

X   SAN JOAQUIN HILLS BOARD OF DIRECTORS  
       FOOTHILL/EASTERN BOARD OF DIRECTORS

File No. S2017-015

**BOARD MEETING DATE:**                   **June 8, 2017**

**SUBJECT:**   San Joaquin Hills Transportation Corridor Agency Fiscal Year 2018 Annual Budget

**STAFF RECOMMENDATION:**

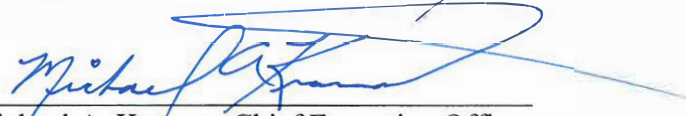
Approve Resolution No. S2017-02 entitled "A Resolution of the Board of Directors of the San Joaquin Hills Transportation Corridor Agency Approving the Budget for Fiscal Year 2018" in the amount of \$138,853,369.

**CONTRACTOR/CONSULTANT:**           N/A

**BUDGET:**                               **SJH:** 138,853,369  
**F/E:**   N/A

**REPORT WRITTEN BY:**               Amy Potter, Chief Financial Officer  
(949) 754-3498

<b><u>REVIEWED BY:</u></b>	Communications	<u>          </u>
	Engineering	<u>          </u>
	Environmental	<u>          </u>
	Finance	<u>          </u>
	Strategic Planning	<u>          </u>
	Toll Operations	<u>          </u>

**SUBMITTED BY:**                         
Michael A. Kraman, Chief Executive Officer



## **Transportation Corridor Agencies™**

June 8, 2017

Dear Chairman Chun and San Joaquin Hills Transportation Corridor Agency Board of Directors:

I am pleased to present you with the Fiscal Year 2018 budget. The budget was developed through an extensive effort that involved review of current expenses and revenue trends, bond indenture requirements, customer service enhancements and capital project plans that will advance the San Joaquin Hills Transportation Corridor Agency's mission to enhance mobility in Orange County and Southern California.

The Agency continues to be financially solid following the refinancing of the Agency's debt in 2014 and continued year-over-year transaction and revenue growth that has outpaced budgeted projections. Transactions and toll revenue in Fiscal Year 2017 are projected to be up by approximately 4.0 percent and 6.6 percent respectively over Fiscal Year 2016. In light of the growth over recent years and responsible financial policies approved by the Board of Directors, Standard and Poor's Global Ratings upgraded the San Joaquin Hills Agency senior lien bonds to BBB from BBB- and upgraded the junior-lien bonds to BBB- from BB+ with a stable outlook for both.

The proposed Fiscal Year 2018 expenditures budget of \$138.9 million shows a decrease of approximately \$700,000 from the Fiscal Year 2017 expenditures budget primarily related to reductions in capital improvement costs.

The Fiscal Year 2018 budget assumes transactional toll revenue growth of 5.5 percent that is achieved by implementing a 2.0 percent toll increase for non-FasTrak® transactions at all locations (FasTrak tolls will be discounted by \$1 at each toll point), and an expected 2.9 percent growth in traffic. Small annual toll increases are important to ensure that revenue growth continues to meet the Agency's goals. FasTrak and non-FasTrak rate increases range from \$0.04 to \$0.16 depending on toll point and time of day.

The following goals guided the development of the Fiscal Year 2018 budget:

- (1) Support the Capital Improvement Plan (CIP)
- (2) Provide enhancements to Customer Service
- (3) Increase revenues to demonstrate the Agency's ability to meet future coverage and debt service requirements
- (4) Build cash reserves to protect against economic downturns, allow for future pay-as-you-go CIP financing, and preserve the flexibility for early debt repayment
- (5) Allow the Agency to fill its Supplemental Reserve
- (6) Support the credit ratings upgrade strategy and meet investor expectations.

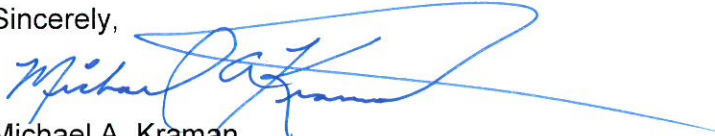
In Fiscal Year 2017 we made major strides to improve the experience for 73 Toll Road drivers with the award of a contract to outsource back office customer service with clear performance requirements to better meet our customer's needs. The passage of legislation that will require temporary license plates for all new vehicles should drastically reduce the number of violations that cannot be processed due to no license plate was also accomplished in FY17.

These milestones directly support the initiatives to enhance customer service and financial stability and will allow us to make even larger strides in Fiscal Year 2018.

I am proud that these accomplishments were recognized in May by the Southern California Association of Governments (SCAG) with its Outstanding Achievement in Sustainability Award and by the California Transportation Foundation as Agency of the Year and Person of the Year.

I look forward to working with all of you in the coming year.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael A. Kraman", with a long horizontal flourish extending to the right.

Michael A. Kraman  
Chief Executive Officer



**Transportation Corridor Agencies™**

**COMMITTEE TRANSMITTAL**

DATE: June 8, 2017  
TO: Members of Board of Directors  
FROM: Amy Potter, Chief Financial Officer  
SUBJECT: San Joaquin Hills Transportation Corridor Agency Fiscal Year 2018 Annual Budget

Joint Operations & Finance Committee Meeting - May 26, 2017

Present: Ross Chun (Chair), Lisa Bartlett, Cynthia Connors, Janine Heft, Fred Minagar, Scott Peotter, Ed Sachs, Christina Shea, Richard A. Viczorek

Absent: Katrina Foley, Brian Maryott, Todd Spitzer, Sal Tinajero, Kathy Ward

**Committee Discussion**

The fiscal year 2018 annual budget was presented in detail at the Budget Workshop on April 19, 2017. At the Joint Operations & Finance Committee Meeting, Chief Financial Officer Amy Potter presented an overview of the fiscal year 2018 annual budget including the fiscal year 2018 initiatives, toll rate recommendation, sources and expenditures, debt service coverage ratios, unrestricted cash, reserves, and the following staff recommendation:

Approve Resolution No. S2017-02 entitled "A Resolution of the Board of Directors of the San Joaquin Hills Transportation Corridor Agency Approving the Budget for Fiscal Year 2018" in the amount of \$138,853,369.

Recommendation: Staff is seeking Committee approval to present this item for consideration by the Board of Directors at the June 8, 2017 Board meeting.

MOTION: Shea  
SECOND: Minagar  
VOTE: Unanimous



2018

# Fiscal Year Proposed Budget



San Joaquin Hills

Transportation Corridor Agency

**San Joaquin Hills  
Transportation Corridor Agency**

**Budget Process and Format**

**Fiscal Year 2018 Proposed Budget**

## Table of Contents

<b>Budget Process and Format</b> .....	<b>3</b>
Budget Process .....	3
Budget Format .....	4
<b>Sources and Expenditures</b> .....	<b>7</b>
Sources and Expenditures .....	7
Sources Summary .....	9
Expenditures Summary .....	17
Expenditures Detail.....	21

## **Budget Process**

The San Joaquin Hills Transportation Corridor Agency's (SJHTCA) Board of Directors and the Master Indentures of Trust (Indentures), established in the context of the Agency's 1997 and 2014 bond issuances, provide the financial parameters for the Agency in the development of the budget. The Indentures provide the scheduled future debt service payments and the required debt service coverage ratios that must be obtained each fiscal year and establish financial constraints, which may impact the Agency's ability to undertake additional projects.

At the beginning of the process, the executive team set the objectives for FY18 while considering both near-term and long-term Agency goals and direction from the Board of Directors. Department managers reviewed the status of projects for the current year and developed project initiatives for the next fiscal year with the Agency's goals and objectives in mind:

- (1) Support the Capital Improvement Plan (CIP)
- (2) Provide enhancements to Customer Service
- (3) Increase revenues to demonstrate the Agency's ability to meet future coverage and debt service requirements
- (4) Build cash reserves to protect against economic downturns, allow for future pay-as-you-go CIP financing, and preserve the flexibility for early debt repayment
- (5) Allow SJHTCA to fill its Supplemental Reserve
- (6) Support the credit ratings upgrade strategy and meet investor expectations

The finance staff worked jointly with each department to compile budget expenditure requests. The project initiatives and budget requests were then reviewed by executive management. The Agency's traffic and revenue consultant attended the March 2017 Board meeting and presented an overview of the Agency's toll revenue history, toll rate elasticity, and how current economic trends may affect toll transactions. The proposed annual budget was presented to the SJHTCA Board of Directors at a workshop on April 19, 2017, to obtain direction and feedback. The workshop included a review of toll rates, revenues, and expenditures. Questions received during the workshop were then addressed, and the annual budget is now being presented to the Board of Directors for adoption at the June 8, 2017 Board meeting for the fiscal year starting July 1, 2017. Approval of the budget requires the consent of at least two-thirds of the Board Members. Expenditures during the year must be made in accordance with the Agency's policies. Expenditures in excess of the total of each budget category, as defined in the budget resolution, cannot be made without the approval of a budget resolution by at least two-thirds of the Board Members. The Agency is required to file copies of the annual budget with the trustee on or before the 20th day of July each fiscal year in accordance with the Indentures.

