___ TECHNICAL ADVISORY COMMITTEE

File No. 2015F-014

___ SAN JOAQUIN HILLS OPS & FINANCE COMMITTEE
_X_ FOOTHILL/EASTERN OPS & FINANCE COMMITTEE
___ SAN JOAQUIN HILLS BOARD OF DIRECTORS
_X_ FOOTHILL/EASTERN BOARD OF DIRECTORS

BOARD MEETING DATE: June 11, 2015

SUBJECT: Foothill/Eastern Transportation Corridor Agency Fiscal Year 2016 Annual Budget

STAFF RECOMMENDATION:

Approve Resolution No. F2015-03 entitled "A Resolution of the Board of Directors of the Foothill/Eastern Transportation Corridor Agency Approving the Budget for Fiscal Year 2016" in the amount of $161,014,635.

COST: **F/E** = $161,014,635
SJH =N/A

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

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

SUBMITTED BY:
Michael A. Kraman
Chief Executive Officer

FOOTHILL/EASTERN
TRANSPORTATION CORRIDOR AGENCY

TRANSPORTATION
CORRIDOR AGENCIES

Fiscal Year 2016 Proposed Budget

San Joaquin Hills
Transportation
Corridor Agency

Chairman:
Scott Schoeffel
Dana Point

Transportation Corridor Agencies™

Foothill/Eastern
Transportation
Corridor Agency

Chairman:
Craig Young
Yorba Linda

May 29, 2015

Dear Chairman Young and Foothill/Eastern Transportation Corridor Agency Directors:

I am pleased to present you with the proposed Fiscal Year 2016 budget. The budget was developed through an extensive effort that involved taking a close look at all the expenses of the agency in light of the current needs and plans that will take us into the future.

The Foothill/Eastern Agency is on solid financial footing with the refinancing of the agency's debt in 2013 and 2015, and the recent increases in both transactions and revenue.

With the continued recovery of Southern California's economy, transactions and transactional toll revenue in Fiscal Year 2015 are expected to be up approximately 1.9 percent and 4.6 percent, respectively, over FY14 numbers.

The FY16 proposed budget of $161 million, represents a 19 percent decrease from the FY15 budget due to the decrease in annual debt service and also as a result of tightening the agency's planned expenditures.

Transactional toll revenues are projected to grow in FY16 by 3.4 percent through a proposed 2.0 percent inflationary toll rate increase for FasTrak payment at all locations and 1.4 percent from transaction growth. The toll rate increase ranges from $0.01 - $0.06 depending on the location and time of day.

The FY16 budget for expenses was developed with the agency's continued commitment to fiscal responsibility and overarching goals to:

- Continue cost containment strategies – year 3 of 3 compensation reform
- Increase cash reserves and improve the credit ratings
- Improve customer service through:
    - Operational efficiencies and staffing plan development
    - Education to rental car and tourism industries
- Expand the system to serve the customer base and benefit regional mobility
    - 241/91 Direct Connector
    - 241 Tesoro Extension
    - 241 Long Range Planning
- Continue the commitment to sustainability initiatives that benefit our environment

Thank you for the time you have spent attending meetings regarding the FY16 budget process. Your input was critical in the development of a budget that will allow the agency to service its customers, operate efficiently, improve mobility, and prepare best for the future.

Sincerely,

Michael A. Kraman

Michael A. Kraman
Chief Executive Officer

Foothill/Eastern Transportation Corridor Agency

Budget Process and Format

Fiscal Year 2016 Proposed Budget

Budget Process

The Foothill/Eastern Transportation Corridor Agency's (F/ETCA) Board of Directors and the Master Indentures of Trust (Indentures), established in the context of the agency's 2013 and 2015 bond issuances, provide the financial parameters for the agency in the development of the budget. The Indentures provide the scheduled future debt service payments and the required debt service coverage ratio that must be obtained each fiscal year and establish financial constraints, which may impact the agency's ability to undertake additional projects.

At the beginning of the process, the executive team set the objectives for FY16 while considering both near-term and long-term agency goals and direction from the Board of Directors. Department managers reviewed the status of projects for the current year and developed project initiatives for the next fiscal year with the agency's goals and objectives in mind. The finance staff worked jointly with each department to compile budget expenditure requests. After all project initiatives and budget requests were reviewed by executive management, the proposed annual budget was presented to the F/ETCA Board of Directors at a workshop on April 22, 2015 to obtain direction and feedback. This year, the workshop included a detailed review of both revenues and expenditures. The agency's traffic and revenue consultant attended the meeting and presented an overview of the agency's toll revenue history, toll rate elasticity, how current economic trends may affect toll transactions, and proposed toll rates for FY16. Any changes and questions received during the workshop were then addressed. The annual budget is now being presented to the Board of Directors for adoption at the June 2015 board meeting for the fiscal year starting July 2015. Approval of the budget requires the consent of at least two-thirds of the Board Members. Expenditures during the year must be made in accordance with the agency's policies. Expenditures in excess of the total of each budget category, as defined in the budget resolution, cannot be made without the approval of a budget resolution by at least two-thirds of the Board Members. The agency is required to file copies of the annual budget with the trustee on or before the 20th day of July each fiscal year in accordance with the Indentures.

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

- Administration
- Tesoro Extension and 241 Long Range Planning (excluding related administration)
- Capital Improvement Plan
- Other Planning, Environmental and Construction
- Toll Operations
- Debt Service

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

Transfers between categories require the Board of Directors' approval.

These budget categories are presented on page 26 and 27 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 18. 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 FY16 proposed Uses budget for the F/ETCA totals $161.0 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 26 and 27 to illustrate how each budget category and subcategory is allocated between the budget fund categories. A more detailed discussion of the expenditures proposed for FY16 is included in the Sources and Uses section of this document.

<u>Toll Operations (budget fund category)</u>

The Toll Operations budget includes funding for the toll operations activities including operating administration costs. The proposed FY16 Toll Operations budget is $26.3 million.

The primary sources of funds available for Toll Operations are toll revenues, penalties, account maintenance fees, and interest earnings from certain accounts specified within the Indentures. 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 contract costs associated with the operation and maintenance of the agency's toll systems lane hardware and software; and customer service and toll compliance services which include the operation of the customer service center and toll processing, review and processing of vehicle plate images, and violation collection processing services. Also included in Toll Operations are toll equipment purchases such as transponders, system software, and in-lane toll and violation processing equipment. In addition, a portion of agency administration costs allocated to operation activities including insurance, salaries and benefits, consulting, legal, office expense and marketing are included in this fund category.

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 projects are transferred to Caltrans, as required. It is at the point of transfer to Caltrans that the costs of the project are then expensed on the financial statements as a contribution to Caltrans. To date, 36 miles of the F/ETCA toll system have been transferred to Caltrans. The costs associated with such projects are budgeted in the year the disbursement is made, not when the project is transferred to Caltrans. The proposed budget for these activities and projects in FY16 totals $21.9 million.

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

The primary sources of funds for Planning, Environmental and Construction Expenses are unrestricted cash on hand from previous development impact fee collections and agency directed surplus revenues. Agency directed surplus revenues are toll, fee and penalty revenues in excess of amounts needed for operating expenses, debt service payments and funding the indenture required reserves in the year the revenue is collected. The debt service reserve fund requirements totaling $220.8 million have been fully met. Agency directed surplus revenues are not under bond Indenture requirements (see description of bonds in the Debt Service section below) and may be spent at the Board of Directors' discretion for any lawful purpose. Each year, $5 million of development impact fees received by the agency is available to fund expenditures or increase the agency directed surplus revenue fund; the balance of development impact fees collected during the year are also made available for the same purpose if they are not needed to fund debt service payments. In addition, funding for these expenses is available from the restricted construction funds obtained during the bond refunding completed in February 2015 (see further discussion in the Debt Service section below). Other sources of funds for these activities include investment earnings and grant funds awarded to the agency. See tables on page 39 for detail of unrestricted cash and the restricted construction funds.

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 FY16 budget for Debt Service is $112.8 million.

In 1995 the agency issued $1.3 billion in long-term toll revenue bonds (1995 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 (1999 Bonds) in the aggregate amount of $1.6 billion to advance refund all but $180 million of the 1995 Bonds.

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

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

The 2013 Bonds, which pay interest semi-annually, are to be repaid primarily from toll revenues. The bonds are due and payable on dates ranging from July 15, 2014 to January 15, 2053.

In February 2015 the outstanding $181.2 million of principal and interest due on the 1995 Bonds was refunded through the issuance of $87.0 million of tax-exempt toll road refunding revenue bonds (2015 Bonds) and the $131.5 million fair market value of the 1995 capitalized interest funds. $98.0 million of the fair market value of the 1995 capitalized interest funds was used to refund the 1995 Bonds and pay bond refunding related fees, with the remaining $33.5 million representing the net present value savings of the bond refunding. See the Source and Uses Fund Statement on page 9. The $33.5 million was deposited into a fund to be used for construction purposes only as defined in the tax certificate issued during the refunding. See restricted construction funds table on page 39. The principal balance of the 2015 bonds is due and payable in FY's 2033-2035.

Per the Indentures, the agency's Adjusted Net Toll Revenue (toll related revenues plus interest income on certain accounts, less operating expenses) must be at least 115% of the current year's aggregate net debt payments (debt service scheduled for the fiscal year less capitalized interest) and at least 130% of the current year's senior lien net debt payments. This is often referred to as 1.15x and 1.30x debt service coverage, respectively.

When compiling the operations budget, the agency staff ensures that the revenues and expenses budgeted provide the necessary coverage ratio as defined in the Indentures. The attached proposed Sources and Uses budgets for debt service and operating expenses result in an aggregate coverage ratio of 1.24x and a senior lien coverage ratio of 1.42x. A schedule showing the calculation is included on page 38 of this document.

Foothill/Eastern Transportation Corridor Agency

Sources

and

Uses

Fiscal Year 2016 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, 2016.

Total sources include revenues budgeted in FY16 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 bond payments and amounts in the debt service accounts.

Below is a summary of total funds on hand and the amount of these funds available to fund the FY16 budget as well as future budgets (in thousands).

Estimated Total Funds on Hand at 6/30/15	$	510,488
July Activity Related to FY15		(60,970)
Adjusted Estimated Total Funds on Hand at 6/30/15		449,518
Less Operating Reserves		(17,039)
Less Debt Service Reserves		(220,762)
Estimated Cash Available excluding Reserves to Fund Current and Future Budgets	$	211,717

Cash Restricted For Debt Service	$	22,226
All Other Cash Available to Fund Current and Future Budgets		189,490
Estimated Cash Available to Fund Current and Future Budgets	$	211,716

Total uses include all FY16 budgeted expenses requiring a cash outlay.

