AGENDA DESCRIPTIONS
The agenda descriptions are intended to give notice to members of the public a general summary of items of business to be transacted or discussed. The listed action represents staff’s recommendation. The Board of Directors may take any action it deems to be appropriate on the agenda item, and is not limited in any way by the recommended action. In compliance with the Americans with Disabilities Act, if you require special accommodation for this meeting, you should notify the Clerk of the Board 24 hours prior to the meeting at (949) 754-3492. The agenda is posted at the TCA office and is also available on the website at www.thetollroads.com. Materials distributed to the majority of the members of the TCA Board of Directors in connection with any matter subject to consideration at this meeting in open session are available for public inspection at the TCA offices.

I. CALL TO ORDER

INVOCATION
(Director Allevato)

PLEDGE OF ALLEGIANCE
(Chairwoman Bartlett)

ROLL CALL
Chairwoman Lisa Bartlett City of Dana Point
Vice-Chairwoman Pat Bates County of Orange, 5th District
Director Sam Allevato City of San Juan Capistrano
Director Bob Baker City of San Clemente
Director Tony Beall City of Rancho Santa Margarita
Director Gail Eastman City of Anaheim
Director Michele Martinez City of Santa Ana
Director Mark Murphy City of Orange
Director Shawn Nelson County of Orange, 4th District
Director Charles Puckett City of Tustin
Director Rhonda Reardon City of Mission Viejo
Director Christina Shea City of Irvine
Director Todd Spitzer County of Orange, 3rd District
Director Scott Voigts City of Lake Forest
Director Craig Young City of Yorba Linda
Ryan Chamberlain Caltrans, Ex-Officio Member
II. PUBLIC COMMENTS

At this time, members of the public may address the Board of Directors regarding any items within the subject matter jurisdiction of the Board of Directors, but no action may be taken on off-agenda items unless authorized by law. Comments shall be limited to three (3) minutes per person and twenty (20) minutes for all comments unless the Chairman, subject to the approval of the Board, sets different time limits.

III. CONSENT CALENDAR (Items 1-3)

1. MINUTES OF THE BOARD MEETING – MAY 8, 2014
   (Kathleen Loch, Clerk of the Board)

   REPORT NO. 2 (2014F-001)

   ACTION: Approve Minutes.

2. FOOTHILL/EASTERN INVESTMENT REPORT
   (Diane Farson, Manager, Treasury)

   REPORT NO. 6 (2014F-003)

   Enclosed are the monthly investment reports for the Foothill/Eastern Transportation Corridor Agency (F/ETCA) as of April 30, 2014. As of April 30, 2014, all indenture funds are invested in accordance with the permitted investment section of the respective indentures and all non-indenture funds are invested in compliance with both the California Government Code and F/ETCA Investment Policy.

   ACTION: Receive and file.

3. JANITORIAL SERVICES CONTRACT
   (Kurt Machtof, Facilities Manager)

   REPORT NO. 9 (2014F-016)

   To ensure costs remain within a competitive range and service levels are adjusted for reduced toll plaza cleaning needs associated with All Electronic Tolling (AET), the janitorial services contract was recently re-competed. Staff recommends authorizing a new one-year contract with two-one year options to ABM Onsite Services – West, Inc. in the amount of $90,280 for the F/ETCA and $5,000 for the SJHTCA.

   ACTION: 1. Authorize the acting chief executive officer (CEO) to execute contract K000929 to ABM Onsite Services – West, Inc. in the amount of $90,280.

               2. Authorize the acting CEO to execute additional changes to this contract within 10 percent ($9,028) of the authorized expenditure without further Board action.
IV. BOARD BUSINESS (ITEM 4-14)

4. FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY FISCAL YEAR 2015 ANNUAL BUDGET
   (Amy Potter, Chief Financial Officer)

   REPORT NO. 11 (2014F-0018)


5. TRAFFIC TECHNOLOGIES, INC. - TOLL OPERATIONS CONSULTANT: ALL ELECTRONIC TOLLING IMPLEMENTATION SERVICES; CUSTOMER SERVICE PROCUREMENT SERVICES; AND TOLLING TASK ORDERS
   (James Gallagher, Chief Toll Operations Officer)

   REPORT NO. 18 (2014J-026)

   TCA selected TTI, an industry expert consulting firm, through a competitive proposal process to conduct all phases of the Strategic and Policy Planning effort for tolling for the agencies. TTI has performed exceptionally well and provided value-added analysis and effort to date. The firm and its proposed staff are highly qualified to perform the work included in FY15 Phase 4 - AET implementation and the procurement of the customer service contractor. TCA will benefit by building on the knowledge and information base assembled by TTI in previous phases of this work.

   ACTION: 1. Authorize the acting chief executive officer (CEO) to execute Contract Amendment No. 8 with Traffic Technologies, Inc. (TTI) in the amount of $672,003 for the performance of tasks related to the completion of AET Implementation; Customer Service System procurement; and Tolling Task Orders for Toll Operations.

   2. Authorize the acting CEO to make additional changes deemed necessary and execute further amendments within five percent ($33,600) of this amendment value without further action by the Board of Directors.

6. CREDIT CARD AND AUTOMATED CLEARING HOUSE PROCESSING SERVICES CONTRACT AMENDMENT
   (Joyce Hill, Deputy Director, Customer Service)

   REPORT NO. 17 (2014J-028)

   The approval of a contract extension with Chase Paymentech will allow the agencies to continue credit card and automated clearing house processing for FasTrak, ExpressAccount, and One-Time-Toll transactions. The fees paid to Chase Paymentech will continue to be based upon the set fee applied to the number of transactions initiated by the agencies and submitted to Chase Paymentech, along with interchange fees passed through from the credit card companies. Total fees, including interchange fees, associated with this contract are estimated to be $2,142,367 for SJHTCA and $4,092,072 for F/ETCA in FY15.
ACTION: Authorize the acting chief executive officer (CEO) to execute Amendment No. 2 exercising the additional one-year option to Chase Paymentech Contract No. K000352 from July 1, 2014 through June 30, 2015. The contract extension will continue to be based on a per transaction fee estimated in FY15 to total $4,092,072.

7. MARKETING SERVICES
   (Lisa Ganz, Marketing Specialist)

REPORT NO. 16 (2014J-025)

The marketing goal is to increase toll revenues and transactions through the acquisition of new customers and increased usage by existing customers. The FY15 Marketing Plan will support this goal with marketing initiatives designed to communicate the benefits of The Toll Roads and non-stop tolling options with FasTrak® and ExpressAccount™ while informing visitors and infrequent users about the One-Time-Toll™ option. Driving The Toll Roads is a choice made by travelers each day, so marketing with high reach and frequency will be needed to remind drivers daily that The Toll Roads are the best choice for traveling to, through or around Orange County.

ACTION: Approve Contract No. K000817 Amendment 1 with ELA Advertising in the amount of $1,978,734 for marketing services through June 30, 2015.

8. DESIGN/PROGRAM MANAGEMENT SERVICES AND STAFF ASSISTANCE
   (David Lowe, Acting Chief Engineer)

REPORT NO. 15 (2014J-024)

Design/Program management services are performed by CDMG for the agencies. These services will be necessary for the agencies to continue to work towards a solution for South Orange County’s regional mobility that includes sustainable communities’ strategies. CDMG will continue to provide design assistance and environmental permitting support as well as perform other assigned duties necessary to advance the agencies’ capital improvement plan for the Foothill/Eastern and San Joaquin Hills Agencies.

ACTION: 1. Authorize the acting chief executive officer (CEO) to execute task orders within contract K000002 with the Corridor Design Management Group (CDMG), for a not-to-exceed amount of $2,698,546 for support of the agency’s capital projects.

   2. Authorize the CEO to execute additional changes to this contract within five percent ($134,927) above amount.
9. **FEDERAL LEGISLATIVE ADVOCACY SERVICES**  
   (Lisa Telles, Chief Communications Officer)  
   REPORT NO. 13 (2014J-022)  
   Staff recommends the boards authorize Amendment No. 3 to Contract No. K000655 with Akin Gump Strauss Hauer & Feld, LLP in an amount not-to-exceed $301,000 for the Foothill/Eastern Transportation Corridor Agency and $24,000 for the San Joaquin Hills Agency for federal advocacy services beginning July 1, 2014 through June 30, 2015. The monthly retainer for services remains unchanged.  
   **ACTION:** Authorize the chief executive officer (CEO) to execute Amendment No. 3 to Contract No. K000655 with Akin Gump in an amount not-to-exceed $276,000 for services and $25,000 for expenses.

10. **CONSULTING AND ADVOCACY SERVICES/TESORO EXTENSION AND LONG-RANGE STRATEGIC PLANNING**  
    (Lisa Telles, Chief Communications Officer)  
    REPORT NO. 20 (2014F-0021)  
    Staff recommends the approval of four contracts to provide consulting and advocacy services for the Tesoro Extension regulatory process and long-range strategic planning efforts that will benefit mobility in the region.  
    **ACTION:**  
    1.Authorize the acting chief executive officer (CEO) to execute contract amendment No. 2 with Richard Katz Consulting, Inc. for a not-to-exceed amount of $75,600 through June 30, 2015.  
    2. Authorize the CEO to execute contract amendment No. 2 with Robert Naylor Advocacy for a not-to-exceed amount of $63,600 through June 30, 2015.  
    3. Authorize the CEO to execute a contract amendment No. 4 with Canyon Strategies for a not-to-exceed amount of $63,600 through June 30, 2015.  
    4. Authorize the CEO to execute contract amendment No. 11 with Packard Public Affairs for a not-to-exceed amount of $45,600 through June 30, 2015.

11. **COMMUNITY OUTREACH**  
    (Lisa Telles, Chief Communications Officer)  
    REPORT NO. 7 (2014F-017)  
    Staff associated with Barrios & Associates, LLC/Communications LAB and their subcontractors have provided community outreach, public affairs and public relations services in South Orange County and northern San Diego County since 2001 related to the agency’s environmental and permit process for extending the 241 Toll Road. The contractor works as an extension of the Communications & Public Affairs staff and scope of work is adjusted and approved by the Board of Directors annually based on the status of the project. During FY15 Barrios & Associates, LLC/Communications LAB will provide a variety of communications services for the 241 Tesoro Extension project.
ACTION: Authorize Amendment No. 17 to Contract No. K000057 with Barrios & Associates, LLC/Communications LAB for a not-to-exceed amount of $210,000 and to extend the term one year to June 30, 2015.

12. AWARD OF CONTRACT FOR ENVIRONMENTAL IN-HOUSE STAFF ASSISTANCE  
   (Valarie McFall, Director, Environmental and Planning)

REPORT NO. 19 (2014J-029)

Staff recommends the award of a three-year contract to LSA (Contract K000946) in the amount of $1,530,000 to provide in-house support services to the Environmental and Planning Department. Project support includes activities associated with the State Route (SR) 241/91 Express Lane Connector Project, the Tesoro Extension Project, as well as overseeing the agencies’ mitigation planning efforts and environmental review and coordination of the Capital Improvement Plan program.

ACTION: 1. Authorize the acting chief executive officer (CEO) to execute a three-year contract with LSA Associates, Inc. (LSA) (Contract K000946) in the amount of $1,300,500 to provide in-house support services to the Environmental and Planning Department.

   2. Authorize the acting CEO to make additional changes deemed necessary and execute contract amendments within five percent ($65,025) of the above contract approved by the Board through this action.

13. SR 241 TESORO EXTENSION RIGHT-OF-WAY OPTION AGREEMENT AND AMENDMENT TO 2009 SETTLEMENT AGREEMENT/RANCHO MISSION VIEJO (RMV)  
   (Terry Swindle, Deputy Director, Right-of-Way & Special Projects)

REPORT NO. 10 (2014F-020)

Staff has negotiated an Option Agreement to secure the right-of-way for the SR 241 Tesoro Extension Project from Oso Parkway southerly to Cow Camp Road in Rancho Mission Viejo’s Planning Area 2. The transaction also requires amendments to the 2009 Settlement Agreement with RMV.

ACTION: 1. Authorize the acting chief executive officer (CEO) to execute the Option Agreement between the Foothill/Eastern Transportation Corridor Agency (F/ETCA) and RMV.

   2. Authorize the CEO to execute documents related to the Major Thoroughfare and Bridge Fee program.

   3. Authorize the CEO to execute the Amendment No. 3 to the 2009 Settlement Agreement between the F/ETCA and RMV.
14. CONTRACTS AND PROCUREMENT SYSTEM POLICY AND PROCEDURES MANUAL (CAPS MANUAL) REVISIONS
(Eileen Harrigan, Manager, Contracts & Procurement)

REPORT NO. 14 (2014J-023)

In February 2014 a Joint Procurement Ad Hoc Committee was formed to review the agencies’ procurement policies and procedures. It was determined adequate controls exist; however, changes could be made to improve accountability and visibility and ensure the Board Members are fully aware of ongoing activity. Recommended changes include (1) modification of the existing authority granted to the CEO of up to $25,000 for contracts for goods and services with a unique scope of services, restricting further the authorization of non-competitively procured contracts with an individual vendor, to a cumulative maximum of $25,000 per fiscal year and (2) replacement of the current Quarterly Report of Routine Business Expense Contracts with a more comprehensive Quarterly Report of Procurement Activity. These changes will enhance controls and transparency while re-enforcing the agencies’ core policy of seeking a maximum of competition in contracting activities, where possible, consistent with timely completion of the agencies’ programs and ensuring accountability to the public and bondholders.

ACTION:

1. Authorize a revision to the CAPS Manual restricting the CEO authority to execute contracts of up to $25,000 for goods and services, and change orders or amendments to such contracts, without further Board action if:
   a. the scope of services is unique and cannot be reasonably construed as a continuation of another contract or commitment with the same vendor, and
   b. if related to a prior (closed) contract, the value of all related contracts will cumulatively not exceed $25,000, or
   c. contracts per vendor under this delegated authority are restricted to a maximum cumulative value of $25,000 for all non-competitively procured contracts within a Fiscal Year.

2. Authorize a revision to the CAPS Manual replacing the requirement for a Quarterly Routine Business Expense Contracts report with the required submission of a Quarterly Report of Procurement Activity to the Boards of Directors.

CHIEF EXECUTIVE OFFICER’S REPORT
(Michael Kraman, Acting Chief Executive Officer)

- Monthly Traffic & Revenue Report
  (James Gallagher, Chief Toll Operations Officer)

- All Electronic Tolling Update
  (James Gallagher, Chief Toll Operations Officer)

DIRECTORS’ REPORTS AND NEW BUSINESS
(Lisa Bartlett, Chairwoman)

- Leadership Elections

- Ad Hoc Committees – Monthly Reports
V. CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION (Subdivision (a) of Government Code Section 54956.9)

- California State Parks Foundation, et al. v. Foothill/Eastern Transportation Corridor Agency San Diego Superior Court, Case No. GIN051194
- The People of the State of California v. Foothill/Eastern Transportation Corridor Agency San Diego Superior Court, Case No. GIN051371
- Native American Heritage Commission v. Foothill/Eastern Transportation Corridor Agency San Diego Superior Court, Case No. GIN051370
- California State Parks Foundation, et al. v. Foothill/Eastern Transportation Corridor Agency San Diego Superior Court, Case No. 37-2013-00049797
- The People of the State of California v. Foothill/Eastern Transportation Corridor Agency San Diego Superior Court, Case No. 37-2013-00050001-CU-WM-NC
- California Regional Water Quality Control Board, San Diego Region, Waste Discharge Requirements Tentative Order No. R-09-2103-0007

CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION

- Initiation of litigation pursuant to subdivision (c) of Gov. Code Section 54956.95 (One potential case)
- Significant exposure to litigation pursuant to subdivision (b) of Gov. Code Section 54956.9 (One potential case)
- Initiation of litigation pursuant to subdivision (c) of Gov. Code Section 54956.9 (One potential case)

VI. FOOTHILL/EASTERN ADJOURNMENT

The next regularly scheduled meeting of the Foothill/Eastern Board of Directors is July 10, 2014, at 9:30 a.m., TCA Offices, 125 Pacifica, Irvine, CA 92618.
NEXT BOARD MEETING DATE:       June 12, 2014

SUBJECT:              Minutes – Meeting of the Boards of Directors – May 8, 2014

STAFF RECOMMENDATION:

Approve minutes.

REPORT WRITTEN BY:             Kathleen Loch, Clerk of the Board

REVIEWED BY:     Engineering/Environmental Communications/Public Affairs Finance Toll Operations
I. CALL TO ORDER

The meeting was called to order at 10:28 a.m.

INVOCATION

(Director Eastman)

PLEDGE OF ALLEGIANCE

(Chairwoman Bartlett)

ROLL CALL

Chairwoman Lisa Bartlett   City of Dana Point
Vice-Chairwoman Pat Bates   County of Orange, 5th District
Director Sam Allevato   City of San Juan Capistrano
Director Bob Baker   City of San Clemente
Director Tony Beall   City of Rancho Santa Margarita
Director Gail Eastman   City of Anaheim
Alternate Trish Kelley   City of Mission Viejo
Director Michele Martinez   City of Santa Ana
Director Mark Murphy   City of Orange (Arrived @ Item #9)
Director Shawn Nelson   County of Orange, 4th District
Director Charles Puckett   City of Tustin
Director Christina Shea   City of Irvine
Director Scott Voigts   City of Lake Forest
Director Craig Young   City of Yorba Linda
Ryan Chamberlain   Caltrans, Ex-Officio Member

Absent:
Director Todd Spitzer   County of Orange, 3rd District

II. PUBLIC COMMENTS

There were no public comments.

III. CONSENT CALENDAR (Items 1-6)

ACTION: Moved by Director Puckett, seconded by Director Voigts and unanimously carried to:

Approve Consent Calendar Items 1-6
1. MINUTES OF THE SPECIAL JOINT BOARD MEETING OF APRIL 10, 2014
   (Kathleen Loch, Clerk of the Board)
   REPORT NO. 2 (2014F-001)
   ACTION: Approve Minutes.

   MINUTES OF THE FOOTHILL/EASTERN BOARD OF DIRECTORS MEETING –APRIL 10, 2014
   (Kathleen Loch, Clerk of the Board)
   REPORT NO. 2A (2014F-001)
   ACTION: Approve Minutes.

2. FOOTHILL/EASTERN INVESTMENT REPORT
   (Diane Farson, Manager, Treasury)
   REPORT NO. 6 (2014F-003)
   Enclosed are the monthly investment reports for the Foothill/Eastern Transportation Corridor Agency (F/ETCA) as of March 31, 2014. As of March 31, 2014, all indenture funds are invested in accordance with the permitted investment section of the respective indentures and all non-indenture funds are invested in compliance with both the California Government Code and F/ETCA Investment Policy.
   ACTION: Receive and file.

3. CALTRANS COOPERATIVE AGREEMENT FOR THE SR 241/91 EXPRESS LANES CONNECTOR PROJECT - PROJECT APPROVAL & ENVIRONMENTAL DOCUMENT PHASE
   (Juliet Su, Corridor Manager - Design)
   REPORT NO. 7 (2014F-016)
   Authorizing the Cooperative Agreement, District Agreement No. 12-643, to be executed will allow the TCA to continue developing the SR 241/91 Express Lanes Connector Project PA&ED phase with Caltrans providing independent quality assurance review as the design oversight agency and acting in the capacity of lead agency for the environmental document. The cooperative agreement sets forth the responsibilities of each agency, defines the funding obligations of each agency, and explains how the TCA and Caltrans will cooperate together through the PA&ED phase of the project.
   ACTION: Authorize the chief executive officer to execute the Cooperative Agreement for the SR241/91 Express Lanes Connector Project Approval & Environmental Document (PA&ED) phase, District Agreement No. 12-643.
4. **THIRD QUARTER FISCAL YEAR 2014 BUDGET STATUS REPORT**  
(Maria Fazio, Manager, Budget & Planning)

REPORT NO. 9 (2014F-015)

Through the end of the third quarter of Fiscal Year 2014, the Foothill/Eastern Transportation Corridor Agency received a total of $127.2 million in revenue or 82.6% of the annual amended budget. Net Toll Revenue, Fees and Penalties, Development Impact Fees, Interest Earnings, and Other Revenue were above target at 76.7%, 84.7%, 141.8%, 82.0%, and 82.3%, respectively. Grants were under budget at 19.4%.

Total uses were at $101.5 million or 50.3% of the annual amended budget through the end of the third quarter. Administration, Planning, Environmental and Construction, and Toll Operations are below the annual amended budget at 50.0%, 20.8% and 70.4%, respectively. Debt was at an expected 55.0%.

**ACTION:** Receive and file.

5. **EXTENSION OF THE DEPARTMENT OF CALIFORNIA HIGHWAY PATROL (CHP) CONTRACTS**  
(Joyce Hill, Deputy Director, Customer Service)

REPORT NO. 16 (2014J-018)

Staff recommends continuing to contract with the State of California for use of CHP officers for toll violation enforcement through June 30, 2015. The purpose for CHP enforcement under these contracts is toll violation deterrence. CHP officers pursue motorists with no-plates or obscured plates who purposely avoid toll payment. In addition, the officers are given a weekly “hot-list” which provides detailed information regarding specific repeat violators. This program is successful in controlling the growth-rate of no-plate and obscured violation occurrences. Staff is recommending an extension of the contracts with the CHP for one year of service at a cost of $335,664 for F/ETCA and $197,136 for SJHTCA.

**ACTION:**
1. Authorize the acting chief executive officer (CEO) to execute an amendment to the CHP Contracts K000030 and K000029 for Toll Violation Enforcement extending the term through June 30, 2015.
2. Approve additional funding for Fiscal Year 2015 (FY15), in the amount of $231,608 for CHP Contract K000030, covering on-road toll violation enforcement support through the Santa Ana CHP office; and, $104,056 for support through the San Juan Capistrano office under CHP Contract K000029.
3. Authorize the acting CEO to execute additional changes to the contracts within five percent ($16,783) of the contract values without further Board of Director’s action.
6. **WATER AND WASTEWATER SERVICES CONTRACT – JIMNI SYSTEMS, INC.**

   (Kurt Machtolf, Facilities Manager)

**REPORT NO. 17**

JIMNI Systems Inc. provides annual water and wastewater maintenance and repair services for The Toll Roads’ privately owned wastewater, potable water and reservoir systems. This service contract was re-bid in June of 2011 and JIMNI Systems was awarded a one-year contract with two one-year options. To retain Jimni System’s expertise, experience and scalable contract pricing during the Tomato Springs reservoir decommissioning and All Electronic Tolling (AET) projects, staff recommends approval of an additional third and final one-year contract extension. The contract unit pricing will match the 2013 CPI increase of 1.1 percent.

**ACTION:**

1. Authorize the acting chief executive officer (CEO) to execute a third and final one-year contract extension to JIMNI Systems, Inc., extending the term through June 30, 2015.
2. Approve additional funding for Fiscal Year 2015 (FY15), in the amount of $258,000 for JIMNI Contract K000664.
3. Authorize the acting CEO to execute additional changes to this contract within ten percent of the authorized expenditure without further Board action.

IV. **BOARD BUSINESS (ITEM 7-12)**

7. **CONTRACTS AND PROCUREMENT SYSTEM POLICY AND PROCEDURES MANUAL (CAPS MANUAL) PROPOSED REVISIONS**

   (Eileen Harrigan, Manager, Contracts & Procurement)

**REPORT NO. 12**

Staff, with direction from the Joint Procurement Ad Hoc Committee, is recommending certain modifications to the CAPS Manual. In February 2014 a Joint Procurement Ad Hoc Committee was formed to review the agencies’ procurement policies and procedures. It was determined adequate controls exist; however, changes could be made to improve accountability and visibility and ensure the Board Members are fully aware of ongoing activity. Recommended changes include (1) modification of the authority granted to the CEO to restrict non-competitively procured agreements with an individual vendor, to a cumulative maximum of $25,000 per agency, per fiscal year, and (2) replacement of the current Quarterly Report of Routine Business Expense Contracts with a Quarterly Report of Procurement Activity. These changes will enhance controls and transparency while reinforcing the agencies’ core policy of seeking a maximum of competition in contracting activities, where possible, consistent with timely completion of the agencies’ programs and ensuring accountability to the public and bondholders. The attached presentation provides a recap of the Ad Hoc Committee discussions and decisions. Specific modifications to the CAPS Manual will be presented to the Boards of Directors for action at a future meeting.

Greg Walker, Manager, Internal Audit, provided the staff report. Additional information was provided by Mike Kraman, Acting Chief Executive Officer.

There was no Board discussion on this item.

**ACTION:** Receive and file.
8. TOLL ENFORCEMENT AND CUSTOMER SERVICE CENTER CONTRACT AMENDMENT
(James T. Gallagher, Chief Toll Operations Officer)

REPORT NO. 14 (2014J-019)
In order to continue providing quality customer service and violation processing and collections, staff recommends approval of the scope and funding for FY15. The fixed price annual contract value is $4,494,140 for Foothill/Eastern Transportation Corridor Agency and $2,213,536 for San Joaquin Hills Transportation Corridor Agency. The contract provides for a 30-day cancellation period, thus this action is needed now to comply with the contract in the event of cancellation. A staff initiative in FY15 is to re-procure this service for the following fiscal year.

ACTION: Authorize the acting chief executive officer (CEO), subject to approval of the Fiscal Year 2015 (FY15) budget, to execute Amendment No. 24 to Contract No. K000164 to fund the 3M Company (3M) Toll Enforcement and Customer Service Center Contract for FY15 in the total amount of $4,494,140.

James Gallagher, Chief Toll Operations Officer, provided the staff report.

There was no Board discussion on this item.

ACTION: Moved by Director Bates, seconded by Director Allevato, and unanimously carried to:
Approve staff recommendation.

Director Nelson was absent during the vote.

9. ADMINISTRATIVE ADJUSTMENT BUDGET AMENDMENT THAT RESULTED FROM EXECUTION OF REFINANCING TRANSACTION
(Amy Potter, Chief Financial Officer)

REPORT NO. 15 (2014F-014)
The refinance transaction was approved by the Board on October 10, 2013 to be executed within certain parameters. The bonds were sold on December 12, 2013 and the transaction closed on January 2, 2014. The transaction was executed within all of the Board approved parameters and resulted in a reduction in debt service of approximately $1 billion between 2015 and 2040. Due to the agency’s accrual basis budget requirements, a FY14 budget amendment is necessary in the amount of $21,331,366. This amendment is necessary for budgetary purposes but will not require an outlay of additional funds due to the freeing up of cash that would have been used to advance fund principal in FY14 for FY15 if the 1999 bonds had not been refinanced. In addition, as a result of the refinance transaction, $15,659,764 of escrow defeasance that had been budgeted in FY14 in order to meet the debt service coverage covenant will not be needed.

ACTION: Approve Resolution No. F2014-002 amending the Foothill/Eastern Transportation Corridor Agency Fiscal Year 2014 (FY14) Budget in the amount of $21,331,366. This action serves as an administrative adjustment to the budget as a result of execution of the refinance transaction approved by the Board on October 10, 2013.
Amy Potter, Chief Financial Officer, provided the staff report.

Board Member discussion included: The ability to pay down the debt early and disappointment that the agency doesn’t give that more emphasis; some of the Board Members voted in favor of the refinance because reducing the debt seemed to be one of the things the agency could do; a request from Director Nelson to see how much the debt is now outstanding and what it was projected to have been under the old system; some of Board Members feel the main priority was reducing debt not freeing up cash; building up the unrestricted cash gives the agency some latitude on future toll fees; and if the agency can make extra payments on the debt, this is something that should be discussed during the budget cycles to determine how or where the agency can cut the longevity of the loan debt.

Amy Potter stated that part of the annual budget process includes discussion about the disbursement of the unrestricted cash.

Chairwoman Bartlett added that the original debt was through 2040. The agency has extended it out through 2053 with the refinancing what this indicates is that we have a savings by bringing the debt growth rate down from 4.2% to 3.75% within that same time period of when the original debt was going to end. Therefore, between 2015 and 2040 the agency is saving with the reduction of debt growth rate down, $1 billion and that is actual savings.

ACTION: Moved by Director Bates, seconded by Director Allevato, and unanimously carried to:

Approve staff recommendation.

10. TCA FASTRAK® LOYALTY PROGRAM FEASIBILITY STUDY
(Lisa Telles, Chief Communications Officer)

REPORT NO. 18 (2014J-009)

Staff is recommending the approval of a contract with Truth in Loyalty to conduct a feasibility study for implementation of a loyalty program for TCA FasTrak account holders that will add value and increase toll road usage.

ACTION: Authorize the Acting CEO to sign a contract with Truth in Loyalty to conduct a FasTrak loyalty/affinity program for TCA FasTrak account holders for a not to exceed amount of $52,260 (Phase I).

Lisa Telles, Chief Communications Officer, provided the staff report.

Board Member discussion included: The idea of a loyalty program for the toll roads does not make sense; you have loyalty automatically by keeping the toll rates lower; the latitude that the agency has with the new budget and because of the new bonds that flexibility is something that we have to look at; the best way is to encourage people to use FasTrak and sign up because that’s where you get the best deal; and if this a generational trend; the study will show it’s impacts to specific generations.

ACTION: Moved by Director Puckett, seconded by Director Martinez, and carried with an 11 to 3 vote with Directors Nelson, Baker and Voigts opposed to:

Approve staff recommendation.
11. **FISCAL YEAR 2015 CAPITAL IMPROVEMENT PLAN**  
   (David Lowe, Acting Chief Engineer)

**REPORT NO. 13**  
(2014J-016)

This annual update to the CIP for each agency outlines the currently proposed near-term capital projects and those recommended to be implemented in the mid-term and long-term basis. Funding levels for the FY15 budget are proposed and recommended by staff.

**ACTION:**
1. Approve the Capital Improvement Plan (CIP) for the Foothill/Eastern (SR 133, 241, 261) Corridors;
2. Direct staff to implement the Foothill/Eastern CIP as included in the proposed Fiscal Year 2015 (FY15) budget in the amount of $17.43 million.

There was no discussion on this item.

**ACTION:** Moved by Director Bates, seconded by Director Allevato, and carried with a 13 to 1 vote with Director Baker opposed to:

Approve staff recommendation.

12. **CONTINUATION OF ACTING CEO**  
   (Lisa Bartlett, Foothill/Eastern Transportation Corridor Agency Chairwoman)

**REPORT NO. 19**  
(2014J-027)

Michael Kraman was appointed Acting CEO on February 27, 2014. The chairs of the Boards of Directors are recommending that Mr. Kraman continue in that role through December 31, 2014 and that the Boards of Directors revisit and discuss the future of the CEO position at the December 2014 Boards of Directors meetings.

**ACTION:** Approve the continued appointment of Mike Kraman as Acting CEO through December 31, 2014.

Chairwoman Bartlett noted that she is very pleased to have Mike Kraman in the role of CEO. He has stepped up and taken the position and leadership role at the agency; he has been very good to work with and very cooperative; his communication with Board Members and staff has been wonderful and a lot of positive comments have been received from other agencies that have had interaction with Mr. Kraman.

Chairwoman Bartlett asked Mr. Kraman if there is anything the Board can do with regard to feedback from the Board as to what resources that he needs to succeed on a moving forward basis.

