RESOLUTION NO. S2012-04

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN JOAQUIN HILLS TRANSPORTATION CORRIDOR AGENCY APPROVING THE BUDGET FOR FISCAL YEAR 2013

On motion of Board Member Allevato 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 applicable to governmental entities and all revenues and expenditures must be reported to the Board; and,

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

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

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

NOW, THEREFORE the Board of the San Joaquin Hills Transportation Corridor Agency does resolve, declare, determine and order as follows:

1. Approves the annual budget for Fiscal Year 2013 (FY13) annual budget in the amount of $111,163,190. The approval includes Administration, Planning, Environmental and Construction, Toll Operations expense and Equipment, Debt expenses, the proposed staffing plan as described in the budget, and projected Revenues, including without limitation the adoption of the "proposed" toll rates, fees, and fines, as presented at the Board meeting on June 14, 2012.

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	$6,171,384
• Planning, Environmental and Construction	$3,789,321
• Toll Operations	$8,015,216
• Debt Expenses	$93,187,269

   and subject to controls in place under the 1993 and 1997 Indentures of Trust, the Board approved Contracts and Procurement Manual, Investment Policy, Staffing and Compensation Plan, and finally the Agency's enabling legislation.

3. Directs the staff to forward the approved Annual Budget for FY13 to the trustee.

This Resolution No. S2012-04, shall become effective immediately upon adoption.

Adopted this 14th day of June, 2012, by the Board of Directors of the San Joaquin Hills Transportation Corridor Agency.

Scott Schoeffel

Scott Schoeffel, Chairman
San Joaquin Hills Transportation Corridor Agency

RESOLUTION NO. S2012-04

A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE SAN JOAQUIN HILLS TRANSPORTATION CORRIDOR AGENCY
APPROVING THE BUDGET FOR FISCAL YEAR 2013

ATTEST:

I, Kathlee Loch, Clerk of the Board of the San Joaquin Hills Transportation Corridor Agency hereby certify that the foregoing Resolution No. S2012-04 was duly adopted on June 14, 2012, by the Board of Directors of the San Joaquin Hills Transportation Corridor Agency by the following vote:

Yes: Carruth, Hack, Krom, Reardon, Campbell, Schoeffel, Hill, Allevato, Grangoff, Sarmiento, Monahan

No:

Absent: Dahl, Lindholm, Tsunoda

Abstain:

Kathleen Loch

Kathleen Loch, Clerk of the Board
San Joaquin Hills Transportation Corridor Agency

Carolyn LeBail

Carolyn LeBail, Assistant Secretary of the Board
San Joaquin Hills Transportation Corridor Agency

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

Report No. 18
File No. 2012S-008

REVISED
JUN - 7 2012

BOARD MEETING DATE: June 14, 2012

SUBJECT: San Joaquin Hills Transportation Corridor Agency Fiscal Year 2013 Annual Budget

STAFF RECOMMENDATION:

1. Approve Resolution No. S2012-04 entitled "Resolution of the Board of Directors of the San Joaquin Hills Transportation Corridor Agency Approving the Budget for Fiscal Year 2013" in the amount of $111,163,190.

2. Approve Resolution No. S2012-05 entitled "Resolution of the Board of Directors of the San Joaquin Hills Transportation Corridor Agency Amending the Budget for Fiscal Year 2013", in the amount of $81,211 for a merit pool, related benefits, and employer taxes, to a total of $111,244,401.

CONTRACTOR/CONSULTANT: N/A

COST: F/E = N/A
SJH = $111,244,401

REPORT WRITTEN BY: Amy Potter, Director of Finance

REVIEWED BY:

Engineering/Environmental mak
Communications/Public Affairs LT
Finance/Administration
Toll Operations JTG.
Chief of Staff

SAN JOAQUIN HILLS
TRANSPORTATION CORRIDOR AGENCY

The Toll Roads®

Stop sitting. Get moving.

