☒ SAN JOAQUIN HILLS TRANSPORTATION CORRIDOR AGENCY AGENDA ITEM #: **11**

☐ FOOTHILL/EASTERN TRANSPORTATION CORRIDOR AGENCY

Transportation Corridor Agencies

BOARDS OF DIRECTORS

June 14, 2018

FILE NUMBER: 2018S-016

SAN JOAQUIN HILLS TRANSPORTATION CORRIDOR AGENCY FISCAL YEAR 2019 ANNUAL BUDGET

RECOMMENDATION

San Joaquin Hills Transportation Corridor Agency Recommendation:

Approve Resolution No. S2018-02 entitled “A Resolution of the Board of Directors of the San Joaquin Hills Transportation Corridor Agency Approving the Budget for Fiscal Year 2019” in the amount of $140,658,943.

SUMMARY

Attached are the Fiscal Year 2019 Proposed Budget report and Resolution No. S2018-02.

COMMITTEE REVIEW

Agency executive staff presented their FY19 initiatives, staffing and contracts at their related committee meetings during March and April 2018. The FY19 proposed annual budget was then presented at a workshop during the Joint Operations and Finance Committee Meeting on April 25, 2018. The workshop included a discussion of Agency initiatives, toll rates, revenues, and expenditures. The FY19 proposed annual budget was then presented on May 24, 2018 to the Joint Operations and Finance Committee with a request to present the FY19 proposed annual budget to the Board of Directors for approval on June 14, 2018.

MOTION: Peotter
SECOND: Munzing
VOTE: Unanimous

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

REVIEWED BY:

Amy Potter

Amy Potter, Chief Financial Officer
(949) 754-3498

APPROVED BY:

Michael A. Kraman

Michael A. Kraman, Chief Executive Officer

Attachment(s)

San Joaquin Hills
Transportation
Corridor Agency

Chair:
Fred Minagar
Laguna Niguel

Transportation Corridor Agencies™

Foothill/Eastern
Transportation
Corridor Agency

Chair:
Ed Sachs
Mission Viejo

June 14, 2018

Re: San Joaquin Hills Transportation Corridor Agency's Fiscal Year 2019 Budget

Dear Chair Minagar and Board Members:

Thank you for your direction and support in the adoption of the attached San Joaquin Hills Transportation Corridor Agency's (Agency) Fiscal Year 2019 (FY19) Budget.

Totaling $140.7 million, the FY19 budget will guide the Agency through the year and into the future by funding and advancing initiatives that support capital improvements, enhance customer service and strengthen our financial health.

We enter FY19 with transactions and revenue at historic highs following five consecutive years of strong transactional and revenue growth and finances that have never been in better condition -- as evidenced by recent bond ratings upgrades, strong liquidity and growing reserve fund balances.

With the growth of Southern California's economy, by the end of Fiscal Year 2018 (FY18) transactions and revenue are expected to increase by approximately 1.8 percent and 3.9 percent, respectively, compared to the previous year.

Agency staff continuously works to meet the Agency's goals. As of August 1, 2017, all of TCA's senior lien bonds had investment grade ratings from the three major credit rating agencies (Standard & Poor's, Moody's and Fitch).

To continue enhancing customer service for our 1.2 million accountholders and approximately 1 million annual One-Time-Toll customers, we have reduced our average wait time from four minutes and 59 seconds to just 45 seconds. We are hearing about the positive improvements from our customers who are giving us an average rating of 4.6 out of 5 in overall customer satisfaction and 88 percent would recommend our customer service to a friend or colleague.

We move into FY19, with ambition and driven by initiatives. We are planning for the transition to 6C tolling technology and the simplification of our account types; on-road signage will be enhanced; and we will complete a study of system-wide traffic on the 73 Toll Road.

125 Pacifica, Suite 100, Irvine, CA 92618-3304 ∑ (949) 754-3400 Fax (949) 754-3467
thetollroads.com

All of that while continuing to perform the daily work needed to support the collection of more than 330,000 tolls on The Toll Roads every weekday. TCA is one of modern tolling's leading agencies, bringing much-needed traffic relief to Orange County. Whether it's the routine or the revolutionary, the staff and I are up for the work, and we thank you for your leadership and the direction you provide as we serve you, your constituents and all of those who drive to and through Orange County.

Sincerely,

Michael A. Kraman
Chief Executive Officer

Enclosures

2019

Fiscal Year Proposed Budget

San Joaquin Hills

Transportation Corridor Agency

San Joaquin Hills
Transportation Corridor Agency

Budget Process and Format

Fiscal Year 2019 Proposed Budget

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Budget Process

The San Joaquin Hills Transportation Corridor Agency's (SJHTCA) Board of Directors and the Master Indentures of Trust (Indentures), established in the context of the Agency's 1997 and 2014 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 ratios 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 FY19 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:

(1) Support the Capital Improvement Plan (CIP)
(2) Provide enhancements to Customer Service
(3) Increase revenues to demonstrate the Agency's ability to meet future coverage and debt service requirements
(4) Build cash reserves to protect against economic downturns, allow for future pay-as-you-go CIP financing, and preserve the flexibility for early debt repayment
(5) Support the credit ratings upgrade strategy and meet investor expectations

The finance staff worked jointly with each department to compile budget expenditure requests. The project initiatives and budget requests were then reviewed by executive management. All Agency functional areas presented their portion of the budget at the related committee meetings during March and April 2018. The Agency's traffic and revenue consultant attended the April 2018 Board meeting and presented an overview of the Agency's toll revenue history, toll rate elasticity, and how current economic trends may affect toll transactions. The proposed annual budget was presented to the Joint Operations and Finance Committee at a workshop on April 25, 2018, to obtain direction and feedback. The workshop included a review of toll rates, revenues, and expenditures. Questions received during the workshop were then addressed, and the annual budget was again presented to the Joint Operations and Finance Committee on May 24, 2018. The annual budget is now being presented to the Board of Directors for adoption at the June 14, 2018 Board meeting for the fiscal year starting July 1, 2018. Approval of the budget requires the consent of at least two-thirds of the Board Members. Expenditures during the year must be made in accordance with the Agency's policies. Expenditures in excess of the total of each budget category, as defined in the budget resolution, cannot be made without the approval of a budget resolution by at least two-thirds of the Board Members. The Agency is required to file copies of the annual budget with the trustee on or before the 20th day of July each fiscal year in accordance with the Indentures.

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

- Administration
- Planning, Environmental and Construction
- Toll Operations

- Debt Service

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

Transfers between categories require the Board of Directors' approval.

These budget categories are presented on page 21 along with detail subcategories. Budget categories and subcategories are discussed in the Expenditures Summary section beginning on page 16. All budget appropriations lapse at year-end and any amounts not accrued at each year-end must be re-appropriated in the next fiscal year.

Budget Format

The FY19 proposed expenditures budget for the SJHTCA totals $140.7 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, Toll Operating Expenses and Equipment (Toll Operations), and Debt Service. Expenses directly related to the SJHTCA are charged entirely to the Agency and those incurred on behalf of both the Agency and the Foothill/Eastern Transportation Corridor Agency (F/ETCA) are allocated between F/ETCA and SJHTCA (the Agencies) based on the estimated benefit to each. As part of the annual budget process, allocations between the Agencies are reviewed.

Within each Agency, for funding purposes and calculation of debt coverage, costs are further allocated between 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 21 to illustrate how each budget category and subcategory is allocated between the budget fund categories. A more detailed discussion of the expenditures proposed for FY19 is included in the Sources and Expenditures section of this document beginning on page 7.

