

SAN JOAQUIN HILLS TRANSPORTATION CORRIDOR AGENCY

AGENDA ITEM #: **15**

FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY



Transportation Corridor Agencies™

## BOARDS OF DIRECTORS

June 10, 2021

FILE NUMBER: 2021F-014

### FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY FISCAL YEAR 2022 ANNUAL BUDGET

#### RECOMMENDATION

##### Foothill/Eastern Transportation Corridor Agency Recommendation:

Approve Resolution No. F2021-04 entitled "A Resolution of the Board of Directors of the Foothill/Eastern Transportation Corridor Agency Approving the Budget for Fiscal Year 2022" in the amount of \$141,311,296.

#### SUMMARY

The first of two Fiscal Year 2022 (FY22) budget workshops was conducted with the Joint Operations and Finance Committee (Committee) on May 5, 2021. The proposed budget that was presented included input from the various Board committees that were held in March and April. The Committee provided additional feedback which has been incorporated into the attached proposed FY22 budgets which were presented to the Committee at the second workshop on May 26, 2021.

#### COMMITTEE DISCUSSION

Staff discussed the proposed FY22 Budget with the Committee. The proposed FY22 Budget reflects the positive revenue trends and recovery from the COVID-19 pandemic and a continued commitment to cost containment. The proposed budget meets the Transportation Corridor Agencies' (Agencies) Indenture debt coverage requirements without the use of cash reserves. The budget, as presented, also meets the Agencies' fiduciary responsibilities to the bondholders.

The Committee discussed the merits of the two percent toll increase that follow the Agencies' Toll Policies as well as provided feedback to staff regarding bringing further discussion of the Agencies' toll discount policy to a future meeting of the Joint Boards of Directors. The Committee also discussed bringing the development impact fee annual increases for review at a future Joint Boards of Directors meeting.

Report Written By: (Erick Luque, Manager, Budget and Planning)

**REVIEWED BY:**

/s/ Amy Potter  
\_\_\_\_\_  
Amy Potter, Chief Financial Officer  
(949) 754-3498

**APPROVED BY:**

/s/ Samuel Johnson  
\_\_\_\_\_  
Samuel Johnson, Chief Executive Officer

Attachments:

1. Annual Budget Narrative Fiscal Year 2022
2. Resolution No. F2021-04

2022

# Fiscal Year Proposed Budget



Foothill/Eastern

Transportation Corridor Agency

**Foothill/Eastern  
Transportation Corridor Agency**

**Budget Process and Format**

**Fiscal Year 2022 Proposed Budget**

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## **Budget Process**

The Foothill/Eastern Transportation Corridor Agency's (F/ETCA or Agency) Board of Directors and the Master Indentures of Trust (Indentures), established in the context of the Agency's bond issuances, provide the financial and funding 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.

The typical budget process begins by setting objectives that consider both near-term and long-term Agency goals and direction from the Board of Directors. Department managers review the status of projects for the current year and develop project initiatives for the next fiscal year with the Agency's core principles in mind:

- Operational Effectiveness and Enhancements
- Financial Stability and Sustainability
- Project and Program Delivery
- Board Support and Agency Administration
- Customer Education and Public Information

The prior year budget process was modified to address the unknown duration and impacts of COVID-19 and reflected a conservative approach focused on core operating necessities and reduced expenditures.

The Agency's history of fiscally responsible management, and the steps taken over the last several years to manage debt, reduce expenditures and improve ridership resulted in strong liquidity and positioned the Agency well to deal with the economic challenges of the pandemic. The recovery from the pandemic has exceeded the revenue assumptions included in the FY21 budget and shows that the Agency will not need any cash support to meet its debt service coverage requirement in FY21 or FY22. The proposed budget for FY22 includes the positive traffic and revenue trends and recovery from the pandemic, a continued commitment to cost containment, and long-term cashflow planning considerations inclusive of the Debt Management Policy. The FY22 budget process is described in the following paragraphs.

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. All Agency functional areas presented their portion of the budget at the related committee meetings during March and April 2021. The proposed annual budget was presented to the Joint Operations and Finance Committee at a workshop on May 5, 2021, to obtain direction and feedback. The workshop included a review of revenue assumptions, expenditures and deferred initiatives. Questions received during the workshop were then addressed, and the annual budget was again presented to the Joint Operations and Finance Committee on May 26, 2021. [The annual budget is now being presented to the Board of Directors for adoption at the June 10, 2021 Board meeting for the fiscal year starting July 1, 2021]. 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 CEO has the authority to make budget transfers within each of the following six categories as long as the total budget amount per category is maintained and the expenditures are made within Board approved policies:

- Administration
- SR 241 (excluding related administration)
- Capital Improvement Plan
- Other 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 pages 19-20 along with detail subcategories. Budget categories and subcategories are discussed in the Expenditures Summary section beginning on page 16. 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 FY22 proposed expenditures budget for F/ETCA totals \$141.3 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 that includes the following budget fund categories: Non-Operating and Planning, Environmental and Construction, Toll Operating Expenses and Equipment (Toll Operations), and Debt Service. Expenses directly related to F/ETCA are charged entirely to the Agency and those incurred on behalf of both the Agency and San Joaquin Hills Transportation Corridor Agency (SJHTCA) are allocated between F/ETCA and SJHTCA (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 Non-Operating and 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 pages 19-20 to illustrate how each budget category and subcategory is allocated between the budget fund categories. A more detailed discussion of the expenditures proposed for FY22 is included in the Sources and Expenditures section of this document beginning on page 8.

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

The proposed FY22 Non-Operating and Planning, Environmental and Construction budget is \$21.6 million. The budget for Non-Operating and 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, 36 miles of the F/ETCA 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.

Non-Operating and Planning, Environmental and Construction Administration costs include office, personnel, legal, staff augmentation, and other customary and normal expenditures associated with the direct management and administration of the Agency's non-operating, planning, environmental and construction related activities, and are allocated as discussed above.

The primary sources of funds for Non-Operating and Planning, Environmental and Construction Expenses are unrestricted cash. Unrestricted cash includes 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 Indentures require surplus revenues in order to meet debt service coverage ratios. The debt service reserve fund requirements have been fully met and the balance of the debt service reserves is approximately \$225.2 million. Additional reserves are discussed in the Toll Operations section below. Each year, \$5.0 million of Development Impact Fees (DIF) received by the Agency is available to fund expenditures or increase the unrestricted cash fund; the balance of DIFs collected during the year are also made available for the same purpose if they are not needed to fund current debt service payments. The fees are one-time developer payments that are collected by the County of Orange and member cities when a building permit is issued. F/ETCA was able to construct the roads in advance of collection of the DIFs by issuing toll revenue bonds that will be repaid with the tolls and DIFs collected. Therefore, the fees are to be used to repay the indebtedness incurred to construct the Foothill/Eastern Transportation Corridors that have already been built, as well as to pay the cost of future anticipated improvements, as identified in the Capital Improvement Plan to be presented to the Board of Directors on June 10, 2021. Other sources of funds for these activities include investment earnings. See the table on page 28 for detail of unrestricted cash funds.