Mr. Kraman responded he is learning the job as he goes; most of his career has been in the private sector and he’s only been in the public sector since joining the agency. It has been a pleasure getting to know each of the Board Members more as we wade into this job. Supervisor Bates had a good suggestion at the San Joaquin Hills Board Meeting that perhaps a performance review at the midpoint of this time period would be beneficial so that I can get feedback from you. You are all very busy so it is up to me to figure out how to adapt to what your needs are and the best way to communicate with each of you. If you are not getting something you need or we are having difficult time making our calendars work, I certainly would appreciate the feedback on that.
We are looking at the Weekly Board Update report to make that more personal from my point of view, where I can let you know about some of the things that are going on. Having more face time with each of you is important. I think we are going into a challenging year as we define our vision and strategy for moving forward so you will see more requests for me to have time with each of you to get those thoughts so we can coalesce on that vision together.

Chairwoman Bartlett noted a mid-point review will be conducted.

ACTION: Moved by Director Puckett, seconded by Director Voigts, and unanimously carried to:

Approve the continued appointment of Mike Kraman as Acting CEO through December 31, 2014.

CHIEF EXECUTIVE OFFICER’S REPORT
(Michael Kraman, Acting Chief Executive Officer)

Acting CEO Kraman reported on the following:

The loyalty program feasibility study is an opportunity to look at the potential for doing something for our regular customers and he is excited about what that study is going to tell the TCA.

May is a milestone month for the agencies. The last day of cash is May 13 after a long road and a lot of hard work for the AET implementation, AET will be fully implemented on May 14 at 12:01 a.m. There is a press conference scheduled on Tuesday, May 13 at 8:15 a.m., which will be held at the Catalina View Toll Plaza and all Board Members are invited. Parking will be a challenge; therefore, the TCA will be providing shuttles from the TCA offices for Board Members and staff; departure time will be 7:45 a.m.

There will be a celebration for the 20th Anniversary of the Coyote Canyon mitigation site and a family-oriented expo that is scheduled for Saturday, May 17 from 10:00 a.m. to 2:00 p.m. There will be a lot of booths there with informational items as well as actual tours of the landfill area.

The TCA is in the midst of the FY15 Budget process and a Foothill/Eastern Operation and Finance Committee Meeting has been scheduled for June 4 at noon. Additionally, the Foothill/Eastern will be holding a second budget workshop session and that has been schedules for Thursday, May 22

A Toll Roads Pamphlet has been created to focus on tourism and visitors to Orange County. This pamphlet will be available at the information racks at the airport and hotels, to give information to visitors on how to utilize the toll roads.
• Traffic & Revenue Report  
  (James Gallagher, Chief Toll Operations Officer)

Jim Gallagher reported transactions are up 3.1% over May of 2013 and revenue is up 7.1% year over year. In the aggregate 9,000 new accounts were opened in April indicating a 10% increase in account activity.

DIRECTORS’ REPORTS AND NEW BUSINESS  
  (Lisa Bartlett, Chairwoman)

Chairwoman Bates reported the leadership elections for FY15 will be held at the June Board of Directors Meeting.

• Ad Hoc Committees – Monthly Reports

Director Beall reported on the Foothill/Eastern Financial Ad Hoc Committee meeting, held in April, on the following:

- The possibility of putting a RFP out for an external investment advisor to explore the opportunity to leverage the expertise of an external investment advisor to increase investment earnings and provide additional staffing support
- Potential investment in a forward purchase agreement for the short-term debt service funds. This agreement enables the agency to invest in the same type of securities as today and as permitted by the bond indentures but longer on the yield curve allowing us to increase our investment earnings
- Issuance of an RFP for financial advisory services and the Municipal Advisor rule that will become effective July 1, 2014.

Director Young reported on the Joint Legislative Ad Hoc Committee held on May 7. The committee reviewed the parts of the federal government that the agency needs to be aware of because of their impact on the way the TCA does business and our ability to complete our capital projects. The status of the current transportation bill was discussed and this bill expires in September. Susan Lent indicated there will most likely be an interim fix for the funding because the chance of a new transportation bill getting approved before the November election is slim. The administration released their proposed version of a new transportation bill last week called “Grow America.” The Grow America bill includes a provision that all new toll roads only collect tolls electronically. The House and Senate will be introducing their versions of the transportation bill in the coming weeks. Work will then begin to reconcile the bills into one they can all agree on. Susan Lent’s job is to keep in touch with key members of the committee and policies that our being shaped which affects us.
Chairwoman Bartlett reported on the Foothill/Eastern Mobility Ad Hoc Committee held on May 7. The committee heard briefings from a series of lobbying and strategy consultants who have been working on plans to complete the 241 Toll Road. They gave their input on the perception of the agency by outside audiences and the obstacles that we face in completing the road the way we had planned for in the past. The consultants interviewed included Richard Harris, Nossaman, LLP; Robert Naylor, Robert Naylor Advocacy; Curt Pringle, Curt Pringle & Associates; Gary Hunt, California Strategies; Tom Soto, Canyon Strategies; Don Polese, Ron Packard and Scott Packard, Packard Government Affairs; Stan Oftelie, The Oftelie Company; Richard Katz, Richard Katz Company; and Susan Lent, Akin Gump Strauss Hauer & Feld, LLP.

Decisions will be made during the budget process on what the agency will do with regard to the consultants and lobbyist on a moving forward basis.

V. CLOSED SESSION

There was no need for a closed session.

VI. FOOTHILL/EASTERN ADJOURNMENT

The meeting was adjourned at 11:11 a.m. The next regularly scheduled meeting of the Foothill/Eastern Board of Directors is June 12, 2014, at 9:30 a.m., TCA Offices, 125 Pacifica, Irvine, CA 92618.

ATTEST:

______________________________
Kathleen Loch, CAP-OM, Clerk of the Board

______________________________
Sherri McKaig, Assistant Secretary to the Board

______________________________
Lisa Bartlett, Chairwoman
Foothill/Eastern Board of Directors
BOARD MEETING DATE: June 12, 2014

SUBJECT: Investment Reports

STAFF RECOMMENDATION:
Receive and file.

SUMMARY:
Enclosed are the monthly investment reports for the Foothill/Eastern Transportation Corridor Agency (F/ETCA) as April 30, 2014. As of April 30, 2014, all indenture funds are invested in accordance with the permitted investment section of the respective indentures and all non-indenture funds are invested in compliance with both the California Government Code and F/ETCA Investment Policy.

Amy Potter, Chief Financial Officer

Howard Mallen, Director of Finance

CONTRACTOR/CONSULTANT: N/A

COST:
F/E= N/A
SJH= N/A

REPORT WRITTEN BY: Diane Farson, Manager of Treasury Operations
(949) 754-3468

REVIEWED BY:
Engineering/Environmental Communications/Public Affairs Finance Toll Operations
DATE:  June 12, 2014  

TO:  Foothill/Eastern Transportation Corridor Agency Board of Directors

FROM:  Diane Farson, Manager of Treasury Operations

SUBJECT:  Investment Reports

STAFF RECOMMENDATION:

Receive and file.

BACKGROUND:

The Foothill/Eastern Transportation Corridor Agency (F/ETCA) issues a monthly report to the Board of Directors to provide the overall investment profile and resulting performance of the investment portfolio.

DISCUSSION:

Compliance

Enclosed are the investment reports for the F/ETCA for the month ended April 30, 2014. These investment reports reflect only assets held by the Trustee (Bank of New York), which include 1995 and 2013 indenture accounts and two non-indenture accounts. As of April 30, 2014, all indenture funds are invested in accordance with the permitted investment section of the respective indentures and all non-indenture funds are invested in compliance with both the California Government Code and F/ETCA Investment Policy.

Portfolio Update

Since March 31, 2014, the adjusted cost portfolio balance has increased by approximately $10.9 million to $567.0 million. This increase in April is primarily due to toll revenue transfers of $11.6 million, receipts of development impact fees of $2.2 million and interest earnings of $0.4 million. This increase is partially offset with construction and construction related expenditures of $1.5 million and toll operations related expenses of $1.8 million.
The weighted average maturity of the F/ETCA portfolio is 3.8 years. The weighted average YTM (Yield to Maturity @ Cost) decreased 3 basis points, from 1.78 percent at March 31, 2014 to 1.75 percent at April 30, 2014.

The market value of the portfolio is $28.3 million higher than adjusted cost at April 30, 2014. The majority is attributable to certain long-term, fixed income investments held in the debt service funds, which are structured so that securities mature to meet debt payments. The market values of these fixed income securities, which are currently yielding an average of 6.5 percent, have increased over the last five years due to the low interest rate environment. If interest rates were to increase the market value of these securities will fall as market values and interest rates move inversely on fixed income securities. The market values reported herein have been obtained from Interactive Data Corporation, which provides an online interface to the agency’s investment database system. These market values are compared for reasonableness with the market values provided by the Trustee.

**Credit Update**

To maintain safety, adherence to an investment policy strategy of purchasing only top-rated securities and diversification of security types and maturities is required. As shown in Exhibit 2, approximately 87 percent of the entire portfolio is invested in U.S. Treasury and U.S. Agency obligations which are rated AA+ and Aaa by Standard & Poor’s and Moody’s respectively.

**Economic Update**

The Federal Reserve’s Federal Open Market Committee (“FOMC”) met in April and announced further reductions to the monthly asset purchase program, continuing a process known as “tapering.” The Fed now plans to add to its holdings of mortgage-backed securities at a pace of $20 billion per month and longer-term Treasury securities at a pace of $25 billion per month. The reduction in asset purchases reflects the Committee’s judgment that there is “sufficient underlying strength in the broader economy to support ongoing improvement in the labor market conditions.”

Although the Committee felt confident enough in the recovery’s strength to continue reducing asset purchases, it expressed a few notes of caution in the press release. The Committee acknowledged that the unemployment rate remains elevated and that the housing sector remained low. The Committee also anticipates that “it likely will be appropriate to maintain the current target range for the federal funds rate for a considerable time after the purchase program ends.”

The American economy added 288,000 new jobs in April, the fastest pace of hiring in two years. The payroll report also included upward revisions to hiring in the next two years. The payroll report also included upward revisions for February and March, worth a combined 36,000 jobs, bringing the unemployment rate down to 6.3%. The April jobs number far exceeded the 218,000
jobs expected by economists although while the headline number suggests a very strong labor market, not all the information was positive.

The labor force participation rate dropped to 62.8% from 63.2% in March. This decline was driven by 806,000 people who quit the labor force in April, bringing the participation rate to a 36-year low. Wage growth, another closely watched metric, was shown to be flat. One bright note was a falling proportion of long-term jobless among the unemployed—now 35.3%—as 287,000 of the long-term unemployed found jobs.

Data released in April for the S&P/Case-Shiller Home Price Indices showed slowing annual rates of gain in both the 10-City and 20-City Composites. They showed 13.1% and 12.9% price gains, respectively, in the twelve months ending February 2014. “Prices remained steady from January to February,” noted David M. Blitzer, Chairman of the Index Committee at S&P Dow Jones Indices, but “the annual rates cooled the most we’ve seen in some time,” he added. “Despite continued price gains, most other housing statistics are weak…the recovery in housing starts, now less than one million units at annual rates, is faltering,” said Mr. Blitzer.

With tax season now behind us, and government coffers full, Treasury bill supply has fallen considerably. Since mid-March the cumulative decline in bills outstanding has reached $213 billion. With significant cash on hand, the Treasury requires less short-term borrowing. The Treasury has been gradually reducing the size of its bill issuances as a consequence. The decline in supply has brought T-bill rates towards zero, with 1-month and 3-month bills hitting zero basis points and one basis point, respectively.

**Exhibits**

1. **Portfolio Summary – F/ETCA Indenture and Non-Indenture Funds**

   This report provides a summary of the F/ETCA total portfolio value by asset category on both an adjusted cost basis (historical cost adjusted for the cumulative amortization of premium/discount recorded to date) and market value basis (fair value based on quoted market prices).

2. **Portfolio Summary Graph – F/ETCA Indenture and Non-Indenture Funds Asset Allocation Comparison – Market Value**

   This pie chart is a representation of the market value and related percentage of each asset category in the portfolio to the total portfolio. The investment policy and debt agreements specify percentage limitations on certain asset categories. At April 30, 2014, the agency holdings were all below the maximum percentage limits.

3. **Fixed Income Holdings – F/ETCA Indenture and Non-Indenture Funds**
This report provides a detailed description of each fixed income security held in the F/ETCA total portfolio and the corresponding bond rating by Standard & Poor’s (S&P) and Moody’s. At April 30, 2014, all of the agency’s investments were rated at or above the minimum rating required per the agency’s investment policy and debt agreements. This report includes all agency security holdings with the exception of money market funds and cash.

4. Investment Definitions

This is a list of common terminology used to describe the agency’s investment portfolio. Staff has provided this glossary to assist the Board in their review of the agency’s investment practices.

**BUDGET:**

N/A

**CONCLUSION:**

Enclosed are the monthly investment reports for the Foothill/Eastern Transportation Corridor Agency (F/ETCA) as of April 30, 2014. As of April 30, 2014, all indenture funds are invested in accordance with the permitted investment section of the respective indentures and all non-indenture funds are invested in compliance with both the California Government Code and F/ETCA Investment Policy.

Attachments
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<th>Market Value</th>
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FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY
PORTFOLIO SUMMARY
INDENTURE AND NON-INDENTURE FUNDS
APRIL 30, 2014
MARKET VALUE  $595,340,188

U.S. Treasuries 74.31%
U.S. Agencies 12.47%
Municipal Bonds 2.28%
Commercial Paper 1.06%
Certificates of Deposit 0.17%
Money Market & Cash 5.57%
Medium Term Corporate Notes 4.58%
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<td><strong>TREASURY BILLS Total</strong></td>
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<td>29,333,892.68</td>
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<td><strong>TREASURY NOTES</strong></td>
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<td>0.550% Due 03-15-16</td>
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### FIXED INCOME HOLDINGS - SETTLED TRADES

**Foothill/Eastern Transportation Corridor Agency**  
**Indenture & Non-Indenture Funds**  
**30-Apr-14**

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<tr>
<th>Description</th>
<th>Symbol</th>
<th>Par Value</th>
<th>Cost</th>
<th>Total Cost</th>
<th>S&amp;P</th>
<th>Moody</th>
<th>Call</th>
<th>Put</th>
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<td>UNIVERSITY OF CALIFORNIA REGENTS REVE 91412GPX</td>
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**MUNICIPAL BONDS Total**  
13,872,861.10

**CORPORATE NOTES-MEDIUM TERM**

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<th>Unit</th>
<th>Total Cost</th>
<th>S&amp;P</th>
<th>Moody</th>
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<td>METLIFE INSTL FDG II GLOBAL RESTR 1.625% Due 04-02-15</td>
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<td>Aa3</td>
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<tr>
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**CORPORATE NOTES-MEDIUM TERM Total**  
28,010,563.55

**GRAND TOTAL**  
477,865,723.89

**Note 1:** The issuer is a U.S. Government Sponsored Agency. Security, which is unrated, is an authorized investment per the investment policy.
INVESTMENT DEFINITIONS

**Historical Cost**
The original price paid for the investment.

**Adjusted Cost**
Historical cost adjusted for the cumulative amortization of premium/discount recorded to date.

**Market Value**
An approximation of the current trading price. The Agency obtains such data from a pricing service bureau.

**Par**
The face value of a security which represents the amount to be paid by the issuer at maturity.

**Premium**
The amount above the par value which is paid to purchase a security that has a coupon rate higher than the current market rate.

**Discount**
The amount which is deducted from the par value when purchasing a security that has a coupon rate lower than the current market value.

**Basis Point**
Unit of interest rates or yields expressed as a percentage. One hundred basis points equal one percent.

**Coupon Rate**
The annual interest rate that a debt issuer promises to pay an investor.

**Maturity Date**
The date on which the principal or last principal payment on a debt is due and payable.

**Yield**
The internal rate of return on an investment. Yield encompasses the following factors: historical cost, coupon rate, interest payments and their reinvestment and maturity date.

**Yield to Maturity-Cost (YTM-C)**
The rate of return yielded by a debt security held to maturity when both interest payments and the premium or discount paid by the investor are taken into account.

**Yield to Maturity-Market (YTM-M)**
Same as above, except the current market price is substituted for historical cost. This rate fluctuates with the market where the YTM-Cost remains constant for each individual investment.
**Fixed Income Security**
A debt instrument with a fixed or variable interest component and a maturity date.

**Money Market Security**
A short-term debt instrument such as a Treasury bill or commercial paper.

**Interest Rate (or Market) Risk**
The risk that the market value of the portfolio will rise or fall when interest rates fluctuate. When interest rates rise, bond prices fall. The longer the maturity of the bond and the lower the coupon rate, the greater the vulnerability to a change in interest rates.

**Credit Risk**
Reflects the possibility that the issuer will not make promised interest and principal payments on time or in full. Treasury securities are considered to have no credit risk.

**Reinvestment Risk**
When interest rates fall, so do the rates at which bond interest payments can be reinvested. This reduces realized yields, since the bondholder will earn less “interest on interest.” Zero-coupon bonds do not make periodic interest payments, and as such, are not subject to reinvestment risk.

**Call Risk**
This reflects the danger that a bond might be called or redeemed during a period of declining interest rates. When high-yielding investments are called during periods of declining interest rates, investors must then reinvest the proceeds in obligations that have lower yields. Fund managers can reduce this risk by holding issues with longer periods of call protection.

**Liquidity Risk**
Esoteric securities and other thinly traded securities carry the danger of not being easily or quickly sold. This means that the fund manager may have to accept a sub-optimal bid for securities if a competitive market does not exist and the manager must liquidate the position on short notice.

**Event Risk**
This reflects the chance that a leveraged buyout, takeover, or other recapitalization would materially weaken the claims of existing bondholders, sometimes to the benefit of stockholders. A classic example was the buyout of RJR Nabisco. The company’s bond prices declined after its creditworthiness was downgraded to reflect a higher debt load.
BOARD MEETING DATE:       June 12, 2014

SUBJECT:   Janitorial Services Contract

STAFF RECOMMENDATION:

Foothill/Eastern Transportation Corridor Agency Recommendation:

1. Authorize the acting chief executive officer (CEO) to execute contract K000929 to ABM Onsite Services – West, Inc. in the amount of $90,280.

2. Authorize the acting CEO to execute additional changes to this contract within 10 percent ($9,028) of the authorized expenditure without further Board action.

San Joaquin Hills Transportation Corridor Agency Recommendation:

1. Authorize the acting chief executive officer (CEO) to execute contract K000929 to ABM Onsite Services – West, Inc. in the amount of $5,000.

2. Authorize the acting CEO to execute additional changes to this contract within 10 percent ($500) of the authorized expenditure without further Board action.

SUMMARY:

To ensure costs remain within a competitive range and service levels are adjusted for reduced toll plaza cleaning needs associated with All Electronic Tolling (AET), the janitorial services contract was recently re-competed. Staff recommends authorizing a new one-year contract with two-one year options to ABM Onsite Services – West, Inc. in the amount of $90,280 for the F/ETCA and $5,000 for the SJHTCA.

CONTRACTOR/CONSULTANT:   ABM Onsite Services – West, Inc.

COST:  
F/E = $90,280  
SJH = $5,000

REPORT WRITTEN BY:   Kurt Machtolf, Facilities Manager  
(949) 790-7726

REVIEWED BY:  
Engineering/Environmental  
Communications/Public Affairs  
Finance  
Toll Operations
DATE: June 12, 2014

TO: Foothill/Eastern Transportation Corridor Agency Board of Directors
    San Joaquin Hills Transportation Corridor Agency Board of Directors

FROM: Kurt Machtolf, Facilities Manager

SUBJECT: Janitorial Services Contract

STAFF RECOMMENDATION:

Foothill/Eastern Transportation Corridor Agency Recommendation:

1. Authorize the acting chief executive officer (CEO) to execute contract K000929 to ABM Onsite Services – West, Inc. in the amount of $90,280.

2. Authorize the acting CEO to execute additional changes to this contract within 10 percent ($9,028) of the authorized expenditure without further Board action.

San Joaquin Hills Transportation Corridor Agency Recommendation:

1. Authorize the acting chief executive officer (CEO) to execute contract K000929 to ABM Onsite Services – West, Inc. in the amount of $5,000.

2. Authorize the acting CEO to execute additional changes to this contract within 10 percent ($500) of the authorized expenditure without further Board action.

BACKGROUND:

Janitorial services for The Toll Roads and Pacifica building are provided by contract with a single building maintenance company selected through a competitive bid process. United Maintenance Systems (UMS) has provided services for the agencies since July 2011, when they were selected through this process. UMS bills each agency for the cleaning services provided for their respective toll plaza facilities. As owner of the Pacifica building, The Foothill/Eastern Agency pays all the cleaning costs for the facility.
Due to the implementation of All Electronic Tolling (AET), the scope of work for the new contract was adjusted to reflect a significantly reduced need for cleaning within and around the toll plaza facilities. Although the toll plaza facilities will be mostly unoccupied with the cashless conversion, the buildings still need to be kept clean and in good repair because they contain the infrastructure for all the toll collection and violation systems. The scope of work for the Pacifica building remains unchanged.

The current contract expires on June 30, 2014. The new one-year contract includes two one-year options.

**DISCUSSION:**

To ensure costs remain within a competitive range, staff issued a new Request for Proposal (RFP) with a revised scope of work for all-inclusive janitorial services in April 2014. Staff advertised the RFP K000929 on The Toll Roads website and contacted all respondents in prior janitorial services procurements. In all, staff provided the RFP to 22 interested parties. Seven firms participated in a mandatory pre-proposal meeting and job walk. Three firms submitted proposals. Two of the three bids were accepted after being reviewed for responsiveness. The two proposals were evaluated and both firms were interviewed. ABM Onsite Services – West, Inc. received the highest combined score. The new one-year contract rates are $90,280 for the Foothill/Eastern Transportation Corridor Agency (F/ETCA) and $5,000 for the San Joaquin Hills Transportation Corridor Agency (SJHTCA). Due to a revised scope of work related to AET, these rates represent a 39% overall reduction ($57,920) in janitorial costs for the F/ETCA and an 83% cost reduction ($23,800) for the SJHTCA. The lower percentage of reduction for the F/ETCA is due to the costs associated with the unchanged scope of work for the main building at 125 Pacifica, Irvine.

The contract prices are considered firm through June 30, 2015. The agencies will retain the right to terminate the contract with a 30-day written notice for any reason. The two one-year options will be negotiated and exercised prior to the expiration of current contract terms.

**BUDGET:**

Funding for this contract is included in the proposed FY15 budget. Funding for the two one-year contract options will be requested in the respective fiscal year budgets.

**CONCLUSION:**

To ensure costs remain within a competitive range and service levels are adjusted for reduced toll plaza cleaning needs associated with All Electronic Tolling (AET), the janitorial services contract was recently re-competed. Staff recommends authorizing a new one-year contract with two-one year options to ABM Onsite Services – West, Inc. in the amount of $90,280 for the F/ETCA and $5,000 for the SJHTCA.

Attachment
PROCUREMENT SUMMARY REPORT

Report No. 09
File No. 2014J-021

Contract #: K000929
Title: Janitorial Services

Recommend Award To: ABM Onsite Services – West, Inc.
Department: Facilities
Staff Lead: Kurt Machtolf

Procurement Process
Type: Competitive Proposal
Award Criteria: Most Qualified Proposer
FY 2015 Not to Exceed: $95,280 (1)

Proposal Results:

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<thead>
<tr>
<th>CONSULTANT NAME</th>
<th>RANK</th>
<th>SCORE (max = 200)</th>
<th>PRICE (2)</th>
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<tr>
<td>ABM Onsite Services – West, Inc.</td>
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<td>187</td>
<td>$86,280</td>
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<tr>
<td>Commercial Cleaning Systems</td>
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<td>190</td>
<td>$87,218</td>
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<td>Ultimate Maintenance Services(3)</td>
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</table>

(1) This $90,280 for F/ETCA and $5,000 for SJHTCA are the not-to-exceed amounts for both regular janitorial services and as-needed cleaning.
(2) These are the proposed all inclusive flat-fee annual prices for cleaning the Pacifica Building and the Irvine Ranch Northbound Toll Plaza, including consumable supplies.
(3) This respondent did not propose plans for operation, organization, staffing, or employee retention – along with other information essential for proposal evaluation. TCA did not evaluate the submittal.

<table>
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<tr>
<th>PROPOSAL EVALUATION CRITERIA</th>
<th>MAXIMUM POINTS</th>
<th>ABM</th>
<th>CCS</th>
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<td>Company background, organization, personnel, and employee retention.</td>
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<td>30</td>
<td>29</td>
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<tr>
<td>Proposed equipment, supplies, chemicals, green products, and uniforms.</td>
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<td>28</td>
<td>30</td>
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<tr>
<td>Ability to perform, staffing plan, safety and training plans, and work plan.</td>
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<td>29</td>
<td>27</td>
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<tr>
<td>Current client/supplier references and letters of recommendation</td>
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<td>47</td>
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<tr>
<td>Price proposal and consumables handling.</td>
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<tr>
<td>Total:</td>
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<td>190</td>
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Note: The Evaluation Committee determined to interview both compliant firms.
Interview Results:

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<th>RANK</th>
<th>SCORE (max = 200)</th>
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<tr>
<td>Commercial Cleaning Systems</td>
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<td>30</td>
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<tr>
<td>Proposed equipment, supplies, chemicals, green products, and uniforms.</td>
<td>30</td>
<td>28</td>
<td>30</td>
</tr>
<tr>
<td>Ability to perform, staffing plan, safety and training plans, and work plan.</td>
<td>30</td>
<td>29</td>
<td>27</td>
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<tr>
<td>Current client/supplier references and letters of recommendation</td>
<td>50</td>
<td>46</td>
<td>47</td>
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<tr>
<td>Price proposal and consumables handling.</td>
<td>60</td>
<td>57</td>
<td>50</td>
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<tr>
<td><strong>Total:</strong></td>
<td><strong>200</strong></td>
<td><strong>190</strong></td>
<td><strong>183</strong></td>
</tr>
</tbody>
</table>

Note: Before conducting interviews, the Evaluation Committee determined that the interview results would determine the best qualified proposer.

**Vendor Sourcing:** TCA’s Contracts Department posted RFP K000929 on TCA’s website and contacted all respondents in prior janitorial services procurements. In all, TCA provided RFP K000929 to 22 interested parties, including the incumbent contractor. Seven firms participated in the mandatory pre-proposal meeting and job walk. The above three firms submitted proposals.

Contracts Department followed up with the four firms that attended the pre-proposal meeting, but that did not submit proposals; as well as the incumbent contractor, which did not attend the pre-proposal meeting. Reasons for further non-involvement in the procurement process included circumstances beyond non-respondents’ control, tight schedules, and inability to supply the contract required bonds.

**Compensation:** ABM Onsite Services – West, Inc. (“ABM”) proposed an annual flat-fee price of $86,280, which includes compensation for consumable products. This price is all inclusive and is acceptable to TCA. ABM will clean unoccupied toll plaza facilities on an as-needed basis for $70 per cleaning. ABM will also provide emergency cleaning services at an $18 straight hourly rate, $27 overtime hourly rate, and $45 holiday hourly rate.

**Indemnification:** The contract contains standard indemnification language previously approved by legal counsel.

**Contract Negotiation:** The anticipated contract contains no negotiated terms or conditions.
TECHNICAL ADVISORY COMMITTEE
SAN JOAQUIN HILLS COMMITTEE
FOOTHILL/EASTERN COMMITTEE
JOINT ADMINISTRATION COMMITTEE
LEGAL & LEGISLATIVE COMMITTEE
SAN JOAQUIN HILLS BOARD OF DIRECTORS
X FOOTHILL/EASTERN BOARD OF DIRECTORS

BOARD MEETING DATE: June 12, 2014

SUBJECT: Foothill/Eastern Transportation Corridor Agency Fiscal Year 2015 Annual Budget

STAFF RECOMMENDATION:


COST: F/E = $196,612,751
SJH = N/A

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

REVIEWED BY:
Engineering/Environmental Communications/Public Affairs Finance Toll Operations
RESOLUTION NO. F2014-04

A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY
APPROVING THE BUDGET FOR FISCAL YEAR 2015

On motion of Board Member___________________, 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, 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, Conference and Business 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 FY 2015 (FY15) in the amount of $196,612,751. The approval includes Administration, Planning, Environmental and Construction, Toll Operations expense and Equipment, Debt expenses, the proposed staffing plan as described in the budget, and projected Revenues, including without limitation the adoption of the “proposed” toll rates, fees, and fines, as presented at the Board meeting on June 12, 2014.

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 $17,253,730
- Tesoro Extension and SR 241 Long Range Planning (excluding related administration) $25,121,404
- Capital Improvement Plan $3,809,192
- Other Planning, Environmental and Construction $12,881,221
- Toll Operations $15,777,392
- Debt Service $121,769,812

and subject to controls in place under the 1995 and 2013 Indentures of Trust, the Board approved Contracts and Procurement Manual, Investment Policy, Staffing and Compensation Plan, and finally the Agency’s enabling legislation.

3. Resolves to carry forward the project description from the current 2012 Regional Transportation Improvement Program/2013 Federal Transportation Improvement Program (RTIP) and 2050 Regional Transportation Plan (RTP), and to include the updated schedule and project budget approved by this resolution in subsequent RTIP and RTP updates, for the San Diego Association of Governments (SANDAG) region, including the 2014 RTIP and 2015 RTP updates.

4. Resolves to carry forward the project description from the current 2013 Regional/Federal Transportation Improvement Program (FTIP) and 2012-2035 Regional Transportation Plan, and to include the updated schedule and project budget approved by this resolution, in subsequent RTIP and RTP updates, for the Southern California Association of Governments (SCAG) region, including the 2015 FTIP and 2016 RTP updates.

5. Directs staff to forward the approved Annual Budget for FY15 to the trustee.
This Resolution No. F2014-04, shall become effective immediately upon adoption.

Adopted this 12th day of June, 2014, by the Board of Directors of the Foothill/Eastern Transportation Corridor Agency.

Lisa Bartlett, Chairwoman
Foothill/Eastern Transportation Corridor Agency
RESOLUTION NO. F2014-04

A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY
APPROVING THE BUDGET FOR FISCAL YEAR 2015

ATTEST:

I, __________________, Clerk of the Board of the Foothill/Eastern Transportation Corridor Agency hereby certify that the foregoing Resolution No. F2014-04 was duly adopted on June 12, 2014, by the Board of Directors of the Foothill/Eastern Transportation Corridor Agency by the following vote:

Yes:

No:

Absent:

Abstain:

Kathleen Loch
Clerk of the Board
Foothill/Eastern Transportation Corridor Agency

Sherri McKaig
Assistant Secretary to the Board
Foothill/Eastern Transportation Corridor Agency
Dear Chairwoman Bartlett and Board Members:

**Re: Foothill/Eastern Transportation Corridor Agency's Fiscal Year 2015 budget**

We are pleased to present you with the Foothill/Eastern Transportation Corridor Agency’s (F/ETCA) Fiscal Year 2015 (FY15) budget. Thank you for the direction and support you provided during this year’s annual budget process.

The proposed budget for FY15 is $196.6 million. Compared to FY14’s amended budget of $201.8 million, the FY15 budget shows a net decrease of $5.2 million or 2.6 percent. The decrease in the FY15 budget is a result of the agency’s conversion to all-electronic toll collection and the 2013 refinancing transaction which lowered debt payments in FY15.