<u>Planning, Environmental, and Construction Expenses (budget fund category)</u>

The proposed FY19 Planning, Environmental and Construction budget is $6.7 million. The budget for Planning, Environmental and Construction includes capital improvement plan projects, ongoing environmental mitigation and other environmental services, such as demographic and regional transportation studies, and all non-operating administration costs. These expenses are recorded in the Agency's audited financial statements as an addition to construction in progress. Certain projects are then transferred to Caltrans, as required. It is at the point of transfer to Caltrans that the costs of the project are then expensed on the audited financial statements as a contribution to Caltrans. To date, 16 miles of the SJHTCA toll system have been transferred to Caltrans. The costs associated with such projects are budgeted in the year the expense is incurred, not when the project is transferred to Caltrans.

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 years' surplus revenues and development impact fee collections. 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 senior lien, junior lien, and supplemental debt service reserve fund requirements totaling $272.4 million have been fully met. Surplus revenues are not under bond Indenture requirements (see description of bonds in the Debt Service section on the following page) and may be spent at the Board of Directors' discretion for any lawful purpose. Each year, $5.0 million of development impact fees received by the Agency is available to fund expenditures or increase the unrestricted cash fund; the balance of development impact fees collected during the year are also made available for the same purpose if they are not needed to fund debt service payments. Other sources of funds for these activities include investment earnings. See the table on page 31 for detail of unrestricted cash funds.

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

The Toll Operations budget includes funding for the toll operations activities including operating administration costs. The proposed FY19 Toll Operations budget is $26.4 million.

The primary sources of funds available for Toll Operations are toll revenues, penalties, fees, and interest earnings from certain accounts specified within the Indentures. Unrestricted cash as described above is also available for funding operations equipment and capital purchases.

Amounts allocated to Toll Operations are costs associated with maintaining and operating the toll equipment, software and systems as well as the customer service centers, toll collection processing, and all other related operating expenses. The major costs budgeted for Toll Operations' activities include the contract costs associated with the operation and maintenance of the Agency's 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, in-lane toll and violation processing equipment, and project development costs. In addition, a portion of Agency administration costs allocated to operation activities such as insurance, salaries and benefits, rents, consulting, legal, office expense and marketing are included in this fund category.

Debt Service (budget fund category)

Debt Service includes annual principal and semi-annual accrued interest payments related to long-term debt. A portion of the outstanding bonds are capital appreciation bonds and convertible capital appreciation bonds, which are structured so that the principal amount accretes (increases) each year at the stated interest rate. Debt accretion has been excluded from the budget because it is a non-cash item and is reflected in the budget as part of the principal payments in the years scheduled to be paid. The proposed FY19 budget for Debt Service is $107.5 million.

In 1993, the Agency issued long-term toll revenue bonds to finance construction of the San Joaquin Hills Transportation Corridor. The bonds were initially refinanced in 1997, amended in 2011, and ultimately refinanced in 2014. The 2014 transaction refinanced the debt to 2050, placed the Agency in a solid financial position, significantly improved the Agency's debt metrics and achieved the following:

- Upgraded the credit ratings issued by Fitch and Standard & Poors to investment grade on the senior lien bonds.
- Restored toll setting authority to the Board and provided for inflationary toll rate increases (small annual adjustments rather than infrequent larger lump sum adjustments).
- Created increased margin to build cash reserves in order to withstand future economic downturns and allow for potential early debt repayment in the future.

Following the refinance, the Agency has exceeded projections every year and has been upgraded by Moody's and further upgraded by Fitch and Standard & Poor's.

Debt Service, which is primarily funded from toll revenues, grows at an average of 2.4% per year until it reaches maximum annual debt service of $186 million in FY 2041.

Per the Indentures, the Agency's Adjusted Net Toll Revenue (toll related revenues plus interest income on certain accounts, less operating expenses) must be at least 110% of the current year's aggregate debt payments (all debt service scheduled for the fiscal year) and at least 130% of the current year's senior lien debt payments. This is often referred to as 1.10x and 1.30x debt service coverage, respectively.

When compiling the operations budget, the Agency staff ensures that the revenues and expenses budgeted provide the necessary coverage ratio as defined in the Indentures. The FY19 proposed budget results in an aggregate coverage ratio of 1.62x and a senior lien coverage ratio of 1.89x. A schedule showing the calculation is included on page 30 of this document.

San Joaquin Hills
Transportation Corridor Agency

Sources

and

Expenditures

Fiscal Year 2019 Proposed Budget

Sources and Expenditures

The Sources and Expenditures of Funds Statement summarizes the Agency's projected total sources and expenditures for the year ending June 30, 2019.

Total sources include revenues budgeted in FY19 as well as cash on hand from surplus revenues and development impact fees collected and available to the Agency from previous years and amounts already set aside for FY19 debt service payments.

Below is a summary of total funds on hand and the amount of these funds available to fund the FY19 budget as well as future budgets (in thousands).

Estimated Total Funds on Hand at 6/30/18	$ 568,380
July Activity Related to FY18	(36,176)
Adjusted Estimated Total Funds on Hand at 6/30/18	532,204
Less Maintenance Facility Commitment	(8,100)
Less Operating Reserves	(16,925)
Less Arbitrage Tax Rebate Funds	(1,240)
Less Long-Term Debt Service Funds	(52,437)
Less Debt Service Reserves	(272,301)
Estimated Cash Available, excluding Reserves, to Fund Current and Future Budgets	$ 181,201
Cash Restricted For Debt Service	$ 19,870
All Other Cash Available to Fund Current and Future Budgets	161,331
Estimated Cash Available to Fund Current and Future Budgets	$ 181,201

Total expenditures include all FY19 budgeted expenses requiring a cash outlay.

The Sources and Expenditures of Funds Statement on the following page shows sources less cash expenditures to arrive at cash available to fund subsequent budgets.

The following statement includes the approved FY18 budget, as amended, including transfers within the CEO's authority, staff projected FY18 sources and expenditures based on actuals through March 2018 and the proposed budget for FY19.

San Joaquin Hills Transportation Corridor Agency
Sources and Expenditures of Funds Statement
Fiscal Years 2018 through 2019
($000)

Description	FY 2018 Amended Budget As of 3/31/2018	FY 2018 Estimated Actuals	FY 2019 Proposed Budget
Sources:			
Net Toll Revenue	157,468	156,212	160,344
Penalties	22,500	25,841	25,800
Fees	9,700	10,591	10,662
Development Impact Fees	3,000	5,597	5,000
Interest Earnings	2,354	3,739	6,931
Cash Restricted For Debt Service	20,100	20,100	19,870
All Other Cash Available to Fund Current and Future Budgets	102,440	102,440	161,331
Total Sources of Funds	317,562	324,520	389,938
Expenditures:			
Planning, Environmental and Construction	6,940	3,712	4,585
Planning, Environmental and Construction Administration	1,561	1,398	2,110
Toll Operating Administration	8,075	7,071	8,661
Customer Service and Toll Compliance	10,998	10,942	12,305
Toll Systems	1,174	940	1,240
Toll Facilities	283	254	269
Operations Equipment and Capital Expenditures	3,303	2,653	3,954
Debt Service	107,523	107,523	107,535
Total Expenditures	139,857	134,493	140,659
Subtotal	177,705	190,027	249,279
Projected Deposits to the Supplemental Debt Service Reserve From Revenues and Interest Income	8,826	8,826	-
Projected Cash Available to Fund Subsequent Budgets	168,879	181,201	249,279
Less Restricted Cash For Future Debt Service	19,870	19,870	20,596
Projected Available Cash	149,009	161,331	228,683

Sources Summary

With the growth of Southern California's economy, FY18 transactions and transactional toll revenue are expected to be up approximately 1.8% and 3.9%, respectively, over FY17. The 2014 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 ensuring that revenue growth continues in FY19 to meet the Agency's goals.

