RESOLUTION NO. F2013-06

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY APPROVING THE BUDGET FOR FISCAL YEAR 2014

On motion of Board Member Puckett, 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 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 2014 (FY14) in the amount of $179,885,880. 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 13, 2013.

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	$16,918,799
• SR 241(excluding related administration)	$15,862,240
• Capital Improvement Plan	$9,479,821
• Other Planning, Environmental and Construction	$7,221,478
• Toll Operations	$17,325,438
• Debt Service	$113,078,104

   and subject to controls in place under the 1995 and 1999 Indentures of Trust, the Board approved Contracts and Procurement Manual, Investment Policy, Staffing and Compensation Plan, and finally the Agency's enabling legislation.

3. With the approval of the Chair, the Chief Executive Officer is authorized to execute contracts with appropriate consultants regarding legislative support and legislative strategy; provided that such contracts do not exceed the applicable budget limitations for such activities.

3. Resolves to carry forward the project description and schedule 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.

4. Resolves to carry forward the project description and schedule from the current 2013 Regional/Federal Transportation Improvement Program (RTIP) 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.

5. Directs staff to forward the approved Annual Budget for FY14 to the trustee.

This Resolution No. F2013-06, shall become effective immediately upon adoption.

Adopted this 13th day of June, 2013, by the Board of Directors of the Foothill/ Eastern Transportation Corridor Agency.

Lisa Bartlett, Chairwoman
Foothill/Eastern Transportation Corridor Agency

RESOLUTION NO. F2013-06

A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY
APPROVING THE BUDGET FOR FISCAL YEAR 2014

ATTEST:

I, Kathleen Loch, Clerk of the Board of the Foothill/Eastern Transportation Corridor Agency hereby certify that the foregoing Resolution No. F2013-06 was duly adopted on June 13, 2013, by the Board of Directors of the Foothill/Eastern Transportation Corridor Agency by the following vote:

Ayes:	Chairwoman Bartlett, Directors Bates, Allevato Alvarez, Baker, Beall, Kring, Martinez, Puckett, Reardon, Schwing, Shea, Voigts
No:	None
Absent:	Nelson, Spitzer
Abstain:	None

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

Sherri McKaig
Sherri McKaig
Deputy Assistant Secretary to the Board
Foothill/Eastern Transportation Corridor Agency

___ **TECHNICAL ADVISORY COMMITTEE**
___ **SAN JOAQUIN HILLS COMMITTEE**
_X_ FOOTHILL/EASTERN COMMITTEE
___ **JOINT ADMINISTRATION COMMITTEE**
___ **LEGAL & LEGISLATIVE COMMITTEE**
___ **SAN JOAQUIN HILLS BOARD OF DIRECTORS**
_X_ FOOTHILL/EASTERN BOARD OF DIRECTORS

Report No. 15
File No. 2013F-020

BOARD MEETING DATE: June 13, 2013

SUBJECT: Foothill/Eastern Transportation Corridor Agency Fiscal Year 2014 Annual Budget

STAFF RECOMMENDATION:

1. Approve Resolution No. F2013-06 entitled "Resolution of the Board of Directors of the Foothill/Eastern Transportation Corridor Agency Approving the Budget for Fiscal Year 2014" in the amount of $179,885,880.

COST: **F/E** = $179,885,880
SJH =N/A

REPORT WRITTEN BY: Amy Potter, Chief Financial Officer

REVIEWED BY:

Engineering/Environmental	
Communications/Public Affairs	LG
Finance/Administration	AP
Toll Operations	
Chief of Staff	

FOOTHILL/EASTERN
TRANSPORTATION CORRIDOR AGENCY

The Toll Roads®

Stop sitting. Get moving.

Fiscal Year 2014 Proposed Budget

Son Joaquin Hills
Transportation
Corridor Agency

Chairman:
Rush Hill
Newport Beach

Transportation Corridor Agencies

Foothill/Eastern
Transportation
Corridor Agency

Chairwoman:
Lisa Bartlett
Dana Point

Dear Chairwoman Bartlett and Board Members:

Re: Foothill/Eastern Transportation Corridor Agency's Fiscal Year 2014 budget

Thank you for your direction and support in the adoption of the attached Foothill/Eastern Transportation Corridor Agency (F/ETCA) Fiscal Year 2014 (FY14) budget.

The proposed FY14 expenditure budget is $179.9 million, $18.2 million higher than the FY13 amended budgeted expenditures, due to an increase in debt service payments, costs associated with the State Route 241 Tesoro Extension, implementation of all electronic tolling (AET), and environmental projects. Estimated actual expenditures in FY13 are expected to be 7.6 percent below budget.

Estimated actual revenue for FY13 is $150.4 million, a 3.4 percent increase over the FY13 budgeted revenues of $145.4 million. Toll revenue was up 4.1 percent in April 2013 compared to April 2012. FY14 revenues are budgeted at $154.0 million. The increase is primarily due to the implementation of toll rates proposed by the traffic and revenue consultant, Stantec, which will increase toll revenue by 4.8 percent with a projected increase in transactions of 0.3 percent.

> **"Let's hear it for the Toll Roads! Worth every penny. Taking the toll road seems to take around 15 minutes off the drive. But the best part is the beautiful...drive..."**
> **– Laura D. on Yelp!**

FY13 was a busy year for the agency with TCA's CEO Tom Margro retiring at the beginning of October and the November elections, which resulted in eight new Board Members appointed to the Board of Directors. We welcomed Bob Baker representing San Clemente; Lucille Kring representing Anaheim; Michele Martinez representing Santa Ana; Mark Murphy representing Orange; Chuck Puckett representing Tustin; Rhonda Reardon representing Mission Viejo; Christina Shea representing Irvine; and Todd Spitzer representing the County of Orange Third Supervisorial District.

TCA conducted a nation-wide recruitment for a new CEO, which resulted in hiring Neil Peterson who begins his new role on June 3, 2013. Peterson joins TCA having served as a senior transportation strategy consultant with CH2M Hill and, prior to that, Booz, Allen & Hamilton. He is an executive and entrepreneur with extensive expertise in the transportation industry, with more than four decades of leadership experience in the public, private and non-profit sectors.

It's become routine for us to operate in a fiscally conservative manner, working diligently to reduce operating expenses while continuing to provide a smooth commute, great value and helpful service to our customers who make the choice each and every day to drive the 133, 241 and 261 Toll Roads.

At first, the economic downturn caused us to adjust, evaluate and rethink certain business practices, including plans to change the way we collect tolls. We can also take advantage of the fact that agency's bonds are callable. By refinancing the agency's $2.4 billion in debt at the current low interest rates, annual debt payments can be reduced, the upward pressure to increase tolls can be reduced and agency's future flexibility will increase.

We work every day to be a leader in the tolling industry, keep our environmental commitment top of mind, and ensure that California's largest network of toll roads is in a state of good repair. More than anything, we want people to drive our roads. And, when people do drive our roads, we want them to enjoy the experience so much that they do it again and more often.

FY13 was positive because the revenues that fell during the economic downturn of FY08 continued a steady return to previous levels. In FY13, nearly 55 million toll transactions will be processed and approximately $107.0 million in net toll revenue will be collected. And the agency will end the fiscal year with $439.8 million in cash and reserves.

> ***"I always enjoy the toll roads when commuting from Orange County to Inland Empire for work. Always a breeze, and worth every penny!" – Ben B. via Facebook***

TCA made some big decisions in FY13 that will make FY14 an active and exciting year that will result in more efficiency, reduced operating expenses, more choices and less stopping for our customers.

Plans are moving forward to convert The Toll Roads to all-electronic toll collection and offer license plate accounts by January 2014. AET means that all tolls are collected electronically -- eliminating the need to stop and pay at toll booths, giving all drivers the experience of non-stop driving and more time savings. AET will allow The Toll Roads to operate more efficiently by reducing ongoing maintenance costs and increasing electronic payment options for customers.

The Toll Roads are scheduled to be cashless by May 2014. When AET is fully implemented and cash operations cease, operating expenditures will be substantially less and will be reflected in the FY15 budget.

The move to AET is a sign of the times – as consumers go cashless, so has the tolling industry. Already, nearly 81 percent of The Toll Roads' customers pay with FasTrak®. For the 16.5 percent who make up our current cash customers, those who choose not to sign up for FasTrak will have a variety of new payment methods to choose from. While one method of payment (cash) will be eliminated, several new, convenient ways to pay will be introduced - including cash payment network options for cash-preferred customers.

> ***"If you drive frequently, get FasTrak." – Frank D. via Facebook***

Design and environmental permitting work continued for the 241 Tesoro Extension, which will lengthen the 241 Toll Road by five and a half miles from its current terminus at Oso Parkway near Tesoro High School to Cow Camp Road in the vicinity of Ortega Highway in San Juan Capistrano. When completed, the 241 Tesoro Extension will provide a valuable alternative route for commuters and residents in the surrounding areas. The 241 Tesoro Extension will create more than 2,000 Orange County jobs and an additional 407 jobs statewide.

In FY14, work will continue on the development of engineering plans, completion of environmental assessments, ongoing outreach and community input and development of a financial strategy for the extension. Upon completion of this work, the Board of Directors will be asked to approve the project, its financing and award a design-build contract amendment for its final design and construction.

As I write this letter, we are awaiting a decision on our water discharge permit from the San Diego Regional Water Quality Control Board, which is expected on June 19. The 241 Tesoro Extension's water quality measures go above and beyond standard construction requirements to minimize and offset any potential impacts to waterways. They include avoiding critical wetlands and creating or restoring native habitats to improve watershed health; implementing multiple methods of advanced water treatment technology along the roadway to better manage storm water runoff and ensure that all roadway runoff is treated; and utilizing porous asphalt that reduces traffic noise and water pollution, and improves drivability in wet weather.

> ***"This project is a must for South Orange County, consider the current gridlock in the summer time on Friday afternoon/eve not to mention the 5 Fwy on Saturday where it is sometimes nearly dead stopped from Irvine to Oceanside all day." – Bob H. via email***

In FY13, we announced the results of a public opinion survey showing that South Orange County voters support the 241 Tesoro Extension by more than a two-to-one margin (61 percent support and 27 percent oppose). In San Juan Capistrano, the city closest to the project, resident support is even greater (67 percent).

Of those surveyed, 76 percent said that the project will be particularly helpful on holidays and weekends, which is when traffic on Interstate 5 is heaviest. And, 63 percent said that although the regulatory and permitting process in California is challenging, the region needs traffic relief and that TCA should continue its efforts to ease congestion.

> ***"Please give us traffic relief and improve our quality of life by extending the 241 Toll Road in South Orange County!!!!" – Melanie C. via email.***

We are looking forward to big things in FY14. Starting construction on an extension of State Route 241, studying plans for a direct connection between the 241 Toll Road and the SR 91 Express Lanes, implementing all electronic tolling, continuing our environmental stewardship, and increasing ridership as the economy recovers from the great recession.

And we will do this by focusing on what matters most...our customers. Because they make the choice every day to drive the 133, 241 and 261 Toll Roads and we appreciate that very much.

