

M E M O

Alameda Corridor Transportation Authority

To: Governing Board
 Meeting Date: May 15, 2025
 From: Kevin L. Scott, Chief Financial Officer 
 Subject: APPROVE ACTA Annual Operating Budget for Fiscal Year 2025/2026

Recommendation:

Adopt the final Fiscal Year 2025/2026 (FY26) ACTA Operating Budget and appropriate cash spending of \$102,608,218.

Discussion:

The FY26 cash budget of \$102.6 million includes debt service of \$64.8 million (consisting of \$16.0 million in principal payments and \$48.8 million in interest payments) and other expenditures as outlined below.

Cash Spending

	<u>Budget</u>	
	<u>FY26</u>	<u>FY25</u>
Debt Service	\$64,811,027	\$65,655,208
Administrative Expenses	8,485,381	9,008,868*
Pass Through	941,303	2,570,162
Public Benefit Spending	90,000	75,000
Maintenance of Way Expenses	28,280,507	31,785,293
	<u>\$102,608,218</u>	<u>\$109,094,531</u>

The Budget also details non-cash expenditure, for which no Board appropriation occurs. These items include:

Non-Cash Spending

	<u>FY26</u>	<u>FY25</u>
Debt Service – Accrued CAB Interest	\$89,509,047	\$83,969,153
Depreciation	20,985,164	20,985,164
	<u>\$110,494,211</u>	<u>\$104,954,317</u>

*FY2025 Budget Amended February 20, 2025

Revenue Summary

Operating Revenue during FY26 is forecast to be \$125.2 million. The largest component of Revenue, \$110.3 million, is from Use Fees and Container Charges as established in the 1998 Use and Operating Agreement (UOA), as amended. There is an additional \$14.8 million in Maintenance of Way Charges which is paid by the railroads. Rates are forecast to escalate by 3.0% (the actual CPI adjustment will be taken from October 2025). ACTA TEU volumes are based on our ACTA Forecast Model - Low Scenario results, which show a decline by 9.2% for the fiscal year 2026.

Other Revenue is comprised of \$6.7 million in investment income and interest earnings from the investment portfolio, and \$1.1 million in reimbursements to ACTA from various projects including POLB Pier B On-Dock Rail Support Facility Project, SR-91 Seismic Retrofit and Guard Rail Improvements, LA Metro I-105 Express Lanes, and Gage Avenue Overhead Bridge Project, as well as income from PierPASS. Income for Public Benefit includes \$90,000 for closeout of the SR-47 project.

Spending Summary

Administrative Expenses have varied over ACTA's history. Costs have remained stable in recent years, with some increasing trend for cost-of-living adjustments to salaries and benefits, and maintenance of the Revenue Assessment/Verification System. ACTA strives to reduce costs and efficiently provides necessary services.

Some notable information regarding increases/decreases to the FY26 budget is as follows:

Salaries and Benefits: The FY26 budget includes salary adjustments/increases of 3.0% CPI and a 3.0% merit bonus pool for ACTA employees, and a decrease for an FY25 mid-year retiree whose responsibilities were absorbed by staff. The FY26 budget includes \$730,429 to proactively pay down the unfunded accrued liability (UAL) for CalPERS pension, a lesser amount than the \$1.5M paid in FY25.

Office Expenses: The FY26 budget includes office lease renewal savings of approximately \$165,363 consisting of five months' rent abatement and covered CAM direct expenses.

Other Management Expenses: The proposed FY26 budget is consistent to the FY25 budget, and the FY25 estimated actual spending is lower than expected.

Information Technologies: The FY26 budget includes accounting software licensing and enhanced support, computer equipment, and transitioning to cloud servers. FY25's estimated actual is lower than expected.

Bank and Investment: The proposed FY26 budget is consistent with the FY25 budget, and the FY25 estimated actuals slightly lower than expected.