Staff works with the Agency's traffic and revenue consultant, Stantec Consulting Services Incorporated (Stantec) to review the effect of prior year toll rates and prepare an analysis for the upcoming year. During the April 2018 budget workshop, staff discussed the analysis with the Board and recommended toll rates based on the results of prior year increases and toll elasticity, assumptions included in the bond finance documents, traffic congestion on the system, building cash reserves, and economic factors. The FY19 budget for sources of funds is based on the traffic and revenue consultant's toll rate analysis and the feedback received from the Board of Directors during the budget workshop (see Net Toll Revenue section below).

At the beginning of FY19, the Agency expects to have total cash adjusted for accrual items of $532.2 million. The expected adjusted cash balance includes debt service reserve and operating reserve funds of $289.2 million, $52.4 million reserved for Long-Term Debt Service, $8.1 million reserved for a commitment to construct a Caltrans maintenance facility, $1.2 million reserved for arbitrage and tax rebate, and $181.2 million of cash on-hand available to fund the current and future years' budgets. These available funds are primarily from surplus revenues, development impact fees, and interest earnings. During FY19, Net Toll Revenue, Penalties, Fees, Development Impact Fees, and Interest Earnings are budgeted at $208.7 million. Below are brief explanations of each of these funding sources.

<u>Net Toll Revenue</u>

The FY19 budget assumes transactional toll revenue of $169.3 million which represents a 2.8% increase over projected FY18 transactional toll revenue. The budget for FY19 Net Toll Revenue of $160.3 million, or 76.8% of total revenue, is a combination of the Agency's estimate of transactional toll revenue reduced by estimated processable and unprocessable transactions (offset by toll revenue recovered from processed violations) and non-revenue transactions. The Agency currently waives the penalty for first time violators if the toll is paid within 30 days.

Unprocessable violations (primarily vehicles with no license plates) and non-revenue transactions (primarily California Highway Patrol, Caltrans, and Agency vehicles used on the road for operations and maintenance) are expected to occur at a rate of 4.7% of transactional toll revenue or $7.9 million in FY19. Processable transactions offset by toll revenue recovered from processed violations is budgeted at $1.1 million or 0.6% of transactional toll revenue in FY19.

The proposed 2.8% transactional toll revenue increase is achieved by implementing a 5% Catalina View Peak Hour rate increase with no change to the toll rates at the ramps.

The proposed toll rates are expected to result in transaction growth of 2.1% 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 following table shows the FY18 current toll rates and the proposed FY19 toll rates by location, split between off-peak, pre- & post-peak, and peak hour if applicable. In summary, peak hour rates increase by $0.40 at the Catalina View tolling location.

The peak periods are 7:00 – 10:00 am and 3:00 – 7:00 pm during which the peak hours are 8:00 – 9:00 am and 5:00 – 6:00 pm.

Location	Time/Type	Current Rates*	Recommendation Rate	Recommendation Change
La Paz	Peak & Off-Peak**	$ 2.45	$ 2.45	$ -
Aliso Creek	Peak & Off-Peak**	$ 3.05	$ 3.05	$ -
El Toro	Peak & Off-Peak**	$ 3.69	$ 3.69	$ -
Catalina View***	Off-Peak	$ 6.49	$ 6.49	$ -
	Peak Hour**	$ 8.08	$ 8.48	$ 0.40
	Pre- & Post-Peak	$ 7.76	$ 7.76	$ -
	Weekend	$ 6.22	$ 6.22	$ -
Newport Coast	Peak & Off-Peak**	$ 3.43	$ 3.43	$ -
Bonita Canyon	Peak & Off-Peak**	$ 2.08	$ 2.08	$ -

* FasTrak prepaid accountholder rate is a $1 discount from the published rates
** One-Time Toll (OTT) Rate
*** 3-4 Axle Vehicles 2 Time Rate 5+ Axle Vehicle 4 Times Rate

The Agency estimates that it will receive a total of $156.2 million in Net Toll Revenue in FY18. This consists of $164.7 million of transactional toll revenue reduced by estimated processable and unprocessable transactions, and non-revenue transactions of $17.3 million offset by toll revenue collected from processed violations of $8.8 million. Although the estimate is less than the FY18 budget, net toll revenue has increased over the prior year and exceeds the traffic and revenue projections included in the financing documents.

<u>Penalties</u>

Penalties revenue is budgeted for FY19 at $25.8 million, representing 12.3% 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 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 implemented agreements with major rental car companies in April 2016 which have proved successful in reducing violations. The Agency will continue initiatives in FY19 to attempt to address violations, such as providing materials to support communication to the community at large and visitors.

Penalties revenue for FY18 is estimated to be $25.8 million. The FY19 Penalties budget is conservative with consideration given to the current trends in collections, the estimated transactions for FY19, the current processable transactions rate at 5.8% 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 FY19 at $10.7 million, representing 5.1% of total revenues. Fees revenue consists of $9.3 million for account maintenance fees from FasTrak accountholders, and $1.4 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 FY18 is estimated to be $10.6 million. The FY19 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 accountholders 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.

In FY18 the Agencies transitioned to providing all accountholders with electronic account activity statements versus mailed statements. If an accountholder would like to continue to receive mailed statements, the statements will be provided monthly for a fee of $1.00 per statement.

Development Impact Fees

The Agency adopted a Development Impact Fee Program in 1986. The fee program is based on the general principle that development within the "area of benefit" of the corridor will benefit from the construction of the corridor. Development Impact Fees (DIF) are assessed on new residential and non-residential (commercial, industrial, etc.) development. Development Impact Fees for FY18 are expected to approximate $5.6 million. The Agency is estimating Development Impact Fees to be $5.0 million for FY19, representing 2.4% of total revenues, based upon recent development trends

Interest Earnings

Interest Earnings represent earnings on funds held in trust for bondholders, funds held for operations and funds held in custody accounts at the trustee for the Agency. Budgeted Interest Earnings are based upon the existing investment portfolio cash balances and increased interest rates. Total Interest Earnings budgeted for FY19 of $6.9 million represent approximately 3.4% of total revenues.

Interest Earnings for FY18 are estimated to be $3.7 million.

