down" 1993 2800 series Gillig bus to MUNI to be used for spare parts.

The FTA has issued a letter approving the transfer of 45 buses to MUNI, conditioned upon the adoption of a Resolution by the Boards of both transit agencies approving the transfer of the buses from AC Transit to MUNI and confirming that the \$25,000 per bus sales price represents partial reimbursement of AC Transit's investment of non-federal funds in refurbishing the buses.

MUNI is contemporaneously seeking approval of the transaction from its governing authority. MUNI staff has already inspected the buses, which are being sold on an "As-Is" basis. It is anticipated that the purchase will be finalized in late May or early June, with payment to be received by the District prior to the end of this fiscal year.

Attachments:

Resolution No. 05-016

GM Memo No. 04-097 (w/o attachments)

Approved by: Rick Fernandez, General Manager
Kenneth C. Scheidig, General Counsel
Prepared by: Carol Babington, Assistant General Counsel
Date Prepared: May 3, 2005

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

RESOLUTION NO. 05-016

A RESOLUTION AUTHORIZING THE GENERAL MANAGER TO TRANSFER FORTY-FIVE (45) OPERABLE 1993 GILLIG 40-FOOT 2800 SERIES BUSES TO THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY IN EXCHANGE FOR \$1,125,000 IN LOCAL FUNDS TO PARTIALLY OFFSET THE DISTRICT'S INVESTMENT OF LOCAL FUNDS IN REFURBISHING THESE BUSES

WHEREAS, the Alameda-Contra Costa Transit District (the District) has a fleet of sixty (60) 1993 forty-foot Gillig 2800 series buses acquired with Federal Transit Administration (FTA) funds that have reached the end of their useful life according to FTA regulations; and

WHEREAS, the San Francisco Municipal Transportation Agency (MUNI) has indicated an interest in purchasing these buses, which have been refurbished at the cost of \$45,365 per bus from AC Transit's operating funds (in addition to being repowered to convert them to clean diesel engines), to replace old diesel buses in MUNI's reserve fleet; and

WHEREAS, Federal Transit Administration was contacted regarding the proposed transfer and it issued a letter on March 9, 2005, approving the transfer of these buses to MUNI, conditioned upon the adoption of a resolution by the Boards of both transit agencies approving the transfer of the buses and confirming that the \$25,000 per bus sales price represents partial reimbursement of AC Transit's investment of non-federal funds in refurbishing the buses; and

WHEREAS, MUNI has agreed to partially reimburse the District's investment of non-federal funds in refurbishing the buses by paying to the District the sum of \$25,000 per bus, or a total of \$1,125,000, in exchange for the District transferring title to 45 of the 1993 Gillig buses to MUNI; and

WHEREAS, in addition to the 45 operable buses, the District will provide an inoperable, non-repairable Gillig bus to MUNI to use for spare parts; and

WHEREAS, the list of buses to be transferred to MUNI is attached as Exhibit 1, which is incorporated into and made a part of this Resolution; and

WHEREAS, the replacement rights for these buses will remain with the District.

NOW THEREFORE, the Board of Directors of the Alameda-Contra Costa Transit District does resolve as follows:

Section 1. Authorizes the General Manager to enter into a contract with the San Francisco Municipal Transportation Agency to convey the title to the forty-five (45)

1993 Gillig 40-foot 2800 series buses identified in Exhibit 1 in exchange for the payment of \$1,125,000 in local funds and confirming that the \$25,000 per bus sales price represents partial reimbursement of AC Transit's investment of non-federal funds in refurbishing the buses.

Section 2. This Resolution shall become effective immediately upon its passage by four affirmative votes of the Board of Directors.

RESOLUTION NO. 05-016 WAS PASSED AND ADOPTED this _____ day of May 2005.

