Alameda Corridor Transportation Authority

Program & Operating Budget
Fiscal Year 2017/2018

Adopted

June 8, 2017

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ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
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June 8, 2017

Governing Board
Alameda Corridor Transportation Authority

I am pleased to transmit the Fiscal Year 2017/2018 (FY18) Budget for the Alameda Corridor Transportation Authority incorporating both operating and capital expenses. FY18 will be ACTA's sixteenth full fiscal year of operations.

At the end of FY17, the Corridor will have carried an estimated 62 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 $1.316 billion through June 2017. Another $105.7 million is anticipated in FY18.

About 237,000 trains will have moved through the Corridor by the close of FY17, and to date an estimated 18,000 tons of 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 17. 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.

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 FY18, the budgeted net operating expenses of $6.28 million are approximately 11% higher than FY17 due primarily to professional services (including ACET) and staffing compensation 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 fifteen 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 FY18, budgeted net operating expenses are $6.3 million. ACTA continues to control costs while meeting all of the objectives of the Authority. There is an increase in budgeted expenses for FY18, due in part to salary increases, an increase in ACET administrative costs, and additional professional 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 2019. 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 FY18.
- Use and Operating Agreement Consumer Price Index (CPI) fee adjustment is assumed to be 2.5% beginning January 1, 2018.
- 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 2017 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 in December 2016.
- 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 2017 levels.

Budget Overview

The Budget for FY18 consists of operating expenses totaling $148.6 million, including $6.1 million in Expenses for Public Benefit related the SR-47 Project. Right-of-way, utility, and design support during construction work will continue in FY18 on the Heim Bridge Replacement portion of SR-47 pursuant to cooperative agreements with Caltrans.

Debt service payments of $99.4 million are scheduled for FY18 which includes $70.0 million for interest and $29.4 million for principal reduction.

ACTA's administrative, revenue collection and monitoring costs, and professional services costs have been budgeted at $6.3 million, which is about 5.9% percent more than the FY17 Budget. Increases include a CPI salary adjustment and one-time increase for specific staff as approved by the Governing Board in June 2017, additional costs for ACET services, as well as an increase in Professional Service costs for Public Affairs and rating agency evaluations.

Corridor Maintenance-of-Way costs are budgeted at $8.6 million. The Railroads are directly responsible for most of the maintenance costs, making cash payments of $5.3 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 FY18 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 23.

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 increase in FY18. The increase is mainly due to increased fees related to rating agency evaluations. These fees are set by the individual rating agencies. Government Affairs costs also increased due to the new public affairs contract that was issued beginning in FY18. These increases were offset by a reduction in anticipated audit fees for FY18.

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.

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. 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:

<u>*Rail Component*</u>

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.

<u>*Non-Rail Component*</u>

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

Budget Analysis (cont'd.)

Boulevard and Henry Ford Avenue grade separations. The costs for the Non-Rail Component are paid from the Reserve Account established through the Use and Operating Agreement (the written agreement between ACTA, the Ports, and the Railroads governing Corridor operations). 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. 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

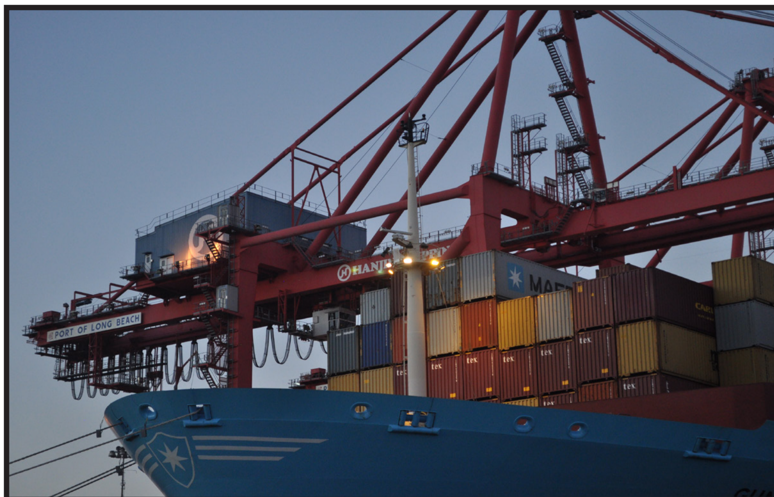
This third category consists of other Corridor operating costs such as certain insurance, utility, permits, and MOW support costs which are paid for the most part by the Railroads on a monthly basis and actual amounts are reconciled at the end of the year. In addition, dispatching and security services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

