

Staff Report

Agenda Item #8

June 13, 2024 | 9:30 a.m.



San Joaquin Hills Transportation Corridor Agency

Foothill/Eastern Transportation Corridor Agency

San Joaquin Hills Transportation Corridor Agency Fiscal Year 2025 Annual Budget

Recommendation

San Joaquin Hills Transportation Corridor Agency Recommendation:

Approve Resolution No. S2024-02 entitled “A Resolution of the Board of Directors of the San Joaquin Hills Transportation Corridor Agency Approving the Budget for Fiscal Year 2025” in the amount of \$136,799,581.

Summary

The Fiscal Year 2025 (FY25) budget reflects positive transaction and revenue trends while remaining conservative, maintains the Agency’s history of cost containment, incorporates FY25 activities from the Board approved Strategic Plan, is aligned with the San Joaquin Hills Transportation Corridor Agency Toll and Debt Management Policies, and meets the fiduciary responsibility to bondholders. The proposed budget includes input from the various committees that were held in February and March and was presented at a budget workshop that was conducted during the Joint Operations & Finance Committee meeting on April 24, 2024, and again to the Joint Operations & Finance Committee meeting on May 22, 2024.

Committee Discussion

Staff presented the proposed FY25 Budget to the Joint Operations & Finance Committee (Committee) on May 22, 2024. The proposed FY25 Budget was developed with input and recommendations from the Agencies’ various standing committees.

The proposed budget aligns with the Boards of Directors approved Strategic Plan, including providing the ability for current and future Boards of Directors to pay down debt early, fund capital projects without incurring additional debt, and maintain adequate reserves for future uncertainties.

The Committee discussed various aspects of the proposed budget including revenue, insurance, available cash to fund strategic initiatives such as the Capital Improvement Plan and the early paydown of bond principal, the 241/91 Express Connector Project, and the usage of Habitat Conservation Fund.

In addition, the Committee asked questions regarding whether the Agencies needed to continue to follow the toll rate policy. Staff explained that the budgets were developed following the Boards of Directors’ approved toll rate policy which was developed in alignment with the average inflationary rates inherent in the Agencies’ bond indentures. Following the Boards of Directors’ direction in the toll rate policy allows the Agencies to meet current and future indenture debt service requirements as well as provides the Boards of Directors the opportunity to cash fund capital projects and continue early bond paydowns. The early bond paydowns to date have reduced future debt service requirements by almost \$1.4 billion and there are significant future early bond paydown opportunities as the bonds become callable. Lastly, following the

Boards of Directors' toll rate policy does not divert traffic off the toll roads onto the untolled alternatives and therefore does not negatively impact traffic and the drivers on the untolled alternatives.

Staff provided the proposed FY25 Budget documents to the Committee Members prior to the Joint Operations & Finance Committee on May 22, 2024.

The Joint Operations & Finance Committee recommended approval of this item at the June 13, 2024, Joint Boards of Directors Meeting.

Report Written By

Erick Luque, Manager, Budget and Planning

Reviewed By

/s/ Howard Mallen

Howard Mallen, Chief Financial Officer

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Approved By

/s/ Ryan Chamberlain

Ryan Chamberlain, Chief Executive Officer

Attachments:

1. San Joaquin Hills Transportation Corridor Agency Annual Budget Narrative Fiscal Year 2025
2. Resolution No. S2024-02

FY25 Proposed Budget

San Joaquin Hills Transportation
Corridor Agency

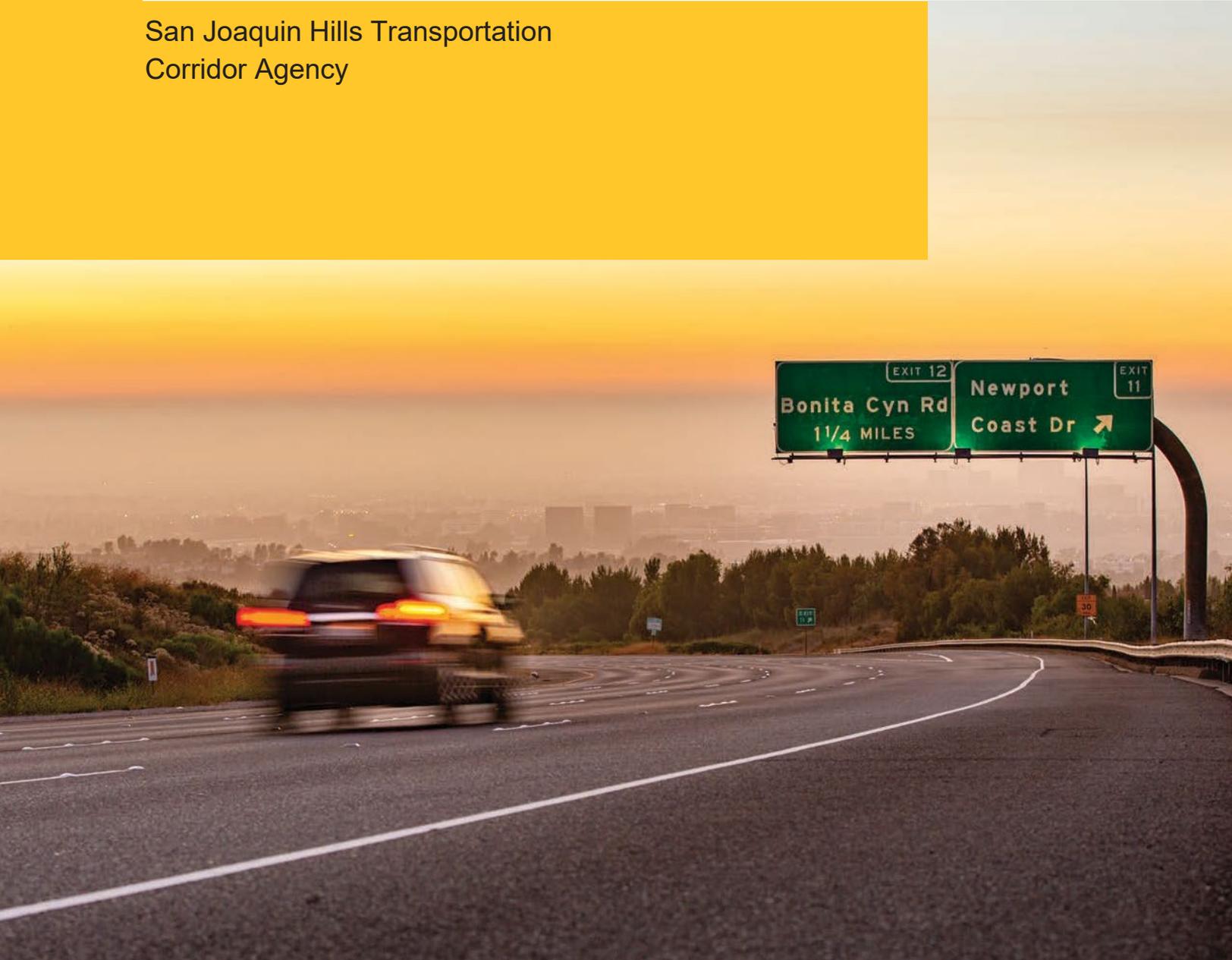
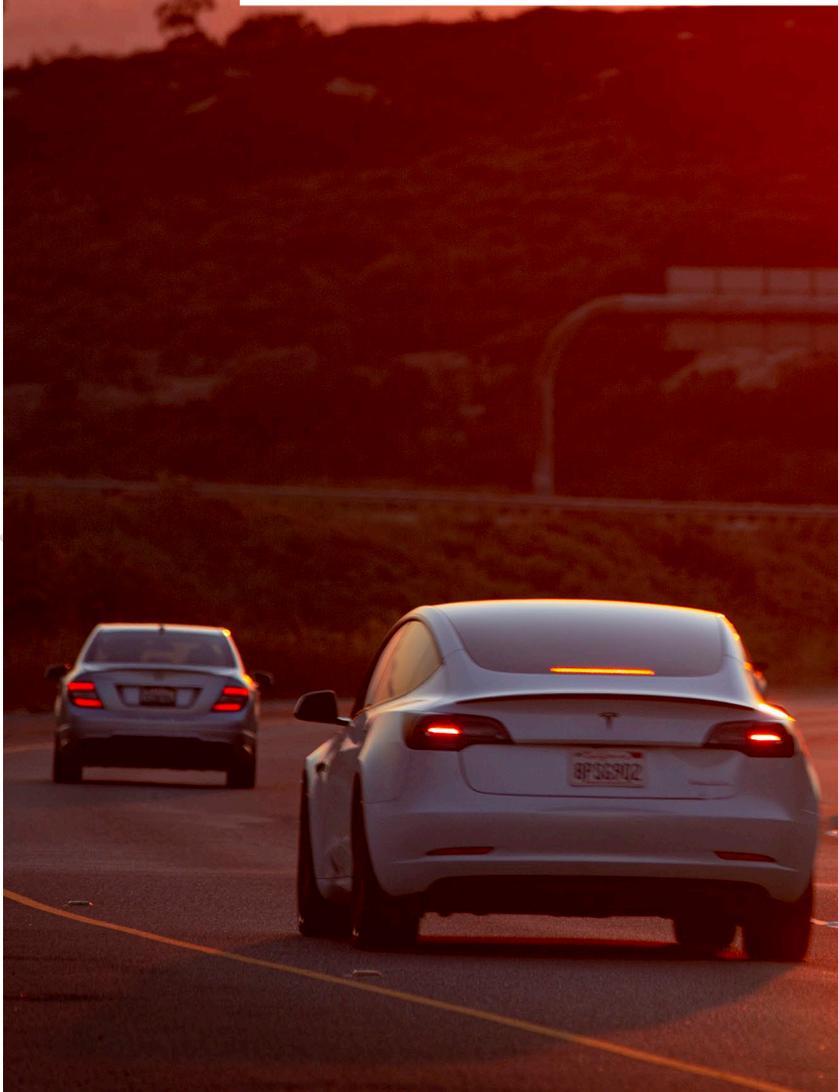