Joe Wallace, President

Attest:

Rose Martinez, District Secretary

I, Rose Martinez, District Secretary for the Alameda-Contra Costa Transit District, certify that the foregoing Resolution was passed and adopted at a Special Meeting of the Board of Directors held on the _____ day of May 2005, by the following roll call vote:

AYES: DIRECTORS:

NOES: DIRECTORS:

ABSENT: DIRECTORS:

ABSTAIN: DIRECTORS:

Rose Martinez, District Secretary

Approved as to Form:

Kenneth C. Scheidig, General Counsel

EXHIBIT 1

Gillig Bus List

Bus No	Purchase Date	Special
2801	12/4/1992	
2802	3/19/1993	
2803	3/19/1993	
2804	3/22/1993	
2806	3/19/1993	
2807	3/23/1993	
2808	3/23/1993	
2809	3/23/1993	
2810	3/25/1993	This bus is a replacement for bus 2854
2812	3/25/1993	
2814	3/29/1993	
2818	3/26/1993	
2820	3/30/1993	
2821	3/30/1993	
2824	4/2/1993	
2825	4/2/1993	
2827	4/2/1993	
2829	4/5/1993	
2830	4/7/1993	
2831	4/7/1993	
2832	4/7/1993	
2833	4/7/1993	
2835	4/8/1993	
2836	4/8/1993	
2837	4/9/1993	
2838	4/9/1993	
2839	4/12/1993	spare parts bus
2840	4/12/1993	
2841	4/15/1993	
2842	4/14/1993	
2843	4/14/1993	
2844	4/15/1993	
2846	4/19/1993	
2847	4/20/1993	
2848	4/20/1993	
2849	4/20/1993	
2850	4/22/1993	
2851	4/22/1993	
2852	4/27/1993	
2853	4/27/1993	
2855	5/5/1993	
2856	4/30/1993	
2857	4/30/1993	
2858	5/5/1993	
2859	5/5/1993	
2860	5/6/1993	

ACTION MEMO

AC TRANSIT DISTRICT
Board of Directors
Executive Summary

GM Memo No. 04-097
Meeting Date: March 3, 2004

Committees:

- | | | | |
|-------------------------------|-------------------------------------|------------------------------|-------------------------------------|
| Planning Committee | <input type="checkbox"/> | Finance Committee | <input checked="" type="checkbox"/> |
| External Affairs Committee | <input type="checkbox"/> | Operations Committee | <input type="checkbox"/> |
| <i>Student Pass Committee</i> | <input type="checkbox"/> | <i>Paratransit Committee</i> | <input type="checkbox"/> |
| Board of Directors | <input checked="" type="checkbox"/> | Financing Corporation | <input type="checkbox"/> |

SUBJECT: Consider strategies to balance the FY 2003-04 and FY 2004-05 Budget, including parameters for planning additional service reductions

RECOMMENDED ACTION:

- Information Only Briefing Item Recommended Motion

1. Consider Strategies to Balance the FY 2003-04 and FY 2004-05 Budget
2. Authorize the General Manager to negotiate sales of up to 25 Van Hool Buses
3. Authorize the General Manager to negotiate sales of up to 51 engines and transfer title of up to 51 2800 Series Gillig 40-footers
4. Authorize the General Manager to transfer proceeds into and out of equity related to engine and bus sales to meet operating costs in FY 2003-04 and FY 2004-05
5. Authorize the General Manager to develop plans for a reduction in service in the event the revenue situation continues
6. Authorize the General Manager to make a one-time exception to Board Policy No. 360 Reserve Policies

BOARD ACTION: **Approved as Recommended** **[x]** **Other** **[]**
 Approved with Modification(s) **[]**

MOTION: KAPLAN/PEEPLES approve report as recommended (6-1-0-0)

Ayes: Director Kaplan, Peeples, Bischofberger, Jaquez, Piras,
 Vice President Harper, President Wallace – 6
Noes: Director Harper - 1
Abstain: None - 0
Absent: None - 0

The above order was passed and adopted on
March 3, 2004.

Rose Martinez, District Secretary

By _____

Fiscal Impact:

\$4.1 million and \$6.7 million, respectively, to balance the FY 2003-04 and FY 2004-05 Biennial Budget.

Background/Discussion:

On February 18, 2004, the Finance Committee was presented with the Second Quarter Financial Performance Report that indicated potential revenue losses of \$4.3 million and \$13.1 million, respectively, for FY 2003-04 and FY 2004-05. The financial strain that the District experienced during FY 2001-02 and FY 2002-03 persists. Updated estimates of revenue and expenditures yield a combined \$10.8 million shortfall for the two-year period.