Maintenance-of-Way costs for FY18 are budgeted using the approved MOW and O&M Budgets for CY17.

Debt Service Payments: Debt service payments each fiscal year occur on October 1st (interest and principal) and April 1st (interest only). There are $49.5 million, $8.2 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 FY18. Of the total of $99.4 million, principal repayments due October 1, 2017 are $29,444,651.

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 FY18. 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

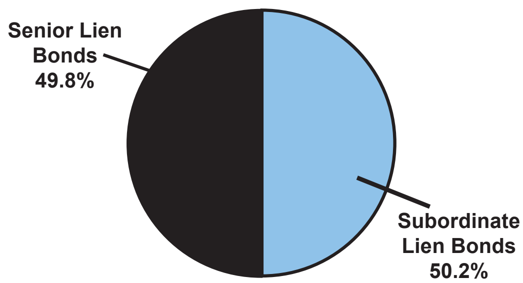
As of June 30, 2017, ACTA's total outstanding debt is anticipated to be $1.6 billion in revenue bonds. ACTA's debt portfolio includes a combination of senior, subordinate, taxable, and tax-exempt serial and capital appreciation bonds. The bonds are secured by a pledge of ACTA's Use Fees and Container Charges paid by the two major railroads, Union Pacific Railroad and BNSF Railway Company, serving Southern California. ACTA paid off tax-exempt sub lien revenue bonds Series 1999B on October 1, 2006 and the 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 $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.

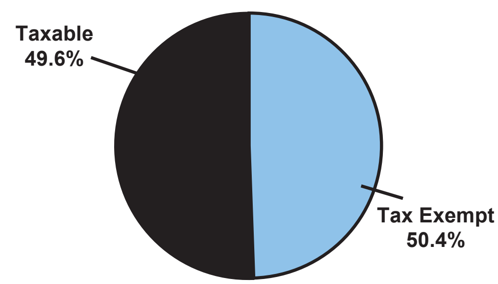
Total Debt Service

Fiscal Year	Principal	Interest	Total
2018	$ 29,444,651	$ 69,962,533	$ 99,407,184
2019	32,995,584	70,290,675	103,286,259
2020	42,611,850	64,419,655	107,031,504
2021	25,767,886	85,620,889	111,388,775
2022	31,745,591	84,717,305	116,462,896
2023-2027	365,488,453	357,131,630	722,620,083
2028-2032	406,023,092	712,743,450	1,118,766,542
2033-2037	510,378,990	707,723,609	1,218,102,599
2038	158,933,580	95,409,919	254,343,499
Total	$ 1,603,389,677	$ 2,248,019,665	$ 3,851,409,342

Outstanding Bonds by Lien Level



Outstanding Bonds by Type



Debt Summary (cont'd.)

Use Fees and Container Charges for FY18 are expected to be sufficient to cover the annual debt service obligation of $99.4 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, 2017.

