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## Alameda Corridor Transportation Authority

June 11, 2020

<b>To:</b>	Governing Board
<b>From:</b>	James P. Preusch, Chief Financial Officer <i>JPPreusch</i>
<b>Subject:</b>	<i>FY 2021 Budget (APPROVAL)</i>

### Recommendation:

Adopt the final FY 2020/2021 (FY21) Budget and appropriate cash spending of \$139,909,694 which is detailed in the table below.

### Discussion:

The FY21 cash budget of \$139.9 million includes debt service of \$111.4 million (consisting of \$25.8 million in principal payments and \$85.6 million in interest payments) and other expenditures as outlined below.

		<u>Cash Spending</u>	
		<u>FY21</u>	<u>Budget</u> <u>FY20</u>
Debt Service	\$	111,388,775	107,031,504
Administrative Expenses		7,059,253	6,801,875
EPA Pass Thru		133,227	118,766
Public Benefit Spending		5,109,861	5,286,526
Maintenance of Way Expenses		<u>16,218,578</u>	<u>11,305,383</u>
	\$	<u>139,909,694</u>	<u>130,544,054</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>FY21</u>	<u>FY20</u>
Debt Service – Accrued CAB Interest	\$	12,686,829	41,613,060
Depreciation		20,982,164	20,981,664
	\$	<u>33,668,993</u>	<u>62,594,724</u>



### Revenue Summary

**Operating Revenue** during FY21 is anticipated to be \$100.0 million. The largest component of Revenue, \$92.0 million, is from Use Fees and Container Charges as established in the 1998 Use and Operating Agreement (UOA), as amended. There is an additional \$8.0 million of Maintenance of Way Charges which are paid by the railroads. Rates are expected to escalate by 1.5% as a result of the annual CPI adjustment effective January 1, 2021. San Pedro Bay TEU volume is assumed to decline by 15% as a result of COVID-19 and trade policy impacts and ACTA's participation in San Pedro Bay TEU volume has been increased to 29% reflecting 2019 actual experience.

**Other Revenue** includes five components, the largest of which is reimbursement by Caltrans of \$5.1 million in funds advanced by ACTA for the SR-47 project. Investment Income mostly from interest earnings on debt service reserve funds totaled \$1.9 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 2010 Crimson Oil release and legal settlement which followed, and (iii) office space provided to ACET, totaling \$0.3 million.

### Spending Summary

**Administrative Expenses** have varied over ACTA's history, which provides a context for the coming year. Significant reductions in administrative and operating costs were made in the 2010 timeframe, and these costs have remained fairly stable since then, with some increasing trend for maintenance, upgrade of RAV system and general escalation. ACTA strives to reduce costs and efficiently provide necessary services.

The table below details Administrative Expenses by Expense Type, comparing the FY21 Budget to both FY20 Estimated Actual and FY20 Budget. The FY21 Budget proposes a 3.8% increase over the FY20 Budget.

#### Administrative Expenses by Type

	<b>FY 2021 Budget</b>	<b>FY 2020 Est. Actual</b>	<b>FY 2020 Budget</b>	<b>% Change 2021 Budget to 2020 Est. Budget Actual</b>	
Salaries	1,665,436	1,538,133	1,716,201	8.3%	-3.0%
Benefits	1,014,921	935,125	899,111	8.5%	12.9%
Office Expenses	470,435	366,435	450,476	28.4%	4.4%
Other Management Exp	74,295	55,531	80,995	33.8%	-8.3%
Information Technologies	763,152	310,585	311,794	145.7%	144.8%
Bank and Investment	161,500	160,285	172,500	0.8%	-6.4%
ACET Operating	1,376,970	1,426,993	1,430,288	-3.5%	-3.7%
Audit	223,480	194,807	179,872	14.7%	24.2%
Legal	880,000	564,327	900,000	55.9%	-2.2%
Governmental Affairs	78,676	76,385	76,385	3.0%	3.0%
Professional Services	350,388	451,061	584,253	-22.3%	-40.0%
<b>Total Admin Exp</b>	<b>7,059,253</b>	<b>6,079,667</b>	<b>6,801,875</b>	<b>16.1%</b>	<b>3.8%</b>

Some notable information on the FY21 Administrative Expenses is described as follows:

**Salaries/Benefits:** The increase from FY20 Actual to FY21 Budget reflects new CEO/CFO salaries and the support during transition; staff salary increases have not been included.

**Office Expenses:** FY21 Budget reflects eleven months of office rent, whereas FY20 Est. Actual included three months of rental abatement.

**Information Technologies:** Increase due to proposed accounting system replacement.

**Audit:** Additional costs primarily related to specialized consultant services related to sourcing new accounting software and assisting in the transition between systems; also, for more extensive audit efforts related to contractors.

**Pass Through Expenses** include the two items for FY21 Budget: 1) EPA Order related to Crimson Pipeline, project flagging and other miscellaneous support budgeted at \$133,000, and 2) ACTA's budgeted Public Benefit Project Expenses is \$5.1 million. The expenditures incurred by ACTA are fully reimbursed by Crimson or other entities for item 1, and Caltrans for item 2, through Cooperative Agreements between the agencies.

**Port Advances**

Use Fees & Container Charges during FY21 have been projected at \$92.0 million. No port shortfall advance is anticipated during FY21. Use Fees & Container Charge revenue will be sufficient to fund debt service during FY21. Beyond FY21, post COVID-19 resurgence in San Pedro Bay TEU's is important in order to fund ACTA's debt service. Restructuring ACTA's 2004A Bonds in 2016 was an important factor in minimizing the potential for near term shortfall advances. It is likely that further debt restructuring, extending ACTA's debt service beyond 2037 will be necessary in 2023, 2026 or both.

Following adoption of the FY21 Budget, staff will prepare the final budget document for distribution, and post the authorized budget to the ACTA website.

Adoption of the FY21 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 FY2021 Budget