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Alameda Corridor Transportation Authority

June 16, 2022

To:	Governing Board
From:	Kevin L. Scott, Chief Financial Officer
Subject:	<i>Fiscal Year 2022/2023 Final Budget (APPROVAL)</i>

Recommendation:

Adopt the final Fiscal Year 2022/2023 (FY23) Budget and appropriate cash spending of \$151,607,453.

Discussion:

The FY23 cash budget of \$151.7 million includes debt service of \$122.1 million (consisting of \$37.8 million in principal payments and \$84.3 million in interest payments) and other expenditures as outlined below.

	<u>Cash Spending</u>	
	<u>FY23</u>	<u>Budget</u> <u>FY22</u>
Debt Service	\$122,060,946	\$116,462,896
Administrative Expenses	6,994,268	6,888,521
EPA Pass Thru	170,212	156,203
Public Benefit Spending	4,437,000	4,854,562
Maintenance of Way Expenses	17,945,027	16,667,824
	<u>\$151,607,453</u>	<u>\$145,030,006</u>

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

	<u>Non-Cash Spending</u>	
	<u>FY23</u>	<u>FY22</u>
Debt Service – Accrued CAB Interest	\$39,979,832	\$22,335,333
Depreciation	20,985,164	20,984,164
	<u>\$60,964,996</u>	<u>\$43,319,497</u>



Revenue Summary

Operating Revenue during FY23 is forecasted to be \$94.7 million. The largest component of Revenue, \$84.1 million, is from Use Fees and Container Charges as established in the 1998 Use and Operating Agreement (UOA), as amended. There is an additional \$10.6 million of Maintenance of Way Charges which are paid by the railroads. Rates are forecast to escalate by 4.5%, which is the maximum annual CPI adjustment provided in the Use & Operating Agreement (the actual CPI adjustment will be taken from October 2022 and may be higher). ACTA TEU volumes are based on our *ACTA Forecast Model -Low Scenario* results, which show decline by 8% for the first six months of the fiscal year compared to that period in 2021, and decline by 0% for the remaining six months compared to that period in 2022; the declines are relative to the anomalous growth during FY22.

Other Revenue comprise reimbursable components, the largest of which is reimbursement by Caltrans of \$4.4 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 \$0.5 million. The other components, totaling \$0.36 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 FY23 Budget to both FY22 Estimated Actual and FY22 Budget. The FY23 Budget proposes a 1.5% increase over the FY22 Budget.

	<u>Administrative Expenses by Type</u>		% Change FY 2023 Budget to		
	FY 2023 Budget	FY 2022 Est. Actual	FY 2022 Budget	FY 2022 Est. Actual	FY 2022 Budget
Salaries	1,812,228	1,592,405	1,768,849	13.8%	2.5%
Benefits	978,649	727,126	1,060,518	34.6%	-7.7%
Office Expenses	486,235	454,872	488,372	6.9%	-0.4%
Other Management Exp	95,550	45,561	91,200	109.7%	4.8%
Information Technologies	221,900	203,539	266,316	9.0%	-16.7%
Bank and Investment	175,000	149,496	164,000	17.1%	6.7%
ACET Operating	1,667,684	1,264,577	1,440,038	31.9%	15.8%
Audit	196,470	188,476	207,475	4.2%	-5.3%
Legal	830,000	591,683	880,000	40.3%	-5.7%
Governmental Affairs	83,397	80,518	78,676	3.6%	6.0%
Professional Services	447,155	414,518	443,077	7.9%	0.9%
Total Admin Expense	\$6,994,268	\$5,712,771	\$6,888,521	22.4%	1.5%

Some notable information on the FY23 Administrative Expenses is described as follows:

Salaries: ACTA staff annual compensation adjustment of 4.5% CPI. ACTA executive biannual compensation adjustment of 7.5% CPI. The net increase to FY23 Budget reflects 2.5% due to COLA and staffing changes.

Information Technologies: Decreases in FY23 due to the overall completion of the accounting system replacement, with only small as-needed services remaining.

Audit: Decreases in FY23 because the preponderance of the specialized consultant services for the new accounting software required in FY22 should be completed by end of FY22.

Pass Through Expenses include two items for FY23 Budget: 1) EPA Order related to the Crimson Oil Pipeline, project flagging and other miscellaneous support budgeted at \$170,200, and 2) ACTA's Public Benefit Project Expenses budgeted for \$4.4 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 FY23 have been projected at \$84.1 million. Use Fees & Container Charge revenue are forecast to be insufficient to fund debt service during FY23. A Shortfall Advance in the amount of approximately \$5,000,000 is required for the fiscal year ending FY23. Each Port is responsible for one-half of the Shortfall Advance, approximately \$2,500,000. Revenues are also presently forecast to be insufficient to pay the full cost of funding the Reserve Account and paying Administrative Costs. Unless certain actions are taken prior to September 13, 2022, the Ports will also be requested to provide a voluntary Port Advance in the amount of \$13,000,000, or \$6,500,000 per Port.

ACTA is evaluating various options to possibly restructure, modify, acquire and/or refund all or a portion of its outstanding bonds (the "Potential Target Bonds") through, among other possibilities, the issuance by ACTA of bonds (the "Potential Refunding Bonds"). The issuance of any Potential Refunding Bonds prior to September 15, 2022 may reduce or eliminate the need for any Shortfall Advance and Port Advance in FY23 and could also reduce or eliminate the need for any Shortfall Advances and/or Port Advances in FY24, FY25 and FY26.

Following adoption of the FY23 Budget, staff will prepare the final budget document for distribution, and post the authorized budget to the ACTA website.

Adoption of the FY23 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 FY2023 Budget

Transmittal 2 - Proposed FY2023 Budget Presentation