I am proud to be presenting you with the Foothill/Eastern Transportation Corridor Agency Fiscal Year 2014 budget and I thank you for your confidence during the past eight months. I also want to thank the TCA staff for working so hard this year. We can all be proud of all that was accomplished.

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

Sincerely,

Lisa Telles
Acting Chief Executive Officer
(August 2012 – June 2013)

Foothill/Eastern
Transportation Corridor Agency

Budget Process and Format

Fiscal Year 2014 Proposed Budget

Budget Process

The primary goals within the Foothill/Eastern Transportation Corridor Agency's (F/ETCA) vision statement provide direction to agency staff in preparing the annual operating and capital budget requests. The Master Indentures of Trust (Indentures), established in the context of the agency's 1999 refunding and 1995 bond issuance, 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 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 sets the objectives for the next fiscal year while considering both near-term and long-term agency goals and direction from the Board of Directors. The Fiscal Year 2014 (FY14) budget process began with a mid-year review budget presentation at the Board of Directors meeting on February 14, 2013 to present the status of mid-year revenues and expenses and a preview of initiatives planned for FY14. The agency's traffic and revenue consultant attended the meeting and presented an overview of the agency's toll revenue history with an emphasis on the FY13 projected results and toll rate elasticity, as well as how current economic trends may affect toll transactions. Staff presented preliminary results for FY13 revenue and expenditures and proposed FY14 project initiatives.

Department managers review the status of projects for the current year and develop project initiatives for the next fiscal year with the agency's goals and objectives in mind. The finance staff works jointly with each department to compile budget expenditure requests. After all project initiatives and budget requests are reviewed by executive management, the proposed annual budget is presented to the F/ETCA Board of Directors at a workshop to obtain direction and feedback on the proposed budget. This year, the workshop was held in April and included a detailed review of both revenues and expenditures. Any changes and questions received during the workshop are incorporated into the budget and presented to the Operations and Finance Committee for review and recommendation to the Board of Directors for approval. The Board of Directors adopts the annual budget at the June board meeting for the fiscal year starting the following July. Approval of the budget requires consent of at least two-thirds of the Board Members. Expenditures during the year must be made in accordance with the agency's policies, and expenditures in excess of the total of each budget category shown below as defined in the budget resolution cannot be made without the approval of at least two-thirds of the Board Members at which time a revised and amended budget is submitted to the Board of Directors. 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 the following six categories as long as the total budget amount per category is maintained and the expenditures are made within board approved policies:

- Administration
- SR 241
- Capital Improvement Plan
- Other Planning, Environmental and Construction
- Toll Operations
- Debt Service

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 FY14 proposed Uses budget for the F/ETCA totals $179.9 million. The agency has one enterprise fund that records all activity on the accrual basis of accounting. The agency establishes a budget for this one fund including Planning, Environmental and Construction, 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 FY14 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 FY14 Toll Operations budget is $23.8 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; toll attendant services under contract with Central Parking System, Inc. (CPS); and customer service and toll compliance services under contract with 3M which include the operation of the FasTrak® service center and FasTrak 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, rents, consulting, legal, office expense and marketing are included in this fund category.

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 to be disbursed in FY14 totals $43 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. Many of these expenses 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.

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 reserve fund requirement of $297.9 million has been fully met. Agency directed surplus revenues are no longer 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, the first $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 FY14 budget for Debt Service is $113.1 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.

The 1999 bonds, which pay interest semi-annually, are to be repaid primarily from toll revenues. The bonds are due and payable on dates ranging from January 15, 2004 to January 15, 2040. 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. The remaining principal balance of 1995 bonds is due and payable on January 1, 2035.

In FY09, the agency established an escrow defeasance account so that available surplus funds deposited with the trustee into the escrow fund could be used instead of current year toll revenues to pay debt service. The FY14 budget includes a transfer of $19 million into the escrow defeasance fund and designation of the same amount for payment of debt service due in FY14.

The agency has been developing and analyzing a refinancing transaction that would lower annual debt service payments, reduce the annual debt service growth rate, and either achieve a present value savings or accomplish agency financial goals at a minimal cost of refinancing. The expected benefits of the refinancing include:

1. Significantly improved near-term financial flexibility and long-term stability
2. Greater latitude in managing toll rates during adverse economic conditions, periods of reduced traffic and higher toll elasticity
3. Preservation of credit ratings and adherence to legal covenants
4. The ability to lock in historically low interest rates while maintaining flexibility in either funding projects or paying off debt early

This refinancing transaction is expected to be presented to the Board within the next few months, and if approved by the Board after adoption of the FY14 budget, a budget amendment will be necessary. The budget amendment would reduce the amount of debt service and eliminate the use of escrow defeasance funds.

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 130% of the current year's net debt payments (debt service scheduled for the fiscal year less amounts designated to be paid from the escrow defeasance account and capitalized interest). This is often referred to as 1.3x debt service coverage. 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 revenue and uses budgets for debt service and operating expenses result in a coverage ratio of 1.32 when including the use of $19 million of escrow defeasance to pay a portion of debt service due in FY14. A schedule showing the calculation is included on page 38 of this document.

Foothill/Eastern
Transportation Corridor Agency

Sources

and

Uses

Fiscal Year 2014 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, 2014.

Total sources include revenues budgeted in FY14 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 bond payments and amounts in the 1999 debt service accounts.

Below is a summary of total funds on hand and the amount of these funds available to fund the FY14 budget as well as future budgets (in thousands).

Estimated Total Funds on Hand at 6/30/13	$	611,776
July Activity Related to FY 13		(57,711)
Adjusted Estimated Total Funds on Hand at 6/30/13		554,065
Less Operating Reserves		(18,225)
Less Debt Service Reserves		(297,900)
Estimated Cash Available to Fund Current and Future Budgets	$	237,940
Cash on Hand Restricted For Debt Service (Current and Future)	$	113,348
All Other Cash Available to Fund Current and Future Budgets		124,592
Estimated Cash Available to Fund Current and Future Budgets	$	237,940

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 FY13 budget, as amended, including transfers within the CEO's authority, staff projected FY13 sources and uses based on actuals through March 2013 and the proposed budget for FY14.

Foothill/Eastern Transportation Corridor Agency
Sources and Uses of Funds Statement
Fiscal Years 2013 through 2014
($000)

Description	FY 2013 Amended Budget @ 3/31/13	FY 2013 Estimated Actuals	FY 2014 Proposed Budget
Sources:			
Net Toll Revenue	107,535	107,035	112,133
Fees and Penalties	19,200	20,100	20,100
Development Impact Fees	6,800	10,600	10,600
Interest Earnings	11,208	11,379	10,744
Grants	325	252	72
Other Revenue	352	997	361
Cash on Hand Restricted For Debt Service	110,639	110,639	113,348
All Other Cash Available to Fund Current and Future Budgets	126,350	126,350	124,592
Total Sources of Funds	382,409	387,352	391,950
Cash Uses:			
Planning, Environmental and Construction Administration	9,149	7,917	10,447
Planning, Environmental and Construction	25,074	15,142	32,564
Toll Operating Administration	6,489	5,924	6,472
Toll Customer Service and Toll Compliance	8,100	7,893	8,562
Toll Systems	3,371	3,290	3,379
Toll Collections	2,309	2,236	2,354
Toll Facilities	998	983	1,015
Operations Equipment	1,514	1,332	2,015
Debt Service	104,695	104,695	113,078
Total Cash Uses	161,699	149,412	179,886
Projected Cash Available to Fund Subsequent Budgets	220,710	237,940	212,064
Less Restricted Cash For Future Debt Service	113,348	113,348	113,540
Projected Available Cash	107,362	124,592	98,524
Total Budget	161,699	149,412	179,886

Sources Summary

Over the past several years the economy has presented financial challenges with respect to transactions and toll revenue, and although toll rate increases implemented in FY13 are expected to result in an increase in transactional toll revenue over FY12 of 3.4%, it will be important to continue to take measures to ensure that revenue growth is maintained. The agency operates in a fiscally conservative manner and has substantially reduced operating expenses while still providing customers with the best service possible. The expense reductions that have been implemented over the past five years are discussed in more detail in the Uses Summary section of this document. In addition to expense reductions, the agency has adjusted toll rates and fees where possible. 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. The Uses Detail – Toll Customer Service and Toll Compliance section of this document includes a discussion of the incentive programs proposed for FY14.

During the April 19, 2013 budget workshop, 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 FY14 budget for sources of funds is based on the feedback received from the Board during that workshop related to the toll rate options presented (see Net Toll Revenue section below).

At the beginning of FY14, the agency expects to have total cash adjusted for accrual items of $554 million. The expected adjusted cash balance includes debt service reserve and operating reserve funds of $316.1 million and $237.9 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 FY14, Net Toll Revenue, Fees and Penalties, Development Impact Fees, Interest Earnings, Grants, and Other Revenue are budgeted at $154.0 million. Below are brief explanations of each of these funding sources.

Net Toll Revenue

The budget for FY14 Net Toll Revenue of $112.1 million, or 72.8% 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 FY14 budget assumes transactional toll revenue of $116.1 million, which equates to 71.8% of the 1999 traffic and revenue projection for FY14 and which represents a 4.8% increase over projected FY13 transactional toll revenue.

The proposed 4.8% increase is achieved by implementing traffic and revenue consultant recommended toll rate increases of $0.25 for cash transactions and a 5% increase, rounded to the nearest $0.05, for FasTrak transactions at all times for Tomato Springs, Portola North and South, Antonio, Irvine Ranch, Portola West, Irvine Blvd., East and West, and peak period only at Windy Ridge and Orange Grove. The toll rates at the Los Alisos and Oso ramps will remain unchanged while the Alton ramp toll rates will increase $0.75 for cash transactions and $0.55 for FasTrak transactions to match the off-peak rates set at Portola North. 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 table below shows the FY13 current toll rates and the proposed FY14 toll rates by location, split between cash and Fastrak (AVI), and peak/off-peak if applicable.

