Alameda Corridor Transportation Authority

Program & Operating Budget Fiscal Year 2018/2019

Adopted

June 14, 2018

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June 14, 2018

Governing Board
Alameda Corridor Transportation Authority

I am pleased to transmit the Fiscal Year 2018/2019 (FY19) Budget for the Alameda Corridor Transportation Authority incorporating both operating and capital expenses. FY19 will be ACTA's seventeenth full fiscal year of operations.

At the end of FY18, the Corridor will have carried an estimated 66 million TEUs. An additional 13 million fee-generating, off-corridor TEUs will have been moved to and from rail loading facilities beyond the Corridor. Total fees collected from inception are approximately $1.42 billion through June 2018. Another $112.2 million is anticipated in FY19.

About 250,000 trains will have moved through the Corridor by the close of FY18, and to date an estimated 850,000 tons of carbon dioxide and 9,000 tons of other pollutants have been removed from the air through Corridor rail efficiency and reduced vehicle idling at grade crossings.

ACTA is committed to the region's quality of life goals, which include reduced highway congestion, improved traffic safety, and better air quality. ACTA plays a key role in the efficient movement of goods that is critical to a vibrant local, regional and national economy. The San Pedro Bay Ports are the gateway for about 40% of the waterborne imports into this country via U.S. ports. The economic impact of these two ports on the entire nation is measurable and indisputable. The ongoing challenge is to preserve this economic mainstay while enhancing it in an environmentally responsible manner.

Debt Service

ACTA's annual debt service was originally structured to increase each year in anticipation of steady year-over-year port volume growth. However, port loaded container volumes (imports and exports), which had grown steadily through calendar year 2007, dropped 20% by 2009 due to the recession. Although volumes increased markedly in 2010, it took until 2014 to get back to the 2007 peak volume. Port congestion issues in 2015 resulted in a 3% reduction in port loaded container volumes. Because of the several year stall in growth, ACTA's ability to pay the annual debt service from revenue alone was challenging.

ACTA was able to make debt service payments through FY11 without port financial assistance, using: 1) pre-2007 revenue surpluses, 2) remaining bond funds by cancelling certain non-critical capital projects, and 3) debt service reductions by calling certain bonds using unspent bond proceeds. However, $12 million in port advances were required in total for FY12 and FY13.

No further advances were required in FY13 through 18. These were avoided by refunding certain existing bonds in FY12 and FY13 at lower interest rates through both the federal government and a public offering respectively, as well as by the release of certain surplus debt service reserve funds that were then used to pay debt service. A successful refunding (2016 Bonds) was accomplished in FY16 that should eliminate the need for port advances through FY26, provided port loaded container volumes grow by more than 4 percent per year.

Since ACTA's operating expenses are paid from the same revenue as debt service, managing administrative expenses continues to be a budget objective. Between FY11 and FY14 net operating expenses were halved. For FY19, the budgeted net operating expenses of $6.1 million are approximately 2.9 % lower than FY18 due primarily to decreases in professional services, audit and legal costs offset by ACTA and ACET salary increases.

Capital Program

ACTA's capital program has been markedly reduced over the past several years by project deferrals and cancellations. Due to project funding shortfalls and other issues, both the expressway extension to the SR-47 Project and the Cerritos Channel Rail Bridge Project were indefinitely postponed.

Pursuant to cooperative agreements with Caltrans, ACTA is obliged to perform design support during construction, environmental mitigation oversight, property acquisition, and utility coordination for the Heim Bridge replacement portion of the SR-47 Project, most all of which is reimbursable by Caltrans.

We offer the attached budget for your consideration.

Respectfully submitted,

John T. Doherty, P.E.
Chief Executive Officer

ACTA History & Budget Overview

ACTA History & Budget Overview

The Alameda Corridor Transportation Authority (ACTA) was established in 1989 as a Joint Powers Authority of the cities of Long Beach and Los Angeles. Throughout the 1990's, planning, financing, and engineering efforts dominated ACTA's agenda. Construction began in 1997 with the Los Angeles River Bridge Project, and accelerated shortly thereafter when full project funding was secured. The original project was completed and the Corridor opened for Revenue Service on April 15, 2002. The Pacific Coast Highway Grade Separation Project and the Anaheim Pump Station Project, follow-on ACTA efforts, were completed in March 2004 and June 2005, respectively.

Recent Activity

Over the last sixteen years, ACTA has transitioned from a construction agency to an operating entity. Its focus is now on managing Corridor operations and maintenance, collecting revenue, and servicing debt. ACTA is also working with Caltrans to advance work on the SR-47 Heim Bridge Replacement Project.

Expenses

For FY19, budgeted net operating expenses are $6.1 million. ACTA continues to control costs while meeting all of the objectives of the Authority. There is a decrease in budgeted expenses for FY19, due in part to lower professional, legal, and audit service costs.

Debt Restructuring

In June 2012, ACTA finalized a debt restructuring with the US Department of Transportation – Federal Rail Administration (FRA) on a Railroad Rehabilitation and Infrastructure Financing (RRIF) transaction. The benefits of the 2.46% rate financing were first realized during FY13 together with the principal savings from maturity date extensions. The RRIF transaction will save tens of millions in principal payments.

In February 2013, ACTA closed a traditional refunding of the remaining callable 1999A Bonds at a blended true interest cost rate of 3.01%. The transactions saved ACTA about $2.5 million annually in interest in Bond Years (October 1 - September 30) 2013 – 2018 and $5.5 million in Bond Years 2019 – 2029.

In April 2016, the Governing Board authorized the defeasance and restructuring of certain ACTA 2004A Bonds in order to better match debt service with anticipated revenue. In May 2016, ACTA sold $34,280,000 of Tax-Exempt First Subordinate Lien 2016A Bonds, and $556,860,000 of Tax-Exempt Second Subordinate Lien 2016B Bonds. The restructuring caused a portion of the 2004A debt service due in years 2016 through 2025 to be deferred to years 2034 through 2037. The 2016 Bonds were sold with a net premium of $95.9 million, and the sale generated proceeds of about $687.1 million.

ACTA History & Budget Overview (cont'd.)

