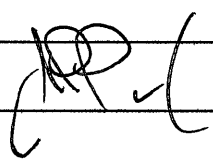


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Alameda Corridor Transportation Authority

June 8, 2017

To:	Governing Board
From:	James P. Preusch, Chief Financial Officer 
Subject:	<i>FY 2018 Budget (APPROVAL)</i>

Recommendation:

Adopt the final FY 2017/2018 (FY18) Budget and appropriate cash spending of \$120,533,788 which is detailed in the table below.

Discussion:

The FY18 cash budget of \$120.5 million includes debt service of \$99.4 million which includes principal payments of \$29.4 million and interest payments of \$70.0 million.

		<u>Budget</u>	
		<u>FY18</u>	<u>FY17</u>
Debt Service	\$	99,407,184	86,625,455
Public Benefit Spending		6,111,619	6,200,000
Administrative Expenses		6,221,353	5,934,372
Pass Thru		227,197	27,110
Maintenance of Way Expenses		8,566,435	8,637,936
	\$	<u>120,533,788</u>	<u>107,424,873</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>FY18</u>	<u>FY17</u>
Debt Service – Accrued CAB Interest	\$	36,566,412	41,178,371
Depreciation		20,980,164	21,567,691
	\$	<u>57,546,576</u>	<u>62,746,062</u>



Revenue Summary

Operating Revenue during FY18 is anticipated to be \$111.0 million. The largest component of Revenue, \$105.7 million, is from Use Fees and Container Charges as established in the 1998 Use and Operating Agreement (UOA), as amended. There is an additional \$5.3 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, 2018. 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 \$6.1 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 Alameda Corridor Engineering Team (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 a 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, portions of legal costs associated with property transfers, and ACET costs related to the SR-47 Project, the EPA matter related to the 2012 Crimson Oil release, and property transfers have been carried outside of ACTA’s administrative operational spending. With the EPA matter concluding, and 1999 Bond Construction Fund resources depleted, ACTA’s administration and operations will bear a larger portion of the ACET burden. 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 2018		FY 2017		% Chg – Bdgt to	
	Budget	Est. Actual	Budget	Est. Act	Bdgt	
Salaries	1,456,587	1,405,726	1,420,463		3.6%	2.5%
Benefits	696,341	625,737	672,547		11.3%	3.5%
Office Expenses	416,039	397,498	415,439		4.7%	0.1%
Other Management Expenses	70,950	68,103	67,450		4.2%	5.2%
Information Technologies	306,225	276,061	299,287		10.9%	2.3%
Bank and Investment	150,000	152,000	165,000		-1.3%	-9.1%
ACET Operating	1,372,718	1,261,188	1,301,924		8.8%	5.4%
Audit	166,960	185,540	185,540		-10.0%	-10.0%
Legal	940,000	940,000	940,000		0.0%	0.0%
Governmental Affairs	132,000	120,000	120,000		10.0%	10.0%
Professional Services	<u>513,533</u>	<u>226,768</u>	<u>346,722</u>		126.5%	48.1%
Total Admin Expenses	<u>6,221,353</u>	<u>5,658,621</u>	<u>5,934,372</u>		9.9%	4.8%

The proposed budget reflects Operational Spending by Expense Type. The table above details Operational Spending by Expense Type, comparing the FY18 Budget to both FY17 Estimated Actual and FY17 Budget.

Public Benefit Project Costs

In past years, ACTA prepared a Capital Budget which consisted of close-out and SR-47 Project related expenditures. Moss Adams, as a part of its initial annual audit of ACTA's financial records, determined that the SR-47 Project expenditures should be re-characterized as Expenses for Public Benefit, since Caltrans owns and maintains the bridge. ACTA's budgeted Public Benefit Project Expenses for FY18 is \$6.1 million.

Port Advances

Use Fees & Container Charges during FY18 have been projected at \$105.7 million. No port shortfall advance is anticipated during FY18. Use Fees & Container Charge revenue will be sufficient to fund debt service during FY18. Beyond FY18, 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 FY18 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 FY18 Budget, staff will prepare the final budget document for distribution, and post the authorized budget to the ACTA website.

Adoption of the FY2018 Budget as presented is recommended.

Attachment – Adoption Draft FY2018 Budget