Due to an improving economy in FY14, transactions and revenue are up approximately three percent and seven percent, respectively, over FY13. The FY15 budget assumes transactional toll revenue of $123.1 million, a 2.8 percent increase over projected FY14 transactional toll revenue.

The FY15 budget was developed with the agency’s continued commitment to fiscal responsibility, cost containment and overarching goals of:

- Completing the conversion to all-electronic tolling and the migration of cash customers to an electronic account
- Increasing toll transactions and revenue through the creative acquisition of new customers and increasing usage by existing customers
- Focusing on positive customer service
- Expanding the system to serve drivers and improve regional mobility
- Continuing our commitment to sustainability initiatives that benefit the environment.

We head into FY15 energized by the historic year that FY14 was for the F/ETCA. In December, we successfully refinanced $2.3 billion in outstanding debt originally issued in 1999. The deal attracted national attention as one of the largest fixed-rate municipal transactions of 2013 and will save the agency $975 million over the course of the next 26 years.

While the refinancing extends F/ETCA debt from 2040 to 2053, it lowers the annual debt payment escalation rate and reduces the maximum annual debt payment. This
action improves the agency’s credit rating stability and provides financial flexibility for the future. The FY15 budget meets the debt service coverage ratio requirements as outlined in our bond indentures.

FasTrak® turned 20 years old in October. FasTrak was launched by the Transportation Corridor Agencies (TCA) for use on the first 3.2-mile portion of the 241 Toll Road. FasTrak -- California’s first and only electronic toll collection system -- is now used by five different tolling agencies and more than 3.2 million drivers throughout the state on every tolled bridge, lane and road. TCA alone currently has more than 800,000 transponders in circulation belonging to more than 455,000 FasTrak accounts.

As part of the birthday festivities, TCA honored Trabuco Canyon resident Brian Clifton, who has the distinction of being the first FasTrak customer. Clifton, a retired Irvine police officer, opened the very first FasTrak account in August 1993, two months before the road was opened and he continues to drive The Toll Roads on a daily basis.

In January, we welcomed our first ExpressAccount™ customer when we introduced three new ExpressAccount types. With the new, transponder-free ExpressAccounts, images of a vehicle's license plates are taken on The Toll Roads, linked to an account and the appropriate toll is either collected from a prepaid balance, charged directly to the driver’s credit card or added to their monthly invoice. In less than five months, more than 27,000 ExpressAccounts have been opened.

At the same time, we introduced a payment option designed for infrequent toll road drivers and visitors. "One-Time-Toll" allows out-of-town guests and tourists to use The Toll Roads without establishing a FasTrak or ExpressAccount. These customers may use The Toll Roads at their convenience and pay their tolls within 48 hours after driving the roads via our website or free app. One-Time-Toll has been used more than 123,000 times.

The introduction of these new ways to pay was in preparation for our conversion to all-electronic toll collection. On May 14 at 12:01 a.m., we ceased cash toll collection on our roadways -- making travel faster and more convenient for the more than 250,000 commuters who choose The Toll Roads every weekday. The removal of cash tolls is a trend throughout the tolling industry and we surveyed our cash customers to develop new electronic payment options that will work for them.

The combined capital improvement cost for converting to all-electronic toll collection was approximately $17 million for both the Foothill/Eastern and San Joaquin Hills Agencies. That is $2 million less than the estimated capital improvement cost that would have been necessary to upgrade the aging toll collection system equipment. In addition to the $2 million savings in capital upgrades, the combined agency estimated annual net operating costs will decrease by an average of $3.9 million compared to the annual operating cost in the past. Future equipment improvements will also result in substantial savings since we will need to maintain far fewer lanes and will no longer need to maintain and replace costly cash collection machines.
Throughout the year, we’ve been working to secure the federal environmental documents and permits required to move forward with the State Route 241 Tesoro Extension Project. At your direction, the F/ETCA filed a petition with the State Water Resources Control Board appealing the San Diego Regional Water Quality Control Board’s decision to deny the waste discharge requirement permit for the State Route 241 Tesoro Extension on July 19. We continue to await the findings of the state’s review.

To clarify the agency’s focus on the 5.5-mile State Route 241 Tesoro Extension Project, the F/ETCA -- in coordination with the Federal Highway Administration (FHWA) -- recently announced the rescission of two Notices of Intent (NOI) to prepare an Environmental Impact Statement under the National Environmental Policy Act for the State Route 241 South Orange County Transportation Infrastructure Improvement Project (SOCTIIP).

Rescinding the NOIs informs the public that the 241 Toll Road alignment south of Cow Camp Road is unknown. Any future project beyond the Tesoro Extension would undergo a new environmental and permitting process.

On the existing 241 Toll Road, a Wildlife Safety Fence Improvement Project will soon get underway and will be constructed in stages along the road, from the 91 freeway to the 261 Toll Road. The project will help reduce the number of vehicle-animal collisions on the roadway. It comes as a result of on-going monitoring and study of wildlife movements that was a requirement of the biological opinion obtained from the U.S. Fish and Wildlife Service in connection with construction of State Route 241.

Closer to the roadway than the existing fence, the new fence will be buried 24 inches into the ground, be 10 to 12 feet high and have an additional 18 inches of outrigger at the top angled away from the roadway. The fence will guide animals to the existing wildlife crossings below the roadway and better prevent animals from accidentally getting on the roadway.

We also continue to work with the Orange County Transportation Authority (OCTA) and the Riverside County Transportation Commission (RCTC) to plan a direct connector from the 241 Toll Road into the 91 Express Lanes. The tolled, median-to-median connector will travel north-to-east and west-to-south between the 241 Toll Road and the 91 Express Lanes in Anaheim, California.

During FY14 we repeated successful marketing campaigns and promotions from the past and implemented some fresh ideas. Most memorable, we welcomed Layne to our team. Layne is the official Toll Roads spokesperson and she’s on a mission to let SoCal drivers know that The Toll Roads are better alternatives than sitting in congested freeway traffic. The public has responded well to Layne and in recent focus groups she received validation from the participants.
Also new for FY14 and set to continue in FY15 is our partnership with Albertsons. Customers can open a new FasTrak account and get a transponder at participating Albertsons Orange County stores for $36. Once the transponder is activated on thetollroads.com, $40 in prepaid tolls will be automatically credited to the account. This retail store partnership is similar to one we have had with Costco for several years.

Encouraging cash customers to convert to electronic toll collection, we ran a number of promotions enticing them to make the switch to FasTrak or a new ExpressAccount before cash toll collection ended. We first offered $30 in free tolls to be credited to new accounts and then the following month, we ran a “Drive a Week Free” promotion.

To keep the public abreast of our promotions and other news, we launched TheTollRoadsBlog.com and continued to be active on the major social media platforms. We released an update for our free mobile app, which has now been downloaded more than 112,000 times. The app update allows customers to open new accounts, manage existing accounts and pay a One-Time-Toll with ease and convenience from a mobile device.

Even with all of the abovementioned projects, initiatives, challenges and accomplishments, for the first three quarters of FY14 we are tracking well within the FY14 budget. We budget tightly, monitor and continue to look for ways to contain costs and do things more efficiently. As Orange County continues to climb out of the great recession, our ridership and revenue continue to climb as well.

If you have any questions about the contents of this letter or the accompanying budget package, please feel free to contact CFO Amy Potter (949-754-3498) or me.

Sincerely,

Michael A. Kraman
Acting Chief Executive Officer
FOOTHILL/EASTERN
TRANSPORTATION CORRIDOR AGENCY

Fiscal Year 2015 Proposed Budget
Foothill/Eastern Transportation Corridor Agency

Budget Process and Format

Fiscal Year 2015 Proposed Budget
Budget Process

The Foothill/Eastern Transportation Corridor Agency’s (F/ETCA) Board of Directors and the Master Indentures of Trust (Indentures), established in the context of the agency’s 2013 and 1995 bond issuances, provide the financial parameters for the agency in the development of the budget. The indentures provide the scheduled future debt service payments and the required debt service coverage ratio that must be obtained each fiscal year and establish financial constraints, which may impact the agency’s ability to undertake additional projects.

At the beginning of the process, the executive team set the objectives for FY15 while considering both near-term and long-term agency goals and direction from the Board of Directors. Department managers reviewed the status of projects for the current year and developed project initiatives for the next fiscal year with the agency’s goals and objectives in mind. The finance staff worked jointly with each department to compile budget expenditure requests. After all project initiatives and budget requests were reviewed by executive management, the proposed annual budget was presented to the F/ETCA Board of Directors at a workshop to obtain direction and feedback. This year, the workshop was held in April and included a detailed review of both revenues and expenditures. The agency’s traffic and revenue consultant attended the meeting and presented an overview of the agency’s toll revenue history, toll rate elasticity, how current economic trends may affect toll transactions, and proposed toll rate options for FY15. In May, an additional budget workshop was held for the Board of Directors to address questions and concerns from the April workshop. Any changes and questions received during the workshop were then addressed. The annual budget is now being presented to the Board of Directors for adoption at the June board meeting for the fiscal year starting July 2015. 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 adopted on a basis consistent with Generally Accepted Accounting Principles. The Chief Executive Officer (CEO) has the authority to make budget transfers within each of the following six categories as long as the total budget amount per category is maintained and the expenditures are made within board approved policies:

- Administration
- Tesoro Extension and SR 241 Long Range Planning (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 bond indentures, the contracts and procurement manual, the investment policy, the staffing and compensation plan and enabling legislation. Transfers within a category are often for accounting purposes and given the budget includes estimates, transfers within a category allow department managers to manage within their department thereby increasing efficiencies. CEO transfers within each budget category are reported to the Board of Directors on a quarterly basis.

Transfers between categories require the Board of Directors’ approval.

These budget categories are presented on page 25 and 26 along with detail subcategories that fall within each of these categories. Budget categories and subcategories are discussed in the Uses Summary section beginning on page 17. All budget appropriations lapse at year-end and any amounts not accrued at each year-end must be re-appropriated in the next fiscal year.

**Budget Format**

The FY15 proposed Uses budget for the F/ETCA totals $196.6 million. The agency has one enterprise fund that records all activity on the accrual basis of accounting. The agency establishes a budget for this one fund including Planning, Environmental and Construction, Debt Service, and Toll Operating Expenses and Equipment (Toll Operations). Expenses directly related to the F/ETCA are charged entirely to the agency and those incurred on behalf of both the agency and the San Joaquin Hills Transportation Corridor Agency (SJHTCA) are allocated between the two agencies based on the estimated benefit to each. Within each agency, for funding purposes and calculation of debt coverage, costs are further allocated between Planning, Environmental and Construction, and Toll Operations, based on the estimated benefit to each activity. The following discussion presents a broad description of the type of activities included in the three budget fund categories. These three fund categories are represented as separate columns on page 25 and 26 to illustrate how each budget category and subcategory is allocated between the budget fund categories. A more detailed discussion of the expenditures proposed for FY15 is included in the Sources and Uses section of this document.

**Toll Operations (budget fund category)**

The Toll Operations budget includes funding for the toll operations activities including operating administration costs. The proposed FY15 Toll Operations budget is $23.1 million.

The primary sources of funds available for Toll Operations are toll revenues, violation and account maintenance fees, and interest income from Toll Operations related accounts. Previously collected development impact fees are also available for funding operations equipment and capital purchases.
Amounts allocated to Toll Operations are costs associated with maintaining and operating the toll equipment, software and systems as well as the customer service centers, toll collection processing, and all other related monthly operating expenses. The major costs budgeted for Toll Operations’ activities include the TransCore LP (TransCore) contract costs associated with the operation and maintenance of the agency’s toll systems lane hardware and software; and customer service and toll compliance services under contract with 3M which include the operation of the customer service center and toll processing, review and processing of vehicle plate images, and violation collection processing services. Also included in Toll Operations are toll equipment purchases such as transponders, system software, and in-lane toll and violation processing equipment. In addition, a portion of agency administration costs allocated to operation activities including insurance, salaries and benefits, consulting, legal, office expense and marketing are included in this fund category.

Many Administration expenditures are allocated between the agency and SJHTCA, and then within each agency allocated between the Toll Operations and the Planning, Environmental, and Construction fund categories.

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

The budget for Planning, Environmental, and Construction includes construction, capital improvement plan projects, ongoing environmental mitigation and other environmental services, such as slope maintenance and special studies, and all non-operating administration costs. These expenses are recorded in the agency’s financial statements as an addition to construction in progress, when appropriate, until the roads are 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 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 disbursement is made, not when the project is transferred to Caltrans. The proposed budget for these activities and projects in FY15 totals $51.7 million.

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

The primary sources of funds for Planning, Environmental and Construction Expenses are cash on hand from previous development impact fee collections and agency directed surplus revenues. Agency directed surplus revenues are toll, fee and penalty revenues in excess of amounts needed for operating expenses, debt service payments and funding the indenture required reserves in the year the revenue is collected. The debt service reserve fund requirements totaling $220.8 million have been fully met. Agency directed surplus revenues are not under bond Indenture requirements (see description of bonds in the Debt Service section below) and may be spent at the Board of Directors’ discretion for any lawful purpose. Each year, $5 million of development impact fees received by the
agency is available to fund expenditures or increase the agency directed surplus revenue fund; the balance of development impact fees collected during the year are also made available for the same purpose if they are not needed to fund debt service payments. Other sources of funds for these activities include investment earnings and grant funds awarded to the agency.

**Debt Service (budget fund category)**

Debt Service includes principal payments and accrued interest related to long-term debt. A portion of the outstanding bonds are capital appreciation bonds and convertible capital appreciation bonds, which are structured so that the principal amount accretes (increases) each year at the stated interest rate. Accretion can be simply described as deferred interest that is added to the bonds’ principal balance and is recorded as interest expense and an increase to debt on the financial statements. Debt accretion has been excluded from the budget because it is a non-cash item and is reflected in the budget as part of the principal payments in the years scheduled to be paid. The proposed FY15 budget for Debt Service is $121.8 million.

In 1995 the agency issued $1.3 billion in long-term toll revenue bonds to finance construction of the Foothill/Eastern Transportation Corridors (State Routes 241, 261 and 133). During August 1999, the agency issued fixed rate, tax-exempt toll road refunding revenue bonds in the aggregate amount of $1.6 billion to advance refund all but $180 million of the 1995 issuance of long-term toll road revenue bonds.

Tax-exempt toll road refunding revenue bonds in the aggregate amount of $2.3 billion were then sold on December 12, 2013 (2013 Bonds) to refinance the 1999 bonds and the refinance transaction closed on January 2, 2014. These bonds refinanced the debt to 2053 and provided the following benefits to the agency:

- Maintained current investment grade ratings from Fitch and S&P and positioned for a future upgrade to an investment grade rating from Moody’s
- Improved near-term excess cash flow
- Created increased margin to withstand future economic downturns
- Provided greater latitude in managing toll rates to reflect economic conditions, traffic patterns and toll elasticity
- Eliminated the need to use the Escrow Defeasance Fund to meet bond coverage covenants
- Established a lower debt payment growth rate (from 4.20% to 3.75%)
- Lowered the peak debt payment and established the ability to either pay down debt early or fund major projects

The 2013 Bonds, which pay interest semi-annually, are to be repaid primarily from toll revenues. The bonds are due and payable on dates ranging from July 15, 2014 to January 15, 2053. The interest on the remaining 1995 bonds is due semi-annually. 1995 bond interest payments are fully funded by capitalized interest through January 1, 2032 that was established at the time of the 1999 refunding. The remaining principal balance of 1995 bonds is due and payable in FY’s 2033-2035.
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 net debt payments (debt service scheduled for the fiscal year less capitalized interest) and at least 130% of the current year’s senior lien net debt payments. This is often referred to as 1.15x and 1.30x debt service coverage, respectively.

When compiling the operations budget, the agency staff ensures that the revenues and expenses budgeted provide the necessary coverage ratio as defined in the Indentures. The attached proposed Sources and Uses budgets for debt service and operating expenses result in an aggregate coverage ratio of 1.22x and a senior lien coverage ratio of 1.41x. A schedule showing the calculation is included on page 38 of this document.
Foothill/Eastern
Transportation Corridor Agency

Sources

and

Uses

Fiscal Year 2015 Proposed Budget
Sources and Uses

The Sources and Uses of Funds Statement summarizes the agency’s projected total sources and uses for the year ending June 30, 2015.

Total sources include revenues budgeted in FY15 as well as cash on hand from development impact fees and surplus revenues collected and available to the agency from previous years, capitalized interest funds for 1995 and 2013 bond payments and amounts in the 2013 debt service accounts.

Below is a summary of total funds on hand and the amount of these funds available to fund the FY15 budget as well as future budgets (in thousands).

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Total Funds on Hand at 6/30/14</td>
<td>$ 583,044</td>
</tr>
<tr>
<td>July Activity Related to FY 14</td>
<td>(70,119)</td>
</tr>
<tr>
<td>Adjusted Estimated Total Funds on Hand at 6/30/14</td>
<td>512,925</td>
</tr>
<tr>
<td>Less Operating Reserves</td>
<td>(17,966)</td>
</tr>
<tr>
<td>Less Debt Service Reserves</td>
<td>(220,762)</td>
</tr>
<tr>
<td>Estimated Cash Available to Fund Current and Future Budgets</td>
<td>$ 274,197</td>
</tr>
<tr>
<td>Cash on Hand Restricted For Debt Service (Current and Future)</td>
<td>$ 133,545</td>
</tr>
<tr>
<td>All Other Cash Available to Fund Current and Future Budgets</td>
<td>140,652</td>
</tr>
<tr>
<td>Estimated Cash Available to Fund Current and Future Budgets</td>
<td>$ 274,197</td>
</tr>
</tbody>
</table>

Total uses include all budgeted expenses requiring a cash outlay.

The Sources and Uses of Funds Statement show sources less cash uses to arrive at cash available to fund subsequent budgets.

The following statement includes the approved FY14 budget, as amended, including transfers within the CEO’s authority, staff projected FY14 sources and uses based on actuals through March 2014 and the proposed budget for FY15.
## Foothill/Eastern Transportation Corridor Agency
### Sources and Uses of Funds Statement
#### Fiscal Years 2014 through 2015

($000)

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2014 Amended Budget As of 3/31/14</th>
<th>FY 2014 Estimated Actuals</th>
<th>FY 2015 Proposed Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Toll Revenue</td>
<td>112,133</td>
<td>115,289</td>
<td>118,132</td>
</tr>
<tr>
<td>Fees and Penalties</td>
<td>20,100</td>
<td>22,850</td>
<td>23,300</td>
</tr>
<tr>
<td>Development Impact Fees</td>
<td>10,600</td>
<td>16,850</td>
<td>13,407</td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>10,744</td>
<td>9,070</td>
<td>4,716</td>
</tr>
<tr>
<td>Grants</td>
<td>72</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>361</td>
<td>361</td>
<td>386</td>
</tr>
<tr>
<td>Cash on Hand Restricted For Debt Service</td>
<td>156,003</td>
<td>156,003</td>
<td>133,545</td>
</tr>
<tr>
<td>All Other Cash Available to Fund Current and Future Budgets</td>
<td>134,289</td>
<td>134,289</td>
<td>140,652</td>
</tr>
<tr>
<td><strong>Total Sources of Funds</strong></td>
<td>444,302</td>
<td>454,726</td>
<td>434,138</td>
</tr>
<tr>
<td>Planning, Environmental and Construction</td>
<td>33,094</td>
<td>15,299</td>
<td>41,812</td>
</tr>
<tr>
<td>Planning, Environmental and Construction Administration</td>
<td>10,447</td>
<td>7,583</td>
<td>9,914</td>
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<tr>
<td>Toll Operating Administration</td>
<td>6,507</td>
<td>6,221</td>
<td>7,340</td>
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<tr>
<td>Toll Customer Service and Toll Compliance</td>
<td>8,638</td>
<td>8,626</td>
<td>10,526</td>
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<tr>
<td>Toll Systems</td>
<td>3,314</td>
<td>3,188</td>
<td>1,749</td>
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<tr>
<td>Toll Collections</td>
<td>2,334</td>
<td>2,244</td>
<td>-</td>
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<tr>
<td>Toll Facilities</td>
<td>1,009</td>
<td>1,009</td>
<td>1,073</td>
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<td>Operations Equipment</td>
<td>2,039</td>
<td>1,950</td>
<td>2,429</td>
</tr>
<tr>
<td>Debt Service</td>
<td>134,409</td>
<td>134,409</td>
<td>121,770</td>
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<tr>
<td><strong>Total Cash Uses</strong></td>
<td>201,791</td>
<td>180,529</td>
<td>196,613</td>
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<tr>
<td>Projected Cash Available to Fund Subsequent Budgets</td>
<td>242,511</td>
<td>274,197</td>
<td>237,525</td>
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<tr>
<td>Less Restricted Cash For Future Debt Service</td>
<td>133,545</td>
<td>133,545</td>
<td>112,572</td>
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<td><strong>Projected Available Cash</strong></td>
<td>108,966</td>
<td>140,652</td>
<td>124,953</td>
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<tr>
<td><strong>Total Budget</strong></td>
<td>201,791</td>
<td>180,529</td>
<td>196,613</td>
</tr>
</tbody>
</table>
Sources Summary

Over the past several years the economy has presented financial challenges with respect to transactions and toll revenue, however due to the improving economy in FY14 transactions and revenue are expected to be up approximately 3% and 7%, respectively, over FY13. Given the transition to All Electronic Tolling (AET), the agency will be closely monitoring the impacts to revenue and taking appropriate actions, if necessary. Regardless, it will be important to continue to take measures to ensure that revenue growth is maintained in FY15. The agency needs to continue to plan for the future and adjust rates and increase ridership in order to achieve revenues at a level that supports the agency’s debt obligations.

The agency has also focused on customer incentives and promotions to maintain and build transactions and revenues. Given the purpose of promotions is to increase revenue, tolls used as incentives for promotions will be recorded as an offset to revenue in accordance with accounting principles and the bond indentures. Promotions will be analyzed and presented to the Board of Directors for approval on an ongoing basis and as such have not been budgeted.

During the April 23 and May 15, 2013 budget workshops, staff presented the Board with recommended options for toll rates that have been developed by the agency’s traffic and revenue consultant, Stantec Consulting Services Incorporated (Stantec). The FY15 budget for sources of funds is based on the feedback received from the Board during these workshops related to the toll rate options presented (see Net Toll Revenue section below).

At the beginning of FY15, the agency expects to have total cash adjusted for accrual items of $512.9 million. The expected adjusted cash balance includes debt service reserve and operating reserve funds of $238.7 million and $274.2 million of cash on-hand available to fund the current and future years’ budgets. These available funds are primarily from development impact fees, surplus revenues, capitalized interest, and interest earnings. During FY15, Net Toll Revenue, Fees and Penalties, Development Impact Fees, Interest Earnings, and Other Revenue are budgeted at $159.9 million. Below are brief explanations of each of these funding sources.

Net Toll Revenue

The budget for FY15 Net Toll Revenue of $118.1 million, or 73.9% of total revenue, is a combination of the agency’s estimate of transactional toll revenue reduced by estimated violations and unprocessable and non-revenue transactions. The FY15 budget assumes transactional toll revenue of $123.1 million which represents a 2.8% increase over projected FY14 transactional toll revenue.

The proposed 2.8% increase is achieved by implementing a 2% FasTrak toll rate increase while implementing a rate structure whereby all non-FasTrak tolls are $1.00 higher than the FasTrak rate. Total transactions as a result of toll rate increases are expected to result in transaction growth of 0.3% based on a study analyzing the impact of various toll rate
options performed by Stantec. The growth rate assumes continued economic improvement and an increase in traffic congestion on routes parallel to the toll roads thereby increasing the value of time savings obtained by choosing the toll road option. The table below shows the FY14 current toll rates and the proposed FY15 toll rates by location, split between non-FasTrak and FasTrak, and peak/off-peak if applicable. In summary, FasTrak rates have increased by $0.01 to $0.05 per tolling location. Non-Fastrak rates have increased by $0.09 to $0.58 per tolling location with the exception of a $0.07 decrease at Irvine Ranch, and the Irvine Blvd (West) northbound and Portola (West) southbound onramps.
<table>
<thead>
<tr>
<th>Location</th>
<th>Time/Type</th>
<th>Current Rates</th>
<th>FY15 Alternative 1b</th>
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<tr>
<td></td>
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<td>Change</td>
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<tr>
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<td>$ 3.25</td>
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<td>$ 2.30</td>
<td>$ 2.35</td>
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<td></td>
<td>Non-FasTrak Peak</td>
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<td>$ 3.60</td>
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<tr>
<td></td>
<td>FasTrak Peak</td>
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<td>$ 2.60</td>
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<td>Non-FasTrak Off-Peak</td>
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<td>$ 2.43</td>
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<td>$ 1.40</td>
<td>$ 1.43</td>
</tr>
<tr>
<td></td>
<td>Non-FasTrak Peak</td>
<td>$ 2.50</td>
<td>$ 2.84</td>
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<tr>
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<td>FasTrak Peak</td>
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<td>$ 1.40</td>
<td>$ 1.43</td>
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<td>Non-FasTrak</td>
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<td>$ 0.66</td>
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<td></td>
<td>FasTrak</td>
<td>$ 0.65</td>
<td>$ 0.66</td>
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<tr>
<td>Oso</td>
<td>Non-FasTrak</td>
<td>$ 1.75</td>
<td>$ 2.33</td>
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<td>$ 1.33</td>
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<td>$ 2.75</td>
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<td>$ 1.73</td>
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<td>FasTrak Peak</td>
<td>$ 1.95</td>
<td>$ 1.99</td>
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<tr>
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<td>FasTrak Off-Peak</td>
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<td>Non-FasTrak Peak</td>
<td>$ 2.75</td>
<td>$ 2.84</td>
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<tr>
<td></td>
<td>FasTrak Peak</td>
<td>$ 1.80</td>
<td>$ 1.84</td>
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<tr>
<td>Portola (West)</td>
<td>Non-FasTrak</td>
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<td>$ 2.43</td>
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<tr>
<td></td>
<td>FasTrak</td>
<td>$ 1.40</td>
<td>$ 1.43</td>
</tr>
<tr>
<td>Irvine Blvd. (East)</td>
<td>Non-FasTrak</td>
<td>$ 1.75</td>
<td>$ 1.92</td>
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<tr>
<td></td>
<td>FasTrak</td>
<td>$ 0.90</td>
<td>$ 0.92</td>
</tr>
<tr>
<td>Irvine Blvd. (West)</td>
<td>Non-FasTrak</td>
<td>$ 1.75</td>
<td>$ 1.92</td>
</tr>
<tr>
<td></td>
<td>FasTrak</td>
<td>$ 0.90</td>
<td>$ 0.92</td>
</tr>
<tr>
<td>Irvine Blvd. (West) *</td>
<td>Non-FasTrak</td>
<td>$ 2.50</td>
<td>$ 2.43</td>
</tr>
<tr>
<td>NB On</td>
<td>FasTrak</td>
<td>$ 1.40</td>
<td>$ 1.43</td>
</tr>
<tr>
<td>Portola (West) *</td>
<td>Non-FasTrak</td>
<td>$ 2.50</td>
<td>$ 2.43</td>
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<tr>
<td>SB On</td>
<td>FasTrak</td>
<td>$ 1.40</td>
<td>$ 1.43</td>
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</table>

* Prior to AET, traffic paid toll at Irvine Ranch
Violations for FY15 are assumed to occur at a rate of 4.0% of transactional toll revenue based on current trends modified for projected changes due to AET implementation, or approximately $5.0 million of which $3.0 million, or 2.4% of transactional toll revenue represents 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).

The agency estimates that it will receive a total of $115.3 million in Net Toll Revenue in FY14. This consists of $119.7 million of transactional toll revenue reduced by estimated violations of $4.4 million.

**Fees and Penalties**

Fees and Penalties revenue is budgeted for FY15 at $23.3 million, representing 14.6% of total revenues. Fees and Penalties revenue consists of $11.7 million for estimated amounts to be collected for the recovery of lost tolls from toll violations and fees and penalties related to the violations, $10.0 million for account maintenance fees from FasTrak account holders, and $1.6 million of other miscellaneous fees related to operations (i.e., invoice fees, suspended account and returned check fees, lost, stolen or damaged transponder fees, and fees related to programs with San Francisco Airport and rental car agencies).

Actual Fees and Penalties revenue for FY14 is estimated to be $22.9 million. The FY15 Fees and Penalties budget is based on the current trends in collections, the estimated transactions for FY15, the current pursuable violation rate adjusted for AET projections at 1.6% of traffic, and a staff recommendation to not change the violation penalty amounts from the current rates of $57.50 on the first notice of violation and $42.50 on delinquency notice. The FY15 budget for account maintenance fees is based on the agency’s current policy in which a fee of $2.00 per transponder is charged to FasTrak account holders in each month where monthly tolls incurred on F/ETCA or SJHTCA facilities are less than the threshold of $25 per transponder. When an account has multiple transponders, the aggregate tolls incurred by an account are considered when determining whether any account maintenance fees are charged.

**Development Impact Fees**

The agency adopted a Development Impact Fee Program in 1986. The fee program is based on the general principle that future development within the “area of benefit” of the corridor will benefit from the construction of the corridor. Development Impact Fees are assessed on new residential and non-residential (commercial, industrial, etc.) development. Development Impact Fees for FY14 are expected to approximate $16.9 million. The agency is estimating Development Impact Fees to be $13.4 million for FY15 representing 8.4% of total revenues, based on the Development Impact Fee study concluded in November 2013. The following chart is provided to illustrate the historical trend of Development Impact Fees collected.
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 on projected average balances and an estimated average yield of approximately 1% on all funds. Total Interest Earnings budgeted for FY15 of $4.7 million represent 2.9% of total revenues.

Interest Earnings for FY14 are estimated to be $9.1 million. The decrease of $4.4 million in the FY15 Interest Earnings budget as compared to the FY14 estimate is primarily due to lower Debt Service Reserve Funds (DSRF) required by the 2013 Indentures, the largest funds in the FETCA portfolio. Also, all of the securities in the DSRF were invested in early 2014 after the 2013 bond issuance. These securities are yielding almost 100 basis points less than the funds previously invested in the 1999 DSRF given the current lower interest rate environment. In addition, based on current interest rates, the proceeds from maturing securities are expected to be re-invested in FY15 at average yields lower than FY14.

Grants and Other Revenue

Grants and Other Revenue of $0.4 million, represent 0.2% of total revenues.

Other Revenue budgeted for FY15 is for rental income of $0.4 million for the office space leased to SJHTCA. Estimated FY14 Grants and Other Revenue is $0.4 million consisting primarily of rental income from SJHTCA.
The following chart represents a comparison of FY15 proposed budgeted revenues to FY14 budgeted revenues.

Budgeted revenues increased $5.9 million to $159.9 million in FY15 from budgeted revenues of $154.0 million in FY14 due to an increase in Net Toll Revenue, Fees and Penalties, and Development Impact Fees, offset by a decrease in Interest Earnings, and Grants and Other Revenue.

