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## Alameda Corridor Transportation Authority

June 13, 2019

<b>To:</b>	Governing Board
<b>From:</b>	James P. Preusch, Chief Financial Officer
<b>Subject:</b>	FY 2020 Budget (APPROVAL)

### Recommendation:

Adopt the final FY 2019/2020 (FY20) Budget and appropriate cash spending of \$130,544,054 which is detailed in the table below.

### Discussion:

The FY20 cash budget of \$130.5 million includes debt service of \$107.0 million (consisting of \$42.6 million in principal payments and \$64.4 million in interest payments) and other expenditures as outlined below.

		<u>Cash Spending</u>	
		<u>FY20</u>	<u>Budget</u> <u>FY19</u>
Debt Service	\$	107,031,504	103,286,259
Public Benefit Spending		5,286,526	6,327,452
Administrative Expenses		6,801,875	6,101,045
Pass Thru		118,766	228,093
Maintenance of Way Expenses		<u>11,305,383</u>	<u>9,542,724</u>
	\$	<u>130,544,054</u>	<u>125,485,573</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>FY20</u>	<u>FY19</u>
Debt Service – Accrued CAB Interest	\$	41,613,060	32,402,209
Depreciation		20,981,664	20,980,164
	\$	<u>62,594,724</u>	<u>53,382,373</u>



### Revenue Summary

**Operating Revenue** during FY20 is anticipated to be \$121.7 million. The largest component of Revenue, \$115.3 million, is from Use Fees and Container Charges as established in the 1998 Use and Operating Agreement (UOA), as amended. There is an additional \$6.4 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, 2020. 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 \$5.3 million in funds advanced by ACTA for the SR-47 project. Investment Income mostly from interest earnings on debt service reserve funds totaled \$2.4 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 \$0.3 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. As part of the FY20 Budget, as discussed at the April 2019 Board meeting, ACTA has added a new full-time Accounts Payable Technician position.

#### Operational Spending by Expense Type

	FY 2020		FY 2019		% Chg – Bdgt to	
	Budget	Est. Actual	Budget	Est. Act	Bdgt	
Salaries	1,716,201	1,543,829	1,530,728	11.2%	12.1%	
Benefits	899,111	642,013	695,084	40.0%	29.4%	
Office Expenses	450,476	406,093	435,625	10.9%	3.4%	
Other Management Exp	80,995	48,523	73,550	66.9%	10.1%	
Information Technologies	311,794	298,962	313,299	4.3%	-0.5%	
Bank and Investment	172,500	147,769	151,000	16.7%	14.2%	
ACET Operating	1,430,288	1,341,404	1,418,026	6.6%	0.9%	
Audit	179,872	157,330	158,290	14.3%	13.6%	
Legal	900,000	657,887	850,000	36.8%	5.9%	
Governmental Affairs	76,385	72,000	144,160	6.1%	-47.0%	
Professional Services	584,253	250,458	331,283	133.3%	76.4%	
Total Admin Exp	<u>6,801,875</u>	<u>5,566,268</u>	<u>6,101,045</u>	22.2%	11.5%	

The proposed budget reflects Operational Spending by Expense Type. The table above details Operational Spending by Expense Type, comparing the FY20 Budget to both FY19 Estimated Actual and FY19 Budget.

**Public Benefit Project Costs**

ACTA's budgeted Public Benefit Project Expenses for FY20 is \$5.3 million. The expenditures incurred by ACTA are fully reimbursed by Caltrans, through Cooperative Agreements between the agencies.

**Port Advances**

Use Fees & Container Charges during FY20 have been projected at \$115.3 million. No port shortfall advance is anticipated during FY20. Use Fees & Container Charge revenue will be sufficient to fund debt service during FY20. Beyond FY20, 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 FY20 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 FY20 Budget, staff will prepare the final budget document for distribution, and post the authorized budget to the ACTA website.

Adoption of the FY20 Budget as presented is recommended.

**Co-General Counsel:**

ACTA's Co-General Counsel has reviewed this Board Report and the proposed action raises no legal issues at this time.

Transmittal:

Transmittal 1 - Proposed FY2020 Budget