Location	Time/Type	Current Rates	FY14 Alternative 8b Rate	FY14 Alternative 8b Change
Tomato Springs	Cash Off-Peak	$ 3.00	$ 3.25	$ 0.25
	AVI Off-Peak	$ 2.20	$ 2.30	$ 0.10
	Cash Peak	$ 3.25	$ 3.50	$ 0.25
	AVI Peak	$ 2.45	$ 2.55	$ 0.10
Portola North	Cash Off-Peak	$ 2.00	$ 2.25	$ 0.25
	AVI Off-Peak	$ 1.35	$ 1.40	$ 0.05
	Cash Peak	$ 2.25	$ 2.50	$ 0.25
	AVI Peak	$ 1.70	$ 1.80	$ 0.10
Alton	Cash	$ 1.50	$ 2.25	$ 0.75
	AVI	$ 0.85	$ 1.40	$ 0.55
Portola South	Cash	$ 1.25	$ 1.50	$ 0.25
	AVI	$ 0.60	$ 0.65	$ 0.05
Los Alisos	Cash	$ 1.00	$ 1.00	$ -
	AVI	$ 0.55	$ 0.55	$ -
Antonio	Cash	$ 1.25	$ 1.50	$ 0.25
	AVI	$ 0.60	$ 0.65	$ 0.05
Oso	Cash	$ 1.75	$ 1.75	$ -
	AVI	$ 1.30	$ 1.30	$ -
Windy Ridge	Cash Off-Peak	$ 3.25	$ 3.25	$ -
	AVI Off-Peak	$ 2.45	$ 2.45	$ -
	Cash Peak	$ 3.25	$ 3.50	$ 0.25
	AVI Peak	$ 2.45	$ 2.70	$ 0.25
Orange Grove	Cash Off-Peak	$ 2.50	$ 2.50	$ -
	AVI Off-Peak	$ 1.70	$ 1.70	$ -
	Cash Peak	$ 2.50	$ 2.75	$ 0.25
	AVI Peak	$ 1.70	$ 1.95	$ 0.25
Irvine Ranch	Cash Off-Peak	$ 2.25	$ 2.50	$ 0.25
	AVI Off-Peak	$ 1.35	$ 1.40	$ 0.05
	Cash Peak	$ 2.50	$ 2.75	$ 0.25
	AVI Peak	$ 1.70	$ 1.80	$ 0.10
Portola West	Cash	$ 2.00	$ 2.25	$ 0.25
	AVI	$ 1.35	$ 1.40	$ 0.05
Irvine Blvd. (East)	Cash	$ 1.50	$ 1.75	$ 0.25
	AVI	$ 0.85	$ 0.90	$ 0.05
Irvine Blvd. (West)	Cash	$ 1.50	$ 1.75	$ 0.25
	AVI	$ 0.85	$ 0.90	$ 0.05

The agency expects to introduce license plate tolling accounts (LPT) during FY14 during the implementation of All Electronic Tolling (AET). The FY14 LPT rates will be the same as the cash rates.

Violations for FY14 are assumed to occur at a rate of 3.4% of transactional toll revenue based on current trends, or approximately $4.0 million of which $2.6 million, or 2.2% of transactional toll revenue represents unprocessable violations (primarily vehicles with no license plates) and non-revenue transactions (primarily toll attendants driving to the toll plaza to work their scheduled shifts, 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 $107.0 million in Net Toll Revenue in FY13. This consists of $110.8 million of transactional toll revenue reduced by estimated violations of $3.8 million.

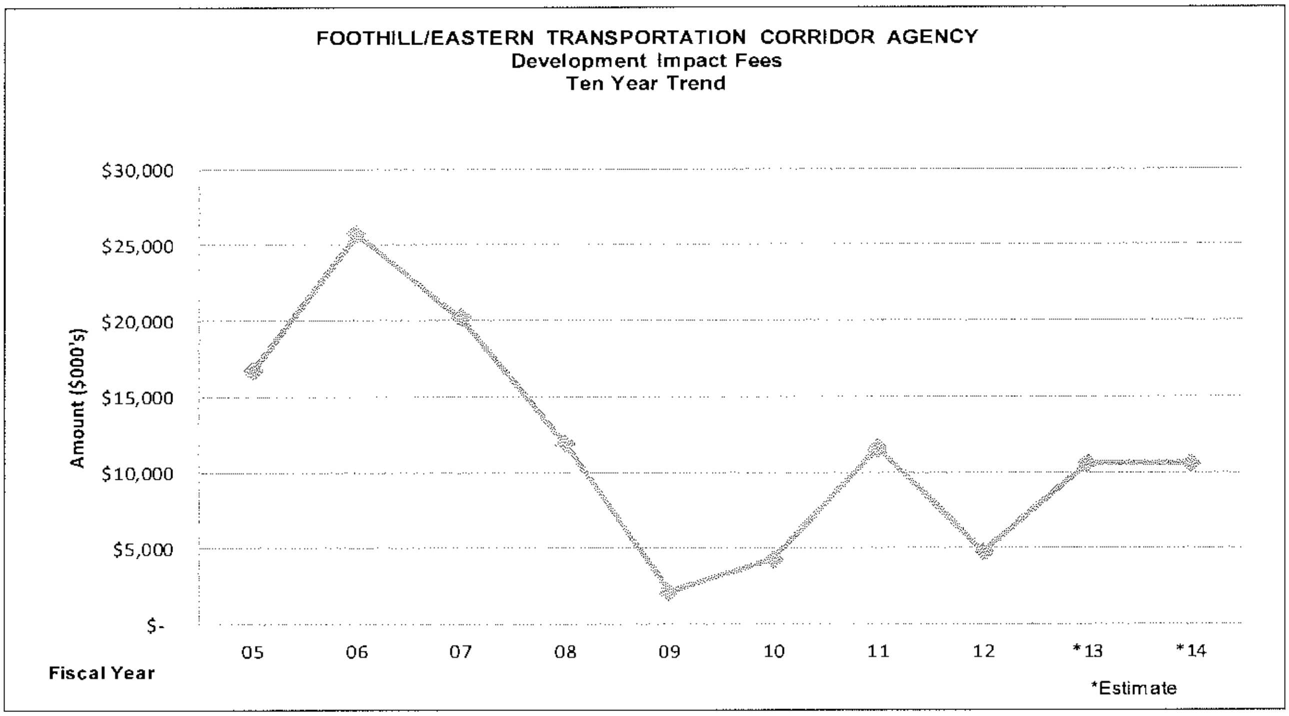
Fees and Penalties

Fees and Penalties revenue is budgeted for FY14 at $20.1 million, representing 13.0% of total revenues. Fees and Penalties revenue consists of $9.7 million for estimated amounts to be collected for the recovery of lost tolls from toll violations and fees and penalties related to the violations, $9.2 million for account maintenance fees from FasTrak account holders, and $1.2 million of other miscellaneous fees related to operations (i.e., 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 FY13 is estimated to be $20.1 million. The FY14 Fees and Penalties budget is based on the current trends in collections, the estimated transactions for FY14, the current pursuable violation rate at 1.2% 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 FY14 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 FY13 are expected to approximate $10.6 million. The agency is estimating Development Impact Fees to be $10.6 million for FY14 representing 6.9% of total revenues, based on FY13 collections. 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 1.9% on all funds. Total Interest Earnings budgeted for FY14 of $10.8 million represent approximately 7.0% of total revenues.

Interest Earnings for FY13 are estimated to be $11.4 million. The decrease of $600,000 in the FY14 Interest Earnings budget as compared to the FY13 estimate is primarily due to lower expected interest income on the Debt Service Reserve Fund (DSRF), the largest fund in the FETCA portfolio. Over 37% of the securities in the DSRF, which has a balance of approximately $297.9 million, will mature in FY14. The average yield of these maturing securities is 1.3%. Based on current interest rates and the Federal Open Market Committee's commitment to keep the federal funds rates between zero and 0.25% at least through the end of December 31, 2013, the proceeds from the maturing securities are expected to be re-invested in FY14 at average yields lower than FY13.

Grants and Other Revenue

Grants and Other Revenue of $433,000, represent 0.3% of total revenues. Grant Revenue consists of $72,000 for a federal Intelligent Transportation Systems (ITS) grant awarded for upgrading toll collection systems.

Other Revenue budgeted for FY14 is for rental income of $361,000 for the office space leased to SJHTCA. Estimated FY13 Grants and Other Revenue is $1.2 million consisting of $352,000 in rental income from SJHTCA, $252,000 ITS grant revenue, $625,000 related to the sale of an excess land parcel originally purchased for the Eastern Transportation Corridor right of way, and $20,000 in miscellaneous reimbursements.

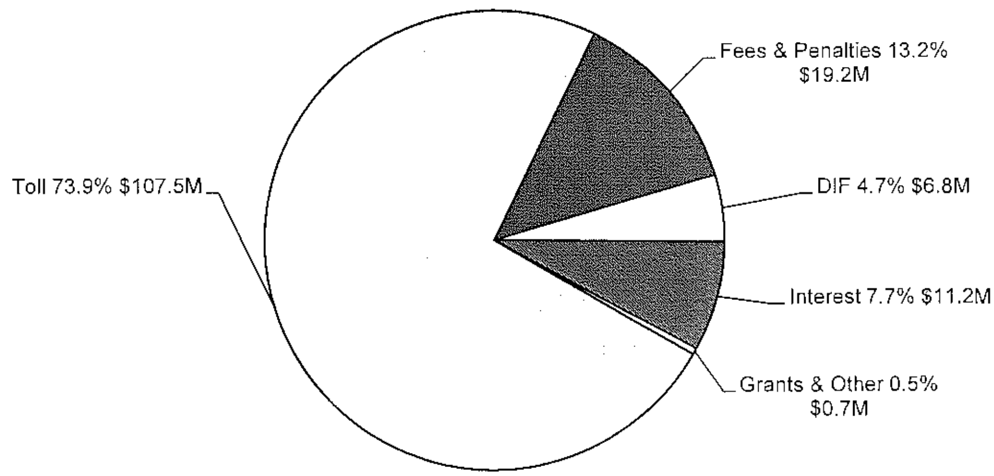
Revenue Pie Chart – FY13 Amended Budget as compared to FY14 Budget

The following chart represents a comparison of FY14 proposed budgeted revenues to FY13 budgeted revenues as amended.

Budgeted revenues increased $8.6 million to $154.0 million in FY14 from budgeted revenues of $145.4 million in FY13 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.

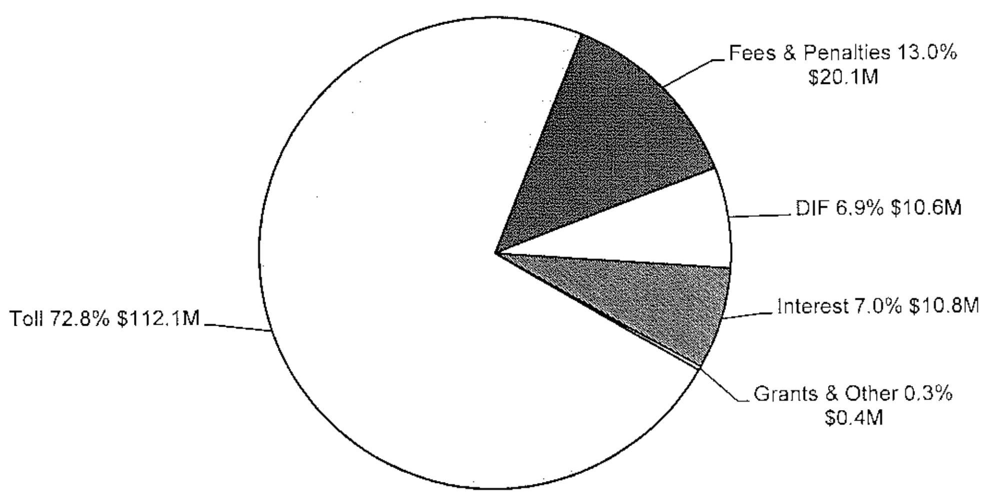
Net Toll Revenue is expected to increase from $107.5 million budgeted in FY13 to $112.1 million in the FY14 budget as a result of current transaction and revenue trends and toll rate recommendations. Fees and Penalties are projected to be higher in FY14 by $900,000 compared to the FY13 budget as a result of actual violation collections. Development Impact Fees have increased by $3.8 million from the FY13 budget to $10.6 million based on recent collection trends and anticipated development activity. Interest Earnings are expected to decrease by approximately $400,000 as a result of lower average yields expected on reinvestments that will occur in FY14 as a result of current market conditions. Grants and Other Revenue decreased approximately $300,000 compared to the FY13 budget primarily due to the completion of the ITS grant project in FY14.