All budgets are developed on a basis consistent with Generally Accepted Accounting Principles. The Chief Executive Officer (CEO) has the authority to make budget transfers within each of the following four categories as long as the total budget amount per category is maintained and the expenditures are made within Board approved policies:

- Administration



- Planning, Environmental and Construction
- Toll Operations
- Debt Service

Transfers within each category are subject to the controls in place under the Indentures, the contracts and procurement manual, the investment policy, the staffing and compensation plan, and enabling legislation. Transfers within a category are often made for accounting purposes and given the budget includes estimates, transfers within a category allow department managers to manage within their department thereby reducing the need in many cases to amend the budget if procured costs do not match the original estimates. Transfers within each budget category are reported to the Board of Directors on a quarterly basis.

Transfers between categories require the Board of Directors' approval.

These budget categories are presented on page 22 along with detail subcategories. Budget categories and subcategories are discussed in the Expenditures Summary section beginning on page 17. All budget appropriations lapse at year-end and any amounts not accrued at each year-end must be re-appropriated in the next fiscal year.

### **Budget Format**

The FY18 proposed Expenditures budget for the SJHTCA totals \$138.9 million. The Agency has one enterprise fund that records all activity on the accrual basis of accounting. The Agency establishes a budget for this one fund including Planning, Environmental and Construction, Toll Operating Expenses and Equipment (Toll Operations), and Debt Service. Expenses directly related to the SJHTCA are charged entirely to the Agency and those incurred on behalf of both the Agency and the Foothill/Eastern Transportation Corridor Agency (F/ETCA) are allocated between F/ETCA and SJHTCA (the Agencies) based on the estimated benefit to each. As part of the annual budget process, allocations between the Agencies are reviewed.

Within each Agency, for funding purposes and calculation of debt coverage, costs are further allocated between Planning, Environmental and Construction, and Toll Operations, based on the estimated benefit to each activity. The following discussion presents a broad description of the type of activities included in the three budget fund categories. These three fund categories are represented as separate columns on page 22 to illustrate how each budget category and subcategory is allocated between the budget fund categories. A more detailed discussion of the expenditures proposed for FY18 is included in the Sources and Expenditures section of this document beginning on page 7.

#### Planning, Environmental and Construction Expenses (budget fund category)

The proposed budget for these activities and projects in FY18 totals \$7.5 million. The budget for Planning, Environmental and Construction includes capital improvement plan projects, ongoing environmental mitigation and other environmental services, such as demographic and regional transportation studies, and all non-operating administration costs. These expenses are recorded in the Agency's audited financial statements as an addition to construction in progress. Certain projects are then transferred to Caltrans, as

required. It is at the point of transfer to Caltrans that the costs of the project are then expensed on the audited financial statements as a contribution to Caltrans. To date, 16 miles of the SJHTCA toll system have been transferred to Caltrans. The costs associated with such projects are budgeted in the year the expense is incurred, not when the project is transferred to Caltrans.

Planning, Environmental and Construction Administration costs are defined as office, personnel, legal, consulting, and other customary and normal expenditures associated with the direct management and administration of the Agency's planning, environmental and construction related activities, including the development impact fee program, and are allocated as discussed above.

The primary sources of funds for Planning, Environmental and Construction Expenses are unrestricted cash on hand from previous years' development impact fee collections and surplus revenues. Surplus revenues are toll, fee and penalty revenues in excess of amounts needed for operating expenses, debt service payments and funding the indenture required reserves in the year the revenue is collected. The senior and junior lien debt service reserve fund requirements totaling \$179.3 million have been fully met. The supplemental debt service reserve has a requirement of \$93.1 million and is funded with one-half of surplus revenues until the requirement has been met. The supplemental debt service reserve is projected to be \$93.1 million by the end of FY18. Surplus revenues are not under bond Indenture requirements (see description of bonds in the Debt Service section on the following page) and may be spent at the Board of Directors' discretion for any lawful purpose. Each year, \$5.0 million of development impact fees received by the Agency is available to fund expenditures or increase the surplus revenue fund; the balance of development impact fees collected during the year are also made available for the same purpose if they are not needed to fund debt service payments. Other sources of funds for these activities include investment earnings and grant funds awarded to the Agency. See tables on page 33 for detail of unrestricted cash and the supplemental debt service reserve.

#### Toll Operations (budget fund category)

The Toll Operations budget includes funding for the toll operations activities including operating administration costs. The proposed FY18 Toll Operations budget is \$23.8 million.

The primary sources of funds available for Toll Operations are toll revenues, penalties, fees, and interest earnings from certain accounts specified within the Indentures. Unrestricted cash as described above is also available for funding operations equipment and capital purchases.

Amounts allocated to Toll Operations are costs associated with maintaining and operating the toll equipment, software and systems as well as the customer service centers, toll collection processing, and all other related operating expenses. The major costs budgeted for Toll Operations' activities include the contract costs associated with the operation and maintenance of the Agency's toll systems lane hardware and software; and customer service and toll compliance services which include the operation of the customer service center and toll processing, review and processing of vehicle plate images, and violation

collection processing services. Also included in Toll Operations are toll equipment purchases such as transponders, system software, in-lane toll and violation processing equipment, and project development costs. In addition, a portion of Agency administration costs allocated to operation activities such as insurance, salaries and benefits, rents, consulting, legal, office expense and marketing are included in this fund category.

#### Debt Service (budget fund category)

Debt Service includes annual principal and semi-annual accrued interest payments related to long-term debt. A portion of the outstanding bonds are capital appreciation bonds and convertible capital appreciation bonds, which are structured so that the principal amount accretes (increases) each year at the stated interest rate. Accretion can be simply described as deferred interest that is added to the bonds' principal balance and is recorded as interest expense and an increase to debt on the financial statements. Debt accretion has been excluded from the budget because it is a non-cash item and is reflected in the budget as part of the principal payments in the years scheduled to be paid. The proposed FY18 budget for Debt Service is \$107.5 million.

In 1993, the Agency issued long-term toll revenue bonds to finance construction of the San Joaquin Hills Transportation Corridor. The bonds were initially refinanced in 1997, amended in 2011, and ultimately refinanced in 2014. The 2014 transaction refinanced the debt to 2050, placed the Agency in a solid financial position, significantly improved the Agency's debt metrics and achieved the following:

- Upgraded the credit ratings issued by Fitch and Standard & Poors to investment grade on the senior lien bonds
- Restored toll setting authority to the Board and provided for inflationary toll rate increases (small annual adjustments rather than infrequent larger lump sum adjustments)
- Created increased margin to build cash reserves in order to withstand future economic downturns and allow for potential early debt repayment in the future

Debt Service, which is primarily funded from toll revenues, grows at an average of 2.4% per year until it reaches maximum annual debt service of \$186 million in FY 2041.

Per the Indentures, the Agency's Adjusted Net Toll Revenue (toll related revenues plus interest income on certain accounts, less operating expenses) must be at least 110% of the current year's aggregate debt payments (all debt service scheduled for the fiscal year) and at least 130% of the current year's senior lien debt payments. This is often referred to as 1.10x and 1.30x debt service coverage, respectively.

When compiling the operations budget, the Agency staff ensures that the revenues and expenses budgeted provide the necessary coverage ratio as defined in the Indentures. The attached FY18 proposed budget results in an aggregate coverage ratio of 1.55x and a senior lien coverage ratio of 1.81x. The Debt Coverage Calculation Schedule showing the calculation is included on page 32 of this document.

**San Joaquin Hills  
Transportation Corridor Agency**

**Sources**

**and**

**Expenditures**

**Fiscal Year 2018 Proposed Budget**

## Sources and Expenditures

The Sources and Expenditures of Funds Statement summarizes the Agency's projected total sources and expenditures for the year ending June 30, 2018.

Total sources include revenues budgeted in FY18 as well as cash on hand from development impact fees and surplus revenues collected and available to the Agency from previous years and amounts in the debt service accounts.

Below is a summary of total funds on hand and the amount of these funds available to fund the FY18 budget as well as future budgets (in thousands).

Estimated Total Funds on Hand at 6/30/17	\$ 453,937
July Activity Related to FY17	<u>(37,958)</u>
Adjusted Estimated Total Funds on Hand at 6/30/17	415,979
Less Maintenance Facility Commitment	(8,075)
Less Operating Reserves	(16,636)
Less Arbitrage Tax Rebate Funds	(1,225)
Less Long-Term Debt Service Funds	(16,847)
Less Debt Service Reserves	<u>(263,502)</u>
Estimated Cash Available, excluding Reserves, to Fund Current and Future Budgets	<u>\$ 109,694</u>
Cash Restricted For Debt Service	\$ 19,864
All Other Cash Available to Fund Current and Future Budgets	<u>89,830</u>
Estimated Cash Available to Fund Current and Future Budgets	<u>\$ 109,694</u>

Total expenditures include all FY18 budgeted expenses requiring a cash outlay.

The Sources and Expenditures of Funds Statement on the following page shows sources less cash expenditures to arrive at cash available to fund subsequent budgets.

The following statement includes the approved FY17 budget, as amended, including transfers within the CEO's authority, staff projected FY17 sources and expenditures based on actuals through March 2017 and the proposed budget for FY18.