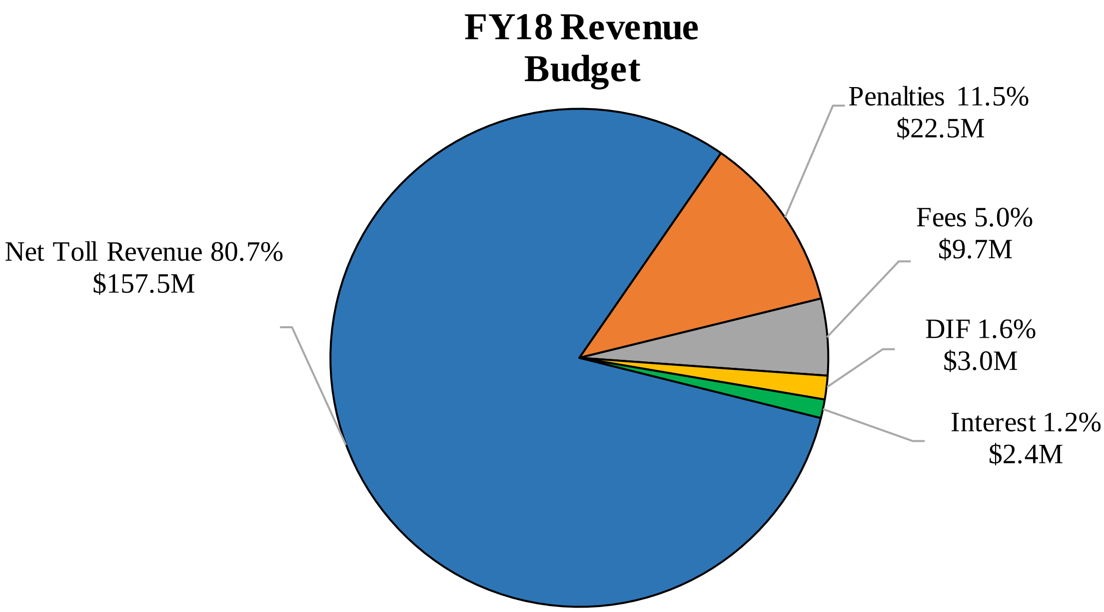
Revenue Pie Chart – FY18 Budget as compared to FY19 Budget

The pie charts on the following page show a comparison of FY18 budgeted revenues to FY19 proposed budget revenues.

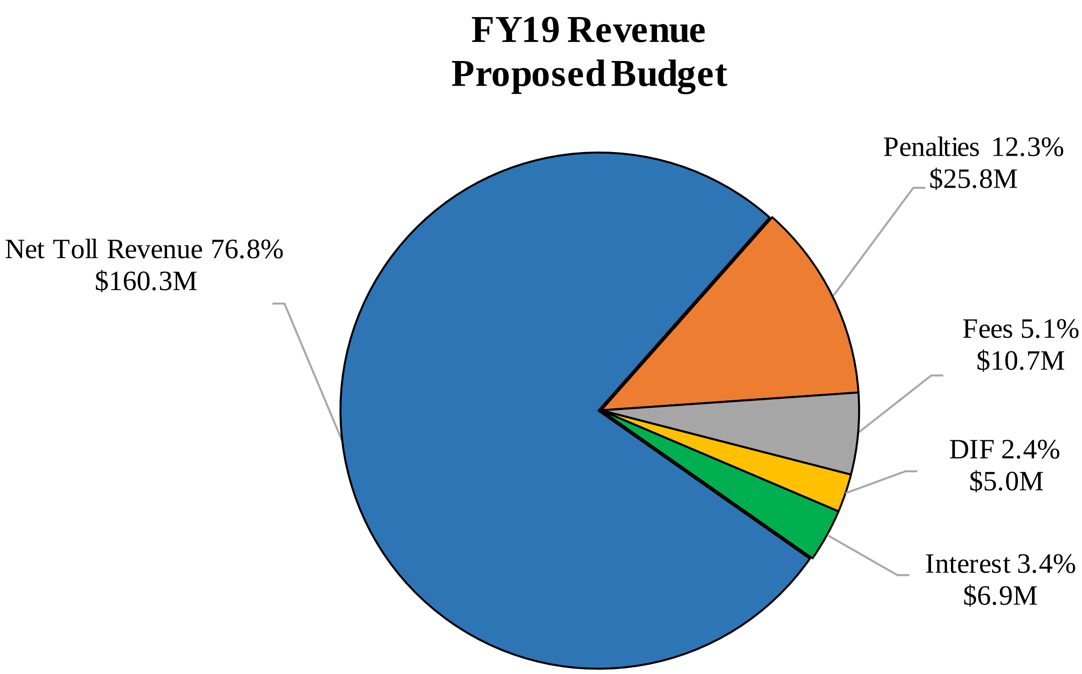
Budgeted revenues increased $13.6 million to $208.7 million in FY19 from budgeted revenues of $195.1 million in FY18 due to increases in Net Toll Revenue, Fees, Interest Earnings, Penalties, and Development Impact Fees.

Net Toll Revenue is expected to increase from $157.5 million budgeted in FY18 to $160.3 million in the FY19 budget as a result of current transaction and revenue trends and toll rate changes. Penalties are projected to be higher in FY19 by $3.3 million compared to the FY18 budget as a result of actual violation collections and current transaction and transactional toll revenue trends. See Penalties discussion on page 11 for more information. Fees are budgeted to increase in FY19 by $1.0 million compared to the FY18 budget based on fee collection trends. FY19 budgeted Development Impact Fees have increased by $2.0 million from the FY18 budget to $5.0 million based on recent collection trends and development. Interest Earnings are expected to increase by approximately $4.5 million primarily resulting from working with the Agency's investment advisor to implement an active management strategy which has allowed the Agency to take advantage of the Federal Open Market Committee increasing the Federal funds interest rate.

San Joaquin Hills Transportation Corridor Agency



FY18 Budget Revenue $195.1M



FY19 Budget Revenue $208.7M

Expenditures Summary

In response to the economic downturn in the recent past, the Agency worked diligently to significantly decrease operating expenses and reduce headcount, while continuing to provide quality customer service and ensuring that equipment, systems, and facilities remained in a good state of repair. This provided for a lower base to absorb inflationary 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 FY19 expense recommendation considering the cost impact of increasing transactions and revenues. In addition, the budget includes proposed inflationary increases in major operating contracts, operations initiatives, and capital projects costs. Detail of expenditures can be found on pages 20-29.

The FY19 proposed budget for expenses was developed with the Agency's continued commitment to fiscal responsibility and goals and objectives.

The proposed budget for FY19 includes total expenditures of $140.7 million. The following are brief explanations of the various expenditures.

Planning, Environmental and Construction (Excluding Administration)

This category mainly consists of costs associated with the Agency's current Capital Improvement Plan including Signage Enhancement, and various studies to monitor the Agency's compliance with permits and other environmental documents. The FY19 proposed budget for these expenses is $4.6 million, approximately 3.3% of the total budget. The funding for these expenses is the cash on hand from Agency surplus revenues and previous development impact fee collections.

The Planning, Environmental and Construction projected actuals for FY18 total $3.7 million. The increase of $0.9 million in the FY19 budget is primarily related to increases in the Signage Enhancement project and the SR 73 Widening Study, partially offset by a decrease from the completion of the Toll Booth Removal project.

Administration

The total proposed budget for Administration expenses is $10.8 million for FY19, or approximately 7.6% of the total proposed budget. The Administration category includes all employee compensation (3.2% of the total budget) as well as overhead-type expenses, such as office expenses, legal, insurance, administrative consulting services, marketing, and travel expenses. Rents and leases expense includes the fair market rental lease payments that the Agency pays to the F/ETCA related to its portion of the Pacifica building and related common area maintenance and tenant improvement costs. 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 page 21 of this document.

Projected Administration expenses for FY18 total $8.5 million. The increase in the FY19 proposed budget from the FY18 projected actuals is primarily due to marketing, and consulting related to the 6C transition and account simplification project, consulting for the Customer Service Center Modernization, the System-Wide Traffic Optimization Study, as well as legal costs related to ongoing litigation.

