



ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

ONE CIVIC PLAZA, SUITE 350, CARSON, CALIFORNIA 90745 - TEL. (310) 233-7480 • FAX (310) 233-7483

August 11, 2010

Ms. Molly Campbell
Deputy Executive Director - Finance
& Administration
Port of Los Angeles
425 S. Palos Verdes Street
Los Angeles, CA 90732

Mr. Steven Rubin
Managing Director, Finance & Support
Services
Port of Long Beach
925 Harbor Plaza
Long Beach, CA 90802

Re: Notice of Estimated Shortfall Advances and Reserve Account Funding

Dear Ms. Campbell and Mr. Rubin:

Shortfall Advances

Pursuant to Section 7.3 (h) (iii) of the Use and Operating Agreement, ACTA is hereby providing notice of the estimated Shortfall Advance amount for the October 1, 2010 debt service payment. **No Shortfall Advance is required for ACTA debt service payments which are due on October 1, 2010** and no Shortfall Advance was required for the fiscal year ending June 30, 2010.

ACTA estimates that revenue for the fiscal year ending June 30, 2010 will be \$83,804,152:

Use Fees & Container Charges	\$80,421,668
Maintenance-of-Way Charges	<u>3,382,484</u>
Total Operating Revenue	<u>\$83,804,152</u>

On March 25, 2010, pursuant to Section 7.3 (h) (ii) of the Use and Operating Agreement, ACTA provided notice of the estimated Shortfall Advance amount for FY 2010/2011. The total amount of the Shortfall Advance for the next fiscal year (i.e., July 1, 2010 to June 30, 2011) was estimated to be zero. Each Port is responsible for one-half of the Shortfall Advance and is ordinarily required to include its share of the estimated amount in its annual budget and provide certification to ACTA indicating compliance. At this time, no cash payment is anticipated for FY 2010/2011.

ACTA's Annual Accounting, flow of funds, and debt service on October 1, 2010 will be challenging. The Railroad Operating Committee and ACTA's Governing Board have authorized the use of \$10 million in excess 1999 C Construction Funds in order to supplement revenue from Use Fees & Container Charges to pay Debt Service on October 1, 2010. No shortage in any cash funded Debt Service Reserve Fund (1999 D, 2004 A, or 2004 B) is anticipated. However, following the payment of Debt Service there will not be cash available in the Revenue Fund to replenish Financing Fees, restore the Reserve Account to the Reserve Account Target (\$15 million), or to set aside additional cash in the Administrative Cost Fund. As cash is needed to pay expenditures which these funds are intended to cover, the account balances in the Reserve Account and

Administrative Cost Fund will be drawn down to meet cash flow obligations. Based upon the Governing Board approved FY11 budget, ACTA has adequate funds in those accounts to pay for all anticipated expenditures during this fiscal year. The next opportunity to replenish the cash in these funds occurs as a part of the October 1, 2011 Annual Accounting.

Beginning with October 1, 2011 it is quite likely that Shortfall Advances will be required for a period of time. The amount and duration of Shortfall Advances beyond October 1, 2011 is largely dependent on future San Pedro Bay cargo volumes, the mix of local vs. discretionary cargo, and upon ACTA's ability to re-structure its debt service obligations beginning October 1, 2011 for the next five to ten years, or more.

If there are any questions please contact me at 310-847-4314.

Sincerely,



James P. Preusch
Chief Financial Officer

cc: John T. Doherty, ACTA CEO
Charles Gale ACTA Co-Counsel
Heather McCloskey, ACTA Co-Counsel
Geraldine Knatz, POLA Executive Director
Richard Steinke, POLB Executive Director
Mike Christensen, POLA
Doug Thiessen, POLB

Jerry Wilmoth, Union Pacific
George Sturm, Union Pacific
Ron Bance, Union Pacific
Rollin Bredenberg, BNSF
Kim Cuccaro, BNSF
Marilyn Hardy, BNSF
Valerie Smith, OMM