**San Joaquin Hills Transportation Corridor Agency**  
**Sources and Expenditures of Funds Statement**  
**Fiscal Years 2017 through 2018**  
**(\$000)**

Description	FY 2017 Amended Budget As of 3/31/2017	FY 2017 Estimated Actuals	FY 2018 Proposed Budget
Sources:			
Net Toll Revenue	144,319	150,025	157,468
Penalties	25,800	22,490	22,500
Fees	9,313	9,594	9,700
Development Impact Fees	5,000	3,086	3,000
Interest Earnings	1,132	1,849	2,354
Cash Restricted For Debt Service	19,124	19,124	19,864
All Other Cash Available to Fund Current and Future Budgets	66,592	66,592	89,830
<b>Total Sources of Funds</b>	<b>271,280</b>	<b>272,760</b>	<b>304,716</b>
Expenditures:			
Planning, Environmental and Construction	10,005	6,594	5,937
Planning, Environmental and Construction Administration	1,599	1,332	1,561
Toll Operating Administration	7,009	6,908	8,075
Customer Service and Toll Compliance	10,991	9,678	10,897
Toll Systems	1,280	1,154	1,175
Toll Facilities	283	272	283
Toll Equipment	1,926	1,865	3,402
Debt Service	106,490	106,490	107,523
<b>Total Expenditures</b>	<b>139,583</b>	<b>134,293</b>	<b>138,853</b>
<b>Subtotal</b>	<b>131,697</b>	<b>138,467</b>	<b>165,863</b>
Projected Deposits to the Supplemental Debt Service Reserve			
From Revenues and Interest Income	27,307	28,773	8,799
Projected Cash Available to Fund Subsequent Budgets	104,390	109,694	157,064
Less Restricted Cash For Future Debt Service	19,864	19,864	19,870
<b>Projected Available Cash</b>	<b>84,526</b>	<b>89,830</b>	<b>137,194</b>



## Sources Summary

With the growth of Southern California's economy, FY17 transactions and transactional toll revenue are expected to be up approximately 4.0% and up 6.6%, respectively, over FY16. The 2014 bond refinance transaction greatly improved debt service coverage margins and the ability to withstand future economic downturns. Regardless, it will be important to continue to take measures ensuring that revenue growth continues in FY18 to meet the Agency's goals.

The Agency has also used customer incentives and promotions to maintain and build transactions and revenues. Given the purpose of promotions is to increase revenue, tolls used as incentives for promotions will be recorded as an offset to revenue in accordance with accounting principles and the Indentures. In FY18, marketing incentive programs will continue to be implemented to convert customers who pay online with One-Time-Toll to FasTrak or ExpressAccounts. In addition, paid advertising will continue to emphasize increased awareness of the Toll Roads value proposition.

Staff works with the Agency's traffic and revenue consultant, Stantec Consulting Services Incorporated (Stantec) to review the effect of prior year toll rates and prepare an analysis for the upcoming year. During the April 2017 budget workshop, staff discussed the analysis with the Board and recommended toll rates based on the results of prior year increases and toll elasticity, assumptions included in the bond finance documents, building cash reserves, and economic factors. The FY18 budget for sources of funds is based on the traffic and revenue consultant's toll rate analysis and the feedback received from the Board of Directors during the budget workshop (see Net Toll Revenue section below).

At the beginning of FY18, the Agency expects to have total cash adjusted for accrual items of \$416.0 million. The expected adjusted cash balance includes debt service reserve and operating reserve funds of \$280.1 million, \$16.8 million reserved for Long-Term Debt Service, \$8.1 million reserved for a commitment to construct a Caltrans maintenance facility, \$1.2 million reserved for arbitrage and tax rebate, and \$109.7 million of cash on-hand available to fund the current and future years' budgets. These available funds are primarily from development impact fees, surplus revenues and interest earnings. During FY18, Net Toll Revenue, Penalties, Fees, Development Impact Fees, and Interest Earnings are budgeted at \$195.0 million. Below are brief explanations of each of these funding sources.

### Net Toll Revenue

The FY18 budget assumes transactional toll revenue of \$166.9 million which represents a 5.5% increase over projected FY17 transactional toll revenue. The budget for FY18 Net Toll Revenue of \$157.5 million, or 80.7% of total revenue, is a combination of the Agency's estimate of transactional toll revenue reduced by estimated processable and unprocessable transactions (offset by toll revenue recovered from processed violations) and non-revenue transactions. As a result of the conversion to All Electronic Tolling (AET) and the resulting shift in payment patterns, including some patrons who may have previously paid with cash but are now initially identified instead as processable violation transactions, toll revenue recovered during the violation process is appropriately classified

as Net Toll Revenue. The Agency currently waives the penalty for first time violators if the toll is paid within 30 days.

Unprocessable violations (primarily vehicles with no license plates) and non-revenue transactions (primarily California Highway Patrol, Caltrans, and Agency vehicles used on the road for operations and maintenance) are expected to occur at a rate of 4.4% of transactional toll revenue or \$7.4 million in FY18. Processable transactions offset by toll revenue recovered from processed violations is budgeted at \$2.1 million or 1.3% of transactional toll revenue in FY18.

The proposed 5.5% transactional toll revenue increase is achieved by implementing a 2.0% non-FasTrak rate increase. The FasTrak rates increase at amounts that maintain the \$1.00 discount from the non-FasTrak rates.

The proposed toll rates are expected to result in transaction growth of 2.9% based on the Stantec analysis. The growth rate assumes continued economic improvement and an increase in traffic congestion on routes parallel to the toll roads thereby increasing the value of time savings obtained by choosing the toll road option.

The table on the following page shows the FY18 current toll rates and the proposed FY18 toll rates by location, split between non-FasTrak and FasTrak, and pre- & post-peak/ peak / off-peak / weekend if applicable. In summary, FasTrak and non-FasTrak rates increase by \$0.04 to \$0.16 per tolling location.

Location	Time/Type	Current Rates	Proposed 2% Increase	
			Rate	Change
La Paz	Non-FasTrak*	\$ 2.40	\$ 2.45	\$ 0.05
	FasTrak	\$ 1.40	\$ 1.45	\$ 0.05
Aliso Creek	Non-FasTrak*	\$ 2.99	\$ 3.05	\$ 0.06
	FasTrak	\$ 1.99	\$ 2.05	\$ 0.06
El Toro	Non-FasTrak*	\$ 3.62	\$ 3.69	\$ 0.07
	FasTrak	\$ 2.62	\$ 2.69	\$ 0.07
Catalina View**	Non-FasTrak Off-Peak	\$ 6.36	\$ 6.49	\$ 0.13
	FasTrak Off-Peak	\$ 5.36	\$ 5.49	\$ 0.13
	Non-FasTrak Peak Hour	\$ 7.92	\$ 8.08	\$ 0.16
	FasTrak Peak Hour	\$ 6.92	\$ 7.08	\$ 0.16
	Non-FasTrak Pre- & Post-Peak *	\$ 7.61	\$ 7.76	\$ 0.15
	FasTrak Pre- & Post-Peak	\$ 6.61	\$ 6.76	\$ 0.15
	Weekend Non-FasTrak	\$ 6.10	\$ 6.22	\$ 0.12
	Weekend FasTrak	\$ 5.10	\$ 5.22	\$ 0.12
Newport Coast	Non-FasTrak*	\$ 3.36	\$ 3.43	\$ 0.07
	FasTrak	\$ 2.36	\$ 2.43	\$ 0.07
Bonita Canyon	Non-FasTrak*	\$ 2.04	\$ 2.08	\$ 0.04
	FasTrak	\$ 1.04	\$ 1.08	\$ 0.04

\* One Time Toll (OTT) rate

\*\* 3-4 Axle Vehicles 2 Times Rate 5+ Axle Vehicles 4 Times Rate

The Agency estimates that it will receive a total of \$150.0 million in Net Toll Revenue in FY17. This consists of \$158.2 million of transactional toll revenue reduced by estimated processable and unprocessable transactions of \$16.9 million offset by toll revenue collected from processed violations of \$8.7 million.

### Penalties

Penalties revenue is budgeted for FY18 at \$22.5 million, representing 11.5% of total revenues and consists of violation penalties related to toll violations. The intent of violation penalties is to act as a deterrent and ensure collection of toll revenues. Penalties revenue is recorded as collected. As mentioned in the Net Toll Revenue section above, the toll related to a violation is properly classified in Net Toll Revenue. The Agency continues its efforts in signing patrons up for accounts and informing infrequent users of the available payment options in order to avoid handling through the violation process. The Agency also implemented agreements with major rental car companies in April 2016 which have proved successful in reducing violations. The Agency will continue initiatives in FY18 to attempt to address violations, such as signage, and providing materials to support communication to the community at large and visitors.

Penalties revenue for FY17 is estimated to be \$22.5 million. The FY18 Penalties budget is conservative with consideration given to the current trends in collections, the estimated transactions for FY18, the current processable transactions rate at 6.5% of traffic, the

existing policy of \$57.50 on the first notice of violation and \$42.50 on delinquency notice, and the Agency's policy of waiving penalties for first-time violators.

### Fees

Fees are budgeted for FY18 at \$9.7 million, representing 5.0% of total revenues. Fees revenue consists of \$8.3 million for account maintenance fees from FasTrak accountholders, and \$1.4 million of other miscellaneous fees related to operations (i.e., invoice fees, suspended account and returned check fees, lost, stolen or damaged transponder fees, and fees related to programs with San Francisco Airport and rental car agencies).