Alameda Corridor Transportation Authority
Aggregate Annual Debt Service - 2017-2037
After Oct 1, 2011 Bond Call, Jul 24, 2012 RRIF Refunding, 2013A Bond Refunding & 2016A/B Bond Restructuring

Year	Senior Lien Bonds Tax Exempt Series 1999 A	Senior Lien Bonds Taxable Series 1999 C	Senior Lien Bonds Taxable RRIF 2012 Bonds	Senior Lien Bonds Tax Exempt Series 2013 A	Aggregate Senior Lien Debt Service	Subordinate Lien Bonds Tax Exempt Series 1999 B	Subordinate Lien Bonds Taxable Series 1999 D	Aggregate Subordinate Series 1999 Service	Subordinate Lien Bonds Tax Exempt Series 2004 A	Subordinate Lien Bonds 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
10/1/2017	-	37,758,603	1,032,454	5,893,475	44,684,531				8,255,000	-	8,255,000	803,850	9,058,850	13,087,125	66,830,506	100,225,371	
4/1/2018	-	11,765,415	1,026,812	5,893,475	18,685,702				-	-	-	803,850	803,850	13,087,125	32,576,677		99,407,184
10/1/2018	-	39,080,415	1,032,454	5,893,475	46,006,344				11,700,000	-	11,700,000	803,850	12,503,850	13,087,125	71,597,319	104,173,996	
4/1/2019	-	10,877,678	1,026,812	5,893,475	17,797,965				-	-	-	803,850	803,850	13,087,125	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	4,973,850	13,087,125	76,579,581	108,268,521	
4/1/2020	-	9,915,840	1,029,633	5,615,475	16,560,948				-	-	-	803,850	803,850	13,087,125	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	2,138,850	13,087,125	81,376,923	111,828,846	
4/1/2021	-	9,915,840	1,026,812	5,178,225	16,120,877				-	-	-	803,850	803,850	13,087,125	30,011,852		111,388,775
10/1/2021	-	42,535,840	1,032,454	23,888,225	67,456,519				-	-	-	6,488,850	6,488,850	13,087,125	87,032,494	117,044,346	
4/1/2022	-	9,915,840	1,026,812	4,710,475	15,653,127				-	-	-	690,150	690,150	13,087,125	29,430,402		116,462,896
10/1/2022	-	43,060,840	1,032,454	24,700,475	68,793,769				-	-	-	11,520,150	11,520,150	13,087,125	93,401,044	122,831,446	
4/1/2023	-	9,915,840	1,026,812	4,210,725	15,153,377				-	-	-	419,400	419,400	13,087,125	28,659,902		122,060,946
10/1/2023	-	43,570,840	11,582,454	25,545,725	80,699,019				-	-	-	5,364,400	5,364,400	13,087,125	99,150,544	127,810,446	
4/1/2024	-	8,805,225	899,868	3,677,350	13,382,443				-	-	-	320,500	320,500	13,087,125	26,790,068		125,940,612
10/1/2024	-	45,215,225	10,894,868	26,427,350	82,537,443				-	-	-	6,580,500	6,580,500	13,087,125	102,205,068	128,995,136	
4/1/2025	-	7,603,695	774,801	3,108,600	11,487,096				-	-	-	164,000	164,000	13,087,125	24,738,221		126,943,289
10/1/2025	-	46,958,695	10,189,058	27,353,600	84,501,353				-	-	-	6,724,000	6,724,000	13,087,125	104,312,478	129,050,699	
4/1/2026	-	6,304,980	659,375	2,502,475	9,466,830				-	-	-		-	13,087,125	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	200,352,578	222,906,533	
4/1/2027	-	4,902,480	551,370	1,915,250	7,369,100				-	-	-		-	13,087,125	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	202,509,255	222,965,480	
4/1/2028	-	3,389,265	452,394	1,305,000	5,146,659				-	-	-		-	13,087,125	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	204,778,784	223,012,568	
4/1/2029	-	1,757,745	359,157	665,391	2,782,293				-	-	-		-	13,087,125	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	207,206,391	223,075,809	
4/1/2030	-		275,624		275,624				-	-	-		-	13,087,125	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	215,084,263	228,447,012	
4/1/2031	-		201,351		201,351					-	-		-	13,087,125	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	215,209,583	228,498,059	
4/1/2032	-		136,715		136,715					-	-		-	13,087,125	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	215,308,840	228,532,679	
4/1/2033	-		81,080		81,080					-	-		-	13,087,125	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	215,398,651	228,566,856	
4/1/2034	-		36,002		36,002						-		-	13,087,125	13,123,127		228,521,777
10/1/2034	39,155,000	59,705,000	2,851,199		101,711,199						-		-	142,952,125	244,663,324	257,786,451	
4/1/2035	-		1,472		1,472						-		-	10,140,500	10,141,972		254,805,296
10/1/2035	39,545,000	60,300,000	121,480		99,966,480						-		-	145,900,500	245,866,980	256,008,952	
4/1/2036	-		-		-						-		-	6,871,500	6,871,500		252,738,480
10/1/2036	39,940,000	60,905,000	-		100,845,000						-		-	149,166,500	250,011,500	256,883,000	
4/1/2037	-		-		-						-		-	3,548,500	3,548,500		253,560,000
10/1/2037	40,340,000	61,515,000	-		101,855,000						-		-	152,488,500	254,343,500	257,892,000	254,343,500
	$ 311,750,000	$ 1,158,548,288	$ 105,972,623	$ 343,570,306	$ 1,919,841,217	$ -	$ -	$ -	$ 183,140,000	$ 647,695,000	$ 830,835,000	$ 44,702,750	$ 875,537,750	$ 1,056,030,375	$ 3,851,409,342	$ 3,884,804,206	$ 3,851,409,342