### Toll Operations (budget fund category)

The Toll Operations budget includes funding for the toll operations activities including operating administration costs. The proposed FY22 Toll Operations budget is \$24.0 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. Operating reserves totaling \$17.6 million are also maintained in accordance with the Indentures.

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 on-road toll equipment and back-office systems; license plate image review processing; customer care and toll compliance services; and credit card processing fees. 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, consulting, legal, office expense and customer communications 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. 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 FY22 budget for Debt Service is \$95.7 million.

In 1995, the Agency issued long-term toll revenue bonds to finance construction of the Foothill/Eastern Transportation Corridors (State Routes 133, 241 and 261). The bonds were initially refinanced in 1999 and ultimately refinanced in 2013 (with a smaller final portion of the 1995 bonds refinanced in 2015). The 2013 transaction refinanced the debt to 2053, placed the Agency in a solid financial position, significantly improved the Agency's debt metrics and achieved the following:

- Positioned the Agency for future credit upgrades.
- Provided for inflationary toll rate increases (small annual adjustments rather than infrequent larger lump sum adjustments).
- Created increased margin to build cash reserves to support the Capital Improvement Plan, withstand future economic downturns and allow for potential early debt repayment in the future.

In FY18, \$125 million of Term Rate Bonds were remarketed which locked in a lower interest rate, resulting in approximately \$1.3 million in interest rates savings each year. In FY20, an additional \$125 million of Term Rate Bonds were remarketed resulting in approximately \$1.9 million of interest savings each year.

In FY20, the Agency also advance refunded \$820.3 million of the 2013A senior lien bonds through the issuance of taxable bonds. The refunding reduced debt payments by \$330 million without extending bond maturity dates. Interest savings from the refunding transaction are approximately \$13.5 million per year.

In FY21, the Agency refunded \$494.2 million of 2013A Senior Lien bonds and \$198.1 million of 2013C Junior Lien bonds through the issuance of new bonds at a lower interest rate. The refunding was achieved without extending bond maturity dates. Interest savings from the refunding transaction are approximately \$13.0 million per year.

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 115% 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 1.15x and 1.30x debt service coverage, respectively.

When compiling the operations budget, Agency staff ensures that the revenues and expenses budgeted provide the necessary coverage ratio needed to maintain or improve credit ratings. The Agency has continued a commitment to cost containment with operating and related administrative costs as a percentage of revenue being lower than prior years. The FY22 proposed budget results in an aggregate coverage ratio of 1.76x and a senior lien coverage ratio of 1.92x. A schedule showing the calculation is included on page 27 of this document.

**Foothill/Eastern  
Transportation Corridor Agency**

**Sources**

**and**

**Expenditures**

**Fiscal Year 2022 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, 2022.

Total sources include revenues budgeted in FY22 as well as available unrestricted cash.

Below is a summary of total funds on hand and the amount of these funds available to fund the FY22 budget as well as future budgets (in thousands).

Estimated total funds on hand at 6/30/21	\$ 751,007
Activity related to prior years	(60,946)
Adjusted estimated total funds on hand at 6/30/21	<u>690,061</u>
Less operating reserves	(17,592)
Less debt service reserves	(225,184)
Estimated cash available to fund current and future budgets	<u><u>\$ 447,285</u></u>
Cash restricted for debt service (portion of FY22 principal funded in FY21)	\$ 6,327
All other cash available to fund current and future budgets	440,958
Estimated cash available to fund current and future budgets	<u><u>\$ 447,285</u></u>

Total expenditures include all FY22 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 FY21 budget, as amended, including transfers within the CEO's authority, staff projected FY21 sources and expenditures based on actuals through March 2021 and the proposed budget for FY22.

Funds Restricted for Habitat Conservation Fund represents the transfer of cash from Unrestricted to Restricted in accordance with a 2016 settlement agreement. The funds will remain under the Agency's control and moving these funds to the restricted category does not equate to an expenditure of funds. Any future expenditure of these funds would be subject to Board approval.

**Foothill/Eastern Transportation Corridor Agency**  
**Sources and Expenditures of Funds Statement**  
**Fiscal Years 2021 through 2022**  
**(\$000)**

Description	FY 2021 Amended Budget As of 3/31/2021	FY 2021 Estimated Actuals	FY 2022 Proposed Budget
Sources:			
Net Toll Revenue	108,077	131,023	165,542
Penalties	8,960	19,862	23,000
Fees	1,099	1,472	1,846
Development Impact Fees	5,101	11,267	10,600
Interest Earnings	6,260	7,544	4,343
Other Revenue	686	686	1,881
Cash on Hand Restricted For Debt Service	4,293	4,293	6,327
All Other Cash Available to Fund Current and Future Budgets	408,362	408,362	440,958
<b>Total Sources of Funds</b>	<b>542,838</b>	<b>584,508</b>	<b>654,497</b>
Expenditures:			
Planning, Environmental and Construction	23,878	13,513	15,239
Planning, Environmental and Construction Administration	5,914	5,378	6,394
Toll Operating Administration	7,019	6,207	7,331
Toll Customer Service and Toll Compliance	8,810	9,153	12,561
Toll Systems	2,239	2,280	2,376
Toll Facilities	826	742	846
Operations Equipment and Capital Expenditures	1,974	828	907
Debt Service	104,607	99,122	95,657
<b>Total Expenditures</b>	<b>155,267</b>	<b>137,223</b>	<b>141,311</b>
Subtotal	387,571	447,285	513,186
Funds Restricted for Habitat Conservation Fund*	-	-	28,000
Projected Cash Available to Fund Subsequent Budgets	387,571	447,285	485,186
Less Restricted Cash For Future Debt Service	6,327	6,327	8,598
<b>Projected Available Cash</b>	<b>381,244</b>	<b>440,958</b>	<b>476,588</b>

\*See further discussion on page 9.

## Sources Summary

With the economic recovery from the COVID-19 pandemic underway, FY22 transactions and transactional toll revenue are expected to be up approximately 26.0% and 26.4%, respectively, compared to FY21.