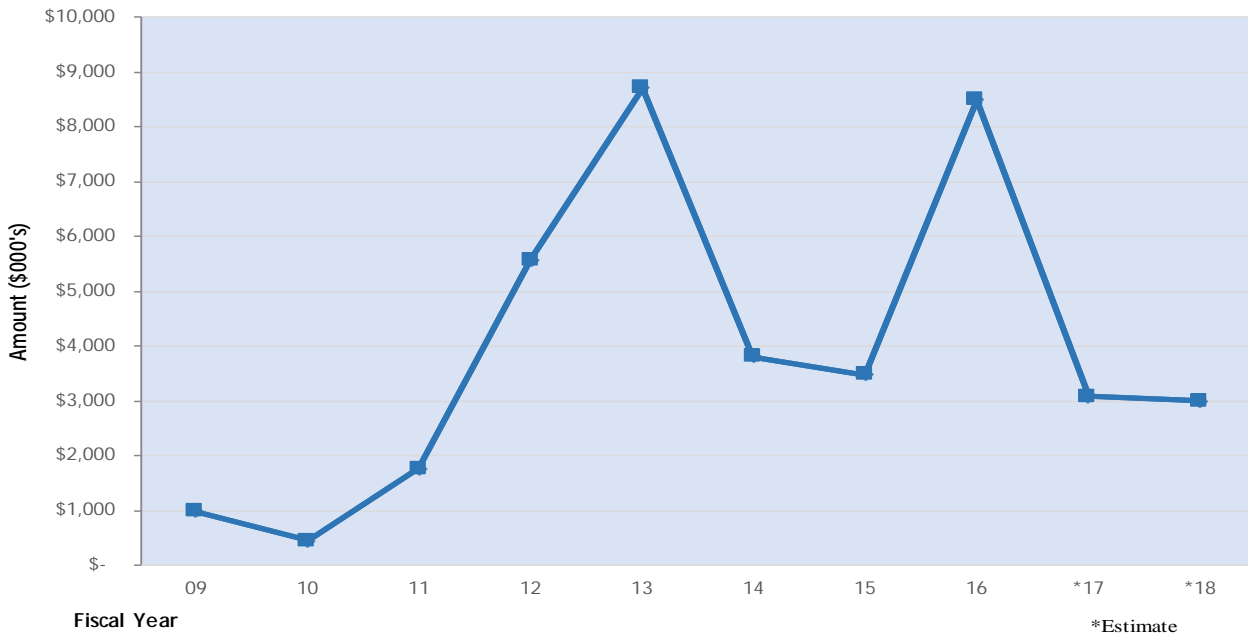
Fees revenue for FY17 is estimated to be \$9.6 million. The FY18 budget for account maintenance fees is based on the Agency's current policy in which a fee of \$2.00 per transponder is charged to FasTrak accountholders in each month where monthly tolls incurred on F/ETCA or SJHTCA facilities are less than the threshold of \$25 per transponder. When an account has multiple transponders, the aggregate tolls incurred by an account are considered when determining whether any account maintenance fees are charged.

During FY18 the Agencies will transition to providing all accountholders with electronic account activity statements versus mailed statements. If an accountholder would like to continue to receive mailed statements, the statements will be provided monthly for a fee of \$1.00 per statement.

### Development Impact Fees

The Agency adopted a Development Impact Fee Program in 1986. The fee program is based on the general principle that development within the "area of benefit" of the corridor will benefit from the construction of the corridor. Development Impact Fees (DIF) are assessed on new residential and non-residential (commercial, industrial, etc.) development. Development Impact Fees for FY17 are expected to approximate \$3.1 million. The Agency is estimating Development Impact Fees to be \$3.0 million for FY18, representing 1.6% of total revenues, based upon recent trends and development. The chart on the following page is provided to illustrate the historical trend of Development Impact Fees collected.

**San Joaquin Hills Transportation Corridor Agency  
Development Impact Fees  
Ten Year Trend**



Interest Earnings

Interest Earnings represent earnings on funds held in trust for bondholders, funds held for operations and funds held in custody accounts at the trustee for the Agency. Budgeted Interest Earnings are based upon the existing investment portfolio. Total Interest Earnings budgeted for FY18 of \$2.3 million represent approximately 1.2% of total revenues.

Interest Earnings for FY17 are estimated to be \$1.8 million.

## **Revenue Pie Chart – FY17 Budget as compared to FY18 Budget**

The pie charts on the following page show a comparison of FY17 budgeted revenues to FY18 proposed budgeted revenues.

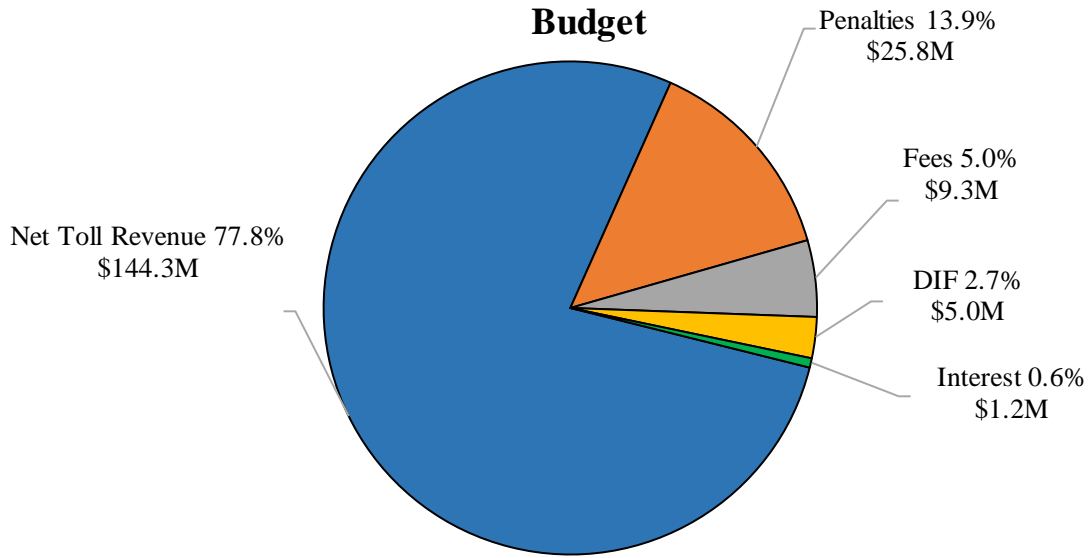
Budgeted revenues increased \$9.4 million to \$195.0 million in FY18 from budgeted revenues of \$185.6 million in FY17 due to an increase in Net Toll Revenue, Fees, and Interest Earnings, offset by decreases in Penalties and Development Impact Fees.

Net Toll Revenue is expected to increase from \$144.3 million budgeted in FY17 to \$157.5 million in the FY18 budget as a result of current transaction and revenue trends and toll rate changes. Penalties are projected to be lower in FY18 by \$3.3 million compared to the FY17 budget as a result of actual violation collections and current transaction and transactional toll revenue trends. See Penalties discussion on page 12 for more information. Fees are budgeted to increase in FY18 by \$0.4 million compared to the FY17 budget. FY18 budgeted Development Impact Fees decreased by \$2.0 million compared to FY17 Budget based on recent collection trends and development. Interest Earnings are expected to increase by approximately \$1.1 million primarily resulting from working with the Agency's investment advisor to implement an active management strategy which has allowed the Agency to take advantage of the Federal Open Market Committee increasing the Fed funds interest rate.



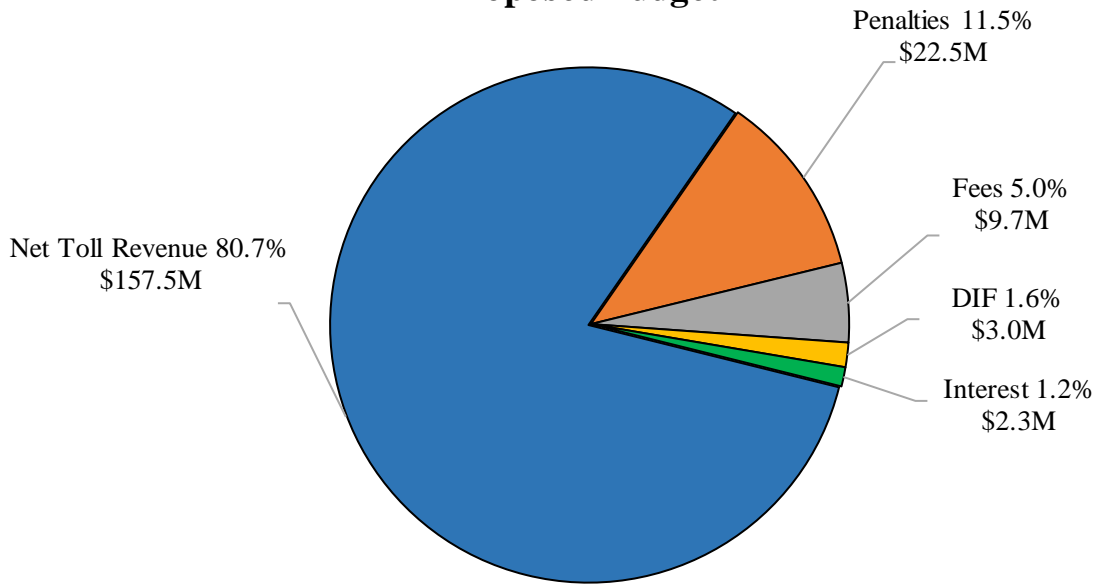
# San Joaquin Hills Transportation Corridor Agency

## FY 2017 Revenue Budget



**Total FY17 Total Budget Revenue \$185.6M**

## FY 2018 Revenue Proposed Budget



**Total FY18 Total Budget Revenue \$195.0M**

## **Expenditures Summary**

In response to the economic downturn in the recent past, the Agency worked diligently to significantly decrease operating expenses and reduce headcount, while continuing to provide quality customer service and ensuring that equipment, systems, and facilities remained in a good state of repair. This provided for a lower base to absorb inflationary growth.