Net Toll Revenue is expected to increase from $112.1 million budgeted in FY14 to $118.1 million in the FY15 budget as a result of current transaction and revenue trends and toll rate changes. Fees and Penalties are projected to be higher in FY15 by $3.2 million compared to the FY14 budget as a result of actual violation collections adjusted for AET projections. Development Impact Fees have increased by $2.8 million from the FY14 budget to $13.4 million based on recent collection trends and the Development Impact Fee study concluded in November 2013. Interest Earnings are expected to decrease by approximately $6.0 million as a result of lower DSRF with lower average yields and lower yields expected on reinvestments that will occur in FY15 as a result of current market conditions. Grants and Other Revenue decreased less than $0.1 million compared to the FY14 budget primarily due to the completion of the ITS grant project in FY14.
Foothill/Eastern Transportation Corridor Agency
FY 2014 Revenue
Budget
($000)

Total Revenue $154,010

FY 2015 Revenue
Proposed Budget
($000)

Total Revenue $159,940
Uses Summary

In response to the economic downturn over the last several years, 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 continued to be in a good state of repair. This provided for a lower base to absorb inflationary growth.

As a result of the improving economy and a steady return of revenues to levels recorded prior to the economic downturn in FY08, the agency prepared the FY15 expense recommendation to move forward with increasing efficiencies, increasing transactions and revenues, and enhancing regional and local mobility. The FY15 budget includes a net reduction in staff, significant cost savings from the successful conversion of cash tolling to all-electronic tolling, and greater financial flexibility as a result of refinancing the 1999 bonds. In addition, the budget includes proposed inflationary increases in major operating contracts, capital project costs related to the SR 241 Tesoro Extension and the SR241/91 Connector, operations initiatives, and a decrease in debt service payments.

The FY15 budget for expenses was developed with the agency’s continued commitment to fiscal responsibility and overarching goals of:

1. Complete the transition to AET and conversion of cash customers to an electronic account
2. Increase toll revenue and transactions through the acquisition of new customers and increased usage by existing customers
3. Focus on positive customer service
4. Expand the toll road system to serve the customer base and benefit regional mobility through the SR 241 Tesoro Extension and SR 241/91 Direct Connector projects
5. Continued commitment to sustainability initiatives that benefit our environment

The following charts show operating revenues compared to debt, and the trend of Operating (Toll Operations and allocated Administration) and Non-Operating (Planning, Environmental, and Construction and allocated Administration) expenditures. Revenue fell during the economic downturn beginning in FY08, but has continued a steady increase since. Operating Revenues in this chart include tolls, fees, and penalties revenue and certain investment earnings used in the calculation of debt service coverage. Investment earnings remain constrained due to the current interest rate environment as reflected in Operating Revenues. Tolls, fees and penalties revenue has grown from $115.4 million in FY07 to $141.4 million as proposed in FY15

Debt service decreased in FY15 due to the 2013 refinancing transaction. FY15 net debt service (after usage of capitalized interest funds) decreased by $9.7M from $107.7 million prior to the 2013 refinancing to $98.0 million after the 2013 refinancing. As a result of the 2013 refinancing transaction, net debt service will be lower by $90.8 million from FY15 through FY19 and $1.0 billion lower through FY40.
From FY08 – FY12 operating expenses and headcount were reduced by 18.5%. Headcount has been reduced by 22.0% from FY08 – FY15. The increase in operating expense in FY14 is due to equipment improvements, increased transponder purchases, inflationary increases in contracts, and dual processing of cash and AET costs related to new pay types toward the end of FY14. The net decrease in operating and non-operating expense in FY15 is the result of the completion of the AET project, offset by operations initiatives for mobile app, customer service system, system security, One–Time-Toll, website enhancements, image processing improvements, and the expansion of FasTrak transponder retail distribution. The agency operates in a fiscally conservative manner and has made a substantial reduction to current and future operating expenses related to the implementation of AET while still providing customers with the best affordable service possible. The projected net savings related to AET in the first year after implementation is lower due to transitional costs. However, in subsequent fiscal years, the AET savings are expected to be approximately $2.5 million per year on average.

Non-operating expenses were lower FY08 - FY11 due to the completion of several capital improvement plan projects. The rise in Non-Operating expense for FY12 – FY14 is mainly due to AET implementation and Tesoro Extension pre-financing costs. The additional increase in non-operating expense for FY15 is due to Tesoro Extension project right of way expenditures, costs not spent in FY14 and re-budgeted in FY15, and new costs for the wildlife fencing and SR 241/91 projects. Additional information related to staffing reductions is included on page 27.
Foothill/Eastern Transportation Corridor Agency
Revenue & Net Debt Service Trend

Foothill/Eastern Transportation Corridor Agency
Expense Trend
The proposed budget for FY15 includes total uses of $196.6 million. The following are brief explanations of the various uses.

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

This category mainly consists of costs associated with the agency’s current Capital Improvement Plan including the SR 241 Tesoro Extension, AET, SR 241/91 Connector projects, and SR 241 Long Range Planning. The proposed budget for Planning, Environmental and Construction is $41.8 million for FY15, or approximately 21.3% of the total budget. The funding for these expenses is the surplus revenues from previous years, including unspent development impact fees.

The Planning, Environmental and Construction projected actuals for FY14 total $15.3 million. The increase of $26.5 million in the FY15 budget is primarily due to costs for a SR 241 wildlife fencing project, Tesoro Extension right-of-way expenses, and expenses re-budgeted in FY15 including SR 241 Tesoro Extension environmental and design costs and the SR 261 Peters Canyon wash water capture and reuse pipeline project that will be paid as consideration for extension of the Caltrans Cooperative Agreement, offset by a reduction in costs due to the completion of AET.

**Administration**

The total proposed budget for Administration expenses is $17.2 million for FY15, or approximately 8.7% of the total proposed budget. The Administration category includes all employee compensation (3.7% of the total budget) as well as overhead-type expenses, such as insurance, legal, office expenses, administrative consulting services, marketing, building services, and travel expenses. 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 25 and 26 of this document. The total for each line item is shown in the last column of the same schedule.

Projected Administration expenses for FY14 total $13.8 million. The increase in the FY15 proposed budget from the FY14 projected actuals is due to as-needed other consulting and legal expenses for SR 241 Long Range Planning and the SR 241 Tesoro Extension that were not spent in FY14 that have been re-budgeted in FY15. Other increases include an upgrade to the Pacifica building HVAC system and a shift in a portion of the marketing plan from the AET capital project back to general marketing. In addition, there is a net decrease in the number of positions budgeted in FY15 for salaries and benefits, offset by costs budgeted in FY15 related to nine positions unfilled for all of part of FY14 due to turnover and recruitment, and three employees who were out on disability for a portion of the year. The FY15 salaries budget also includes a merit pool (see discussion on page 31).
Toll Operations (Excluding Administration)

Toll Operations include toll system costs associated with maintaining the agency’s AET system lane hardware and software currently under contract with TransCore, and customer service center, toll processing, image based transaction, and violation collection processing costs associated with FasTrak and non-FasTrak customers, currently under contract with 3M. 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, computer upgrades, and server replacements. The proposed FY15 budget for these expenses is $15.8 million or 8.0% of the total budget.

Toll Operations, excluding Administration, is projected to total $17.0 million in FY14. The FY15 budget is $1.2 million lower than projected FY14 actuals due to the implementation of AET, offset by increases to scheduled Consumer Price Index adjustments for the major toll operations contracts, and an increase in transponder purchases.

Debt Service

The Debt Service category includes the principal and semi-annual interest payments to be made on all outstanding bonds. These payments for FY15 are budgeted at $121.8 million, or 62.0% of the total budget, of which $98.0 million will be paid from net revenues and $23.8 million from capitalized interest.

Actual Debt Service for FY14 will total $134.4 million consisting of interest and principal payments. The decrease in the FY15 budget is a result of the 2013 refinancing transaction which lowered debt payments in FY15.
Uses of Funds – FY14 Amended Budget as compared to FY15 Budget

The following charts represent a comparison of the FY14 budget and the FY15 proposed budget by type of expense.

The FY15 proposed budget of $196.6 million, as compared to the prior year’s amended budget of $201.8 million, shows a decrease of $5.2 million or 2.6%. A comparison of the two budgets excluding Debt Service results in an increase of $7.5 million, or 11.1%. The net decrease can primarily be attributed to a decrease in debt payments and the completion of AET. This is offset by an increase in the budget for Planning, Environmental and Construction costs, consisting of the SR 241 Tesoro Extension right of way option and SR 241 wildlife fencing project expenses, and by inflationary increases in major operating contracts and operations initiatives.

The Debt Service category includes the semi-annual interest payments on the 1995 and 2013 outstanding bonds. These payments are budgeted at $121.8 million for FY15.

Debt Service actuals for FY14 are projected to total $134.4 million consisting of interest and principal payments. The decrease in the FY15 budget is a result of the 2013 refinancing transaction which lowered debt payments in FY15.
Uses Detail

The schedule on the following pages details the budget as summarized on pages 27 to 38 into more specific categories (budget subcategories). Many of the Administration subcategories are allocated between Planning, Environmental and Construction and Toll Operations expenses.
## Budget Fund Categories

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<thead>
<tr>
<th>Budget Category and Subcategory</th>
<th>Plan, Environ &amp; Construction</th>
<th>Toll Operations &amp; Exp &amp; Equip</th>
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<th>Total</th>
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<td>312</td>
<td>230</td>
<td>-</td>
<td>542</td>
</tr>
<tr>
<td>Transportation &amp; Travel</td>
<td>172</td>
<td>89</td>
<td>-</td>
<td>261</td>
</tr>
<tr>
<td>Office Equipment</td>
<td>52</td>
<td>95</td>
<td>-</td>
<td>147</td>
</tr>
<tr>
<td>Pacifica Fixed Assets</td>
<td>453</td>
<td>347</td>
<td>-</td>
<td>800</td>
</tr>
<tr>
<td>Subtotal Administration</td>
<td>6,429</td>
<td>7,340</td>
<td>-</td>
<td>13,769</td>
</tr>
<tr>
<td>SR 241 Administration:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>1,957</td>
<td>-</td>
<td>-</td>
<td>1,957</td>
</tr>
<tr>
<td>Legal</td>
<td>1,528</td>
<td>-</td>
<td>-</td>
<td>1,528</td>
</tr>
<tr>
<td>Subtotal 241 SR Admin</td>
<td>3,485</td>
<td>-</td>
<td>-</td>
<td>3,485</td>
</tr>
<tr>
<td>Total Administration</td>
<td>9,914</td>
<td>7,340</td>
<td>-</td>
<td>17,254</td>
</tr>
<tr>
<td>Planning, Environmental and Construction:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SR 241:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Design/Program Mgmt</td>
<td>4,050</td>
<td>-</td>
<td>-</td>
<td>4,050</td>
</tr>
<tr>
<td>Design Special Studies &amp; Other</td>
<td>622</td>
<td>-</td>
<td>-</td>
<td>622</td>
</tr>
<tr>
<td>Design Contingency</td>
<td>2,100</td>
<td>-</td>
<td>-</td>
<td>2,100</td>
</tr>
<tr>
<td>Design General Engineering Cost</td>
<td>300</td>
<td>-</td>
<td>-</td>
<td>300</td>
</tr>
<tr>
<td>Environmental</td>
<td>2,974</td>
<td>-</td>
<td>-</td>
<td>2,974</td>
</tr>
<tr>
<td>ROW Acquisitions, Appraisals &amp; Other</td>
<td>15,075</td>
<td>-</td>
<td>-</td>
<td>15,075</td>
</tr>
<tr>
<td>Total SR 241</td>
<td>25,121</td>
<td>-</td>
<td>-</td>
<td>25,121</td>
</tr>
<tr>
<td>Capital Improvement Plan (CIP):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SR241/91 Connector</td>
<td>1,481</td>
<td>-</td>
<td>-</td>
<td>1,481</td>
</tr>
<tr>
<td>Strategic &amp; Policy Planning Study (AET)</td>
<td>1,875</td>
<td>-</td>
<td>-</td>
<td>1,875</td>
</tr>
<tr>
<td>ETC Toll Plaza Water Service</td>
<td>450</td>
<td>-</td>
<td>-</td>
<td>450</td>
</tr>
<tr>
<td>241 Widening-133 to Chapman (Loma Segment)</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Total Capital Improvement Plan</td>
<td>3,809</td>
<td>-</td>
<td>-</td>
<td>3,809</td>
</tr>
<tr>
<td>Other Planning, Environmental and Construction:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental</td>
<td>10,954</td>
<td>-</td>
<td>-</td>
<td>10,954</td>
</tr>
<tr>
<td>Design/Program Mgmt</td>
<td>445</td>
<td>-</td>
<td>-</td>
<td>445</td>
</tr>
<tr>
<td>Design Special Studies &amp; Other</td>
<td>600</td>
<td>-</td>
<td>-</td>
<td>600</td>
</tr>
<tr>
<td>ROW Acquisitions, Appraisals &amp; Other</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Other Construction FETC</td>
<td>880</td>
<td>-</td>
<td>-</td>
<td>880</td>
</tr>
<tr>
<td>Total Other Planning, Environ and Constr</td>
<td>12,882</td>
<td>-</td>
<td>-</td>
<td>12,882</td>
</tr>
<tr>
<td>Total Planning, Environmental and Construction</td>
<td>41,812</td>
<td>-</td>
<td>-</td>
<td>41,812</td>
</tr>
<tr>
<td>Budget Category and Subcategory</td>
<td>Plan, Environ &amp; Construction</td>
<td>Toll Operations Exp &amp; Equip</td>
<td>Debt Service</td>
<td>Total</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------------------------------</td>
<td>----------------------------</td>
<td>-------------</td>
<td>-------</td>
</tr>
<tr>
<td>Toll Operations:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Service &amp; Toll Compliance</td>
<td>-</td>
<td>10,526</td>
<td>-</td>
<td>10,526</td>
</tr>
<tr>
<td>Toll Systems</td>
<td>-</td>
<td>1,749</td>
<td>-</td>
<td>1,749</td>
</tr>
<tr>
<td>Toll Facilities</td>
<td>-</td>
<td>1,073</td>
<td>-</td>
<td>1,073</td>
</tr>
<tr>
<td>Subtotal Toll Operations</td>
<td>-</td>
<td>13,348</td>
<td>-</td>
<td>13,348</td>
</tr>
<tr>
<td>Operations Equipment:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transponder Equipment</td>
<td>-</td>
<td>2,212</td>
<td>-</td>
<td>2,212</td>
</tr>
<tr>
<td>Toll Equipment</td>
<td>-</td>
<td>217</td>
<td>-</td>
<td>217</td>
</tr>
<tr>
<td>Total Equipment</td>
<td>-</td>
<td>2,429</td>
<td>-</td>
<td>2,429</td>
</tr>
<tr>
<td>Total Toll Operations</td>
<td>-</td>
<td>15,777</td>
<td>-</td>
<td>15,777</td>
</tr>
<tr>
<td>Debt Service</td>
<td>-</td>
<td>-</td>
<td>121,770</td>
<td>121,770</td>
</tr>
<tr>
<td>Total Uses</td>
<td>51,726</td>
<td>23,117</td>
<td>121,770</td>
<td>196,613</td>
</tr>
</tbody>
</table>
Staffing

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

The recommended staffing plan for FY15 is 71 funded positions (from 81) and is allocated 29% to this agency and 71% to F/ETCA. The headcount is reduced by 14 positions; 12 due to AET and the elimination of the Chief of Staff and Technical Systems Specialist. In addition to the 71 funded positions, TCA also employs 3 part-time project employees, down from 5 in FY14. Project employees typically do not receive benefits offered by the agencies and are currently not included in the staffing plan. The following chart shows the change in funded headcount from 2007 through 2014 and the projected 2015 headcount on a combined agency basis (F/ETCA and SJHTCA).

After an in-depth look at our current staffing plan, we are recommending the addition of four new positions listed in the table below.

<table>
<thead>
<tr>
<th>Proposed New Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Administrator</td>
</tr>
<tr>
<td>Communications/Media Relations Manager</td>
</tr>
<tr>
<td>Manager, Environmental</td>
</tr>
<tr>
<td>Strategy Director</td>
</tr>
</tbody>
</table>
In addition, we are requesting the re-classification of 8 current positions (see table below) in order to support our current and near-future business model and major initiatives.

<table>
<thead>
<tr>
<th>Proposed Reclassification From</th>
<th>Proposed Reclassification To</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sr. Public Affairs Representative</td>
<td>Public Affairs Specialist</td>
</tr>
<tr>
<td>Public Affairs Specialist</td>
<td>Manager, Marketing and Public Relations</td>
</tr>
<tr>
<td>Sr. Contracts Administrator</td>
<td>Manager, Contracts and Procurement</td>
</tr>
<tr>
<td>Manager, Contracts and Procurement</td>
<td>Director, Contracts and Procurement</td>
</tr>
<tr>
<td>Operations Analyst</td>
<td>Sr. Operations Analyst</td>
</tr>
<tr>
<td>Deputy Director, Customer Service</td>
<td>Director, Customer Service</td>
</tr>
<tr>
<td>Sr. Network Engineer</td>
<td>Manager, Information Technology</td>
</tr>
<tr>
<td>Assistant Controller</td>
<td>Assistant Controller and Finance Analyst</td>
</tr>
</tbody>
</table>

A functional area organization chart is included on the following page. The chart illustrates the duties and responsibilities for each executive’s division and the number of funded positions and the calculated full time equivalents.

In addition to the regular duties and responsibilities that are required to manage the agencies, there are a number of project initiatives that staff works on each year to achieve the agency goals and objectives. Some of the longer term projects have been included on the chart. A more detailed description of these projects has been included as Appendix A.
TCA Organizational Structure
Fiscal Year 2015

Boards of Directors

Chief Executive Officer (3 FTEs)
3 Positions + 1 Project Employee (PT)

Communications & Public Affairs (10 FTEs)
10 Positions + 1 Project Employee (PT)
- Communications Strategy
- Marketing/Advertising
- Media Relations
- Community Relations/Outreach
- State & Federal Legislative Affairs
- Special Events
- Websites
- Graphics (all TCA support)
- Presentations
- Government Affairs
- Publications/Newsletters
- Email Communication
- Issue Management
- Speakers Bureau
- San Clemente Information Center, Customer Service & Outreach
- Social Media/Blog
- Research
- Messaging

HR & Administration (3 FTEs)
3 Positions
- Administration
- Human Resources
- Recruiting
- Benefits & Compensation
- Employee Relations
- Training & Development
- Compliance

Finance & IT (23 FTEs)
23 Positions + 1 Project Employee (PT)
- Finance
- Treasury
- Accounting
- Insurance Administration
- Data Management
- Information Technologies
- Auditing
- Budgeting
- Bond Counsel Interface
- Compliance
- Toll Operations Accounting/Reconciliation/Auditing
- Financial Reporting and Cash Flow Management
- Development Impact Fee Program Management
- Legislative Financial Support

Toll Operations (16.5 FTEs)
17 Positions
- Revenue Collection Processing
- Customer Service
- Toll Systems Maintenance
- Interoperability
- All Electronic Tolling Initiative
- Infrastructure Preservation
- Facilities Maintenance
- Walk-In Customer Service
- Toll Systems Development
- Toll Compliance & CHP Program
- Legislative Support
- National Toll Standards

Engineering, Contracts & Environmental Planning (15 FTEs)
15 Positions
- SR 241 Tesoro Extension
- Capital Improvement Plan (CIP)
- SR 241 Long Range Planning
- Habitat Stewardship
- Environmental Compliance
- Special Projects
- Design
- Engineering
- Construction Management
- Real Property
- Caltrans Interface
- Contracts & Procurement
- DBE Program
- Resource Agency Interface
- Regional Planning Agency Interface
Administration - Compensation (Regular Salaries and Benefits)

The agency employee compensation budget is $7.2 million. TCA salaries are reviewed each year through the annual performance review process. The agency does not provide for any type of automatic step or COLA increases.

Benefits include contributions to a cafeteria plan (medical, dental, and vision) and retirement plans. In general, budgeted benefits are determined by applying estimated rates for these plans to budgeted salaries. If benefit rates come in lower than expected, the budget is not spent. FY15 benefits are 40.3% of salaries.

In June 2012, the Board of Directors requested the agencies analyze the compensation and benefits package provided to employees. The Joint Compensation Ad Hoc Committee was formed and worked with a consultant and staff on this analysis. In April 2013, based on the results of the analysis of current benefits comparisons to public and private sector practices, the Board approved the reduction of employer paid employee contributions to the Orange County Employees Retirement System (OCERS), thereby shifting costs from the employer to the employee. The reduction in the benefit will occur over a three year period, reducing the amount paid by the agency that was 7% by 2.5% which began July 1, 2013 to 4.5%, followed by another 2.5% reduction beginning July 1, 2014 to 2.0% paid by the agency, followed by the final 2.0% reduction on July 1, 2015, at which time employees will be responsible for the entire employee retirement contribution, as shown in the chart below. F/ETCA’s portion of the savings in FY15 related to the reduction of this benefit is $82,000 and is reflected in the proposed budget.

The reduction in the CAL time accrual rates will be effective July 1, 2014, and will result in a savings to F/ETCA of $64,000.

<table>
<thead>
<tr>
<th>Description of TCA Practices and Changes</th>
<th>Pre 7/1/13</th>
<th>7/1/13</th>
<th>7/1/14</th>
<th>7/1/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer paid up to 7.00% based on employee actuarial rate</td>
<td>7.00%</td>
<td>4.50%</td>
<td>2.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Increase in employee pick-up over 3 years</td>
<td>0.00%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Employee cumulative increase in payment over 3 years</td>
<td>0.00%</td>
<td>2.50%</td>
<td>5.00%</td>
<td>7.00%</td>
</tr>
<tr>
<td>Employee's average contribution (counting all employees)</td>
<td>2.40%</td>
<td>5.90%</td>
<td>9.00%</td>
<td>11.40%</td>
</tr>
</tbody>
</table>

The FY15 employer contribution to OCERS has been budgeted at 25.71% (22.87% for employees hired on or after January 1, 2013 under the Public Employees Pension Reform Act – PEPRA). 12.97% of the FY15 employer rate is for payment of the agencies’ unfunded actuarial accrued liability (UAAL). The agencies’ UAAL at December 31, 2013 was approximately $12.0 million. OCERS has adopted actuarial assumption...
changes, the most significant of which relates to the investment earnings rate assumption. The earnings rate has been decreased from 7.75% to 7.25% and is being phased in over a two year period ending in FY15. Due to the change in actuarial assumptions, the agencies’ UAAL increased by approximately $2 million. Under OCERS, the UAAL is amortized over various periods that on a combined basis approximate 20 years. The agencies monitor the UAAL and believe that it is manageable as it is paid each year as part of the employer contribution.

A 4.0% merit pool of $170,556 based on the current public and private market has been included in the budget. The recommended merit pool will allow the agency to remain competitive, reward employees for their performance, and help retain current employees. The annual review process includes: employee input on the employee’s perspective of accomplishments and future goals, supervisor review and evaluation of employee accomplishments and establishment of goals for the next year, executive team member review of all performance reviews for the department, human resources review of all agency performance reviews for consistency, and submittal of performance reviews to the CEO for approval. The performance reviews are rated based on employee performance and include ratings in the following categories: Exceptional, Very Successful, Successful and Needs Improvement. The merit increase will be assigned according to ratings category and is expected to range from 2.5% for a successful rating to 5% for an exceptional rating. A 2.0% non-base building bonus pool of $85,278 has been included in the budget. This will allow the CEO to reward outstanding achievement on special projects and or initiatives.

Based on research conducted during the compensation and benefits review, most of the member agencies who have adopted the phase-out of employer paid employee pension contributions have implemented the plan along with an increase to salary to offset the effect on the employee often through a cost of living increase. The agency has not proposed this type of salary increase to offset the proposed reduction in benefits but has included a proposed merit and bonus pool for the reasons stated above.

TCA has contained costs through a net reduction in headcount (81 to 71) and reduced benefits (OCERS/CAL). Our philosophy and approach to contract out many of our services continues to keep our salaries/benefits lower and manageable. Our benefit design as it relates to healthcare offered to our employee’s self-mitigates rising employer costs despite increases to individual plans.

Administration - Insurance

Insurance expense is included at $1.1 million, approximately 0.5% of the total budget. The major components of insurance include earthquake, property, general and excess liability, and workers’ compensation coverage as detailed in the annual Current Insurance Coverage Report which will be provided at an upcoming board meeting. Policies are marketed and placed by the agency’s insurance broker, Alliant Insurance Services, Inc. who provides all of the agencies’ insurance procurement needs. All insurance is maintained in accordance with the requirements of the Indentures and as prudent business activities dictate.
Administration - Legal Expenses

Legal Expenses, excluding amounts related to the SR 241 Long Range Planning and SR 241 Tesoro Extension, is included at $0.4 million, approximately 0.2% 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, and claims litigation. Legal expenses are invoiced separately by individual matter, or type of legal issue, and are managed very carefully by the individual department managers who have requested the assistance. Composite rates for general counsel have remained at the original 1986 rate of $140.00 per hour. Negotiated blended rates related to AET, complex contract issues, and certain real estate issues are $300.00 per hour. In addition, litigation rates are billed at prevailing rates that vary between $325.00 and $800.00 per hour depending on the level of experience of the attorney involved, and state lobbyists are billed at a rate of $400.00 per hour. Below is a breakdown of legal expenses by major category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General/Other</td>
<td>$150,000</td>
</tr>
<tr>
<td>Contracts</td>
<td>97,000</td>
</tr>
<tr>
<td>Legislation</td>
<td>63,000</td>
</tr>
<tr>
<td>Financing</td>
<td>60,000</td>
</tr>
<tr>
<td>Development Impact Fees</td>
<td>50,000</td>
</tr>
<tr>
<td>Toll Operations</td>
<td>16,000</td>
</tr>
<tr>
<td>Environmental</td>
<td>10,000</td>
</tr>
<tr>
<td>Construction</td>
<td>2,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$448,000</strong></td>
</tr>
</tbody>
</table>

Administration - Consulting and Other Services

The Consulting Services category amounts to $1.1 million, which represents approximately 0.6% of the total budget and, as detailed below, includes service fees, maintenance and third party assistance contracts for both recurring needs and special projects, such as ADP for payroll processing and KPMG, LLP for annual audit services. It also includes financial planning, a Pacifica building air conditioning retrofit project consultant, a study for improved alignment with the Orange County Transportation Authority (OCTA), printing and distribution of publications, video production, federal lobbying, and community relations/public relations services.

<table>
<thead>
<tr>
<th>Service</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Relations Consulting and Research</td>
<td>$164,000</td>
</tr>
<tr>
<td>Financial Consulting</td>
<td>115,000</td>
</tr>
<tr>
<td>Payroll and Personnel Services</td>
<td>108,000</td>
</tr>
<tr>
<td>Toll Operations Services</td>
<td>101,000</td>
</tr>
<tr>
<td>Regional and Community Outreach</td>
<td>95,000</td>
</tr>
<tr>
<td>Finance Advisors</td>
<td>75,000</td>
</tr>
<tr>
<td>OCTA Alignment Consultant</td>
<td>73,000</td>
</tr>
<tr>
<td>Audit Services</td>
<td>58,000</td>
</tr>
<tr>
<td>Trustee Fees</td>
<td>50,000</td>
</tr>
</tbody>
</table>
Traffic and Revenue Consultant  48,000  
Internal Software Maintenance & Programming  45,000  
Rating Agencies  40,000  
Fed Lobbying-Not Related to SR 241 Initiatives  36,000  
HVAC Retrofit  30,000  
Disadvantaged Business Enterprise Program  25,000  
Publication and Video Production  21,000  
Bloomberg Investing Services  14,000  
Total  $1,098,000  

Administration - Marketing Consultant

Total expenditures for general marketing are budgeted at $1.5 million, representing 0.8% of the total budget, excluding the SR 241 Tesoro extension advertising. This includes amounts paid for radio and cable TV commercials, on-line advertising, and customer communications, research and consultant services for marketing, and website development. In addition, the FY15 budget includes two new programs; Loyalty and Email Marketing, intended to increase revenue, transactions and/or account enrollments. Following is the budget associated with these expenses:

<table>
<thead>
<tr>
<th>Service</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing Consultant</td>
<td>$1,276,000</td>
</tr>
<tr>
<td>Website</td>
<td>107,000</td>
</tr>
<tr>
<td>Loyalty Program</td>
<td>67,000</td>
</tr>
<tr>
<td>Marketing Research</td>
<td>17,000</td>
</tr>
<tr>
<td>Email Marketing</td>
<td>12,000</td>
</tr>
<tr>
<td>Total</td>
<td>$1,479,000</td>
</tr>
</tbody>
</table>

Administration - Building Services

Building Services is budgeted at $0.5 million, approximately 0.3% of the total budget. This category includes all operating costs associated with the agency’s operations facility (Pacifica building) and the San Clemente Information Center including utilities, janitorial services, landscaping services, and maintenance and repairs as listed below:

Pacifica Building:
<table>
<thead>
<tr>
<th>Service</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilities</td>
<td>$207,000</td>
</tr>
<tr>
<td>Janitorial</td>
<td>93,000</td>
</tr>
<tr>
<td>Landscaping and Pest Control</td>
<td>48,000</td>
</tr>
<tr>
<td>Unanticipated and Emergency Repairs</td>
<td>30,000</td>
</tr>
<tr>
<td>Carpet Cleaning</td>
<td>30,000</td>
</tr>
<tr>
<td>Other Repair and Maintenance; locks, elevator, generator, etc.</td>
<td>28,000</td>
</tr>
<tr>
<td>Heating and Air Conditioning Services</td>
<td>27,000</td>
</tr>
<tr>
<td>Electrical, Light and Plumbing Repair and Maintenance</td>
<td>26,000</td>
</tr>
<tr>
<td>Security System Repair and Maintenance</td>
<td>15,000</td>
</tr>
<tr>
<td>Parking and Window Maintenance</td>
<td>11,000</td>
</tr>
<tr>
<td>Structure and Roof Repair and Maintenance</td>
<td>10,000</td>
</tr>
<tr>
<td>Association Fees and Assessment Tax</td>
<td>3,000</td>
</tr>
</tbody>
</table>
Planning, Environmental and Construction - SR 241

The SR 241 Tesoro Extension and SR 241 Long Range Planning costs (including related administrative costs) are budgeted at $28.6 million representing 14.5% of the proposed budget. The primary costs for this category are the SR 241 Tesoro Extension pre-financing costs which include engineering/design oversight, environmental planning, design/build services, right of way, legal, and advocacy consultants. Related administrative expenses consist of legislative services, strategy consultants, community outreach consulting, community relations, and advertising. In FY15, work will continue on the development of engineering plans, completion of environmental assessments, and development of a financial strategy to build the SR 241 Tesoro Extension. Upon completion of this work, the Board of Directors will be asked, in a future action, to approve the project, its financing, and award a design-build contract amendment for its final design and construction.