The F/ETCA toll roads were designed to encourage maximum use of the automatic vehicle identification collection system that allows drivers to pay toll charges without stopping at toll booths.

Transportation Corridor Agencies (TCA) prepaid FasTrak account holders earn discounts of \$1 per transaction if the account incurred more than \$40 in tolls on TCA toll roads during the prior month. TCA Prepaid FasTrak account holders can pay tolls by: (i) making a payment by credit card, cash or check to fund a prepaid account from which tolls incurred will be deducted; (ii) maintain a valid credit card or bank account on file from which tolls incurred will be deducted; or (iii) opt for periodic invoices of tolls incurred for which payment will be due immediately upon receipt. For TCA prepaid FasTrak accounts, when the balance of prepaid tolls in a customer's account falls below a minimum threshold, depending on the payment method, the TCA either notifies the customer and requests a replenishment payment or TCA charges the customer's credit card or bank account to replenish the toll prepayment account.

The FY22 budget includes a two percent toll rate adjustment based on the Agency's Toll Policy. These small annual adjustments reflect the average inflation assumption included in the Agency's long-term traffic and revenue study that supports the Agency's outstanding bonds. Increasing the tolls by a small amount annually in lieu of larger less frequent adjustments attracts traffic to the Toll Roads and off the highly congested highways and arterials. The policy supports the Agency's investment grade credit ratings, representing the Agency's commitment to its financial responsibility and also translates into additional savings when refunding bonds to reduce interest cost without extending bond maturity dates. Toll rate increases take effect July 1, 2021.

At the beginning of FY22, the Agency expects to have total cash adjusted for accrual items of \$690.1 million. The expected adjusted cash balance includes debt service reserve and operating reserve funds of \$242.8 million and \$447.3 million of cash on-hand available to fund the current and future years' budgets (See page 9 for further details). During FY22, Net Toll Revenue, Penalties, Fees, Development Impact Fees, Interest Earnings, and Other Revenue are budgeted at \$207.1 million. Below are brief explanations of each of these funding sources.

### Net Toll Revenue

The FY22 budget includes transactional toll revenue of \$170.9 million which is a 26.4% increase as compared to the FY21 estimate of \$135.2 million. With the recovery from the COVID-19 pandemic underway, revenue assumptions are based on a continued recovery of revenue that gradually improves throughout the fiscal year to pre-pandemic levels.

The budget for FY22 Net Toll Revenue of \$165.5 million, or 79.9% 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. The Agency currently waives the penalty for first time violators if the toll is paid within 30 days (see further discussion in the Penalties section on page 13).

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 0.9% of transactional toll revenue or \$1.6 million in FY22. Processable transactions offset by toll revenue recovered from processed violations is budgeted at \$3.8 million or 2.2% of transactional toll revenue in FY22.

The Agency estimates that it will receive a total of \$131.0 million in Net Toll Revenue in FY21. This consists of \$135.2 million of transactional toll revenue reduced by estimated processable and unprocessable transactions, non-revenue transactions of \$9.0 million, and loss due to the Silverado Fire of approximately \$0.3 million (equal to the business interruption insurance deductible), partially offset by toll revenue collected from processed violations of \$5.1 million.

The following table shows the FY21 current toll rates that will increase by two percent and be used as FY22 toll rates by location, split between off-peak, pre- & post-peak, and peak hour if applicable.

Location	Time/Type	Current Rates*	2% Toll Policy	
			Rate*	Change
Tomato Springs***	Off-Peak	\$ 3.59	\$ 3.66	\$ 0.07
	Pre- & Post-Peak	\$ 3.85	\$ 3.93	\$ 0.08
	Peak Hour**	\$ 4.04	\$ 4.12	\$ 0.08
Portola North	Off-Peak	\$ 2.59	\$ 2.64	\$ 0.05
	Pre- & Post-Peak	\$ 3.04	\$ 3.10	\$ 0.06
	Peak Hour**	\$ 3.04	\$ 3.10	\$ 0.06
Alton	Peak & Off-Peak**	\$ 2.59	\$ 2.64	\$ 0.05
Portola South	Peak & Off-Peak**	\$ 1.74	\$ 1.77	\$ 0.03
Los Alisos	Peak & Off-Peak**	\$ 1.64	\$ 1.67	\$ 0.03
Antonio	Peak & Off-Peak**	\$ 1.74	\$ 1.77	\$ 0.03
Oso	Peak & Off-Peak**	\$ 2.49	\$ 2.54	\$ 0.05
Windy Ridge***	Off-Peak	\$ 3.74	\$ 3.81	\$ 0.07
	Pre- & Post-Peak	\$ 4.03	\$ 4.11	\$ 0.08
	Peak Hour**	\$ 4.23	\$ 4.31	\$ 0.08
Orange Grove***	Off-Peak	\$ 2.92	\$ 2.98	\$ 0.06
	Pre- & Post-Peak	\$ 3.19	\$ 3.25	\$ 0.06
	Peak Hour**	\$ 3.36	\$ 3.43	\$ 0.07
Irvine Ranch***	Off-Peak	\$ 2.59	\$ 2.64	\$ 0.05
	Pre- & Post-Peak	\$ 3.04	\$ 3.10	\$ 0.06
	Peak Hour**	\$ 3.19	\$ 3.25	\$ 0.06
Portola (West)	Peak & Off-Peak**	\$ 2.59	\$ 2.64	\$ 0.05
Irvine Blvd. (East)	Peak & Off-Peak**	\$ 2.04	\$ 2.08	\$ 0.04
Irvine Blvd. (West)	Peak & Off-Peak**	\$ 2.04	\$ 2.08	\$ 0.04
Irvine Blvd. (West) NB On	Peak & Off-Peak**	\$ 2.59	\$ 2.64	\$ 0.05
Portola (West) SB On	Peak & Off-Peak**	\$ 2.59	\$ 2.64	\$ 0.05

\* FasTrak TCA prepaid account holders may receive a \$1 discount from the published rates

\*\* One-Time Toll (OTT) Rate

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

## Penalties

Penalties revenue is budgeted for FY22 at \$23.0 million, representing 11.1% 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. 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 has toll account programs with major rental car agencies thereby improving customer service and reducing potential violations.

Penalties revenue for FY21 is estimated to be \$19.9 million. The FY22 Penalties budget is based on current trends in collections, the estimated transactions for FY22, the current processable transactions rate at 5.7% 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 FY22 at \$1.8 million, representing 0.9% of total revenues. Fee revenue for FY21 is estimated to be \$1.5 million. Fee revenue consists of fees related to operations (i.e., invoice fees, suspended account and returned check fees, sales of switchable hardcase transponders, and fees related to programs with rental car agencies).

