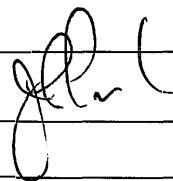


# M · E · M · O

## Alameda Corridor Transportation Authority

June 14, 2018

<b>To:</b>	Governing Board
<b>From:</b>	James P. Preusch, Chief Financial Officer 
<b>Subject:</b>	<i>FY 2019 Budget (APPROVAL)</i>

### Recommendation:

Adopt the final FY 2018/2019 (FY19) Budget and appropriate cash spending of \$125,485,573 which is detailed in the table below.

### Discussion:

The FY19 cash budget of \$125.5 million includes debt service of \$103.3 million (consisting of \$33.0 million in principal payments and \$70.3 million in interest payments) and other expenditures as outlined below.

		<u>Budget</u>	
		<u>FY19</u>	<u>FY18</u>
<b>Debt Service</b>	\$	103,286,259	99,407,184
<b>Public Benefit Spending</b>		6,327,452	6,111,619
<b>Administrative Expenses</b>		6,101,045	6,282,396
<b>Pass Thru</b>		228,093	227,197
<b>Maintenance of Way Expenses</b>		9,542,724	8,566,435
	\$	<u>125,485,573</u>	<u>120,594,831</u>

The Budget also details a number of non-cash expenditures, for which no Board appropriation is necessary. These items include:

		<u>Non-Cash Spending</u>	
		<u>FY19</u>	<u>FY18</u>
<b>Debt Service – Accrued CAB Interest</b>	\$	32,402,209	36,566,412
<b>Depreciation</b>		20,980,164	20,980,164
	\$	<u>53,382,373</u>	<u>57,546,576</u>



**Revenue Summary**

**Operating Revenue** during FY19 is anticipated to be \$117.7 million. The largest component of Revenue, \$112.2 million, is from Use Fees and Container Charges as established in the 1998 Use and Operating Agreement (UOA), as amended. There is an additional \$5.5 million of Maintenance of Way Charges which are paid by the railroads. Rates are expected to escalate by 2.5% as a result of the annual CPI adjustment effective January 1, 2019. San Pedro Bay TEU volume is assumed to grow at 2.5% and ACTA’s participation in San Pedro Bay TEU volume has been reduced from the historical range of about 35% to 27% reflecting recent experience.

**Other Revenue** includes five components, the largest of which is reimbursement by Caltrans of \$6.3 million in funds advanced by ACTA for the SR-47 project. Investment Income mostly from interest earnings on debt service reserve funds totaled \$1.7 million. The other components are reimbursements to ACTA from PierPass, Crimson Oil, and ACET for (i) expenses of providing information to PierPass, (ii) expenses in connection with the EPA matter involving the 2012 Crimson Oil release and legal settlement which followed, and (iii) office space provided to ACET, totaling \$0.4 million.

**Spending Summary**

**Operational Spending** during the four year timeframe of FY11 – FY14 included significant reduction in the costs for administration and operations. Since that time, certain increases have been necessary to support legal needs, restructuring of debt, and staff retention. In addition, ACTA operational spending since FY17 has included a larger portion of ACET administrative costs due to the depletion of bond funds and other sources. ACTA management will continue to review operations to find more cost effective ways to support on-going administrative and operational needs. However, subsequent to the 2013 staff downsizing, the potential for staff-related reductions is limited.

**Operational Spending by Expense Type**

	FY 2019		FY 2018		% Chg – Bdgt to	
	Budget	Est. Actual	Budget	Est. Act	Bdgt	
Salaries	1,530,728	1,496,722	1,514,297	2.3%	1.1%	
Benefits	695,084	668,370	699,674	4.0%	-0.7%	
Office Expenses	435,625	348,781	416,039	24.9%	4.7%	
Other Management Exp	73,550	43,569	70,950	68.8%	3.7%	
Information Technologies	313,299	272,357	306,225	15.0%	2.3%	
Bank and Investment	151,000	133,292	150,000	13.3%	0.7%	
ACET Operating	1,418,026	1,325,181	1,372,718	7.0%	3.3%	
Audit	158,290	166,960	166,960	-5.2%	-5.2%	
Legal	850,000	728,909	940,000	16.6%	-9.6%	
Governmental Affairs	144,160	132,000	132,000	9.2%	9.2%	
Professional Services	<u>331,283</u>	<u>217,269</u>	<u>513,533</u>	52.5%	-35.5%	
Total Admin Exp	<u>6,101,045</u>	<u>5,533,410</u>	<u>6,282,396</u>	10.3%	-2.9%	

The proposed budget reflects Operational Spending by Expense Type. The table above details Operational Spending by Expense Type, comparing the FY19 Budget to both FY18 Estimated Actual and FY18 Budget.

**Public Benefit Project Costs**

ACTA’s budgeted Public Benefit Project Expenses for FY19 is \$6.3 million. The expenditures incurred by ACTA are fully reimbursed by Caltrans, through Cooperative Agreements between the agencies.

**Port Advances**

Use Fees & Container Charges during FY19 have been projected at \$112.2 million. No port shortfall advance is anticipated during FY19. Use Fees & Container Charge revenue will be sufficient to fund debt service during FY19. Beyond FY19, growth in the volume of San Pedro Bay TEU’s is important in order to fund ACTA’s debt service. However, based on the revenue assumptions associated with the FY19 Budget, it appears unlikely that any port shortfall advance would be required for several years. Restructuring ACTA’s 2004A Bonds in 2016 was an important factor in minimizing the potential for near term shortfall advances.

Following adoption of the FY19 Budget, staff will prepare the final budget document for distribution, and post the authorized budget to the ACTA website.

Adoption of the FY19 Budget as presented is recommended.

Transmittal:

Transmittal 1: Proposed FY2019 Budget