ACTA's remaining capital project effort involves fulfilling its obligations to Caltrans under cooperative agreements for the SR-47 Project. Although Caltrans is administering the construction of the Heim Bridge Replacement portion of the project, ACTA is providing design support during construction, utility and right-of-way management support, as well as implementing environmental mitigation measures. This support is currently scheduled to continue through calendar year 2020. Although the Expressway portion of the project received favorable court decisions in an environmental litigation matter, this portion of the project has been deferred indefinitely due to funding issues and re-assessment of the project.

Budget Year Goals

- Provide support to ports and private sector including the railroads and terminal operators to implement cargo movement efficiency.

Budget Assumptions

- Actual revenue, coupled with the port projection of port TEUs, serves as the basis for revenue projections for FY19.
- Use and Operating Agreement Consumer Price Index (CPI) fee adjustment is assumed to be 2.5% beginning January 1, 2019.
- ACET activity levels are limited to involvement in the SR-47 Project, transfer of Corridor property to the ports and other jurisdictions, certain project closeout activity, maintenance and operations support, and certain ACTA administrative support.
- Cost projections for Maintenance-of-Way are based on the 2018 calendar year budget approved by the Port of Los Angeles, Port of Long Beach, the BNSF Railway Company, and the Union Pacific Railroad through a Notice of Mutual Agreement which was approved in December 2017.
- The Maintenance-of-Way contractor meets budgeted amounts.
- The Railroads continue to provide dispatching and security services at no cost to ACTA.
- The Railroads pay for all rail maintenance costs based on a proportionate share, as calculated from data provided by both Railroads.
- Reserve Account (i.e., capital replacement fund) is replenished to the $15 million requirement for all potential non-rail maintenance costs and capital replacements.
- ACTA's revenue collection and monitoring costs, as well as administrative costs, are paid from Use Fees and Container Charges and other amounts made available through the Annual Accounting, including other port advances, if necessary.
- Interest earnings are calculated assuming rates and fund balances at 2018 levels.

Budget Overview

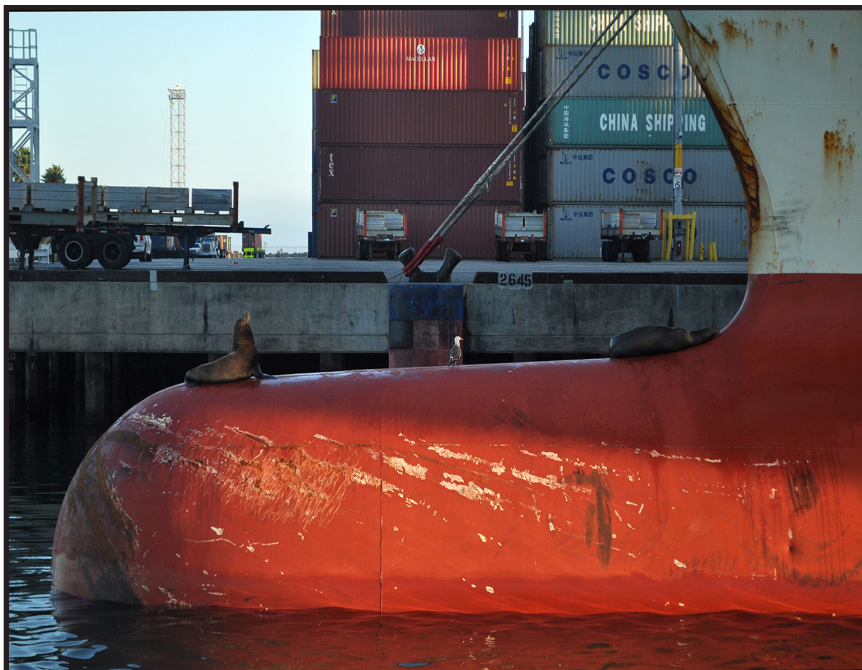
The Budget for FY19 consists of operating expenses totaling $145.9 million, including $6.3 million in Expenses for Public Benefit related the SR-47 Project. Right-of-way, utility, and design support during construction work will continue in FY19 on the Heim Bridge Replacement portion of SR-47 pursuant to cooperative agreements with Caltrans.

Debt service payments of $103.3 million are scheduled for FY19 which includes $70.3 million for interest and $33.0 million for principal reduction.

ACTA's administrative, revenue collection and monitoring costs, and professional services costs have been budgeted at $6.1 million, which is about 2.9% percent less than the FY18 Budget. Decreases include lower professional service, legal, and audit costs, offset by a CPI salary increase and increased costs for ACET's administrative support functions due to cost of living increases.

Corridor Maintenance-of-Way costs are budgeted at $9.5 million, which includes a $200,000 unallocated contingency. The Railroads are directly responsible for most of the maintenance costs, making cash payments of $5.5 million for rail maintenance. To the extent funds are available, non-rail maintenance costs are paid from the Reserve Account (funded by Use Fees and Container Charges). Otherwise, the Railroads are required to also pay for non-rail maintenance costs. The FY19 Budget assumes that the Reserve Account continues to have more than sufficient balances for non-rail maintenance costs and capital replacements.

Budget Analysis



Budget Analysis

General and Administrative: The budget for general and administrative expenses includes salaries and benefits, office expenses, management expenses, software maintenance and management information technology support, travel, bank and investment costs, and ACET support. Salaries, ACET administrative costs, office rental costs and information technology support services are projected to increase. Details of the Administrative Expenses and ACET support are shown on the Operating Budget by Expense Type on page 25.

Professional Services: These costs include legal, audit, government affairs, risk management, and other consultant services. Legal costs are allocated to SR-47 Project or specialized/reimbursable work as billed, with the remainder of the costs paid out of Administrative funds.

The professional services budget is projected to decrease in FY19. The decrease is mainly due to projected lower legal fees, audit fees, and other professional services specifically related to rating agency evaluations. These decreases were offset by a small fee increase for government affairs.

EPA Order and Pass Thru: An EPA 311 Order was issued in January 2011 with regard to an oil spill by an oil company crossing the Corridor. A settlement was reached by all parties in September 2015. Any related expenses now budgeted are to assist the oil company with any further work and are fully reimbursable. Miscellaneous pass through costs are also accumulated and then billed to the responsible parties.