Fiscal Year 2013 Proposed Budget

San Joaquin Hills
Transportation
Corridor Agency

Chairman:
Scott Schoeffel
Dana Point

Transportation Corridor Agencies

Foothill/Eastern
Transportation
Corridor Agency

Chairman:
Bill Campbell
County of Orange

Dear Chairman Schoeffel and Board Members:

Re: San Joaquin Hills Transportation Corridor Agency's Fiscal Year 2013 Budget

The Budget proposed for Fiscal Year 2013 has been prepared to continue efficient operation of the 73 Toll Road and to move the All Electronic Tolling (AET) initiative from the planning stage to implementation.

For the past two years extensive analysis has been conducted to determine the best and most efficient way to operate toll collection into the future. Staff's conclusion is that AET will reduce long-term maintenance and replacement costs and offer more payment alternatives for toll road customers, resulting in a net benefit for revenue. Phase 4 (implementation) is expected to take 16 months beginning in the summer of 2012 and concluding with the full transition to AET in the fall of 2013.

We will wrap up FY12 with expenses, net of debt service payments, \$978,000 lower than the FY12 budget. The proposed expenditure budget for FY13 is \$111.2 million. The budget, excluding debt payments, is \$3.4 million higher than the amended FY12 budget primarily due to costs associated with the implementation of AET.

The budget reflects the agency's traffic consultant's recommended toll rate increases of \$0.50 for cash transactions and ten percent for FasTrak® transactions at the Catalina View Toll Plaza and \$0.25 for cash transactions and ten percent for FasTrak transactions at Aliso Creek Rd., El Toro Rd., Newport Coast Drive, and Bonita Canyon Drive. No increases are proposed at the La Paz ramp plaza. Increases are not proposed for the violation penalty rates or account maintenance fees.

In May 2011, bondholders consented to amending the 1993 and 1997 bond Indentures and approved a Supplemental Indenture to amend certain terms. The amendments added additional requirements including mandatory use of a Traffic and Revenue consultant to determine maximum revenue while considering negative long-term impacts from traffic diversion annually, transfer of excess toll revenue to a toll stabilization fund to be used for future debt service payments, and the requirement to receive bondholder approval for additional capital projects funded with excess toll revenues.

Continuing to increase revenue year-over-year per the traffic and revenue consultant's recommended maximum revenue toll rates is necessary to meet the agency's obligations as outlined in the bond amendment, approved in May 2011. With the toll rates proposed, total

Thomas E. Margro, Chief Executive Officer

125 Pacifica, Suite 100, Irvine, CA 92618-3304 • P.O. Box 53770, Irvine, CA 92619-3770 • (949) 754-3400 Fax (949) 754-3467
www.thetollroads.com
Members: Aliso Viejo • Anaheim • Costa Mesa • County of Orange • Dana Point • Irvine • Laguna Hills • Laguna Niguel • Laguna Woods • Lake Forest
Mission Viejo • Newport Beach • Orange • Rancho Santa Margarita • Santa Ana • San Clemente • San Juan Capistrano • Tustin • Yorba Linda

revenue is estimated to be $112.5 million and will meet the agency's fiscal requirements for FY13.

In Fiscal Year 2012 we had a number of accomplishments, especially in the area of customer service. In August a new website design was launched that enables FasTrak® customers to login to their account directly from the website's home page and includes a new toll calculator that utilizes an interactive map of The Toll Roads. In FY13, we plan to further enhance website navigation and content, utilize search engine optimization (SEO) to maximize The Toll Roads' visibility in search results, and expand the board meeting agenda sections to include agendas, staff reports, minutes, and Board Meeting highlights. We will also expand the account sign-up process for the new License Plate Tolling (LPT) accounts as part of the AET initiative.

In April a mobile phone app was launched that gives TCA FasTrak customers the ability to manage their account, including adding vehicles and making payments directly from their iPhone or Android.

Ongoing promotions continued to give toll road customers added benefits. The "Drive to win $500 in tolls" promotion rewards drivers who use The Toll Roads the most by adding their name to a monthly drawing to win free tolls each time they pay a toll. The program has been popular with our drivers and as of April, more than 80,400 accountholders were registered for the drawings. The campaign is ongoing and winners include a gas station owner, Camp Pendleton employee, homemaker, accountant, and construction manager. Our "Toll Road Tuesdays" offer also continues to be successful. Every Tuesday cash customers receive a coupon at mainline toll plazas and FasTrak customers are emailed the month's offer if they drive on The Toll Roads the first Tuesday of the month. Some examples of customer offers in FY13 include discounts tickets for Anaheim Ducks, Mountain High Ski Resort, LEGOLAND and the popular Orange County Market Place.