Foothill/Eastern Transportation Corridor Agency
FY 2013 Revenue
Amended Budget
($000)



Total Revenue $145,420

FY 2014 Revenue
Proposed Budget
($000)



Total Revenue $154,010

Uses Summary

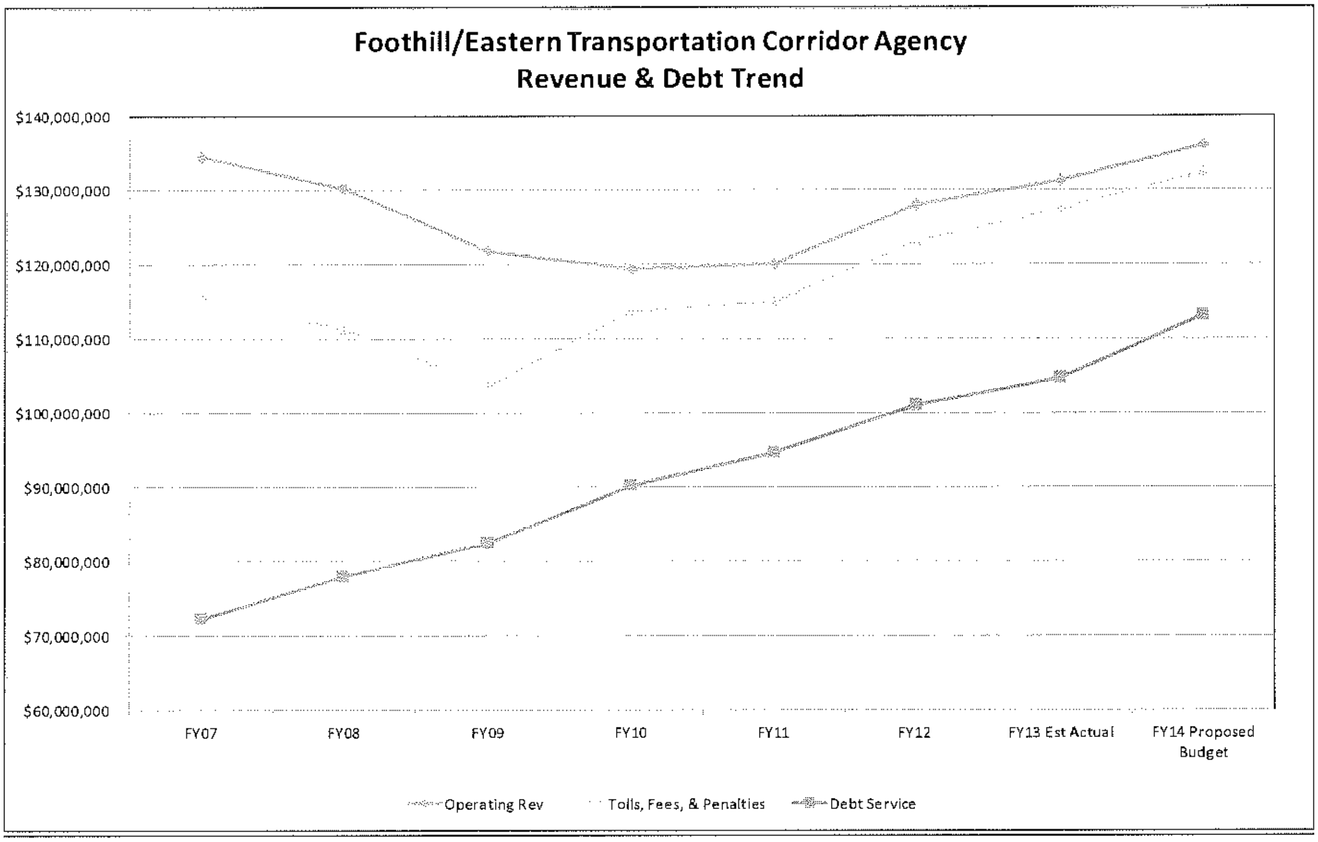
The agency has worked diligently over the past five years to decrease operating expenses and reduce headcount while continuing to provide quality customer service. As we reduce expenses, we are mindful that we must also plan for the future by ensuring that equipment, systems and facilities continue to be in a good state of repair. While we have focused our near term attention to the current economic situation, we also need to continue to work towards the future needs of the agency to improve efficiencies, increase transactions and revenues, and enhance regional and local mobility.

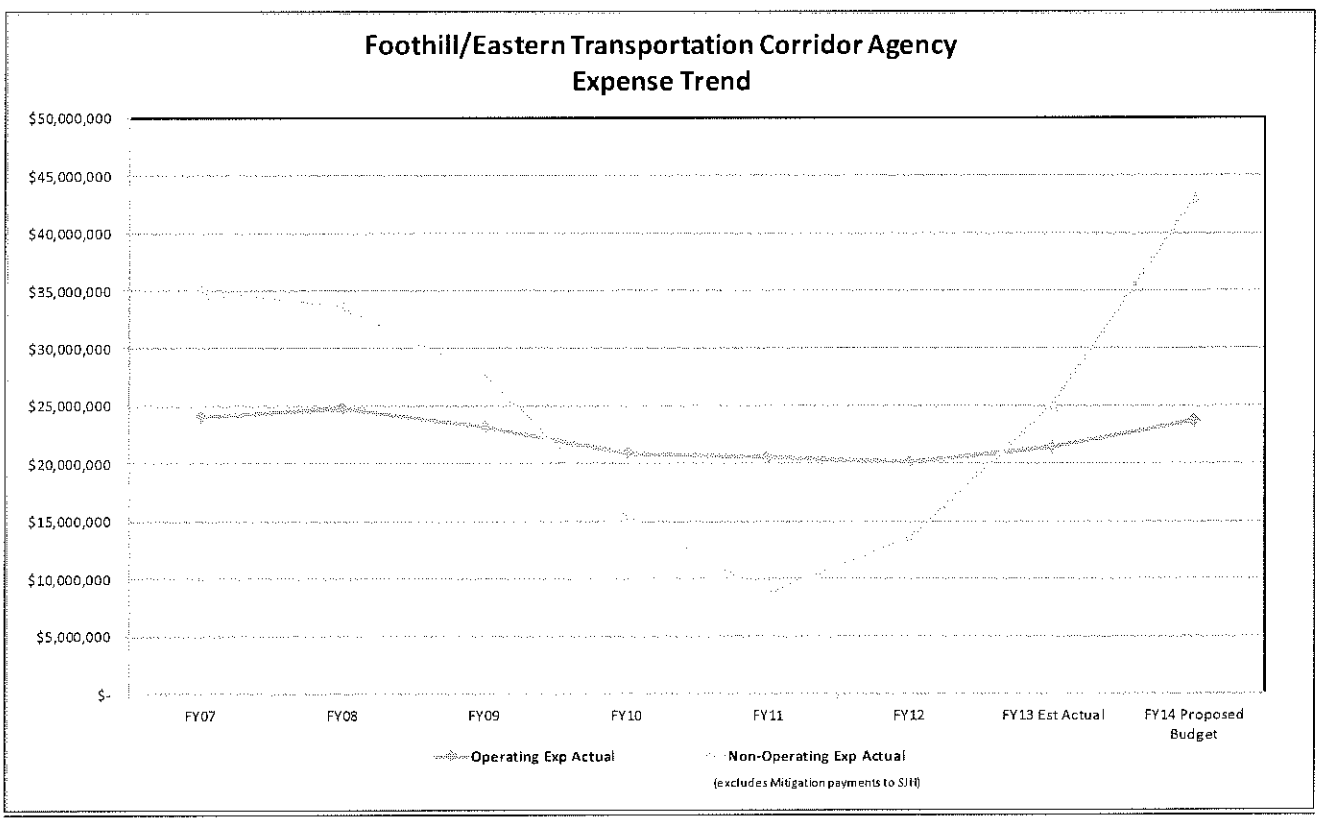
In response to the economic situation experienced over the last several years, the agency significantly reduced budgeted expenses and staffing levels, and the staff has continued to hold actual expenses below the reduced budgets, providing for a lower base to absorb inflationary growth. While the focus was on reducing expenditures over the last several years, the agency also continued to maintain the system in a state of good repair which included violation camera improvements as well as Pacifica building and on road building roof improvements. During FY13, the implementation of AET was approved and environmental assessments and development of engineering plans were ongoing for the SR 241 Tesoro Extension project.

The FY14 budget for expenses was developed with the agency's overarching goals of: (1) Working to increase ridership to meet revenue goals, (2) Completing the system, and (3) Running the agencies like a business while following the rules of a government agency. The proposed expenditures for FY14 continue to reflect the reduced level of operating expenditures and staffing, but also include proposed inflationary increases in major operating contracts, capital project costs related to the SR 241 Tesoro Extension, AET, and the SR241/91 Connector, the addition of contract staff during AET implementation and the SR 241 Tesoro Extension project, and increased debt service payments.

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 from FY08 – FY11, but has continued a steady increase back to previous levels. 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 $132.2 million as proposed in FY14. Debt service grows at an average of 4.4% per year as scheduled in the bond documents. From FY08 – FY12, operating expenses and headcount were reduced by 18.4% and 11%, respectively. The rise in operating expense in FY13 and FY14 is due to equipment improvements and 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. When AET is fully implemented and cash operations cease, operating expenditures will be substantially less and will be reflected in the FY15 budget. Non-operating expenses were lower from 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 costs which will result in long term savings, and Tesoro Extension pre-financing costs.

Additional information related to staffing reductions is included on page 27.


Foothill/Eastern Transportation Corridor Agency
Revenue & Debt Trend
$140,000,000
$130,000,000
$120,000,000
$110,000,000
$100,000,000
$90,000,000
$80,000,000
$70,000,000
$60,000,000
FY07
FY08
FY09
FY10
FY11
FY12
FY13 Est Actual
FY14 Proposed Budget
Operating Rev
Tolls, Fees, & Penalties
Debt Service


Foothill/Eastern Transportation Corridor Agency
Expense Trend
$50,000,000
$45,000,000
$40,000,000
$35,000,000
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$-
FY07
FY08
FY09
FY10
FY11
FY12
FY13 Est Actual
FY14 Proposed Budget
Operating Exp Actual
Non-Operating Exp Actual
(excludes Mitigation payments to SJH)

The proposed budget for FY14 includes total uses of $179.9 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 $32.6 million for FY14, or approximately 18.1% 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 FY13 total $15.2 million. The increase of $17.4 million in the FY14 budget is primarily due to realignment of costs between FY13 and FY14 related to the AET implementation schedule, costs for a SR 241 wildlife fencing project, costs for 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 if the proposed debt refinancing is approved, and expenses re-budgeted in FY14 for the SR 241 Tesoro Extension environmental and design.