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San Joaquin Hills
Transportation Corridor Agency
Fiscal Year 2025 Proposed Budget

Budget Process and Format

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 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 Agency's history of fiscally responsible management, and the steps taken over the years to manage debt, reduce expenditures and improve ridership resulted in strong liquidity and positioned the Agency well to handle economic challenges and to meet the requirements of the Board of Directors approved Transportation Corridor Agencies Strategic Plan (Strategic Plan). The budget for Fiscal Year 2025 (FY25) includes positive traffic and revenue trends, a continued commitment to cost containment, and long-term cashflow planning inclusive of the Debt Management Policy and the Strategic Plan. The FY25 budget process is described in the following paragraphs.

The budget process begins by setting objectives that align with the Strategic Plan. The objectives 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 Strategic Plan in mind.

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 from February to March 2024. The proposed annual budget was presented to the Joint Operations & Finance Committee at a workshop on April 24, 2024, to obtain direction and feedback. The workshop included a review of proposed revenue and expenditures, cash projections and Indenture requirements. Questions received during the workshop were addressed, and this annual budget document was presented to the Joint Operations & Finance Committee on May 22, 2024. The annual budget is then presented to the Board of Directors for adoption at the June 13, 2024 Board meeting for the fiscal year starting July 1, 2024. 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 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 and 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 18 along with detail subcategories. Budget categories and subcategories are discussed in the Expenditures Summary section beginning on page 14. 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 FY25 proposed expenditures budget for the SJHTCA totals \$136.8 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 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 the F/ETCA and SJHTCA 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 page 18 to illustrate how each budget category and subcategory is allocated between the budget fund categories.

A more detailed discussion of the expenditures proposed for FY25 is included in the Sources and Expenditures section of this document beginning on page 7.

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

The proposed FY25 Non-Operating and Planning, Environmental and Construction budget is \$7.4 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 generally 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.

Non-Operating and Planning, Environmental and Construction Administration costs include office, personnel, legal, 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 source of funds for Non-Operating and Planning, Environmental and Construction Expenses is 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 \$243.6 million. Additional reserves are discussed in the Toll Operations section below. Each year, \$5 million of development impact fees (DIFs) received by the Agency is available to fund expenditures or increase the unrestricted cash 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 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. SJHTCA 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 San Joaquin Hills 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 approved by the Board of Directors on April 11, 2024. Other sources of funds for these activities include investment earnings. See the table on page 25 for detail of the unrestricted cash fund FY25 activity.

Toll Operations (budget fund category)

The Toll Operations budget includes funding for the toll operations activities including operating administration costs. The proposed FY25 Toll Operations budget is \$23.2 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 \$17.0 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, rent, 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 FY25 budget for Debt Service is \$106.2 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:

- 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 early debt repayment in the future.

In FY22, the Agency refunded \$1.05 billion of 2014A Senior Lien bonds through the issuance of new bonds at a lower interest rate saving \$139 million in interest. The refunding was achieved without extending bond maturity dates.

In FY23, the Boards of Directors approved the Open Market Bond Buyback Program, authorizing the use of up to \$100 million of unrestricted cash to purchase and retire Agency bonds that investors have offered to sell or may be willing to sell. To date, the Agency has utilized \$29.3 million of unrestricted cash to purchase and retire \$37.2 million of bond principal. These bond retirements have reduced the Agency's future debt service interest payments by approximately \$35 million.

The significant savings generated by the bond transactions completed in recent years results from following the Agency's Strategic Plan and the Debt Management Policy which directs staff to look for opportunities to reduce debt and commits the Agency to maintaining or improving its credit ratings. In addition to looking for bond market opportunities, it is important that the Agency maintain strong credit ratings. The Agency's ability to replace higher interest rate bonds with lower interest rate bonds and realize interest rate savings without extending bond maturity dates is dependent on both bond market interest rates and the Agency's strong credit ratings.