Finally, a long-term goal of partnering with the Automobile Club of Southern California (AAA) was reached in FY12. As part of AAA's "Show Your Card and Save" program AAA members can now receive a 20% discount when they sign up for a TCA FasTrak account through the AAA website. Plans to begin issuing FasTrak transponders at AAA offices in Orange County are in the works and could be implemented in FY13.

Staff and I have identified FY13 project initiatives based on input from Board Ad Hoc committees to reach the agency's goals of ensuring financial flexibility and long term sustainability, excellent customer service, and maintaining the system in a state of good repair. (See appendix A)

Highlights include:

<u>Fully Integrated Long-Range Financial Planning</u>
The agency will develop a fully integrated financial model that will facilitate long-range planning and serve as a framework for financial policy setting to ensure sufficient working capital and financial flexibility.

<u>Federal Legislative Program</u>
In FY12 we began focusing on reforms to the National Environmental Protection Act (NEPA) as part of our federal legislative efforts along with close monitoring of the House and Senate's Transportation Bill for changes to the TIFIA program and the proposal for national toll

interoperability. On April 25 I testified before a subcommittee of the House Judiciary Committee to support a bill proposed by the US Chamber of Commerce that includes provisions for NEPA reform.

Since October we have briefed and continue to communicate with the senior senator from California and every member of the Orange County Congressional delegation as well as key members representing parts of northern San Diego County on our plans for the Tesoro Extension. I am pleased to report that our plans have been met with enthusiasm and support as well as offers of assistance.

<u>Marketing and Outreach</u>
In FY11, a three year marketing plan was launched for The Toll Roads to increase overall usage, to increase awareness by reinforcing the benefits of FasTrak and to position The Toll Roads as a partner within the local community. In FY13, the marketing program will continue with its original goals, but also gear up for the implementation of AET. The AET marketing plan includes three phases – Phase 1) campaign to increase FasTrak accounts prior to the availability of License Plate Tolling (LPT) account options. Phase 2) campaign to convert cash customers to the new LPT accounts which will allow customers to sign up to drive The Toll Roads without the need for a transponder. Instead, a photo will be taken of their license plate and they will have the option of prepaying tolls into their account, have their credit card charged at the end of each day that The Toll Roads are used, or have an invoice mailed to them at the end of each month. Phase 3) Awareness campaign when cash is removed from The Toll Road system. Phase 3 will take place in FY14. The AET marketing program will be supported by a media relations campaign and extensive community outreach.

Marketing research was conducted in FY12 and found that the benefits of FasTrak for FasTrak customers, cash customers and non-users are similar. All groups noted the following as FasTrak benefits:

- No stopping
- Lowest toll
- Interoperability (use of other toll roads/lanes/bridges in California)

Fastrak customers and non-users stated the following as the benefits of the proposed License Plate Tolling (LPT) accounts:

- No stopping
- Uses license plate/no transponder needed
- No prepayment required

The information gained from the marketing research will be incorporated into the FY13 marketing program.

<u>Environmental Initiatives</u>
For the twelfth year in a row, TCA hosted free, guided spring tours that showcased the various native habitats that were restored, protected and preserved with the construction of the 73 Toll Road. In FY12, new tours were added at the Strawberry Farms restoration site and Saddle Creek South/Live Oak Plaza, which was jointly hosted with the Orange County Transportation Authority (OCTA). As seen in previous years, tours are very popular with the community and approximately 60 people took advantage of the opportunity to view native habitat that very few people in Orange County have ever seen.

Maintenance and monitoring of the agency's existing mitigation areas will continue in FY13

Maintaining the System in a State of Good Repair
To maintain the toll road system, the agency will continue its program to upgrade violation cameras at the Portola North and Irvine West locations in FY13. This will also be the third year of a six year plan to replace toll systems servers. In addition, transponder readers will be replaced with new multimode readers at the Tomato Springs and Orange Grove plazas.

