


M E M O

Alameda Corridor Transportation Authority

To: Governing Board

Meeting Date: June 20, 2024

From: Kevin L. Scott, Chief Financial Officer 

Subject: APPROVE Annual ACTA Operating Budget for Fiscal Year 2024/2025

Recommendation:

Adopt the final Fiscal Year 2024/2025 (FY25) ACTA Operating Budget and appropriate cash spending of \$109,094,531.

Discussion:

The FY25 cash budget of \$109.1 million includes debt service of \$65.7 million (consisting of \$16.3 million in principal payments and \$49.4 million in interest payments) and other expenditures as outlined below.

Cash Spending

	<u>Budget</u>	
	<u>FY25</u>	<u>FY24</u>
Debt Service	\$65,655,208	\$65,461,227
Administrative Expenses	9,008,868	8,714,093*
EPA Pass Thru	2,570,162	1,169,835
Public Benefit Spending	75,000	2,992,850
Maintenance of Way Expenses	31,785,293	22,767,159
	<u>\$109,094,531</u>	<u>\$101,105,164</u>

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

Non-Cash Spending

	<u>FY25</u>	<u>FY24</u>
Debt Service – Accrued CAB Interest	\$83,969,153	\$75,607,088
Depreciation	20,985,164	20,985,164
	<u>\$104,954,317</u>	<u>\$96,592,252</u>

*FY2024 Budget Amended July 13, 2023

Revenue Summary

Operating Revenue during FY25 is forecasted to be \$108.8 million. The largest component of Revenue, \$91.7 million, is from Use Fees and Container Charges as established in the 1998 Use and Operating Agreement (UOA), as amended. There is an additional \$17.1 million of Maintenance of Way Charges which are paid by the railroads. Rates are forecast to escalate by 2.4%, which is the maximum annual CPI adjustment provided in the Use & Operating Agreement (the actual CPI adjustment will be taken from October 2024). ACTA TEU volumes are based on our ACTA Forecast Model -Low Scenario results, which show 2% growth for the fiscal year 2025.

Other Revenue is comprised of \$5.4 million in investment income and interest earnings from the investment portfolio, and \$3.0 million in reimbursements to ACTA from various projects including Dolores Crossover Construction, POLB Pier B On-Dock Rail Support Facility Project, Artesia Blvd. Bridge Repairs, 405 Freeway Drain Improvements at Dolores Yard, SR-91 Seismic Retrofit and Guard Rail Improvements, LA Metro I-105 Express Lanes, Anaheim Overhead Bridge Railing Upgrade, Tesoro Refining and Marketing Phase 1 Project, and Oil Release at Texaco Slot, as well as income from Pierpass. Income for Public Benefit Includes \$0.075 million for the substantially completed SR-47 project.

Spending Summary

Administrative Expenses overall remain consistent for the FY25 budget compared to the FY24 budget. The expenses include \$1.5 million to voluntarily pay down the unfunded accrued liability (UAL) for CalPERS pension, offset by a \$1.5 million reduction in ACET administrative costs due to the ACET contract ending June 30, 2024.

The FY25 budget also includes salary adjustments/increases of 2.4% and a 3% merit increase pool for 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.

The table on the following page details Administrative Expenses by Expense Type, comparing the FY25 Budget to both FY24 Estimated Actual and FY24 Budget. The FY25 Budget proposes a 3.4% increase over the FY24 Budget.

Some notable information on the FY25 Administrative Expenses is described as follows:

Salaries and Benefits: ACTA staff annual compensation adjustment of 2.4% CPI. The net increase to FY25 Budget reflects 5.2% due to the addition of an Analyst position, and establishment of a merit bonus pool at 3% of total salaries. The FY24 estimated actual is lower than budget due to elimination of the Accounts Payable supervisor position as well as the hiring of the Chief Operating Officer that occurred mid-fiscal year.

ACET Operating and Professional Services: The ACET contract ends June 30, 2024. ACET duties will be replaced by new professional contracts, on-call engineering, environmental support, IT, and property disposition services. The FY24 estimated actual is lower than budget because the hiring and use of consultants to replace the ACET staff did not occur in FY24.

Administrative Expenses by Type

	FY 2025		FY 2024		% Change FY 2025 Budget to	
	Budget	Est. Actual	Budget *Amended	FY 2024 Est. Actual	FY 2024 Budget	
Salaries	2,384,011	1,911,317	2,267,008	24.7%	5.2%	
Benefits	2,652,177	798,843	1,040,759	232.0%	154.8%	
Office Expenses	547,711	470,814	505,233	16.3%	8.4%	
Other Management Exp	105,900	42,477	103,900	149.3%	1.9%	
Information Technologies	164,500	110,646	183,500	48.7%	-10.4%	
Bank and Investment	192,500	173,785	175,000	10.8%	10.0%	
ACET Operating	-	1,098,794	1,545,943	-100.0%	-100.0%	
Audit	211,370	181,987	206,128	16.1%	2.5%	
Legal	680,000	378,280	680,000	79.8%	0.0%	
Governmental Affairs	90,000	85,000	85,000	5.9%	5.9%	
Professional Services	1,980,699	313,468	1,921,622	531.9%	3.1%	
Total Admin Expense	\$9,008,868	\$5,565,411	\$8,714,093	61.9%	3.4%	

Pass Through Expenses include two items for FY25 Budget: 1) Projects and EPA Order related to the Dolores Crossover Construction, POLB Pier B On-Dock Rail Support Facility Project, Artesia Blvd. Bridge Repairs, 405 Freeway Drain Improvements at Dolores Yard, SR-91 Seismic Retrofit and Guard Rail Improvements, LA Metro I-105 Express Lanes, Anaheim Overhead Bridge Railing Upgrade, Tesoro Refining and Marketing Phase 1 Project, and Oil Release at Texaco Slot are budgeted at \$2.6 million, and 2) ACTA’s Public Benefit Project Expenses budgeted for \$0.075 million. The expenditures incurred by ACTA are fully reimbursed by Union Pacific Railroad, Port of Long Beach, Crimson, Caltrans, City of Compton, LA Metro, Tesoro, or other entities for item 1, and Caltrans for item 2, through Cooperative Agreements between the agencies.

Port Advances are obligated by the UOA to be paid by the Ports when bond payments exceed revenue (up to 20% of total bond payments from each Port). Use Fees & Container Charges during FY25 have been projected at \$91.7 million. No Port Advances are estimated to be required in FY25. Revenues are also forecast to be sufficient to pay the full cost of funding the M&O Reserve Account, Administrative Costs and Financing Fees.

Following adoption of the FY25 Budget, staff will prepare the final budget document for distribution, and post the authorized budget to the ACTA website.

Adoption of the FY25 Budget, as presented, is recommended.

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 FY2025 Budget

Transmittal 2 - Proposed FY2025 Budget Presentation