As a result of the improving economy and a steady return of revenues to levels recorded prior to the economic downturn in FY08, the Agency prepared the FY18 expense recommendation considering the cost impact of increasing transactions and revenues. In addition, the budget includes proposed inflationary increases in major operating contracts, operations initiatives, capital projects costs, and staffing to manage the growth in operations and capital project initiatives. Detail of expenditures can be found on pages 21-31.

The FY18 proposed budget for expenses was developed with the Agency's continued commitment to fiscal responsibility and overarching goals.

The proposed budget for FY18 includes total expenditures of \$138.9 million. The following are brief explanations of the various expenditures.

### Planning, Environmental and Construction (Excluding Administration)

This category mainly consists of costs associated with the Agency's current Capital Improvement Plan including Toll Booth Removal, Signage, and various studies to monitor the Agency's compliance with permits and other environmental documents. The FY18 proposed budget for these expenses is \$5.9 million, approximately 4.3% of the total budget. The funding for these expenses is the cash on hand from previous development impact fee collections and Agency surplus revenues.

The Planning, Environmental and Construction projected actuals for FY17 total \$6.6 million. The decrease of \$0.7 million in the FY18 budget is primarily related to reductions in the conveyance of mitigation land and the Toll Booth Removal project, partially offset by an increase in the Signage project.

### Administration

The total proposed budget for Administration expenses is \$9.6 million for FY18, or approximately 6.9% of the total proposed budget. The Administration category includes all employee compensation (3.0% of the total budget) as well as overhead-type expenses, such as office expenses, legal, insurance, administrative consulting services, marketing, and travel expenses. Rents and leases expense includes the fair market rental lease payments that the Agency pays to the F/ETCA related to its portion of the Pacifica building and related common area maintenance and tenant improvement costs. These costs are budgeted in total but are allocated between the two primary activities of the Agency: Planning, Environmental and Construction and Toll Operations. The allocation of costs between the two types of activities is necessary in determining the appropriate funding

source as well as for the calculation of debt service coverage per the Indentures. The resulting allocation can be seen in the columns for each activity on page 22 of this document.

Projected Administration expenses for FY17 total \$8.2 million. The increase in the FY18 proposed budget from the FY17 projected actuals is primarily due to Customer Service Center Modernization, consulting for the Agency's Business Intelligence project, and the System-Wide Traffic Optimization Study.

#### Toll Operations (Excluding Administration)

Toll Operations include toll system costs associated with maintaining the Agency's system lane hardware and software currently under contract with TransCore LP, customer service center and violation processing management and staff currently under contract with Faneuil, Inc., customer service system maintenance and toll processing under contract with BRiC-TPS LLP, and image based transaction processing currently under contract with Global Agility Inc. Also included in this category are toll facilities costs for maintaining the Agency's buildings utilized in the operation of the road, and toll equipment such as transponders and server replacements. The proposed FY18 budget for these expenses is \$15.8 million or 11.4% of the total budget.

Toll Operations, excluding Administration, is projected to total \$13.0 million in FY17. The FY18 budget is million higher than projected FY17 actuals primarily due to increases in labor for improved customer service and other customer service and compliance costs directly related to revenues, consultant support for the Customer Service Center Back Office System Replacement Project, scheduled Consumer Price Index adjustments for the system lane hardware and software maintenance contracts, and an increase in transponder purchases.

#### Debt Service

The Debt Service category includes the annual principal and semi-annual interest payments to be made on all outstanding bonds. These payments for FY18 are budgeted at \$107.5 million, or 77.4% of the total budget. Debt Service for FY17 will total \$106.5 million.

Future years' Debt Service, which is primarily funded from toll revenues, grows at an average of 2.4% per year until it reaches maximum annual debt service of \$186 million in FY 2041.

## **Expenditures of Funds – FY17 Amended Budget as compared to FY18 Budget**

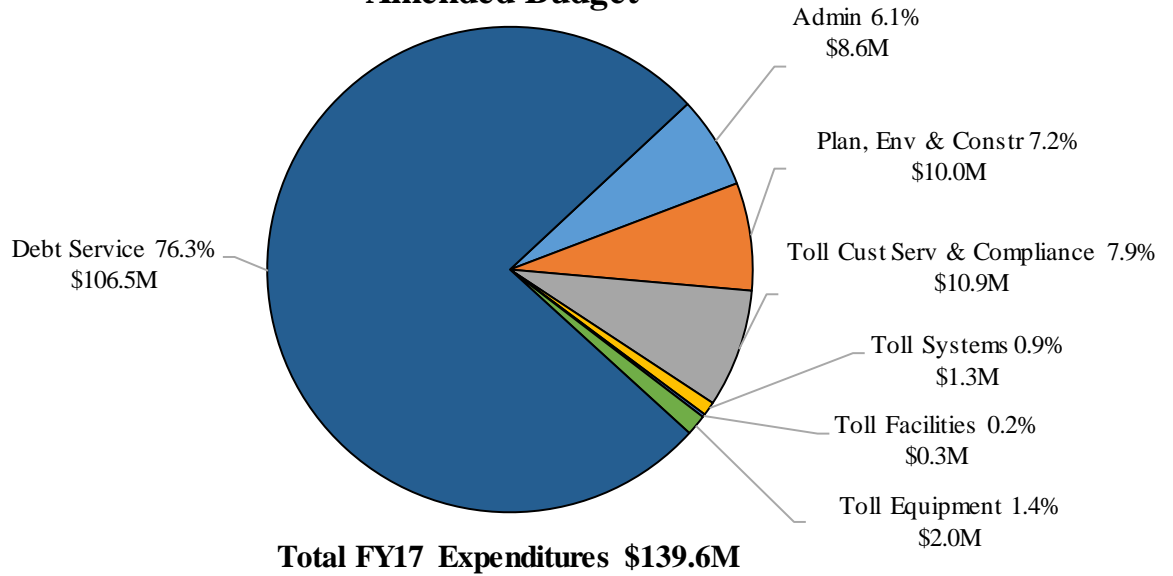
The pie charts on the following page show a comparison of the FY17 amended budget and the FY18 proposed budget by type of expense.

The FY18 proposed budget of \$138.9 million, as compared to the prior year's amended budget of \$139.6 million, shows a decrease of \$0.7 million, or 0.5%. The net decrease is primarily related to reductions in CIP that include the Toll Booth Removal project, and the conveyance of mitigation land. The decreases are partially offset by increases to the Customer Service Center Back Office System Replacement Project, the Signage Project, the System-Wide Traffic Optimization Study, and Customer Service Center Modernization.

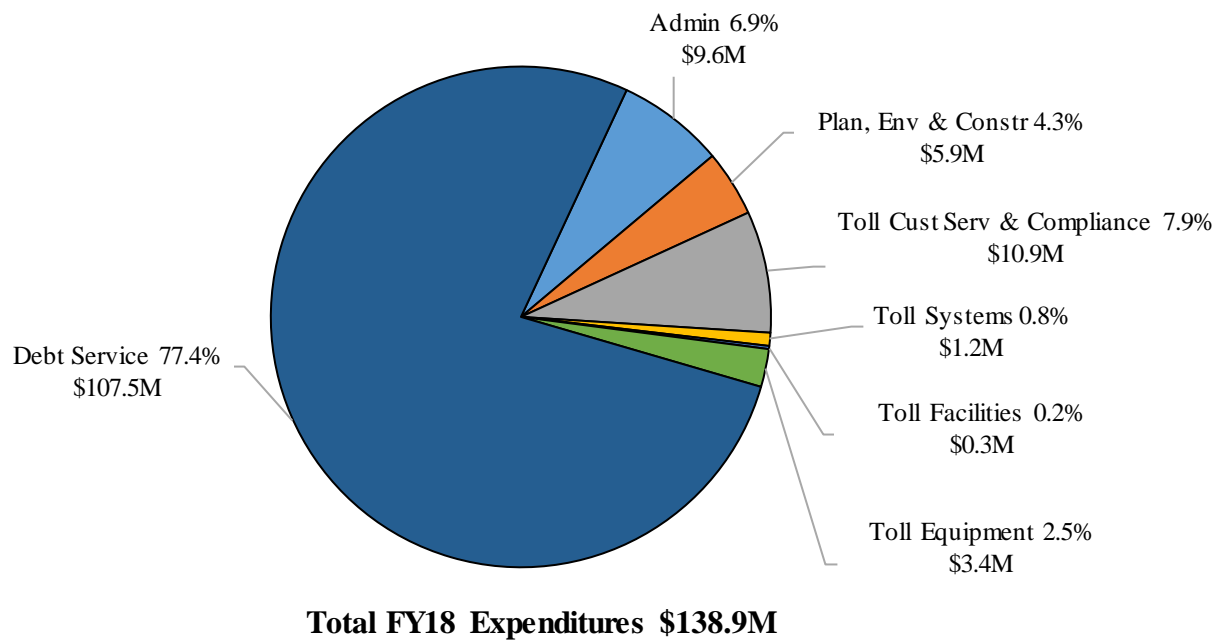
Budgeted Debt Service payments for FY18 increased by \$1.0 million over FY17, as scheduled in the Indentures.

# San Joaquin Hills Transportation Corridor Agency

## FY 2017 Expenditures Amended Budget



## FY 2018 Expenditures Proposed Budget



## **Expenditures Detail**

The schedule on the following page details the budget as summarized on pages 23-31 into more specific categories (budget subcategories). Many of the Administration subcategories are allocated between Planning, Environmental and Construction and Toll Operations expenses.