Maintenance and Operations: There are three categories of Maintenance and Operations costs for the Corridor. Each is explained below. The two Ports and two Railroads make all decisions on matters related to the maintenance, operations, and capital investments on the Corridor, including the selection of the maintenance contractor and the security provider. The annual Maintenance-of-Way (MOW) and the Operations & Maintenance (O&M) Budgets are approved by the Ports and Railroads through a formal mutual agreement process each November for the following calendar year. ACTA, on behalf of the Ports and Railroads, administers the MOW contract, implements the approved budgets, and monitors the Corridor maintenance contractor.

Maintenance-of-Way Costs

This first category includes three components:

Rail Component

This component consists of maintenance of real property, track, ballast, signals, crossing and protection devices, pole lines, communication facilities and equipment, and track storm drains outside the Trench. The Railroads are solely responsible for paying the maintenance costs of the Rail Component. ACTA bills each railroad a pro rata share of the budgeted costs on a monthly basis and actual amounts are reconciled at the end of the year.

Budget Analysis (cont'd.)

Non-Rail Component

This component consists of maintenance of the retaining walls, embankments, barrier walls, fences, bridge structures, drainage facilities inside the trench, and emergency drop ladders, telephones, and alarms for the trench, as well as portions of the Washington Boulevard and Henry Ford Avenue grade separations. The costs for the Non-Rail Component are paid from the Reserve Account established through the Amended and Restated Use and Operating Agreement (the written agreement between ACTA, the Ports, and the Railroads governing Corridor operations dated December 15, 2016). ACTA's Maintenance Contractor submits monthly invoices for the work performed, and funds are withdrawn from the Reserve Account monthly to cover the costs.

ACTA Component

This component consists of maintenance of ACTA's Automatic Equipment Identification (AEI) Reader network along the tracks that collect data to support the revenue collection system. ACTA's Maintenance Contractor submits monthly invoices for the work performed on the AEI network and ACTA pays the invoices from administrative funds.

Annual Capital Costs

This second category consists of additions, betterments, and upgrades or replacements made to the Corridor non-rail components and to rail components that exceed the limits set forth in the most current Capital Expense Guidelines approved by the Ports and the Railroads effective January 1, 2018. The Capital Budget work is primarily performed by ACTA's Maintenance Contractor and is paid from the Reserve Account.

Corridor Operating and Other MOW Costs

This third category consists of other Corridor operating costs such as certain insurance, utility, permits, and MOW support costs which are paid for the most part by the Railroads on a monthly basis and actual amounts are reconciled at the end of the year. In addition, dispatching and security services are provided by and paid directly by the Railroads and are, therefore, not reflected in the total MOW expenses paid through ACTA.

Maintenance-of-Way costs for FY19 are budgeted using the approved MOW and O&M Budgets for CY18.

Debt Service Payments: Debt service payments each fiscal year occur on October 1st (interest and principal) and April 1st (interest only). There are $50.0 million, $11.7 million, $2.1 million, $11.8 million, and $27.8 million in 1999, 2004, 2012, 2013, and 2016 Series bond debt service payments respectively scheduled during FY19. Of the total of $103.3 million, principal repayments due October 1, 2018 are $32,995,584.

Debt Service by Bond Series for FY2019
($ in millions)

Year	1999	2004	2012	2013	2016	Total
Principal	$ 27.32	$ 5.68	$ -	$ -	$ -	$ 33.00
Interest	$ 22.64	$ 6.02	$ 2.06	$ 11.79	$ 27.78	$ 70.29
Total	$ 49.96	$ 11.70	$ 2.06	$ 11.79	$ 27.78	$ 103.29

Port Advances: Although port shortfall advance payments were required in FY12 and FY13, there have been none required since, and there are no anticipated advance payments required for FY19. A special temporary $1.12 per TEU fee increase went into effect December 1, 2011, based upon a 2006 settlement with the Railroads involving transloading. This increase was triggered by the port shortfall advance that was required for ACTA's October 1, 2011 debt service. This increase will remain in place for a considerable time pursuant to the settlement and as a result will reduce future shortfall amounts that may be required from the ports. ACTA's debt restructuring, as a result of the 2012 RRIF transaction, the 2013A refunding, and the 2016 bond transaction should eliminate the need for shortfall advances over the next several years provided that port loaded container growth (imports and exports) equals or exceeds 4%.

Debt Summary

Debt Summary

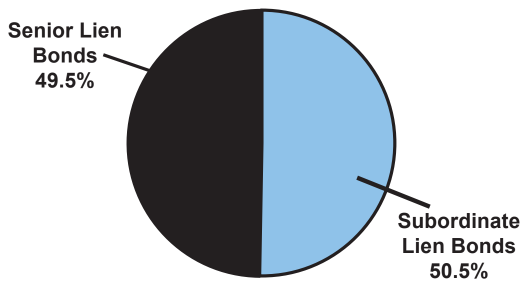
As of June 30, 2018, ACTA's total outstanding debt is anticipated to be $1.6 billion in revenue bonds. ACTA's debt portfolio includes a combination of senior, subordinate, taxable, and tax-exempt serial and capital appreciation bonds. The bonds are secured by a pledge of ACTA's Use Fees and Container Charges paid by the two major railroads, Union Pacific Railroad and BNSF Railway Company, serving Southern California. ACTA paid off tax-exempt subordinate lien revenue bonds Series 1999B on October 1, 2006, and the taxable subordinate lien 1999D Bonds on October 1, 2014.

In late June 2012, ACTA completed a refunding transaction with the US DOT Federal Railroad Administration, in which ACTA issued $83.7 million in taxable senior lien bonds (2012 Bonds) in order to call and redeem certain 1999A Bonds. The 1999A Bonds were redeemed on July 24, 2012. An additional conventional refunding of all remaining callable 1999A Bonds was completed in February 2013 when $248.3 million in 2013A Bonds were issued to redeem $288.9 million in outstanding 1999A Bonds. The remaining outstanding 1999A Bonds are not callable. In May 2016, ACTA issued $591.1 million in tax-exempt subordinate bonds (2016A and 2016B Bonds). A portion of the $687.1 million in proceeds were utilized to refund and/or to defease to maturity certain outstanding 2004A Convertible Capital Appreciation Bonds and 2004 Capital Appreciation Bonds.