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

The following statement includes the approved FY15 budget, as amended, including transfers within the CEO's authority, staff projected FY15 sources and uses based on actuals through March 2015 and the proposed budget for FY16.

Foothill/Eastern Transportation Corridor Agency
Sources and Uses of Funds Statement
Fiscal Years 2015 through 2016
($000)

Description	FY 2015 Amended Budget As of 3/31/15	FY 2015 Estimated Actuals	FY 2016 Proposed Budget
Sources:			
Net Toll Revenue	118,132	119,544	123,652
Penalties	11,700	13,830	14,300
Fees	11,600	12,560	13,000
Development Impact Fees	13,407	15,570	15,000
Interest Earnings	4,716	40,387	2,652
Other Revenue	386	386	471
Cash on Hand Restricted For Debt Service	136,671	136,671	22,226
All Other Cash Available to Fund Current and Future Budgets	146,631	146,631	189,490
Total Sources of Funds	443,243	485,579	380,791
Cash Uses:			
Planning, Environmental and Construction	42,539	29,753	13,309
Planning, Environmental and Construction Administration	9,971	6,300	8,593
Toll Operating Administration	7,496	6,153	7,952
Toll Customer Service and Toll Compliance	11,030	11,580	12,551
Toll Systems	2,438	1,716	2,411
Toll Facilities	1,071	800	798
Operations Equipment	2,429	2,293	2,631
Debt Service	121,770	117,270	112,770
Total Cash Uses	198,744	175,865	161,015
Subtotal	244,499	309,714	219,776
Funds Used in the Refinancing to refund the 1995 Bonds and obtain net present value savings (See Debt Service on page 5)	97,998	97,998	-
Projected Cash Available to Fund Subsequent Budgets	146,501	211,716	219,776
Less Restricted Cash For Future Debt Service	22,226	22,226	11,894
Projected Available Cash	124,275	189,490	207,882
Total Budget	198,744	175,865	161,015

Sources Summary

With the continued recovery of Southern California's economy, FY15 transactions and transactional toll revenue are expected to be up approximately 1.9% and 4.6%, respectively, over FY14. Given the recent transition to All-Electronic Tolling (AET), the agency will continue to closely monitor the impacts to revenue and take appropriate actions, if necessary. The 2013 bond refinance transaction greatly improved debt service coverage margins and the ability to withstand future economic downturns. Regardless, it will be important to continue to take measures to ensure that revenue growth is maintained in FY16.

The agency has also used customer incentives and promotions to maintain and build transactions and revenues. Given the purpose of promotions is to increase revenue, tolls used as incentives for promotions will be recorded as an offset to revenue in accordance with accounting principles and the Indentures. In FY16 marketing incentive programs will be implemented for new home buyer campaigns and to convert customers who pay online with One-Time-Toll to FasTrak or ExpressAccounts. Any additional promotions will be analyzed and presented to the Board of Directors for approval.

Staff works with the agency's traffic and revenue consultant, Stantec Consulting Services Incorporated (Stantec) to review the results of prior year toll rates and run various toll rate scenarios for the upcoming year. During the April 2015 budget workshop, staff presented these scenarios to the Board and recommended toll rates based on the results of prior year increases and toll elasticity, assumptions included in the bond finance documents, building cash reserves, and economic factors. The FY16 budget for sources of funds is based on the feedback received from the Board during these workshops related to the toll rate recommendation presented (see Net Toll Revenue section below).

At the beginning of FY16, the agency expects to have total cash adjusted for accrual items of $449.5 million. The expected adjusted cash balance includes debt service reserve and operating reserve funds of $237.8 million and $211.7 million of cash on-hand available to fund the current and future years' budgets. These available funds are primarily from development impact fees, surplus revenues and interest earnings. During FY16, Net Toll Revenue, Penalties, Fees, Development Impact Fees, Interest Earnings, and Other Revenue are budgeted at $169.1 million. Below are brief explanations of each of these funding sources.

Net Toll Revenue

The FY16 budget assumes transactional toll revenue of $129.2 million which represents a 3.4% increase over projected FY15 transactional toll revenue. The budget for FY16 Net Toll Revenue of $123.7 million, or 73.1% of total revenue, is a combination of the agency's estimate of transactional toll revenue reduced by estimated processable and unprocessable violations (offset by toll revenue recovered from processable violations), and non-revenue transactions. As a result of the conversion to AET and the resulting shift in payment patterns, including some patrons who may have previously paid with cash but are now initially identified instead as processable violation transactions, as mentioned above toll revenue recovered during the violation process is appropriately classified as Net Toll Revenue. The agency currently waives the penalty for first time violators if the toll is paid within 30 days.

The proposed 3.4% transactional toll revenue increase is achieved by implementing a 2.0% FasTrak rate increase. The non-FasTrak rates increase at amounts that maintain the $1.00 differential between the FasTrak and the non-FasTrak rates.

Total transactions as a result of toll rate increases are expected to result in transaction growth of 1.4% based on the Stantec analysis. The growth rate assumes continued economic improvement and an increase in traffic congestion on routes parallel to the toll roads thereby increasing the value of time savings obtained by choosing the toll road option. The table below shows the FY15 current toll rates and the proposed FY16 toll rates by location, split between non-FasTrak and FasTrak, and peak/off-peak if applicable. In summary, FasTrak and non-Fastrak rates increase by $0.01 to $0.06 per tolling location.

Location	Time/Type	Current Rates	Proposed 2% Increase	
			Rate	Change
Tomato Springs	Non-FasTrak Off-Peak	$ 3.35	$ 3.40	$ 0.05
	FasTrak Off-Peak	$ 2.35	$ 2.40	$ 0.05
	Non-FasTrak Peak*	$ 3.60	$ 3.65	$ 0.05
	FasTrak Peak	$ 2.60	$ 2.65	$ 0.05
Portola North	Non-FasTrak Off-Peak	$ 2.43	$ 2.46	$ 0.03
	FasTrak Off-Peak	$ 1.43	$ 1.46	$ 0.03
	Non-FasTrak Peak*	$ 2.84	$ 2.88	$ 0.04
	FasTrak Peak	$ 1.84	$ 1.88	$ 0.04
Alton	Non-FasTrak*	$ 2.43	$ 2.46	$ 0.03
	FasTrak	$ 1.43	$ 1.46	$ 0.03
Portola South	Non-FasTrak*	$ 1.66	$ 1.67	$ 0.01
	FasTrak	$ 0.66	$ 0.67	$ 0.01
Los Alisos	Non-FasTrak*	$ 1.56	$ 1.57	$ 0.01
	FasTrak	$ 0.56	$ 0.57	$ 0.01
Antonio	Non-FasTrak*	$ 1.66	$ 1.67	$ 0.01
	FasTrak	$ 0.66	$ 0.67	$ 0.01
Oso	Non-FasTrak*	$ 2.33	$ 2.36	$ 0.03
	FasTrak	$ 1.33	$ 1.36	$ 0.03
Windy Ridge	Non-FasTrak Off-Peak	$ 3.50	$ 3.55	$ 0.05
	FasTrak Off-Peak	$ 2.50	$ 2.55	$ 0.05
	Non-FasTrak Peak*	$ 3.75	$ 3.81	$ 0.06
	FasTrak Peak	$ 2.75	$ 2.81	$ 0.06
Orange Grove	Non-FasTrak Off-Peak	$ 2.73	$ 2.76	$ 0.03
	FasTrak Off-Peak	$ 1.73	$ 1.76	$ 0.03
	Non-FasTrak Peak*	$ 2.99	$ 3.03	$ 0.04
	FasTrak Peak	$ 1.99	$ 2.03	$ 0.04
Irvine Ranch	Non-FasTrak Off-Peak	$ 2.43	$ 2.46	$ 0.03
	FasTrak Off-Peak	$ 1.43	$ 1.46	$ 0.03
	Non-FasTrak Peak*	$ 2.84	$ 2.88	$ 0.04
	FasTrak Peak	$ 1.84	$ 1.88	$ 0.04
Portola (West)	Non-FasTrak*	$ 2.43	$ 2.46	$ 0.03
	FasTrak	$ 1.43	$ 1.46	$ 0.03
Irvine Blvd. (East)	Non-FasTrak*	$ 1.92	$ 1.94	$ 0.02
	FasTrak	$ 0.92	$ 0.94	$ 0.02
Irvine Blvd. (West)	Non-FasTrak*	$ 1.92	$ 1.94	$ 0.02
	FasTrak	$ 0.92	$ 0.94	$ 0.02
Irvine Blvd. (West)	Non-FasTrak*	$ 2.43	$ 2.46	$ 0.03
NB On	FasTrak	$ 1.43	$ 1.46	$ 0.03
Portola (West)	Non-FasTrak*	$ 2.43	$ 2.46	$ 0.03
SB On	FasTrak	$ 1.43	$ 1.46	$ 0.03

* One Time Toll (OTT) rate

Violations for FY16 are assumed to occur at a rate of 7.6% of transactional toll revenue based on recent trends, or approximately $9.8 million of which $3.3 million, or 2.6% of transactional toll revenue represents unprocessable violations (primarily vehicles with no license plates) and non-revenue transactions (primarily California Highway Patrol, Caltrans, and agency vehicles used on the road for operations and maintenance).

The agency estimates that it will receive a total of $119.5 million in Net Toll Revenue in FY15. This consists of $124.9 million of transactional toll revenue reduced by estimated violations of $9.5 million offset by toll revenue collected through the violation process of $4.1 million.

Penalties

Penalties revenue is budgeted for FY16 at $14.3 million, representing 8.5% of total revenues and consists of violation penalties related to toll violations. The intent of violation penalties is to act as a deterrent and ensure collection of toll revenues. Penalties revenue is recorded as collected. As mentioned in the Net Toll Revenue section above, the toll related to a violation is properly classified in Net Toll Revenue. The agency continues its efforts in signing former cash patrons up for accounts and informing infrequent users of the available payment options in order to avoid handling through the violation process. The agency also has additional initiatives planned for FY16 to attempt to address violations, such as signage enhancements, education to the rental car and tourism industries and working with rental car agencies so their customer's transactions will be paid by the rental car agencies and not be characterized as violations. However, violations were trending upward prior to the AET implementation and it appears the impact of the improving economy on local traffic has influenced the continuing trend seen in violations.

Penalties revenue for FY15 is estimated to be $13.8 million. The FY16 Penalties budget is based on the current trends in collections, the estimated transactions for FY16, the current pursuable violation rate at 5.0% of traffic, the existing policy of $57.50 on the first notice of violation and $42.50 on delinquency notice, and the agency's policy of waiving penalties for first-time violators.