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 Use and Operating Agreement (UOA). 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 FY18 from Use Fees and Container Charges are expected to be $105.7 million, which is 6.3% above the FY17 estimated actual amount of $99.4 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 29% 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 $23.77 in Use Fees or Container Charges (effective January 1, 2017) per twenty-foot equivalent unit (TEU) for loaded waterborne containers. Approximately 96% 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 $5.69 per TEU. Approximately 3% 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 $5.69 per TEU. Full flatcars, auto-racks, box cars and other railcars that originate or terminate at the Ports and utilize the Corridor are charged $11.39 per railcar. Only about 1% of the revenue comes from non-waterborne and other railcar charges.

The FY18 revenue projection includes an estimated 2.5% CPI fee adjustment effective January 1, 2018 pursuant to the Use and Operating Agreement.

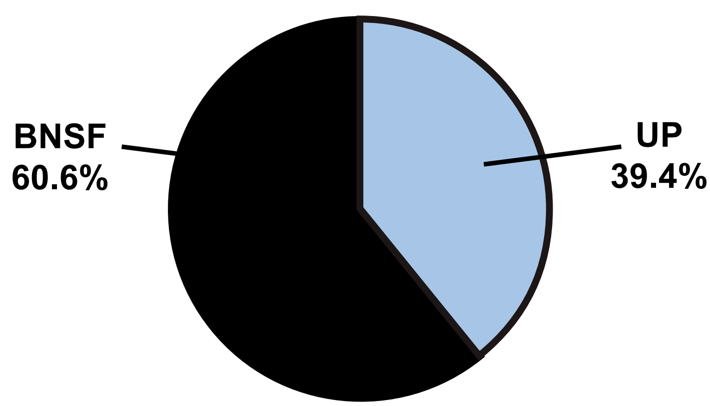
Railroad Payments

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 27.

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 $5.3 million during the FY18.