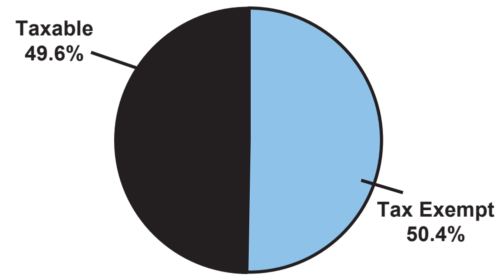
Total Debt Service

Fiscal Year	Principal	Interest	Total
2019	$ 32,995,584	$ 70,290,675	$ 103,286,259
2020	42,611,850	64,419,655	107,031,505
2021	25,767,886	85,620,889	111,388,775
2022	31,745,591	84,717,305	116,462,896
2023	37,813,264	84,247,682	122,060,946
2024-2028	468,922,323	510,059,853	978,982,176
2029-2033	299,227,422	669,593,127	968,820,549
2034-2038	634,861,107	609,107,945	1,243,969,052
Total	$ 1,573,945,027	$ 2,178,057,131	$ 3,752,002,158

Outstanding Bonds by Lien Level



Outstanding Bonds by Type



Debt Summary (cont'd.)

Use Fees and Container Charges for FY19 are expected to be sufficient to cover the annual debt service obligation of $103.3 million. According to Use and Operating Agreement, the Ports are obligated for up to 40 percent of the annual debt service obligation on the outstanding bonds should shortfalls arise. ACTA requested a debt service shortfall advance of approximately $5.9 million ($2.95 million per port) in August 2011, which caused the Use Fees and Container Charges for loaded waterborne containers to increase by $1.12 per TEU beginning December 1, 2011, pursuant to a 2006 settlement with the Railroads involving transloading. A shortfall advance payment of similar size also was paid by the ports for October 1, 2012 debt service. No shortfall advance payment is anticipated for October 1, 2018.

Alameda Corridor Transportation Authority
Aggregate Annual Debt Service - 2018-2037
After Oct 1, 2011 Bond Call, Jul 24, 2012 RRIF Refunding, 2013A Bond Refunding & 2016A/B Bond Restructuring

	Senior Lien Bonds					Subordinate Lien Bonds			Subordinate Lien Bonds								
Year	Tax Exempt Series 1999 A	Taxable Series 1999 C	Taxable RRIF 2012 Bonds	Tax Exempt Series 2013 A	Aggregate Senior Lien Debt Service	Tax Exempt Series 1999 B	Taxable Series 1999 D	Aggregate Subordinate Series 1999 Service	Tax Exempt Series 2004 A	Taxable Series 2004 B	Aggregate Subordinate Series 2004 Service	Subordinate Lien Bonds Tax Exempt Series 2016 A	Total Subordinate Debt Service	2nd Subordinate Lien Bonds Tax Exempt Series 2016 B	Total Debt Service Repayment	Annual Debt Service Bond Year & Calendar Year	Annual Debt Service Fiscal Year
10/1/2018	-	39,080,415	1,032,454	5,893,475	46,006,344				11,700,000	-	11,700,000	803,850.00	12,503,850	13,087,125.00	71,597,319	104,173,996	
4/1/2019	-	10,877,678	1,026,812	5,893,475	17,797,965				-	-	-	803,850.00	803,850	13,087,125.00	31,688,940		103,286,259
10/1/2019	-	40,472,678	1,032,454	17,013,475	58,518,606				4,170,000	-	4,170,000	803,850.00	4,973,850	13,087,125.00	76,579,581	108,268,521	
4/1/2020	-	9,915,840	1,029,633	5,615,475	16,560,948				-	-	-	803,850.00	803,850	13,087,125.00	30,451,923		107,031,504
10/1/2020	-	42,015,840	1,029,633	23,105,475	66,150,948				1,335,000	-	1,335,000	803,850.00	2,138,850	13,087,125.00	81,376,923	111,828,846	
4/1/2021	-	9,915,840	1,026,812	5,178,225	16,120,877				-	-	-	803,850.00	803,850	13,087,125.00	30,011,852		111,388,775
10/1/2021	-	42,535,840	1,032,454	23,888,225	67,456,519				-	-	-	6,488,850.00	6,488,850	13,087,125.00	87,032,494	117,044,346	
4/1/2022	-	9,915,840	1,026,812	4,710,475	15,653,127				-	-	-	690,150.00	690,150	13,087,125.00	29,430,402		116,462,896
10/1/2022	-	43,060,840	1,032,454	24,700,475	68,793,769				-	-	-	11,520,150.00	11,520,150	13,087,125.00	93,401,044	122,831,446	
4/1/2023	-	9,915,840	1,026,812	4,210,725	15,153,377				-	-	-	419,400.00	419,400	13,087,125.00	28,659,902		122,060,946
10/1/2023	-	43,570,840	11,582,454	25,545,725	80,699,019				-	-	-	5,364,400.00	5,364,400	13,087,125.00	99,150,544	127,810,446	
4/1/2024	-	8,805,225	899,868	3,677,350	13,382,443				-	-	-	320,500.00	320,500	13,087,125.00	26,790,068		125,940,612
10/1/2024	-	45,215,225	10,894,868	26,427,350	82,537,443				-	-	-	6,580,500.00	6,580,500	13,087,125.00	102,205,068	128,995,136	
4/1/2025	-	7,603,695	774,801	3,108,600	11,487,096				-	-	-	164,000.00	164,000	13,087,125.00	24,738,221		126,943,289
10/1/2025	-	46,958,695	10,189,058	27,353,600	84,501,353				-	-	-	6,724,000.00	6,724,000	13,087,125.00	104,312,478	129,050,699	
4/1/2026	-	6,304,980	659,375	2,502,475	9,466,830				-	-	-		-	13,087,125.00	22,553,955		126,866,433
10/1/2026	-	48,804,980	9,467,998	28,317,475	86,590,453				-	100,675,000	100,675,000		100,675,000	13,087,125.00	200,352,578	222,906,533	
4/1/2027	-	4,902,480	551,370	1,915,250	7,369,100				-	-	-		-	13,087,125.00	20,456,225		220,808,803
10/1/2027	-	50,757,480	8,724,400	29,265,250	88,747,130				-	100,675,000	100,675,000		100,675,000	13,087,125.00	202,509,255	222,965,480	
4/1/2028	-	3,389,265	452,394	1,305,000	5,146,659				-	-	-		-	13,087,125.00	18,233,784		220,743,039
10/1/2028	-	52,829,265	7,952,394	30,240,000	91,021,659				-	100,670,000	100,670,000		100,670,000	13,087,125.00	204,778,784	223,012,568	
4/1/2029	-	1,757,745	359,157	665,391	2,782,293				-	-	-		-	13,087,125.00	15,869,418		220,648,202
10/1/2029	-	55,022,745	7,171,131	31,250,391	93,444,266				57,015,000	43,660,000	100,675,000		100,675,000	13,087,125.00	207,206,391	223,075,809	
4/1/2030	-		275,624		275,624				-	-	-		-	13,087,125.00	13,362,749		220,569,140
10/1/2030	37,625,000	57,375,000	6,332,138		101,332,138				100,665,000	-	100,665,000		100,665,000	13,087,125.00	215,084,263	228,447,012	
4/1/2031	-		201,351		201,351					-	-		-	13,087,125.00	13,288,476		228,372,740
10/1/2031	38,000,000	57,950,000	5,502,458		101,452,458					100,670,000	100,670,000		100,670,000	13,087,125.00	215,209,583	228,498,059	
4/1/2032	-		136,715		136,715					-	-		-	13,087,125.00	13,223,840		228,433,422
10/1/2032	38,380,000	58,530,000	4,641,715		101,551,715					100,670,000	100,670,000		100,670,000	13,087,125.00	215,308,840	228,532,679	
4/1/2033	-		81,080		81,080					-	-		-	13,087,125.00	13,168,205		228,477,045
10/1/2033	38,765,000	59,115,000	3,756,526		101,636,526					100,675,000	100,675,000		100,675,000	13,087,125.00	215,398,651	228,566,856	
4/1/2034	-		36,002		36,002						-		-	13,087,125.00	13,123,127		228,521,777
10/1/2034	39,155,000	59,705,000	2,851,199		101,711,199						-		-	142,952,125.00	244,663,324	257,786,451	
4/1/2035	-		1,472		1,472						-		-	10,140,500.00	10,141,972		254,805,296
10/1/2035	39,545,000	60,300,000	121,480		99,966,480						-		-	145,900,500.00	245,866,980	256,008,952	
4/1/2036	-		-		-						-		-	6,871,500.00	6,871,500		252,738,480
10/1/2036	39,940,000	60,905,000	-		100,845,000						-		-	149,166,500.00	250,011,500	256,883,000	
4/1/2037	-		-		-						-		-	3,548,500.00	3,548,500		253,560,000
10/1/2037	40,340,000	61,515,000	-		101,855,000						-		-	152,488,500.00	254,343,500	257,892,000	254,343,500
	$ 311,750,000	$1,109,024,270	$ 103,913,357	$ 331,783,356	$1,856,470,983	$ -	$ -	$ -	$ 174,885,000	$ 647,695,000	$ 822,580,000	$ 43,095,050	$ 865,675,050	$ 1,029,856,125	$3,752,002,158	$3,784,578,835	$3,752,002,158