The Early Bond Paydown Program is dependent upon the Agency's unrestricted cash balances taking into consideration other strategic initiatives and the Agency's Liquidity Reserve Policy. Maintaining financial discipline has given the Board of Directors the financial strength and flexibility to implement its Strategic Plan and to further strengthen its long-term financial position.

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, Agency staff ensures that the revenues and expenses budgeted provide the necessary coverage ratios 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 materially aligned with prior years even considering the current inflationary environment. The FY25 proposed budget results in an aggregate coverage ratio of 1.63x and a senior lien coverage ratio of 1.80x. A schedule showing the calculations is included on page 24 of this document.



San Joaquin Hills
Transportation Corridor Agency
Fiscal Year 2025 Proposed Budget

Sources and Expenditures

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, 2025.

Total sources include revenues budgeted in FY25 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 FY25 budget as well as future budgets (in thousands).

| | |
|---|-------------------|
| Estimated total funds on hand at 6/30/24 | \$ 894,241 |
| Activity related to prior years | <u>(53,931)</u> |
| Adjusted estimated total funds on hand at 6/30/24 | 840,310 |
| Less maintenance facility commitment | (8,125) |
| Less operating reserves | (16,547) |
| Less long-term debt service funds to be paid to bondholders in FY25 | (73,866) |
| Less long-term debt service funds | (50,263) |
| Less debt service reserves | <u>(273,444)</u> |
| Estimated cash available to fund current and future budgets | <u>\$ 418,065</u> |
| | |
| Cash restricted for debt service | \$ 5,030 |
| All other cash available to fund current and future budgets | <u>413,035</u> |
| Estimated cash available to fund current and future budgets | <u>\$ 418,065</u> |

Total expenditures include all FY25 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 Sources and Expenditures of Funds Statement includes the approved FY24 budget, including transfers within the CEO's authority, staff projected FY24 sources and expenditures and the proposed budget for FY25. Below are descriptions of cash items that appear on the following page:

The FY25 budget includes a loan repayment to F/ETCA of \$31.9 million. In 2014, the Agency's Board of Directors and the Board of Directors of F/ETCA approved an agreement that provided for the termination of the Mitigation Payment and Loan Agreement between the agencies, concurrently with the closing of a refinance transaction proposed by the Agency. The termination agreement also provided for the Agency to repay a \$120.0 million loan, plus accrued interest, to F/ETCA, in annual installments beginning January 15, 2025, from the Agency's surplus revenue.

The budgeted FY25 \$200 million Early Paydown of Bond Principal reduces the Agency's future debt service interest payments by approximately \$203 million, including \$5.2 million in FY25. This early debt paydown allows for a release of \$29.8 million from the debt service reserves in FY25 per the Indentures.

Sources and Expenditures of Funds Statement

| Description | FY 2024 Budget as of 4/30/2024 | FY 2024 Estimated Actuals | FY 2025 Proposed Budget |
|--|--------------------------------------|---------------------------------|-------------------------------|
| (\$000) | | | |
| Sources: | | | |
| Net Toll Revenue | 146,538 | 153,740 | 161,272 |
| Penalties | 22,500 | 23,876 | 25,200 |
| Fees | 2,817 | 2,336 | 3,425 |
| Development Impact Fees | 2,400 | 1,579 | 1,892 |
| Interest Earnings | 16,000 | 20,213 | 20,505 |
| Cash Restricted For Debt Service | 3,470 | 3,470 | 5,030 |
| All Other Cash Available to Fund Current and Future Budgets | 345,094 | 345,094 | 413,035 |
| Total Sources of Funds | 538,819 | 550,308 | 630,359 |
| Expenditures: | | | |
| Planning, Environmental and Construction | 2,303 | 1,058 | 2,789 |
| Planning, Environmental and Construction Administration | 4,430 | 3,405 | 4,590 |
| Toll Operating Administration | 6,368 | 5,351 | 6,408 |
| Customer Service and Toll Compliance | 11,628 | 11,545 | 13,621 |
| Toll Systems | 1,316 | 1,316 | 1,298 |
| Toll Facilities | 263 | 260 | 277 |
| Operations Equipment and Capital Expenditures | 1,074 | 1,016 | 1,644 |
| Debt Service | 108,292 | 108,292 | 106,173 |
| Total Expenditures | 135,674 | 132,243 | 136,800 |
| Subtotal | 403,145 | 418,065 | 493,559 |
| Loan Repayment to Foothill Eastern Transportation Corridor Agency* | - | - | (31,855) |
| Early Paydown of Bond Principal** | - | - | (200,000) |
| Bond Indenture Reserve Release* | - | - | 29,842 |
| Projected Cash Available to Fund Subsequent Budgets | 403,145 | 418,065 | 291,546 |
| Less Cash Restricted For Debt Service | 5,030 | 5,030 | 6,640 |
| Projected Available Cash | 398,115 | 413,035 | 284,906 |

*See further discussion on page 8.

**See further discussion on pages 6 and 8.

Sources Summary

FY25 transactions and transactional toll revenue are expected to be up approximately 2.6% and 4.9%, respectively, compared to FY24.

Transportation Corridor Agencies (TCA) 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, 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. 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.

The FY25 budget adjusts toll rates by 2% in accordance with the Agency's Board of Directors approved Toll Policy which is based on the average inflation assumption included in the long-term traffic and revenue forecast that supports the Agency's bond obligations. The automatic annual toll rate increases in the Toll Policy equate to pennies per transaction and have been shown by the Agencies' traffic and revenue consultant to not divert traffic off the toll roads and onto the untolled alternatives. The Toll Policy also effectively continues to build the base of revenue needed for future years' debt service payments, and supports the Agency's credit ratings and the Board of Director's Strategic Plan goals of cash funding capital projects and the early paydown of bond principal. The increases take effect July 1, 2024.

At the beginning of FY25, the Agency expects to have total cash adjusted for accrual items of \$840.3 million. The expected adjusted cash balance includes debt service reserve and operating reserve funds of \$290.0 million, funds restricted for FY25 and future debt service payments of \$129.2 million, funds restricted for a maintenance facility commitment of \$8.1 million, and \$413.0 million of cash on-hand available to fund the current and future years' budgets (See page 8 for further details). During FY25, Net Toll Revenue, Penalties, Fees, Development Impact Fees, and Interest Earnings are budgeted at \$212.3 million. Below are brief explanations of each of these funding sources.

Net Toll Revenue

The FY25 budget includes transactional toll revenue of \$166.9 million which is a 4.9% increase as compared to the FY24 estimate of \$159.1 million.

The budget for FY25 Net Toll Revenue of \$161.3 million, or 76.0% of total revenue, is 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 11).

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 1.3% of transactional toll revenue or \$2.2 million in FY25. Processable transactions offset by toll revenue recovered from processed violations is budgeted at \$3.4 million or 2.1% of transactional toll revenue in FY25.

The Agency estimates that it will receive a total of \$153.7 million in Net Toll Revenue in FY24. This consists of \$159.1 million of transactional toll revenue reduced by estimated processable and unprocessable transactions, non-revenue transactions of \$13.1 million partially offset by toll revenue collected from processed violations of \$7.7 million.