Corridor Use By Railroad
Gross Ton Miles



Schedule of Functional Expenses

Schedule of Functional Expenses

Operating Budget By Expense Type

	BUDGET FY18	ACTUAL ESTIMATE FY17	BUDGET FY17	% CHANGE BUDGET TO EST. ACTUAL	% CHANGE BUDGET TO BUDGET
Revenues					
Operating Revenues					
Use Fees & Container Charges	$ 105,666,545	99,427,880	109,444,931	6.3%	-3.5%
Maintenance-of-Way Charges	5,333,576	5,641,155	5,598,255	-5.5%	-4.7%
Total Operating Revenues	111,000,121	105,069,035	115,043,186	5.6%	-3.5%
Other Revenues					
Pier Pass	60,000	60,000	60,000	-	-
Office Rental & Other Income	115,821	201,250	112,711	-42.4%	2.8%
EPA Income	227,197	146,992	27,110	54.6%	738.1%
Public Benefit Income	6,111,619	1,174,814	6,200,000	420.2%	-1.4%
Investment Income	1,649,461	286,549	1,681,486	475.6%	-1.9%
Subtotal Other Revenues	8,164,098	1,869,605	8,081,307	336.7%	1.0%
Total Sources of Funds	119,164,219	106,938,639	123,124,493	11.4%	-3.2%
Expenses					
Salaries	1,514,297	1,405,726	1,420,463	7.7%	6.6%
Benefits	699,674	625,737	672,547	11.8%	4.0%
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 & Investment	150,000	152,000	165,000	-1.3%	-9.1%
ACET Capital & Operational Support	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	-	-
Governmental Affairs	132,000	120,000	120,000	10.0%	10.0%
Professional Services	513,533	226,768	346,722	126.5%	48.1%
EPA Order	227,197	15,741	27,110	1343.3%	738.1%
Expenses for Public Benefit	6,111,619	1,174,814	6,200,000	420.2%	-1.4%
Pass Thru Expenses	-	-	-	-	-
Total Administrative Expenses	12,621,212	6,849,176	12,161,482	84.3%	3.8%
MOW Expenses Rail - Contractors	3,203,393	3,276,400	3,238,755	-2.2%	-1.1%
MOW Expenses Rail - Capital	-	-	-	-	-
MOW Expenses Rail - Other	2,130,183	2,364,755	2,359,500	-9.9%	-9.7%
Total M&O - Rail	5,333,576	5,641,155	5,598,255	-5.5%	-4.7%
MOW Expenses Non-rail - Contractors	906,953	758,137	862,578	19.6%	5.1%
MOW Expenses Non-rail - Capital	2,025,904	1,371,858	1,715,133	47.7%	18.1%
MOW Expenses Non-rail - Other	120,920	259,327	267,000	-53.4%	-54.7%
Total M&O - Non-Rail	3,053,777	2,389,321	2,844,711	27.8%	7.3%
MOW Expenses - ACTA	179,082	199,083	194,970	-10.0%	-8.1%
Total Maintenance of Way Expenses	8,566,435	8,229,559	8,637,936	4.1%	-0.8%
Subtotal Administrative and M&O Expenses	21,187,647	15,078,736	20,799,418	40.5%	1.9%
Financing Expenses					
Current Payments - Serial Bonds	65,977,184	63,455,455	63,455,455	4.0%	4.0%
Current Payments - CAB Debt	3,985,349	-	-	-	-
Accrued Interest - CAB Debt & Discount Amortization	36,566,412	41,178,371	41,178,371	-11.2%	-11.2%
Subtotal Financing Expenses	106,528,944	104,633,826	104,633,826	1.8%	1.8%
Depreciation and Amortization Expenses					
Depreciation	20,980,164	21,016,918	21,567,691	-0.2%	-2.7%
Cost of Issuance	-	-	-	-	-
Subtotal Depreciation and Amortization Expenses	20,980,164	21,016,918	21,567,691	-0.2%	-2.7%
Total Operating Expenses	148,696,756	140,729,480	147,000,935	5.7%	1.2%
Income (loss)	$ (29,532,538)	$ (33,790,840)	$ (23,876,442)	-12.6%	23.7%