Revenue Summary

Revenue Summary

Use Fees and Container Charges

Use Fees and Container Charges are derived from ACTA's right to impose a charge on the Railroads, pursuant to the Alameda Corridor Amended and Restated Use and Operating Agreement (UOA) dated December 15, 2016. The Railroads pay Use Fees for using the Rail Corridor and Container Charges for loaded waterborne containers originating or terminating at the ports' facilities that do not use the Corridor, but are transported by rail into or out of Southern California. Proceeds of the Use Fees and Container Charges are pledged to bondholders to repay ACTA's outstanding debt and for certain other eligible expenses and reimbursements.

The revenues for FY19 from Use Fees and Container Charges are expected to be $112.2 million, which is 4.5% above the FY18 estimated actual amount of $107.3 million. The Ports are continuing to recover volume following the 2008/2009 recession and 2014/2015 congestion and labor issues. ACTA's revenue is highly correlated with the San Pedro Bay Port TEU volume, with ACTA's share currently in the 28% to 30% range. A change of 120,000 TEUs in the port loaded TEU volume (imports and exports) causes a change of almost $1 million in ACTA's revenue.

ACTA currently assesses the Railroads $24.51 in Use Fees or Container Charges (effective January 1, 2018) per twenty-foot equivalent unit (TEU) for loaded waterborne containers. Approximately 95% of Use Fees and Container Charges revenue comes from loaded waterborne containers.

Empty waterborne containers that pass through the Ports and use the Corridor are assessed $5.87 per TEU. Approximately 2% of the revenue comes from empty waterborne containers.

Containers that utilize the Corridor, but are not associated with the ports, are given the designation of non-waterborne. Non-waterborne containers that use the Corridor, whether full or empty, are assessed $5.87 per TEU. Full flatcars, auto-racks, box cars and other railcars that originate or terminate at the Ports and utilize the Corridor are charged $11.74 per railcar. About 3% of the revenue comes from non-waterborne and other railcar charges.