FY 2003-04	FY 2004-05
\$4.1	\$6.7

The General Manager convened three sessions with the Executive Team to formulate a corrective action plan with the intent to ensure the financial viability of the agency. Following mid-year financial review, heightened expenditure controls were put in place to contain costs for the two-year period and to address balancing the FY 2003-04 and FY 2004-05 budget: a line-by-line review of salary, benefits and operating expense categories reducing them to minimum levels; deferring FY 2003-04 and FY 2004-05 operating and capital costs to the extent possible to a future period; reduction of the budgeted contribution to reserves in FY 2004-05; reduction of the District-funded capital program in FY 2003-04 deferring projects to FY 2004-05; coach and engine sales to other transit agencies; and other adjustments to the FY 2003-04 and FY 2004-05 budget. As a precautionary measure, staff has begun the process to declare a fiscal emergency and to develop a service reduction plan of \$5-\$15 million annually.

Proposed Actions to Balance the FY 2003-04 Budget

Proposed Sale of Van Hool Buses

The sale of up to 25 Van Hool forty-foot buses, at an estimated cost \$325,000 each would net an estimated \$8.125 million for the District. Of that amount, approximately \$1.8 million would recoup costs that the District has already incurred (for destination signs and engines), and the remaining \$6.3 million would cover payments that the District expected to pay next year to Van Hool. Washington Area Metropolitan Transportation Authority (WAMTA) has already indicated a strong interest in purchasing the buses, and has sufficient non-federal funds set-aside for the purchase. With the sale of these 25 vehicles, the District's spare ratio will decrease to about 15%, increasing again in June with the additional service reductions. The District expects to

structure the arrangement such that AC Transit never takes ownership of the vehicles (and, therefore, is not required to pay sales tax), and, depending on the timing, some of the vehicles may be shipped directly to WAMTA. By adopting this strategy, staff will not have to increase the request for preventive maintenance, thus, allowing us to proceed with purchasing the maximum allowable number of 30-foot coaches. The District consulted with MTC staff on the recommended strategy, and they concur that it is preferable to sell the Van Hool coaches to avoid either implementing service reductions, or increasing the requested amount of preventive maintenance next year. If the Board authorizes the General Manager to proceed with the sale, staff expects that the transaction could be completed before the end of the fiscal year.

\$765,000 expense decrease: Utilization of MCI/NABI grants to fund currently budgeted parts and supplies instead of video cameras. Grant funding can be used to purchase spare parts for buses and other expenses that were previously included in the operating budget.

\$784,000 expense decrease: Utilization of Van Hool excess funding to finance currently budgeted parts and supplies previously included in the operating budget.

\$200,000 expense decrease: Outside Repair Services and other expenses in the Maintenance Department budget have been reduced due to the planned cutback in the amount and frequency of outside repair services.

\$1,400,000 revenue decrease: Instead of two sizable tranches in the Lease-to-Service transaction, we had to undertake an unanticipated tranche in December due to the pendency of S.1637 (Grassley) which seeks to prohibit these transactions. FTA has decided to refrain from opposition to S.1637 in the House Ways and Means Committee. It is uncertain what the final legislation will provide and its effective date, i.e. will it be retroactive in effect or only prospective. As a result of this uncertainty, there is a "cloud" over the ability of the District to proceed with the final tranche. Even if the District could proceed with the final tranche, it would generate substantially fewer dollars because transactions earlier in the year traditionally provide a lower yield than those that occur in September and December. However, since the Van Hools are non-federally funded buses, the staff is investigating the use of Japanese Operating Leases as a means of recouping as much of the lost income as possible from the potential loss of the third tranche.

\$80,000 revenue increase: PRC Patterson Trust was created to deal with the cleanup of a super fund site in Patterson, California. As a member of the trust, the District has not only borne its proportionate share of the costs of that cleanup, but also received reimbursement of its expenses from other parties who were responsible for sending

GM Memo No. 04-097

Subject: Consider strategies to balance the FY 2003-04 and FY 2004-05 budget, including parameters for planning additional service reductions

Date: March 3, 2004

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wastes to this site. The trust has recently resolved all of its litigation and is in the process of having an audit of its accounts performed for final disbursement to the

remaining participating trust members. It is anticipated that the District will receive approximately \$80,000 in additional funds as its proportionate share of the final disbursement.

\$85,000 revenue increase: The flexible component of advertising revenue for bus wraps and a nominal amount for the employee awards program above the flat fee payment contracted with Viacom.

\$150,000 revenue increase: Interest income from earnings on investments increased due to higher funds available to invest resulting from proceeds of the RANS and Van Hool transactions.