The Agencies provide all accountholders with electronic account activity statements. If an accountholder would prefer 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), assessed on new residential and non-residential (commercial, industrial, etc.) development, are highly cyclical as they are based on market conditions. The fees are one-time developer payments that are collected by the County of Orange and member cities when a building permit is issued. F/ETCA was able to construct the roads in advance of collection of the DIFs by issuing toll revenue bonds that will be repaid with the tolls and DIFs collected. Therefore, the fees are to be used to repay the indebtedness incurred to construct the Foothill/Eastern Transportation Corridors that have already been built, as well as to pay the cost of future anticipated improvements, as identified in the Capital Improvement Plan. DIFs for FY21 are expected to approximate \$11.3 million. The Agency is estimating DIFs to be \$10.6 million for FY22, representing 5.1% of total revenues, based upon recent trends.



## 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 and current interest rates. Total Interest Earnings budgeted for FY22 of \$4.3 million represent approximately 2.1% of total revenues.

Interest Earnings for FY21 are estimated to be \$7.5 million.

## Other Revenue

Other Revenue of \$1.9 million represents 0.9% of total revenues and is for rental income of office space leased to SJHTCA in the Pacifica building owned by F/ETCA and an estimated insurance reimbursement for the Silverado Fire. Estimated FY21 Other Revenue of \$686,000 includes rental income and miscellaneous receipts.

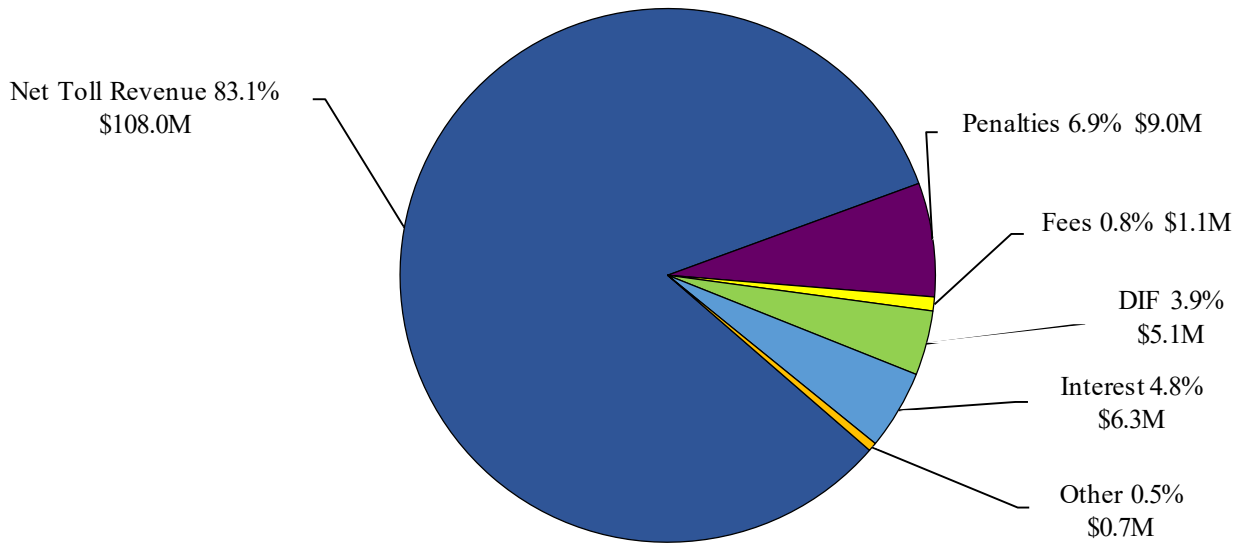
## **Revenue Pie Chart – FY21 Budget as compared to FY22 Budget**

The pie charts on the following page show a comparison of FY21 budgeted revenues to FY22 proposed budget revenues.

Budgeted revenues increase \$76.9 million to \$207.1 million in FY22 from budgeted revenues of \$130.2 million in FY21 due to the recovery from the COVID-19 pandemic (see discussion in the Budget Process section on page 3 and the Net Toll Revenue section on pages 11-12).

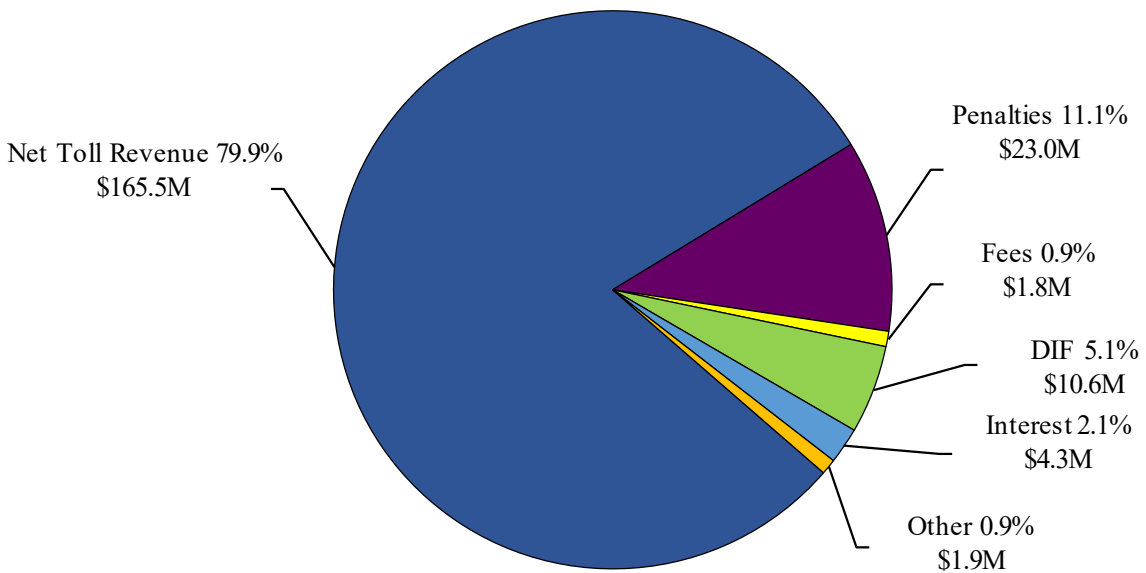
# Foothill/Eastern Transportation Corridor Agency

## FY21 Revenue Budget



**FY21 Budget Revenue \$130.2M**

## FY22 Revenue Proposed Budget



**FY22 Budget Revenue \$207.1M**

## **Expenditures Summary**

In response to the past economic downturns, 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 and revenue driven growth in recent years. The Agency has continued a commitment to cost containment during the economic recovery from the COVID-19 pandemic. In addition, the budget maximizes internal resources and contains consulting costs. The FY21 proposed budget for expenses was developed with the Agency's continued commitment to fiscal responsibility.

