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## Alameda Corridor Transportation Authority

June 10, 2021

<b>To:</b>	Governing Board
<b>From:</b>	Kevin L. Scott, Chief Financial Officer
<b>Subject:</b>	<i>Fiscal Year 2021/2022 Final Budget (APPROVAL)</i>

**Recommendation:**

Adopt the final Fiscal Year 2021/2022 (FY22) Budget and appropriate cash spending of \$145,030,006.

**Discussion:**

The FY22 cash budget of \$145.0 million includes debt service of \$116.5 million (consisting of \$31.7 million in principal payments and \$84.7 million in interest payments) and other expenditures as outlined below.

**Cash Spending**

	<b><u>Budget</u></b>	
	<b><u>FY22</u></b>	<b><u>FY21</u></b>
<b>Debt Service</b>	\$116,462,896	\$111,388,775
<b>Administrative Expenses</b>	6,888,521	7,059,253
<b>EPA Pass Thru</b>	156,203	133,227
<b>Public Benefit Spending</b>	4,854,562	5,109,861
<b>Maintenance of Way Expenses</b>	16,667,824	16,218,578
	<u>\$145,030,006</u>	<u>\$139,909,694</u>

The Budget also details a number of non-cash expenditures, for which no Board appropriation is necessary. These items include:

**Non-Cash Spending**

	<b><u>FY22</u></b>	<b><u>FY21</u></b>
<b>Debt Service – Accrued CAB Interest</b>	\$22,335,333	\$12,686,829
<b>Depreciation</b>	20,982,164	20,982,164
	<u>\$43,319,497</u>	<u>\$ 33,668,993</u>



## Revenue Summary

**Operating Revenue** during FY22 is forecasted to be \$115.8 million. The largest component of Revenue, \$107.1 million, is from Use Fees and Container Charges as established in the 1998 Use and Operating Agreement (UOA), as amended. There is an additional \$8.7 million of Maintenance of Way Charges which are paid by the railroads. Rates are forecast to escalate by 1.5%, which is the minimum annual CPI adjustment provided in the Use & Operating Agreement (the actual CPI adjustment will be taken from October 2021 and may be higher). ACTA TEU volumes are based on our *ACTA Forecast Model -Low Scenario* results, which show decline by 6% for the first six months of the fiscal year compared to that period in 2020, and decline by 4% for the remaining six months compared to that period in 2021; the declines are relative to the anomaly growth during FY21.

**Other Revenue** comprise reimbursable components, the largest of which is reimbursement by Caltrans of \$4.9 million in funds advanced by ACTA for the SR-47 project; Investment Income, mostly from the Bank of America Forward Delivery Agreement, and interest earnings on debt service reserve funds totaling \$2.2 million. The other components, totaling \$0.34 million, are reimbursements to ACTA from PierPass, Crimson Oil, Dolores Crossover-UPRR, Long Beach Pier B, miscellaneous flagging for the railroads, and office space provided to ACET.

## 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 in recent years, with some increasing trend for cost-of-living adjustments to salaries and benefits, and maintenance and upgrade of the Revenue Assessment/Verification System. ACTA strives to reduce costs and efficiently provide necessary services.

The table below details Administrative Expenses by Expense Type, comparing the FY22 Budget to both FY21 Estimated Actual and FY21 Budget. The FY22 Budget proposes a 2.4% decrease over the FY21 Budget.

	<b><u>Administrative Expenses by Type</u></b>					
	<b>FY 2022</b>		<b>FY 2021</b>		<b>% Change FY 2022 Budget to</b>	
	<b>Budget</b>	<b>Est. Actual</b>	<b>Budget</b>	<b>Est. Actual</b>	<b>FY 2021 Est. Actual</b>	<b>FY 2021 Budget</b>
Salaries	1,768,849	1,657,751	1,665,436	6.7%	6.2%	
Benefits	1,060,518	869,945	1,014,921	21.9%	4.5%	
Office Expenses	488,372	406,129	470,435	20.3%	3.8%	
Other Management Exp	91,200	44,776	74,295	103.7%	22.8%	
Information Technologies	266,316	560,947	763,152	-52.5%	-65.1%	
Bank and Investment	164,000	145,220	161,500	12.9%	1.6%	
ACET Operating	1,440,038	1,321,678	1,376,970	9.0%	4.6%	
Audit	207,475	197,956	223,480	4.8%	-7.2%	
Legal	880,000	707,890	880,000	24.3%	0.0%	
Governmental Affairs	78,676	66,292	78,676	18.7%	0.0%	
Professional Services	443,077	333,176	350,388	33.0%	26.5%	
<b>Total Admin Expense</b>	<b>\$6,888,522</b>	<b>\$6,311,761</b>	<b>\$7,059,253</b>	<b>9.1%</b>	<b>-2.4%</b>	

Some notable information on the FY22 Administrative Expenses is described as follows:

**Salaries/Benefits:** The increase to FY22 Budget reflects 3% increase, plus a full-time public affairs position instead of part-time, and a proposed organization change to handle the responsibilities of the vacant Controller position.

**Information Technologies:** Decreases in FY22 due to the overall completion of the accounting system replacement, with only small as-needed services remaining.

**Audit:** Decreases in FY22 because the specialized consultant services for the new accounting software required in FY21 should be completed by end of FY21.

**Pass Through Expenses** include two items for FY22 Budget: 1) EPA Order related to the Crimson Oil Pipeline, project flagging and other miscellaneous support budgeted at \$156,000, and 2) ACTA's Public Benefit Project Expenses budgeted for \$4.9 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 FY22 have been projected at \$107.1 million. No port shortfall advance is anticipated during FY22. Use Fees & Container Charge revenue and reserve are conservatively forecast to be sufficient to fund debt service during FY22. Beyond FY22, a post COVID-19 resurgence in San Pedro Bay TEU's will be 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 2022, 2026 or both.

Following adoption of the FY22 Budget, staff will prepare the final budget document for distribution, and post the authorized budget to the ACTA website.

Adoption of the FY22 Budget, as presented is recommended.

### **Co-General Counsel:**

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

Transmittal:

Transmittal 1 - Proposed FY2022 Budget

Transmittal 2 - Proposed FY2022 Budget Presentation