Administration

The total proposed budget for Administration expenses is $16.9 million for FY14, or approximately 9.4% of the total proposed budget. The Administration category includes all employee compensation 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 FY13 total $13.8 million. The increase in the FY14 proposed budget from the FY13 projected actuals is primarily 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 FY13 that have been re-budgeted in FY14. In addition, there is an estimated increase in catastrophic, earthquake, and workers compensation insurance premiums, salaries, and benefits. The majority of the variance that is related to salaries and benefits is due to staff turnover that resulted in some positions not filled for part of FY13 along with employees who were out on disability during FY13. The FY14 salaries budget includes a merit pool (see discussion on page 31).

Toll Operations (Excluding Administration)

Toll Operations include costs associated with toll collection services provided by the current toll attendant contractor, CPS, as well as costs associated with the agency's cash collection and counting efforts, toll system costs associated with maintaining the agency's current Toll Collection and Revenue Management System (TCARMS) currently under contract with TransCore, and functions currently under contract with 3M, including customer service costs associated with FasTrak customers, and toll compliance costs associated with processing and collection of toll violations and image based transactions. Also included in this category are toll facilities costs for maintaining the agency's toll booths and buildings utilized in the operation of the road, and toll equipment such as transponders, TCARMS system hardware, and software costs. The proposed FY14 budget for these expenses is $17.3 million or 9.6% of the total budget.

Toll Operations, excluding Administration, is projected to total $15.7 million in FY13. The FY14 budget is $1.6 million higher than projected FY13 actuals due to expenditures related to dual cash and AET operations, scheduled Consumer Price Index adjustments to 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 FY14 are budgeted at $113.1 million of which $85.1 million will be paid from net revenues, $9 million from capitalized interest and $19 million from escrow defeasance funds.

Actual Debt Service for FY13 is projected to total $104.7 million consisting of interest and principal payments. The increase in the FY14 budget is a result of higher scheduled debt payments in FY14.

Uses of Funds – FY13 Amended Budget as compared to FY14 Budget

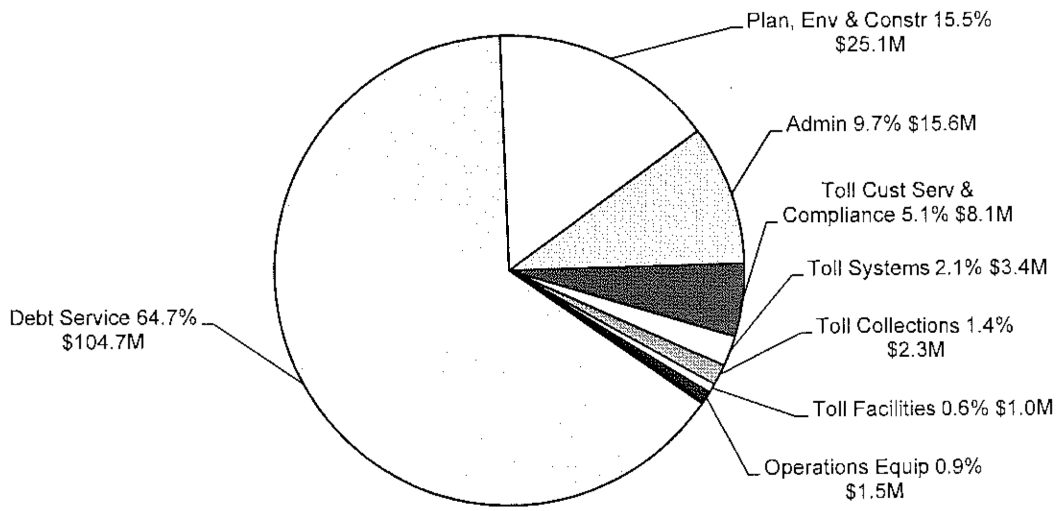
The following charts represent a comparison of the FY13 budget and the FY14 proposed budget by type of expense.

The FY14 proposed budget of $179.9 million as compared to the prior year's amended budget of $161.7 million, shows an increase of $18.2 million or 11.3%. A comparison of the two budgets excluding Debt Service results in an increase of $9.8 million, or 17.2%. The net increase can primarily be attributed to an increase in the budget for Planning, Environmental and Construction and related administrative costs, consisting of the SR 241 Tesoro Extension and AET implementation expenses not spent in FY13 and re-budgeted in FY14, and new costs budgeted for the SR 241 wildlife fencing project. Also included are payments related to the SR 261 Peters Canyon wash water capture and reuse pipeline project that will be paid as consideration to extend the Caltrans Cooperative Agreement.

The Debt Service category includes the principal and semi-annual interest payments on the 1995 and 1999 outstanding bonds. These payments are budgeted at $113.1 million for FY14.

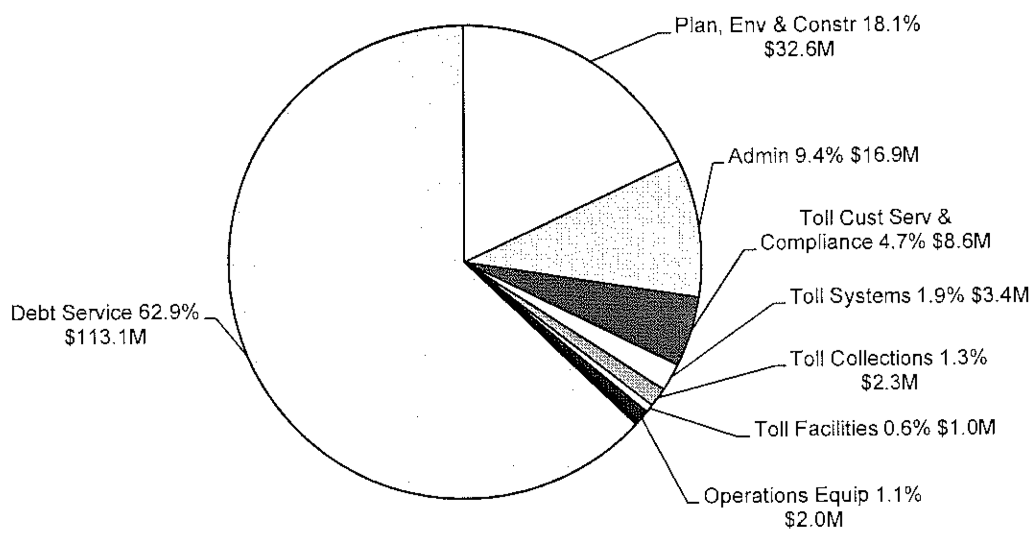
Debt Service actuals for FY13 are projected to total $104.7 million consisting of interest and principal payments. The increase in the FY14 budget is a result of higher scheduled debt payments in FY14.

Foothill/Eastern Transportation Corridor Agency
FY 2013 Uses of Funds
Amended Budget
($000)



Total Uses $161,699

FY 2014 Uses of Funds
Proposed Budget
($000)



Total Uses $179,886

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.

Foothill/Eastern Transportation Corridor Agencies
Fiscal Year 2014 Proposed Budget
($000)

Budget Category and Subcategory	Budget Fund Categories: Plan & Environ & Construction	Toll Operations Exp & Equip	Debt Service	Total
Administration:				
Regular Salaries	2,682	2,350	-	5,032
Board Compensation	44	40	-	84
Benefits	1,126	955	-	2,081
Employer Taxes	53	48	-	101
Insurance	160	881	-	1,041
Legal Expense	171	193	-	364
Telephone/Comm	56	47	-	103
Office Expense	131	147	-	278
Educ, Seminar, Membership, Mtgs	62	65	-	127
Temporary Help	-	1	-	1
Consulting and Other Services	188	403	-	591
Marketing	25	804	-	829
Publications & Subscriptions	4	3	-	7
Rents & Leases	45	11	-	56
Building Services	285	247	-	532
Transportation & Travel	140	115	-	255
Office Equipment	16	33	-	49
Pacifica Fixed Assets	97	129	-	226
Subtotal Administration	5,285	6,472	-	11,757
SR 241 Administration:				
Administration	3,157	-	-	3,157
Legal	2,005	-	-	2,005
Subtotal 241 SR Admin	5,162	-	-	5,162
Total Administration	10,447	6,472	-	16,919
Planning, Environmental and Construction:				
SR 241:				
Design/Program Mgmt	4,722	-	-	4,722
Design Special Studies & Other	586	-	-	586
Design Contingency	2,100	-	-	2,100
Design General Engineering Cost	250	-	-	250
Environmental	4,719	-	-	4,719
ROW Acquisitions, Appraisals & Other	1,095	-	-	1,095
Construction Management & Other Construction	390	-	-	390
Design/Build	2,000	-	-	2,000
Total SR 241	15,862	-	-	15,862
Capital Improvement Plan (CIP):				
SR241/91 Connector	1,210	-	-	1,210
Strategic & Policy Planning Study (AET)	8,091	-	-	8,091
ETC Toll Plaza Water Service	176	-	-	176
241 Widening-133 to Chapman (Loma Segment)	3	-	-	3
Total Capital Improvement Plan	9,480	-	-	9,480
Other Planning, Environmental and Construction:				
Environmental	6,654	-	-	6,654
Design/Program Mgmt	165	-	-	165
Design Special Studies & Other	8	-	-	8
ROW Acquisitions, Appraisals & Other	3	-	-	3
Other Construction FETC	392	-	-	392
Total Other Planning, Environ and Constr	7,222	-	-	7,222
Total Planning, Environmental and Construction	32,564	-	-	32,564

Foothill/Eastern Transportation Corridor Agencies
Fiscal Year 2014 Proposed Budget
($000)

Budget Category and Subcategory	Budget Fund Categories: Plan & Environ & Construction	Toll Operations Exp & Equip	Debt Service	Total
Toll Operations:				
Customer Service & Toll Compliance	-	8,562	-	8,562
Toll Systems	-	3,379	-	3,379
Toll Collections	-	2,354	-	2,354
Toll Facilities	-	1,015	-	1,015
Subtotal Toll Operations	-	15,310	-	15,310
Operations Equipment:				
Transponder Equipment	-	1,854	-	1,854
Toll Equipment	-	161	-	161
Total Equipment	-	2,015	-	2,015
Total Toll Operations	-	17,325	-	17,325
Debt Service	-	-	113,078	113,078
Total Uses	43,011	23,797	113,078	179,886