**San Joaquin Hills Transportation Corridor Agencies**  
**Fiscal Year 2018 Proposed Budget**  
**(\$000)**

Category	Budget Fund Categories			Total
	Plan, Environ & Construction	Toll Operations Exp & Equip	Debt Service	
Administration:				
Regular Salaries	586	2,357	-	2,943
Internship Program	8	30	-	38
Board Compensation	18	72	-	90
Benefits	235	910	-	1,145
Employer Taxes	10	42	-	52
Insurance	56	685	-	741
Legal Expense	240	639	-	879
Telephone/Comm	13	51	-	64
Office Expense	40	225	-	265
Educ, Seminar, Membership, Mtgs	28	160	-	188
Consulting and Other Services	145	848	-	993
Marketing	-	828	-	828
Publications & Subscriptions	1	4	-	5
Rents & Leases	140	559	-	699
Building Services	2	7	-	9
Transportation & Travel	26	108	-	134
Office Equipment	9	34	-	43
Pacifica Fixed Assets	4	516	-	520
<b>Total Administration</b>	<b>1,561</b>	<b>8,075</b>	<b>-</b>	<b>9,636</b>
Planning, Environmental and Construction:				
Capital Improvement Plan (CIP):				
Toll Booth Removal	1,275	-	-	1,275
Signage	3,127	-	-	3,127
<b>Total Capital Improvement Plan</b>	<b>4,402</b>	<b>-</b>	<b>-</b>	<b>4,402</b>
Other Planning, Environmental and Construction:				
Environmental	265	-	-	265
Design Program Mgmt	430	-	-	430
Design Special Studies & Other	600	-	-	600
ROW Acquisitions, Appraisals & Other	240	-	-	240
<b>Total Other Planning, Environ and Constr</b>	<b>1,535</b>	<b>-</b>	<b>-</b>	<b>1,535</b>
<b>Total Planning, Environmental and Construction</b>	<b>5,937</b>	<b>-</b>	<b>-</b>	<b>5,937</b>
Toll Operations:				
Customer Service and Toll Compliance	-	10,897	-	10,897
Toll Systems	-	1,175	-	1,175
Toll Facilities	-	283	-	283
<b>Subtotal Toll Operations</b>	<b>-</b>	<b>12,355</b>	<b>-</b>	<b>12,355</b>
Operations Equipment:				
Transponder Equipment	-	1,938	-	1,938
Toll Equipment & Capital Expenditures	-	1,464	-	1,464
<b>Total Equipment</b>	<b>-</b>	<b>3,402</b>	<b>-</b>	<b>3,402</b>
<b>Total Toll Operations</b>	<b>-</b>	<b>15,757</b>	<b>-</b>	<b>15,757</b>
Debt Service	-	-	107,523	107,523
<b>Total Expenditures</b>	<b>7,498</b>	<b>23,832</b>	<b>107,523</b>	<b>138,853</b>

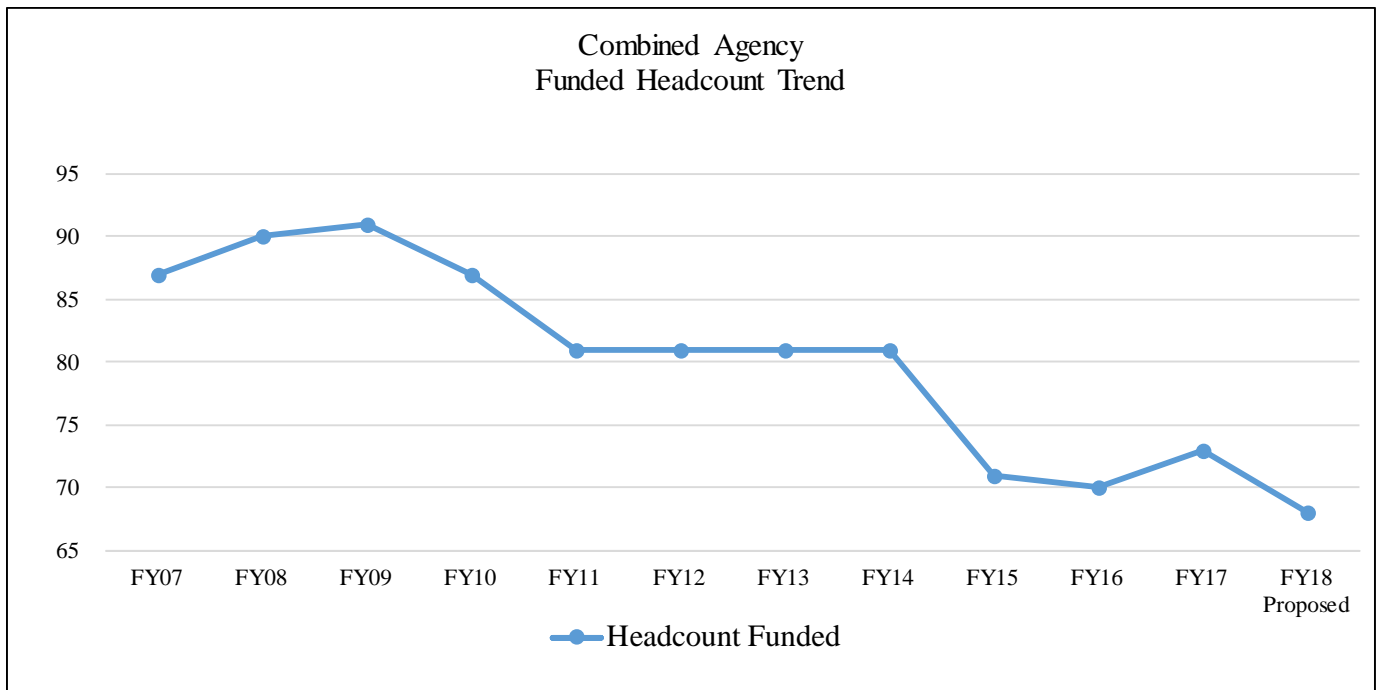
## Staffing

The policies of the Transportation Corridor Agencies (TCA) require approval by the Boards of Directors for all new salary grade classifications, changes to the staffing plan (number of approved positions), and the total compensation budget. Compensation and staffing programs are then administered by the CEO under the approved budget. During the budget process each year, the CEO recommends changes to the existing programs for the upcoming fiscal year.

The recommended staffing plan for FY18 is 68 funded positions and is allocated 62% to F/ETCA and 38% to this Agency. The FY18 budget includes one reclassification, five positions eliminated from the customer service walk-in center due to outsourcing, one eliminated Toll Facilities position, and two headcount additions to support human resources and environmental projects initiatives:

- Human Resources Generalist
- Environmental Analyst

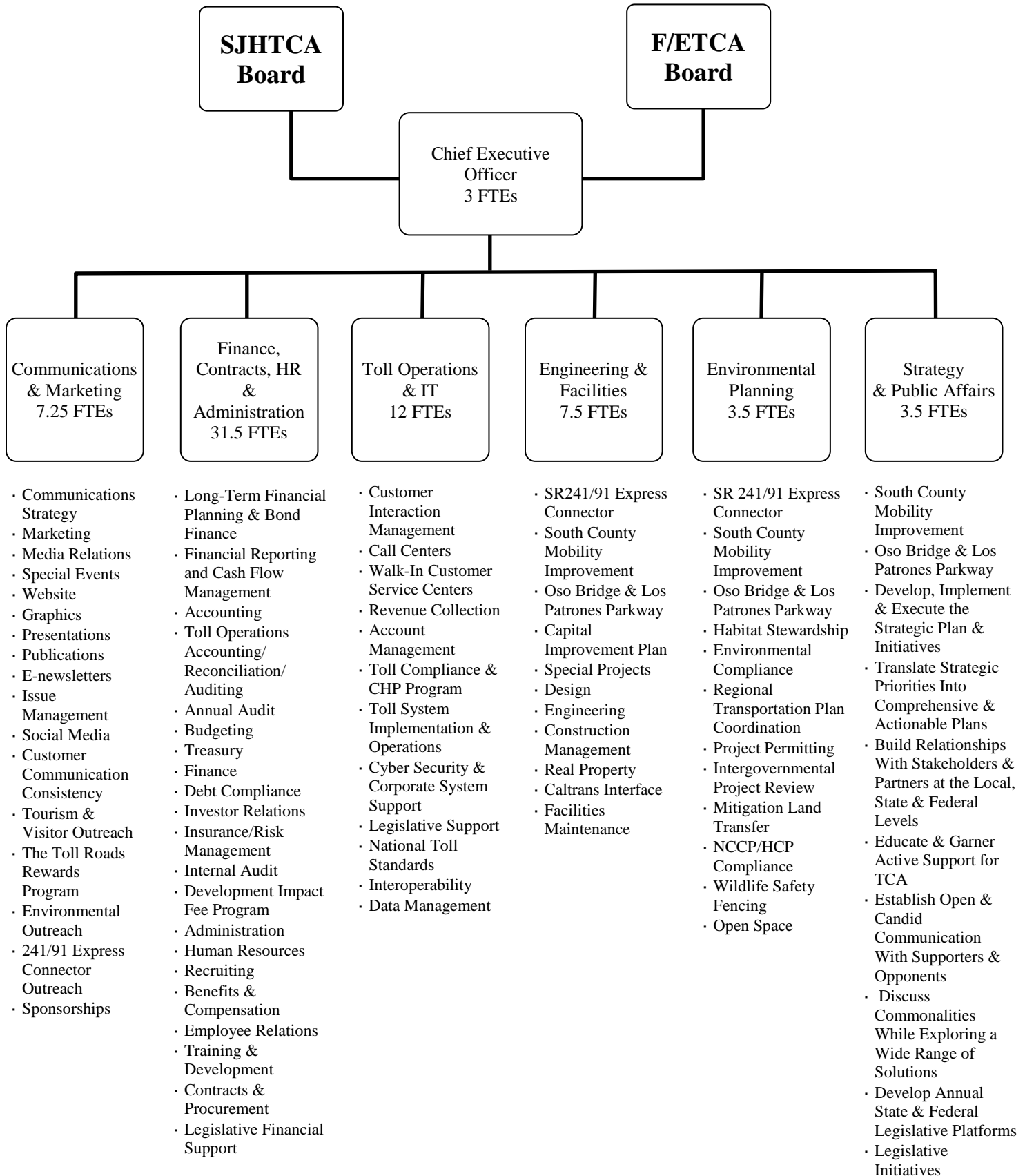
The following chart shows the change in funded headcount from 2007 through 2017 and the projected 2018 headcount on a combined Agency basis (F/ETCA and SJHTCA). The decrease in FY15 was due to the end of cash toll collections.