\$160,000 revenue decrease: The anticipated income from the STP Tires and Tubes Grant is estimated to be lower due to claims activities that generate reimbursement levels.

\$314,000 expense decrease: Interest expense was reduced as a result of the premiums computed as a part of the RANS transaction. The outcome is expected to be more favorable than initially estimated.

\$1,450,000 expense decrease: IT Capital projects have been reduced by \$1,450,000 as a result of the deferral of the planned implementation of the Peoplesoft HRMS system upgrade (\$550,000) and the implementation of the Peoplesoft Financial system applications (\$900,000). Neither project could be implemented during FY 2003-04 because Requests for Proposals are being developed and neither will be awarded this year. However, both projects are essential to meet the budget development, financial accounting and reporting, projects costing and fixed assets administration, and human resources administration requirements for the District, and will be included in the FY 2004-05 proposed Capital Improvement Plan.

\$486,000 expense decrease: Maintenance capital projects have been reduced as a result of the deferral of planned projects--mobile column lift purchase (\$148,000); fire panel replacement upgrades (\$26,000); Central Dispatch UPS system replacement (\$100,000); paint booth sheet metal repairs (\$40,000); paving repairs in yard (\$100,000); standby generator upgrades (\$13,000); exhaust blower replacement (\$25,000); air compressor replacement (\$25,000); Division 2 bus wash modifications (\$9,000). All projects are expected to be proposed for inclusion in the FY 2004-05 Capital Improvement Plan.

\$500,000 expense decrease: Protective Services reductions include law enforcement services and fixed security services. Security services expenses have been reduced

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Date: March 3, 2004

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through restructuring contract services, monitoring overtime expenses, and changing the citation collection provider.

\$700,000 expense increase: The Risk Department has requested an additional \$700,000 for the combined accounts of casualty/liability and property damage. It is anticipated that the additional funds will be sufficient for the balance of the fiscal year.

\$1,800,000 revenue increase: Up to 6 of the 25 Van Hool 40-footer coach sales to WMATA will be applied to the operating budget.

Proposed Actions to Balance the FY 2004-05 Budget

\$6,325,000 revenue increase: Up to 19 of the 25 Van Hool 40-footer coach sales to WMATA will be applied to the operating budget.

\$1,154,000 revenue increase: TDA revenues projected by MTC resolution No. 3626.

\$1,275,000 revenue increase: Up to 51 Gillig engine sales and transfer of title of the 2800 series coaches to another transit agencies.

\$1,000,000 expense decrease: Protective Services reductions include law enforcement services and fixed security services. Security services expenses have been reduced through restructuring contract services, monitoring overtime expenses, and changing the citation collection provider.

\$2,572,000 revenue decrease: Increase in Bus Deferral Request not required.

\$314,000 expense decrease: Interest expense was reduced as a result of the premiums computed as a part of the RANS transaction. The outcome is expected to be more favorable than initially estimated.

\$600,000 expense increase: Election expense increase due to Board member election ballot expenses and potential tax measure.

\$500,000 expense decrease: Specific personnel positions have been identified for elimination. The goal amount for personnel reductions/restructuring is \$500,000. However, analysis of the projected effects of reductions is not yet complete.

\$167,000 expense increase: District-funded capital expense increase to \$4.06 million. The reserve for capital replacement allocation is determined by formula in accordance with Fiscal Policy No. 360. It is the goal of the Board of Directors to annually budget two percent (2%) of unrestricted general operating revenues to fund this reserve.

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Subject: Consider strategies to balance the FY 2003-04 and FY 2004-05 budget, including parameters for planning additional service reductions

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Conclusion

Staff will continue to develop strategies for revenue enhancement and expense and service reduction options, as we move forward.

Prior Relevant Board Actions/Policies:

GM Memo 04-060, FY 2003-04 Second Quarter Financial Performance Report and Adopting Resolution No. 2118 Amending the FY 2003-04 and FY 2004-05 General

Fund Operating and Capital Budget for Second Quarter Revisions, Finance Committee, February 18, 2004.

Attachments:

A: Summary of Preliminary Action Plan Designed to Balance FY 2003-04 Budget

B: Summary of Preliminary Action Plan Designed to Balance FY 2004-05 Budget

Approved by: Rick Fernandez, General Manager

Prepared by: Deborah McClain, Chief Financial Officer
Hernan Vargas, Interim Budget Manager

Date Prepared: February 25, 2004