The proposed budget for FY22 includes total expenditures of \$141.3 million. Detail of expenditures can be found on pages 19-26. 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 the 241/91 Express Connector and close-out costs related to the Oso Bridge and Signage Enhancement projects that were essentially completed in FY21.

The proposed budget for Planning, Environmental and Construction is \$15.2 million for FY22, or approximately 10.8% of the total budget. These expenditures are funded with unrestricted cash.

The Planning, Environmental and Construction projected actuals for FY21 total \$13.5 million. The increase of \$1.7 million in the FY22 budget is primarily related to design and environmental services for the SR 241/91 Express Connector project and toll plaza and signage repairs due to damage caused by the Silverado Fire. The damage due the Silverado fire is expected to be materially reimbursed by insurance. The increase in the Planning, Environmental and Construction budget is partially offset by the completion of the Oso Bridge and Signage Enhancements projects.

### Administration

The total proposed budget for Administration expenses is \$13.7 million for FY22, or approximately 9.7% of the total proposed budget. The Administration category includes all employee compensation (4.7% of the total budget) as well as overhead-type expenses, such as insurance, legal, office expenses, administrative staff augmentation services, financial systems, and building services.

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 pages 19-20 of this document.

Projected Administration expenses for FY21 total \$11.6 million. The increase of \$2.1 million in the FY22 proposed budget from the FY21 projected actuals is primarily due to expenditures related to ongoing litigation and an increase in insurance premiums due to impact of worldwide catastrophes.

## Toll Operations (Excluding Administration)

Toll Operations include toll system costs associated with maintaining the Agency's on-road system of lane hardware and software currently under contract with TransCore LP; customer care and toll compliance services currently under contract with Faneuil, Inc.; back-office system operation and maintenance under contract with BRiC-TPS LLP; and license plate image review 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 FY22 budget for these expenses is \$16.7 million or 11.8% of the total budget.

Toll Operations, excluding Administration, is projected to total \$13.0 million in FY21. Some of the toll operations subcategories are expected to exceed the FY21 budget due to the higher-than-expected revenue received during the year. The toll operations category in total is expected to remain within budget. The FY22 budget is \$3.7 million higher than projected FY21 actuals primarily due to an increase in customer care and toll compliance services, credit card fees and other costs directly related to the increased revenue budget.

## 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 FY22 are budgeted at \$95.7 million, or 67.7% of the total budget. FY21 Debt Service will total \$99.1 million. The decrease is related to the bond refunding completed in February 2021.

## **Expenditures of Funds – FY20 Amended Budget as compared to FY21 Budget**

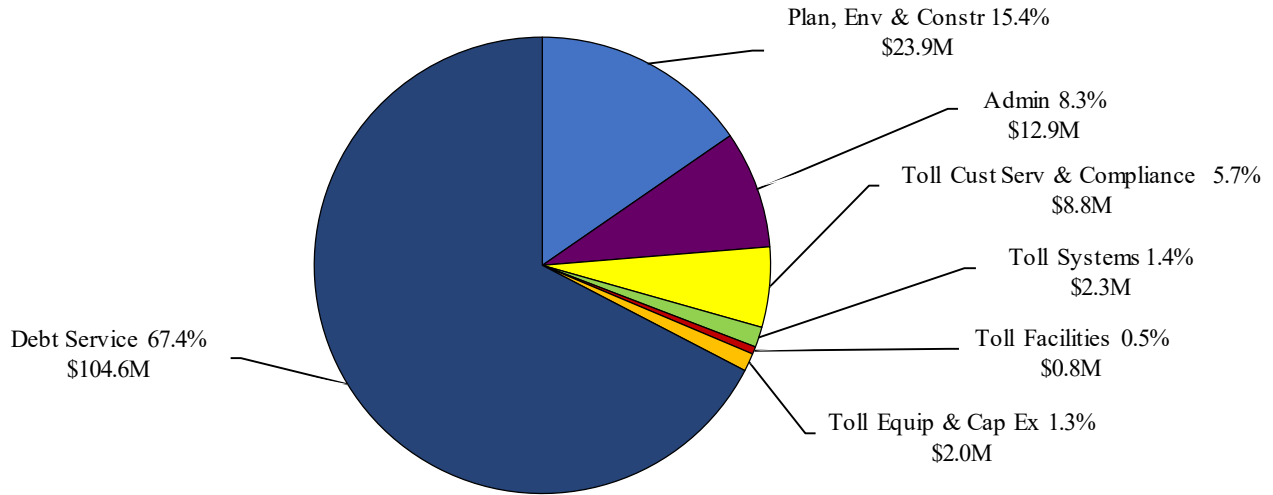
The pie charts on the following page show a comparison of the FY21 amended budget and the FY22 proposed budget by type of expense.

The FY22 proposed budget of \$141.3 million, as compared to the prior year's amended budget of \$155.3 million, shows a decrease of \$14.0 million or 9.0%. The decrease in the FY22 proposed budget excluding debt service is \$5.1 million or 10.1%. The net decrease is primarily due to a decrease in the Planning, Environmental and Construction budget related to the near completion of the Oso Bridge and Signage Enhancements projects in FY21; the timing of the design of the 241/91 Express Connector; and the expected completion of the customer service center back office system replacement project. The budgeted decrease in expenditures is partially offset by the increase in customer care and toll compliance services, credit card fees and other costs directly related to the increased revenue budget as well as Silverado fire damage repairs (expected to be materially reimbursed by insurance).

The Debt Service category includes the semi-annual interest and annual principal payments on the 2013, 2015, 2019 and 2021 outstanding bonds. These payments are budgeted at \$95.7 million for FY22 and were budgeted at \$104.6 million for FY21. The 2021 bond refunding transaction reduced the debt service in FY21 by \$5.5 million (partial year impact).