Audit: The FY26 budget is lower than the FY25 budget due to completion of prior ACET audits (four Joint Venture Partners), offset by increases for Financial Audit and Internal Audit services.

Legal: The proposed FY26 budget is increased from FY25 to provide outside legal counsel services to assist with updates to the Use and Operating Agreement, Use Permit and related bond documents.

Government Affairs: The proposed FY26 budget is consistent to the FY25 budget, and estimated actual spending for FY25 is within budget.

Professional Services: The proposed FY26 budget is increased for continuing professional services agreements for Civil/Rail Engineering, Environmental, Property Management, IT, RAVS, Financial Advisory services, and others.

The following table details Administrative Expenses by Expense Type, comparing the FY26 Budget to both FY25 Estimated Actual and FY25 Budget. The FY26 Budget proposes a 5.8% decrease from the FY25 Budget.

Administrative Expenses by Type

	FY 2026	FY 2025		% Change FY 2026 Budget to	
	Budget	Est. Actual	Budget *Amended	FY 2025 Est. Actual	FY 2025 Budget
Salaries	2,238,410	2,138,844	2,384,011	4.7%	-6.1%
Benefits	1,870,277	2,253,328	2,652,177	-17.0%	-29.5%
Office Expenses	432,783	498,115	547,711	-13.1%	-21.0%
Other Management Exp	107,700	69,169	105,900	55.7%	1.7%
Information Technologies	230,500	91,008	164,500	153.3%	40.1%
Bank and Investment	196,100	165,117	192,500	18.8%	1.9%
Audit	233,911	212,847	261,370	9.9%	-10.5%
Legal	830,000	521,002	530,000	59.3%	56.6%
Governmental Affairs	90,000	77,787	90,000	15.7%	0.0%
Professional Services	2,255,700	2,046,777	2,080,699	10.2%	8.4%
Total Admin Expense	\$8,485,381	\$8,073,994	\$9,008,868	5.1%	-5.8%

Pass Through Expenses include two items for FY26 Budget: 1) Projects related to the POLB Pier B On-Dock Rail Support Facility Project, SR-91 Seismic Retrofit and Guard Rail Improvements, LA Metro I-105 Express Lanes, and Gage Avenue Overhead Bridge Project are budgeted at \$0.9 million, and 2) ACTA’s Public Benefit Project closeout expenses are budgeted at \$90,000. The expenditures incurred by ACTA are fully reimbursed by Port of Long Beach, Caltrans, LA Metro, and City of Huntington Park, or other entities for item 1, and Caltrans for item 2, through Cooperative Agreements between the agencies.

Port Advances are payment obligations for the Ports as set forth in the UOA, to be paid when bond payments exceed revenue (up to 20% of total bond payments from each Port). Use Fees & Container Charges during FY26 have been projected at \$110.3 million. Port Advances are not expected to be required in FY26. Revenues are forecast to be sufficient to pay the full cost of funding the M&O Reserve Account, Administrative Costs and Financing Fees.

Budget Accuracy is important to the decision making of ACTA’s Governing Board. For the three years spanning FY22-FY24, actual spending was 30.1% lower than the budget. In response to statements from Board members at previous Board meetings, ACTA finance staff has worked diligently to accurately forecast budget expenditures, which will result in FY25 actual spending being only approximately 10.4% lower than the budget.

Revenue Uncertainty is a key element of the FY26 budget forecast. The current revenue projection of \$110.3 million, while conservative, cannot fully reflect the impacts federal trade tariffs and policies might have on market conditions, which remain uncertain at this time.

Staff recommend that the Board approve the FY26 Budget. Any Board motions for amendments to the Budget that are approved by the Board will be adopted in the FY26 Operating Budget. Following adoption of the FY26 Budget, staff will prepare the final budget for distribution to Board members and posting to ACTA's website.

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 - Proposed FY2026 Operating Budget

Transmittal 2 - Proposed FY2026 Budget Presentation