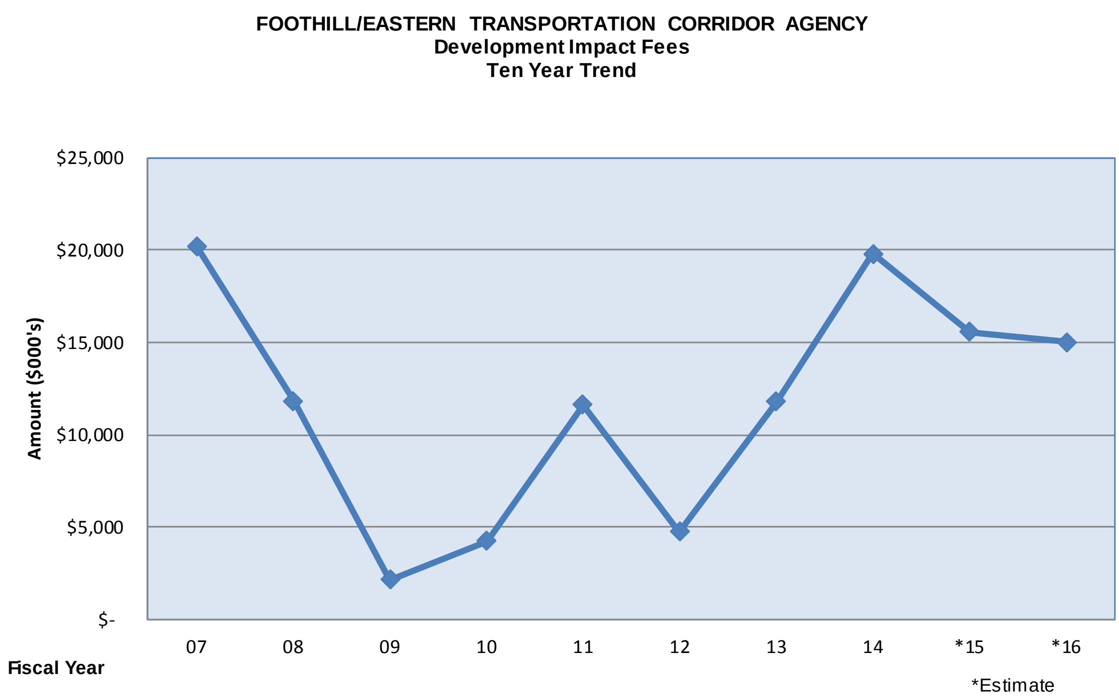
Fees

Fees are budgeted for FY16 at $13.0 million, representing 7.7% of total revenues. Fees revenue consists of $11.5 million for account maintenance fees from FasTrak account holders, and $1.5 million of other miscellaneous fees related to operations (i.e., invoice fees, suspended account and returned check fees, lost, stolen or damaged transponder fees, and fees related to programs with San Francisco Airport and rental car agencies).

Fees revenue for FY15 is estimated to be $12.6 million. The FY16 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 FY15 are expected to approximate $15.6 million. The agency is estimating Development Impact Fees to be $15.0 million for FY16, representing 8.9% of total revenues, based upon recent trends and development. The budget is slightly higher than the $14.8 million projected in the Development Impact Fee study concluded in November 2013. The following chart is provided to illustrate the historical trend of Development Impact Fees collected.



Interest Earnings

Interest Earnings represent earnings on funds held in trust for bondholders, funds held for operations and funds held in custody accounts at the trustee for the agency. Budgeted Interest Earnings are based on projected average balances and an estimated average yield of approximately 0.6% on all funds. Total Interest Earnings budgeted for FY16 of $2.7 million represent 1.6% of total revenues.

Interest Earnings for FY15 are estimated to be $40.4 million. The decrease of $37.7 million in the FY16 budget as compared to the FY15 estimate is primarily due to FY15 one-time earnings related to the 1995 bond refunding transaction completed in February 2015.

Other Revenue

Other Revenue of $0.4 million, represent 0.2% of total revenues and is for rental income for the office space leased to SJHTCA. Estimated FY15 Other Revenue for rental income is $0.4 million.

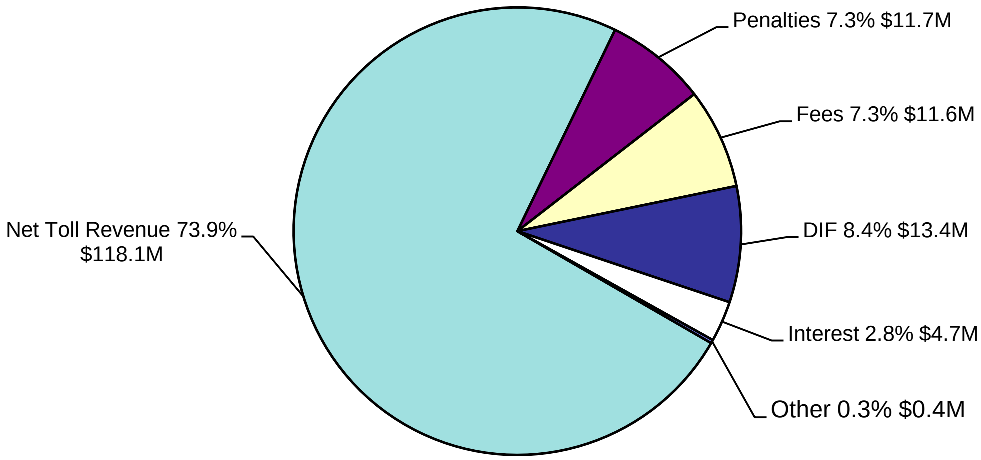
Revenue Pie Chart – FY15 Budget as compared to FY16 Budget

The following chart represents a comparison of FY16 proposed budgeted revenues to FY15 budgeted revenues.

Budgeted revenues increased $9.2 million to $169.1 million in FY16 from budgeted revenues of $159.9 million in FY15 due to an increase in Net Toll Revenue, Penalties, Fees, and Development Impact Fees, offset by a decrease in Interest Earnings.

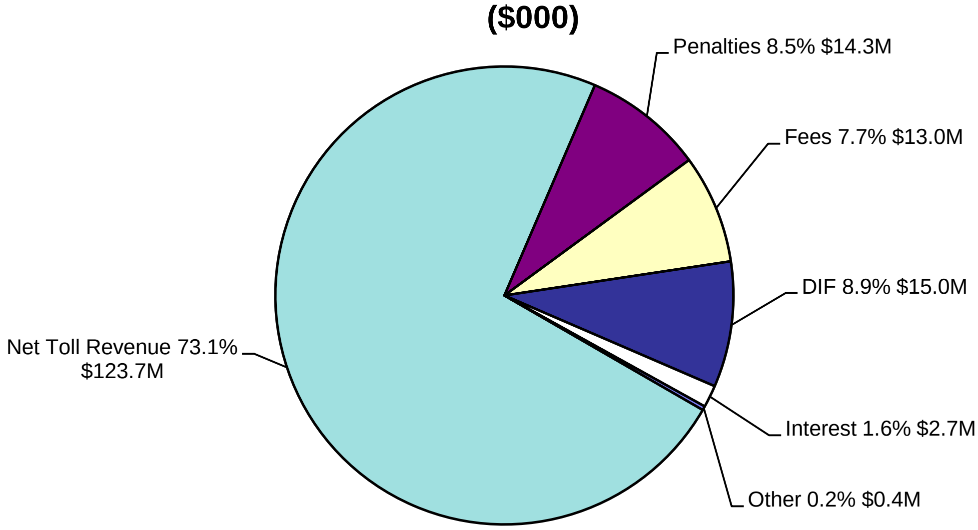
Net Toll Revenue is expected to increase from $118.1 million budgeted in FY15 to $123.7 million in the FY16 budget as a result of current transaction and revenue trends and toll rate changes. Penalties are projected to be higher in FY16 by $2.6 million compared to the FY15 budget as a result of actual violation collections and current transaction and transactional toll revenue trends. See Penalties discussion on page 13 for more information. Fees will increase in FY16 by $1.4 million compared to the FY15 budget based on current trends. Development Impact Fees have increased by $1.6 million from the FY15 budget to $15.0 million based on recent collection trends and development. Interest Earnings are expected to decrease by approximately $2.0 million primarily as a result of lower fund balances due to the 1995 Bonds refunding completed in FY15.

Foothill/Eastern Transportation Corridor Agency
FY 2015 Revenue Budget
($000)



Total FY15 Budget Revenue $159,941

FY 2016 Revenue Proposed Budget
($000)



Total FY16 Budget Revenue $169,075

Uses Summary

In response to the economic downturn over the last several years, the agency worked diligently to significantly decrease operating expenses and reduce headcount, while continuing to provide quality customer service and ensuring that equipment, systems and facilities continued to be in a good state of repair. This provided for a lower base to absorb inflationary growth.

As a result of the improving economy and a steady return of revenues to levels recorded prior to the economic downturn in FY08, the agency prepared the FY16 expense recommendation considering the cost impact of increasing transactions and revenues. Even so, the FY16 budget includes a net reduction in staff. In addition, the budget includes proposed inflationary increases in major operating contracts, operations initiatives, a decrease in debt service, and capital project costs related to the 241/91 Direct Connector, the 241 Tesoro Extension, 241 Long Range Planning, the Wildlife Fencing Retrofit, Pacifica Building and Toll Plaza Facility Improvements, and Signage Enhancements.

