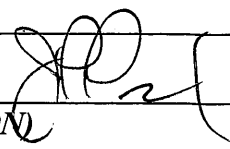


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Alameda Corridor Transportation Authority

April 9, 2020

To:	Governing Board
From:	James P. Preusch, Interim Chief Executive Officer 
Subject:	<i>Preliminary FY 2021 Draft Budget (INFORMATION)</i>

Discussion:

The FY2021 Draft Budget affords an opportunity for staff to present a preliminary budget proposal and for Board members to ask questions and provide comments. Highlights of the proposal are detailed in Transmittal 1 attached and in the narrative below regarding the Operating Budget Summary. Based upon the outcome of today's discussion, along with some final reviews of budgetary amounts, a formal and final draft budget will be presented to the Board for adoption in June 2020.

Revenue

The draft budget schedules provide a revenue projection for FY21 of \$93.0M which includes \$8.0M in railroad Maintenance-of-Way Charges and \$85.0M in Use Fees & Container Charges. Other Income of \$7.3M is from interest earnings and reimbursement by Caltrans for costs incurred for the SR-47 Project.

Use Fees & Container Charges are based on a projection of 12,472,741 total San Pedro Bay TEUs and includes a CPI increase of 2.5%. The sharp decline in revenue is based upon the anticipated reduction in port volumes due to the COVID-19 pandemic, which has severely impacted the supply of goods from Asia and demand for goods in the U.S.

The estimated actual for FY20 includes a revised forecast based upon the factors listed above. The proposed Use Fees & Container Charges and San Pedro Bay TEU projection assume a month over month decline of 20% in volume for each month from March 2020 through June 2021. The true impacts on cargo are still unknown and revenue forecasts will be reevaluated for both FY20 and FY21 before the final budget is presented to the Board in June.

Expenses

At this time, FY20 estimated actual administrative expenses are projected to be 10.6% under the FY20 budget (\$6.1M vs. \$6.8M), due to lower than expected salaries, benefits, office expenses, legal and professional service costs. Legal services were not required extensively during



FY20 and the capitalization of the RAVS system upgrade lowered the professional services costs. Audit expenditures increased due to the Board approved work related to the search for a new accounting software system.

The FY21 administrative expenses (\$7.0M) are anticipated to be 3.3% higher than the FY20 budget (\$6.8M) and 15.5% above FY20 estimated actuals (\$6.1M). The budget-to-budget increase is primarily driven by an increase in benefits related to additional CalPERS pension costs, information technology expenditures and audit service costs related to new accounting software system, allowing for overlap with the existing system, offset by a reduction in professional services.

The draft budget includes a salary adjustment/increase of 4.5% for ACTA employees which would be approved by the Board as part of adoption of the final budget. The CPI in the last two years has been higher than the 3% request, which the Board authorized during the FY19 and FY20 Budget approvals. This year's increase is intended to recapture CPI budget to actual differential which was lost in FY19 and FY20. With two new ACTA officers joining ACTA in late FY20 and early FY21, retention of knowledgeable, tenured staff is imperative. ACTA staff currently stands at ten full-time employees. Benefit costs reflect the latest rates as quoted by the benefit providers such as CalPERS (health and retirement), The Standard (life insurance) and other benefit providers (workers compensation, dental insurance, vision insurance, etc.), as well additional CalPERS deposits.

Expenses for Public Benefit vary yearly based upon Caltrans' SR-47 construction schedule and timing of Caltrans reimbursement payments. The difference between the FY20 estimated actuals (\$1.1M) and FY20 budget (\$6.3M) is due to a delay in utility relocation work being completed. Barring a COVID-19 related delay, the project is expected to reach substantial completion in the summer, with closeout continuing into next year.

Cash Flow

Cash flow during FY21 is anticipated to be negative by about \$39.5M. The cash balance at the beginning of FY21 (July 1, 2020) is estimated to be about \$41.1M, including \$21.0M in the Revenue Fund, \$1.9M in the M&O Fund, \$12.6M in the Reserve Account and \$5.6M in the Administrative Fund. Receipts include Use Fees & Container Charges of \$85.0M and \$10.1M mostly from M&O payments made by the railroads. After debt service payments of \$111.3M, Operating Expenses of \$7.0M and M&O Expenses of \$16.2M, ACTA anticipates about \$39.5M in negative cash flow. The ending cash balance on June 30, 2021 is estimated to be \$1.7M.

Capital Spending and Financing

ACTA is not taking on any new capital projects during FY21 or for the foreseeable future. Larger maintenance expenditures will be funded through the Reserve Account. There are no financing or debt refunding measures planned during FY21. ACTA's Master Trust Indenture pledges available Revenue to debt currently outstanding, maintenance and operations, and port obligations. Terms of the 2012 Bonds (RRIF Loan) are favorable; and the 2013A Bonds, and 2016A and B Bonds are not callable until 2023 and 2026 respectively. Other outstanding Bonds are non-callable.

Co-General Counsel Review:

ACTA's Co-General Counsel has reviewed this Board Report and there are no legal issues at this time.

Transmittal:

Transmittal 1 - Draft FY2021 Budget