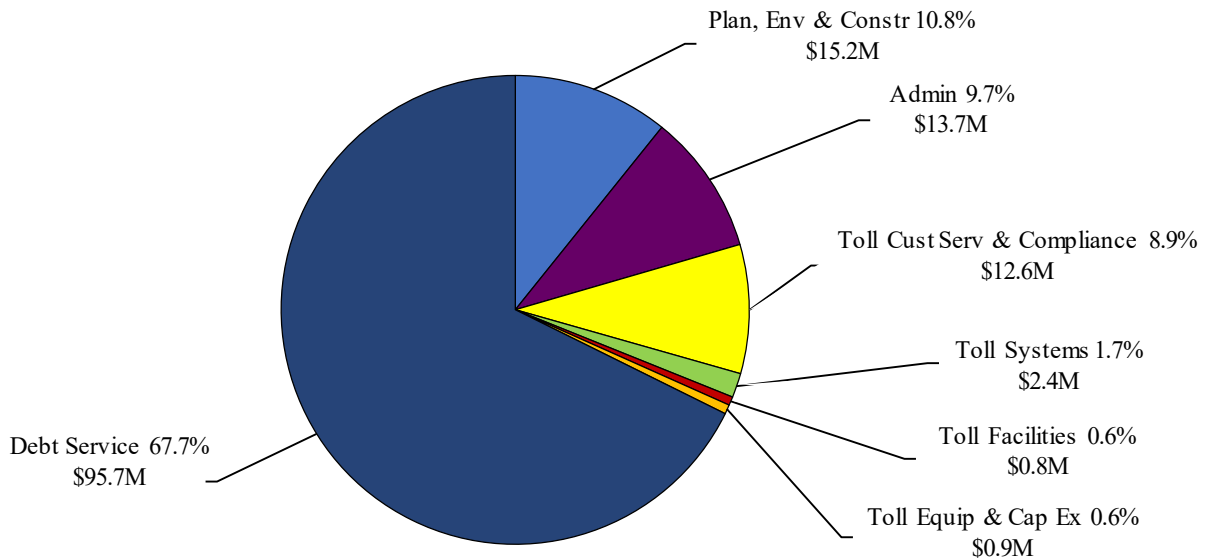
## Foothill/Eastern Transportation Corridor Agency

### FY21 Expenditures Budget



**FY21 Budget Expenditures \$155.3M**

### FY22 Expenditures Proposed Budget



**FY22 Budget Expenditures \$141.3M**

## Expenditures Detail

The following schedule continued on the next page details the budget as summarized on pages 21-26 into more specific categories (budget subcategories). Many of the Administration subcategories are allocated between Planning, Environmental and Construction and Toll Operations expenses.

**Foothill/Eastern Transportation Corridor Agencies**  
**Fiscal Year 2022 Proposed Budget**  
**(\$000)**

Budget Category and Subcategory	Budget Fund Categories			Total
	Non-Operating, Plan, Environ & Construction	Toll Operations Exp & Equip	Debt Service	
Administration:				
Regular Salaries	2,276	2,873	-	5,149
Temporary Help	26	34	-	60
Board Compensation	35	44	-	79
Benefits	600	763	-	1,363
Employer Taxes	37	47	-	84
Insurance	256	1,105	-	1,361
Legal Expense	813	1,005	-	1,818
Telephone/Comm	49	60	-	109
Office Expense & Software	223	276	-	499
Staff Education, Seminar, Membership, Conferences	67	61	-	128
Agency Memberships & Community Investment	56	93	-	149
Customer Education / Website	1	1	-	2
Communications and Outreach	3	8	-	11
Financial & Administrative	409	232	-	641
Technology Support	124	196	-	320
Advocacy	96	121	-	217
Other Professional Services	8	9	-	17
Publications & Subscriptions	2	3	-	5
Building Services	221	249	-	470
Transportation & Travel	69	79	-	148
Office Equipment	15	50	-	65
Pacifica Fixed Assets	18	22	-	40
Subtotal Administration	5,404	7,331	-	12,735
SR 241 Administration:				
Legal	990	-	-	990
Subtotal 241 SR Admin	990	-	-	990
Total Administration	6,394	7,331	-	13,725

Continued on next page.

**Foothill/Eastern Transportation Corridor Agencies**  
**Fiscal Year 2022 Proposed Budget**  
**(\$000)**

<b>Budget Category and Subcategory</b>	<b>Budget Fund Categories</b>			<b>Total</b>
	<b>Non-Operating, Plan, Environ &amp; Construction</b>	<b>Toll Operations Exp &amp; Equip</b>	<b>Debt Service</b>	
Planning, Environmental and Construction:				
SR 241:				
Oso Bridge	280	-	-	280
Total SR 241	280	-	-	280
Capital Improvement Plan (CIP):				
Wildlife Safety Fence Monitoring	39	-	-	39
241/91 Express Connector	10,659	-	-	10,659
Signage Enhancement	40	-	-	40
SR 261 Feasibility Analysis	300	-	-	300
Total Capital Improvement Plan	11,038	-	-	11,038
Other Planning, Environmental and Construction:				
Mitigation & Permits	178	-	-	178
Environmental Lands Management	420	-	-	420
Environmental Staff Augmentation	12	-	-	12
Engineering Staff Augmentation	1,010	-	-	1,010
Regional Traffic Data and Reporting	58	-	-	58
Other Construction	2,018	-	-	2,018
Regional Projects	225	-	-	225
Total Other Planning, Environ and Constr	3,921	-	-	3,921
Total Planning, Environmental and Construction	15,239	-	-	15,239
Toll Operations:				
Customer Service & Toll Compliance	-	12,561	-	12,561
Toll Systems	-	2,376	-	2,376
Toll Facilities	-	846	-	846
Subtotal Toll Operations	-	15,783	-	15,783
Operations Equipment:				
Transponder Equipment	-	316	-	316
Toll Equipment and Capital Expenditures	-	591	-	591
Total Equipment	-	907	-	907
Total Toll Operations	-	16,690	-	16,690
Debt Service	-	-	95,657	95,657
Total Expenditures	21,633	24,021	95,657	141,311

## Administration – Compensation and Staffing (Regular Salaries and Benefits)

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.

Staff proactively removed all merit increases and performance incentive awards from the FY21 budget in response to the unknown impacts from the COVID-19 pandemic when preparing the prior year budget. Also, the Agencies do not provide any other salary adjustments such as cost-of-living adjustments or step increase. Other savings were achieved in FY21 through a reorganization that consolidated certain functions and removed some positions. The reorganization and removal of compensation increases reduced compensation by approximately \$1 million.

Based on a review of public and private sector comparators, including member cities and the County of Orange, most of these entities either provided compensation increases in the prior period or are expected to provide increases in the coming period. Based on this analysis, a review of CPI, employment and retention factors, the proposed budget includes a 4% merit pool awarded based on individual performance, and a 2% non-base building performance incentive pool awarded for individual activities above and beyond evaluated performance.