The FY16 budget for expenses was developed with the agency's continued commitment to fiscal responsibility and overarching goals to:

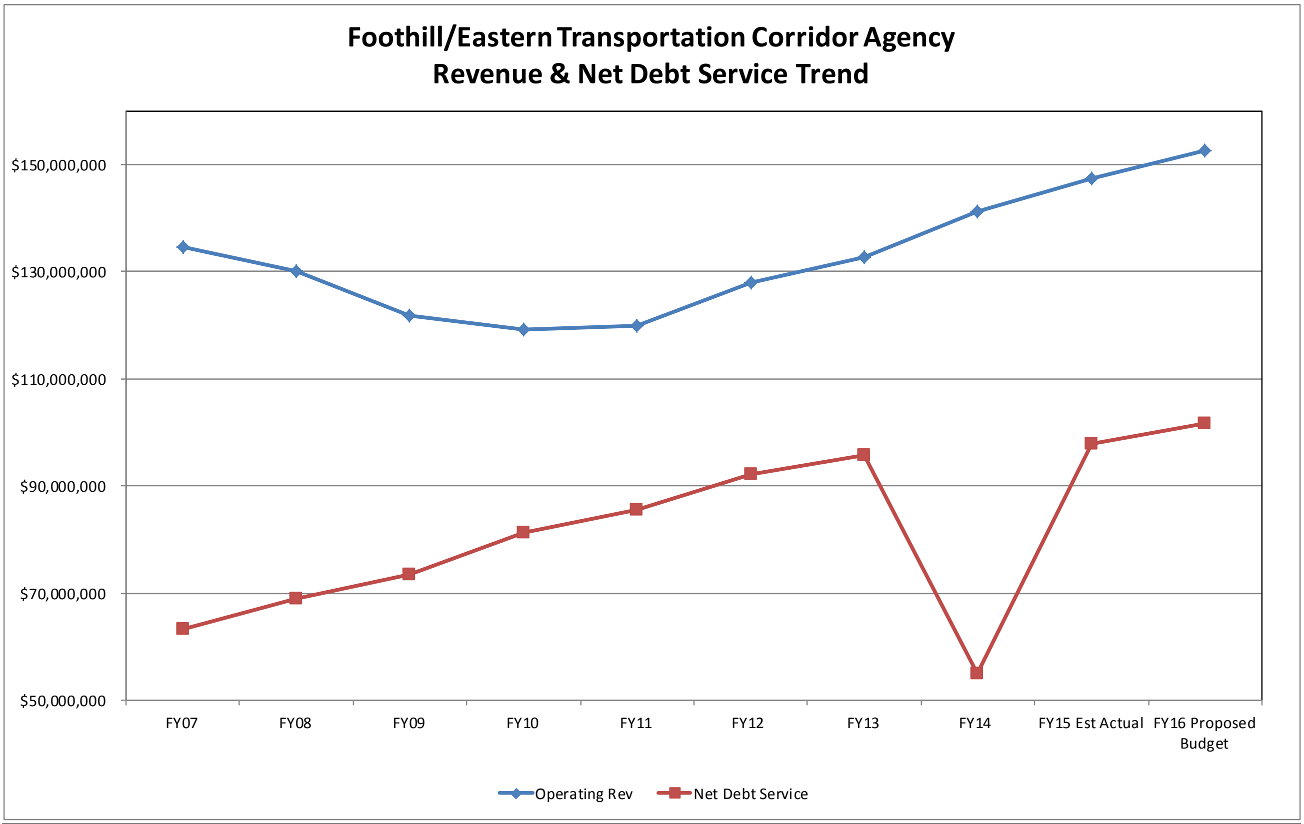
(1) Continue cost containment strategies – year 3 of 3 compensation reform
(2) Increase cash reserves and improve the agency's credit ratings
(3) Improve customer service through:
    a. Operational efficiencies and staffing plan development
    b. Education to rental car and tourism industries
(4) Expand the system to serve the customer base and benefit regional mobility
    a. 241/91 Direct Connector
    b. 241 Tesoro Extension
    c. 241 Long Range Planning
(5) Continue the commitment to sustainability initiatives that benefit our environment

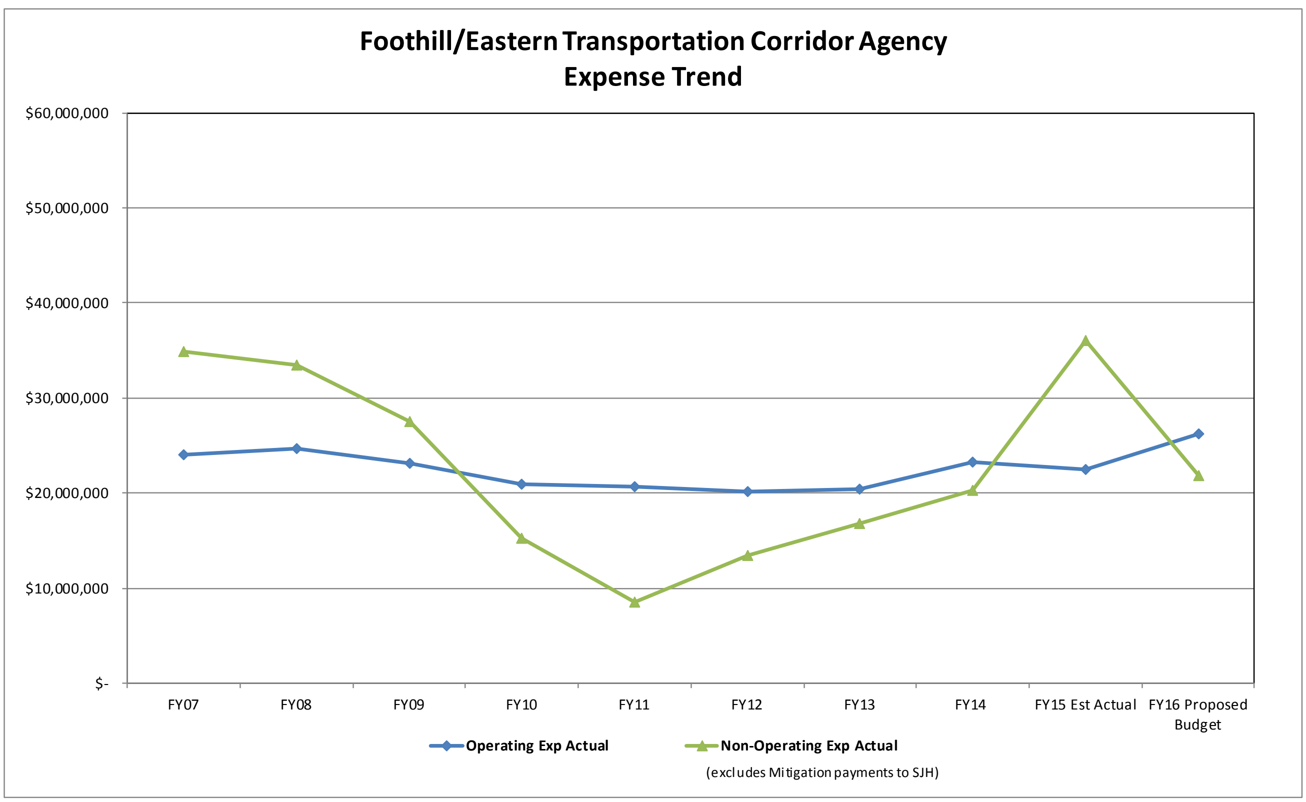
The following charts show operating revenues compared to debt, and the trend of Operating (Toll Operations and allocated Administration) and Non-Operating (Planning, Environmental, and Construction and allocated Administration) expenditures. Revenue fell during the economic downturn beginning in FY08, but has continued a steady increase since FY10. Operating Revenues in this chart include Net Toll Revenue, Penalties, Fees, and certain investment earnings used in the calculation of debt service coverage as defined by the Indentures. Operating Revenues have grown from $134.5 million in FY07 to $152.6 million as proposed in FY16.

Debt service decreased in FY14, as seen on the following chart, as it was a partial year under the 2013 refinancing transaction. The FY15 and FY16 Debt service continues on a lower trend line than the Pre-FY14 trend line as a result of the 2013 refinancing transaction.

From FY08 – FY12 operating expenses were reduced by 18.5%. Headcount has been reduced by 24.4% from FY08 – FY16. Additional information related to staffing reductions is included on page 28. The increase in operating expense in FY14, as seen on the following chart, was due to equipment improvements, increased transponder purchases, inflationary increases in contracts, and dual processing of cash and AET costs related to new pay types toward the end of FY14. The increase in operating expense in FY16, as seen on the following chart, is primarily due to increases in customer service costs related to the expected increase in transactions and toll revenues and quality of service improvements.

Non-Operating expenses, as seen on the following chart, were lower FY08 - FY11 due to the completion of several capital improvement plan projects. The rise in Non-Operating expense for FY12 – FY15 is mainly due to AET implementation, Tesoro Extension pre-financing costs and the wildlife safety fencing project. The net decrease in Non-Operating expense for FY16 is due to the completion of AET and reduced wildlife safety fencing and Tesoro Extension costs, offset by signage improvement project costs not spent in FY15 and re-budgeted in FY16 as well as a toll facility reuse study and toll booth removal project budgeted in FY16.


Foothill/Eastern Transportation Corridor Agency
Revenue & Net Debt Service Trend
$150,000,000
$130,000,000
$110,000,000
$90,000,000
$70,000,000
$50,000,000
FY07
FY08
FY09
FY10
FY11
FY12
FY13
FY14
FY15 Est Actual
FY16 Proposed Budget
Operating Rev
Net Debt Service


Foothill/Eastern Transportation Corridor Agency
Expense Trend
$60,000,000
$50,000,000
$40,000,000
$30,000,000
$20,000,000
$10,000,000
$-
FY07
FY08
FY09
FY10
FY11
FY12
FY13
FY14
FY15 Est Actual
FY16 Proposed Budget
Operating Exp Actual
Non-Operating Exp Actual
(excludes Mitigation payments to SJH)

The proposed budget for FY16 includes total uses of $161.0 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 241/91 Direct Connector, the Tesoro Extension, 241 Long Range Planning, Wildlife Safety Fencing Project, Toll Plaza Facility Improvements, and Signage Improvements projects. The proposed budget for Planning, Environmental and Construction is $13.3 million for FY16, or approximately 8.3% of the total budget. The funding for these expenses is the cash on hand from previous development impact fee collections and agency directed surplus revenues. The Planning, Environmental and Construction projected actuals for FY15 total $29.7 million. The decrease of $16.4 million in the FY16 budget is primarily due to costs incurred in FY15 for a deposit into escrow as required by the Option Agreement with Rancho Mission Viejo, the Walnut Treatment Plant retrofit, and the completion of AET, offset by the addition of the Toll Plaza Facility Improvements and 241/91 Connector project costs in FY16.

Administration

The total proposed budget for Administration expenses is $16.5 million for FY16, or approximately 10.2% of the total proposed budget. The Administration category includes all employee compensation (4.0% of the total budget) as well as overhead-type expenses, such as insurance, legal, office expenses, administrative consulting services, marketing, building services, and travel expenses. These costs are budgeted in total but are allocated between the two primary activities of the agency: Planning, Environmental and Construction and Toll Operations. The allocation of costs between the two types of activities is necessary in determining the appropriate funding source as well as for the calculation of debt service coverage per the Indentures. The resulting allocation can be seen in the columns for each activity on pages 26 and 27 of this document. The total for each line item is shown in the last column of the same schedule.

Projected Administration expenses for FY15 total $12.5 million. The increase in the FY16 proposed budget from the FY15 projected actuals is mainly due to an upgrade to the Pacifica building HVAC system. Other increases include consulting and legal expenses for 241 Long Range Planning and the Tesoro Extension that were not spent in FY15 and have been re-budgeted in FY16 as well as additional strategic planning consulting in FY16. In addition, there is a net decrease in the number of positions budgeted in FY16 for salaries and benefits, offset by costs budgeted in FY16 related to thirteen positions unfilled for all or part of FY15 due to turnover and recruitment, and three employees who were out on disability for a portion of the year. The FY16 salaries budget also includes a merit pool (see discussion on page 32).