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 and violation processing management and staff currently under contract with Faneuil, Inc., customer service system maintenance and toll processing under contract with BRiC-TPS LLP, and license plate image-based transaction processing currently under contract with Global Agility Inc. Also included in this category are toll facilities costs for maintaining the Agency's buildings utilized in the operation of the road, and toll equipment such as transponders and server replacements. The proposed FY19 budget for these expenses is $17.8 million or 12.7% of the total budget.

Toll Operations, excluding Administration, is projected to total $14.8 million in FY18. The FY19 budget is $3.0 million higher than projected FY18 actuals primarily due to increases to labor, printing, postage, and transponders related to the 6C transition and account simplification project, customer service and compliance costs directly related to increased revenues, and scheduled Consumer Price Index adjustments for the system lane hardware and software maintenance contracts.

Debt Service

The Debt Service category includes the annual principal and semi-annual interest payments to be made on all outstanding bonds. These payments for FY19 are budgeted at $107.5 million, or 76.5% of the total budget. FY18 Debt Service will total $107.5 million.

Future years' Debt Service, which is primarily funded from toll revenues, grows at an average of 2.2% per year until it reaches maximum annual debt service of $186 million in FY 2041.

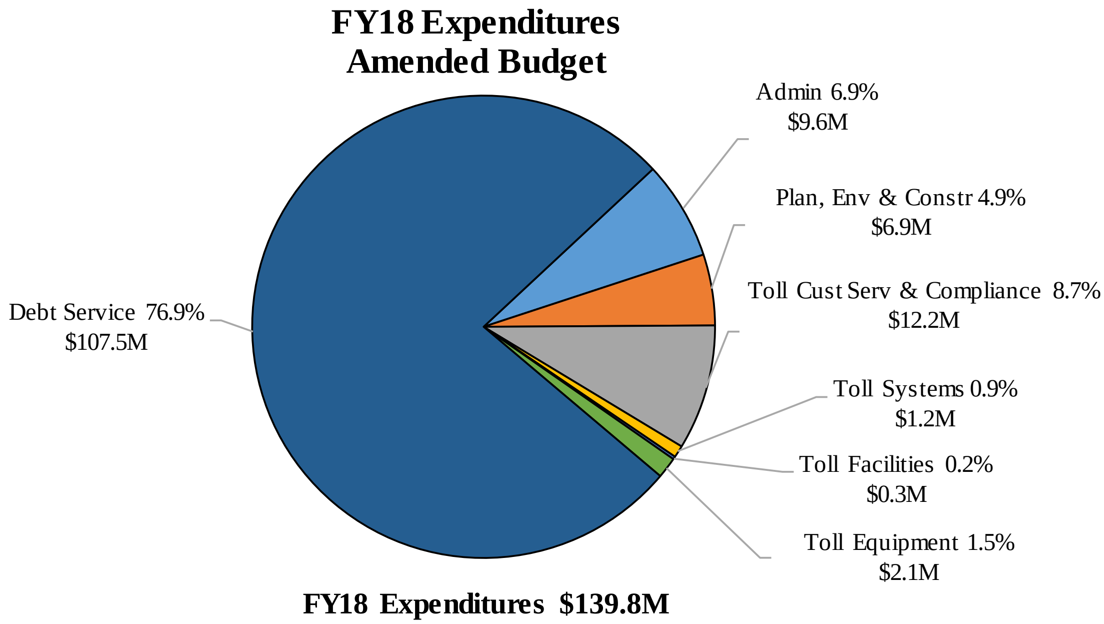
Expenditures of Funds – FY18 Amended Budget as compared to FY19 Budget

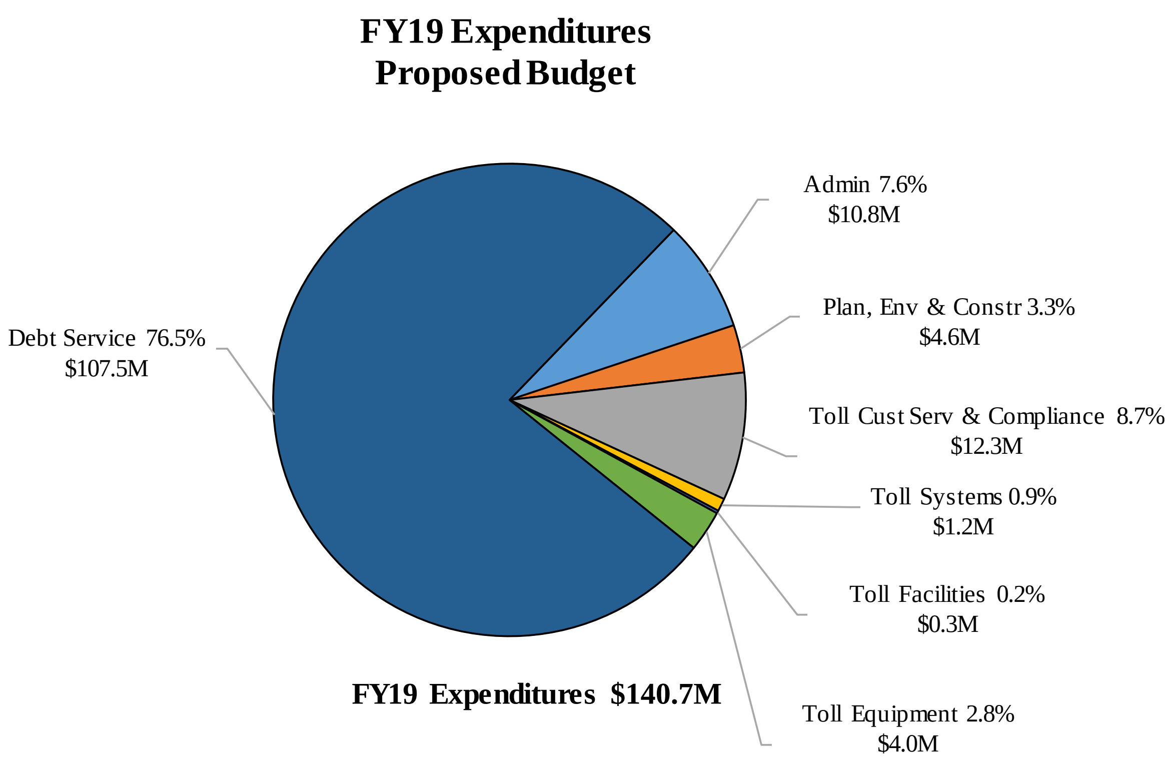
The pie charts on the following page show a comparison of the FY18 amended budget and the FY19 proposed budget by type of expense.

The FY19 proposed budget of $140.7 million, as compared to the prior year's amended budget of $139.8 million, shows an increase of $0.9 million, or 0.6%. The net increase is primarily related to increases in the Toll Operations and Administration budgets for legal costs related to ongoing litigation and expenditures for the 6C transition and account simplification project which includes consulting, legal, postage, printing, call center labor and transponder fulfillment. The increases are partially offset by decreases to CIP resulting from the completion of the Toll Booth Removal project in FY18.

There are no changes to budgeted Debt Service payments for FY19 over FY18, as scheduled in the Indentures.

San Joaquin Hills Transportation Corridor Agency





Expenditures Detail

The schedule on the following page details the budget as summarized on pages 22-29 into more specific categories (budget subcategories). Many of the Administration subcategories are allocated between Planning, Environmental and Construction and Toll Operations expenses.