In FY12, the image based toll collection technology demonstration grant project moved forward with the installation of three of four on-road demonstration camera systems which are collecting images. The fourth camera system will be received by the end of the FY12. System suppliers are currently tuning their systems for maximum performance in anticipation of the start of the demonstration, scheduled to begin mid-summer 2012. Front and rear images of every vehicle are captured and license plates are read and sent along with the images to the hierarchical image storage system which was also developed under the grant. A demonstration scenario is being developed for the fifth camera system acquired.

The San Joaquin Hills Transportation Corridor Agency's budget was developed to enable TCA to provide toll road customers an efficient and free-flowing way to travel in Orange County. We've worked hard to manage expenses and are mindful of the challenges we face due to the economy's slow growth. The budget proposed allows the agency to move forward on important projects for our customers while continuing to improve mobility in Orange County.

If you have any questions as you review this letter or the enclosed budget package, please feel free to contact me or Chief Financial Officer Jan Mazyck, at 949-754-3432.

Sincerely,

T. E. Margro

Thomas E. Margro
Chief Executive Officer

San Joaquin Hills
Transportation Corridor Agency

Budget Process and Format

Fiscal Year 2013 Proposed Budget

Budget Process

The primary goals within the San Joaquin Hills Transportation Corridor Agency's (SJHTCA) vision statement provide direction to agency staff in preparing the annual operating and capital budget requests. The Master Indentures of Trust (Indentures), established in the context of the agency's 1997 refunding and 1993 bond issuance, provide the financial parameters for the agency in the development of the budget. The indentures provide the scheduled future debt service payments and the required coverage ratio that must be obtained each fiscal year and establish financial constraints, which may impact the agency's ability to undertake additional projects.

At the beginning of the process, the executive team sets the objectives for the next fiscal year while considering both near-term and long-term agency goals and direction from the Board of Directors. Based on input received from Board Members during last year's budget process, the FY13 budget process began with a Pro Forma budget presentation at the Operations and Finance Committee meeting on January 31, 2012 to get Board feedback and direction on proposed revenues and expenditures. The agency's traffic consultant attended the meeting and presented an overview of the agency's toll revenue history with an emphasis on the FY12 projected results and toll rate elasticity, and how current economic trends may affect transactions. Staff presented preliminary results for FY12 revenue and expenditures and proposed FY13 project initiatives.

In addition to incorporating Board member input received during the Pro Forma meeting, department managers review the status of projects for the current year and develop project initiatives for the next fiscal year with the agency's goals and objectives in mind. The finance staff works jointly with each department to compile budget expenditure requests. After all project initiatives and budget requests are reviewed by executive management, the proposed annual budget is presented to the SJHTCA Board of Directors at a workshop to obtain direction and feedback on the proposed budget. This year, the workshop was held in April and included a detailed review of both revenues and expenditures rather than in two separate workshops as in prior years. As with the addition of the Pro Forma presentation, this change in the workshop format and timing was based on prior year Board feedback. Any changes received during the workshop are incorporated into the budget and presented to the Operations and Finance Committee for review and recommendation to the Board of Directors for approval. The Board of Directors adopts the annual budget at the June board meeting for the fiscal year starting the following July. Approval of the budget requires consent of at least two-thirds of the Board Members. Expenditures during the year must be made in accordance with the agency's policies, and expenditures in excess of the total of each budget category as defined in the budget resolution cannot be made without the approval of at least two-thirds of the Board Members at which time a revised and amended budget is submitted to the Board of Directors. The agency is required to file copies of the annual budget with the Trustee on or before the 20th day of July each fiscal year in accordance with the Indentures.

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

- Administration
- Planning, Environmental and Construction
- Toll Operations
- Debt Expenses

All budget appropriations lapse at year-end. Any amounts not accrued at each year-end must be re-appropriated in the next fiscal year.

Budget Format

The Fiscal Year 2013 (FY13) proposed uses budget for the SJHTCA totals $111.2 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. Expenses directly related to the SJHTCA are charged entirely to the agency and those incurred on behalf of both the agency and the Foothill/Eastern Transportation Corridor Agency (F/ETCA) are allocated between the 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 Operating Expenses and Equipment, 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 categories. A more detailed discussion of the expenditures proposed for FY13 is included in the Sources and Uses section.

