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Alameda Corridor Transportation Authority

April 15, 2021

To:	Governing Board
From:	Kevin L. Scott, Chief Financial Officer
Subject:	<i>Preliminary FY 2022 Draft Budget (INFORMATION)</i>

Discussion:

The FY2022 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 described in the narrative below regarding the Operating Budget Summary, and are detailed in Transmittal 1 (attached). Based upon the outcome of today's discussion, along with some final reviews by staff of budgetary amounts, a formal and final draft budget will be presented to the Board for adoption in June 2021.

Revenue

The draft budget schedules provide a revenue projection for FY22 of \$115.8M, which includes \$8.7M in railroad Maintenance-of-Way Charges and \$107.1M in Use Fees & Container Charges. Other Income from interest earnings and reimbursement by Caltrans for costs incurred for the SR-47 Project add \$7.4M to the revenue. The total revenue is forecast to be \$123.2M.

Use Fees & Container Charges are based on a projection of 11.67M total San Pedro Bay TEUs. The fee per TEU includes a CPI increase of 1.5% over FY21. The revenue forecast is conservatively forecast (low model) to reflect reduction in cargo volumes relative to the surge that occurred July 2020 through June 2021, which followed a six-month dip caused by COVID-19.

Expenses

At this time, FY21 estimated actual administrative expenses are projected to be 11.8% under the FY21 budget (\$6.3M vs. \$7.1M), due to lower-than-expected salaries, benefits, office expenses, and professional service costs. Savings were also realized with expedited implementation of a new accounting software system.

The FY22 administrative expenses (\$6.8M) are anticipated to be 3.3% under the FY21 budget (\$7.1M)



The draft FY22 budget includes a salary adjustment/increase of 3% for ACTA employees, which would need to be subsequently approved by the Board. 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 additional CalPERS deposits.

Expenses for Public Benefit vary yearly based upon Caltrans' SR-47 construction schedule and timing of Caltrans reimbursement payments. The difference between the FY21 estimated actuals (\$0.58M) and FY21 budget (\$5.1M) is due to a delay in utility relocation work being completed. Construction activities on the project are expected to be wrapped-up in FY22 with the anticipated budget of \$4.8M. Some close-out activities are also anticipated in FY23.

Cash Flow

Cash flow during FY22 is anticipated to be negative by about \$21.7M. The cash balance at the beginning of FY22 (July 1, 2021) is estimated to be about \$37.0M, including \$17.7M in the Revenue Fund, \$1.5M in the M&O Fund, \$10.8M in the Reserve Account and \$7.0M in the Administrative Fund. Receipts include Use Fees & Container Charges of \$107.1M and \$11.1M mostly from M&O payments made by the railroads. After debt service payments of \$116.5M, Operating Expenses of \$6.8M and M&O Expenses of \$16.7M, ACTA anticipates about \$21.7M in negative cash flow. The ending cash balance on June 30, 2022 is estimated to be \$15.3M.

Capital Spending and Financing

ACTA is not taking on any new capital projects during FY22 or for the foreseeable future. Larger maintenance expenditures will be funded through the Reserve Account. ACTA's Master Trust Indenture pledges available Revenue to debt currently outstanding, maintenance and operations, and port obligations. Prospective transactions over the course of the next twelve months may include refinancing previously issued debt to lower near-term debt service and reduce the need for shortfall advances from the ports.

Co-General Counsel Review:

ACTA's Co-General Counsel has reviewed this Board Report and there are no legal issues at this time.

Transmittals:

- Transmittal 1 - Draft FY2022 Budget Presentation
- Transmittal 2 - Draft FY2022 Budget