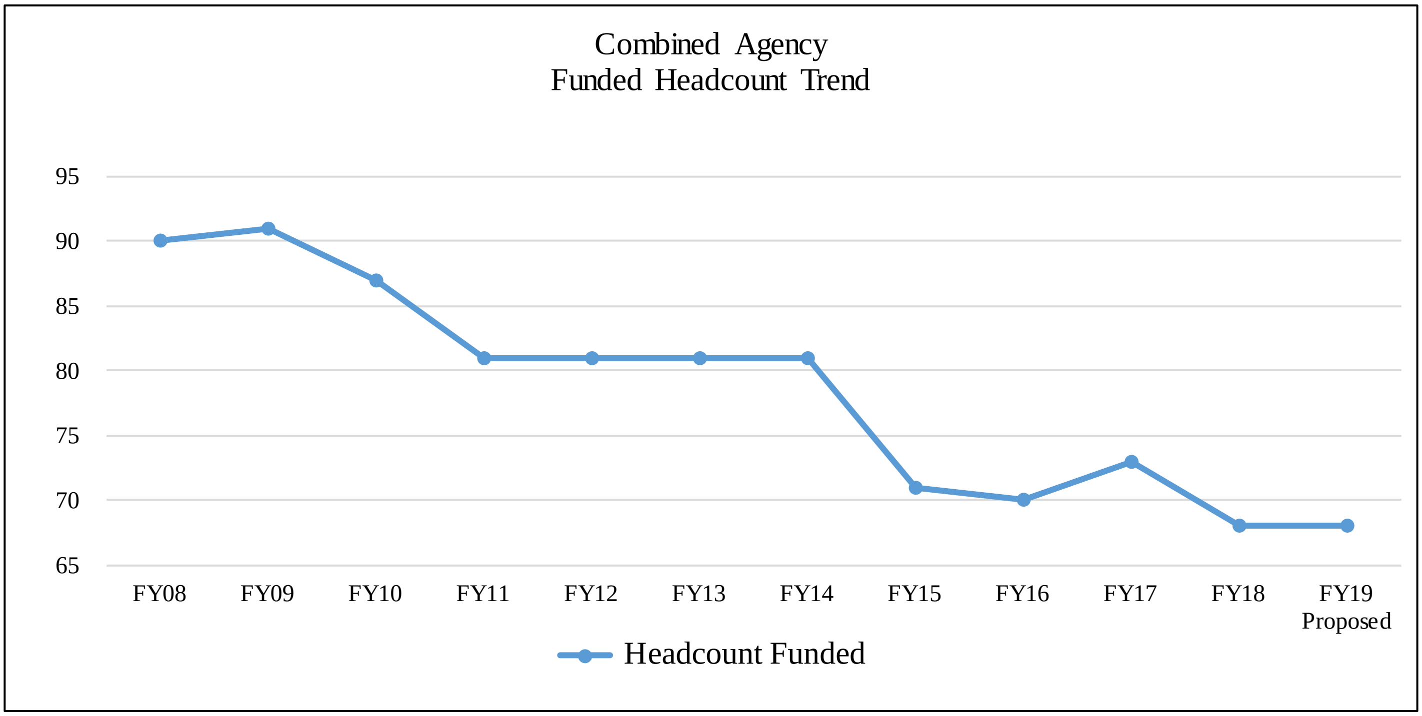
San Joaquin Hills Transportation Corridor Agencies
Fiscal Year 2019 Proposed Budget
($000)

Category	Budget Fund Categories: Plan, Environ & Construction	Budget Fund Categories: Toll Operations Exp & Equip	Budget Fund Categories: Debt Service	Total
Administration:				
Regular Salaries	745	2,517	-	3,262
Internship Program	9	31	-	40
Board Compensation	14	56	-	70
Benefits	271	900	-	1,171
Employer Taxes	13	45	-	58
Insurance	63	748	-	811
Legal Expense	292	1,061	-	1,353
Telephone/Comm	14	46	-	60
Office Expense	50	289	-	339
Educ, Seminar, Membership, Mtgs	36	162	-	198
Consulting and Other Services	399	912	-	1,311
Marketing	-	1,027	-	1,027
Publications & Subscriptions	2	7	-	9
Rents & Leases	132	599	-	731
Building Services	2	8	-	10
Transportation & Travel	24	107	-	131
Office Equipment	5	15	-	20
Pacifica Fixed Assets	39	131	-	170
Total Administration	2,110	8,661	-	10,771
Planning, Environmental and Construction:				
Capital Improvement Plan (CIP):				
Signage Enhancement	2,769	-	-	2,769
Total Capital Improvement Plan	2,769	-	-	2,769
Other Planning, Environmental and Construction:				
Environmental	988	-	-	988
Design Program Mgmt	525	-	-	525
Design Special Studies & Other	228	-	-	228
ROW Acquisitions, Appraisals & Other	75	-	-	75
Total Other Planning, Environ and Constr	1,816	-	-	1,816
Total Planning, Environmental and Construction	4,585	-	-	4,585
Toll Operations:				
Customer Service and Toll Compliance	-	12,305	-	12,305
Toll Systems	-	1,240	-	1,240
Toll Facilities	-	269	-	269
Subtotal Toll Operations	-	13,814	-	13,814
Operations Equipment and Capital Expenditures:				
Transponder Equipment	-	1,456	-	1,456
Toll Equipment & Capital Expenditures	-	2,498	-	2,498
Total Equipment	-	3,954	-	3,954
Total Toll Operations	-	17,768	-	17,768
Debt Service	-	-	107,535	107,535
Total Expenditures	6,695	26,429	107,535	140,659

Staffing

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

The recommended staffing plan for FY19 is 68 funded positions and is allocated 60% to F/ETCA and 40% to this Agency. The following chart shows the change in funded headcount from 2008 through 2018 and the projected 2019 headcount on a combined Agency basis (F/ETCA and SJHTCA). The decrease in FY15 was due to the end of cash toll collections.



The functional area organization chart on the following page illustrates the duties and responsibilities for each executive's division and the number of full time equivalent positions.

In addition to the regular duties and responsibilities that are required to manage the Agencies, there are a number of project initiatives that staff work on each year to achieve Agency goals and objectives. Some of the longer-term projects have been included on the organization chart.

TCA Organizational Structure
Fiscal Year 2019

SJHTCA Board

F/ETCA Board

Chief Executive Officer
3 FTEs

Communications & Marketing
7.25 FTEs

- 6C transition and account simplification project
- Communications Strategy
- Marketing
- Media Relations
- Special Events
- Website
- Graphics
- Presentations
- Publications
- E-newsletters
- Issue Management
- Social Media
- Customer Communication Consistency
- Tourism & Visitor Outreach
- The Toll Roads Rewards Program
- Environmental Outreach
- 241/91 Express Connector Outreach
- Sponsorships

Finance, Contracts, HR & Administration
30.5 FTEs

- 6C transition and account simplification project
- Long-Term Financial Planning & Bond Finance
- Financial Reporting and Cash Flow Management
- Accounting
- Toll Operations Accounting/ Reconciliation/ Auditing
- Annual Audit
- Budgeting
- Treasury
- Finance
- Debt Compliance
- Investor Relations
- Insurance/Risk Management
- Internal Audit
- Development Impact Fee Program
- Administration
- Human Resources
- Recruiting
- Benefits & Compensation
- Employee Relations
- Training & Development
- Contracts & Procurement
- Legislative Financial Support

Toll Operations & IT
12 FTEs

- 6C transition and account simplification project
- Customer Interaction Management
- Call Centers
- Walk-In Customer Service Centers
- Revenue Collection
- Account Management
- Toll Compliance & CHP Program
- Toll System Implementation & Operations
- Cyber Security & Corporate System Support
- Legislative Support
- National Toll Standards
- Interoperability
- Data Management