Toll Operations Expenses and Equipment

The Toll Operations Expenses and Equipment budget includes funding for the toll operations activities including operating administration costs. The proposed FY13 Toll Operations Expenses and Equipment budget is $12.4 million.

The primary sources of funds available for Toll Operating Expenses and Equipment are toll revenues, violation and account maintenance fees, and interest income from toll operations' related accounts. Pursuant to the Indentures, operating expenses are funded ahead of debt service.

Amounts allocated to Toll Operations Expenses and Equipment are costs associated with maintaining and operating the toll equipment, software and systems as well as the customer service centers, toll collection processing, all other monthly operating expenses, and transitional costs related to Strategic and Policy Planning Study-All Electronic Tolling (AET). The major costs budgeted for these activities include the contract costs associated with the agency's toll systems lane hardware and software operation and maintenance, currently under contract with TransCore LP (TransCore); toll attendant services currently under contract with Central Parking System, Inc. (CPS); and customer service and toll compliance services currently under contract with VESystems, LLC (VES) which includes operation of the FasTrak® service center and FasTrak toll processing, and review and processing of vehicle plate images and violation collection processing services. AET transitional costs include the addition of VES contract staff during the last three months of the fiscal year to prepare for additional customer service and image processing during the transitional phase of AET and a plan to cover money counting room and on road collection services through the CPS contract if the agency experiences attrition before the complete implementation of AET. Also included in Toll Operations Expense and Equipment are all toll equipment purchases such as transponders, system software, and in-lane toll and violation processing equipment. In addition, a portion of agency administration costs allocated to operation activities including insurance, salaries and benefits, rents, consulting, legal, and office expense are included in this budget category.

Planning, Environmental and Construction Expenses

The budget for Planning, Environmental and Construction includes 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 financial statements as an addition to construction in progress, when appropriate, until the roads are transferred to Caltrans, as required. It is at the point of transfer to Caltrans that the costs of the project are then expensed on the financial statements as a contribution to Caltrans. To date, 16 miles of the SJHTCA toll system have been transferred to Caltrans. The costs associated with such projects are budgeted in the year the disbursement is made, not when the project is transferred to Caltrans. The proposed budget for these activities and projects to be disbursed in FY13 totals $5.6 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 and environmental activities including the development impact fee program. Many of these expenses are allocated between the agency and F/ETCA and between Toll Operations as discussed above. The allocation between Planning, Environmental, and Construction and Toll Operations for this agency is shown in the schedule on page 27 of this document.

One source of funds for Planning, Environmental and Construction expenses is from non-indentured funds, which consists of development impact fees collected in prior years. Each year, the first $2.5 million in development impact fees received by the agency is available to fund expenditures or increase reserves. Toll, fee and penalty revenues are first available to pay operations costs, then debt service. After debt service is paid, reserves required under the agency's bond Indentures must be filled. The debt service reserve fund requirement has been fully met and revenues in excess of operating expenses and debt are then used to fund up to $2 million in planning, environmental and construction expenses. The remaining amount will be deposited in the toll stabilization account to be used for future years' debt service. In November 2005, the agency entered into a Mitigation Payment and Loan Agreement with the Foothill/Eastern Transportation Corridor Agency (F/ETCA). The agreement called for $120 million in mitigation payments for the anticipated loss of revenue due to the construction of the 241 completion project. The agreement restricts the usage of the mitigation payments to defined capital improvement projects, up to a maximum of $17 million, and debt service. By the beginning of FY10, the agency had received the entire $120 million from the F/ETCA. The funds helped the agency achieve the 1.3x coverage requirement in FY06-FY12. The funds also allowed the debt service reserve fund to be fully funded. The remaining amount not used for defined capital improvement projects and debt service or deposited in the debt service reserve fund was transferred to the toll stabilization fund in FY12.

In addition to the mitigation payments, the agreement calls for F/ETCA to provide loans to the agency on an as-needed basis up to $1.04 billion to assist the agency in achieving its debt service coverage of 1.0x (as amended). To date, no amounts have been borrowed. The agreement also stipulates that if commencement of the construction of the 241 completion project does not occur by December 31, 2015, the mitigation payments will be added to the principal amount of the loan.