Schedule of Functional Expenses

Operating Budget By Funds

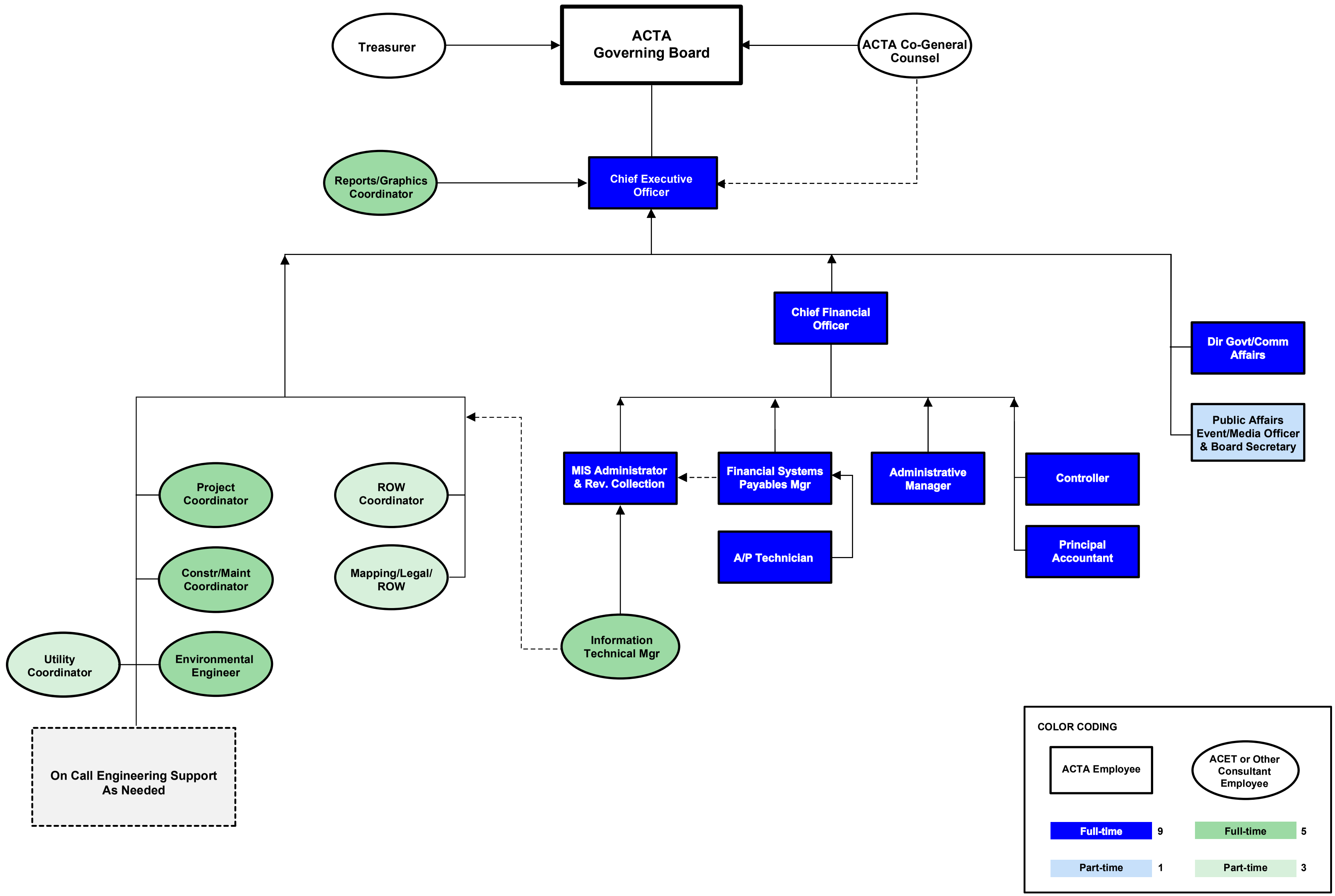
	BUDGET FY18	ACTUAL ESTIMATE FY17	BUDGET FY17	% CHANGE BUDGET TO EST. ACTUAL	% CHANGE BUDGET TO BUDGET
Revenues					
Operating Revenues					
Use Fees & Container Charges	$ 105,666,545	99,427,880	109,444,931	6.3%	-3.5%
Maintenance-of-Way Charges	5,333,576	5,641,155	5,598,255	-5.5%	-4.7%
Total Operating Revenues	111,000,121	105,069,035	115,043,186	5.6%	-3.5%
Other Revenues					
Pier Pass	60,000	60,000	60,000	-	-
Office Rental & Other Income	115,821	201,250	112,711	-42.4%	2.8%
EPA Income	227,197	146,992	27,110	54.6%	738.1%
Public Benefit Income	6,111,619	1,174,814	6,200,000	420.2%	-1.4%
Investment Income	1,649,461	286,549	1,681,486	475.6%	-1.9%
Subtotal Other Revenues	8,164,098	1,869,605	8,081,307	336.7%	1.0%
Total Sources of Funds	119,164,219	106,938,639	123,124,493	11.4%	-3.2%
Expenses					
Administrative Costs	6,282,396	5,658,621	5,934,372	11.0%	5.9%