The table below shows the FY24 current toll rates and the FY25 toll rates by location, split between off-peak, pre- & post-peak, and peak hour if applicable.

| Location | Time/Type | Current Rates* | FY25 Toll Policy | |
|------------------|-------------------|----------------|------------------|---------|
| | | | Rate* | Change |
| La Paz | Peak & Off-Peak** | \$ 2.65 | \$ 2.70 | \$ 0.05 |
| Aliso Creek | Peak & Off-Peak** | \$ 3.29 | \$ 3.36 | \$ 0.07 |
| El Toro | Peak & Off-Peak** | \$ 4.00 | \$ 4.08 | \$ 0.08 |
| Catalina View*** | Off-Peak | \$ 7.03 | \$ 7.17 | \$ 0.14 |
| | Peak Hour** | \$ 9.18 | \$ 9.36 | \$ 0.18 |
| | Pre- & Post-Peak | \$ 8.40 | \$ 8.57 | \$ 0.17 |
| | Weekend | \$ 6.73 | \$ 6.86 | \$ 0.13 |
| Newport Coast | Peak & Off-Peak** | \$ 3.71 | \$ 3.78 | \$ 0.07 |
| Bonita Canyon | Peak & Off-Peak** | \$ 2.24 | \$ 2.28 | \$ 0.04 |

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

** Toll rate without an account

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

Penalties

Penalties revenue is budgeted for FY25 at \$25.2 million, representing 11.9% 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 FY24 is estimated to be \$23.9 million. The FY25 Penalties budget is based on current trends in collections, the estimated transactions for FY25, the current processable transactions rate at 2.1% 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 FY25 at \$3.4 million, representing 1.6% of total revenues. Fee revenue for FY24 is estimated to be \$2.3 million. Fee revenue consists of fees related to operations such as invoice fees, suspended account and returned check fees, sales of switchable hardcase transponders, fees related to programs with rental car agencies, and fees for transaction and violation processing for the San Bernadino County Transportation Authority (SBCTA) Express Lanes which are expected to open in July 2024.

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 \$2.00 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. SJHTCA 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 San Joaquin Hills 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. Development Impact Fees for FY24 are expected to approximate \$1.6 million. The Agency is estimating, based upon recent trends, development impact fees to be \$1.9 million for FY25, representing 0.9% of total revenues.

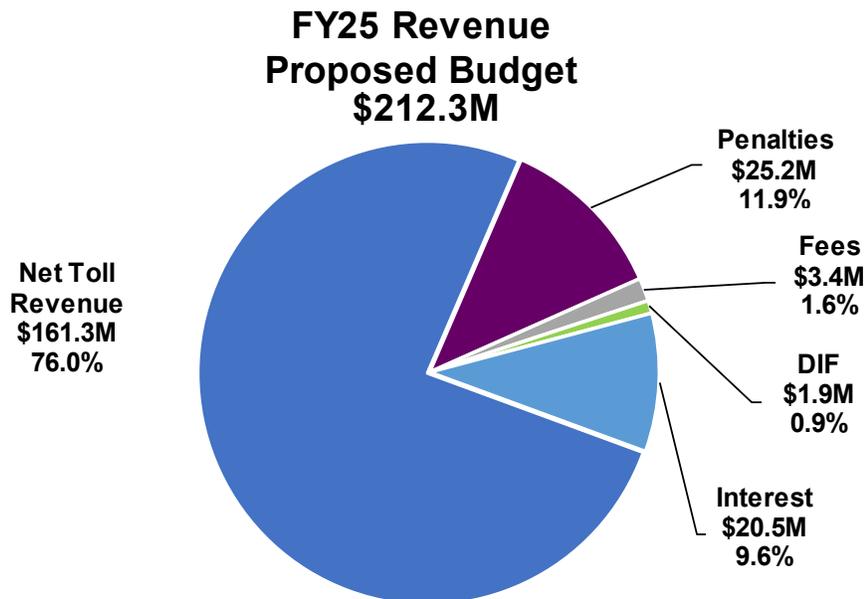
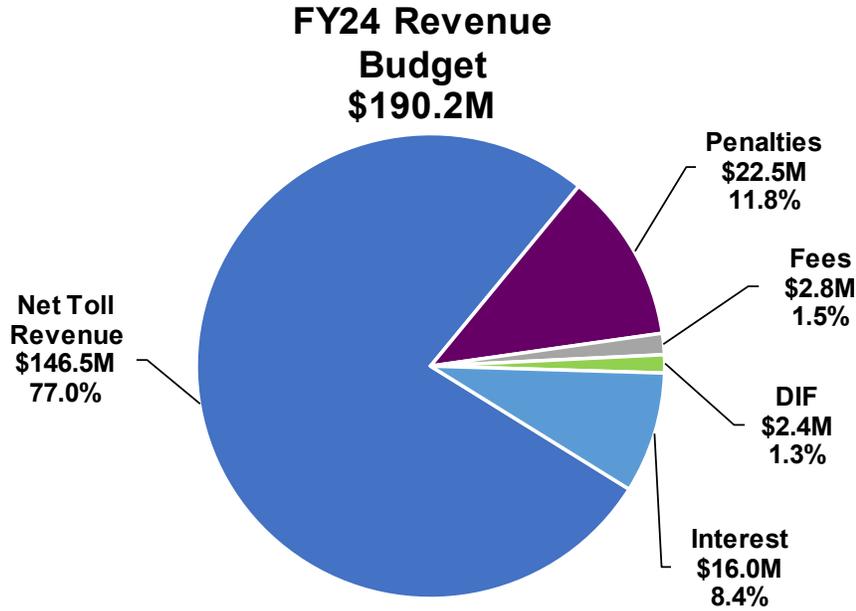
Interest Earnings

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 FY25 of \$20.5 million represent approximately 9.6% of total revenues.

Interest Earnings for FY24 are estimated to be \$20.2 million.

Revenue Pie Chart – FY24 Budget as Compared to FY25 Budget

The pie charts below show a comparison of FY24 budgeted revenues to FY25 proposed budget revenues. Budgeted revenues increased \$22.1 million to \$212.3 million in FY25 from budgeted revenues of \$190.2 million in FY24.



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. The Agency has continued a commitment to cost containment during the current inflationary environment. In addition, the budget maximizes internal resources and includes contracts for services that are more efficiently outsourced to respond to varying demands in resources and expertise. The FY25 proposed budget for expenses was developed with the Agency's continued commitment to fiscal responsibility.

The proposed budget for FY25 includes total expenditures of \$136.8 million. Detail of expenditures can be found on pages 18–24. The following are brief explanations of the various expenditures.

Non-Operating and Planning, Environmental and Construction (Excluding Administration)

This category mainly consists of costs associated with the Agency's current Capital Improvement Plan including environmental and design services for the State Route (SR) 73 Catalina View Improvements project, and ongoing environmental mitigation and other environmental services. The proposed budget for Planning, Environmental and Construction is \$2.8 million for FY25, or approximately 2.0% of the total budget. These expenditures are funded with unrestricted cash.