SR 241 Tesoro Extension:
- Right of Way: $15,075,000
- Engineering/Design Oversight: 5,152,000
- Environmental: 2,459,000

Total: $22,686,000

SR 241 Long Range Planning:
- Engineering/Design Oversight: $1,920,000
- Environmental: 515,000

Total: $2,435,000

Total Administrative and Legal Expenses: $3,485,000

Grand Total: $28,606,000

Planning, Environmental and Construction - Capital Improvement Plan

The Capital Improvement Plan, excluding the SR 241 Long Range Planning and SR 241 Tesoro Extension, is budgeted at $3.8 million and represents 1.9% of the total budget. This category is comprised of projects for the 241, 261, and 133 Toll Roads and includes annual funding for the projects, including program management, environmental, design, construction management, construction, and all other related costs. The three main CIP projects include the coordinated efforts with the Orange County Transportation Authority (OCTA) on a direct connector from the SR 241 to the 91 Express Lanes, the final phase of AET, and a permanent domestic water connection near the southbound Tomato Springs Mainline Toll Plaza. These costs are outlined in the Capital Improvement Plan approved by the Board of Directors on May 8, 2014 and summarized below:
Strategic and Policy Planning Study (AET) $1,875,000
SR 241/91 Connector 1,481,000
ETC Toll Plaza Water Service 450,000
241 Widening-133 to Chapman (Loma Segment) 3,000
Total $3,809,000

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

Other Planning, Environmental and Construction costs (excluding SR 241) are budgeted at $12.9 million, or 6.6% of the total budget. Expenditures budgeted mainly include a SR 241 wildlife fencing project, an agreed upon payment to Caltrans for the Peters Canyon wash water capture and reuse pipeline project as consideration for extension of the Caltrans Cooperative Agreement, and a signage enhancement project. In addition, funding includes continued monitoring and habitat management for nearly 1,800 acres of mitigation area required for the 241, 261 and 133 Toll Roads. Monitoring and habitat management includes the Limestone Canyon Mitigation Area, Upper Chiquita Canyon, and Live Oak Plaza, as well as project initiatives for the Strawberry Farms Mitigation Site.

Wildlife Fencing $7,870,000
Peters Canyon Wash Water Capture/Reuse Pipeline Project 2,400,000
Environmental Monitoring and Habitat Management 1,102,000
Signage Enhancements 720,000
Design/Program Management 445,000
Competing Route Traffic Trends System 240,000
Strawberry Farms Mitigation Site 102,000
Design Special Studies, ROW and Other 3,000
Total $12,882,000

Toll Operations - Toll Customer Service and Toll Compliance

The Toll Customer Service and Toll Compliance category totals $10.5 million, approximately 5.4% of the total budget, and primarily includes funding for the service center operations and toll compliance contract with 3M, including technical projects in the amount of $317,000, credit card processing fees assessed on all FasTrak, ExpressAccount, and violation credit card transactions, and temporary AET transitional customer service costs. Also included in this category are printing, postage, and mailing services, judgment recovery and collection costs, CHP violation enforcement, and telephone expenses. Customer incentive offers included in this category include ongoing Costco and AAA member discounts and future transponder distribution programs at additional outlets. The budget associated with these expenses is detailed below:

Toll Enforcement and Customer Serv Center Contract-3M $4,494,000
Credit Card Processing Fees 3,954,000
Postage and Printing 1,236,000
Enforcement Services-CHP, Judgment Recovery and Other 569,000
Telecommunications - Customer Service Center  
Phase-in of AET Operating Costs  
Customer Incentives, Supplies, and Equipment Maintenance  
Total  

Telecommunications - Customer Service Center  
Phase-in of AET Operating Costs  
Customer Incentives, Supplies, and Equipment Maintenance  
Total  

Toll Operations - Toll Systems

The Toll Systems category totals $1.7 million, or approximately 0.9% of the total budget and, as detailed below, primarily consists of fees for the AET software and hardware maintenance and operation contract with TransCore. Also included in this category are AET spare parts and repairs, software licenses, and various computer maintenance contracts. For the first fiscal year under the new system, maintenance and spare parts are under warranty through November 2014. Costs for these items will commence starting in December 2014.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>AET Maintenance and Operation</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>System Maintenance and Support</td>
<td>731,000</td>
</tr>
<tr>
<td>AET Spare Parts</td>
<td>18,000</td>
</tr>
<tr>
<td>Total</td>
<td>$1,749,000</td>
</tr>
</tbody>
</table>

Toll Operations - Toll Facilities

This category is budgeted at $1.1 million representing 0.5% of the total budget, and accounts for all costs associated with maintaining the agency’s toll plazas such as utilities, janitorial services, and other various supplies and repairs as further detailed below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>On Road Utilities</td>
<td>$587,000</td>
</tr>
<tr>
<td>On Road Maint-County of Orange Public Works</td>
<td>126,000</td>
</tr>
<tr>
<td>Other On Road Building Maintenance and Repair</td>
<td>115,000</td>
</tr>
<tr>
<td>Heating and Air Conditioning Services</td>
<td>61,000</td>
</tr>
<tr>
<td>On Road Janitorial</td>
<td>52,000</td>
</tr>
<tr>
<td>On Road Landscaping</td>
<td>50,000</td>
</tr>
<tr>
<td>Generator Maintenance, Fuel and Permits</td>
<td>38,000</td>
</tr>
<tr>
<td>Toll Ramp Lighting, Repair and Maintenance</td>
<td>24,000</td>
</tr>
<tr>
<td>Post AET Implementation Security Consulting</td>
<td>20,000</td>
</tr>
<tr>
<td>Total</td>
<td>$1,073,000</td>
</tr>
</tbody>
</table>

Toll Operations – Operations Equipment

The Toll Operations Equipment budget is $2.4 million, or 1.2% of the total budget. The budget breakdown below includes purchases of transponders, and other equipment purchases as detailed in the FY15 project initiatives document (Appendix A):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transponders</td>
<td>$2,212,000</td>
</tr>
<tr>
<td>Contractor Computer Upgrade</td>
<td>101,000</td>
</tr>
<tr>
<td>Server Replacements</td>
<td>54,000</td>
</tr>
</tbody>
</table>
Debt Service

The Debt Service category totals $121.8 million or 62.0% of the total budget and includes interest payments on the agency’s outstanding bonds. Of the required payments, $9.0 million will be paid from a capitalized interest fund established at the time of the 1999 financing and $14.8 million will be paid from a capitalized interest fund established at the time of the 2013 financing. The remaining $98.0 million will be paid from net revenues with $49.0 million to be paid on each January 15, 2015 and July 15, 2015.

The FY15 budgeted aggregate and senior lien debt service coverage ratios shown below meet the Indenture requirements of 1.15x and 1.30x, respectively. The budgeted coverage is 1.22 and 1.41, respectively, and does not include the use of reserves or escrow defeasance. Adjusted Net Toll Revenues only includes certain revenues per the Indentures and interest earnings in certain accounts. 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 debt service coverage covenant reporting. Current expenses include expenditures that are allocated to operations, excluding costs reimbursable by grant funds.
### Debt Coverage Calculation Fiscal Year 2015

<table>
<thead>
<tr>
<th>FY15 Budget (In Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adjusted Net Toll Revenues</strong></td>
</tr>
<tr>
<td>Total Toll Revenues Including Fees and Penalties</td>
</tr>
<tr>
<td>Interest Earnings</td>
</tr>
<tr>
<td>Current Expenses - Funded From Toll Revenue</td>
</tr>
<tr>
<td><strong>Adjusted Net Toll Revenues</strong></td>
</tr>
<tr>
<td><strong>Aggregate Net Debt Service</strong></td>
</tr>
<tr>
<td>Annual Aggregate Debt Service</td>
</tr>
<tr>
<td>Less Capitalized Interest</td>
</tr>
<tr>
<td>Less Escrow Defeasance</td>
</tr>
<tr>
<td><strong>Net Aggregate Debt Service</strong></td>
</tr>
<tr>
<td><strong>Aggregate Coverage Ratio (1.15x requirement)</strong></td>
</tr>
<tr>
<td><strong>Senior Lien Net Debt Service</strong></td>
</tr>
<tr>
<td>Annual Senior Lien Debt Service</td>
</tr>
<tr>
<td>Less Capitalized Interest</td>
</tr>
<tr>
<td>Less Escrow Defeasance</td>
</tr>
<tr>
<td><strong>Net Senior Lien Debt Service</strong></td>
</tr>
<tr>
<td><strong>Senior Lien Coverage Ratio (1.30x requirement)</strong></td>
</tr>
</tbody>
</table>
The Agencies’ major construction-related project initiatives for Fiscal Year 2015 are the SR 241 Tesoro Extension, which is described on page 3, and the 241/91 Connector, which is described on page 4. Our additional initiatives are summarized beginning on page 5.
INITIATIVE

In October 2011, the Foothill/Eastern Board of Directors authorized staff to develop engineering plans, complete environmental assessments and develop a financial strategy to build the SR 241 Tesoro Extension from the existing southerly terminus at Oso Parkway in Rancho Santa Margarita to the vicinity of Ortega Highway near San Juan Capistrano. The Tesoro Extension will provide additional northern access for communities located inland of Interstate 5 and commuters traveling to Orange County business centers from the Inland Empire via Ortega Highway. Construction of the five mile extension will create more than 2,000 Orange County jobs and an additional 407 jobs statewide.

FISCAL YEAR 2015 SCOPE, SCHEDULE AND BUDGET

- **Environmental, Design, Construction & Contracts** - Permitting, design and design oversight, ROW acquisition
- **Toll Operations** - Toll plaza design input, review and construction oversight
- **Communications & Public Affairs** - Community relations, outreach and state/federal legislative activities.
- **Finance, Administration & IT** - Develop financial strategy including coordination with financial advisor, underwriter, bond counsel, rating agencies, T&R consultant.

<table>
<thead>
<tr>
<th>CA Water Board Appeal Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY15</td>
</tr>
<tr>
<td>July</td>
</tr>
<tr>
<td>FY16</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY 15 Planning, Environmental &amp; Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right of Way $15,075,000</td>
</tr>
<tr>
<td>Engineering/Design Oversight 5,152,000</td>
</tr>
<tr>
<td>Environmental 2,459,000</td>
</tr>
<tr>
<td>Administration 1,149,500</td>
</tr>
<tr>
<td>Construction Legal 333,000</td>
</tr>
<tr>
<td>Environmental Legal 800,000</td>
</tr>
<tr>
<td>Federal Legislation and State Lobby Services 147,500</td>
</tr>
<tr>
<td>TOTAL TESORO EXTENSION $25,116,000</td>
</tr>
</tbody>
</table>
INITIATIVE

This project addresses the most prominent customer complaint on the Foothill/Eastern system; traffic queues on the northbound 241 approaching the eastbound 91 during the evening commute. This capital project will add a direct toll-to-toll connector between the 241 and the 91 Express Lanes to and from the east.

FISCAL YEAR 2015 SCOPE, SCHEDULE AND BUDGET

Scope includes completion of preliminary engineering & environmental technical studies, development & publishing of draft supplemental EIR/EIS & public meeting, begin work on final project report and 35% plans. Finalize delivery method selection and begin work on procurement package. Complete investment grade traffic and revenue study. Continue interagency coordination with OCTA, RCTC and Caltrans. Budget assumes ½ cost reimbursement by OCTA for PA/ED work and T&R study.

<table>
<thead>
<tr>
<th>Begin Preliminary Procurement Work</th>
<th>T&amp;R Study Complete</th>
<th>Draft SEIR/EIS Complete/ Begin Final</th>
</tr>
</thead>
</table>
| FY15
| July | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct |

<table>
<thead>
<tr>
<th>FY 15 Planning, Environmental &amp; Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering</td>
</tr>
<tr>
<td>Design Oversight</td>
</tr>
<tr>
<td>Environmental</td>
</tr>
<tr>
<td>Contingency</td>
</tr>
<tr>
<td>OCTA Reimbursement</td>
</tr>
<tr>
<td>Contingency</td>
</tr>
<tr>
<td>TOTAL 241/91 Connector</td>
</tr>
</tbody>
</table>
### FISCAL YEAR 2015 PROJECT INITIATIVES

<table>
<thead>
<tr>
<th>Staff</th>
<th>Project Initiative</th>
<th>F/ETCA Project Budget</th>
<th>SJHTCA Project Budget</th>
<th>Project Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mike Kraman</td>
<td>Strategic Delivery</td>
<td>$275,000</td>
<td>$0</td>
<td>Improve the Agency’s strategic approach to delivering its capital program and positioning the Agency as a regional expert in toll facilities and priced alternatives for transportation funding. Includes establishing an executive team level position focused on strategy.</td>
</tr>
</tbody>
</table>
| Mike Kraman  | Transparency                  | $8,000                | $3,000                | During FY15, complete a number of tasks that will enhance the Agencies’ focus on improved transparency to the public.  
  • Establish a code of conduct for the Agencies  
  • Update the Agencies’ administrative code  
  • Review the Ad Hoc committees  
  • Improve website content                                                                                                                                                                                                                                                                                                           |
| Mike Kraman  | Alignment with OCTA           | $73,000               | $27,000               | Explore ways where the TCA could better align with OCTA and as applicable, the County of Orange. This effort would look first for ways the entities could improve communication and collaboration, and also for ways to take advantage of each Agencies capabilities and expertise. The effort would include the use of a consultant to evaluate and report on concept, the merits and economic benefits of better alignment between the Agencies.                                                                                   |

**Additional TCA Project Initiatives which will be focused on by the CEO in FY15**

| Staff        | Project Initiative                         |  |  |  |
|--------------|-------------------------------------------|  |  |  |
| Mike Kraman  | Complete AET Implementation                | * | * |  
  • Post-cash communication, outreach and customer service support  
  • Monitoring/reporting revenue and expense results to compare against project assumption  
| Mike Kraman  | 241/91 Connector Project                  | * | * |  
  • PA/ED phase tasks  
  • OCTA/RCTC/TCA/Caltrans coordination  
  • Concept of toll operation  
  • Traffic & revenue analysis and financial feasibility  
| Mike Kraman  | Tesoro Extension Project                  | * | * |  
  • RWQCB WDR permit appeal to the State Water Board  
  • RMV coordination  
  • NEPA/CEQA processes  
  • Litigation awareness  
  • Financial plan  
| Mike Kraman  | 241 Long-Range Planning                   | * | * |  
  • Restart discussions with stakeholders and environmental groups  
  • Work with the F/E Board to articulate vision and strategy  
| Mike Kraman  | Increase Ridership Creatively While Meeting Revenue Goals | * | * |  
  • Respond to customer issues, support marketing and outreach and develop programs to benefit frequent users  
| Mike Kraman  | SJHTCA Bond Refinance                     | * | * |  
  • Evaluate opportunity to create long-term sustainable debt structure  

* Discussed throughout the budget documents
<table>
<thead>
<tr>
<th>Staff</th>
<th>Project Initiative</th>
<th>F/ETCA Project Budget</th>
<th>SJHTCA Project Budget</th>
<th>Project Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Juliet Su</td>
<td>Signage Enhancements</td>
<td>$720,000</td>
<td>$420,000</td>
<td>Includes design and installation of updated signage at entrances to toll road system.</td>
</tr>
<tr>
<td>Juliet Su</td>
<td>ETC Toll Plaza Water Service Project</td>
<td>$450,000</td>
<td>$0</td>
<td>Includes conversion of the Tomato Springs Toll Plaza irrigation system from domestic to non-domestic water. Includes developing design plans and decommissioning work for the Tomato Springs Toll Plaza water reservoir.</td>
</tr>
<tr>
<td>David Lowe</td>
<td>SR 261 Peters Canyon Wash Water Capture/Reuse Pipeline Project</td>
<td>$2,400,000</td>
<td>$0</td>
<td>Agreed upon payment to Caltrans for the project as consideration for extension of the Caltrans Cooperative Agreement based upon approval of the debt refinancing.</td>
</tr>
<tr>
<td>David Lowe</td>
<td>Competing Route Traffic Trends</td>
<td>$240,000</td>
<td>$120,000</td>
<td>Develop traffic trend tracking system to 1) determine current origin/destination patterns on the toll road system and 2) monitor alternate route traffic as compared to toll road usage.</td>
</tr>
<tr>
<td>Paul Bopp</td>
<td>SR 241 Long Range Planning</td>
<td>$2,435,000</td>
<td>$0</td>
<td>Support ongoing stakeholder program to find a transportation solution that will improve regional mobility.</td>
</tr>
<tr>
<td>Valarie McFall</td>
<td>SR 241 Limestone Mitigation Site</td>
<td>$5,000</td>
<td>$0</td>
<td>Maintenance work at the F/ETCA’s Live Oak Plaza Site, a 23.2-acre site at the southeast corner of the intersection of El Toro Road and Santiago Canyon Road at Live Oak Canyon Road, as a substitute to fulfill performance standards at the Agency’s Limestone Canyon Mitigation Site. This is required to fulfill the resource agency permit requirements associated with construction of the Eastern Transportation Corridor.</td>
</tr>
<tr>
<td>Valarie McFall</td>
<td>Strawberry Farms Mitigation Site</td>
<td>$102,000</td>
<td>$0</td>
<td>Restoration of coastal sage and cactus scrub habitat on 15 acres of property known as Strawberry Farms Mitigation Site, which will serve as an informal mitigation bank for current and/or future agency projects. The property is located within the City of Irvine, adjacent to Quail Hill and Strawberry Farms Golf Course, and is within the Central/Coastal Natural Community Conservation Plan area. <strong>YEAR 3 OF 7 YEARS.</strong></td>
</tr>
<tr>
<td>Valarie McFall</td>
<td>Upper Chiquita Canyon Conservation Area Management</td>
<td>$200,000</td>
<td>$0</td>
<td>Finalize formal bank amendment and resource management plan with USFWS and CDFG.</td>
</tr>
<tr>
<td>Valarie McFall</td>
<td>SR 241 Wildlife Fencing Retrofit</td>
<td>$7,870,000</td>
<td>$0</td>
<td>Retrofit existing wildlife fencing along SR 241 between SR 133 north to the SR 91. These improvements are required to comply with the project’s biological opinion issued by the USFWS for the Eastern Transportation Corridor Project. <strong>PHASE 2 of 3 PHASES.</strong></td>
</tr>
<tr>
<td>Staff</td>
<td>Project Initiative</td>
<td>F/ETCA Project Budget</td>
<td>SJHTCA Project Budget</td>
<td>Project Scope</td>
</tr>
<tr>
<td>---------------</td>
<td>--------------------------------------------------------</td>
<td>-----------------------</td>
<td>-----------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Joyce Hill</td>
<td>Operational Data Push to TCA</td>
<td>$47,000</td>
<td>$23,000</td>
<td>Accommodate housing by TCA of daily transactional data (e.g., image-based-transactions, account sign-ups, promo stats) to provide for analysis by Finance team and review by management.</td>
</tr>
<tr>
<td>Joyce Hill</td>
<td>Alternative Image Processing Improvements</td>
<td>$21,000</td>
<td>$10,000</td>
<td>Enhance existing system to reduce processing time from roadside to CSC databases.</td>
</tr>
<tr>
<td>Joyce Hill</td>
<td>Image Processing Integration w/Back-Office VTX System</td>
<td>$16,000</td>
<td>$8,000</td>
<td>Design document for enhanced image processing system to allow “real-time” One-Time-Toll transactions and reduce manual reviews and licensing.</td>
</tr>
<tr>
<td>Joyce Hill</td>
<td>Mobile App Enhancements</td>
<td>$32,000</td>
<td>$16,000</td>
<td>Deploy Spanish version; facilitate download of vehicle plate photo into patron account; send push notifications; enable iPad landscape view.</td>
</tr>
<tr>
<td>Joyce Hill</td>
<td>Website Patron Enhancements</td>
<td>$26,000</td>
<td>$13,000</td>
<td>Enable statement sort by vehicle and/or tag; provide specific transaction receipt; allow viewing of closed account; enable statement export into Excel.</td>
</tr>
<tr>
<td>Joyce Hill</td>
<td>Customer Service System Enhancements</td>
<td>$26,000</td>
<td>$13,000</td>
<td>Improve transponder inventory; expand electronic billing to other agencies (similar to SFO).</td>
</tr>
<tr>
<td>Joyce Hill</td>
<td>System Security Enhancements</td>
<td>$21,000</td>
<td>$10,000</td>
<td>Add security group for privacy purge bypass status; enable instant password reset through online security questions.</td>
</tr>
<tr>
<td>Joyce Hill</td>
<td>CPN Upgrade</td>
<td>$37,000</td>
<td>$18,000</td>
<td>Support One-Time-Toll payments. Both 3M and Blackstone effort.</td>
</tr>
<tr>
<td>Joyce Hill</td>
<td>Transponder Retail Distribution</td>
<td>$47,000</td>
<td>$23,000</td>
<td>Expand retail distribution of transponders to two new outlets.</td>
</tr>
<tr>
<td>Joyce Hill</td>
<td>Customer Incentives</td>
<td>$16,000</td>
<td>$8,000</td>
<td>Support expanded marketing programs.</td>
</tr>
<tr>
<td>Joyce Hill</td>
<td>One-Time-Toll System Enhancements</td>
<td>$32,000</td>
<td>$16,000</td>
<td>Add vehicle plate validation to provide customer opportunity to correct entered plate as necessary; auto-populate account enrollment from completed One-Time-Toll form.</td>
</tr>
<tr>
<td>Joyce Hill</td>
<td>Automatic Express Account Invoice Payment</td>
<td>$5,000</td>
<td>$3,000</td>
<td>Automatically charge credit card listed on invoice account.</td>
</tr>
<tr>
<td>Joyce Hill</td>
<td>Website Marketing Enhancements</td>
<td>$16,000</td>
<td>$8,000</td>
<td>Support ad hoc look and feel changes.</td>
</tr>
<tr>
<td>J. Gallagher</td>
<td>Server Replacements (5th phase)</td>
<td>$54,000</td>
<td>$26,000</td>
<td>Fifth year of six-year plan to replace Toll system servers.</td>
</tr>
</tbody>
</table>
## Toll Operations (continued)

<table>
<thead>
<tr>
<th>Staff</th>
<th>Project Initiative</th>
<th>F/ETCA Project Budget</th>
<th>SJHTCA Project Budget</th>
<th>Project Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. Gallagher</td>
<td>Plaza Reuse Study</td>
<td>$100,000</td>
<td>$50,000</td>
<td>Basic inventory &amp; feasibility analysis for repurposing toll plaza acreage.</td>
</tr>
<tr>
<td>J. Gallagher</td>
<td>SR73 Wireless Master Plan</td>
<td>N/A</td>
<td>$22,000</td>
<td>To develop a master plan and program for cellular service on the SR73.</td>
</tr>
<tr>
<td>J. Gallagher</td>
<td>SR241 North to SR91 Channelization</td>
<td>$62,000</td>
<td>N/A</td>
<td>Design, permitting and installation, and related enforcement work for a standard channelize traffic scheme along the appropriate portion of the SR 241 North to improve the flow of traffic moving to the SR91 East.</td>
</tr>
<tr>
<td>K. Machtolf</td>
<td>Pacifica Building HVAC modernization project</td>
<td>$761,000</td>
<td>N/A</td>
<td>Modernize HVAC equipment and control systems to meet or exceed current energy efficiency standards.</td>
</tr>
</tbody>
</table>

## Communications & Public Affairs

<table>
<thead>
<tr>
<th>Lisa Ganz</th>
<th>Marketing – Post AET Implementation</th>
<th>$1,372,000</th>
<th>$676,000</th>
<th>Phase III will focus on toll road benefits and beating the high traffic and revenue growth in FY14. Goals: Increase revenue by generating more transactions and increase FasTrak and Express Accounts over the prior year through paid media, tourism and Latino outreach and quarterly promotions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lisa Ganz</td>
<td>Quarterly Marketing Promotions</td>
<td>$0</td>
<td>$0</td>
<td>Four promotions are scheduled to build ridership and revenue. Initial incentives will be deducted from revenue and accounts will be traced to determine ROI and program success.</td>
</tr>
<tr>
<td>Lisa Ganz</td>
<td>Website Initiatives</td>
<td>$107,000</td>
<td>$53,000</td>
<td>Continued adjustment to website based on usage patterns and to expand customer information regarding AET changes; reprogramming the Content Management System and review of secondary pages for priority and implementation; implementation of a toll rate calculator. RelieveTraffic.org updates.</td>
</tr>
<tr>
<td>Lisa Telles</td>
<td>FasTrak Loyalty Program</td>
<td>$67,000</td>
<td>$33,000</td>
<td>After completion of feasibility study the recommendations will be made to the Board of Directors for implementation of the first phase of a FasTrak loyalty program with the purpose of increasing the value of having a FasTrak account, transactions and revenue.</td>
</tr>
<tr>
<td>Lisa Telles</td>
<td>TCA Public Opinion Survey/Environmental Survey</td>
<td>$98,000</td>
<td>$42,000</td>
<td>Conduct a benchmark survey that will address general awareness and attitudes about TCA and awareness of TCA’s environmental programs. Budget includes focus groups or stakeholder interviews.</td>
</tr>
<tr>
<td>Lisa Telles</td>
<td>SR 241 Tesoro Extension Outreach</td>
<td>$342,000</td>
<td>N/A</td>
<td>Outreach as required by the environmental process – Water Board actions, Federal Environmental Process and others if needed. Includes paid advertising, outreach, public meeting support and costs associated with public meetings.</td>
</tr>
</tbody>
</table>
### Communications & Public Affairs (continued)

<table>
<thead>
<tr>
<th>Staff</th>
<th>Project Initiative</th>
<th>F/ETCA Project Budget</th>
<th>SJHTCA Project Budget</th>
<th>Project Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lisa Telles</td>
<td>Expanded Environmental PR and Outreach</td>
<td>$65,000</td>
<td>$16,700</td>
<td>Program will increase awareness of TCA’s award-winning environmental programs.</td>
</tr>
<tr>
<td>Lisa Telles</td>
<td>241/91 Connector Outreach</td>
<td>$40,000</td>
<td>N/A</td>
<td>Outreach as required by the environmental process for the 241/91 Connector.</td>
</tr>
<tr>
<td>Lisa Telles</td>
<td>Regional Coalition</td>
<td>$12,000 + website</td>
<td>$0</td>
<td>Build a diverse list of interest and support for TCA and its initiatives; provide relevant information about traffic, the economy and the environment as it relates to improving mobility in the region through relievetraffic.org.</td>
</tr>
<tr>
<td>Lori Olin</td>
<td>Customer Email Program</td>
<td>$21,000</td>
<td>$9,000</td>
<td>Implement plan to provide information to FasTrak and ExpressAccount customers via email utilizing and outside vendor to push out email efficiently.</td>
</tr>
<tr>
<td>Barbie Daly</td>
<td>Federal Advocacy Program</td>
<td>$351,000</td>
<td>$24,000</td>
<td>Akin Gump and Nossaman. Legislator, administration, regulatory education, environmental streamlining, TIFIA, tracking the transportation bill.</td>
</tr>
<tr>
<td>Barbie Daly</td>
<td>State Advocacy Program</td>
<td>$308,000</td>
<td>$63,000</td>
<td>Primary state lobbying efforts. Includes legislator,, administration and regulatory education and relationships, tracking bills that could impact TCA business operations or ability to complete mission.</td>
</tr>
</tbody>
</table>

### Finance, Administration & IT

<table>
<thead>
<tr>
<th>Staff</th>
<th>Project Initiative</th>
<th>F/ETCA Project Budget</th>
<th>SJHTCA Project Budget</th>
<th>Project Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amy Potter</td>
<td>SJHTCA Bond Refinance</td>
<td>N/A</td>
<td>$745,000</td>
<td>Appointment of an investment banking team and execution of other financial contracts will allow for the development of a refinance plan for the SJHTCA bonds. Due to the favorable current bond market, the agency has an opportunity to create a long term sustainable debt structure that will remove bond indenture constraints introduced in 2011, thereby restoring Board control over the toll rate setting process and discretion over the use of available cash flow. These steps will provide the agency with flexibility to further improve regional mobility and increase traffic on the SJHTCA toll system.</td>
</tr>
<tr>
<td>Howard Mallen/John Claudi-Magnussen/Jeff Bond</td>
<td>Operational and Financial Support Enhancements</td>
<td>$80,000</td>
<td>$45,000</td>
<td>Consulting services to develop roadmap for operational and financial support enhancements. Roadmap recommendations may include financial &amp; operational planning system upgrades as well as dashboard, financial, &amp; operational reporting enhancements. Includes $75,000 for potential upgrade of existing accounting system.</td>
</tr>
<tr>
<td>Staff</td>
<td>Project Initiative</td>
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<td>SJHTCA Project Budget</td>
<td>Project Scope</td>
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<td>----------------------------</td>
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</tr>
<tr>
<td>Amy Potter/Howard Mallen</td>
<td>Investment Advisory Services</td>
<td>$0</td>
<td>$0</td>
<td>Agencies are contemplating switching investment strategy from the current, in house, “hold to maturity” strategy to an “active investment management” strategy. Consultant would advise and recommend investment strategies that will enhance portfolio performance either through a strategic advisement consulting contract or through nondiscretionary investment advisory services. Reporting and treasury management systems will also be considered as part of the consultant services. Cost estimate of these services is not included at this time. There is potential for improved investment earnings that could offset or exceed the associated costs. Staff will return to the Board of Directors when more information is available.</td>
</tr>
<tr>
<td>Amy Potter/Howard Mallen</td>
<td>Long-Term Financial Planning</td>
<td>$0</td>
<td>$0</td>
<td>Development of improvements to long-term financial planning modeling to enhance the Agencies’ abilities in regards to evaluating cash flow and capital projects. No project cost at this time as the expectation is that the effort will be focused on allocating substantial staff time to this project.</td>
</tr>
<tr>
<td>Greg Walker</td>
<td>Business Continuity Planning</td>
<td>$38,000</td>
<td>$38,000</td>
<td>Although the Agencies have many disaster recovery and emergency operations policies and procedures, they do not have a comprehensive business continuity plan that addresses longer term operation under disaster and/or emergency situations. The business continuity planning advisory services will provide expertise and facilitation in developing a comprehensive business continuity plan for the Agencies. Existing documentation and past planning efforts will be leveraged to the extent possible.</td>
</tr>
<tr>
<td>Greg Walker</td>
<td>GIS Map Project for Development Impact Fees</td>
<td>$25,000</td>
<td>$25,000</td>
<td>Through a combination of TCA Engineering map files and contracting with a third-party, develop a GIS mapping system for the public website that displays TCA's Development Impact Fee Areas of Benefit. This will allow member agencies, members of the public and TCA staff to identify project locations in the Areas of Benefit by project address.</td>
</tr>
<tr>
<td>Jeff Bond</td>
<td>Email Server Business Continuity/Redundancy</td>
<td>$12,000</td>
<td>$5,000</td>
<td>Hardware: Establish fault tolerance and site redundancy for agency exchange e-Mail system by adding a second server to replicate and load balance all mail databases to a new system at secondary agency data center.</td>
</tr>
<tr>
<td>Jeff Bond</td>
<td>Virtual Host Business Continuity/Redundancy</td>
<td>$12,000</td>
<td>$5,000</td>
<td>Hardware: Add new virtual hosting hardware at secondary data center to support hosting a set of redundant finance virtual servers providing needed site redundancy.</td>
</tr>
<tr>
<td>Sherri McKaig/Dave Sherwood</td>
<td>ADP Human Resources and Payroll tools</td>
<td>$0</td>
<td>$0</td>
<td>Reassessment and implementation of available tools, including those that provide for employee access to HR and payroll forms and for more efficient time reporting and approval. No additional external costs are anticipated.</td>
</tr>
</tbody>
</table>
BOARD MEETING DATE: June 12, 2014

SUBJECT: Traffic Technologies, Inc. - Toll Operations Consultant: All Electronic Tolling Implementation Services; Customer Service Procurement Services; and Tolling Task Orders

STAFF RECOMMENDATION:

Foothill/Eastern Transportation Corridor Agency Recommendation:
1. Authorize the acting chief executive officer (CEO) to execute Contract Amendment No. 8 with Traffic Technologies, Inc. (TTI) in the amount of $672,003 for the performance of tasks related to the completion of AET Implementation; Customer Service System procurement; and Tolling Task Orders for Toll Operations, and extend the period of performance to June 30, 2015.
2. Authorize the acting CEO to make additional changes deemed necessary and execute further amendments within five percent ($33,600) of this amendment value without further action by the Board of Directors.