Railroads - M&O	5,333,576	5,641,155	5,598,255	-5.5%	-4.7%
Reserve - M&O	3,053,777	2,389,321	2,844,711	27.8%	7.3%
Financing Fees - M&O	179,082	199,083	194,970	-10.0%	-8.1%
Expenses for Public Benefit	6,111,619	1,174,814	6,200,000	420.2%	-1.4%
Revenue Fund-Current Payments-Serial Bonds	65,977,184	63,455,455	63,455,455	4.0%	4.0%
Revenue Fund-Current Payments-CAB Debt	3,985,349	-	-	-	-
EPA Fund	227,197	15,741	27,110	1343.3%	738.1%
Pass Thru	-	-	-	-	-
Total Expenses	91,150,180	78,534,191	84,254,873	16.1%	8.2%
Non Cash Expenses					
Accrued Interest - CAB Debt	36,566,412	41,178,371	41,178,371	-11.2%	-11.2%
Depreciation	20,980,164	21,016,918	21,567,691	-0.2%	-2.7%
Cost of Issuance	-	-	-	-	-
Subtotal Interest, Depreciation and Amortization Expenses	57,546,576	62,195,289	62,746,062	-7.5%	-8.3%
Total Operating Expenses	148,696,756	140,729,480	147,000,935	5.7%	1.2%
Income (loss)	$ (29,532,538)	$(33,790,840)	$(23,876,442)	-12.6%	23.7%