Toll Operations (Excluding Administration)

Toll Operations include toll system costs associated with maintaining the agency's system lane hardware and software currently under contract with TransCore LP, customer service center, toll processing, image based transaction, and violation collection processing costs associated with FasTrak and non-FasTrak customers. The customer service and violation processing contract expires June 30, 2015. The FY16 budget includes costs for both an interim contract to maintain the existing back office software and for agency staffing costs to employ customer service and violation processing staff on an interim basis while the agency works through procurement for a new back office system and customer service, violation processing, and operations system maintenance contracts. Also included in this category are toll facilities costs for maintaining the agency's buildings utilized in the operation of the road, and toll equipment such as transponders and server replacements. The proposed FY16 budget for these expenses is $18.4 million or 11.4% of the total budget.

Toll Operations, excluding Administration, is projected to total $16.4 million in FY15. The FY16 budget is $2.0 million higher than projected FY15 actuals due to an increase in credit card fees, postage, and transponder purchases associated with increased transactions and revenues, the addition of road equipment guardrail installations, and customer service contract labor that was not at a full staffing level in FY15. In addition, only a partial year of FY15 budgeted system maintenance fees were paid due to a delay in the system acceptance after the AET installation. FY16 includes a full year of system maintenance fees.

Debt Service

The Debt Service category includes the principal and semi-annual interest payments to be made on all outstanding bonds. These payments for FY16 are budgeted at $112.8 million, or 70.1% of the total budget, of which $101.6 million will be paid from net revenues and $11.2 million from capitalized interest.

Debt Service for FY15 will total $117.3 million consisting of interest payments. The decrease in the FY16 budget is a result of the 2015 refinancing transaction which lowered debt payments in FY16.

Uses of Funds – FY15 Amended Budget as compared to FY16 Budget

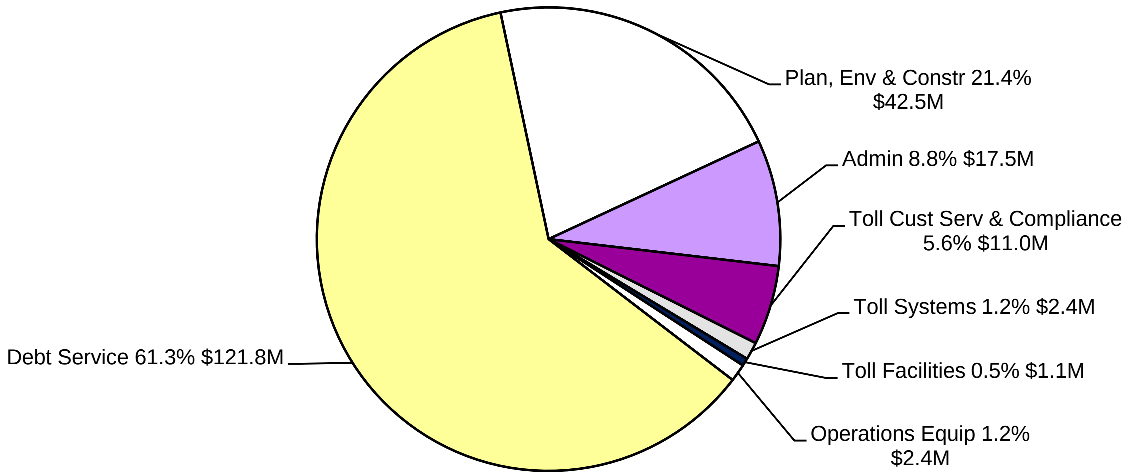
The following charts represent a comparison of the FY15 amended budget and the FY16 proposed budget by type of expense.

The FY16 proposed budget of $161.0 million, as compared to the prior year's amended budget of $198.7 million, shows a decrease of $37.7 million or 19.0%. A comparison of the two budgets excluding Debt Service results in a decrease of $28.7 million, or 37.3%. The net decrease can primarily be attributed to a tightening of the Agency's planned expenditures. Other significant reductions in the budget include the completion of the AET project, and reduced costs in the Wildlife Safety Fencing project in FY16.

The Debt Service category includes the semi-annual interest and annual principal payments on the 2013 and 2015 outstanding bonds. In FY16, only semi-annual interest payments on the 2013 bonds are scheduled to be paid. These payments are budgeted at $112.8 million for FY16.

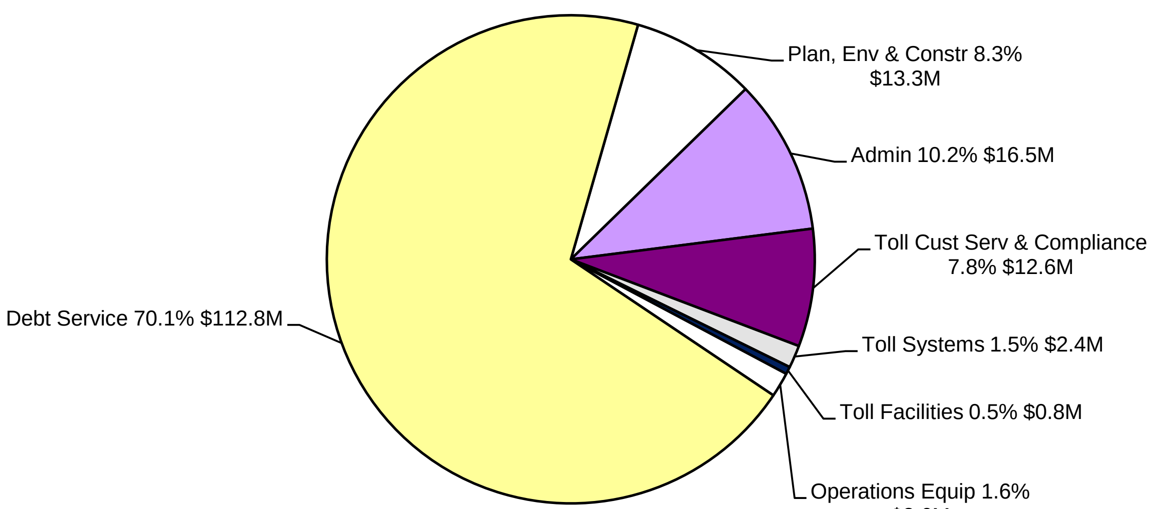
The decrease in the FY16 budget as compared to the FY15 budget is a result of the 2015 refinancing transaction which lowered debt payments in FY16.

Foothill/Eastern Transportation Corridor Agency
FY 2015 Uses of Funds
Amended Budget
($000)



Total FY15 Amended Budget Uses $198,744

FY 2016 Uses of Funds
Proposed Budget
($000)



Total FY16 Budget Uses $161,015

Uses Detail

The schedule on the following pages details the budget as summarized on pages 28 to 37 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 2016 Proposed Budget
($000)

Budget Category and Subcategory	Budget Fund Categories: Plan, Environ & Construction	Toll Operations Exp & Equip	Debt Service	Total
Administration:				
Regular Salaries & Temporary Help	2,237	2,443	-	4,680
Board Compensation	43	46	-	89
Benefits	833	909	-	1,742
Employer Taxes	40	44	-	84
Insurance	216	900	-	1,116
Legal Expense	276	284	-	560
Telephone/Comm	48	44	-	92
Office Expense	160	193	-	353
Educ, Seminar, Membership, Mtgs	62	82	-	144
Consulting and Other Services	388	634	-	1,022
Marketing	35	1,077	-	1,112
Publications & Subscriptions	4	3	-	7
Rents & Leases	55	14	-	69
Building Services	229	245	-	474
Transportation & Travel	151	89	-	240
Office Equipment	24	35	-	59
Pacifica Fixed Assets	830	910	-	1,740
Subtotal Administration	5,631	7,952	-	13,583
SR 241 Administration:				
Administration	2,157	-	-	2,157
Legal	805	-	-	805
Subtotal 241 SR Admin	2,962	-	-	2,962
Total Administration	8,593	7,952	-	16,545
Planning, Environmental and Construction:				
SR 241:				
Design/Program Mgmt	1,710	-	-	1,710
Design Special Studies & Other	200	-	-	200
Design Contingency	220	-	-	220
Design General Engineering Cost	170	-	-	170
Environmental	655	-	-	655
Total SR 241	2,955	-	-	2,955
Capital Improvement Plan (CIP):				
Wildlife Safety Fencing	4,580	-	-	4,580
241/91 Connector	1,196	-	-	1,196
Toll Plaza Facility Improvements	1,889	-	-	1,889
Signage Improvements	768	-	-	768
Toll Plaza Water Supply Upgrade	440	-	-	440
241 Widening-133 to Chapman (Loma Segment)	3	-	-	3
Total Capital Improvement Plan	8,876	-	-	8,876
Other Planning, Environmental and Construction:				
Environmental	560	-	-	560
Design/Program Mgmt	599	-	-	599
Design Special Studies & Other	316	-	-	316
ROW Acquisitions, Appraisals & Other	3	-	-	3
Total Other Planning, Environ and Constr	1,478	-	-	1,478
Total Planning, Environmental and Construction	13,309	-	-	13,309

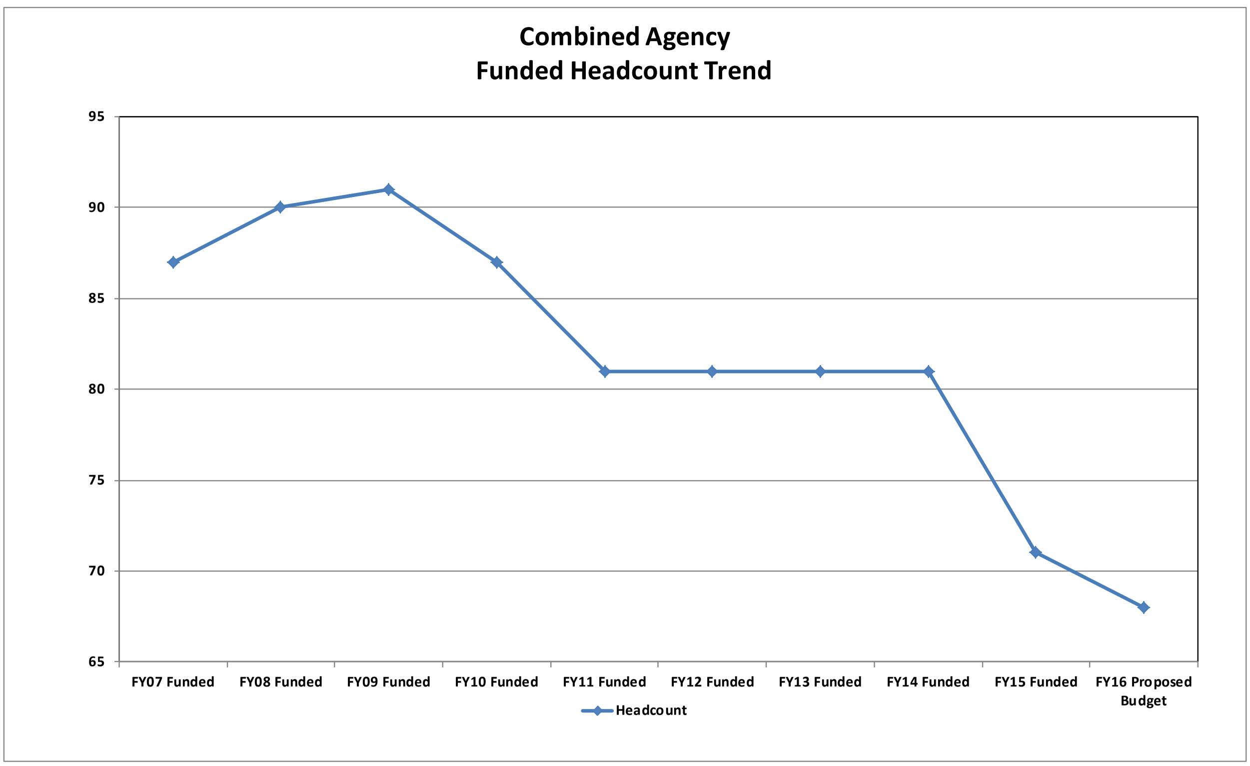
Foothill/Eastern Transportation Corridor Agencies
Fiscal Year 2016 Proposed Budget
($000)