The staffing plan includes a consolidation of the Clerk of the Board and Executive Assistant positions which allows for the removal of a Senior Administrative Assistant position. The staffing plan also includes a reclassification of the Director, Tolling and Customer Information Systems to a higher pay grade consistent with two other director positions. This reflects the inclusion of Information Technology oversight into this position in the prior year.

The recommended staffing plan for FY22 is 65 funded positions and is allocated 60% to this Agency and 40% to SJHTCA. The headcount is a decrease of one position year-over-year. The total compensation (salaries, benefits, and employee taxes) budget of \$11.0 million, including the 4.0% merit pool and 2.0% incentive pool, is a total increase of \$392,000 combined for both Agencies.

The Agency's allocation of the employee compensation budget is \$6.6 million. 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. FY22 benefits are 26.5% of salaries.

The FY22 employer contributions to the Orange County Employee Retirement System (OCERS) have been budgeted at 14.62% for legacy employees and 11.53% for employees hired on or after January 1, 2013 under the Public Employees' Pension Reform Act – PEPRA. In FY20, the Agencies paid off the unfunded actuarial accrued liability (UAAL). The Agency's portion of the FY20 UAAL payoff was \$8.8 million.

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. In FY20, salary ranges were adjusted by 2%. For FY21 and FY22, the staffing plan includes no salary range adjustments.



TCA has contained costs through a net reduction in headcount (81 to 65) since FY12 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 \$1.4 million, approximately 1.0% of the total budget. Budgeted insurance premiums have been impacted by the worldwide catastrophes and other losses that have occurred in recent years. 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 March 2021 Board of Directors meeting. Policies are marketed and placed by the Agency’s insurance broker, Alliant Insurance Services, Inc., who provides all 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, excluding amounts related to the SR 241, are \$1.8 million, approximately 1.3% 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 require the assistance. Below is a breakdown of legal expenses by major category:

General Counsel	\$ 736,000
Toll Operations	508,000
241/91 Connector Legal	250,000
Contracts	170,000
Human Resources	54,000
Financing	50,000
Environmental	50,000
Total	<u>\$ 1,818,000</u>

Administration – Office Expense & Software

Office Expense is budgeted at \$499,000, approximately 0.4% of the total budget. The following is the budget associated with these expenses:

Software/Cloud Hosting	\$ 334,000
General Office Expenses	135,000
Marketing Materials	29,000
Postage	1,000
Total	<u>\$ 499,000</u>

### Administration – Financial & Administrative

Financial & Administrative is budgeted at \$641,000, approximately 0.5% of the total budget, and, as detailed below, includes costs for both recurring needs and special projects, such as payroll processing, investment and financial advisory services, annual audit services, and other financial and administrative support.

Investment Advisory Services	\$	207,000
Finance Advisors		82,000
Staffing Services		63,000
Annual Audit		60,000
Financial Systems Support		45,000
Other Financial & Administrative Consulting		44,200
Trustee Fees		40,000
Rating Agencies		38,000
Traffic & Revenue Consultant for Budget Planning		34,800
Payroll Services		27,000
Total	\$	<u>641,000</u>

### Administration – Technology Support

Technology Support is budgeted at \$320,000, approximately 0.2% of the total budget. This category includes data security services & technology planning efforts, and website maintenance and support.

### Administration – Advocacy

Advocacy is budgeted at \$217,000, approximately 0.1% of the total budget. This category includes state and federal advocacy support.

State Advocacy	\$	122,000
Federal Advocacy		95,000
Total	\$	<u>217,000</u>

### Administration - Building Services

Building Services is budgeted at \$470,000, approximately 0.3% of the total budget. This category includes all operating costs associated with the Agency's facility (Pacifica building) including utilities, janitorial services, landscaping services, and maintenance and repairs as listed below:

Pacifica Utilities	\$	323,000
Pacifica Building Maintenance Services		147,000
Total	\$	<u>470,000</u>

### Planning, Environmental and Construction – SR 241: Oso Bridge

The SR 241 Planning, Environmental and Construction costs (including related legal administrative costs) are budgeted at \$1.3 million representing 0.9% of the proposed budget. The primary costs for this category are legal expenses connected to the South County Traffic Relief Effort and the final completion of items related to the Oso Bridge project:

Oso Bridge	\$	280,000
SR 241 Legal		990,000
Total	\$	<u>1,270,000</u>

### Planning, Environmental and Construction - Capital Improvement Plan

The Capital Improvement Plan (CIP) is budgeted at \$11.0 million and represents 7.8% of the total budget. This category is comprised of projects for the 133, 241 and 261 Toll Roads and includes annual funding for the projects, consisting of project management, environmental, design, construction management, construction, and all other related costs. The main CIP projects include the coordinated efforts with the Orange County Transportation Authority (OCTA), Riverside County Transportation Commission (RCTC), and Caltrans on a direct tolled connector from the SR 241 to the 91 Express Lanes, and a SR 261 Feasibility Analysis study. The FY22 budget includes \$10.7 million for the final design of the direct tolled connector from the SR 241 to the 91 Express Lanes. These projects are outlined in the Capital Improvement Plan to be presented to the Board of Directors on June 10, 2021 and summarized below:

241/91 Express Connector	\$	10,659,000
SR 261 Feasibility Analysis		300,000
Signage Enhancements		40,000
Wildlife Safety Fence Monitoring		39,000
Total	\$	<u>11,038,000</u>

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

Other Planning, Environmental and Construction costs are budgeted at \$3.9 million, or 2.8% of the total budget. Expenditures budgeted include the cost of repairing damage to toll plazas and signs caused by the Silverado fire which are materially expected to be reimbursed by insurance. Other expenditures include engineering design program management, regional traffic data and reporting, and continued monitoring and habitat management for nearly 1,800 acres of mitigation area required for the 133, 241 and 261 Toll Roads. Monitoring and habitat management includes Upper Chiquita, Saddle Club, Limestone Canyon, and Live Oak Plaza. Additional activities include on-going coordination with the Southern California Association of Governments, San Diego Association of Governments, and OCTA to ensure the Agency's projects are described accurately in regional transportation plans. Other Construction also includes allowance for maintenance and repairs of Agency-owned roadway facilities that are related to our tolling operations such as channelizers at our toll points facilities and toll payment information signs.