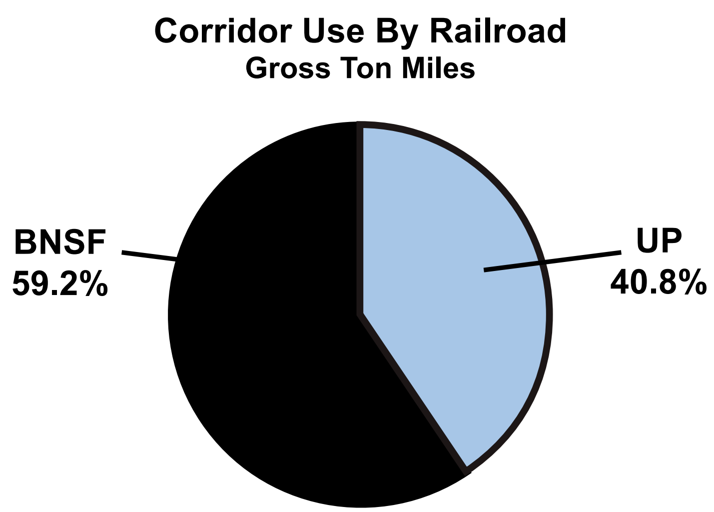
The FY19 revenue projection includes an estimated 2.5% CPI fee adjustment effective January 1, 2019 pursuant to the Use and Operating Agreement.

Railroad Payments

Union Pacific and BNSF Railroads

The Maintenance and Operations (M&O) charges established under the Use and Operating Agreement are pro rata charges to the Railroads for the annual cost of maintenance, operations, and repair of the Corridor. The M&O activities are described on page 29.

M&O charges incurred by the Railroads for the purpose of maintaining or repairing the Corridor track and track support structures are prorated based on gross ton miles. Maintenance and repair of signals and communications systems, dispatching, and all other charges not specifically relating to the track and track support structures are prorated based on train miles. ACTA expects to receive $5.5 million during FY19.



Schedule of Functional Expenses

Schedule of Functional Expenses

Operating Budget By Expense Type

	BUDGET FY19	ACTUAL ESTIMATE FY18	BUDGET FY18	% CHANGE BUDGET TO EST. ACTUAL	% CHANGE BUDGET TO BUDGET
Revenues					
Operating Revenues					
Use Fees & Container Charges	$ 112,203,734	107,337,320	105,666,545	4.5%	6.2%
Maintenance-of-Way Charges	5,540,869	5,269,645	5,333,576	5.1%	3.9%
Total Operating Revenues	117,744,603	112,606,965	111,000,121	4.6%	6.1%
Other Revenues					
Pier Pass	60,000	60,000	60,000	-	-
Office Rental & Other Income	118,599	105,416	115,821	12.5%	2.4%
EPA Income	228,093	190,588	227,197	19.7%	0.4%
Public Benefit Income	6,327,452	1,300,560	6,111,619	386.5%	3.5%
Investment Income	1,657,415	1,231,427	1,649,461	34.6%	0.5%
Subtotal Other Revenues	8,391,559	2,887,991	8,164,098	190.6%	2.8%
Total Sources of Funds	126,136,162	115,494,956	119,164,219	9.2%	5.9%
Expenses					
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 Expenses	73,550	43,569	70,950	68.8%	3.7%
Information Technologies	313,299	272,357	306,225	15.0%	2.3%
Bank & Investment	151,000	133,292	150,000	13.3%	0.7%
ACET Capital & Operational Support	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	331,283	217,269	513,533	52.5%	-35.5%
Pass Thru Expenses & EPA Order	228,093	200,588	227,197	13.7%	0.4%
Expenses for Public Benefit	6,327,452	1,300,560	6,111,619	386.5%	3.5%
Total Administrative Expenses	12,656,590	7,034,558	12,621,212	79.9%	0.3%
MOW Expenses Rail - Contractors	3,436,205	3,173,350	3,203,393	8.3%	7.3%
MOW Expenses Rail - Capital	-	-	-	-	-
MOW Expenses Rail - Other	2,104,664	2,096,294	2,130,183	0.4%	-1.2%
Total M&O - Rail	5,540,869	5,269,645	5,333,576	5.1%	3.9%
MOW Expenses Non-rail - Contractors	968,474	907,763	906,953	6.7%	6.8%
MOW Expenses Non-rail - Capital	2,486,928	2,009,887	2,025,904	23.7%	22.8%
MOW Expenses Non-rail - Other	358,318	214,206	120,920	67.3%	196.3%
Total M&O - Non-Rail	3,813,720	3,131,856	3,053,777	21.8%	24.9%
MOW Expenses - ACTA	188,135	173,651	179,082	8.3%	5.1%
Total Maintenance of Way Expenses	9,542,724	8,575,152	8,566,435	11.3%	11.4%
Subtotal Administrative and M&O Expenses	22,199,314	15,609,711	21,187,647	42.2%	4.8%
Financing Expenses					
Current Payments - Serial Bonds	64,271,259	65,977,184	65,977,184	-2.6%	-2.6%
Current Payments - CAB Debt	6,019,416	3,985,349	3,985,349	51.0%	51.0%
Accrued Interest - CAB Debt & Discount Amortization	32,402,209	36,566,412	36,566,412	-11.4%	-11.4%
Subtotal Financing Expenses	102,692,884	106,528,944	106,528,944	-3.6%	-3.6%
Depreciation and Amortization Expenses					
Depreciation	20,980,164	21,032,090	20,980,164	-0.2%	-
Cost of Issuance	-	-	-	-	-
Subtotal Depreciation and Amortization Expenses	20,980,164	21,032,090	20,980,164	-0.2%	-
Total Operating Expenses	145,872,363	143,170,746	148,696,756	1.9%	-1.9%
Income (loss)	$ (19,736,200)	$ (27,675,789)	$ (29,532,538)	-28.7%	-33.2%