Budget Category and Subcategory	Budget Fund Categories: Plan, Environ & Construction	Toll Operations Exp & Equip	Debt Service	Total
Toll Operations:				
Customer Service & Toll Compliance	-	12,551	-	12,551
Toll Systems	-	2,411	-	2,411
Toll Facilities	-	798	-	798
Subtotal Toll Operations	-	15,760	-	15,760
Operations Equipment:				
Transponder Equipment		2,471	-	2,471
Toll Equipment		160	-	160
Total Equipment	-	2,631	-	2,631
Total Toll Operations	-	18,391	-	18,391
Debt Service	-	-	112,770	112,770
Total Uses	21,902	26,343	112,770	161,015

Staffing

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

The recommended staffing plan for FY16 is 68 funded positions, down from 71, and is allocated 67% to this agency and 33% to SJHTCA. The headcount has been reduced by three positions. In addition to the 68 funded positions, TCA also employs two part-time project employees, down from three in FY15. Project employees typically do not receive benefits offered by the agencies and are currently not included in the staffing plan. The interim customer service and violation processing staffing plan is not included in compensation (administration category) but rather is included in toll operations costs because it is considered an interim cost that replaces the historical and future planned contracted services cost. These costs are discussed under the Toll Operations (Excluding Administration) section. The following chart shows the change in funded headcount from 2007 through 2015 and the projected 2016 headcount on a combined agency basis (F/ETCA and SJHTCA).



The following functional area organization 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 organization chart. A more detailed description of these projects has been included as Appendix A.

TCA Organizational Structure
Fiscal Year 2016

- SJHTCA Board
- F/ETCA Board
- Chief Executive Officer
  2 FTEs

Communications & Marketing
7 FTEs
1 PT Project

- Communications Strategy
- Marketing
- Media Relations
- Special Events
- Website
- Graphics
- Presentations
- Publications/ Newsletters
- E-newsletters
- Issue Management
- Social Media
- Account Holder Communication
- Tourism Visitor Outreach
- Toll Roads Rewards Program
- Environmental Outreach
- 241/91 Connector Outreach

Finance, Contracts, HR & Administration
29 FTEs
1 PT Project

- Finance
- Treasury
- Accounting
- Insurance Administration
- 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
- Contracts & Procurement
- Administration
- Human Resources
- Recruiting
- Benefits & Compensation
- Employee Relations
- Training & Development
- Compliance

Toll Operations & IT
15 FTEs

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

Engineering
8 FTEs

- SR 241 Tesoro Extension
- Capital Improvement Plan (CIP)
- SR 241 Long Range Planning
- Special Projects
- Design
- Engineering
- Construction Management
- Real Property
- Caltrans Interface
- DBE Program
- Facilities Maintenance

Environmental Planning
4 FTEs

- Habitat Stewardship
- Environmental Compliance
- Regional Transportation Plan Coordination
- Project Permitting
- Intergovernmental Project Review
- Mitigation Land Transfer
- NCCP/HCP Compliance
- 241 Long Range Planning
- SR 241 Tesoro Extension
- Wildlife Safety Fencing

Strategy & Public Affairs
3 FTEs

- 241 Long Range Planning
- Tesoro Extension Planning
- Community Relations/Outreach
- State & Federal Legislative Affairs
- Government Affairs
- Speakers Bureau

Administration - Compensation (Regular Salaries and Benefits)

The agency employee compensation budget is $6.5 million. TCA salaries are reviewed each year through the annual performance review process. The agency does not provide for any type of automatic step or Cost Of Living Adjustment (COLA) increases.

Benefits include contributions to a cafeteria plan (medical, dental, and vision) and retirement plans. In general, budgeted benefits are determined by applying estimated rates for these plans to estimated headcount. If benefit rates come in lower than expected, the budget is not spent. FY16 benefits are 37.2% 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 elimination of the agency's subsidization of employee contributions to the Orange County Employees Retirement System (OCERS) by up to 7%, thereby shifting costs from the employer to the employee. The reduction in the benefit has occurred over a three year period, reducing the amount paid by the agency by 2.5% on July 1, 2013 to 4.5%, followed by another 2.5% reduction 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. The three year reduction in this benefit results in an annual savings to F/ETCA of approximately $280,000. In addition, the Comprehensive Annual Leave (CAL) accrual rates for employees were reduced to align with the market. The reduction in the CAL time accrual rates was effective July 1, 2014, and has resulted in annual savings to F/ETCA of approximately $64,000.

Reduction of Employer Pick-Up of OCERS Contribution Over Three Years				
Description of TCA Practices and Changes	Pre 7/1/13	7/1/13	7/1/14	7/1/15
Employer paid 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)	2.40%	5.90%	9.00%	11.40%

The FY16 employer contributions to OCERS have been budgeted at 26.41% for legacy employees and 23.68% for employees hired on or after January 1, 2013 under the Public Employees Pension Reform Act – PEPRA. Each of these rates includes a component of 12.28% that represents payment of the agencies' unfunded actuarial accrued liability (UAAL). The agencies' UAAL is presently estimated at approximately $11.2 million.

The UAAL is amortized over 20 years. The agencies monitor the UAAL and believe that it is manageable as it is paid each year as part of the employer contribution.

The staffing plan includes a 2% adjustment to salary ranges based on current public and private sector data. This adjustment does not affect individual salaries. The 2% adjustment may not fully adjust the salary ranges to align with the current market since the agency's ranges were not adjusted for a number of years; however the agency has engaged a consultant to prepare a detailed classification study and will recommend further adjustments next fiscal year based on the results of the study. The FY16 budget includes the reclassification of the Director, Environmental Planning from Salary Grade 12 to Salary Grade 13 due to an increase in responsibility. The proposed reclassification will be confirmed by the Classification Study Consultant.

A 4.0% merit pool of $169,508 based on the current public and private market has been included in the budget. The recommended merit pool will allow the agency to remain competitive, reward employees for their performance, and help retain current employees. The annual review process includes: employee input on the employee's perspective of accomplishments and future goals, supervisor review and evaluation of employee accomplishments and establishment of goals for the next year, executive team member review of all performance reviews for the department, human resources review of all agency performance reviews for consistency, and submittal of performance reviews to the CEO for approval. The performance reviews are rated based on employee performance and include ratings in the following categories: Exceptional, Very Successful, Successful and Needs Improvement. The merit increase will be assigned according to ratings category and is expected to range from 2.5% for a successful rating to 5% for an exceptional rating. A 2.0% non-base building performance incentive pool of $84,754 has been included in the budget. This will allow the CEO to reward outstanding achievement on special projects and or initiatives.

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

TCA has contained costs through a net reduction in headcount (81 to 68) and reduced benefits (OCERS/CAL). Our philosophy and approach to contract out many of our services continues to keep our salaries/benefits lower and manageable.

Administration - Insurance

Insurance expense is included at $1.1 million, approximately 0.7% 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 is provided at the beginning of the calendar year. Policies are marketed and placed by the agency's insurance broker, Alliant Insurance Services, Inc. who provides all of the agencies' insurance procurement needs. All insurance is maintained in accordance with the requirements of the Indentures and as prudent business activities dictate.

Administration - Legal Expenses

Legal Expenses, excluding amounts related to the 241 Long Range Planning and Tesoro Extension, is included at $0.6 million, approximately 0.4% of the total budget. Amounts in this category include, but are not limited to, general counsel representation, legislation, support for ongoing and potential litigation, legal consulting related to contract issues, financing, development impact fees, and claims litigation. Legal expenses are invoiced separately by individual matter, or type of legal issue, and are managed very carefully by the individual department managers who have requested the assistance. Composite rates for general counsel have remained at the original 1986 rate of $140.00 per hour. Negotiated blended rates related to AET, complex contract issues, and certain real estate issues are $300.00 per hour. In addition, litigation rates are billed at prevailing rates that vary between $325.00 and $800.00 per hour depending on the level of experience of the attorney involved, and state lobbyists are billed at a rate of $420.00 per hour. Below is a breakdown of legal expenses by major category:

Contracts	$191,000
General/Other	150,000
Human Resources	100,000
Financing	50,000
Development Impact Fees	50,000
Environmental	10,000
Toll Operations	8,000
Construction	1,000
Total	$560,000

Administration - Consulting and Other Services

The Consulting Services category amounts to $1.0 million, which represents approximately 0.6% of the total budget and, as detailed below, includes service fees, maintenance and third party assistance contracts for both recurring needs and special projects, such as payroll processing, investment and financial advisory services, and annual audit services. It also includes financial planning, a space planning consultant, a toll operations strategic planning consultant, printing and distribution of publications, federal and state advocacy, and community relations/public relations services.