Silverado Fire Repairs	\$	1,368,000
Engineering Staff Augmentation		1,010,000
Other Construction		650,000
Environmental Lands Management		531,000
Regional Projects		225,000
Mitigation & Permits		67,000
Regional Traffic Data and Reporting		58,000
Environmental Staff Augmentation		12,000
Total	\$	<u>3,921,000</u>

#### Toll Operations - Toll Customer Service and Toll Compliance

The Toll Customer Service and Toll Compliance category totals \$12.6 million, approximately 8.9% of the total budget, and primarily includes funding for the service center operations and toll compliance activities comprised of customer care and payment 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 license plate image review costs for Global Agility Inc. Also included in this category are credit card processing fees assessed on all credit card transactions, printing, postage, and mailing services, judgment recovery and collection costs, California Highway Patrol 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:

Customer Service Contract	\$	4,634,000
Credit Card Processing Fees		4,106,000
Customer Service System Maintenance		1,546,000
Postage & Printing		1,498,000
Enforcement Services & Other		512,000
Other Customer Service		265,000
Total	\$	<u>12,561,000</u>

#### Toll Operations - Toll Systems

The Toll Systems category totals \$2.4 million, or approximately 1.7% of the total budget and, as detailed below, primarily consists of fees for the tolling systems 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	\$	2,065,000
Computer/Software Maintenance & Support		311,000
Total	\$	<u>2,376,000</u>

### Toll Operations - Toll Facilities

This category is budgeted at \$846,000 representing 0.6% of the total budget, and accounts for all costs associated with maintaining the Agency's facilities on the road system such as utilities, janitorial services, and other various supplies and repairs.

On Road Utilities	\$	541,000
On Road Building Maintenance Services		305,000
Total	\$	<u>846,000</u>

### Toll Operations Equipment & Capital Expenditures

The Toll Operations Equipment & Capital Expenditures budget is \$907,000, approximately 0.6% of the total budget. Toll Operations Equipment & Capital Expenditures primarily consists of sticker tag and hardcase 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.

CSC Back Office System Replacement Project	\$	591,000
Transponders		316,000
Total	\$	<u>907,000</u>

### Debt Service

The Debt Service category totals \$95.7 million, or 67.7% of the total budget and includes interest and principal payments on the Agency's outstanding bonds. The debt service to be paid is \$54.2 million on January 15, 2022 and \$41.5 million on July 15, 2022.

The FY22 budgeted aggregate and senior lien debt service coverage ratios shown on the following page meet the Indenture requirements of 1.15x and 1.30x, respectively. The budgeted coverage is 1.76x and 1.92x, respectively, and does not include the use of unrestricted cash for debt service coverage.

On the following page, Adjusted Net Toll Revenues only includes 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 19-20).

## Debt Coverage

Debt Coverage is defined in the Bond Indentures and is budgeted with consideration of the expectations of bondholders and credit rating agencies. See discussion of goals and objectives on page 3.

### Debt Coverage Calculation Fiscal Year 2022

	<u>FY22 Budget (in Millions)</u>
<u>Adjusted Net Toll Revenues</u>	
Total Toll Revenues Including Fees and Penalties	190.3
Interest Earnings *	1.9
Current Expenses - Funded From Toll Revenue	<u>(24.0)</u>
Adjusted Net Toll Revenues	<u><u>168.2</u></u>
 <u>Aggregate Net Debt Service</u>	
Aggregate Net Debt Service	<u><u>95.7</u></u>
Aggregate Coverage Ratio (1.15x requirement)	<u><u>1.76x</u></u>
 <u>Senior Lien Net Debt Service</u>	
Senior Lien Net Debt Service	<u><u>87.8</u></u>
Senior Lien Coverage Ratio (1.30x requirement)	<u><u>1.92x</u></u>

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

### Estimated Unrestricted Cash Fund

Below is the FY22 budgeted activity and estimated ending balance for the unrestricted cash fund (as described in more detail on page 5). Unrestricted cash is budgeted in consideration of the goals and objectives discussed in more detail on page 3.

Estimated Available Unrestricted Cash @ 6/30/21	\$ 440,958
DIF Revenue and Interest Income	13,003
Construction & Related Administration Expenditures	(21,633)
Surplus Revenue	72,260
Subtotal	<u>504,588</u>
Transfer to Restricted Cash for Habitat Conservation Fund*	<u>(28,000)</u>
Estimated Available Unrestricted Cash @ 6/30/22	<u><u>\$ 476,588</u></u>

\*See further discussion on page 9.

RESOLUTION NO. F2021-04

A RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY  
APPROVING THE BUDGET FOR FISCAL YEAR 2022

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

WHEREAS, Section VI, paragraph 6.1 of the Second Amended and Restated Joint Exercise of Powers Agreement creating the Foothill/Eastern 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, amended on June 9, 2016, amended on February 14, 2019, and further amended on November 14, 2019, 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 Foothill/Eastern Transportation Corridor Agency does resolve, declare, determine and order as follows:

1. Approves the annual budget for Fiscal Year 2022 (FY22) in the amount of \$141,311,296. 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 toll rates, fees, and fines, as presented in the FY22 Annual Budget report.

2. Authorizes 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	\$13,725,446
• SR 241 (excluding related administration)	\$279,560
• Capital Improvement Plan	\$11,037,828
• Other Planning, Environmental and Construction	\$3,921,046
• Toll Operations	\$16,690,416
• Debt Service	\$95,657,000

and subject to controls in place under the 2013, 2015, and 2019 Indentures of Trust, the Board approved Contracts and Procurement Manual, Investment Policy, Staffing and Compensation Plan, and finally the Agency's enabling legislation.

3. Directs staff to forward the approved Annual Budget for FY22 to the trustee.

This Resolution No. F2021-04, shall become effective immediately upon adoption.

Adopted this 10th day of June 2021, by the Board of Directors of the Foothill/Eastern Transportation Corridor Agency.



**Peggy Huang, Chair**  
Foothill/Eastern Transportation Corridor Agency

RESOLUTION NO. F2021-04

A RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY  
APPROVING THE BUDGET FOR FISCAL YEAR 2022

ATTEST:

I, Kaylee Doolittle, Secretary/Clerk of the Board of the Foothill/Eastern Transportation Corridor Agency hereby certify that the foregoing Resolution No. F2021-04 was duly adopted on June 10, 2021, by the Board of Directors of the Foothill/Eastern Transportation Corridor Agency by the following vote:

Yes: Chair Huang, Vice Chair Muller, Director Bartlett, Director Beall, Director Chaffee, Director Kelley, Director Khan, Director Lumbar, Director Trevor O'Neil, Director Penaloza, Director Taylor and Director Voigts

No: Director Murphy and Director Wagner

Absent: None

Abstain: Director Ward

  
\_\_\_\_\_  
Kaylee Doolittle  
Interim Clerk of the Board  
Foothill/Eastern Transportation Corridor Agency