The Planning, Environmental and Construction projected actuals for FY24 total \$1.1 million. The increase of \$1.8 million in the FY25 budget is primarily related to the timing of the SR 73 Catalina View Improvements project.

Administration

The total proposed budget for Administration expenses is \$11.0 million for FY25, or approximately 8.0% of the total proposed budget. The Administration category includes all employee compensation (3.5% of the total budget) as well as overhead-type expenses, such as insurance, legal, office expenses, and financial systems. 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. The Agency has continued to contain expenditures in the Communications and Outreach functions by continuing to primarily utilize internal staff to complete the work required at this time.

These costs are budgeted in total but are allocated between the two primary activities of the Agency: Non-Operating and 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 18 of this document.

Projected Administration expenses for FY24 total \$8.8 million. The increase of \$2.2 million in the FY25 proposed budget from the FY24 projected actuals is primarily due to expenditures to evaluate opportunities to modernize the Pacifica building to improve safety, update to current building codes, and attract and retain employees, a project to enhance the efficiencies of document control and records management, unfilled staff positions in FY24, and an increase in insurance premiums due to the Agency's increased revenues and the 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; customer care and toll compliance services; back-office system operation and maintenance; and license plate image review. 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 FY25 budget for these expenses is \$16.8 million or 12.4% of the total budget.

Toll Operations, excluding Administration, is projected to total \$14.1 million in FY24. The FY25 budget is \$2.7 million higher than projected FY24 actuals primarily due to an increase in customer care and toll compliance services related to the cost of transaction and violation processing for the SBCTA Express Lanes. As discussed on page 11, SBCTA will pay a fee for these services. The increase is also related to toll system server replacements, a potential contribution to a Caltrans on-road safety enhancement pilot program, implementation of a one-way national interoperability pilot program, an expansion of the violation resolutions program, a 5.5% compensation increase for customer service so that the contractor can continue to attract and retain the workforce needed in a tight labor market to maintain high levels of customer satisfaction, and 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 FY25 are budgeted at \$106.2 million, or 77.6% of the total budget. FY24 Debt Service will total \$108.3 million. The FY25 budgeted \$200 million Early Paydown of Bond Principal reduces future debt service interest payments by approximately \$203 million including \$5.2 million in FY25. See pages 5–6 and 8 for further discussion.

Program Management and Specialty Support Services

Included in the expenditure categories above is \$1.4 million for Program Management and Specialty Support Services in support of engineering staff augmentation and technical expertise in the planning, design, management, and delivery of the Agencies' capital improvement projects, and the management and operation of the existing toll-related roadway facilities, as well as support for right of way engineering and acquisition services, geographic information system (GIS) mapping, the business intelligence analytics system, strategic initiatives and other specialty services.

Expenditures of Funds – FY24 Budget as Compared to FY25 Budget

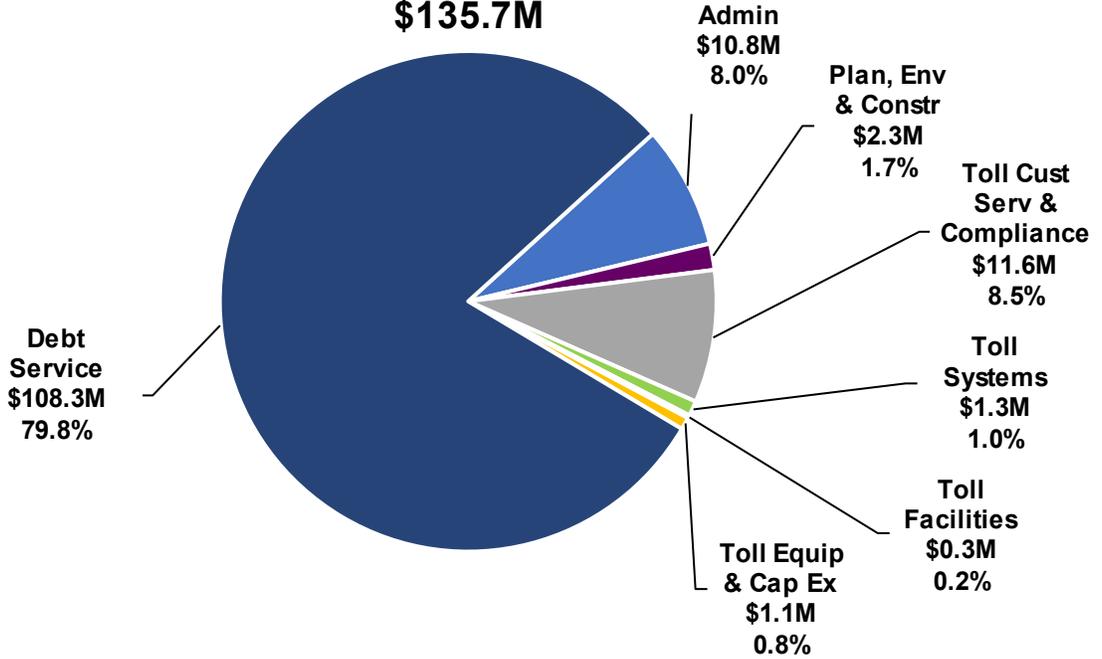
The pie charts on the following page show a comparison of the FY24 budget and the FY25 proposed budget by type of expense.

The FY25 proposed budget of \$136.8 million, as compared to the prior year's budget of \$135.7 million, shows an increase of \$1.1 million, or 0.8%.