Financial Consulting	$518,000
Strategic Planning	139,000
Communications & Customer Outreach	126,000
Payroll & Personnel Services	101,000
Other Consulting	53,000
Audit Services	51,000
Toll Operations Services	34,000
Total	$1,022,000

Administration - Marketing

Total expenditures for marketing and advertising are budgeted at $1.0 million, representing 0.6% of the total budget. This includes amounts paid for the agency's marketing consultant for creating and placing radio and digital advertising, designing and printing direct mail and account statement inserts; website design and programming services; marketing research; and email communication to FasTrak and ExpressAccount holders including The Toll Roads Rewards program. These efforts are geared toward increasing account signups and toll road ridership. Following is the budget associated with these expenses:

Marketing Consultant	$1,005,000
Website Consultant	67,000
Analytics & Research	27,000
Email Account Holder Marketing	13,000
Total	$1,112,000

Administration - Building Services

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

Pacifica Building:	
Building Maintenance Services	$265,000
Utilities	203,000
San Clemente Service Center: Utilities & Building Maintenance Services	6,000
Total	$474,000

Planning, Environmental and Construction - SR 241

The Tesoro Extension and 241 Long Range Planning costs (including related administrative costs) are budgeted at $5.9 million representing 3.7% of the proposed budget. The primary costs for this category are the 241 Tesoro Extension pre-financing costs which include engineering/design oversight, environmental planning, legal, and advocacy consultants. Related administrative expenses consist of legislative services, strategy consultants, community outreach consulting, community relations, and advertising. In FY16, work will continue on the development of engineering plans, completion of environmental assessments and clearances. 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 contract amendment for its final design and construction.

Tesoro Extension:	
Engineering/Design Oversight	$921,000
Environmental	125,000
	$1,046,000
241 Long Range Planning:	
Engineering/Design Oversight	$1,379,000
Environmental	530,000
	$1,909,000
Total	$2,955,000
Administrative and Legal Expenses	$2,962,000
Grand Total	$5,917,000

Planning, Environmental and Construction - Capital Improvement Plan

The Capital Improvement Plan, excluding the 241 Long Range Planning and Tesoro Extension, is budgeted at $8.9 million and represents 5.5% 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 Wildlife Safety Fencing project, the Toll Plaza Facility Improvements project, and coordinated efforts with the Orange County Transportation Authority (OCTA) on a direct connector from the SR 241 to the 91 Express Lanes. Also included in this category is 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 14, 2015 and summarized below:

Wildlife Safety Fencing	$4,580,000
Toll Plaza Facility Improvements	1,889,000
241/91 Direct Connector	1,196,000
Signage Improvements	768,000
Toll Plaza Water Supply Upgrade	440,000
241 Widening-133 to Chapman (Loma Segment)	3,000
Total	$8,876,000

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

Other Planning, Environmental and Construction costs (excluding SR 241) are budgeted at $1.5 million, or 0.9% of the total budget. Expenditures budgeted mainly include a signage enhancement project and continued monitoring and habitat management for nearly 1,800 acres of mitigation area required for the 241, 261 and 133 Toll Roads. Monitoring and habitat management includes the Limestone Canyon Mitigation Area, and Live Oak Plaza, as well as project initiatives for the Strawberry Farms Mitigation Site.

Design Program Management	$599,000
Mitigation & Permits	401,000
Traffic Trends/Capacity Analyses	319,000
Staff Assistance & Other Environmental	159,000
Total	$1,478,000

Toll Operations - Toll Customer Service and Toll Compliance

The Toll Customer Service and Toll Compliance category totals $12.6 million, approximately 7.8% of the total budget, and primarily includes funding for the service center operations and toll compliance activities comprised of an interim contract to maintain the existing back office software and for interim customer service and violation processing staffing costs. Also included in this category are credit card processing fees assessed on all FasTrak, ExpressAccount, and violation credit card transactions, printing, postage, and mailing services, judgment recovery and collection costs, CHP violation enforcement, and telephone expenses. Customer incentive offers are included in this category for Costco, AAA, Albertsons, and Haggen FasTrak enrollment programs. The budget associated with these expenses is detailed below:

Customer Service Center	$5,360,000
Credit Card Processing Fees	4,127,000
Postage and Printing	2,191,000
Enforcement Services-CHP, Judgment Recovery and Other	687,000
Customer Service Center Telecommunications	96,000
Armored Truck, Customer Incentives, Other Supplies & Maintenance	90,000
Total	$12,551,000

Toll Operations - Toll Systems

The Toll Systems category totals $2.4 million, or approximately 1.5% of the total budget and, as detailed below, primarily consists of fees for the software and hardware maintenance and operation contract with TransCore. Also included in this category are toll system spare parts and repairs, software licenses, and various computer maintenance contracts.

On Road Toll System Maintenance	$1,733,000
System Maintenance & Support	678,000
Total	$2,411,000

Toll Operations - Toll Facilities

This category is budgeted at $0.8 million representing 0.5% of the total budget, and accounts for all costs associated with maintaining the agency's toll plazas such as utilities, janitorial services, and other various supplies and repairs as further detailed below:

On Road Utilities	$498,000
On Road Building Maintenance Services	300,000
Total	$798,000

Toll Operations – Operations Equipment

The Toll Operations Equipment budget is $2.6 million, or 1.6% of the total budget. The budget breakdown below includes purchases for transponders, servers, toll equipment guardrails, a service vehicle, and building improvements.

Transponders	$2471,000
Other Equipment and Building Improvements	85,000
Toll Equipment Guardrails	75,000
Total	$2,631,000

Debt Service

The Debt Service category totals $112.8 million or 70.1% of the total budget and in FY16 includes interest payments on the agency's outstanding bonds. Of the required payments, $11.2 million will be paid from a capitalized interest fund established at the time of the 2013 financing. The remaining $101.6 million will be paid from net revenues with $50.8 million to be paid on each January 15, 2016 and July 15, 2016.

The FY16 budgeted aggregate and senior lien debt service coverage ratios shown below meet the Indenture requirements of 1.15x and 1.30x, respectively. The budgeted coverage is 1.24x and 1.42x, respectively, and does not include the use of reserves or escrow defeasance. Adjusted Net Toll Revenues only includes certain revenues per the Indentures and interest earnings in certain accounts. Development impact fees are not included in the calculation. While development impact fees are not included in the budget calculation of the debt service coverage ratios, the Indentures allow for development impact fees that are remaining after each debt service payment to be added to the calculation thereby enhancing the debt service coverage calculation. The Indentures refer to this as Enhanced Adjusted Net Toll Revenues and this enhanced calculation will be used for actual debt service coverage covenant reporting. Current expenses include expenditures that are allocated to operations (as shown in the second column of the schedule on page 26 and 27).

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Debt Coverage Calculation Fiscal Year 2016

	FY16 Budget (In Thousands)
Adjusted Net Toll Revenues	
Total Toll Revenues Including Fees and Penalties	150,952
Interest Earnings	1,623
Current Expenses - Funded From Toll Revenue	(26,343)
Adjusted Net Toll Revenues	126,232
Aggregate Net Debt Service	
Annual Aggregate Debt Service	112,770
Less Capitalized Interest	(11,140)
Net Aggregate Debt Service	101,630
Aggregate Coverage Ratio (1.15x requirement)	1.24
Senior Lien Net Debt Service	
Annual Senior Lien Debt Service	100,006
Less Capitalized Interest	(11,140)
Net Senior Lien Debt Service	88,866
Senior Lien Coverage Ratio (1.30x requirement)	1.42

Estimated Available Unrestricted Cash and Restricted Construction Funds

Below is the FY16 budgeted activity and estimated ending balances for available unrestricted cash and restricted construction funds (as described in more detail on pages 4-6) (dollars shown in thousands):

Estimated Available Cash (Unrestricted)

Estimated Available Cash at 6/30/15	158,373
Construction and Related Administration	(15,848)
Surplus Revenue including release of Revenue Guarantee Funds *	26,889
DIF Revenue and Interest Income	15,962
Estimated Available Cash at 6/30/16	185,376

* Per the indentures, when Revenue Guarantee Funds are not needed by the agency to make debt service payments, the funds become unrestricted after the debt service is paid. In FY16, the agency expects that $11.0 million will become unrestricted related to FY16 debt service.

Estimated Restricted Construction Funds

Estimated Restricted Construction Funds at 6/30/15	28,497
Construction and Related Administration	(6,054)
Interest	64
Estimated Restricted Construction Funds at 6/30/16	22,507

Transportation Corridor Agencies

FISCAL YEAR 2016
PROJECT INITIATIVES – APPENDIX A

The Toll Roads®

project_initiatives_FY16

FISCAL YEAR 2016 PROJECT INITIATIVES

The Agencies' major project initiatives are summarized below with additional detail by functional area beginning on page 2.

241 Direct Connector Project

Continue to work through the project delivery process with the goal of starting construction in November 2017.

241 Tesoro Extension

Continue to work through the project delivery process

241 Long Range Planning

Continue progress on addressing South County mobility issues created by congestion on the I-5 freeway.

Transparency & Communication

During FY16 complete a number of tasks that will enhance the agencies'' focus on improved transparency to the public as well as better communications with board members.

Improve Customer Service

Use the lessons learned through AET to upgrade and improve customer service.

Financial Stability/Sustainability

With the successful restructure and refinancing of the agencies' debt, continue to support activities that will strengthen the agencies' long-term finances.

Design, Construction & Contracts				
Staff	**Project Initiative**	**F/ETCA Project Budget**	**SJHTCA Project Budget**	**Project Scope**
Juliet Su	Toll Booth Removal Project	$1,764,000	$1,036,000	Phase 1 of project consists of design and construction projects for removing toll booths at two+ lane on- and off-ramps. Future phases will be based on results of toll plaza re-use study.
Juliet Su	241/91 Connector	$1,196,000	$-	Final Engineering
David Lowe	Toll Plaza Water Supply Upgrade	$ 440,000	$-	Connection from municipal system and decommissioning of reservoir
David Lowe	Traffic Trends	$240,000	$140,000	Develop traffic trend tracking system to 1) determine current origin/destination patterns on the toll road system and 2) monitor alternate route traffic as compared to toll road usage.
David Lowe	Capacity Analysis	$60,000	$40,000	Project includes development of a detailed Highway Capacity Manual analysis for each segment of the toll road system and monitoring of and forecasting of traffic volumes to assist the agencies in developing project requirements for its Capital Improvement Plan. Also includes developing and updating intersection capacity utilization analyses for each arterial/ramp intersection on the system.
David Lowe	TCA Utility System Master Infrastructure Inventory	$15,876	$20,000	The project consists of developing a single set of as-built and as-modified records for electrical, gas, water and fiber optic facilities operated and maintained by the Agencies. Work will include investigation of as-built plans, field verification of facility locations and GIS mapping. This will assist agency in preventing damage to facilities from outside construction projects.
David Lowe	Signage Enhancements	$768,000	$450,000	FY2016 estimate of signage enhancement costs, planned to continue through FY2017
Coleen Franco	Review and Update of Standard Contracts	$50,000	$50,000	Legal review and update of agencies' standard contract forms to address legal changes and other agency requirements. Goal is to reduce agencies liability for contract claims.