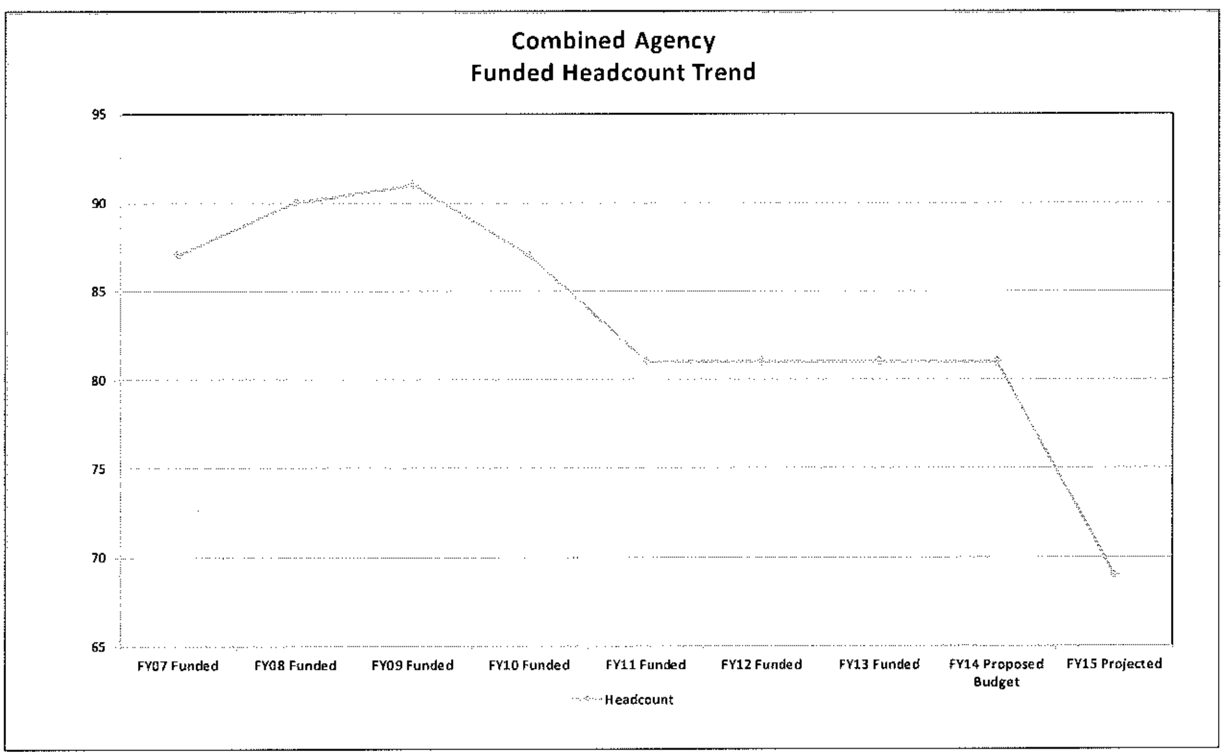
Staffing

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.

In FY10, the agency offered a voluntary separation program that resulted in the reduction of six positions. These positions along with four other positions that were vacant at that time were frozen and the workload was distributed to remaining staff, resulting in a reduction in total headcount from 91 to 81 (11% reduction). When AET is fully implemented and cash operations cease, another 12 positions will be eliminated, reducing the headcount to 69. This is expected to occur at the end of FY14.

The recommended staffing plan for FY14 remains at 81 funded positions and is allocated 70% to this agency and 30% to SJHTCA. As noted above, the headcount will be reduced by 15% to 69 positions when cash operations cease. Although this is expected to occur in May 2014, the FY14 budget includes funding for a full year of salaries and benefits for 81 positions to allow for potential AET delays that could occur if weather conditions result in more rain than expected.

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).



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 2014

Boards of Directors

Chief Executive Officer
(3 FTEs)
3 Positions

Legal
(Contracted Service)

Communications & Public Affairs
(9 FTEs)
9 Positions

- Communications Strategy
- Marketing
- Media Relations
- Community Relations/Outreach
- State & Federal Legislative Affairs
- Special Events
- Website
- Graphics
- Presentations
- Government Affairs
- Publications/Newsletters
- e-newsletters
- Issue Management
- Speakers Bureau
- San Clemente Information Center
- Social Media

HR & Administration
(3 FTEs)
3 Positions

- Administration
- Human Resources
- Recruiting
- Benefits & Compensation
- Employee Relations
- Training & Development
- Compliance

Finance & IT
(24.2 FTEs)
25 Positions

- Finance
- Treasury
- Accounting
- Insurance Administration
- Data Management
- Information Technologies
- Auditing
- Budgeting
- Bond Counsel Interface
- Capital Markets Rep.
- Compliance
- Toll Operations Accounting/Reconciliation/Auditing
- Financial Reporting and Cash Flow Management
- Development Impact Fee Program Management
- Legislative Financial Support

Toll Operations
(28 FTEs)
28 Positions

- Revenue Collection
- Customer Services
- Toll Systems Maintenance
- Interoperability
- All Electronic Tolling Initiative
- Infrastructure Preservation
- Facilities Maintenance
- Walk-In Customer Service
- Cash Security
- Cash Processing
- Toll Systems Development
- Toll Compliance & CHP Program
- Legislative Support
- National Toll Standards

Engineering, Contracts & Environmental Planning
(13 FTEs)
13 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

Administration - Compensation (Regular Salaries and Benefits)

The agency employee compensation budget is $7.1 million or 4.0% of the total budget. The budget includes amounts for salary and benefits of current and projected staff made pursuant to the Employee Handbook and Personnel Policies. TCA salaries are reviewed each year through the annual merit review process. The agency does not provide for any type of automatic step or COLA increases. Base salaries have not increased since July 2008.

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 positions are not filled, or if benefit rates come in lower than expected, the budget is not spent. FY14 benefits are 41.4% 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 is currently 7% by 2.5% beginning 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 FY14 related to the reduction of this benefit is $109,200 and is reflected in the proposed budget. In addition, the Comprehensive Annual Leave (CAL) accrual rates for employees will be reduced to align with the market after one year. The reduction in the CAL time accrual rates will be effective July 1, 2014 based upon feedback received from members of the Board at the April 2013 budget workshop.

Reduction of Employer Pick-Up of OCERS Contribution Over Three Years				
Description of TCA Practices and Changes	Current Practice	7/1/13	7/1/14	7/1/15
Employer currently pays up to 7.00% based on employee actuarial rate	7.00%	4.50%	2.00%	0.00%
Increase in employee pick-up over 3 years	0.00%	2.50%	2.50%	2.00%
Employee cumulative increase in payment over 3 years	0.00%	2.50%	5.00%	7.00%
Employee's average contribution (counting all employees)	1.98%	5.27%	8.47%	11.20%

The FY14 employer contribution to OCERS has been budgeted at 22.22 % (19.47% for employees hired on or after January 1, 2013 under the Public Employees Pension Reform Act – PEPRA). 9.11% of the FY14 employer rate is for payment of the agencies' unfunded actuarial accrued liability (UAAL). The agencies' UAAL at December 31, 2011 was $9.3 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 will be phased in over a two year period. Due to the change in actuarial assumptions, the agencies' UAAL will increase by approximately $2 million, and the employer contribution rate will increase to approximately 27% in FY15. The portion of this rate that pays the UAAL will be approximately 12%. 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 3.5% merit pool of $160,000 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 4% for an exceptional rating.

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 increase for the reasons stated above.

Salaries and benefits will be reduced significantly beginning in FY15 (estimated at approximately $900,000 on a combined agency basis) due to the reduction in staff related to AET as discussed above in the staffing section.

Administration - Insurance

Insurance expense is included at $1 million, approximately 0.6% 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 as part of a two-year fixed priced contract that expires in February 2014. All insurance is maintained in accordance with the requirements of the Indentures and as prudent business activities dictate.

Administration - Legal Expenses

Legal Expense, excluding amounts related to the SR 241 Long Range Planning and SR 241 Tesoro Extension, is included at $364,000, 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 are $300.00 per hour and litigation rates are billed at prevailing rates that vary between $325.00 and $660.00 per hour depending on the level of experience of the attorney involved. Below is a breakdown of legal expenses by major category:

General/Other	$150,000
Contracts	89,000
Development Impact Fees	50,000
Legislation	25,000
Financing	25,000
Toll Operations	15,000
Environmental	7,000
Construction	3,000
Total	$364,000

Administration - Consulting and Other Services

The Consulting Services category amounts to $591,000, which represents approximately 0.3% 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, printing and distribution of publications, video production, federal lobbying, and community relations/public relations services.

Payroll and Personnel Services	$88,000
Finance Advisors	75,000
Audit Services	59,000
Trustee Fees	59,000
Community Outreach	57,000
Traffic and Revenue Consultant	48,000
Rating Agencies	41,000
Financial and DIF Consulting	37,000

Fed Lobbying-Not Related to 241 Completion Initiatives	36,000
HVAC Retrofit	25,000
Disadvantaged Business Enterprise Program	20,000
Bloomberg Investing Services	13,000
Public Relations Consulting and Research	12,000
Publication and Video Production	11,000
Internal Software Maintenance and Programming	10,000
Total	$591,000

Administration - Marketing Consultant

Total expenditures for general marketing are budgeted at $829,000, representing 0.5% of the total budget, excluding the SR 241 advertising and AET marketing. This includes amounts paid for radio and cable TV commercials, on-line advertising, and customer communications. In addition, during FY14, the not-to-exceed marketing contract also includes website design and programming services that the agency is unable to do in house. Following is the budget associated with these expenses:

Marketing Consultant	$755,000
Website Development	47,000
Toll Discounts	27,000
Total	$829,000

Administration - Building Services

Building Services is budgeted at $532,000, 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:	
Utilities	$206,000
Janitorial	80,000
Landscaping and Pest Control	48,000
Unanticipated and Emergency Repairs	40,000
Carpet Cleaning	34,000
Other Repair and Maintenance; locks, elevator, generator, etc.	31,000
Heating and Air Conditioning Services	26,000
Electrical, Light and Plumbing Repair and Maintenance	26,000
Security System Repair and Maintenance	12,000
Structure and Roof Repair and Maintenance	10,000
Association Fees and Assessment Tax	4,000
Parking and Window Maintenance	2,000
San Clemente Service Center: Utilities, Repair and Maintenance	13,000
Total	$532,000

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 $21.0 million representing 11.7% 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, and legal. Related administrative expenses consist of legislative services, community outreach consulting, community relations, and advertising. In FY14, 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. It is expected that some pre-financing costs will be reimbursed with bond proceeds at the time of financing and the budget will be amended.

SR 241 Tesoro Extension:	
Engineering/Design Oversight	$5,742,000
Environmental	3,945,000
Design/Build Services	2,000,000
Right of Way	1,070,000
Construction	390,000
Administrative Expenses	2,224,000
Legal Expenses	1,607,000
Total	$16,978,000
SR 241 Long Range Planning:	
Engineering/Design Oversight	$1,916,000
Environmental	774,000
Right of Way	25,000
Administrative Expenses	933,000
Legal Expenses	398,000
Total	$4,046,000
Grand Total	$21,024,000

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 $9.5 million and represents 5.3% 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 implementation phase of AET, the coordinated efforts with the Orange County Transportation Authority (OCTA) on a direct connector from the SR 241 to the 91 Express Lanes, 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 9, 2013 and summarized below:

Strategic and Policy Planning Study (AET)	$8,091,000
SR241/91 Connector	1,210,000
ETC Toll Plaza Water Service	176,000
241 Widening-133 to Chapman (Loma Segment)	3,000
Total	$9,480,000

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

Other Planning, Environmental and Construction costs are budgeted at $7.2 million, or 4.0% of the total budget (excluding SR 241). 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 funding for 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 right-of-way slopes, Limestone Canyon Mitigation Area, Upper Chiquita Canyon, and Live Oak Plaza, as well as project initiatives for the Strawberry Farms Mitigation Site. In addition, a project to control erosion behind the Windy Ridge northbound mainline toll plaza building is included in this category.