Engineering & Facilities
7.5 FTEs

- SR 241/91 Express Connector
- South County Traffic Relief Effort
- Oso Bridge
- Capital Improvement Plan
- Special Projects
- Design
- Engineering
- Construction Management
- Real Property
- Caltrans Interface
- Facilities Maintenance

Environmental Planning
3.5 FTEs

- SR241/91 Express Connector
- South County Traffic Relief Effort
- Habitat Stewardship
- Environmental Compliance
- Regional Transportation Plan Coordination
- Project Permitting
- Intergovernmental Project Review
- Mitigation Land Transfer
- NCCP/HCP Compliance
- Wildlife Safety Fencing
- Open Space Acquisition

Strategy & Public Affairs
3.5 FTEs

- South County Traffic Relief Effort
- System Wide Optimization Analysis and Planning
- Oso Bridge
- Develop, Implement & Execute the Strategic Plan & Initiatives
- Translate Strategic Priorities Into Comprehensive & Actionable Plans
- Build Relationships With Stakeholders & Partners at the Local, State & Federal Levels
- Educate & Garner Active Support for TCA
- Establish Open & Candid Communication With Supporters & Opponents
- Discuss Commonalities While Exploring a Wide Range of Solutions
- Develop Annual State & Federal Legislative Platforms
- Legislative Initiatives

Administration - Compensation (Regular Salaries and Benefits)

The Agency employee compensation budget is \$4.5 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. FY19 benefits are 36.0% of salaries.

The FY19 employer contributions to OCERS have been budgeted at 24.76% for legacy employees and 21.86% 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 11.46% that represents payment of the Agencies' unfunded actuarial accrued liability (UAAL). The Agency's UAAL is estimated as of December 31, 2017 at approximately \$4.5 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.

In FY16, the Agency completed a detailed classification study of salary ranges through a consultant and FY17 salary ranges were adjusted based on the results of the study. In FY18, salary ranges were adjusted by 3%. For FY19, the staffing plan includes a 2% adjustment to salary ranges based on current public and private sector data. The recommendation to revise the Agency's salary ranges does not in itself, result in any change to individual employee salaries. Employee salary adjustments are only based on merit increases and/or promotions.

A 4.0% merit pool of \$115,591 based on the current public and private sector data, with an emphasis on like organizations, 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 employee 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 the following rating categories: Exceptional, Exceeds Expectations, Successful/Fully Competent, Development Needed, and Unsatisfactory. The merit increase will be assigned according to the ratings category and is expected to range from 0% to 6%. A 3.0% non-base building performance incentive pool of \$86,692 has been included in the budget and is linked to the FY19 Agency initiatives. This will allow the CEO to reward outstanding achievement on special projects and/or initiatives in accordance with the Agencies' performance incentive award policy.

TCA has contained costs through a net reduction in headcount (81 to 68) since FY12 and reduced benefits by shifting pension and health benefits costs to employees and reduction of accrued leave. Our philosophy and approach to contract out many of our services continues to keep our salaries/benefits lower and manageable.

Administration - Insurance

Insurance expense is budgeted at $811,000, approximately 0.6% of the total budget. The major components of insurance include earthquake, property, general and excess liability, cyber, and workers' compensation coverage as detailed in the annual Current Insurance Coverage Report which was provided at the February 2018 Board of Directors meeting. Policies are marketed and placed by the Agency's insurance broker, Alliant Insurance Services, Inc., who provides all of the Agencies' insurance procurement needs. All insurance is maintained in accordance with the requirements of the Indentures and as prudent business activities dictate.

Administration - Legal Expenses

Legal Expenses are budgeted at $1.4 million, 1.0% of the total budget. Amounts in this category include, but are not limited to, general counsel representation, legislation, support for ongoing and potential litigation, legal consulting related to contract issues, financing, development impact fees, human resources, and claims litigation. Legal expenses are invoiced separately by individual matter, or type of legal issue, and are managed by the individual department managers who require the assistance. Composite rates for general counsel are $255 per hour. Negotiated blended rates related to complex contract issues, and certain real estate issues are $300 per hour. In addition, legal rates related to litigation, lobbying, and public finance are billed at prevailing rates that vary between $ 150 and $ 760 per hour depending on the size and complexity of the matter and the experience and qualifications of the attorney, paralegal or policy advisors assigned to the matter. Below is a breakdown of legal expenses by major category:

Toll Operations	$ 700,000
General/Other	276,000
Contracts	134,000
Environmental	100,000
Development Impact Fees	50,000
Human Resources	48,000
6C transition and account simplification project	25,000
Financing	20,000
Total	$ 1,353,000

Administration - Consulting and Other Services

The Consulting Services category is $1.3 million, which represents approximately 0.9% 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, annual audit services, and the implementation and project management costs associated with the Business Intelligence project. It also includes communications, marketing, and operations consulting for the 6C transition and account simplification project. Additionally, the budget consists of state and national interoperability consultant and testing support, printing and distribution of communications materials, federal and state advocacy, and community/public relations services.

System-Wide Traffic Optimization Study	$ 329,000

Strategic Planning	305,000
Financial Consulting	273,000
Communications & Customer Outreach	120,000
6C transition and account simplification project	110,000
Audit Services	60,000
Toll Operations Services	51,000
Payroll & Personnel Services	31,000
Business Intelligence Project Consulting	25,000
Other Consulting	7,000
Total	$ 1,311,000

Administration - Marketing

Total expenditures for marketing and advertising are budgeted at $1.0 million, representing 0.7% of the total budget. This includes amounts paid for the Agency's marketing consultant for creating and placing radio and digital advertising, design and printing, video production; website design and programming services; support for the 6C transition and account simplification project; 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. The following is the budget associated with these expenses:

Marketing Consultant	$ 700,000
6C transition and account simplification project	150,000
Analytics and Research	100,000
Website Development	50,000
Accountholder Email Communications	27,000
Total	$ 1,027,000

Administration - Rents and Leases

The budget for Rents and Leases totals $731,000, representing 0.5% of the total budget. This category is related to the Agency's rental payments to the F/ETCA for its allocation of space in the Pacifica building and common area maintenance. The lease agreement calls for lease payments to be set annually based upon a current survey of fair market rates of comparable "all-in" leases in the Irvine area. This category also includes rental payments for the San Clemente Information Center (expected to close at the end of FY19).

Administration - Pacifica Fixed Assets

The Pacifica Fixed Assets category is budgeted at $170,000, representing 0.1% of the total budget. This category is related to equipment qualifying for capitalization and includes design consulting for the Customer Service Center Modernization.

Planning, Environmental and Construction - Capital Improvement Plan

The Capital Improvement Plan is budgeted at $2.8 million and represents 2.0% of the total budget. This category consists of the Signage Enhancement project outlined in the Capital Improvement Plan to be presented to the Board of Directors on June 14, 2018.

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

This category totals $1.8 million or 1.3% of the total budget and includes funding for traffic trend and capacity analyses, design program management, title and survey work related to mitigation parcels, in-house consulting assistance, and coordination with the Southern California Association of Governments and OCTA to ensure the Agency's projects are described accurately in regional transportation plans.