The functional area organization chart on the following page illustrates the duties and responsibilities for each executive's division and the number of full time equivalent positions.

In addition to the regular duties and responsibilities that are required to manage the Agencies, there are a number of project initiatives that staff work on each year to achieve Agency goals and objectives. Some of the longer-term projects have been included on the organization chart.

# TCA Organizational Structure Fiscal Year 2018



### Administration - Compensation (Regular Salaries and Benefits)

The Agency employee compensation budget is \$4.1 million. TCA salaries are reviewed each year through the annual performance review process. The Agency does not provide for any type of automatic step or Cost of Living Adjustment (COLA) increases.

Benefits include contributions to a cafeteria plan (medical, dental, and vision) and retirement plans. In general, budgeted benefits are determined by applying estimated rates for these plans to estimated headcount. If benefit rates come in lower than expected, the budget is not spent. FY18 benefits are 38.9% of salaries.

The FY18 employer contributions to OCERS have been budgeted at 27.23% for legacy employees and 24.36% for employees hired on or after January 1, 2013 under the Public Employees' Pension Reform Act – PEPPRA. Each of these rates includes a component of 13.79% that represents payment of the Agencies' unfunded actuarial accrued liability (UAAL). The Agency's UAAL is estimated as of December 31, 2016 at approximately \$4.4 million. The UAAL is amortized over 20 years. The Agencies monitor the UAAL and believe that it is manageable as it is paid each year as part of the employer contribution.

In FY16, the Agency completed a detailed classification study of salary ranges through a consultant and FY17 salary ranges were adjusted based on the results of the study. For FY18, the staffing plan includes a 3% adjustment to salary ranges based on current public and private sector data. The recommendation to revise the Agency's salary ranges does not in itself, result in any change to individual employee salaries. Employee salary adjustments are only based on merit increases and/or promotions.

A 4.0% merit pool of \$105,587 based on the current public and private sector data, with organizations, has been included in the budget. The recommended merit pool will allow the Agency to remain competitive, reward employees for their performance, and help retain current employees. The annual review process includes: employee input on the employee's perspective of accomplishments and future goals, supervisor review and evaluation of employee accomplishments and establishment of goals for the next year, executive team member review of all performance reviews for the department, human resources review of all employee performance reviews for consistency, and submittal of performance reviews to the CEO for approval. The performance reviews are rated based on employee performance and include the following rating categories: Exceptional, Exceeds Expectations, Meets Expectations, Needs Development, and Unsatisfactory. The merit increase will be assigned according to ratings category and is expected to range from 2.5% to 5%. A 3.0% non-base building performance incentive pool of \$79,190 has been included in the budget and is linked to the FY18 Agency initiatives. This will allow the CEO to reward outstanding achievement on special projects and/or initiatives in accordance with the Agencies' performance incentive award policy.

TCA has contained costs through a net reduction in headcount (81 to 68) since FY11 and reduced benefits by shifting pension and health benefits costs to employees and reduction of accrued leave. Our philosophy and approach to contract out many of our services continues to keep our salaries/benefits lower and manageable.

Administration - Insurance

Insurance expense is budgeted at \$0.7 million, approximately 0.5% of the total budget. The major components of insurance include earthquake, property, general and excess liability, cyber, and workers' compensation coverage as detailed in the annual Current Insurance Coverage Report which was provided at the February 2017 Board of Directors meeting. Policies are marketed and placed by the Agency's insurance broker, Alliant Insurance Services, Inc., who provides all of the Agencies' insurance procurement needs. All insurance is maintained in accordance with the requirements of the Indentures and as prudent business activities dictate.

Administration - Legal Expenses

Legal Expenses are budgeted at \$0.9 million, 0.6% of the total budget. Amounts in this category include, but are not limited to, general counsel representation, legislation, support for ongoing and potential litigation, legal consulting related to contract issues, financing, development impact fees, human resources, and claims litigation. Legal expenses are invoiced separately by individual matter, or type of legal issue, and are managed by the individual department managers who have requested the assistance. Composite rates for general counsel are \$247 per hour. Negotiated blended rates related to complex contract issues, and certain real estate issues are \$300 per hour. In addition, litigation rates are billed at prevailing rates that vary between \$325 and \$840 per hour depending on the level of experience of the attorney involved, and state lobbyists bill at a rate of \$445 per hour. Below is a breakdown of legal expenses by major category:

Toll Operations	\$ 368,000
Contracts	176,000
General/Other	150,000
Human Resources	66,000
Development Impact Fees	50,000
Financing	38,000
Environmental	30,000
Construction	1,000
Total	<u>\$ 879,000</u>

Administration - Consulting and Other Services

The Consulting Services category is \$1.0 million, which represents approximately 0.7% of the total budget and, as detailed below, includes service fees, maintenance and third party assistance contracts for both recurring needs and special projects, such as payroll processing, investment and financial advisory services, annual audit services, and the implementation and project management costs associated with the Business Intelligence project. It also includes a state and national interoperability consultant and testing support, printing and distribution of publications, federal and state advocacy, and community/public relations services.

Financial Consulting	\$ 188,000
Strategic Planning	180,000
System-Wide Traffic Optimization Study	170,000
Business Intelligence Project Consulting	100,000
Communications & Customer Outreach	139,000
Other Consulting	59,000
Audit Services	57,000
Payroll & Personnel Services	50,000
Toll Operations Services	50,000
Total	<u>\$ 993,000</u>

Administration - Marketing

Total expenditures for marketing and advertising are budgeted at \$0.8 million, representing 0.6% of the total budget. This includes amounts paid for the Agency’s marketing consultant for creating and placing radio and digital advertising, designing and printing direct mail and account statement inserts; website design and programming services; and email communication to FasTrak and ExpressAccount holders including The Toll Roads Rewards program. These efforts are geared toward increasing account signups and toll road ridership. The following is the budget associated with these expenses:

Marketing Consultant	\$ 650,000
Analytics and Research	113,000
Website Development	50,000
Accountholder Email Communications	15,000
Total	<u>\$ 828,000</u>

Administration - Rents and Leases

The budget for Rents and Leases totals \$0.7 million, representing 0.5% of the total budget. This category is related to the Agency’s rental payments to the F/ETCA for its allocation of space in the Pacifica building and common area maintenance. The lease agreement calls for lease payments to be set annually based upon a current survey of fair market rates of comparable “all-in” leases in the Irvine area.

Administration - Pacifica Fixed Assets

The Pacifica Fixed Assets category is budgeted at \$0.5 million, representing 0.4% of the total budget. This category is related to equipment qualifying for capitalization and includes Customer Service Center Modernization.

Planning, Environmental and Construction - Capital Improvement Plan

The Capital Improvement Plan is budgeted at \$4.4 million and represents 3.2% of the total budget. These projects are outlined in the Capital Improvement Plan to be presented to the Board of Directors on June 8, 2017 and summarized below:

Signage	\$ 3,127,000
Toll Booth Removal	1,275,000
Total	<u>\$ 4,402,000</u>

Planning, Environmental and Construction - Other Planning, Environmental and Construction

This category totals \$1.5 million or 1.1% of the total budget and includes funding for traffic trend and capacity analyses, design program management, title and survey work related to mitigation parcels, in-house consulting assistance, and coordination with the Southern California Association of Governments and OCTA to ensure the Agency's projects are described accurately in regional transportation plans.

Traffic Trends/Capacity Analysis	\$ 600,000
Design Program Management	430,000
Surveying & Title	240,000
Mitigation & Permits	153,000
Environmental Staff Assistance & Other	112,000
Total	<u>\$ 1,535,000</u>

Toll Operations - Toll Customer Service and Toll Compliance

The Toll Customer Service and Toll Compliance category totals \$10.9 million, approximately 7.9% of the total budget, and primarily includes funding for the service center operations and toll compliance activities comprised of customer service and violation processing staff and management costs for the customer service operator Faneuil, Inc., customer service system maintenance and toll processing costs for BRiC-TPS LLP, and image based transaction processing costs for Global Agility Inc. Also included in this category are credit card processing fees assessed on all FasTrak, ExpressAccount, and violation credit card transactions, printing, postage, and mailing services, judgment recovery and collection costs, CHP violation enforcement, and telephone system expenses.