ACTA's Staff Compensation
FY18

	Full-time Equivalents		Salaries		Benefits		Total S&B
Admin Management	1.0	$	268,512	$	109,876	$	378,389
Revenue Collection	1.6		271,827		121,352	$	393,179
Accounting & Audit	2.9		496,769		220,252	$	717,021
A/P & Investments	1.5		149,091		62,111	$	211,202
Governmental Affairs	1.5		226,435		102,594	$	329,029
Human Resource & Office Staff	1.0		101,662		50,206	$	151,868
Office Overhead	0.0		-		33,283	$	33,283
	9.5	$	1,514,297	$	699,674	$	2,213,971

Alameda Corridor Transportation Authority

Functional ACTA/ACET Organizational Chart



Maintenance & Operations

By Calendar Year 2017

	Rail Cost	Non-Rail Cost	ACTA-Rail Cost	Total
Maintenance of Way Contractor's Costs				
Contract Manager	$ 158,760	$ 56,700	$ 11,340	$ 226,800
Track Supervisor	131,100	43,700	-	174,800
Bridge Insp / Safety Supv.	36,540	146,160	-	182,700
Office Manager	69,748	24,910	4,982	99,640
Track Inspector	100,279	33,426	-	133,705
Track Foreman	97,793	32,598	-	130,391
Track Maintainers / Assistant Foreman	82,568	27,523	-	110,091
Track Laborers	228,328	76,109		304,437
Equipment Operators	123,034	41,011	-	164,045
Welder	127,530	-	-	127,530
Welder Helper	98,645	-	-	98,645
Laborer (Gaffitti/Pump Station)	-	103,550		103,550
Administrative Burden	49,392	17,640	3,528	70,560
Accounting Support	17,500	6,250	1,250	25,000
Pump Station Materials & Supplies	-	12,450	-	12,450
Pump Station Repairs & Supplies	-	25,500	-	25,500
AEI Readers	-	-	155,942	155,942
Rail Flaw Detection (Contract)	30,000	-	-	30,000
Graffiti Control	-	19,950	-	19,950
Weed Abatement	20,000	5,000	-	25,000
Training Costs / Safety	21,250	3,750	-	25,000
Safety Management / Costs	15,725	2,775	-	18,500
Vehicles	167,210	41,891	990	210,091
Bridge Inspector Vehicle	3,960	15,840	-	19,800
Hi-Lift Bridge / Signal Inspection Vehicle	57,600	14,400	-	72,000
Maintenance Program Rail Grinding	83,475	-	-	83,475
Track Materials / Supplies & Rentals	239,400	-	-	239,400
Signal AAR Unit Cost	1,009,606	-	-	1,009,606
Ladder / Fence / Traffic Support	-	36,750	-	36,750
Security (Trench Cameras)	14,700	5,250	1,050	21,000
Security & Yard Office Maintenance Support	162,750	-	-	162,750
Trench Ditch Cleaning	-	113,820	-	113,820
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
Contingency Fund	-	-	-	-
Total Contractor's Costs	3,203,393	906,953	179,082	4,289,428
Annual Capital Cost				
Surfacing Unit	-	198,000	-	198,000
Surfacing Mobilization	-	25,000	-	25,000
Track Foreman (Switch Reballast)	-	14,760	-	14,760
Track Laborers (Switch Reballast)	-	51,360	-	51,360
Ballast (1700 tons)	-	63,000	-	63,000
Rail Grinding Contractor	-	83,475	-	83,475
Track Reballast	-	71,800	-	71,800
Rail Replacement	-	273,611	-	273,611
Phase II & III Pump Station Upgrade	-	232,050	-	232,050
Trench Emergency Ladder / Stair Study / Repairs	-	225,000	-	225,000
Replace Long Beach Crossing Diamonds	-	-	-	-
Replace Air Conditioners in Signal Huts	-	-	-	-
Rehab Henry Ford Crossing @ CP Dominquez	-	411,675	-	411,675
Upgrade Signals at CP Dominquez	-	-	-	-
Signal Battery Replacement	-	50,000	-	50,000
Crossing HXP Replacement Cards	-	25,000	-	25,000
Retie Cruero to LB Diamond w/ Concrete Ties	-	65,528	-	65,528
Replace Hot Box Detector @ MP 12.90	-	123,000	-	123,000
Santa Fe Ave High Security Fence	-	57,750	-	57,750
Crash Barrier @Manville Road/SR91 Off-ramp	-	54,895	-	54,895
Contingency Fund	-	-	-	-
Total Capital Cost	-	2,025,904	-	2,025,904
Corridor Operating & Other MOW Cost				
Insurance (Annual Amount)	1,401,283	-	-	1,401,283
Utilities	318,150	-	-	318,150
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	1,250	-	-	1,250
M&O or Capital Reserve Support Service	350,000	120,920	-	470,920
Communication Network Upgrades, Alarm / Phone Renewals	27,000	-	-	27,000
Contingency	-	-	-	-
Total Operating & Other MOW	2,130,183	120,920	-	2,251,103
Total MOW Paid through ACTA	$ 5,333,576	$ 3,053,777	$ 179,082	$ 8,566,435
Corridor Operating & Other MOW Cost Paid Directly by Railroads				
Dispatching [1]	612,060	-	-	612,060
Security - Labor [2]	1,243,840	-	-	1,243,840
Security - Equipment [3]	260,100	-	-	260,100
Total Other MOW Paid Directly by Railroads	2,116,000	-	-	2,116,000
Total Maintenance & Operation	$ 7,449,576	$ 3,053,777	$ 179,082	$ 10,682,435

[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.