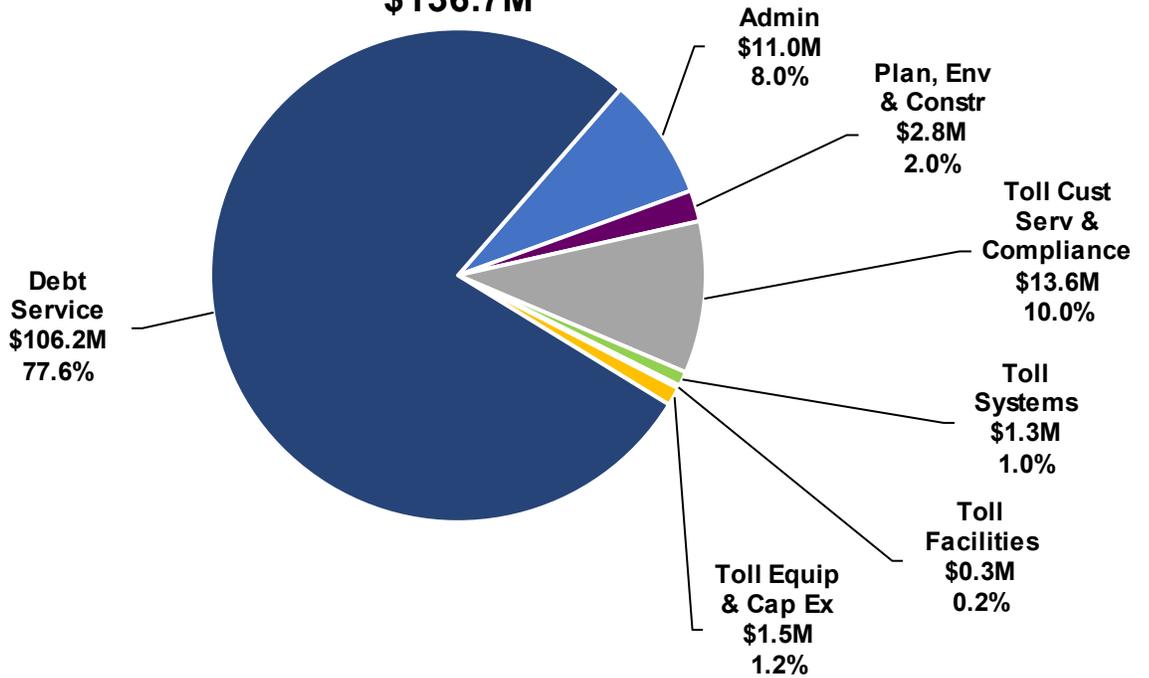
The increase in the FY25 proposed budget excluding debt service is \$3.2 million or 11.7%. This increase is primarily related to toll system infrastructure upgrades, an increase in customer care and toll compliance services which includes the cost of transaction and violation processing for the SBCTA Express Lanes (see further discussion on pages 11 and 15), a potential contribution to a Caltrans on-road safety enhancement pilot program, implementation of a one-way national interoperability pilot program, an expansion of the violation resolutions program, a 5.5% compensation increase for customer service to enable the vendor to hire customer service representatives, and credit card fees and other costs directly related to the increased revenue budget, and a project to enhance the efficiencies of document control and records management. In addition, the increase is due to the timing of Planning, Environmental and Construction expenditures for the SR73 Catalina View Improvement project.

The Debt Service category includes the semi-annual interest and annual principal payments on the 1997, 2014 and 2021 outstanding bonds as scheduled in the Indentures. These payments are budgeted at \$106.2 million for FY25 and were budgeted at \$108.3 million for FY24. The decrease is related to the Early Paydown of Bond Principal which reduce FY25 debt service by approximately \$5.2 million partially offset by a scheduled debt service increase per the Indentures. See pages 5–6 and 8 for further discussion.

FY24 Expenditures Budget
\$135.7M



FY25 Expenditures Proposed Budget
\$136.7M



Expenditures Detail

The schedule below details the budget as summarized on pages 19–24 into more specific categories (budget subcategories). The Administration subcategories are allocated between Planning, Environmental and Construction and Toll Operations expenses.

| Budget Category and Subcategory | Budget Fund Categories | | | Total |
|---|--|-----------------------------|----------------|----------------|
| | Non-Operating, Plan, Environ, & Construction | Toll Operations Exp & Equip | Debt Service | |
| (\$000) | | | | |
| Administration: | | | | |
| Regular Salaries | 1,565 | 2,118 | - | 3,683 |
| Internship Program | 8 | 11 | - | 19 |
| Board Compensation | 24 | 34 | - | 58 |
| Benefits | 427 | 592 | - | 1,019 |
| Employer Taxes | 27 | 36 | - | 63 |
| Insurance | 146 | 1,264 | - | 1,410 |
| Legal Expense | 779 | 312 | - | 1,091 |
| Telephone/Comm | 34 | 48 | - | 82 |
| Office Expense & Software | 182 | 253 | - | 435 |
| Staff Education, Seminar, Membership, Conferences | 51 | 51 | - | 102 |
| Agency Memberships & Community Investment | 35 | 75 | - | 110 |
| Communications and Outreach | 13 | 8 | - | 21 |
| Financial & Administrative | 447 | 134 | - | 581 |
| Technology Support | 93 | 113 | - | 206 |
| Advocacy | 21 | 185 | - | 206 |
| Other Professional Services | 134 | 185 | - | 319 |
| Publications & Subscriptions | 1 | 2 | - | 3 |
| Rents & Leases | 210 | 407 | - | 617 |
| Transportation & Travel | 61 | 91 | - | 152 |
| Office Equipment | 11 | 12 | - | 23 |
| Pacifica & Other Fixed Assets | 321 | 477 | - | 798 |
| Total Administration | 4,590 | 6,408 | - | 10,998 |
| Planning, Environmental and Construction: | | | | |
| Capital Improvement Plan (CIP): | | | | |
| SR 73 Catalina View Improvements | 1,213 | - | - | 1,213 |
| Total Capital Improvement Plan | 1,213 | - | - | 1,213 |
| Other Planning, Environmental and Construction: | | | | |
| Mitigation & Permits | 46 | - | - | 46 |
| Environmental Lands Management | 70 | - | - | 70 |
| Environmental Staff Augmentation | 19 | - | - | 19 |
| Engineering Staff Augmentation | 776 | - | - | 776 |
| Traffic Studies | 115 | - | - | 115 |
| Other Construction | 550 | - | - | 550 |
| Total Other Planning, Environ and Constr | 1,576 | - | - | 1,576 |
| Total Planning, Environmental and Construction | 2,789 | - | - | 2,789 |
| Toll Operations: | | | | |
| Customer Service and Toll Compliance | - | 13,621 | - | 13,621 |
| Toll Systems | - | 1,298 | - | 1,298 |
| Toll Facilities | - | 277 | - | 277 |
| Subtotal Toll Operations | - | 15,196 | - | 15,196 |
| Operations Equipment and Capital Expenditures: | | | | |
| Transponder & Other Equipment | - | 605 | - | 605 |
| Toll Equipment & Capital Expenditures | - | 1,039 | - | 1,039 |
| Total Equipment | - | 1,644 | - | 1,644 |
| Total Toll Operations | - | 16,840 | - | 16,840 |
| Debt Service | - | - | 106,173 | 106,173 |
| Total Expenditures | 7,379 | 23,248 | 106,173 | 136,800 |

Staffing

The FY25 budget includes 66 full-time equivalent (FTE) positions which is unchanged from the FY24 budget.

Administration — Compensation (Regular Salaries and Benefits)

The Agency employee compensation budget is \$4.8 million. TCA salaries are normally 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.

The compensation plan was developed to attract and retain a high-quality staff and remain competitive under current labor market conditions and changes to the Consumer Price Index (CPI). A high-quality staff is essential to continued delivery of the service levels desired by the customers, public and Boards of Directors. The proposed compensation plan includes the following:

- Adjust salary ranges by 4% — Adjustments to the salary ranges do not change staff compensation unless after applying a merit award an employee's salary is below the bottom of the range.
- A 4% merit pool tied to the employee performance review process — TCA does not provide any other salary adjustments such as automatic step or COLA increases.
- A 2% performance incentive award pool for use by the CEO to recognize extraordinary staff efforts.