San Joaquin Hills Transportation Corridor Agency Recommendation:
1. Authorize the acting chief executive officer (CEO) to execute Contract Amendment No. 8 with Traffic Technologies, Inc. (TTI) in the amount of $316,237 for the performance of tasks related to the completion of AET Implementation; Customer Service System procurement; and Tolling Task Orders for Toll Operations, and extend the period of performance to June 30, 2015.
2. Authorize the acting CEO to make additional changes deemed necessary and execute further amendments within five percent ($15,812) of this amendment value without further action by the Board of Directors.

SUMMARY:

TCA selected TTI, an industry expert consulting firm, through a competitive proposal process to conduct all phases of the Strategic and Policy Planning effort for tolling for the agencies. TTI has performed exceptionally well and provided value-added analysis and effort to date. The firm and its proposed staff are highly qualified to perform the work included in FY15 Phase 4 - AET implementation and the procurement of the customer service contractor. TCA will benefit by building on the knowledge and information base assembled by TTI in previous phases of this work.

CONTRACTOR/CONSULTANT: Traffic Technologies, Inc.

COST:

<table>
<thead>
<tr>
<th></th>
<th>F/E:</th>
<th>SJH:</th>
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<tbody>
<tr>
<td></td>
<td>$672,003</td>
<td>$316,237</td>
</tr>
</tbody>
</table>

REPORT WRITTEN BY: James Gallagher, Chief Toll Operations Officer
Phone Number: (949) 754-3480

REVIEWED BY:
Engineering/Environmental
Communications/Public Affairs
Finance
Toll Operations
DATE:       June 12, 2014

TO:       Foothill/Eastern Transportation Corridor Agency Board of Directors
           San Joaquin Hills Transportation Corridor Agency Board of Directors

FROM:      James T. Gallagher, Chief Toll Operations Officer

SUBJECT:   Traffic Technologies, Inc.
           Toll Operations Consultant: All Electronic Tolling Implementation Services;
           Customer Service Procurement Services; and Tolling Task Orders

STAFF RECOMMENDATION:

Foothill/Eastern Transportation Corridor Agency Recommendation:

1. Authorize the acting chief executive officer (CEO) to execute Contract Amendment No. 8
   with Traffic Technologies, Inc. (TTI) in the amount of $672,003 for the performance of tasks
   related to the completion of AET Implementation; Customer Service System procurement;
   and Tolling Task Orders for Toll Operations, and extend the period of performance to June
   30, 2015.

2. Authorize the acting CEO to make additional changes deemed necessary and execute further
   amendments within five percent ($33,600) of this amendment value without further action by
   the Board of Directors.

San Joaquin Hills Transportation Corridor Agency Recommendation:

1. Authorize the acting chief executive officer (CEO) to execute Contract Amendment No. 8
   with Traffic Technologies, Inc. (TTI) in the amount of $316,237 for the performance of tasks
   related to the completion of AET Implementation; Customer Service System procurement;
   and Tolling Task Orders for Toll Operations, and extend the period of performance to June
   30, 2015.

2. Authorize the acting CEO to make additional changes deemed necessary and execute further
   amendments within five percent ($15,812) of this amendment value without further action by
   the Board of Directors.
BACKGROUND:

In February 2010, the Boards of Directors approved a Strategic and Policy Planning study to organize and establish the future direction for toll operations. The study was partitioned into four categories and executed in sequential phases—Tolling Alternatives, Feasibility, Design and Planning, and Implementation. Study efforts are now concentrated on the last segment of Phase 4, all electronic tolling (AET) implementation. This involved design, development and installation of the new tolling system, civil and roadway modifications, and marketing and outreach services. The current completion period of Phase 4 is scheduled for second quarter of Fiscal Year 2015 (FY15).

Throughout the study, TCA engaged TTI, an expert tolling industry consulting firm, to assist staff with strategies and policies in tolling technology and procedures. The scope of their effort included data gathering, document reviews, financial analysis, tolling industry technology and procurement oversight, business rules and policy reviews, recommendations of future courses of action and consideration of tolling alternatives. TTI’s work contributions in Phase 1 through the initial segment of Phase 4 were professional and comprehensive. Their tolling expertise, work ethics and knowledge of our system and processes have proven beneficial to TCA.

DISCUSSION:

In June 2012, the Boards of Directors approved the implementation of AET. Following the approval, TTI was instrumental in the project’s management with activities related to the planning, design and development, and assisting with the procurement selection of the AET on-road tolling system. As the AET project advanced into the implementation phase, TTI provided a set of recommended analysis and monitoring tools, reviewed toll system development and design documents, and provided test plans and evaluation criteria. Now in the latter segment of the implementation phase, TTI is performing field oversight during the installations and site testing of the toll system.

FY15 work plan and efforts will be critical for the final phase of AET. As the toll operations consultant, TTI will continue to oversee the final completion of the system’s commissioning. More importantly, TTI will participate in the final acceptance testing of the system as a whole. Transitional work tasks will include evaluating and monitoring system performance, updating the AET financial model, and coordinating maintenance measurement and reporting.

In addition to AET-related tasks, TTI will perform Tolling Task Orders under toll operations’ directive. One major task for TTI in FY15 is to develop and write a detailed specification for a Request for Proposal for the Customer Service System. TTI will assist TCA in the procurement process for the current customer service and toll compliance functions, which includes, preparing the technical specifications, the vendor selection process and providing the necessary contractor monitoring criteria.
Other Tolling Task Orders to be performed by TTI will assist TCA with national interoperability and California Toll Operators Committee issues which include operational analyses and studies in the following areas:

1. Statewide interoperability process improvements
2. Advice and consulting for TCA related to MAP-21 and the national interoperability provisions of this federal surface transportation legislation

The work plan for this contract is included as Attachment A. The estimated work compensation is grouped and identified as the following: AET, $310,000; Customer Service System procurement services, Phase1: $385,493, Phase 2: $192,744; Tolling Tasks Orders, $100,000. Total estimated compensation not-to-exceed for these activities in FY15 is $988,240 (F/E $672,003; SJH $316,237). Phase 1 will be accomplished. Phases 1A and 2 are subject to individual NTP’s and are dependent on whether changes are necessary to the existing CSC system and/or whether new vendor is selected.

Staff recommends amending TTI’s contract in an amount not-to-exceed $988,240 and extending the period of performance from September 30, 2014 to June 30, 2015. The added amount is funded in the FY15 budget; $310,000 from the AET capital program budget and $678,240 from the proposed FY15 operating budget. Although the current contract does not terminate until September 30, 2014, the FY15 contract amendment is being requested now to reflect the work plan and to allow the Tolling Task Order work to begin at the start of FY15. The performance period aligns with the current AET completion schedule and directed order tasks.

**FUNDING:**

Funding to cover this expense is included in the FY15 AET Capital Improvement Plan Budget (F/E $210,800; SJH $99,200) and in the proposed FY15 Operating Budget Plan (F/E $461,203; SJH $217,037).

**CONCLUSION:**

TCA selected TTI, an industry expert consulting firm, through a competitive proposal process to conduct all phases of the Strategic and Policy Planning effort for tolling for the agencies. TTI has performed exceptionally well and provided value-added analysis and effort to date. The firm and its proposed staff are highly qualified to perform the work included in FY15 Phase 4 - AET implementation and the procurement of the customer service contractor. TCA will benefit by building on the knowledge and information base assembled by TTI in previous phases of this work.

Attachments
PROCUREMENT SUMMARY REPORT

Report No. 18
File No. 2014J-026

Contract #: K000522
Amendment #: A8
Title: Toll Operations Strategic and Policy Planning Study
Consultant: Traffic Technologies, Inc.

Procurement Process
Type: Negotiated Amendment
Award Criteria: Continuity of Service
Price: NTE $988,240

Notes: Amendment No. 8 will extend the period of performance to June 30, 2015 and authorize Consultant to continue oversight of the final phase of AET implementation. In addition to AET-related tasks, Consultant will perform Tolling Task Orders under toll operations’ directive.

Staff has analyzed and negotiated Consultant’s price proposal to a fair and reasonable not-to-exceed price of $988,240. The direct labor rates remain unchanged.

Contract No. K000522 Compensation
Original NTE Price $180,036
Amendment Nos. 1-7 $1,461,330
Current NTE Price $1,641,366

Proposed Amendment No.8 $988,240
Revised NTE Price $2,629,606
Traffic Technologies, Inc.: Fiscal Year (FY) 2015 Work Plan

Work Plan Description:
Work plan for program management, toll system design and development oversight, testing, commissioning and evaluation services for all electronic tolling (AET) implementation and directed task orders for toll operations services. The work plan term is amended to align with the AET testing and production evaluation schedule, and Tolling Task Orders; extending the period of performance to June 30, 2015.

I. AET PROGRAM IMPLEMENTATION - PHASE 4
Scope of Work Overview - The following tasks are performed during Phase 4 of the Strategic & Policy Planning Study. Phase 4 work term is FY13 through FY15. The plan is divided into expected hours scheduled for FY15. The FY15 work tasks are the final tasks required to ensure a successful AET implementation and oversight of the testing and production evaluations. The task numbers correspond to prior years’ work programs to maintain continuity. The total estimated hours for FY15 is 1,650.

D. TASK 4. SYSTEM TESTING AND FIELD INSTALLATION OVERSIGHT–
- The consultant shall perform field oversight during site testing of the tolling system, providing an exception and remediation report for each installation site as necessary and depending on the actual remaining installation sites not completed in Fiscal year 2014
- The consultant shall review TCA business rules and coordinate the scheduling and implementation of additional TCA systems changes undertaken to ensure coordination of systems availability and functionality with the intent of the AET program.

E. TASK 5. SYSTEM PERFORMANCE & ANALYSIS –
- The consultant shall develop recommended systems evaluation process including data points and analysis.
- The consultant shall prepare an analysis tool to allow the weekly evaluation of the systems.
- The consultant shall recommend revisions necessary to systems in order to achieve the goals of TCA.

F. TASK 6. SYSTEM COMMISSIONING REPORT –
- The consultant shall collect and summarize the appropriate test and field reports, performance criteria and evaluations and produce a report that validates systems are performing to criteria and will continue to do so assuming appropriate maintenance and vigilance.
G. TASK 7. TRANSITION ACTIVITIES –
• The consultant will modify the AET Financial Model to be utilized as a monitoring tool.
• The consultant shall prepare key metrics of success and produce an evaluation tool for the TCA to monitor and control the cost saving projections assumed in the AET program as compared to the Phase 3B cost and revenue modeling.
• The consultant shall prepare recommendations to achieve the anticipated cost reduction measures.

II. TOLLING TASKS ORDERS -
Scope of Work Overview - The following tasks will be performed to assist in projects involving the California Toll Operators Committee, and specific toll operations studies and services as outlined in Section H-2. The consultant is directed to perform the following task orders and to coordinate the work, schedule and deliverables with the project manager.

H-2. TASK 8 - MAP-21 & NATIONAL INTEROPERABILITY IN CALIFORNIA -
Approximate total hours in FY15: 625
• The consultant will provide expert assistance to the agency as directed by the project manager.
• The consultant will build on current knowledge of the direction of the IBTTA National Interoperability program during 2014 and 2015 and so advise the project manager.
• The consultant will detail any current policy needs and technical steps necessary to establish an operational system in California for national interoperability for both a national toll tag and for a license plate read approach to interoperability.

I. TASK 9 - CUSTOMER SERVICE SYSTEM PROCUREMENT SERVICES –

A. PHASE 1: Procurement Services. Approximate total hours in FY15: 2,400

1. PROGRAM MANAGEMENT –
• The consultant shall assist TCA to manage task work program shown below. The consultant shall assign a project manager to assist the Agencies’ project manager in completing program management activities.
• The consultant’s project manager shall assist in program schedule coordination and oversight. The program schedule data will be collected and compiled by the Agencies.
• The consultant’s project manager shall assist in the program budget control and coordination for the implementation of the program.
• The consultant’s project manager shall assist in the direction and oversight of the toll enforcement and customer service center system procurement, and selection process, as well as the implementation of any new system.
• The consultant’s project manager may participate in project updates for the Agencies’ Joint Toll Operations Ad Hoc Committee.

2. CUSTOMER SERVICE SYSTEM PROCUREMENT OVERSIGHT –
• The consultant’s project manager shall assist in the management and oversight of the toll enforcement and customer service center system to be procured by the agencies. Specific subtasks include assistance with the development of the procurement scope and specifications, participation in one-on-one meetings with potential vendors and resulting
refinement of RFP, and, if a new vendor is selected, a test plan including test metrics and implementation plan including metrics, and related tasks.

3. VENDOR SELECTION ASSISTANCE —
   • The consultant shall review and evaluate proposals, participate in interview process, and provide input and advice to TCA’s evaluation and selection committee. The consultant is not a formal member of the selection panel.

If applicable:

   **B. PHASE 1A: Customer Service System Modification Oversight (the existing vendor is selected and during the procurement process, modifications to the existing customer center system are justified).** Approximate total hours in FY15: 300

1. SYSTEM MODIFICATION DESIGN, TESTING AND IMPLEMENTATION OVERSIGHT –
   • The consultant shall provide oversight of the system design modifications, system test plans and evaluation criteria.
   • The consultant shall witness demonstration testing. The deliverable is a report and evaluation of the test results including remediation steps as/if necessary.
   • The consultant shall review TCA business rules and coordinate the scheduling and implementation of related system modifications to be undertaken by TCA to ensure coordination of systems availability and functionality.

2. SYSTEM MODIFICATION PERFORMANCE & ANALYSIS –
   • The consultant shall develop recommended system modification evaluation process including data points and analysis. The consultant shall prepare an analysis tool to allow evaluations of the system modifications.
   • The consultant shall recommend revisions necessary to system in order to achieve the goals of TCA.

3. SYSTEM MODIFICATION COMMISSIONING REPORT –
   • The consultant shall collect and summarize the appropriate test and other reports, performance criteria and evaluations and produce a report that validates that the system modifications are performing to criteria and will continue to do so assuming appropriate maintenance and vigilance.

If applicable:

   **C. PHASE 2: Customer Service System Oversight (a new vendor is selected).** Approximate total hours in FY15: 1,200

1. SYSTEM DESIGN, TESTING AND IMPLEMENTATION OVERSIGHT –
   • The consultant shall provide oversight of the system design documentation (should a new system be selected), system test plans and evaluation criteria.
   • The consultant shall witness demonstration testing. The deliverable is a report and evaluation of the test results including remediation steps as/if necessary.
• The consultant shall review TCA business rules and coordinate the scheduling and implementation of related system changes to be undertaken by TCA to ensure coordination of systems availability and functionality.

2. SYSTEM PERFORMANCE & ANALYSIS –
• The consultant shall develop recommended system evaluation process including data points and analysis. The consultant shall prepare an analysis tool to allow the weekly evaluation of the system.
• The consultant shall recommend revisions necessary to system in order to achieve the goals of TCA.

3. SYSTEM COMMISSIONING REPORT–
• The consultant shall collect and summarize the appropriate test and other reports, performance criteria and evaluations and produce a report that validates that the system is performing to criteria and will continue to do so assuming appropriate maintenance and vigilance.
BOARD MEETING DATE:       June 12, 2014

SUBJECT:     Credit Card and Automated Clearing House Processing Services Contract Amendment

STAFF RECOMMENDATION:

San Joaquin Hills Transportation Corridor Agency Recommendation:

Authorize the acting chief executive officer (CEO) to execute Amendment No. 2 exercising the additional one-year option to Chase Paymentech Contract No. K000352 from July 1, 2014 through June 30, 2015. The contract extension will continue to be based on a per transaction fee estimated in Fiscal Year 2015 (FY15) to total $2,142,367.

Foothill/Eastern Transportation Corridor Agency Recommendation:

Authorize the acting chief executive officer (CEO) to execute Amendment No. 2 exercising the additional one-year option to Chase Paymentech Contract No. K000352 from July 1, 2014 through June 30, 2015. The contract extension will continue to be based on a per transaction fee estimated in FY15 to total $4,092,072.

SUMMARY:

The approval of a contract extension with Chase Paymentech will allow the agencies to continue credit card and automated clearing house processing for FasTrak, ExpressAccount, and One-Time-Toll transactions. The fees paid to Chase Paymentech will continue to be based upon the set fee applied to the number of transactions initiated by the agencies and submitted to Chase Paymentech, along with interchange fees passed through from the credit card companies. Total fees, including interchange fees, associated with this contract are estimated to be $2,142,367 for SJHTCA and $4,092,072 for F/ETCA in FY15.

CONTRACTOR/CONSULTANT: Chase Paymentech

COST:  
F/E = $4,092,072  
SJH = $2,142,367

REPORT WRITTEN BY: Joyce Hill, Deputy Director, Customer Service  
(949) 754-3484

REVIEWED BY:  
Engineering/Environmental Communications & Public Affairs  
Finance  
Toll Operations
DATE: June 12, 2014

TO: San Joaquin Hills Transportation Corridor Agency Board of Directors
    Foothill/Eastern Transportation Corridor Agency Board of Directors

FROM: Joyce Hill, Deputy Director, Customer Service

SUBJECT: Credit Card and Automated Clearing House Processing Services Contract Amendment

STAFF RECOMMENDATION:

San Joaquin Hills Transportation Corridor Agency Recommendation:

Authorize the acting chief executive officer (CEO) to execute Amendment No. 2 exercising the additional one-year option to Chase Paymentech Contract No. K000352 from July 1, 2014 through June 30, 2015. The contract extension will continue to be based on a per transaction fee estimated in Fiscal Year 2015 (FY15) to total $2,142,367.

Foothill/Eastern Transportation Corridor Agency Recommendation:

Authorize the acting chief executive officer (CEO) to execute Amendment No. 2 exercising the additional one-year option to Chase Paymentech Contract No. K000352 from July 1, 2014 through June 30, 2015. The contract extension will continue to be based on a per transaction fee estimated in FY15 to total $4,092,072.

BACKGROUND:

FasTrak® accounts are routinely replenished with funds to be used for tolls and other charges. Replenishments are made by cash, check, credit card or electronic check payments/automated clearing house (ACH). More than 99% of all FasTrak® accounts and ExpressAccount™ types are replenished by credit card or ACH.

On a daily basis, the agencies’ service center system identifies all FasTrak accounts and prepaid ExpressAccount types in need of replenishment. The credit card and ACH processor authorizes and settles the replenishment amounts into the agencies’ bank accounts. For credit card transactions, the processor charges the agencies both an interchange fee as a pass-through charge from the credit card companies and a transaction fee to the processor for obtaining authorization and settling each transaction. For ACH processing transactions, the agencies pay only a transaction fee. Violation payments made with
credit card or ACH are also subject to the same processing fees. Currently, the agencies contract with Chase Paymentech for Visa, MasterCard, and Discover credit card and ACH processing services. The agencies process American Express credit card transactions directly through American Express. The agencies have historically paid average fees of approximately 2.15% of our aggregate transaction amounts. We anticipate that this percentage will increase due to the establishment of ExpressAccount™ and One-Time-Toll™ payment options—resulting in a higher volume of transactions with lower average transaction amounts.

**DISCUSSION:**

In April 2011, the Boards authorized execution of a three-year contract extension with Chase Paymentech, with an additional one-year option to be exercised at the agencies’ discretion, for both credit card and ACH processing. The actual amount paid to Chase Paymentech is based on a per-transaction fee and is dependent upon the number of credit card and ACH transactions processed by the agencies for customer account replenishments, toll payments, and violation payments.

Chase Paymentech provides automated credit card updates to the agencies. This process benefits customer service by allowing the agencies to update credit card information automatically for things such as new expiration dates or replaced credit card numbers—without the need for any action by the customer. This service is available through Chase Paymentech at no additional charge to the agencies. Because we are precluded from receiving automatic updates of expiration dates for American Express cards through Chase Paymentech, the agencies began processing American Express credit card and ACH payments directly through American Express in the first quarter of FY12. This change not only improves our customer service, but also saves the agencies money. While we still pay the interchange fee directly to American Express, we no longer pay the transaction fee to Chase Paymentech. We have explored the possibility of directly processing our Visa and MasterCard transactions in the past, but our transaction volume was not high enough for us to qualify. With the expected increase in transaction volume resulting from our all-electronic tolling (AET) conversion, we plan to revisit this option in the future.

The Chase Paymentech proposed contract Amendment No. 2 allows continued processing of Visa, MasterCard, and Discover credit card and ACH processing services. Currently, Chase Paymentech processes approximately 2.2 million transactions annually for the agencies, based on almost $135.0 million in sales revenue. When we build our transaction volume to 3.0 million we will then qualify for a reduction in the Chase Paymentech transaction fee. Again, we expect to pass this threshold during the upcoming fiscal year as a result of the AET conversion which will result in lower per transaction costs at the second tier level shown below. The increase in overall credit card fees as a result of additional transactions due to the conversion to AET was taken into consideration in the original AET model.

Current structure:

- **Tier 1:** 0-2,999,999 transactions; 6.5¢ per item
- **Tier 2:** 3,000,000-5,999,999 transactions; 5.0¢ per item
- **Tier 3:** 6,000,000 and above transactions; 4.0¢ per item

The agencies will initiate the procurement process for services beyond June 30, 2015, in the second quarter of FY15. We anticipate Chase Paymentech will again submit a proposal for these services. We also expect those vendors which submitted bids during our 2008 procurement process to again participate. They included, Fifth Third Bank; Wells Fargo Bank; ACH Direct; Clear Pay Processing; and, U.S. Bank.
FUNDING

Funding for this one-year contract amendment for credit card and ACH processing is included in each agency’s proposed FY15 budget. The fees paid to Chase Paymentech are based upon the set fee applied to the number of transactions initiated by the agencies and submitted to Chase Paymentech along with pass-through interchange fees. These payment processing costs will be paid from toll and violation revenues.

CONCLUSION:

The approval of a contract extension with Chase Paymentech will allow the agencies to continue credit card and ACH processing for FasTrak, ExpressAccount, and One-Time-Toll transactions. The fees paid to Chase Paymentech will continue to be based upon the set fee applied to the number of transactions initiated by the agencies and submitted to Chase Paymentech, along with interchange fees passed through from the credit card companies. Total fees, including interchange fees, associated with this contract are estimated to be $2,142,367 for SJHTCA and $4,092,072 for F/ETCA in FY15.

Attachment
PROCUREMENT SUMMARY REPORT

Report No. 17
File No. 2014J-028

Contract #: K000352
Amendment #: 2
Title: Credit Card and Automated Clearing House Processing
Vendor: Chase Paymentech
Department: Toll Operations
Staff Lead: Joyce Hill

Procurement Process
Type: Exercised One-Year Option
Award Criteria: Continuity of Service
Price: Estimated FY15 Total $6,234,439

Notes: Amendment No. 2 authorizes Vendor to continue credit card and automated clearing house processing for one year allowing the agencies to continue credit card and ACH processing for FasTrak, ExpressAccount, and One-Time-Toll transactions. Funding for this one-year extension is included in the agencies’ FY15 proposed budgets. The agencies will initiate the procurement process for services beyond June 30, 2015, in the second quarter of FY15.
BOARD MEETING DATE:       June 12, 2014

SUBJECT:    Marketing Services

STAFF RECOMMENDATION:

Foothill/Eastern Transportation Corridor Agency Recommendation:

Approve Contract No. K000817 Amendment 1 with ELA Advertising in the amount of $1,978,734 for marketing services through June 30, 2015.

San Joaquin Hills Transportation Corridor Agency Recommendation:

Approve Contract No. K000817 Amendment 1 with ELA Advertising in the amount of $728,324 for marketing services through June 30, 2015.

SUMMARY:

The marketing goal is to increase toll revenues and transactions through the acquisition of new customers and increased usage by existing customers. The FY15 Marketing Plan will support this goal with marketing initiatives designed to communicate the benefits of The Toll Roads and non-stop tolling options with FasTrak® and ExpressAccount™ while informing visitors and infrequent users about the One-Time-Toll™ option. Driving The Toll Roads is a choice made by travelers each day, so marketing with high reach and frequency will be needed to remind drivers daily that The Toll Roads are the best choice for traveling to, through or around Orange County.

CONTRACTOR/CONSULTANT:       ELA Advertising, Inc.

COST:

F/E:        $1,978,734
SJH:        $728,324

REPORT WRITTEN BY:        Lisa Ganz, Marketing Specialist
                          949-754-3489

REVIEWED BY:        Engineering/Environmental Communications/Public Affairs
                          Finance
                          Toll Operations
DATE:       June 12, 2014

TO:         Foothill/Eastern Transportation Corridor Agency Board of Directors
            San Joaquin Hills Transportation Corridor Agency Board of Directors

FROM:       Lisa Ganz, Marketing Specialist

SUBJECT:    Marketing Services

STAFF RECOMMENDATION:

Foothill/Eastern Transportation Corridor Agency Recommendation:

Approve Contract No. K000817 Amendment 1 with ELA Advertising in the amount of $1,978,734
for marketing services through June 30, 2015.

San Joaquin Hills Transportation Corridor Agency Recommendation:

Approve Contract No. K000817 Amendment 1 with ELA Advertising in the amount of $728,324
for marketing services through June 30, 2015.

BACKGROUND:

Marketing and paid advertising continues to be an integral component of the agencies’
communications program. The conversion to All Electronic Tolling (AET) in May 2014 began a
new chapter in the agencies’ communication direction. Although there has been a significant
increase in new account growth and high awareness of the elimination of cash tolling, the
benefits of non-stop tolling and the new payment options need to constantly be reinforced.

ELA Advertising has been our marketing services consultant since June 2013. A full
procurement process for marketing services took place in FY13 which resulted in a new three
year contract with two one-year options. This amendment will fund the second year of ELA’s
contract which includes creative and design services, advertising production costs, procurement
of media and administration. The agencies pay a fixed monthly service fee plus a markup on
outsourced production and media buys.
Summary of the FY14 Marketing Program

To deliver high awareness, the FY14 plan included a multi-media mix across all three counties: Orange, Los Angeles, and Inland Empire.

Research supported the concept of utilizing a spokesperson to help simplify the message. Launching “Layne” included creating a recognizable look and tone.

Promotions such as $30 in Free Tolls and Drive A Week Free were utilized throughout the year to incentivize account sign ups.

Efforts were made to target and convert cash users with monthly flyers and on-road signage.
Communication to travelers and tourists was initiated via Westways, WHERE Magazine, concierge mailings and a tourist brochure with One-Time-Toll rate information.

Current FasTrak customers received messages to reassure them that they didn’t need to make any change and to help spread the word.

Quantitative and qualitative research was conducted to validate Layne as our spokesperson and to get consumer input on ad awareness and messaging. Layne received favorable scores.

Layne attributes (top 2 box):

- 75% Likable
- 63% Believable
- 65% A good spokesperson for The Toll Roads
- 74% Represents The Toll Roads in a positive way
- 61% Effectively conveys the message about The Toll Roads
- 48% Helps simplify a complicated message
Along with year-to-date positive revenue and transactions, account growth was significant with 109% increase in March, 175% increase in April and 713% increase in May vs. prior year.

**DISCUSSION:**

The FY15 plan will include initiatives that will continue the positive momentum in educating customers and building revenue, transactions and account growth. Even our best customers make their decisions on a daily basis to use The Toll Roads or take the freeway or arterial roadways. So our three marketing priorities will be:

1. Continue to reinforce the benefits of using The Toll Roads – time savings, predictability, convenience and stress-relief.
2. Educate on non-stop tolling with the features/benefits of FasTrak®, ExpressAccount™ and One-Time-Toll™. Communicate the ease of sign-up via the website or mobile app.
3. Help guide consumers to select the payment option that suits their needs.

The marketing plan direction was developed with oversight from the Joint Marketing Ad Hoc Committee at a meeting held on May 15, 2014. Members of the committee in attendance were Tony Beall, Melody Carruth, Jim Evert, Rhonda Reardon and Christina Shea. The committee reviewed the positive results of the FY14 programs including quantitative data on the
effectiveness of Layne as The Toll Roads spokesperson. After this, the committee was presented with the FY15 agency goals and the marketing initiatives to support the goals.

**FY15 General Marketing Overview**

The marketing goal will be to increase toll revenues and transactions through the acquisition of new customers and increased usage by existing customers. Phase 3 of the AET marketing plan kicked off on May 14 when The Toll Roads converted to All Electronic Tolling. The strategy during this phase and into FY15 will focus on the benefits of the open roads and non-stop tolling with FasTrak and ExpressAccount. As TCA shifts to a new business model, an integrated marketing campaign will be important to a) continue to promote and educate drivers on the features and benefits of The Toll Roads and b) hurdle the high account, transaction and revenue growth gained in FY14.

**Marketing Initiatives**

1. Increase brand awareness and the perception that The Toll Roads are the best convenient and time-saving route to, in and through Orange County.
2. Explore ways to drive frequency via a loyalty or rewards-type program.
3. Generate new customers and convert One-Time-Toll™ users to accounts.
4. Identify easy-to-execute and low cost ways to reach the ever changing tourist and visitor segment. Expand tourism outreach into San Diego County.
5. Continue marketing, paid media and outreach to the Latino market.
6. Increase social media presence and engagement.

**Tactics**

- Develop an effective media plan that delivers high reach and frequency to maximize impressions/exposure of message. Focus on key drive times when decisions are made and the “on-the-go” media outlets most utilized by commuters. Continue with total market coverage in OC, LA and the IE.
- Reinforce the benefits of non-stop tolling with more ways to pay. Hone The Toll Roads value proposition to three simple points: Predictability, time savings and a non-stop, stress-free experience. Clearly convey the differences in the account types to help guide consumer decisions.
- Leverage Layne as The Toll Roads spokesperson to deliver high impact and memorable advertising that validates the choice to use The Toll Roads.
- Develop retail marketing strategies that help to build sales layers:
  - Promotions to incentivize sign-ups and trial
  - Research feasibility of reloadable gift cards and retail sales of cards
  - Implement approved recommendations from the FasTrak Loyalty Program Feasibility Study
  - Deploy an email marketing strategy to encourage frequent One-Time-Toll users to sign up for an account.
• Continue with Spanish language advertising and quarterly events to reach the Latino market.
• Develop an annual Facebook/social media promotion to increase fan base which offers an efficient means to communicate.

**Consultant Scope of Work**
ELA Advertising will support the agencies by providing specialized services that cannot be accomplished in-house. The consultant will be responsible for strategic marketing initiatives to increase revenue and transactions on The Toll Roads; to develop creative that continues to educate about all-electronic tolling and the various payment options through paid media and promotions. The Consultant will also manage Hispanic media and community outreach. The scope will include planning, creative and design services, advertising production, planning and procurement of media, account management and administration.

**Key Performance Measures**
- Revenue and transactions
- New account enrollments
- Media performance metrics including impressions, click-through rates and circulation
- Annual attitudes, usage and perceptions study
- Google analytics
- Social media metrics including number of Facebook fans, likes, shares and tweets

**FY15 SR 241 Marketing Overview**
As in the past, a separate budget for the Foothill/Eastern Agency is included for advertising services needed to support the SR 241 Tesoro Extension outreach and the long-term planning efforts. The goal of this marketing plan is to communicate regional mobility needs and solicit public involvement during public comment periods and public meetings. It is anticipated that there could be as many as three public meetings/hearings for the Tesoro Extension in FY15 for the regulatory permitting process. The contract includes paid media support for an awareness campaign with print, online and direct mail media and YouTube videos to support outreach programs. Due to the project nature of this work, the agencies will pay for services based on a rate card fee.

