


M E M O

Alameda Corridor Transportation Authority

To: Governing Board

Meeting Date: May 16, 2024

From: Kevin L. Scott, Chief Financial Officer 

Subject: REVIEW of Preliminary ACTA Operating Budget for Fiscal Year 2024-2025 (FY25)

Discussion

The FY25 Preliminary Budget affords an opportunity for staff to present a preliminary budget proposal and for Governing Board members to ask questions and provide comments. Highlights of the proposal are described in the Operating Budget summary below and are detailed in Transmittal 1. Based upon the outcome of today's discussion, along with some final reviews of budgetary amounts by staff, a formal and final Operating Budget will be presented to the Board for adoption at the Governing Board meeting in June 2024, prior to Fiscal Year end.

Revenue

The Preliminary Budget indicates Operating Revenues projection for FY25 of \$108.84M, which includes \$17.12M in railroad Maintenance-of-Way Charges and \$91.72M in Use Fees & Container Charges. Other Income from interest earnings and reimbursement by Caltrans for costs incurred for the SR-47 Project add \$7.84M to the revenue. The total revenue is forecast to be \$116.68M.

Use Fees & Container Charges are based on a projection of 11.28M total San Pedro Bay TEUs. The fee per TEU includes a CPI increase of 2.4% for CY25 over CY24. The revenue forecast is lower than the FY24 estimated actual because ACTA's forecasted capture rate is at a conservative level, which reflects uncertainties of the past several years. The forecasted capture is lower than what has recently been experienced by ACTA.

Expenses

At this time, the FY24 estimated actual Administrative Expenses are projected to be 36.1% less than the FY24 budget (\$5.57M vs. \$8.71M), mainly because hiring and use of consultants to replace the ACET staff did not occur earlier in FY24, which would have resulted in overlap of new contracts with ACET contract. Lower-than-expected salaries and benefit costs will occur due to the elimination of the Accounts Payable supervisor position. Additionally, the hiring of an Analyst position was not completed by the end of FY24, and the hiring of the Chief Operating Officer was completed mid-year of FY24.

The budgeted FY25 Administrative Expenses (\$9.00M) are 3.3% over the FY24 budget (\$8.71M). The expenses include \$1.50M to voluntarily pay down the unfunded accrued liability (UAL) for CalPERS pension, offset by a \$1.50M reduction in ACET administrative costs due to the ACET contract ending June 30, 2024.

The FY25 Budget also includes a proposed salary adjustment of 2.4% for inflation and a requested 3.0% allowance for merit awards to ACTA employees. Employee benefit costs reflect the latest rates as quoted by the benefit providers such as CalPERS (health and retirement), Guardian (life insurance, dental insurance, vision insurance), and other benefit providers (workers compensation, etc.), as well as additional CalPERS deposits.

Expenses for the Public Benefit project vary yearly based upon Caltrans' SR-47 construction schedule and timing of Caltrans reimbursement payments. The difference between the FY24 estimated actuals (\$1.84M) and FY24 budget (\$2.99M) is due to a delay in Caltrans completing utility relocation work and property dispositions. Closeout activities on the SR-47 project are expected to be completed in FY25 with an anticipated budget of about \$1.11M.

Cash Flow

Cash flow during FY25 is anticipated to be positive by about \$7.88M. The cash balance at the beginning of FY25 (July 1, 2024) is estimated to be about \$63.16M, including \$36.83M in the Revenue Fund, \$4.92M in the M&O Fund, \$9.87M in the Reserve Account, \$8.17M in the Administrative Fund, \$0.33M in the Financing Fee Senior Lien Account, \$2.28M in the Financing Fee First Subordinate Account, and \$0.76M in the Financing Fee Second Subordinate Account. Receipts include Use Fees & Container Charges of \$91.72M and \$22.60M mostly from M&O payments made by the railroads and interest earnings. After debt service payments of \$65.66M, Operating Expenses of \$9.00M and M&O Expenses of \$31.79M, ACTA staff anticipates about \$7.88M in positive cash flow. The ending cash balance on June 30, 2025 is estimated to be \$71.03M.

Capital Spending and Financing

ACTA will not take on any new capital projects during FY25 or for the foreseeable future. Larger maintenance expenditures will be funded through the Reserve Account. ACTA's Master Trust Indenture pledges available Revenue to payment of debt service, financing fees, maintenance and operations, and repayment of port obligations.

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 - Preliminary FY25 Budget Presentation
- Transmittal 2 - Preliminary FY25 Budget