Environmental				
Staff	**Project Initiative**	**F/ETCA Project Budget**	**SJHTCA Project Budget**	**Project Scope**
Valarie McFall	SR 241 Live Oak Plaza Mitigation Site	$10,000	$-	Maintenance work at the F/ETCA's Live Oak Plaza Site, a 23.2-acre site at the southeast corner of the intersection of El Toro Road and Santiago Canyon Road at Live Oak Canyon Road. The property will be used to fulfill unmet permit conditions at the agency's Limestone Canyon Mitigation Site, which was created in connection with construction of the SR 241 (Eastern Transportation Corridor).
Valarie McFall	Strawberry Farms Mitigation Site	$89,000	$-	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	$180,000	$-	Implement existing management requirements per agreement with USFWS and CDFW and amend and update current resource management plan for resource agencies approval.
Valarie McFall	SR 241 Wildlife Fencing Retrofit	$4,580,000	$-	Phase 3A includes extending fence approximately 1.2 miles from Santiago Creek Bridge south to SR-261 interchange and begin monitoring efficacy of wildlife fencing along SR 241 from SR 261 north to the SR 91. These improvements have been implemented in coordination with the USFWS and are a continuation of our permit for construction of the SR-241. FY16 budget includes design work for Phase 3B.
Valarie McFall	SR 241 Tesoro Extension	$1,046,000	$-	Continued environmental and preliminary engineering work for the extension of SR-241 from Oso Parkway south to Cow Camp Road (5.5 miles).
Valarie McFall	SR 241 Long Range Planning	$1,909,000	$-	Support ongoing stakeholder program to find a transportation solution that will improve regional mobility.
Valarie McFall	Mitigation Property Transfer Plan	$-	$100,000	Project development, including environmental review and early engineering support for transfer of Agency's mitigation property.

Toll Operations				
Staff	**Project Initiative**	**F/ETCA Project Budget**	**SJHTCA Project Budget**	**Project Scope**
Madeleine Batle	Customer Service Center Procurement	$5,360,000	$2,640,000	Interim CSC operations and systems
Samuel Johnson	Rental Car Initiative	$-	$-	Evaluate rental car programs.
Samuel Johnson	National Interoperability/CA Initiatives	$2,500	$2,500	Evaluate and participate in National Interoperability programs and California initiatives; ATI HUB
Rick Carrier	Server Replacements (Last Phase)	$40,800	$19,200	Sixth year of six-year plan to replace toll system servers.
Rick Carrier	TransCore Office Relocation	$30,000	$-	Relocation efforts for TransCore personnel to TSN upon lease expiration of the Bake office, May 31, 2016.
Rick Carrier	Guardrail Protection for On-road Lane Equipment	$75,000	$25,000	Guardrail protection for roadside cabinets identified at precarious locations.
Patti Bond	On-road Property and Facility Security project	$34,000	$16,000	Implement a post-AET security design to augment or modernize the existing levels of security protection for on-road facilities, support infrastructure and properties.
Patti Bond	Toll Plazas Evaluation Study	$125,800	$59,200	Basic inventory & feasibility analysis for repurposing toll plaza facilities and acreage.
K. Machtolf	Pacifica Building HVAC modernization project	$1,651,231	$-	Modernize HVAC equipment and control systems to meet or exceed current energy efficiency standards.

Communications & Marketing				
Staff	**Project Initiative**	**F/ETCA Project Budget**	**SJHTCA Project Budget**	**Project Scope**
Lisa Ganz	Marketing – Account Sign Up and Ridership	$1,005,000	$495,000	Paid advertising geared to increasing number of accounts, ridership, and understanding of how to pay with One-Time-Toll. Marketing plan will include targeted programs to increase revenue such as OTT conversion to accounts, new development and homeowner account sign-up incentives and marketing targeted to tourist and visitors. This line item also assumes that Hispanic outreach and media relations is included as a sub-contract the general marketing contract.
Lisa Telles	Research	$38,800	$21,200	ExpressAccount customer and GPS/Travel App research
Lisa Ganz	Website Initiatives	$67,000	$33,000	New intuitive website design and improvements to forms to assist customers. New CMS programming to allow more in-house updates.
Lisa Telles	Tourism/Visitor and Rental Car Outreach and Programs	$25,000	$25,000	Outreach, collateral reach rental car agents and desks and targeted programs to educate visitors that there are toll roads in Southern California and how to pay to avoid a violation and additional fees from the rental car agencies. Outreach to support rental car agency agreements.
Lisa Ganz	Account sign-up promotions	$-	$-	Incentive toll credits for proposed new homeowner program, apartment move-in program, One-Time-Toll conversion to offer "drive a week free" or similar program. Initial incentives will be deducted from revenue and accounts will be traced to determine ROI and program success.
Lisa Telles	Environmental Communication Program	$85,000	$15,000	Writer, printing of materials, special event TBD, targeted advertising
Lisa Telles	241/91 Connector Outreach for SEIR/SEIS	$100,000	$-	Public Outreach Firm: includes community ascertainment, collateral development and printing, public meeting coordination and logistics, interface with Caltrans, community issue coordination and response, mailing/email list development and dissemination of information, speakers bureau management and project webpage management.
Lisa Telles	Printed and email Newsletters and Brochures -- TCA Initiatives	$32,010	$24,196	Printing/ postage/iContact. Six editions of Viewsletter, TCA brochure, account type brochure, stakeholder mailings, account holder email and rewards program.
Lisa Telles	Organization and Community Outreach	$102,200	$10,300	Community Outreach -- Chamber of Commerce and Organzation Membeships, sponsorships, booth fees. Promotional items. Dollar amount is scewed toward F/ETCA because majority of ourtreach work is related to Tesoro and 241 Completion and 241/91 Direct Connector Capital Improvement Projects

Strategic Planning				
Staff	**Project Initiative**	**F/ETCA Project Budget**	**SJHTCA Project Budget**	**Project Scope**
Barbie Daly	Federal Advocacy Program	$301,000	$24,000	Work with legislators, administration, regulatory agencies, committee members & staff. Primary focus on environmental streamlining, TIFIA, tracking the transportation bill.
Barbie Daly	State Advocacy Program	$325,000	$45,000	Primary state lobbying efforts. Includes legislator, administration and regulatory education and relationships, tracking bills that could impact TCA business operations or ability to complete mission.
Barbie Daly	241 Strategy	$1,327,000	$-	241 completion related outreach efforts with key stakeholder groups. Also includes Issues Management and Consensus Planning / Community Ascertainment Study and strategic communications consulting.

Finance, Administration & IT				
Staff	**Project Initiative**	**F/ETCA Project Budget**	**SJHTCA Project Budget**	**Project Scope**
Amy Potter	Project Financing	$-	$-	Develop finance plans for capital projects
Amy Potter/Dave Sherwood	AET monitoring	$-	$-	Refinement of model to provide a basis to project and control costs and determine appropriate pricing for various account fees and/or toll differentials
Dave Sherwood/Jeff Bond	Enterprise database	$20,000	$10,000	In conjunction with/or replacement of Operational Data Push to TCA initiative. Development of database to store and analyze data to assist with metrics measurement, dashboard, business development analysis, marketing/promotions analysis, etc.
Amy Potter/Howard Mallen	Long-Term Financial Planning Model Update	$-	$-	Development of improvements to long-term financial planning modeling to enhance the Agencies' abilities in evaluating cash flow and capital projects. No project cost at this time as the expectation is that the effort will be focused on allocating substantial staff time to this project.
Greg Walker/Jeff Bond	Business Continuity Planning Advisory Services (FY16 readiness and FY17 implementation)	$-	$-	Although the Agencies have many disaster recovery and emergency operations policies and procedures, they do not have a comprehensive business continuity plan that addresses longer term operation under disaster and/or emergency situations. The business continuity planning advisory services will provide expertise and facilitation in developing a comprehensive business continuity plan for the Agencies. Existing documentation and past planning efforts will be leveraged to the extent possible.
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.
Amy Potter/Dave Sherwood	Evaluate prepayment of OCERS UAAL	$-	$-	Assessment of cost/benefit and risks of prepayment in order to present options to Board of Directors
Sherri McKaig/Dave Sherwood	ADP Human Resources and Payroll tools	$33,500	$16,500	Reassessment and implementation of available tools, including those that provide for employee access to HR and payroll forms and for more efficient time reporting and approval.
Sherri McKaig	Compensation Reform	$-	$-	Pension Contribution transferred to employees over 3 years (Year 3 of 3)

Finance, Administration & IT (continued)				
Staff	**Project Initiative**	**F/ETCA Project Budget**	**SJHTCA Project Budget**	**Project Scope**
Jeff Bond	Update operating system on Servers	$10,000	$10,000	Upgrade from 2003 which will no longer be supported
Jeff Bond	Upgrade to Windows 10	$-	$-	No cost - staff time only to upgrade operating system on individual desktops
Jeff Bond	Board of Director Reporting Software	$5,160	$5,160	FY16 costs associated with continued implementation of Board of Director reporting software project commenced in FY15.

RESOLUTION NO. F2015-03

A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY
APPROVING THE BUDGET FOR FISCAL YEAR 2016

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

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

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

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

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

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

NOW, THEREFORE the Board of the Foothill/Eastern Transportation Corridor Agency does resolve, declare, determine and order as follows:

1. Approves the annual budget for FY 2016 (FY16) in the amount of \$161,014,635. The approval includes Administration, Planning, Environmental and Construction, Toll Operations, Debt expenses, the proposed staffing plan as described in the budget, and projected Revenues, including without limitation the adoption of the "proposed" toll rates, fees, and fines, as presented at the Board meeting on June 11, 2015.

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	\$16,545,030
• Tesoro Extension and SR 241 Long Range Planning (excluding related administration)	\$2,955,000
• Capital Improvement Plan	\$8,876,300
• Other Planning, Environmental and Construction	\$1,477,612
• Toll Operations	\$18,390,381
• Debt Service	\$112,770,312

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

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

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

5. Directs staff to forward the approved Annual Budget for FY16 to the trustee.

This Resolution No. F2015-03, shall become effective immediately upon adoption.

Adopted this 11th day of June, 2015, by the Board of Directors of the Foothill/Eastern Transportation Corridor Agency.

CRAIG YOUNG

Craig Young, Chairman
Foothill/Eastern Transportation Corridor Agency

RESOLUTION NO. F2015-03

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY APPROVING THE BUDGET FOR FISCAL YEAR 2016

ATTEST:

I, Kathleen Loch, Clerk of the Board of the Foothill/Eastern Transportation Corridor Agency hereby certify that the foregoing Resolution No. F2015-03 was duly adopted on June 11, 2015, by the Board of Directors of the Foothill/Eastern Transportation Corridor Agency by the following vote:

Yes:	Lisa Bartlett, Tony Beall, Kerry Ferguson, Lucille Kring, Charles Puckett, Greg Raths, Christina Shea, John Tomlinson, Kathy Ward, Craig Young
No:	None
Absent:	Michele Martinez, Mark Murphy, Shawn Nelson, Todd Spitzer, Scott Voigts
Abstain:	None

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

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