The compensation recommendations were based on a review of labor market conditions, current CPI, and a compensation survey of member and other transportation agencies and is expected to allow the Agencies to stay positioned to successfully attract and retain high performers while at the same time maintain cost containment strategies as a focus.

The net impact of the staffing and compensation changes from FY24 to FY25 to the total compensation (salaries, benefits, and employee taxes) budget, including the 4% merit pool, a 2% performance incentive award pool, and an allocation shift to F/ETCA due to additional staff time estimated to be spent on F/ETCA's Capital Improvement Plan in FY25, is a decrease of \$87,000.

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. FY25 benefits are 27.6% of salaries.

The FY25 employer contributions to the Orange County Employee Retirement System (OCERS) have been budgeted at 13.95% for legacy employees and 10.79% 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 \$3.9 million.

TCA has contained costs through a net reduction in headcount (81 to 66) since FY12 and reduced benefits by shifting pension and health benefits costs to employees and the reduction of accrued leave.

Administration — Insurance

Insurance expense is budgeted at \$1.4 million, approximately 1.0% of the total budget. Budgeted insurance premiums are increasing as a result of increasing revenues related to the Agencies' business interruption insurance as well as due to the impact of worldwide catastrophes, cybercrimes and other losses that have continued to impact the insurance markets 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 February 2024 Board of Directors meeting. Insurance 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 are \$1.1 million, approximately 0.8% of the total budget. Amounts in this category include general counsel representation, capital improvement plan support, support for potential litigation, legal consulting related to contracts, financing, development impact fees, toll operations, and human resources. Legal expenses are invoiced separately by individual matter or type of legal issue. Below is a breakdown of legal expenses by major category:

| | | |
|----------------------|-----------|------------------|
| Potential Litigation | \$ | 515,000 |
| General Counsel | | 235,000 |
| Contracts | | 148,000 |
| Toll Operations | | 75,000 |
| Human Resources | | 58,000 |
| Financing | | 40,000 |
| Environmental | | 20,000 |
| Total | \$ | 1,091,000 |

Administration — Office Expense & Software

Office Expense is budgeted at \$435,000, approximately 0.3% of the total budget. The following is the budget associated with these expenses:

| | | |
|-------------------------|-----------|----------------|
| Software/Cloud Hosting | \$ | 305,000 |
| General Office Expenses | | 78,000 |
| Marketing Materials | | 49,000 |
| Postage | | 3,000 |
| Total | \$ | 435,000 |

Administration — Financial & Administrative

Financial & Administrative is budgeted at \$581,000, approximately 0.4% of the total budget, and, as detailed below, includes costs such as investment and financial advisory services, annual audit services, executive recruiting and other financial and administrative support.

| | |
|--|-------------------|
| Investment Advisory Services | \$ 190,000 |
| Finance Advisors | 87,000 |
| Human Resources Services | 68,000 |
| Annual Audit | 52,000 |
| Trustee Fees | 47,000 |
| Rating Agencies | 38,000 |
| Other Financial & Administrative Consulting | 32,000 |
| Traffic & Revenue Consultant for Budget Planning | 28,000 |
| Financial Systems Support | 21,000 |
| Payroll Services | 18,000 |
| Total | \$ 581,000 |

Administration — Technology Support

Technology Support is budgeted at \$206,000, 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 \$206,000, approximately 0.2% of the total budget. This category includes state and federal advocacy support.

| | |
|------------------|-------------------|
| State Advocacy | \$ 111,000 |
| Federal Advocacy | 95,000 |
| Total | \$ 206,000 |

Administration — Other Professional Services

Other Professional Service is budgeted at \$319,000, approximately 0.2% of the total budget. This category includes a document control project focused on increasing efficiencies in records management. Also included is a financial system assessment as included in the Boards of Directors' Strategic Plan. Staff plans to leverage internal resources to the extent possible but will need third-party consulting resources and expertise to assist in the determination of which financial system(s) meets the Agencies current and future needs. The actual cost of these services will be determined through a request for proposals.

Administration — Rents and Leases

The budget for Rents and Leases totals \$617,000, 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 and Other Fixed Assets

Pacifica and Other Fixed Assets is budgeted at \$798,000, approximately 0.6% of the total budget. This category includes all capital expenditures associated with leasehold improvements to the Agency's rental facility (Pacifica building). Included in the FY25 budget are funds to evaluate opportunities to modernize the Pacifica building to improve safety, update to current building codes, and attract and retain employees.

Planning, Environmental and Construction — Capital Improvement Plan

The Capital Improvement Plan is budgeted at \$1.2 million and represents 0.9% of the total budget. This category consists of project management, environmental, and design services for the SR 73 Catalina View Improvements project outlined in the Capital Improvement Plan approved by the Board of Directors on April 11, 2024.

Planning, Environmental and Construction — Other Planning, Environmental and Construction

Other Planning, Environmental and Construction costs are budgeted at \$1.6 million, or 1.2% of the total budget. Expenditures include engineering design program management, periodic traffic studies, and continued monitoring and habitat management as needed for approximately 200 acres of mitigation area required for the 73 Toll Road. Additional activities include on-going coordination with the Southern California Association of Governments, and OCTA to ensure the Agency's projects are described accurately in regional transportation plans. Other Construction includes the Austin Vaulted Sand Filter construction, and allowance for maintenance and repairs of Agency-owned roadway facilities that are related to our tolling operations such as channelizers on the road and at our toll points facilities and toll payment information signs.

| | | |
|----------------------------------|-----------|------------------|
| Engineering Staff Augmentation | \$ | 776,000 |
| Other Construction | | 550,000 |
| Traffic Studies | | 115,000 |
| Environmental Lands Management | | 70,000 |
| Mitigation & Permits | | 46,000 |
| Environmental Staff Augmentation | | 19,000 |
| Total | \$ | 1,576,000 |

Toll Operations — Toll Customer Service and Toll Compliance

The Toll Customer Service and Toll Compliance category totals \$13.6 million, approximately 10.0% 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, customer service system maintenance and toll processing costs, and license plate image review costs. Also included in this category are the costs of transaction and violation processing for the SBCTA Express Lanes (see further discussion on pages 11 and 15), 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, telephone system expenses, a one-way national interoperability pilot program, and an expansion of the violation resolutions program. Fees are included in this category for the Costco, American Automobile Association, and Albertsons FasTrak enrollment programs. The budget associated with these expenses is detailed below:

| | | |
|-------------------------------------|-----------|-------------------|
| Customer Service Contract | \$ | 4,868,000 |
| Credit Card Processing Fees | | 4,309,000 |
| Postage & Printing | | 2,335,000 |
| Customer Service System Maintenance | | 1,276,000 |
| Other Customer Service | | 505,000 |
| Enforcement Services & Other | | 328,000 |
| Total | \$ | 13,621,000 |

Toll Operations — Toll Systems

The Toll Systems category totals \$1.3 million, or approximately 1.0% of the total budget and, as detailed below, primarily consists of fees for the tolling systems software and hardware maintenance and operation contract. Also included in this category are toll system spare parts and repairs, software licenses, and various computer maintenance contracts. In addition, this category includes a potential contribution to a Caltrans on-road safety enhancement pilot program of \$60,000 that is aligned with the Strategic Plan.