Wildlife Fencing	$3,500,000
Peters Canyon Wash Water Capture/Reuse Pipeline Project	2,400,000
Environmental Monitoring and Habitat Management	754,000
Windy Ridge Erosion Protection	258,000
Design/Program Management	165,000
Design Special Studies, ROW and Other	145,000
Total	$7,222,000

Toll Operations - Toll Customer Service and Toll Compliance

The Toll Customer Service and Toll Compliance category totals $8.6 million, approximately 4.7% 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 $227,000, credit card processing fees assessed on all FasTrak and violation credit card transactions, and phase-in of operating costs related to the implementation of all electronic tolling new pay types. 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, future transponder distribution programs at additional outlets, and quarterly promotions to increase ridership and reduce operating costs. The budget associated with these expenses is detailed below:

Toll Enforcement and Customer Serv Center Contract-3M	$3,820,000
Credit Card Processing Fees	2,646,000
Postage and Printing	961,000
Enforcement Services-CHP, Judgment Recovery & Other	541,000
Phase-in of AET Operating Costs	217,000
Customer Incentives, Supplies, and Equipment Maintenance	211,000
Telecommunications-Customer Service Center	166,000
Total	$8,562,000

Toll Operations - Toll Systems

The Toll Systems category totals $3.4 million, or approximately 1.9% of the total budget and, as detailed below, primarily consists of fees for the TCARMS software and hardware maintenance and operation contract with TransCore. Also included in this category are TCARMS spare parts and repairs, software licenses, and various computer maintenance contracts.

TCARMS Maintenance and Operation	$3,044,000
System Maintenance and Support	145,000
TCARMS Spare Parts	136,000
Toll Systems Consultant	54,000
Total	$3,379,000

Toll Operations - Toll Collections

This category totals $2.3 million, representing 1.3% of the total budget and, as detailed below, is primarily for the current toll attendant personnel contract with CPS. This category also includes armored truck services, security, transitional operating costs related to the implementation of AET, and other collection supplies and maintenance such as uniforms, moneybags, and coin vault and cash counting equipment repairs and maintenance.

Toll Attendant Contract – CPS	$2,164,000
AET Transitional Cost	67,000
Armored Truck Services	67,000
Security	30,000
Other Collection Supplies and Maintenance	26,000
Total	$2,354,000

Toll Operations - Toll Facilities

This category is budgeted at $1.0 million representing 0.6% 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:

On Road Utilities	$588,000
Other On Road Building Maintenance and Repair	99,000
On Road Janitorial	74,000
On Road Maint-County of Orange Public Works	65,000
Heating and Air Conditioning Services	61,000
On Road Landscaping	50,000
Generator Maintenance, Fuel and Permits	39,000
Toll Ramp Lighting, Repair and Maintenance	24,000
Toll Booth Mainline Repair and Maintenance	15,000
Total	$1,015,000

Toll Operations – Operations Equipment

The Toll Operations Equipment budget is $2.0 million, or 1.1% of the total budget. The budget breakdown below includes purchases of transponders, and other equipment purchases as detailed in the FY14 project initiatives document (Appendix A):

Transponders	$1,854,000
Intelligent Transportation System	72,000
Server Replacements	44,000
AET Office and Computer Equipment	30,000
Mail Machine	15,000
Total	$2,015,000

Debt Service

The Debt Service category totals $113.1 million or 62.9% of the total budget and includes interest and principal payments on the agency's outstanding bonds. Expenditures in FY14 include a principal payment on the 1999 bonds of $25.2 million due on January 15, 2014 and interest payments for the outstanding debt of $87.9 million. Of the required payments, $9 million will be paid from a capitalized interest fund established at the time of the 1999 financing and $19 million will be paid from escrow defeasance funds.

See reconciliation of Debt Expenses – Cash versus Accrual on page 39 for more information on debt.

The FY14 budgeted debt service coverage ratio shown below on the next page meets the Indenture requirement of 1.3x. Adjusted Net Toll Revenues only includes certain revenues per the Indentures and interest earnings in certain accounts and development impact fees are not included in the calculation. Current expenses include expenditures that are allocated to operations, excluding costs reimbursable by grant funds.

The calculation includes escrow defeasance funds of $19 million; however there will be $25.6 million of revenues that will flow back to the agency's available cash as "surplus revenues" which represents the difference between the coverage requirement and actual debt service.

Debt Coverage Calculation Fiscal Year 2014

	FY14 Budget (In Thousands)
Adjusted Net Toll Revenues	
Total Toll Revenues Including Fees and Penalties	132,233
Interest Earnings	3,789
Current Expenses - Funded From Toll Revenue	(23,725) *
Adjusted Net Toll Revenues	112,297
Net Debt Service	
Annual Debt Service	113,078
Less Capitalized Interest	(9,000)
Less Escrow Defeasance	(19,000)
Net Debt Service	85,078
Coverage Ratio	1.32

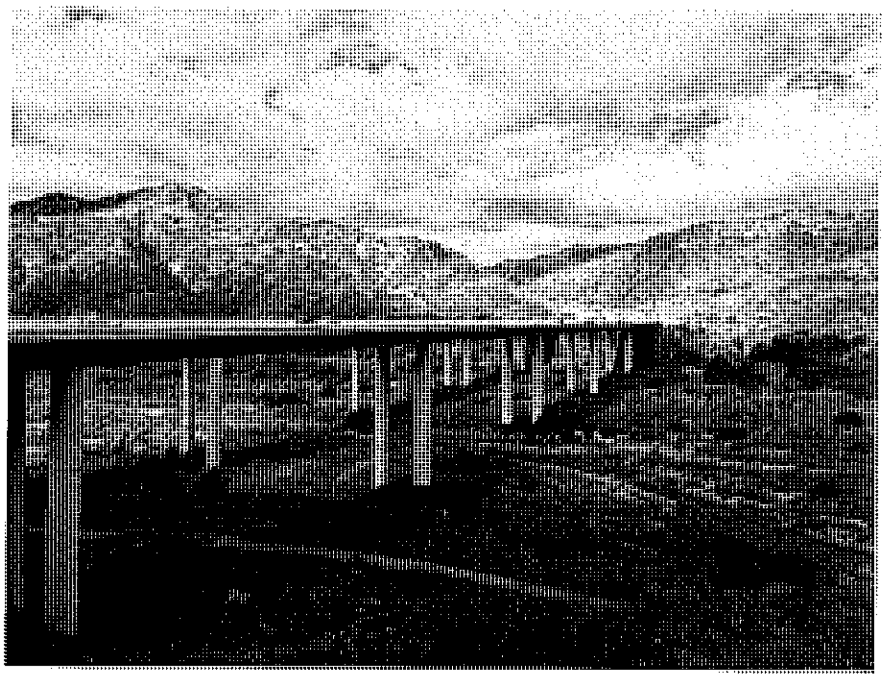
* Excludes $72 of expeditures reimburseable by grant funds

Foothill/Eastern Transportation Corridor Agency
Reconciliation of FY 2014 Debt Expenses
Cash versus Accrual Basis
($000)

	Interest	Principal	Accretion	Total
Cash Basis				
July 2013 and January 2014 Payments	88,585	25,160	-	113,745
Total Cash Basis Debt Expenses	**88,585**	**25,160**	**-**	**113,745**
Accrual Basis				
January 2014 and July 2014 Payments	87,918	25,160	-	113,078
Non cash Accretion			51,099	51,099
Total Accrual Basis Debt Expenses	**87,918**	**25,160**	**51,099**	**164,177**
Less: Capitalized Interest	(9,000)	-		
Less: Escrow Defeasance	(19,000)	-		
Debt Expenses Used in Calculation of Coverage	**59,918**	**25,160**		**85,078**

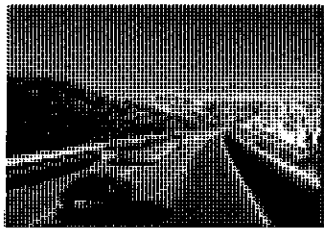
Transportation Corridor Agencies

FISCAL YEAR 2014
PROJECT INITIATIVES - APPENDIX A



The Toll Roads®

Stop sitting. Get moving.



Transportation Corridor Agencies

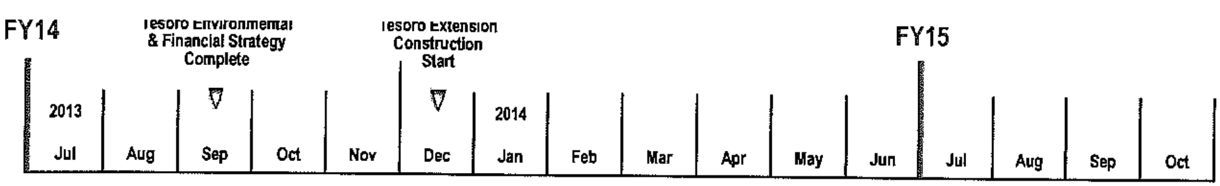
PROJECT INITIATIVE: SR 241- TESORO EXTENSION

INITIATIVE

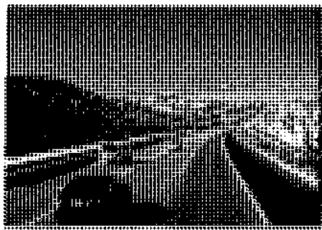
In October 2011, the Foothill/Eastern Board of Directors authorized staff to develop engineering plans, complete environmental assessments and develop a financial strategy to build the SR 241 Tesoro Extension from the existing southerly terminus at Oso Parkway in Rancho Santa Margarita to the vicinity 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 2014 SCOPE, SCHEDULE AND BUDGET

- **Environmental, Design, Construction & Contracts**
  -Permit, design, right-of-way acquisition, finance and construct SR 241 Tesoro extension.
- **Toll Operations**
  -Toll plaza design input, review and construction oversight.
- **Communications & Public Affairs**
  -Community relations, marketing, outreach and state and federal legislative activities.
- **Finance, Administration & IT**
  -Financial strategy including coordination with financial advisor, underwriter, bond counsel, rating agencies, T&R consultant.