<u>Debt Expenses</u>

Debt Expenses include 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 FY13 budget for Debt Expenses is $93.2 million.

In FY93 the agency issued $1.17 billion in long-term toll revenue bonds to finance construction of the San Joaquin Hills Transportation Corridor. During 1997, the agency issued fixed rate, tax-exempt toll road refunding revenue bonds in the aggregate amount of $1.4 billion to advance refund all but $220 million of the original issuance of long-term toll revenue bonds.

In May 2011, bondholders consented to amending the 1993 and 1997 Indentures and approved a Supplemental Indenture to amend certain terms of $430 million of convertible capital appreciation bonds that had original maturity dates in 2018, 2020, 2022, 2023 and 2024. The primary change in terms for these bonds was to extend the originally scheduled maturity dates.

The 1997 bonds, which pay interest semi-annually, are to be repaid primarily from toll revenues. Portions of the outstanding bonds are capital appreciation bonds and convertible capital appreciation bonds. The 1997 bonds not amended by the Supplemental Indenture are due and payable on dates ranging from January 15, 2000 to January 15, 2036. The interest on the remaining 1993 bonds is due semi-annually. The outstanding principal of the remaining 1993 bonds is due and payable in 2033. The $430 million of bonds restructured through the second Supplemental Indenture have a ten year accretion period. Interest payments will be made semi-annually beginning January 15, 2022. The bonds are due and payable between 2037 to 2042.

Coverage Ratio

With the consent from bondholders in May 2011, the Indentures were amended to change the agency's debt service coverage ratio requirement from 1.3 to 1.0 with the ability to use cash available in reserves to meet the debt service coverage ratio requirement so long as revenues are optimized through the rate setting process. The agency's adjusted net toll revenue (toll revenues plus interest income on certain accounts, less operating expenses) must be at least 100% of the current year's net debt payments. When compiling the operating budget, the agency staff ensures that the revenues and expenses budgeted provide the necessary coverage ratio as defined in the amended Indentures. The attached proposed revenue and expenditure budgets for debt service and operating expenses result in a coverage ratio of 1.04x without the use of any reserves or toll stabilization funds. A schedule showing the calculation is included on page 35 of this document.

San Joaquin Hills
Transportation Corridor Agency

Sources

and

Uses

Fiscal Year 2013 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, 2013.

Total sources include revenues budgeted in FY13 as well as cash on hand from development impact fees and surplus revenues collected and available to the agency from previous years, and amounts in the debt service accounts and toll stabilization fund that are restricted for debt service.

Below is a summary of total funds on hand and the amount of these funds available to fund the FY13 budget as well as future budgets (in thousands).

Estimated Total Funds on Hand at 6/30/12	$ 342,544	
July Activity Related to FY12	(28,207)	
Adjusted Estimated Total Funds on Hand at 6/30/12	314,337	
Less Maintenance Facility Commitment	(7,800)	
Less Operating Reserves	(18,315)	
Less Debt Service Reserves	(225,685)	
Estimated Cash Available excluding Reserves to Fund FY13 and Future Budgets	$ 62,537	
Cash on Hand Restricted For Debt Service	$ 48,412	*
All Other Cash Available to Fund FY13 and Future Budgets	14,125	
Estimated Cash Available to Fund FY13 and Future Budgets	$ 62,537	

* Includes Toll Stabilization Funds of $30,755

Total uses include all budgeted expenses requiring a cash outlay.

The statement of sources and uses of funds shows sources less cash uses to arrive at cash available to fund subsequent budgets.

The following statement includes the approved FY12 budget, as amended, including transfers within the CEO's authority, staff projected FY12 sources and uses based on actuals through March 2012 and the proposed budget for FY13.