| | |
|---|-----------------------------------|
| On-Road Toll System Maintenance | \$ 1,019,000 |
| Strategic Initiatives | 60,000 |
| Computer/Software Maintenance & Support | 219,000 |
| Total | <u><u>\$ 1,298,000</u></u> |

Toll Operations — Toll Facilities

This category is budgeted at \$277,000 representing 0.2% 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 Building Maintenance Services | \$ 142,000 |
| On Road Utilities | 135,000 |
| Total | <u><u>\$ 277,000</u></u> |

Toll Operations Equipment & Capital Expenditures

The Toll Operations Equipment & Capital Expenditures budget is \$1.6 million, approximately 1.2% of the total budget. Toll Operations Equipment & Capital Expenditures primarily consists of the Customer Service Center Back Office System Replacement Project, sticker tag and hardcase transponder costs, generator replacements and infrastructure upgrades that consist of toll system server and uninterruptible power supply replacements that are aligned with the Strategic Plan.

| | |
|--|-----------------------------------|
| Transponders & Other Equipment | \$ 605,000 |
| Strategic Initiatives | 585,000 |
| CSC Back Office System Replacement Project | 454,000 |
| Total | <u><u>\$ 1,644,000</u></u> |

Debt Service

The Debt Service category totals \$106.2 million or 77.6% of the total budget and includes interest and principal payments on the Agency's outstanding bonds as scheduled in the Indentures. The debt service to be paid is \$60.8 million on January 15, 2025 and \$45.4 million on July 15, 2025. The FY25 debt service was reduced by approximately \$5.2 million due to the planned Early Paydown of Bond Principal. See pages 5-6 and 8 for further discussion.

The FY25 budgeted aggregate and senior lien debt service coverage ratios shown below meet the Indenture requirements of 1.10x and 1.30x, respectively. The budgeted coverage is 1.63x and 1.80x, 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 18).

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.

| | <u>(in Millions)</u> |
|--|----------------------|
| <u>Adjusted Net Toll Revenues</u> | |
| Total Toll Revenues Including Fees and Penalties | 189.9 |
| Interest Earnings * | 6.4 |
| Current Expenses - Funded From Toll Revenue | <u>(23.2)</u> |
| Adjusted Net Toll Revenues | <u>173.1</u> |
| <u>Aggregate Net Debt Service</u> | |
| Aggregate Net Debt Service | <u>106.2</u> |
| Aggregate Coverage Ratio (1.10x requirement) | <u>1.63x</u> |
| <u>Senior Lien Net Debt Service</u> | |
| Senior Lien Net Debt Service | <u>96.0</u> |
| Senior Lien Coverage Ratio (1.30x requirement) | <u>1.80x</u> |

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

Estimated Unrestricted Cash Fund

Below is the FY25 budgeted activity and estimated ending balance for the unrestricted cash fund, as described in more detail on pages 4–5. Unrestricted cash is budgeted in consideration of the goals and objectives discussed in more detail on page 3. The Early Paydown of Bond Principal is discussed further on pages 6 and 8 and the related bond indenture reserve release is discussed further on page 8. The Loan repayment to FETCA is discussed further on page 8.

| | (\$000) |
|---|------------------|
| Estimated Available Unrestricted Cash @ 6/30/24 | \$ 413,035 |
| DIF Revenue and Interest Income | 9,374 |
| Non-Operating Expenditures | (7,379) |
| Surplus Revenue | 71,890 |
| Loan Repayment to F/ETCA | (31,855) |
| Early Paydown of Bond Principal | (200,000) |
| Bond Indenture Reserve Release | 29,842 |
| Estimated Available Unrestricted Cash @ 6/30/25 | \$ 284,906 |
| Less Liquidity Reserve Target | (208,602) |
| Unrestricted Cash Excluding Liquidity Reserve @ 6/30/25 | <u>\$ 76,304</u> |

RESOLUTION NO. S2024-02

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE SAN JOAQUIN HILLS TRANSPORTATION CORRIDOR AGENCY
APPROVING THE BUDGET FOR FISCAL YEAR 2025**

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, amended on June 9, 2016, amended on February 14, 2019, amended on November 14, 2019, amended on September 9, 2021, and further amended on May 9, 2024, (with an effective date of July 1, 2024), 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, BE IT RESOLVED that the Board of the San Joaquin Hills Transportation Corridor Agency does resolve, declare, determine and order as follows:

1. Approves the annual budget for Fiscal Year 2025 (FY25) in the amount of \$136,799,581. The approval includes Administration, Planning, Environmental and Construction, Toll Operations, Debt Service expenses, the proposed staffing plan as described in the budget, the early paydown of bond principal,

and projected Revenues, including without limitation the adoption of the toll rates, fees, and fines, as presented in the FY25 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:

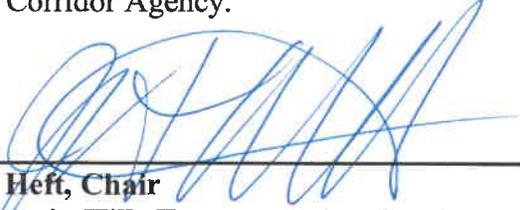
| | |
|--|---------------|
| • Administration | \$10,997,893 |
| • Planning, Environmental and Construction | \$2,788,491 |
| • Toll Operations | \$16,839,786 |
| • Debt Service | \$106,173,411 |

and subject to controls in place under the 1997, 2014 and 2021 Indentures of Trust, the Board approved Contracts and Procurement Manual, Investment Policy, Toll Policy, Debt Management Policy, and finally the Agency's enabling legislation.

3. Directs the staff to forward the approved Annual Budget for FY25 to the trustee.

This Resolution No. S2024-02, shall become effective immediately upon adoption.

Adopted this 13th day of June, 2024, by the Board of Directors of the San Joaquin Hills Transportation Corridor Agency.



Janine Heft, Chair
San Joaquin Hills Transportation Corridor Agency

RESOLUTION NO. S2024-02

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE SAN JOAQUIN HILLS TRANSPORTATION CORRIDOR AGENCY
APPROVING THE BUDGET FOR FISCAL YEAR 2025**

ATTEST:

I, Sarah Lighthipe, Clerk of the Board of the San Joaquin Hills Transportation Corridor Agency hereby certify that the foregoing Resolution No. S2024-02 was duly adopted on June 13, 2024, by the Board of Directors of the San Joaquin Hills Transportation Corridor Agency by the following vote:

Motion: Katrina Foley

Yes: Janine Heft, David Penaloza, Jamey Federico, Katrina Foley,
Robyn Grant, Richard Hurt, Patricia Kelley, Farrah Khan,
Stephanie Oddo, John Stephens, John Taylor

No: Donald Wagner

Absent: Cynthia Conners

Abstain: None



Sarah Lighthipe, Clerk of the Board
San Joaquin Hills Transportation Corridor Agency