**BUDGET:**
Funding for this contract amendment is included in the FY15 budgets for San Joaquin Hills and Foothill Eastern Transportation Corridor Agencies.
CONCLUSION:
The marketing goal is to increase toll revenues and transactions through the acquisition of new customers and increased usage by existing customers. The FY15 Marketing Plan will support this goal with marketing initiatives designed to communicate the benefits of The Toll Roads and non-stop tolling options with FasTrak® and ExpressAccount™ while informing visitors and infrequent users about the One-Time-Toll™ option. Driving The Toll Roads is a choice made by travelers each day, so marketing with high reach and frequency will be needed to remind drivers daily that The Toll Roads are the best choice for traveling to, through or around Orange County.
TECHNICAL ADVISORY COMMITTEE  
SAN JOAQUIN HILLS COMMITTEE  
FOOTHILL/EASTERN COMMITTEE  
JOINT ADMINISTRATION COMMITTEE  
LEGAL AND LEGISLATIVE COMMITTEE  
X SAN JOAQUIN HILLS BOARD OF DIRECTORS  
X FOOTHILL/EASTERN BOARD OF DIRECTORS

BOARD MEETING DATE: June 12, 2014

SUBJECT: Design/Program Management Services and Staff Assistance

San Joaquin Hills Transportation Corridor Agency Recommendation:
1. Authorize the acting chief executive officer (CEO) to execute task orders within contract K000005 with the Corridor Design Management Group (CDMG), for a not-to-exceed amount of $142,010 for support of the agency's capital projects.
2. Authorize the CEO to execute additional changes to this contract within five percent ($7,100) of the above amount.

Foothill/Eastern Transportation Corridor Agency Recommendation:
1. Authorize the acting chief executive officer (CEO) to execute task orders within contract K000002 with the Corridor Design Management Group (CDMG), for a not-to-exceed amount of $2,698,546 for support of the agency's capital projects.
2. Authorize the CEO to execute additional changes to this contract within five percent ($134,927) above amount.

SUMMARY:
Design/Program management services have been performed by CDMG for the agencies since 1988. These services will be necessary for the agencies to continue to work towards a solution for South Orange County's regional mobility that includes sustainable communities strategies. CDMG will continue to provide design assistance and environmental permitting support as well as perform other assigned duties necessary to advance the agencies' capital improvement plan for the Foothill/Eastern and San Joaquin Hills Agencies.

CONTRACTOR/CONSULTANT: Corridor Design Management Group, consisting of Atkins North America, Inc., HNTB Corporation and Parsons Brinckerhoff, Inc.

COST: SJH $142,010  
F/E $2,698,546

REPORT WRITTEN BY: David Lowe, Acting Chief Engineer  
(949) 754-3488

REVIEWED BY: Engineering/Environmental  
Communications/Public Affairs  
Finance  
Toll Operations
DATE:       June 12, 2014

TO:        San Joaquin Hills Transportation Corridor Agency Board of Directors
           Foothill/Eastern Transportation Corridor Agency Board of Directors

FROM:      David Lowe, Acting Chief Engineer

SUBJECT:  Design/Program Management Services and Staff Assistance

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San Joaquin Hills Transportation Corridor Agency Recommendation:

1. Authorize the acting chief executive officer (CEO) to execute task orders within contract K000005 with the Corridor Design Management Group (CDMG), for a not-to-exceed amount of $142,010 for support of the agency’s capital projects.

2. Authorize the CEO to execute additional changes to this contract within five percent ($7,100) of the above amount.

Foothill/Eastern Transportation Corridor Agency Recommendation:

1. Authorize the acting chief executive officer (CEO) to execute task orders within contract K000002 with the Corridor Design Management Group (CDMG), for a not-to-exceed amount of $2,698,546 for support of the agency’s capital projects.

2. Authorize the CEO to execute additional changes to this contract within five percent ($134,927) above amount.

BACKGROUND:

The Corridor Design Management Group (CDMG) has been under contract with the Transportation Corridor Agencies since 1988 providing program and design management services. CDMG provides cost effective staff augmentation for TCA across a variety of technical and administrative specialties. The continuity of in-house CDMG staff resources over the life of this contract preserves significant institutional knowledge for the agencies and, as a joint venture of three large, highly regarded engineering firms (Atkins North America, Inc., HNTB Corporation and Parsons Brinckerhoff, Inc.) CDMG offers a breadth of additional resources on an as needed basis.
The continuing role of CDMG as design/program manager encompasses several ongoing activities including administration of selected contracts, maintaining and tracking project files through document control procedures, providing technical support and advice on project design and support for the environmental permitting process. CDMG also provides staff assistance and assists the agencies with the required interface/coordination with various stakeholders, partnering agencies and landowners.

Each year during the budgeting process, the Capital Improvement Program is approved by the Board of each agency and budgets are established for the upcoming tasks for the next fiscal year. The budgets include the necessary funding for the CDMG support services. Once the budgets and intended levels of support have been determined and approved, the CDMG contract is updated to reflect the required level of support.

Funding for the existing CDMG contract will run out in the next few months, and therefore it is necessary to amend the contract value to include the services identified in the Fiscal Year 2015 (FY15) budget.

**DISCUSSION:**

Staff’s request for an amendment to the existing contract will allow CDMG to continue to support the agencies staff with engineering design and alternative evaluation services; environmental permitting support; cost reductions evaluations; right-of-way and utilities support; traffic modeling and animations; design review and coordination services for preliminary design plans; document control and support for the ongoing environmental permitting and preliminary design process for the agencies’ capital improvement plan.

The previously approved (and not yet used) contract authorizations have been factored in to the calculation and only additional needed authorization is being requested as part of this report. These amounts are shown in detail on Attachment A.

Task orders S-34 and FE-39 include allocations (by agency) for the CDMG services related to ongoing Capital Improvement Plan projects. Specific task orders for the CDMG services related to All-Electronic Tolling (S-36 and FE-41) and for the 241 project south of Oso Parkway (FE-37 and FE-40) were developed so that costs for those individual projects could be tracked separately.

**BUDGET:**

The amounts recommended for these services are funded in the proposed FY15 budget as follows:

<table>
<thead>
<tr>
<th>SJHTCA Task Order</th>
<th>Description</th>
<th>FY15 Budget Amount</th>
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<tbody>
<tr>
<td>S-34</td>
<td>Capital Improvement Plan</td>
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<tr>
<td>S-36</td>
<td>All-Electronic Tolling</td>
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<td>Total SJHTCA</td>
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### F/ETCA Task Order

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<th>F/ETCA Task Order</th>
<th>Description</th>
<th>FY15 Budget Amount</th>
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<tr>
<td>FE-37</td>
<td>241 Completion Project</td>
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<tr>
<td>FE-39</td>
<td>Capital Improvement Plan</td>
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<td>FE-40</td>
<td>241 Traffic Animation &amp; Modeling</td>
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<tr>
<td>FE-41</td>
<td>All Electronic Tolling</td>
<td>$13,346</td>
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**Total F/ETCA**: $5,518,038

### CONCLUSION:

Design/Program management services have been performed by CDMG for the agencies since 1988. These services will be necessary for the agencies to continue to work towards a solution for South Orange County’s regional mobility that includes sustainable communities strategies. CDMG will continue to provide design assistance and environmental permitting support as well as perform other assigned duties necessary to advance the agencies’ capital improvement plan for the Foothill/Eastern and San Joaquin Hills Agencies.
Attachment A
CDMG Task Order Status
K000002/K000005
Total Current Values

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<th>K000002</th>
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<tr>
<td></td>
<td>S-34</td>
<td>S-36</td>
<td>FE-37</td>
<td>FE-39</td>
<td>FE-40</td>
<td>FE-41</td>
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Summary Requested Authorization

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<td>Total SJHTCA</td>
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<td>Total F/ETCA</td>
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BOARD MEETING DATE: June 12, 2014

SUBJECT: Federal Legislative Advocacy Services

STAFF RECOMMENDATION:

Foothill/Eastern Transportation Corridor Agency Recommendation:

Authorize the chief executive officer (CEO) to execute Amendment No. 3 to Contract No. K000655 with Akin Gump in an amount not-to-exceed $276,000 for services and $25,000 for expenses.

San Joaquin Hills Transportation Corridor Agency Recommendation:

Authorize the CEO to execute Amendment No. 3 to Contract No. K000655 with Akin Gump in an amount not-to-exceed $24,000 for services.

SUMMARY:

Staff recommends the boards authorize Amendment No. 3 to Contract No. K000655 with Akin Gump Strauss Hauer & Feld, LLP in an amount not-to-exceed $301,000 for the Foothill/Eastern Transportation Corridor Agency and $24,000 for the San Joaquin Hills Agency for federal advocacy services beginning July 1, 2014 through June 30, 2015. The monthly retainer for services remains unchanged.

CONTRACTOR/CONSULTANT: Akin Gump Strauss Hauer & Feld, LLP

COST:
F/E: $301,000
SJH: $ 24,000

REPORT WRITTEN BY: Lisa Telles, Chief Communications Officer
(949) 754-3405

REVIEWED BY:
Engineering/Environmental Communications/Public Affairs
Finance
Toll Operations
DATE: June 12, 2014

TO: Foothill/Eastern Transportation Corridor Agency Board of Directors
   San Joaquin Hills Transportation Corridor Agency Board of Directors

FROM: Lisa Telles, Chief Communications Officer

SUBJECT: Federal Legislative Advocacy Services

STAFF RECOMMENDATIONS:

Foothill/Eastern Transportation Corridor Agency Recommendation:

1. Authorize the chief executive officer (CEO) to execute Amendment No. 2 to Contract No. K000655 with Akin Gump in an amount not-to-exceed $265,000 for services and $25,000 for expenses.

San Joaquin Hills Transportation Corridor Agency Recommendation:

1. Authorize the CEO to execute Amendment No. 2 to Contract No. K000655 with Akin Gump in an amount not-to-exceed $24,000 for services.

BACKGROUND:

Federal legislative advocacy and consulting services are necessary due to the many legislative and regulatory issues associated with planning, financing and building infrastructure and the continued operation of the existing toll roads. TCA’s primary federal legislative objective is to build relationships and monitor legislation and regulations that could impact the agencies’ ability to operate The Toll Roads efficiently or advance its projects. Even if federal funds are not received, TCA is required to follow federal laws, including the National Environmental Policy Act, Endangered Species Act, Coastal Zone Management Act and the Clean Water Act. While TCA’s objective is not to identify and obtain federal funding for the Toll Roads, policy impacting federal funding for infrastructure projects in California is important to track because Caltrans maintains The Toll Roads. Taking advantage of low cost federal loan financing, Transportation Infrastructure Finance & and Innovation Act (TIFIA) could lower the financing costs and overall debt for future capital improvement projects, including the SR 241/91 Express Lanes Direct Connector project. It is important that the agencies stay abreast with developments to the TIFIA
program and monitor new laws that make changes to regulations that impact TCA, i.e., national electronic toll collection interoperability requirements.

TCA has contracted with a Washington, D.C. firm for legislative advocacy services since 1987. Akin Gump is an international law firm with a large federal advocacy practice group in Washington, D.C. and was selected through a competitive procurement process in 2011 to represent the agencies.

Susan Lent leads the Akin Gump team. She is a lawyer and partner in the firm. Susan was a former counsel to the U.S. House of Representatives Committee on Transportation and Infrastructure and heads the firm’s transportation practice. She is our daily contact on the Akin Gump contract and attends monthly consultant and Committee Ad Hoc meetings at TCA. Susan is supported by former Congressmen Vic Fazio and Bill Paxon, former National Security Advisor and former Commandant of the U. S. Marine Corps General James Jones, and Chris Goode, Captain U.S. Navy, Retired.

Vic Fazio is a former Democratic member of Congress from the Sacramento region who has close ties to Democratic members of Congress, including California’s U.S. senators, members of the Orange and San Diego county congressional delegations and Obama Administration officials.

Bill Paxon is a former Republican member from New York with close ties to the Republican members of Congress, including members of the Orange and San Diego county congressional delegations and House Republican leadership.

In Fiscal Year 2014, TCA’s Washington advocacy team:

- Met with Congresswoman Loretta Sanchez and other members of Congress from Southern California regarding support of TCA’s wastewater discharge permit that was denied by San Diego Regional Water Quality Control Board and appealed to the State Water Quality Control Board. Four members of Congress signed a letter of support sent to Governor Brown.

- Briefed members of Congress on Foothill/Eastern refinancing plan, on benefits of refinancing and the final outcome to keep them informed about agency activities and positive advancements.

- Secured a meeting with Navy Secretary Mabus for TCA CEO and routinely communicated with Headquarters Marine Corps staff regarding project and agency questions.

- Updated Senator Feinstein, Congresswoman Sanchez, and Congressman Issa on capital project status.
Briefed congressional committee staff on lessons learned in advancing the 241 project and changes to legislation that would expedite project delivery. Akin Gump provided draft streamlining language to the committee.

Briefed congressional committee staff on SR 241/91 Express Lanes direct connector and Tesoro Extension and how TIFIA program could be used to support the financing of those projects.

Monitored bills and proposed regulations and policy changes in support of TCA initiatives.

Advised TCA staff and ad hoc committee members of impact of legislation and recommendations for action.

Reviewed and monitored developments regarding the transportation bill funding status and new versions of transportation bills being introduced by the administration and Congress.

Monitored discussion on national interoperability and legislation that could impact TCA’s business model.

Federal advocacy for TCA involves building and nurturing key relationships through education. There are 21 committees in the House and Senate. Legislation moves through committees before it is passed by both Houses and signed into law by the President. Akin Gump monitors and communicates with the staff and members of the following committees on behalf of TCA:

**House Transportation and Infrastructure**
- Makes laws governing how transportation funds are distributed and spent
- Makes laws imposing conditions on receipt of transportation funds (i.e., planning, environmental reviews and permitting, procurement and other grant conditions.)

**House Armed Services**
- Makes laws governing development through and adjacent to military bases

**House Natural Resources**
- Makes laws governing construction of transportation projects adjacent to coastal zones
- Makes laws governing consideration of impact of transportation project on endangered species

**House Ways and Means**
- Identifies revenues for highway and transit programs that dictate funding available

**House Appropriations**
- Makes funding available annually for transportation programs

**Senate Environment and Public Works, Banking and Commerce**
- Makes laws governing how transportation funds are distributed and spent
Makes laws imposing conditions on receipt of transportation funds (i.e., planning, environmental reviews and permitting, procurement and other grant conditions)

Makes laws governing construction of transportation projects adjacent to coastal zones

Makes laws governing consideration of impact of transportation project on endangered species

**Senate Armed Services**
- Makes laws governing development through and adjacent to military bases

**Senate Finance**
- Identifies revenues for highway and transit programs that dictate funding available

**Senate Appropriations**
- Makes funding available annually for transportation programs

Akin Gump also monitors and communicates with key departments in the executive branch.

**Department of Transportation**
**Environmental Protection Agency**
**Army Corps of Engineers**
**Interior (Fish and Wildlife and National Register)**
**Commerce/NOAA**

**DISCUSSION:**

In 2011 the Boards approved a one-year contract with Akin Gump and four one-year options. Staff is recommending that the Boards approve the third option to continue Federal Legislature Advocacy services in Fiscal Year 2015. FY 2015 federal legislative priorities include:

- Facilitate processing of federal approvals for the Tesoro Extension with U.S. Fish and Wildlife Service and the Federal Highway Administration.
- Advocate for reliable multiyear funding for transportation in the transportation reauthorization bill.
- Provide resource support and advocacy for streamlining transportation project delivery processes.
- Advocate for robust TIFIA (low interest loan) program with streamlined approval process and other options for low cost financing in the transportation reauthorization bill.
- Monitor policy and advocate for operational flexibility for toll road operators while coordinating to implement federal tolling policy.
- Ensure laws and regulations do not negatively impact TCA’s ability to undertake capital projects or operate efficiently.
Communicate with federal regulatory agencies regarding long-term strategy for mobility in South Orange County south of Cow Camp Road.

Ongoing communication with key members of congress, committee members and staff, and relative administrative departments about the agencies’ progress, accomplishments and needs to ensure that The Toll Roads are a valued component of the region’s transportation network to support mobility, the economy and air quality.

Assist TCA with evaluating opportunity for TIFIA loan and engaging in discussions with the Department of Transportation regarding a possible loan.

Assist TCA with efforts to engage stakeholders in discussions regarding infrastructure improvements beyond the Tesoro extension and possible efforts to achieve a settlement with project opponents.

Federal laws and regulations affect the way TCA does business and our ability to implement capital improvement projects. Proactive, focused and consistent representation in Washington D.C. is important for the success of TCA’s operations and future projects.

FUNDING:

Funds for this contract are included in the FY15 proposed budget.

SUMMARY:

Staff recommends the boards authorize Amendment No. 3 to Contract No. K000655 with Akin Gump Strauss Hauer & Feld, LLP in an amount not-to-exceed $290,000 for the Foothill/Eastern Transportation Corridor Agency and $24,000 for the San Joaquin Hills Agency for federal advocacy services beginning July 1, 2014 through June 30, 2015. The monthly retainer for services remains unchanged. This contract will be reviewed in December 2014 to determine if a procurement for federal advocacy services should be conducted for future federal advocacy services.
TECHNICAL ADVISORY COMMITTEE
SAN JOAQUIN HILLS COMMITTEE
FOOTHILL/EASTERN COMMITTEE
JOINT ADMINISTRATION COMMITTEE
LEGAL AND LEGISLATIVE COMMITTEE
SAN JOAQUIN HILLS BOARD OF DIRECTORS
**FOOTHILL/EASTERN BOARD OF DIRECTORS**

Report No. 20
File No. 2014F-021

BOARD MEETING DATE: June 12, 2014

SUBJECT: Consulting and Advocacy Services/Tesoro Extension and Long-Range Strategic Planning

STAFF RECOMMENDATION:

1. Authorize the acting chief executive officer (CEO) to execute contract amendment No. 2 with Richard Katz Consulting, Inc. for a not-to-exceed amount of $75,600 through June 14, 2015.

2. Authorize the CEO to execute contract amendment No. 2 with Robert Naylor Advocacy for a not-to-exceed amount of $63,600 through June 14, 2015.

3. Authorize the CEO to execute a contract amendment No. 4 with Canyon Strategies for a not-to-exceed amount of $63,600 through June 30, 2015.

4. Authorize the CEO to execute contract amendment No. 11 with Packard Public Affairs for a not-to-exceed amount of $45,600 through July 31, 2015.

SUMMARY:

Staff recommends the approval of four contracts to provide consulting and advocacy services for the Tesoro Extension regulatory process and long-range strategic planning efforts that will benefit mobility in the region.

**CONTRACTOR/CONSULTANT:** Richard Katz Consulting, Inc., Robert Naylor Advocacy, Canyon Strategies & Packard Public Affairs

**COST:** F/E: $248,400

**REPORT WRITTEN BY:** Lisa Telles, Chief Communications Officer
(949) 754-3405

**REVIEWED BY:**

Engineering/Environmental Communications/Public Affairs
Finance
Toll Operations

[Signature]
DATE:       June 12, 2014

TO:         Foothill/Eastern Transportation Corridor Agency Board of Directors

FROM:       Lisa Telles, Chief Communications Officer

SUBJECT:    Consulting and Advocacy Services/Tesoro Extension and Long-Range Strategic Planning

STAFF RECOMMENDATIONS:

1. Authorize the acting chief executive officer (CEO) to execute contract amendment No. 2 with Richard Katz Consulting, Inc. for a not-to-exceed amount of $75,600 through June 14, 2015.

2. Authorize the CEO to execute contract amendment No. 2 with Robert Naylor Advocacy for a not-to-exceed amount of $63,600 through June 14, 2015.

3. Authorize the CEO to execute a contract amendment No. 4 with Canyon Strategies for a not-to-exceed amount of $63,600 through June 30, 2015.

4. Authorize the CEO to execute contract amendment No. 11 with Packard Public Affairs for a not-to-exceed amount of $45,600 through July 31, 2015.

BACKGROUND:

Extending the 241 Toll Road from its present terminus at Oso Parkway is a high priority for the Foothill/Eastern Transportation Corridor Agency Board of Directors. This priority reflects the need for additional mobility in South Orange County, especially with forecasted growth in employment and population of 290,000 additional jobs and 400,000 more residents countywide by 2035. With these additions, the total delay on our roadways due to congestion will increase by 166%, equating to 1 million more vehicle trips in Orange County. If the 241 Toll Road is not completed, the total hours of delay on the existing transportation network would increase.

In addition, to the forecasted demand, the majority of the South Orange County community supports a project that provides an alternative route to I-5. Public opinion polling conducted in 2012 concluded that 61 percent of South Orange County residents and 67 percent of San Juan Capistrano residents supported the extension of the 241 Toll Road to Cow Camp Road, 76 percent said the Tesoro Extension will be particularly helpful on holidays and weekends and 75 percent said roads could be built in an environmentally sensitive way.
In October 2011, the Board of Directors authorized staff to begin preliminary engineering and environmental studies for a 5.5 mile extension of the 241 Toll Road from Oso Parkway to Cow Camp Road, known as the Tesoro Extension. In June 2013, the San Diego Regional Water Quality Control Board denied the project’s waste water discharge requirements permit request. TCA appealed that decision to the State Water Resources Control Board and is expecting an announcement in the October 2014 time frame. In the interim, work continues on finalizing the environmental documentation and processing of the other required regulatory permits for the Tesoro Extension.

The route for the extension of the 241 Toll Road south of Cow Camp Road is undetermined at this time. TCA is open to alternatives on how to proceed beyond the Tesoro Extension, and is committed to a solution that addresses the regional mobility challenges in the area, including congestion on I-5. TCA accepts the 2008 U.S. Department of Commerce decision and guidance and does not intend to file a challenge to that decision. In April 2014, TCA in partnership with the Federal Highway Administration took an administrative action to rescind the 2001 Federal Notice of Intent (NOI) for the preparation of a Federal environmental document for the 16 mile SR 241 completion project. Any project beyond the Tesoro Extension will require a new state and federal environmental review process and issuance of permits from the relevant state and federal resources agencies.

The rescission of the NOI has no impact on the 241 Toll Road’s inclusion in regional transportation plans. The 241 Toll Road remains an element of Orange County’s Long Range Transportation Plan, and is included in the San Diego Association of Governments and Southern California Association of Governments’ Regional Transportation Plans, and Orange County Master Plan of Arterial Highways (MPAH). These are programmatic, long-term planning documents and as such, are not alignment specific. The 241 Toll Road has been identified as an important element of Southern California regional mobility and air quality compliance strategy.

The steps needed to improve mobility in South Orange County are open for discussion. The intent of the long-term strategic planning initiative in FY15 is to move toward a broader approach that addresses transportation, environment and economic interests in a sustainable way incorporating elements of SB375 and regionally adopted Sustainable Communities Strategies. TCA plans to actively lead discussions with the community, stakeholders, resource agencies, environmental organizations and elected officials.

**DISCUSSION:**

The regulatory process is a complicated and sometimes political process. Moving forward to obtain the permits needed for the Tesoro Extension and to begin comprehensive dialogue that ensures that regional mobility is addressed in South Orange County will require specific consulting and advocacy support. The decisions regarding the future of the area are being made in Sacramento and Washington D.C. Staff is recommending the approval of the following firms to support the above identified efforts:
Richard Katz Consulting, Inc.
In addition to serving in the State Assembly for 16 years, Richard Katz chaired the Assembly Transportation Committee for 10 years and then served on the State Water Resources Control Board for five years. Mr. Katz has strong connections in Sacramento and provides strategic consulting services to support coordination with stakeholders. Mr. Katz was brought on board in 2013 specifically to help reach consensus with the State of California on the “cooperative agreement” that enabled Foothill/Eastern Transportation Corridor Agency bonds to be refinanced. During the year he has provided sound advice regarding permitting and taking a fresh look at how transportation planning is evolving and the need to broaden the goal to improving mobility in a way that addresses transportation, economic and environmental interests.

In FY15 Mr. Katz will be the lead consultant for implementing a series of meetings and workshops with stakeholders involved in the regulatory and approval processes. These meetings/workshops will include opponents that have been traditionally opposed to the extension of SR 241. The goal of these meetings and workshops is to identify feasible mobility solutions.

Staff recommends approval of a one-year contract amendment with Richard Katz Consulting, Inc. for a not-to-exceed amount of $75,600.

Robert W. Naylor Advocacy
Robert Naylor is a veteran and respected Sacramento lobbyist with exceptional relationships with both Republicans and Democrats. Robert Naylor has been working with California lawmakers and gubernatorial administrations for more than 30 years and has served as a California lobbyist for 22 of those years. Mr. Naylor also served in the California Assembly for 8 years. He has represented transportation clients in both the public and private sectors for more than 20 years, focusing on the California Transportation Commission, the Department of Transportation (Caltrans), and a number of regional transportation agencies, as well as the Legislature. He has a thorough understanding of transportation issues and recent reform efforts.

Mr. Naylor was hired in August 2013 to specifically deal with the imminent threat of legislation that would bar the agency from constructing the Tesoro Extension. Since that threat subsided, Mr. Naylor has been supplementing TCA’s legislative efforts in Sacramento.

In FY15 Mr. Naylor will take the lead role in agency’s Sacramento strategy regarding the Tesoro Extension and any issues related to long-term planning south of Cow Camp Road.

Staff recommends approval of a one-year contract amendment with Robert Naylor Advocacy – A Law Corporation, for a not-to-exceed amount of $63,600.

Canyon Strategies/Tom Soto
Tom Soto was an appointee of President Bill Clinton to the State Department's Border Environmental Cooperation Commission, and was more recently President elect Barack Obama's Co-lead of the Executive Office of the President's Transition Team for The White House Council
on Environmental Quality from November of 2008 to January of 2009. Mr. Soto was recognized by Poder 360 Magazine as one of the Nation’s Top 100 Latino Green Leaders and was one of Hispanic Business Magazine’s 100 Most Influential Latinos of 2010.

In April 2012 Tom Soto of Canyon Strategies was hired to advise the agency on how to build its relationships with the Latino community, labor organizations and the environmental community. Mr. Soto has helped build access to Inland Empire leaders and advised staff on how to better communicate to key interest groups outside of Orange County.

In FY15 Canyon Strategies will continue to provide consulting services to support these constituencies.

Staff recommends approval of a one-year contract amendment with Canyon Strategies for a not-to-exceed amount of $63,600.

Packard Government Affairs
Congressman Packard was a member of Congress for 18 years serving constituents of the former 48th Congressional District, which covered parts of southern Orange County and much of northern San Diego County. Congressman Packard served on the prestigious House Appropriations Committee, and during his tenure on that committee, chaired the Energy and Water Development, Military Construction, and Legislative Branch Subcommittees. He also worked as a senior member of the Transportation and Foreign Operations Appropriation Subcommittees. Previously, the Congressman served on the Public Works and Transportation Committee and the Science, Space and Technology Committee. Prior to his election to Congress, Congressman Packard served four years on the Carlsbad City Council and spent his last year there as Carlsbad’s Mayor. He served for three years on the transportation policy committee of the League of California Cities, and spent four years as a Director of the North County Transit District. His leadership brought him to the forefront of regional issues, culminating in his two-year presidency of the Council of Mayors for San Diego County.

In 2001 Packard Government Affairs (then known as Dawson & Associates) was first hired to support federal legislative strategies, education and outreach to help elected officials in San Diego County that were supportive of the F/ETCA capital project initiatives. Packard Government Affairs staff has a critical understanding of San Diego government agencies and supports TCA staff in monitoring issues and educating key stakeholders.

In FY15 Packard Government Affairs will continue to provide strategic consulting and outreach to San Diego leaders as it relates to long-term strategic planning and meetings related to the San Diego Regional Water Quality Control Board and San Diego Association of Governments.

Staff recommends approval of a one-year contract amendment with Packard Government Affairs – A Law Corporation, for a not-to-exceed amount of $45,600.
**FUNDING:**

Funding for this contract is included in FY15 proposed budget.

**SUMMARY:**

Staff recommends the approval of four contracts to provide consulting and advocacy services for the Tesoro Extension regulatory process and long-range strategic planning efforts that will benefit mobility in the region.
Procurement Summary Report

Report No. 20
File No. 2014F-021

Contract #: K000062
Amendment #: A11
Title: Legislative Advocacy
Consultant: Packard Government Affairs

Procurement Process
Type: Negotiated Amendment
Award Criteria: Continuity of Service
Price: $45,600

Notes: Amendment No. 11 authorizes Consultant to continue strategic consulting and outreach to San Diego leaders as it relates to long-term strategic planning and meetings related to the San Diego Regional Water Quality Control Board and San Diego Association of Governments.

The current monthly retainer for services remains unchanged.

Contract No. K000062 Compensation:
Original NTE Amount $130,000
Amendment Nos. 1-10 $429,000
Current NTE Amount $559,000

Proposed Amendment No. 11 $ 45,600
Revised NTE Amount $604,600
PROCUREMENT SUMMARY REPORT

Report No. 20
File No. 2014F-021

Contract #: K000775
Amendment #: A4
Title: Professional Services
Consultant: Canyon Strategies

Procurement Process
Type: Negotiated Amendment
Award Criteria: Continuity of Service
Price: Not-to-Exceed $63,600

Notes: Amendment No. 4 will authorize Consultant to provide continued consulting services in support of furthering the agency’s relationships with the Latino community, labor organizations and the environmental community.

The current monthly retainer for services has been negotiated and reduced by approximately 45 percent.

<table>
<thead>
<tr>
<th>Contract No.</th>
<th>Original NTE Price</th>
<th>Amendment Nos. 1-3</th>
<th>Current NTE Price</th>
<th>Proposed Amendment No.4</th>
<th>Revised NTE Price</th>
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<td>K000872</td>
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</table>
Report No. 20
File No. 2014F-021

Contract #: K000859
Amendment #: A2
Title: Professional Services
Consultant: Richard Katz Consulting Inc.

Procurement Process
Type: Negotiated Amendment
Award Criteria: Continuity of Service
Price: Not-to-Exceed $75,600

Notes: Amendment No. 2 will authorize Mr. Katz to serve as the lead consultant for implementing a series of meetings and workshops with stakeholders involved in the regulatory and approval processes as well as groups that have been traditionally against the agency’s plans to determine a path that will lead to feasible mobility solutions.

The current monthly retainer for services remains unchanged.

Contract No. K000859 Compensation
Original NTE Price $ 23,400
Amendment No. 1 $ 55,800
Current NTE Price $ 79,200

Proposed Amendment No. 2 $ 75,600
Revised NTE Price $154,800
Procurement Process

Type: Negotiated Amendment
Award Criteria: Continuity of Service
Price: Not-to-Exceed $63,600

Notes: Amendment No. 2 will authorize Consultant to take the lead role in the agency’s Sacramento strategy regarding the Tesoro Extension and any issues related to long-term planning related to the area south of Cow Camp Road.

The current monthly retainer for services remains unchanged.

Contract No. K000872 Compensation
Original NTE Price $ 25,000
Amendment No. 1 $ 25,000
Current NTE Price $ 50,000

Proposed Amendment No. 2 $ 63,600
Revised NTE Price $ 113,600
BOARD MEETING DATE: June 12, 2014

SUBJECT: Community Outreach

STAFF RECOMMENDATION:

Authorize Amendment No. 17 to Contract No. K000057 with Barrios & Associates, LLC/Communications LAB for a not-to-exceed amount of $210,000 and to extend the term one year to June 30, 2015.

