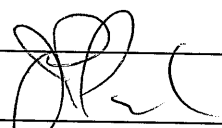


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Alameda Corridor Transportation Authority

April 11, 2019

To:	Governing Board
From:	James P. Preusch, Chief Financial Officer 
Subject:	<i>Preliminary FY 2020 Draft Budget (INFORMATION)</i>

Discussion:

The FY2020 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 2019.

Revenue

The draft budget schedules provide a revenue projection of \$121.7M which includes \$6.4M in railroad Maintenance-of-Way Charges and \$115.3M in Use Fees & Container Charges. Use Fees & Container Charges are based on a projection of 18,084,000 total San Pedro Bay TEUs, some degradation in the mix of local and discretionary cargo, and a CPI increase of 2.5%. Other Income of \$8.0M is from interest earnings and reimbursement by Caltrans for costs incurred for the SR-47 Project.

Expenses

At this time, FY19 estimated actual administrative expenses are projected to be 9.2% under the FY19 budget (\$5.5M vs. \$6.1M), primarily due to lower than expected employee benefit costs, office expenses, and lower than expected legal, government affairs and professional services costs.

The FY20 administrative expenses (\$6.7M) are anticipated to be 9.5% higher than the FY19 budget (\$6.1M) and 20.7% above FY19 estimated actuals (\$5.5M). The budget-to-budget increase is primarily driven by an increase in salaries and benefits for a new ACTA accounts payable position, additional CalPERS pension costs, additional costs for ACTA's revenue verification system upgrade, the increase in legal costs for co-counsel services, partially offset by lower governmental affairs costs.



The draft budget includes a salary adjustment/increase of 3.0% for ACTA employees which would be approved by the Board as part of adoption of the final budget. ACTA staffing levels are planned to increase by one full-time position as mentioned above. 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 as an increase in the number of employees utilizing the benefits.

Expenses for Public Benefit vary yearly based upon Caltrans' SR-47 construction schedule and timing of Caltrans reimbursement payments. The difference between the FY19 estimated actuals (\$1.1M) and FY19 budget (\$6.3M) is due to a delay in utility relocation work being completed.

Cash Flow

Cash flow during FY20 is anticipated to be negative by about \$0.7M. The cash balance at the beginning of FY20 (July 1, 2019) is estimated to be about \$71.7M, including \$53.1M in the Revenue Fund, \$1.0M in the M&O Fund, \$13.3M in the Reserve Account and \$4.4M in the Administrative Fund. Receipts include Use Fees & Container Charges of \$115.3M and \$9.0M mostly from M&O payments made by the railroads. After debt service payments of \$107.0M, Operating Expenses of \$6.7M and M&O Expenses of \$11.3M, ACTA anticipates about \$0.7M in negative cash flow. The ending cash balance on June 30, 2019 is estimated to be \$70.9M.

Capital Spending and Financing

ACTA is not taking on any new capital projects during FY20 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 FY20. 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 FY2020 Budget