FY14 Planning, Environmental & Construction	
Engineering/Design Oversight	$5,742,000
Environmental	3,945,000
Design/Build Services	2,000,000
Right of Way	1,070,000
Construction	390,000
Financing & Financing Legal	1,275,000
Marketing	300,000
Insurance	219,000
Federal Legislative Program	56,000
State Legislative Program	10,000
Public Relations & Outreach	713,000
Construction Legal	795,000
Environmental Legal	450,000
Environmental Outreach	13,000
TOTAL TESORO EXTENSION	**$16,978,000**



Transportation Corridor Agencies

ALL ELECTRONIC TOLLING - PHASE 4

INITIATIVE

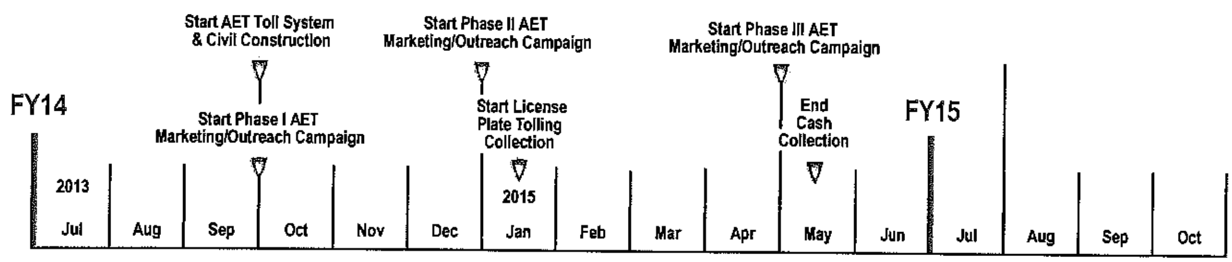
Under all electronic tolling (AET), the mixed-mode of electronic and cash collection is converted to an all electronic collection system— both transponder-based (FasTrak®) and license plate tolling (LPT). Customers will continue to use FasTrak transponders to deduct tolls from their prepaid balances when transponders are read at tolling points. For LPT, in-lane cameras take images of the license plates of vehicles without transponders. These images are used to charge the tolls. Through LPT, the need to stop and pay at toll booths is eliminated. As a result of cashless tolling, traffic is free-flowing, ridership safety is enhanced and back-ups at the cash plazas are eliminated. AET provides a way of lowering operating costs and offering a wider range of payment options to accommodate travelers who previously paid by cash and do not want to sign-up for a prepaid FasTrak account.

FISCAL YEAR 2014 SCOPE, SCHEDULE AND BUDGET

- Toll Operations
  - Procure, install, test, and commission the necessary equipment, systems and business processes to effectuate all electronic, or cashless tolling. Complete changes to office space in the Pacifica building to accommodate additional contract personnel. Also included are the necessary support matters involving program management and oversight, legal, Traffic & Revenue and Customer Service Center transition labor to accommodate the program.

- **Environmental, Design, Construction & Contracts**
  -Civil portion of AET project will complete plans, specifications and perform construction work.

- **Communications & Public Affairs**
  - Increase awareness, educate consumers on the new payment options and reduce diversion through marketing and public relations outreach.



FY14 ALL ELECTRONIC TOLLING PHASE 4

	Foothill/Eastern	San Joaquin Hills	Total
Project Management	$29,300	$15,700	45,000
Toll System Oversight	340,000	160,000	500,000
Toll Systems	4,448,000	1,747,500	6,195,5000
Civic Design	2,274,500	881,700	3,156,200
Outreach & Marketing	412,100	202,900	615,000
Contingency	587,100	391,400	**978,500**
SUBTOTAL CIP PROJECT	**8,091,000**	**3,399,200**	11,490,200
Transitional Operations Expense	406,400	221,400	627,800
Pacifica Building Improvements	43,400	0	43,400
CSC Office Equipment	30,100	14,900	45,000
TOTAL	**$8,570,900**	**$3,635,500**	**12,206,400**

FISCAL YEAR 2014 PROJECT INITIATIVES

Environmental, Design, Construction & Contracts

Staff	Project Initiative	F/ETCA Project Budget	SJHTCA Project Budget	Project Scope
Kelsie Anderson	SR 241/91 Connector	$1,210,541	$0	Finalize alternative analysis, develop a Project Study Report and Project Report, obtain environmental clearance, and develop 35% plans for a direct connector from the SR 241 to the 91 Express Lanes to and from the east.
Kelsie Anderson	Windy Ridge North Erosion Protection	$257,744	$0	There has been a long term erosion problem directly behind the Windy Ridge northbound Mainline Toll Plaza building where a slope down-drain outlets behind the rear of the building. Heavy rains have created a washout that needs annual erosion control work by the County at an estimated $40,000 per year. CDMG has finalized project plans, specifications and a cost estimate for the work. The proposed fix includes a concrete v-ditch, down-drain and desilting basin, connection to drainage system along with grading and erosion control features.
Kelsie Anderson	SR 241 Widening--133 to Chapman	$2,500	$0	Minor environmental consulting services planned in FY14. Project involves constructing three additional general purpose lanes between the 261 and 133 along SR 241, a total distance of six miles. Next phase is to advance PS&E, however this is currently on hold.
Kelsie Anderson	SR 241 Southbound Widening	$0	$0	Adds one lane to the existing two lane southbound 241 from Bake Parkway to Santa Margarita Parkway. Project on hold.
David Lowe	ETC Toll Plaza Water Service Project	$175,761	$0	Includes conversion of the Tomato Springs toll plaza irrigation system from domestic to non-domestic water and decommissioning of the Tomato Spring Toll Plaza water reservoir.
David Lowe	SR 261 Peters Canyon Wash Water Capture/ Reuse Pipeline Project	$2,400,000	$0	Agreed upon payment to Caltrans for the project as consideration for extension of the Caltrans Cooperative Agreement if the debt refinancing is approved.
Paul Bopp	SR 241 Long Range Planning	$4,045,500	$0	Support ongoing stakeholder program to find a transportation solution that will improve regional mobility.
Valarie McFall	SR 241 Limestone Mitigation Site	$10,000	$0	Create restoration 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.

Staff	Project Initiative	F/ETCA Project Budget	SJHTCA Project Budget	Project Scope
Valarie McFall	Strawberry Farms Mitigation Site	$152,136	$0	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.
Valarie McFall	Upper Chiquita Canyon Conservation Area Management	$100,000	$0	Finalize formal bank amendment and resource management plan with USFWS and CDFG.
Valarie McFall	SR 241 Wildlife Fencing Retrofit	$3,500,000	$0	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.
Toll Operations				
Joyce Hill	Transponder Retail Distribution	$47,800	$23,550	Enhance current Costco program to allow existing FasTrak® patrons to purchase additional transponders for their accounts. Expand retail distribution of transponders to other stores (e.g., Albertson's and Walgreens).
Joyce Hill	Mobile Phone Applications - Enhancements	$21,740	$10,700	Further develop FasTrak mobile app for iPhone and Droid smart phones to allow patrons to pay eligible violations at toll amount only to valid accounts, provide account-related messaging capabilities, and update the app's overall look.
Joyce Hill	Customer Service Enhancement	$52,160	$25,690	Expand website functions to improve customer experience. New features will allow FasTrak patrons to sort statements by category and print receipts for specific transactions. Toll road users paying through the Missed-a-Toll method will also be able to generate and print receipts. Offer accountholders an option to receive text messages regarding important account statuses, such as low-balances, expiring credit cards, and failed transponders.
Joyce Hill	Customer Incentives	$19,560	$9,630	Support expanded marketing programs incorporating operational customer promotions with social media.
Joyce Hill	Customer Service System Enhancement	$54,330	$26,760	Improve functionality to provide more efficient and effective tool for customer service team. Included in the scheduled enhancements are automated Arizona DMV look-ups and automated outgoing resolution calls.
Joyce Hill	Security Enhancement	$30,970	$15,250	Add additional security group and account status to further reduce risk of non-compliance to data purge requirements. Automate look-up of transponders already in system.
J. Gallagher	Server Replacements (4th phase)	$44,200	$20,800	Fourth year of a six-year plan to replace Toll Systems servers

Communications & Public Affairs

Staff	Project Initiative	F/ETCA Project Budget	SJHTCA Project Budget	Project Scope
Lisa Ganz	General Marketing Plan	$829,350	$169,650	A three year marketing plan (June 2013 – June 2016) was approved in May with the primary goals to (1) Increase awareness of The Toll Roads and reinforce the benefits of FasTrak; (2) Increase transactions and FasTrak accounts; (3) Position The Toll Roads as a partner within the local community.
Lisa Ganz	All Electronic Tolling Marketing Plan	$412,100	$202,900	The All Electronic Tolling plan will roll-out in 3 phases to communicate to various audiences with unique messaging. The goals include: (1) Introduce AET and educate on the new License Plate Tolling (LPT) and Missed-A-Toll payment options; (2) Increase the number of new FasTrak and LPT accounts by converting cash users and activating new customers.
Lisa Ganz	SR 241 Long Range Planning/Tesoro Extension Marketing Plan	$500,000	$0	The SR 241 and Tesoro Extension marketing and paid media goals are (1) Increase awareness on the need for extending the SR 241 Toll Road; (2) Communicate milestones and opportunities for public involvement in the regulatory and permitting process.
Lisa Telles	SR 241 Long Range Planning Public Relations & Outreach	$411,000	$0	Extensive community relations and outreach to find a transportation solution that will improve regional mobility.
Barbie Daly	Federal Legislative Program	$301,000	$24,000	The Federal Legislative Program focuses on operational issues and the 241 Completion Project.
Barbie Daly	State Legislative Program	$175,000	$25,000	The State Legislative Program focuses on operational issues and the 241 Completion Project.

Finance, Administration & IT

Staff	Project Initiative	F/ETCA Project Budget	SJHTCA Project Budget	Project Scope
Amy Potter/ Howard Mallen	Investment Advisory Services	$0	$0	Agency is contemplating switching its investment strategy from the current, in house, "hold to maturity" strategy to an "active investment management" strategy in an attempt to increase investment earnings. 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. A cost-benefit analysis will be performed to determine if the expected increase in investment earnings will more than offset the expected cost of the services.

Finance, Administration & IT

Staff	Project Initiative	F/ETCA Project Budget	SJHTCA Project Budget	Project Scope
Jeff Bond	Internet Redundancy	$0	$0	Implement redundant connections to the Internet with failover capability using the Irvine Ranch and Pacifica connection points. A failure in one connection will automatically route all traffic through the remaining connection.
Jeff Bond	Desktop Computer Replacement Program	$71,000	$29,000	The Agencies purchased new desktop computers with four year warranties in FY08 expecting to purchase replacements in FY12. The systems have performed well extending their use from the initial four year plan to six years. The Agencies will be replacing 40 percent of the systems in FY14 with smaller size systems containing more memory, faster processors, and newer operating systems. The remaining systems will be replaced in FY15.
Greg Walker	GIS Map Project for Development Impact Fees	$25,000	$25,000	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.
Gretchen Lindelof/ Jeff Bond	Accounts Payable Electronic Workflow and Scanning	$0	$0	Develop electronic invoice authorization workflows utilizing existing accounting software. Incorporate invoice scanning which will increase storage efficiencies and provide easy retrieval of data.