SUMMARY:

Staff associated with Barrios & Associates, LLC/Communications LAB and their subcontractors have provided community outreach, public affairs and public relations services in South Orange County and northern San Diego County since 2001 related to the agency’s environmental and permit process for extending the 241 Toll Road. The contractor works as an extension of the Communications & Public Affairs staff and scope of work is adjusted and approved by the Board of Directors annually based on the status of the project. During FY15 Barrios & Associates, LLC/Communications LAB will provide a variety of communications services for the 241 Tesoro Extension project.

CONTRACTOR/CONSULTANT: Barrios & Associates, LLC/Communications LAB

COST:

F/E: $210,000

REPORT WRITTEN BY: Lisa Telles, Chief Communications Officer
(949) 754-3405

REVIEWED BY:

Engineering/Environmental Communications/Public Affairs
Finance
Toll Operations
DATE: June 12, 2014

TO: Foothill/Eastern Transportation Corridor Agency Board of Directors

FROM: Lisa Telles, Chief Communications Officer

SUBJECT: Community Outreach

STAFF RECOMMENDATIONS:

Authorize Amendment No. 17 to Contract No. K000057 with Barrios & Associates, LLC/Communications LAB for a not-to-exceed amount of $210,000 and to extend the term one year to June 30, 2015.

BACKGROUND:

In 2001, a procurement process was conducted for community outreach services to support the release of the draft environmental impact statement (EIS) and subsequent environmental impact report (SEIR) for the completion of the 241 Toll Road. At the conclusion of the competitive process, the contract was awarded to Waters & Faubel and subcontractor Keena Communications. In April 2005, the firm changed its name to Faubel Public Affairs. In 2013, the president of Faubel Public Affairs, Brian Lochrie, formed his own company, Barrios & Associates, LLC, and purchased a majority of the client contracts from Faubel Public Affairs, including the Foothill/Eastern Transportation Corridor Agency’s contract for community outreach services. While the license for the new firm is under Barrios & Associates, LLC, they have branded the company Communications LAB. While the name of the firm has changed over the years, Brian Lochrie has consistently been the agency’s day-to-day contact for the work.

Barrios & Associates, LLC/Communications LAB’s contract has been extended on an annual basis and the community outreach services scope has been adjusted each year as the environmental and permitting process for the extension of the 241 project has evolved. The firm and their subcontractors, act as an extension of the TCA Communications & Public Affairs staff. They provide services on an hourly basis and workload is adjusted based on project schedule and communications activities.

During their tenure they have provided community relations, public affairs and public relations services for the EIS/SEIR public comment period and public hearings, the Coastal Commission and Secretary of Commerce hearings, and the San Diego Regional Water Quality Control Board
hearings. They have also organized outreach meetings, a speakers’ bureau, and participation in community events. They have developed collateral material, direct mail, articles, letters, website content, research and media relations support, along with providing strategic counsel on communication and South Orange County government affairs issues.

Barbara Thomas Communications and The Nelson Group assist Barrios & Associates as sub-consultants augmenting the program and providing specific outreach to areas such as San Juan Capistrano, Northern San Diego County and Inland Empire organizations and communities.

**DISCUSSION:**

Staff recommends that the contract with Barrios & Associates LLC/Communications LAB and their sub-consultants be amended to extend the contract for one year to support the Communications & Public Affairs department with community outreach services in Orange County, Riverside County and northern San Diego County.

The scope of work for FY15 includes community relations, public affairs and public relations support for up to three community public forums or hearings for the Tesoro Extension environmental and permitting process, continued outreach to the Orange County, Inland Empire and Northern San Diego County communities to communicate the regional benefits of the Tesoro Extension project, and develop and monitor expanded comprehensive and interactive content on TCA’s websites that supports Tesoro Extension communication and involvement. Professional services provided by this contract are paid on an hourly basis and managed through monthly progress meetings and weekly communication.

Barrios & Associates, LLC/Communications LAB provides a wide range of community relations, public affairs and public relations services acting as an extension of staff to support communication regarding the extension of the 241 Toll Road. For FY15 their scope will focus on communications activities related to the Tesoro Extension.

**FUNDING:**

Funding for this contract is included in FY15 proposed budget.

**SUMMARY:**

Staff associated with Barrios & Associates, LLC/Communications LAB and their subcontractors have provided community outreach, public affairs and public relations services in South Orange County and northern San Diego County since 2001 related to the agency’s environmental and permit process for extending the 241 Toll Road. The contractor works as an extension of the Communications & Public Affairs staff and scope of work is adjusted and approved by the Board of Directors annually based on the status of the project. During FY15 Barrios & Associates, LLC/Communications LAB will provide a variety of communications services for the 241 Tesoro Extension project.
Transportation Corridor Agencies

PROCUREMENT SUMMARY REPORT

Report No. 7
File No. 2014F-017

Contract #: K000057
Amendment #: A18
Title: Community Outreach
Consultant: Barrios & Associates LLC

Procurement Process
Type: Negotiated Amendment
Award Criteria: Expertise / Continuity of Service
Price: Not-to-Exceed $210,000

Notes:
Extends period of performance for one year for continued support. Hourly rates remain unchanged.

Staff recommends that the contracts with Barrios & Associates LLC/Communications LAB and their sub-consultants to support the communications and public affairs department with ongoing community outreach in South Orange County, Riverside County and northern San Diego County. During FY15 they will support the agency’s communications and public affairs staff with outreach activities and community coordination specifically related to the 241 Tesoro Extension.

Contract No. K000057 Compensation:

<table>
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<tr>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>Original NTE Price</td>
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<td>Amendment No. 1 through 17</td>
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<td>Current NTE Price</td>
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<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Proposed Amendment No.18</td>
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<tr>
<td>Revised NTE Price</td>
<td>$3,296,309</td>
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</table>
BOARD MEETING DATE: June 12, 2014

SUBJECT: Award of Contract for Environmental In-House Staff Assistance

STAFF RECOMMENDATION:

Foothill/Eastern Transportation Corridor Agency Recommendation

1. Authorize the acting chief executive officer (CEO) to execute a three-year contract with LSA Associates, Inc. (LSA) (Contract K000946) in the amount of $1,300,500 to provide in-house support services to the Environmental and Planning Department.

2. Authorize the acting CEO to make additional changes deemed necessary and execute contract amendments within five percent ($65,025) of the above contract approved by the Board through this action.

San Joaquin Hills Transportation Corridor Agency Recommendation

1. Authorize the acting CEO to execute a three-year contract with LSA (Contract K000946) in the amount of $229,500 to provide in-house support services to the Environmental and Planning Department.

2. Authorize the acting CEO to make additional changes deemed necessary and execute contract amendments within five percent ($11,475) of the above contract approved by the Board through this action.

SUMMARY:

Staff recommends the award of a three-year contract to LSA (Contract K000946) in the amount of $1,530,000 to provide in-house support services to the Environmental and Planning Department. Project support includes activities associated with the State Route (SR) 241/91 Express Lane Connector Project, the Tesoro Extension Project, as well as overseeing the agencies' mitigation planning efforts and environmental review and coordination of the Capital Improvement Plan program.

CONTRACTOR/CONSULTANT: LSA Associates, Inc.

COST:

F/E: $1,300,500

SJH: $229,500

REPORT WRITTEN BY: Valarie McFall, Director, Environmental and Planning 949-754-3475

REVIEWED BY: Engineering/Environmental Communications/Public Affairs Finance Toll Operations
DATE: June 12, 2014

TO: Foothill/Eastern Transportation Corridor Agency Board of Directors

FROM: Valarie McFall, Director, Environmental and Planning

SUBJECT: Award of Contract for Environmental In-House Staff Assistance

STAFF RECOMMENDATION:

Foothill/Eastern Transportation Corridor Agency Recommendation

1. Authorize the acting chief executive officer (CEO) to execute a three-year contract with LSA Associates, Inc. (LSA) (Contract K000946) in the amount of $1,300,500 to provide in-house support services to the Environmental and Planning Department.

2. Authorize the acting CEO to make additional changes deemed necessary and execute contract amendments within five percent ($65,025) of the above contract approved by the Board through this action.

San Joaquin Hills Transportation Corridor Agency Recommendation

1. Authorize the acting CEO to execute a three-year contract with LSA (Contract K000946) in the amount of $229,500 to provide in-house support services to the Environmental and Planning Department.

2. Authorize the acting CEO to make additional changes deemed necessary and execute contract amendments within five percent ($11,475) of the above contract approved by the Board through this action.

BACKGROUND:

Since March 2011, LSA has been providing in-house staff support to the Environmental and Planning Department. LSA’s selection was based on a list of consultants qualified during a 2008 Statement of Qualifications (SOQ) process. Due to the length of time from the previous 2008 qualifications, staff initiated a new SOQ process on March 20, 2014 and concluded it on May 12, 2014 with LSA chosen as the most qualified to provide the required services.
For the past three years, LSA’s in-house consultant has provided support and oversight on several agency-related environmental projects, including the SR 241/91 Direct Connector Project, the SR 241 Southbound Widening Project, Upper Chiquita Canyon’s Resource Management Plan, Strawberry Farms Habitat Mitigation Plan, the Tesoro Extension Project and All-Electronic Tolling. The selected in-house consultant has nearly 25 years of experience working on a variety of projects, including a supporting role as assistant project manager from 2001 through 2004 for the extension of State Route (SR) 241. In addition to the lead in-house consultant, this contract will also provide for two additional LSA staff persons to provide assistance. Utilization of the two additional staff persons will be based upon project workload and schedule.

DISCUSSION:

The public was notified on March 20, 2014 of the Environmental and Planning Department’s need for in-house technical assistance by posting a Request for a Statement of Qualifications (RFSOQ) on the agencies’ website. Subsequent to this web advertisement, staff distributed the RFSOQ to 72 individuals representing various consulting firms on March 31, 2014. Of the 72 distributed RFSOQs, two firms submitted a SOQ for the in-house consulting services by the April 15, 2014 deadline. On May 12, the evaluation panel, which consisted of TCA engineering and environmental and planning staff, as well as a representative from Caltrans, selected LSA as the most qualified to perform the required in-house services.

The award of contract with LSA will provide for continued in-house environmental staff support, which is needed to complete the projects identified over the next three years within the Environmental and Planning Department. The number of projects environmental staff is involved with exceeds current capacity of staff and requires additional staff to complete the work in a timely manner. The award of contract to LSA for additional staff support will ensure the agencies’ Environmental and Planning Department can complete the work necessary to implement the agencies’ Capital Improvement Plan (CIP) program, as well as fulfill its environmental goals and obligations in a timely manner.

The annual cost for each agency over the next three years is provided in the table below and is inclusive of the lead in-house LSA staff person and two additional staff. The additional staff would be utilized on an as-needed basis, and would be dependent upon the department’s workload and schedule.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Foothill/Eastern Transportation Corridor Agency Cost</th>
<th>San Joaquin Hills Transportation Agency Costs</th>
<th>Total Fiscal Year Cost</th>
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<tr>
<td>2015</td>
<td>$418,200</td>
<td>$73,800</td>
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<tr>
<td>2016</td>
<td>$433,500</td>
<td>$76,500</td>
<td>$510,000</td>
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<tr>
<td>2017</td>
<td>$448,800</td>
<td>$79,200</td>
<td>$528,000</td>
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<tr>
<td>TOTAL</td>
<td>$1,300,500</td>
<td>$229,500</td>
<td>$1,530,000</td>
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</tbody>
</table>
**BUDGET:**

Funding for Fiscal Year (FY) 2015 has been included in the proposed FY15 budget and is subject to the Boards’ adoption. FY16 and FY17 costs will be programmed during each respective year’s budget process.

**CONCLUSION:**

Staff recommends the award of a three-year contract to LSA (Contract K000946) in the amount of $1,530,000 to provide in-house support services to the Environmental and Planning Department. Project support includes activities associated with the State Route (SR) 241/91 Express Lane Connector Project, the Tesoro Extension Project, as well as overseeing the agencies’ mitigation planning efforts and environmental review and coordination of the CIP program.
PROCUREMENT SUMMARY REPORT

Report No. 19
File No. 2014J-029

Contract #: K000946
Title: In-House Environmental Staff Assistance

Recommend Award To: LSA Associates, Inc.
Department: Environmental
Staff Lead: Valarie McFall

Procurement Process
Type: Competitive Proposal
Award Criteria: Most Qualified Proposer
Negotiated Price: $1,530,000

Statement of Qualifications (“SOQs”) Evaluation Results:

<table>
<thead>
<tr>
<th>STATEMENT OF QUALIFICATIONS EVALUATION CRITERIA</th>
<th>Maximum Points</th>
<th>LSA Associates</th>
<th>Parsons Brinckerhoff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional capability, demonstrated competence and specialized experience of the Firm</td>
<td>100</td>
<td>94</td>
<td>81</td>
</tr>
<tr>
<td>Experience with similar projects (3 minimum)</td>
<td>60</td>
<td>60</td>
<td>57</td>
</tr>
<tr>
<td>Recent experience with Agency</td>
<td>20</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>Firm's current commitments for environmental work</td>
<td>20</td>
<td>13</td>
<td>20</td>
</tr>
<tr>
<td>Level of commitment, roles and experience of key personnel</td>
<td>100</td>
<td>92</td>
<td>80</td>
</tr>
<tr>
<td>Key personnel experience with CEQA/NEPA (including projects involving FHWA and Caltrans approval)</td>
<td>80</td>
<td>78</td>
<td>73</td>
</tr>
<tr>
<td>References from past projects</td>
<td>20</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>400</strong></td>
<td><strong>367</strong></td>
<td><strong>336</strong></td>
</tr>
</tbody>
</table>

Vendor Sourcing: TCA posted RF SOQ K000897 on TCA’s website and contacted all respondents in prior on-call environmental services procurements. In all, TCA provided RF SOQ K000897 to 72 interested parties. The RF SOQ requested both SOQs for on-call environmental services and separate,
sealed proposals for in-house environmental staff assistance. Five firms submitted SOQs and the above two firms submitted in-house environmental staff assistance proposals.

**Compensation:** LSA proposed a three-year not-to-exceed amount of $1,530,000, based on all-inclusive hourly rates. Staff determined the hourly rates to be fair and reasonable. The number of hours to be worked is dependent on TCA’s workload and schedule.

**Indemnification:** The contract contains standard indemnification language previously approved by legal counsel.

**Contract Negotiation:** The anticipated contract contains no negotiated terms or conditions.
BOARD MEETING DATE:  June 12, 2014

SUBJECT:  SR 241 Tesoro Extension Right-of-Way Option Agreement and Amendment to 2009 Settlement Agreement/Rancho Mission Viejo (RMV)

STAFF RECOMMENDATION:

1. Authorize the acting chief executive officer (CEO) to execute the Option Agreement between the Foothill/Eastern Transportation Corridor Agency (F/ETCA) and RMV.
2. Authorize the CEO to execute documents related to the Major Thoroughfare and Bridge Fee program.
3. Authorize the CEO to execute the Amendment No. 3 to the 2009 Settlement Agreement between the F/ETCA and RMV.

SUMMARY:

Staff has negotiated an Option Agreement to secure the right-of-way for the SR 241 Tesoro Extension Project from Oso Parkway southerly to Cow Camp Road in Rancho Mission Viejo’s Planning Area 2. The transaction also requires amendments to the 2009 Settlement Agreement with RMV.

CONTRACTOR/CONSULTANT:  n/a

COST:  F/E $16,500,000  
        SJH 5-0-

REPORT WRITTEN BY:  Terry Swindle, Deputy Director  
                     Right-of-Way & Special Projects  
                     (949) 754-3487

REVIEWED BY:  Engineering/Environmental  
               Communications/Public Affairs  
               Finance  
               Toll Operations

2014F020f
DATE: June 12, 2014

TO: Foothill/Eastern Transportation Corridor Agency Board of Directors

FROM: Terry Swindle, Deputy Director
Right-of-Way & Special Projects

SUBJECT: SR 241 Tesoro Extension Right-of-Way Option Agreement and Amendment to 2009 Settlement Agreement/Rancho Mission Viejo (RMV)


STAFF RECOMMENDATION:

1. Authorize the acting chief executive officer (CEO) to execute the Option Agreement between the Foothill/Eastern Transportation Corridor Agency (F/ETCA) and RMV.
2. Authorize the CEO to execute documents related to the Major Thoroughfare and Bridge Fee program.
3. Authorize the CEO to execute the Amendment No. 3 to the 2009 Settlement Agreement between the F/ETCA and RMV.

BACKGROUND:

In October 2011 and January 2012 the Board approved staff recommendations that provided for the environmental, financial and engineering services for the completion of the SR 241 Tesoro Extension from Oso Parkway to Cow Camp Road. The approximate location of the alignment within Rancho Mission Viejo (RMV) Planning Area 2 is shown on the attached map.

The Major Thoroughfare and Bridge Fee Program (MTBFP) was established pursuant to California Government Code and is administered by each member Agency as part of the building permit process. Basically, developers may earn fee credits for right-of-way dedication and corridor grading and construction which then can be used to offset development impact fees (DIF’s) normally collected as building permits are issued.

RMV, after a successful opening of residential development in PA1, started the subdivision process in PA2. Two vesting Tentative Tract Maps (VTTM) were approved by the Orange
County Subdivision Committee in late 2013 and included the following significant conditions of approval prior to recordation of the first final tract maps within the VTTM:

- Preservation of the SR 241 extension right-of-way from Oso Parkway to Cow Camp Road; and,
- Requirement that RMV and the F/ETCA enter into agreements to address right-of-way, cost, phasing, implementation relating to all roadway connections to and/or crossings of the SR 241 extension within The Ranch Plan, and/or funding-phasing-construction of other roadways that are necessary in the event the extension of SR 241 does not occur.

In November 2009 the Agency and RMV resolved a dispute concerning certain terms of the May 1996 real estate transaction between the parties.

The material terms of the Settlement Agreement are as follows:

- RMV shall provide to the F/ETCA a total of 233.5 acres of real property on the ranch to be used for the purpose of mitigating environmental impacts caused by the completion of the southern segment of the SR 241 toll road (241 Completion Project).
- RMV shall also contribute up to $1.5 million cash toward the cost of the F/ETCA’s mitigation restoration efforts.
- The F/ETCA agrees to certain limitations on its right to condemn additional property owned by RMV for mitigation purposes.
- The parties agreed to a completion date for the Agency to obtain all permits to construct the 241 completion project through the Ranch.

The Settlement Agreement (SA) anticipated that the agency would have all permits, approvals and/or authorizations (Foothill south Approvals) for the extension of the SR 241 located within the RMV ranch boundary by December 31, 2015 (“Completion Date”). However, the Agency could extend the Completion Date until December 31, 2020 but forfeit $500,000 of the mitigation restoration payment.

**DISCUSSION:**

During the past seven months, RMV and TCA staff have worked to negotiate agreements to comply with the tentative tract map requirements.

The following documents represent the conclusion of the agreed-upon negotiations and are designed to allow RMV to meet the conditions of approval.

**Right-of-Way Option Agreement**
The Right-of-Way Option Agreement outlines how the F/ETCA will acquire the right-of-way for the Tesoro Extension in the future. The agreement sets the purchase price for 15 years.

The basic components of the Option Agreement are:

- RMV dedicates 120’ wide right-of-way and slopes (per the Major Thoroughfare and Bridge Fee Program)
- Agency pays fair market value for additional right-of-way necessary to build TEx - $25 million (purchase price)
- Option Consideration - $15 million deposited in escrow and reimbursed to RMV as grading of the right-of-way footprint occurs
- Option term – 15 years with no increase in the right-of-way purchase price
- Agency can consummate Option and close escrow upon completion of four conditions precedent:
  1. All governmental permits obtained
  2. Available construction funding for TEx
  3. Board authorization to advertise construction contract
  4. No material legal constraints.

- Staff will obtain Board approval prior to purchasing the right-of-way for $25 million.

The most beneficial condition of the Option is that it secures the right-of-way for the Tesoro Extension and there is no adjustment in the purchase price for 15 years, while staff continues to work on completion of the four conditions precedent.

The Option Agreement also provides for RMV to terminate the agreement in the event it successfully completes all of the following conditions precedent prior to the Agency consummating the Option:

- RMV obtains all governmental permits to construct an arterial highway (“F” Street) from an Oso Parkway connection southerly into PA 2
- RMV has entered into construction contracts for “F” Street
- There are not material legal constraints prohibiting construction of “F” Street
- RMV has binding funding commitments to complete construction of “F” Street
- RMV has dedicated or irrevocably offered to dedicate to the County of Orange right-of-way necessary for “F” Street

Settlement Agreement Amendment

The essential terms of the Settlement Agreement Amendment are:
Extends the Completion Date to obtain the Foothill-South approvals to 2029 and eliminates the $1.5 million restoration reimbursement obligation by RMV.

- Reduces the Woodlands Restoration and Wetlands acreage by seven acres.
- Reduces the Mature Oak Woodlands preservation area by 16.3 acres.
- Provides for a payment of $1.5 million by the Agency for impacts to coastal sage scrub to offset impacts of “F” Street alignment which includes a connection at Oso Parkway.

The Option Agreement and Amendment to the Settlement Agreement are a step toward improving mobility by providing transportation options for residents who currently live in the area of Orange County, as well as future residents.

**BUDGET:**

Funds for the option consideration are included in the proposed FY 15 budget.

**CONCLUSION:**

Staff has negotiated an Option Agreement to secure the right-of-way for the SR 241 Tesoro Extension Project from Oso Parkway southerly to Cow Camp Road in Rancho Mission Viejo’s Planning Area 2. The transaction also requires amendments to the 2009 Settlement Agreement with RMV.

STAFF RECOMMENDATION:

1. Authorize a revision to the CAPS Manual restricting the CEO authority to execute contracts of up to $25,000 for goods and services, and change orders or amendments to such contracts, without further Board action if:
   a. the scope of services is unique and cannot be reasonably construed as a continuation of another contract or commitment with the same vendor, and
   b. if related to a prior (closed) contract, the value of all related contracts will cumulatively not exceed $25,000, or
   c. contracts per vendor under this delegated authority are restricted to a maximum cumulative value of $25,000 for all non-competitively procured contracts within a Fiscal Year.

2. Authorize a revision to the CAPS Manual replacing the requirement for a Quarterly Routine Business Expense Contracts report with the required submission of a Quarterly Report of Procurement Activity to the Boards of Directors.

SUMMARY:

In February 2014 a Joint Procurement Ad Hoc Committee was formed to review the agencies' procurement policies and procedures. It was determined adequate controls exist; however, changes could be made to improve accountability and visibility and ensure the Board Members are fully aware of ongoing activity. Recommended changes include (1) modification of the existing authority granted to the CEO of up to $25,000 for contracts for goods and services with a unique scope of services, restricting further the authorization of non-competitively procured contracts with an individual vendor, to a cumulative maximum of $25,000 per fiscal year and (2) replacement of the current Quarterly Report of Routine Business Expense Contracts with a more comprehensive Quarterly Report of Procurement Activity. These changes will enhance controls and transparency while re-enforcing the agencies' core policy of seeking a maximum of competition in contracting activities, where possible, consistent with timely completion of the agencies' programs and ensuring accountability to the public and bondholders.

CONTRACTOR/CONSULTANT: N/A

COST: F/E = $ 0 SJH = $ 0

REPORT WRITTEN BY: Eileen Harrigan, Manager, Contracts & Procurement (949) 754-3479

REVIEWED BY: Engineering/Environmental Communications/Public Affairs Finance Toll Operations
DATE: June 12, 2014

TO: Foothill/Eastern Transportation Corridor Agency Board of Directors
    San Joaquin Hills Transportation Corridor Agency Board of Directors

FROM: Eileen Harrigan, Manager, Contracts and Procurement


STAFF RECOMMENDATION:

1. Authorize a revision to the CAPS Manual restricting the CEO authority to execute contracts of up to $25,000 for goods and services, and change orders or amendments to such contracts, without further Board action if:
   a. the scope of services is unique and cannot be reasonably construed as a continuation of another contract or commitment with the same vendor, and
   b. if related to a prior (closed) contract, the value of all related contracts will cumulatively not exceed $25,000, or
   c. contracts per vendor under this delegated authority are restricted to a maximum cumulative value of $25,000 for all non-competitively procured contracts within a Fiscal Year.

2. Authorize a revision to the CAPS Manual replacing the requirement for a Quarterly Routine Business Expense Contracts report with the required submission of a Quarterly Report of Procurement Activity to the Boards of Directors.

BACKGROUND:

The agencies’ joint exercise of power agreements provides the agencies the power to make and enter into contracts, subject to certain Government Codes. The agencies approved their Administrative Codes to further provide the rules by which the agencies would operate. These Administrative Codes were amended as the agencies grew, to include procurement policies and procedures that guided the staff in its contracting efforts. Included in these policies was the delegation of contracting authority to the agencies’ Chief Executive Officer (CEO) to a maximum of $25,000 per agency for a unique scope of work, without further Board approval. The CAPS Manual provides the policy and procedures to be followed.
The CAPS Manual was originally approved by the Boards, independent of the Administrative Code, in December 1991. Since that time, multiple updates and revisions have been approved by the Boards. In 1995 the Boards granted the CEO authority to approve contracts containing indemnifications by the agencies, if the contract value was within the CEO’s contracting authority of $25,000. In 2000, with the purchase of the Pacifica Building, the Boards granted the CEO emergency contracting authority under certain circumstances and with specific reporting requirements. This provided the flexibility necessary for the CEO to react in an emergency and ensure continued day to day operations and provision of a safe and healthy environment at all agency owned facilities.

In an effort to gain efficiencies in the routine management of the agencies and their facilities, the Boards delegated further authority to the CEO in 2004, to execute certain contracts considered to be routine. These contracts are limited to a value of $100,000 per agency per year, must be within the approved annual budget and meet the criteria identified in the CAPS Manual to be considered as a routine business expense. On a quarterly basis, staff reports to the Boards those contracts that are executed or amended under this authorization to maintain full transparency with these contracting activities. Beginning in June 2007 and annually thereafter, the F/ETCA authorized the Chair to approve the award of certain legislative related contracts, within budget restrictions. A significant update to the CAPS Manual was approved by the Boards of Directors and implemented in August 2010. That update included a comprehensive review of the policies and procedures with updates to accommodate legal and operational revisions. There were no changes to the values of the delegation of contracting authority with that update. A full legal review was performed to ensure proper reference and representation of legal requirements. In February 2014 the F/ETCA Board of Directors rescinded the authority to the Chair for award of certain legislative contracts. A Joint Procurement Ad Hoc Committee was formed in February 2014 to review all the agencies’ procurement policies and procedures.

**DISCUSSION:**
The CAPS Manual has developed as needed over time. The most current version, while updated to reflect current legal requirements and operational processes, still maintains the basic delegation of authority to the CEO established in the late 1980’s for all non-routine contracts. This delegation allows the CEO to execute contracts for goods and services and amendments or change orders thereto, to a maximum value of $25,000 for each unique scope of work, following the procedures identified in the CAPS Manual. Staff conducted an informal survey of other local public agencies in the area to compare CEO authorization policies.

The Joint Procurement Ad Hoc Committee reviewed the surveyed information and requested staff to identify potential improvements to control. The CAPS Manual has three basic levels of authorization delegated to the CEO for award of contracts for goods and services. First, the CEO is authorized to execute all contracts for a unique scope to a maximum of $25,000, per agency. Second, the CEO is authorized to execute contracts for routine business expense contracts to a maximum value of $100,000 per agency per year. Third, the CEO is authorized to execute all contracts with no limit for repair or replacement of equipment or facilities owned by the agencies in an emergency. The second and third of these authorizations include specific reporting requirements, ensuring full disclosure to the Boards of Directors of ongoing activity. In surveying other organizations, the delegations ranged from very simple to much more complex. The agencies’ base delegation to the CEO of $25,000 per agency was determined to be conservative but manageable. Staff did however; identify an opportunity to improve controls.
The CAPS Manual provides specific conditions under which the agencies may award a contract without a competitive procurement process. There is no dollar limit restriction on this procurement method other than the delegation of authority restriction for award to the CEO. In reviewing other organizations’ policies all require prudent judgment and encourage competition whenever practical, similar to that of the agencies. Some organizations restrict their ability to award any contract beyond a specific dollar limit or to a particular vendor. The current policy of the agencies provides has no such restriction. Staff recommended to the Joint Procurement Ad Hoc Committee a modification to the CEO authority for contracts with a unique scope. Staff recommends restriction of the CEO authority to award contracts to a particular vendor, when there is no competitive procurement, to a maximum cumulative fiscal year value of $25,000. This would eliminate the opportunity to award multiple contracts, each with a unique scope, to a single vendor, unless that work is procured in a competitive manner or approved by the Board(s) of Directors. In some instances, awards of this nature are appropriate; however, this revision would simply bring them forward for approval by the Board(s) of Directors to ensure full disclosure and an added level of review. The implementation of this revision will reinforce the agencies’ policy to seek a maximum of competition in its contracting activities. Staff does not anticipate the requirement to bring these contracts to the Board(s) of Directors to be an impediment to timely completion of the agencies’ projects. The change will improve accountability and visibility to the Boards, the public and the bondholders while maintaining sufficient flexibility to effectively accomplish the contracting activities of the agencies.

The other area of improvement identified and discussed with the Joint Procurement Ad Hoc Committee involves an expanded quarterly report of procurement activity. While the Boards of Directors currently receive a quarterly report of Routine Business Expense (RBE) Contracts executed in the prior quarter and anticipated in the next quarter, this provides a limited review of the overall activity. Staff has proposed replacing the Quarterly RBE Contracts report with a more comprehensive report, identifying all requisitions, contracts and amendments approved in the prior quarter. Staff currently processes all such documents for an electronic internal approval by the required staff. Such approval confirms the commitment of funds for the expenditure are authorized by the department head, within budget, appropriately recorded on financial ledgers, and appropriately obtained per policy. This new report would provide the Boards of Directors with information regarding the approvals of all such documents for expenditures greater than $2,500. This report will provide the Board members with an overview each quarter of contracts and expenses supporting the programs and projects staff is implementing to ensure they align with direction received from the Boards of Directors. In order to produce such a report, programming will be necessary to generate the data electronically from the existing financial system database. Modifications and additions to the report will be limited only by the capacity and abilities of the system.

**BUDGET:**

There are no budgetary impacts as a result of this action.

**CONCLUSION:**

In February 2014 a Joint Procurement Ad Hoc Committee was formed to review the agencies’ procurement policies and procedures. It was determined adequate controls exist; however, changes could be made to improve accountability and visibility and ensure the Board Members are fully aware of ongoing activity. Recommended changes include (1) modification of the existing authority granted to the CEO of up to
$25,000 for contracts for goods and services with a unique scope of services, restricting further the authorization of non-competitively procured contracts with an individual vendor, to a cumulative maximum of $25,000 per fiscal year and (2) replacement of the current Quarterly Report of Routine Business Expense Contracts with a more comprehensive Quarterly Report of Procurement Activity. These changes will enhance controls and transparency while re-enforcing the agencies’ core policy of seeking a maximum of competition in contracting activities, where possible, consistent with timely completion of the agencies’ programs and ensuring accountability to the public and bondholders.