Schedule of Functional Expenses

Operating Budget By Funds

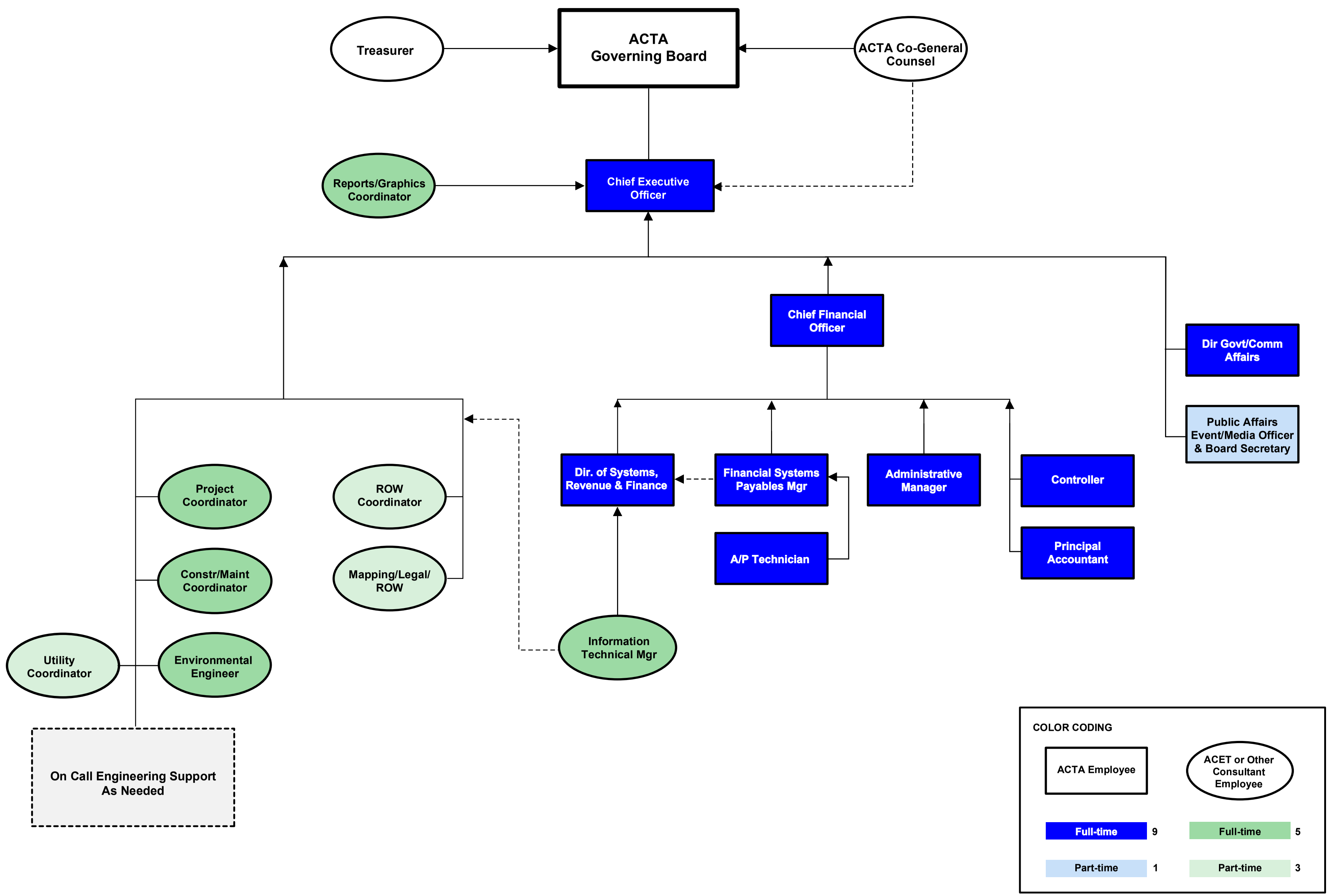
	BUDGET FY19	ACTUAL ESTIMATE FY18	BUDGET FY18	% CHANGE BUDGET TO EST. ACTUAL	% CHANGE BUDGET TO BUDGET
Revenues					
Operating Revenues					
Use Fees & Container Charges	$ 112,203,734	107,337,320	105,666,545	4.5%	6.2%
Maintenance-of-Way Charges	5,540,869	5,269,645	5,333,576	5.1%	3.9%
Total Operating Revenues	117,744,603	112,606,965	111,000,121	4.6%	6.1%
Other Revenues					
Pier Pass	60,000	60,000	60,000	-	-
Office Rental & Other Income	118,599	105,416	115,821	12.5%	2.4%
EPA Income	228,093	190,588	227,197	19.7%	0.4%
Public Benefit Income	6,327,452	1,300,560	6,111,619	386.5%	3.5%
Investment Income	1,657,415	1,231,427	1,649,461	34.6%	0.5%
Subtotal Other Revenues	8,391,559	2,887,991	8,164,098	190.6%	2.8%
Total Sources of Funds	126,136,162	115,494,956	119,164,219	9.2%	5.9%
Expenses					
Administrative Costs	6,101,045	5,533,410	6,282,396	10.3%	-2.9%
Railroads - M&O	5,540,869	5,269,645	5,333,576	5.1%	3.9%
Reserve - M&O	3,813,720	3,131,856	3,053,777	21.8%	24.9%
Financing Fees - M&O	188,135	173,651	179,082	8.3%	5.1%
Expenses for Public Benefit	6,327,452	1,300,560	6,111,619	386.5%	3.5%
Revenue Fund-Current Payments-Serial Bonds	64,271,259	65,977,184	65,977,184	-2.6%	-2.6%
Revenue Fund-Current Payments-CAB Debt	6,019,416	3,985,349	3,985,349	51.0%	51.0%
Pass Thru Expenses & EPA Order	228,093	200,588	227,197	13.7%	0.4%
Total Expenses	92,489,989	85,572,244	91,150,180	8.1%	1.5%
Non Cash Expenses					
Accrued Interest - CAB Debt	32,402,209	36,566,412	36,566,412	-11.4%	-11.4%
Depreciation	20,980,164	21,032,090	20,980,164	-0.2%	0.0%
Subtotal Interest, Depreciation and Amortization Expenses	53,382,374	57,598,502	57,546,576	-7.3%	-7.2%
Total Operating Expenses	145,872,363	143,170,746	148,696,756	1.9%	-1.9%
Income (loss)	$ (19,736,200)	$(27,675,789)	$(29,532,538)	-28.7%	-33.2%

ACTA's Staff Compensation
FY19

	Full-time Equivalents	Salaries	Benefits	Total S&B
Admin Management	1.0	$ 266,437	$ 101,496	$ 367,933
Revenue Collection	1.6	272,296	119,489	$ 391,785
Accounting & Audit	2.9	506,517	217,064	$ 723,581
A/P & Investments	1.5	149,410	65,634	$ 215,044
Governmental Affairs	1.7	235,016	103,415	$ 338,431
Human Resource & Office Staff	1.0	101,052	48,723	$ 149,775
Office Overhead	0.0	-	39,263	$ 39,263
	9.7	$ 1,530,728	$ 695,084	$ 2,225,812