Fees are included in this category for the Costco, AAA, and Albertsons FasTrak enrollment programs. The budget associated with these expenses is detailed below:

Credit Card Processing Fees	\$ 3,530,000
Customer Service Contract	3,475,000
Postage & Printing	1,961,000
Customer Service System Maintenance	1,149,000
Enforcement Services & Other	472,000
Other Customer Service	253,000
Projects	57,000
Total	<u>\$ 10,897,000</u>

#### Toll Operations - Toll Systems

The Toll Systems category totals \$1.2 million, or approximately 0.8% of the total budget and, as detailed below, primarily consists of fees for the software and hardware maintenance and operation contract with TransCore LP. Also included in this category are toll system spare parts and repairs, software licenses, and various computer maintenance contracts.

On-Road Toll System Maintenance	\$ 959,000
Computer/Software Maintenance & Support	118,000
Projects	98,000
Total	<u>\$ 1,175,000</u>

#### Toll Operations - Toll Facilities

This category is budgeted at \$0.3 million representing 0.2% of the total budget, and accounts for all costs associated with maintaining the Agency's toll plazas such as utilities, janitorial services, and other various supplies and repairs.

On Road Building Maintenance Services	\$ 156,000
On Road Utilities	127,000
Total	<u>\$ 283,000</u>

#### Toll Equipment & Capital Expenditures

The Toll Equipment & Capital Expenditures budget is \$3.4 million, approximately 2.5% of the total budget. Toll Equipment & Capital Expenditures primarily consists of FasTrak transponder costs and the Customer Service Center Back Office System Replacement

Project. Other items include mobile app enhancements, uninterruptible power supply (UPS) replacements, and servers.

Transponders	\$ 1,939,000
CSC Back Office System Replacement Project	1,425,000
Other Equipment	<u>38,000</u>
Total	<u>\$ 3,402,000</u>

### Debt Service

The Debt Service category totals \$107.5 million or 77.4% of the total budget and includes principal and interest payments on the Agency's outstanding bonds. Scheduled debt service for FY18 include principal payments on the 1997 Bonds of \$3.7 million and sinking fund deposits of \$36.0 million due on January 15, 2018. Sinking fund deposits are considered debt service in the year the deposits are made, however, the funds are paid to bondholders in future years. Interest payments on the 2014 Bonds are \$67.8 million for FY18, with \$33.9 million to be paid on each January 15, 2018 and July 15, 2018.

The FY17 budgeted aggregate and senior lien debt service coverage ratios shown on the following page meet the Indenture requirements of 1.10x and 1.30x, respectively. The budgeted coverage is 1.55x and 1.81x, respectively, and does not include the use of reserves or escrow defeasance. Adjusted Net Toll Revenues only includes certain revenues and interest earnings in certain accounts per the Indentures. Development impact fees are not included in the calculation. While development impact fees are not included in the budget calculation of the debt service coverage ratios, the Indentures allow for development impact fees that are remaining after each debt service payment to be added to the calculation thereby enhancing the debt service coverage calculation. The Indentures refer to this as Enhanced Adjusted Net Toll Revenues and this enhanced calculation will be used for actual debt service coverage covenant reporting. Current expenses include expenditures that are allocated to operations (as shown in the second column of the schedule on page 22).

## Debt Coverage Calculation Fiscal Year 2018

	<u>FY18 Budget</u> <u>(\$000)</u>
<u>Adjusted Net Toll Revenues</u>	
Total Toll Revenues Including Fees and Penalties	189,668
Interest Earnings *	1,155
Current Expenses - Funded From Toll Revenue	<u>(23,832)</u>
Adjusted Net Toll Revenues	<u><u>166,991</u></u>
 <u>Aggregate Net Debt Service</u>	
Aggregate Debt Service	<u>107,523</u>
Aggregate Coverage Ratio (1.10x requirement)	<u><u>1.55</u></u>
 <u>Senior Lien Net Debt Service</u>	
Senior Lien Debt Service	<u>92,093</u>
Senior Lien Coverage Ratio (1.30x requirement)	<u><u>1.81</u></u>

\* Reflects estimated earnings on specific accounts allowed for coverage as defined per the Indentures

Estimated Unrestricted Cash and Supplemental Debt Service Reserve Funds

Below is the FY18 budgeted activity and estimated ending balances for unrestricted cash and supplemental debt service reserve funds, as described in more detail on page 5:

**Estimated Unrestricted Cash**  
**(\$000)**

Estimated Available Cash at 6/30/17	88,910
Construction and Related Administration	(7,498)
Surplus Revenue *	51,688
DIF Revenue and Interest Income	4,094
	<hr/>
Estimated Available Cash at 6/30/18	<u>137,194</u>

\* Represents one-half of surplus revenue per the Indentures until the supplemental reserve funding is complete as is expected in FY18.

**Estimated Supplemental Debt Service Reserve Funds (Restricted)**

\$93.1 Million Reserve Requirement  
**(\$000)**

Estimated Supplemental Debt Service Reserve Funds at 6/30/17	84,253
Surplus Revenue *	8,413
Interest	386
	<hr/>
Estimated Supplemental Debt Service Reserve Funds at 6/30/18	<u>93,052</u>

\* Represents one-half of surplus revenue per the Indentures until the supplemental reserve funding is complete as is expected in FY18. Remaining Surplus Revenue funds the unrestricted cash reserves.

RESOLUTION NO. S2017-02

A RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE SAN JOAQUIN HILLS TRANSPORTATION CORRIDOR AGENCY  
APPROVING THE BUDGET FOR FISCAL YEAR 2018

On motion of Board Member Sachs, the following Resolution was adopted.

WHEREAS, Section VI, paragraph 6.1 of the Second Amended and Restated Joint Exercise of Powers Agreement creating the San Joaquin Hills Transportation Corridor Agency (the "JPA"), requires the adoption upon the approval of not less than two-thirds (2/3) of the Board Members, an annual budget for the ensuing fiscal year, pursuant to procedures developed by the Board; and

WHEREAS, Section VI, paragraph 6.3 of the JPA requires all funds to be placed in object accounts and the receipt, transfer or disbursement of such funds during the term of the JPA shall be accounted for in accordance with Generally Accepted Accounting Principles (GAAP) applicable to governmental entities and all revenues and expenditures must be reported to the Board; and,

WHEREAS, Section VI, paragraph 6.4 of the JPA states that all expenditures within the designations and limitations of the approved annual budget shall be made upon the approval of the Chief Executive Officer in accordance with the rules, policies and procedures adopted by the Board; and,

WHEREAS, Section VI, paragraph 6.4 of the JPA further states that no expenditures in excess of those budgeted shall be made without the approval of not less than two-thirds (2/3) of the Board Members to a revised and amended budget which may, from time to time, be submitted to the Board; and,

WHEREAS, Article VI, paragraph 6.5 of the Administrative Code of the Agency adopted on January 10, 1991, requires that all expenditures for travel, conference and business-related activities, and reimbursement of Board Members and Agency employees for such expenditures, be governed by the Board adopted Travel and Expense Policy;

NOW, THEREFORE the Board of the San Joaquin Hills Transportation Corridor Agency does resolve, declare, determine and order as follows:

1. Approve the annual budget for Fiscal Year 2018 (FY18) in the amount of \$138,853,369. The approval includes Administration, Planning, Environmental and Construction, Toll Operations, Debt expenses, the proposed staffing plan as described in the budget, and projected Revenues, including without limitation the adoption of the “proposed” toll rates, fees, and fines, as presented in the FY18 Annual Budget report.
2. Authorize the Chief Executive Officer to reallocate within budget categories as long as the budget for the following categories does not exceed the amount stated:
  - Administration \$9,636,017
  - Planning, Environmental and Construction \$5,937,126
  - Toll Operations \$15,756,805
  - Debt Service \$107,523,421

and subject to controls in place under the 1997 and 2014 Indentures of Trust, the Board approved Contracts and Procurement Manual, Investment Policy, Staffing and Compensation Plan, and finally the Agency’s enabling legislation.

3. Resolve to carry forward the project description from the current 2017 Federal Transportation Improvement Program (FTIP) and 2016 Regional Transportation Plan/Sustainable Communities Strategy, and to include the updated schedule and project budget approved by this resolution in subsequent RTIP and RTP updates, for the Southern California Association of Governments (SCAG) region.
4. Direct the staff to forward the approved Annual Budget for FY18 to the trustee.

This Resolution No. S2017-02, shall become effective immediately upon adoption.

Adopted this 8th day of June, 2017, by the Board of Directors of the San Joaquin Hills Transportation Corridor Agency.



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**Ross Chun, Chair**  
San Joaquin Hills Transportation Corridor Agency

RESOLUTION NO. S2017-02

A RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE SAN JOAQUIN HILLS TRANSPORTATION CORRIDOR AGENCY  
APPROVING THE BUDGET FOR FISCAL YEAR 2018

ATTEST:

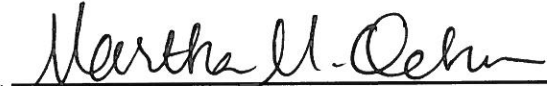
I, Martha M. Ochoa, Secretary/Clerk of the Board of the San Joaquin Hills Transportation Corridor Agency hereby certify that the foregoing Resolution No. S2017-02 was duly adopted on June 8, 2017, by the Board of Directors of the San Joaquin Hills Transportation Corridor Agency by the following vote:

Yes: Chun, Heft (Alternate for Carruth), Bartlett, Foley, Conners  
(Alternate for Hack), Maryott, Gennawey (Alternate for Minagar),  
Peotter, Sachs, Shea, Spitzer, Viczorek, Ward

No: NONE

Absent: Tinajero

Abstain: NONE

  
\_\_\_\_\_  
Martha M. Ochoa  
Secretary/Clerk of the Board  
San Joaquin Hills Transportation Corridor Agency