Environmental Staff Assistance & Other	$ 603,000
Design Program Management	525,000
Mitigation & Permits	385,000
Traffic Trends/Capacity Analysis	228,000
Surveying & Title	75,000
Total	$ 1,816,000

Toll Operations - Toll Customer Service and Toll Compliance

The Toll Customer Service and Toll Compliance category totals $12.3 million, approximately 8.7% of the total budget, and primarily includes funding for the service center operations and toll compliance activities comprised of customer service and violation processing staff and management costs for the customer service operator Faneuil, Inc., customer service system maintenance and toll processing costs for BRiC-TPS LLP, and license plate image-based transaction processing costs for Global Agility Inc. 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 system expenses. 6C transition and account simplification project costs include postage, printing, call center labor and transponder fulfillment. Fees are included in this category for the Costco, AAA, and Albertsons FasTrak enrollment programs. The budget associated with these expenses is detailed below:

Credit Card Processing Fees	$ 3,719,000
Customer Service Contract	3,718,000
Postage & Printing	1,721,000
Customer Service System Maintenance	1,322,000
6C transition and account simplification project	918,000
Enforcement Services & Other	647,000
Other Customer Service	213,000
Projects	47,000
Total	$ 12,305,000

Toll Operations - Toll Systems

The Toll Systems category totals $1.2 million, or approximately 0.9% of the total budget and, as detailed below, primarily consists of fees for the tolling systems software and hardware maintenance and operation contract with TransCore LP. Also included in this category are toll system spare parts and repairs, software licenses, and various computer maintenance contracts.

On-Road Toll System Maintenance	$ 982,000
Computer/Software Maintenance & Support	135,000
Projects	123,000
Total	$ 1,240,000

Toll Operations - Toll Facilities

This category is budgeted at $269,000 representing 0.2% of the total budget, and accounts for all costs associated with maintaining the Agency's facilities on the road system such as utilities, janitorial services, and other various supplies and repairs.

On Road Building Maintenance Services	$ 131,000
On Road Utilities	138,000
Total	$ 269,000

Toll Equipment & Capital Expenditures

The Toll Equipment & Capital Expenditures budget is $4.0 million, approximately 2.8% of the total budget. Toll Equipment & Capital Expenditures primarily consists of current and 6C Protocol Transition transponder costs and the Customer Service Center Back Office System Replacement Project. Other items include mobile app enhancements, uninterruptible power supply (UPS) replacements, and servers.

Transponders	$ 1,456,000
CSC Back Office System Replacement Project	1,344,000
6C transition and account simplification project - Transponders	1,065,000
Other Equipment	89,000
Total	$ 3,954,000

Debt Service

The Debt Service category totals $107.5 million or 76.5% of the total budget and includes principal and interest payments on the Agency's outstanding bonds. Scheduled debt service for FY19 include principal payments on the 1997 Bonds of $4.2 million and sinking fund deposits of $35.5 million due on January 15, 2019. Sinking fund deposits are considered debt service in the year the deposits are made, however, the funds are paid to bondholders in future years. Interest payments on the 2014 Bonds are $67.8 million for FY19, with approximately $33.9 million to be paid on each January 15, 2019 and July 15, 2019.

The FY19 budgeted aggregate and senior lien debt service coverage ratios shown on the following page meet the Indenture requirements of 1.10x and 1.30x, respectively. The budgeted coverage is 1.62x and 1.89x, respectively, and does not include the use of reserves or escrow defeasance. Adjusted Net Toll Revenues only includes certain revenues and interest earnings in certain accounts per the Indentures. Development impact fees are not included in the calculation. While development impact fees are not included in the budget calculation of the debt service coverage ratios, the Indentures allow for development impact fees that are remaining after each debt service payment to be added to the calculation thereby enhancing the debt service coverage calculation. The Indentures refer to this as Enhanced Adjusted Net Toll Revenues and this enhanced calculation will be used for actual debt service coverage covenant reporting. Current expenses include expenditures that are allocated to operations (as shown in the second column of the schedule on page 21).

Debt Coverage Calculation Fiscal Year 2019

	FY19 Budget ($000)
Adjusted Net Toll Revenues	
Total Toll Revenues Including Fees and Penalties	196,806
Interest Earnings *	3,383
Current Expenses - Funded From Toll Revenue	(26,429)
Adjusted Net Toll Revenues	173,760
Aggregate Net Debt Service	
Aggregate Debt Service	107,535
Aggregate Coverage Ratio (1.10x requirement)	1.62
Senior Lien Net Debt Service	
Senior Lien Debt Service	92,105
Senior Lien Coverage Ratio (1.30x requirement)	1.89

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

Estimated Unrestricted Cash Fund

Below is the FY19 budgeted activity and estimated ending balance for the unrestricted cash fund, as described in more detail on page 5:

Estimated Unrestricted Cash
($000)

Estimated Available Cash at 6/30/18	156,585
Construction and Related Administration	(6,695)
Surplus Revenue	70,170
DIF Revenue and Interest Income	8,623
Estimated Available Cash at 6/30/19	228,683

RESOLUTION NO. S2018-02

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN JOAQUIN HILLS TRANSPORTATION CORRIDOR AGENCY APPROVING THE BUDGET FOR FISCAL YEAR 2019

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

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

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

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

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

WHEREAS, Article VI, paragraph 6.5 of the Administrative Code of the Agency adopted on January 10, 1991 and amended on June 9, 2016, 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 San Joaquin Hills Transportation Corridor Agency does resolve, declare, determine and order as follows:

1. Approves the annual budget for Fiscal Year 2019 (FY19) in the amount of $140,658,943. 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 in the FY19 Annual Budget report.

2. Authorizes the Chief Executive Officer to reallocate within budget categories as long as the budget for the following categories does not exceed the amount stated:

• Administration	$10,770,205
• Planning, Environmental and Construction	$4,585,182
• Toll Operations	$17,768,246
• Debt Service	$107,535,310

   and subject to controls in place under the 1997 and 2014 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 2017 Federal Transportation Improvement Program (FTIP) and 2016 Regional Transportation Plan/Sustainable Communities Strategy (RTP/SCS), and to include the updated schedule and project budget approved by this resolution in all subsequent FTIP updates including the 2019 FTIP, and, and all RTP/SCS updates including the 2020 RTP/SCS, for the Southern California Association of Governments (SCAG) region.

4. Directs the staff to forward the approved Annual Budget for FY19 to the trustee.

This Resolution No. S2018-02, shall become effective immediately upon adoption.

Adopted this 14th day of June 2018, by the Board of Directors of the San Joaquin Hills Transportation Corridor Agency.

Fred Minagar

Fred Minagar, Chair
San Joaquin Hills Transportation Corridor Agency

RESOLUTION NO. S2018-02

A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE SAN JOAQUIN HILLS TRANSPORTATION CORRIDOR AGENCY
APPROVING THE BUDGET FOR FISCAL YEAR 2019

ATTEST:

I, Martha M. Ochoa, Secretary/Clerk of the Board of the San Joaquin Hills Transportation Corridor Agency hereby certify that the foregoing Resolution No. S2018-02 was duly adopted on June 14, 2018, by the Board of Directors of the San Joaquin Hills Transportation Corridor Agency by the following vote:

Yes:	Director Bartlett, Director Heft, Director Martinez, Director Maryott, Chair Minagar, Director Munzing, Vice-Chair Peotter, Director Righeimer, Director Sachs, Director Shea, Director Viczorek, Alternate Ward
No:	Alternate Gardner
Absent:	None
Abstain:	Alternate Moore

Martha M. Ochoa

Martha M. Ochoa
Secretary/Clerk of the Board
San Joaquin Hills Transportation Corridor Agency