Alameda Corridor Transportation Authority

Functional ACTA / ACET Organizational Chart



Maintenance & Operations - By Calendar Year 2018

	Rail Cost	Non-Rail Cost	ACTA-Rail Cost	Total
Maintenance of Way Contractor's Costs				
Contract Manager	$ 182,700	$ 65,250	$ 13,050	$ 261,000
Track Supervisor	137,655	45,885	-	183,540
Bridge Insp / Safety Supv.	38,367	153,468	-	191,835
Office Manager	76,920	27,472	5,494	109,886
Track Inspector	105,293	35,098	-	140,391
Track Foreman	102,682	34,227	-	136,909
Track Maintainers / Assistant Foreman	86,696	28,899	-	115,595
Track Laborers	239,744	79,915		319,659
Equipment Operators	129,185	43,062	-	172,247
Welder	133,907	-	-	133,907
Welder Helper	108,738	-	-	108,738
Laborer (Graffiti/Pump Station)	-	108,728		108,728
Administrative Burden	51,597	18,428	3,686	73,711
Pump Station Materials & Supplies	-	13,695	-	13,695
Pump Station Repairs & Supplies	-	26,250	-	26,250
AEI Readers	-	-	163,512	163,512
Rail Flaw Detection (Contract)	32,000	-	-	32,000
Graffiti Control	-	21,780	-	21,780
Weed Abatement	20,000	5,000	-	25,000
Training Costs / Safety	21,675	3,825	-	25,500
Safety Management / Costs	21,356	3,769	-	25,125
Vehicles	173,949	44,255	1,343	219,547
Bridge Inspector Vehicle	4,920	19,680	-	24,600
Hi-Lift Bridge / Signal Inspection Vehicle	63,360	15,840	-	79,200
Maintenance Program Rail Grinding	83,475	-	-	83,475
Track Materials / Supplies & Rentals	246,960	-	-	246,960
Signal AAR Unit Cost	1,058,616	-	-	1,058,616
Ladder / Fence / Traffic Support	-	52,500	-	52,500
Security (Trench Cameras)	14,700	5,250	1,050	21,000
Security & Yard Office Maintenance Support	194,460	-	-	194,460
Underwater Bridge Inspection	15,750	-	-	15,750
Trench Ditch Cleaning	-	116,198	-	116,198
Replace Signal Wire @ East Redondo & Dolores	20,000	-	-	20,000
Railroad Reporting & Record Keeping Software	16,500	-	-	16,500
Railroad Emergency Drill Exercise	20,000	-	-	20,000
PTC Support at CP W&E Redondo	3,500	-	-	3,500
Extraordinary Right of Way Cleanup	31,500	-	-	31,500
Total Contractor's Costs	3,436,205	968,474	188,135	4,592,814
Annual Capital Cost				
Surfacing Unit	-	207,000	-	207,000
Surfacing Mobilization	-	25,000	-	25,000
Track Foreman (Switch Reballast)	-	25,728	-	25,728
Track Laborers (Switch Reballast)	-	44,000	-	44,000
Ballast (1700 tons)	-	36,000	-	36,000
Rail Grinding Contractor	-	83,475	-	83,475
Track Reballast	-	38,150	-	38,150
Rail Replacement	-	226,937	-	226,937
Phase II & III Pump Station Upgrade	-	231,000	-	231,000
Trench Emergency Ladder / Stair Study / Repairs	-	150,000	-	150,000
Rehab Henry Ford Crossing @ CP Dominquez	-	371,675	-	371,675
Signal Battery Replacement	-	50,000	-	50,000
Retie Cruero to LB Diamond w/ Concrete Ties	-	24,483	-	24,483
Replace Hot Box Detector @ MP 12.90	-	16,800	-	16,800
Curve Rail Replacement	-	283,500	-	283,500
Diamond Replacements-West Thenard	-	462,000	-	462,000
Signal Circuit Controllers for Switches	-	31,500	-	31,500
Retie Various Control Points with Concrete Ties	-	64,180	-	64,180
Upgrade and Refurnish Maintenance Facility	-	15,750	-	15,750
Fixed Trench Ladders	-	36,750	-	36,750
Misc Trench Structure Repairs	-	63,000	-	63,000
Total Capital Cost	-	2,486,928	-	2,486,928
Corridor Operating & Other MOW Cost				
Insurance (Annual Amount)	1,281,653	-	-	1,281,653
Utilities	334,058	-	-	334,058
Storm Water Discharge Permits, Water Testing & Support Services	30,000	-	-	30,000
Provide 3rd Party Security Monitoring & Support Services	2,500	-	-	2,500
ADASHI Plum Monitoring Software	1,500	-	-	1,500
M&O or Capital Reserve Support Service	354,953	118,318	-	473,271
Communication Network Upgrades, Alarm / Phone Renewals	50,000	-	-	50,000
Rehab Henry Ford Crossing	-	40,000	-	40,000
PTC Design Consultant for CP W&E Redondo	50,000	-	-	50,000
Total Operating & Other MOW	2,104,664	158,318	-	2,262,982
Total MOW Paid through ACTA	$ 5,540,869	$ 3,613,720	$ 188,135	$ 9,342,724
Corridor Operating & Other MOW Cost Paid Directly by Railroads				
Dispatching [1]	618,181	-	-	618,181
Security - Labor [2]	1,293,594	-	-	1,293,594
Security - Equipment [3]	265,302	-	-	265,302
Total Other MOW Paid Directly by Railroads	2,177,077	-	-	2,177,077
Subtotal Maintenance & Operations	$ 7,717,946	$ 3,613,720	$ 188,135	$ 11,519,801
Contingency-Unallocated				$ 200,000
Total Maintenance & Operations				$ 11,719,801

[1,2,3] These costs are for memorandum purposes only and are internal Railroad costs not paid by ACTA.

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Images courtesy of Port of Los Angeles & Port of Long Beach.