San Joaquin Hills Transportation Corridor Agency
Sources and Uses of Funds
Fiscal Years 2012 through 2013
($000)

Description	FY 2012 Amended Budget @ 3/31/2012	FY 2012 Estimated Actuals	FY 2013 Proposed Budget
Sources:			
Toll Revenue	87,556	88,803	91,519
Fees and Penalties	11,100	12,500	12,800
Development Impact Fees	1,000	3,500	3,500
Interest Earnings	6,504	5,745	4,710
Other Revenue	-	-	-
Cash on Hand Restricted For Debt Service	43,379	43,379	48,412
All Other Cash Available to Fund Current and Future Budgets	12,378	12,378	14,125
Total Sources of Funds	161,917	166,305	175,066
Cash Uses:			
Planning and Environmental Administration	1,379	1,216	1,776
Planning, Environmental and Construction	689	676	3,789
Toll Operating Administration	4,876	4,350	4,396
Customer Service and Toll Compliance	4,073	3,968	4,163
Toll Systems	1,563	1,519	1,602
Toll Collections	1,216	1,211	1,308
Toll Facilities	410	372	410
Toll Equipment	408	324	532
Debt Service	90,132	90,132	93,187
Total Cash Uses	104,746	103,768	111,163
Subtotal	57,171	62,537	63,903
Less Restricted Cash For Future Debt Service	48,412	48,412	51,597 *
Projected Available Cash	8,759	14,125	12,306
Total Budget	104,746	103,768	111,163

* Includes Toll Stabilization Funds of $33,127. See Toll Stabilization Fund Schedule on page 38 for detail.

Sources Summary

Over the past several years the economy has presented financial challenges with respect to transactions and toll revenue. The agency has continued to operate in a fiscally conservative manner and has substantially reduced operating expenses while still providing customers with the best service possible. The expense reductions are discussed in more detail in the Uses Summary section of this document. In addition to expense reductions, the agency has adjusted toll rates and fees where possible. The agency needs to continue to plan for the future and adjust rates and increase ridership in order to achieve revenues at a level that supports the agency's debt obligations. The Indentures require the agency to utilize a traffic consultant in establishing toll rates that will maximize toll revenue while minimizing negative long term impacts from traffic diversion.

The agency has also focused on customer incentives and promotions to maintain and build transactions and revenues. The expense section includes a discussion of the incentive programs proposed for FY13.

During the April 18, 2012 budget workshop, staff presented the Board with recommended options for toll rates, account maintenance fees and violation penalties. Subsequent to the budget workshop, a memo was distributed to the Board explaining the amended Indenture requirements for maximizing tolls and the rationale for the traffic consultant's recommendation. The FY13 budget for sources of funds is based on the staff recommendations made to the Board during the workshop and included in the memo (attached as Appendix B).

At the beginning of FY13, the agency expects to have cash on-hand totaling $62.5 million from non-indenture funds, interest earnings, and debt service accounts which can be used to fund the budget. During FY13, Toll Revenues, Fees and Penalties, Interest Earnings, and Development Impact Fees are budgeted at $112.5 million. Below is a brief explanation of each of these funding sources.

Toll Revenues

The budget for FY13 Net Toll Revenue of $91.5 million, or 81.3% of total revenue, is a combination of the agency's estimate of transactional toll revenue reduced by estimated violations. The FY13 budget assumes gross transactional toll revenue of $94.7 million, which equates to approximately 55% of the 1997 traffic and revenue projection for FY13 and which represents a 3.1% increase over projected FY12 transactional toll revenue.

The proposed 3.1% increase is achieved by implementing the traffic consultant's toll rate recommendation to maximize revenues while considering the effects of long term diversion. The recommended rates include increases of $0.50 peak and off-peak cash and 10% FasTrak at Catalina View, $0.25 cash and 10% FasTrak at Aliso Creek, El Toro, Newport Coast, and Bonita Canyon. Total transactions as a result of toll rate increases are expected to result in a traffic diversion of -4.2% based on the traffic consultant's analysis. Violations for FY13 are assumed to occur at a rate of 3.4% of transactional toll revenue based on current trends, or $3.2 million, of which $1.7 million, or 1.8% of transactional toll revenue represents unprocessable violations (primarily vehicles with no license plates) and non-revenue transactions (primarily toll attendants driving to the toll plaza for their shift work purposes, 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 $88.8 million in Net Toll Revenue in FY12. This consists of $91.9 million of transactional toll revenue reduced by estimated violations of $3.1 million.

The amount budgeted for Toll Revenues in FY13 considered both this estimate and the projected impact of the recommended toll rate increases, as well as current economic conditions, and the traffic and revenue analysis performed by Stantec (traffic consultant).

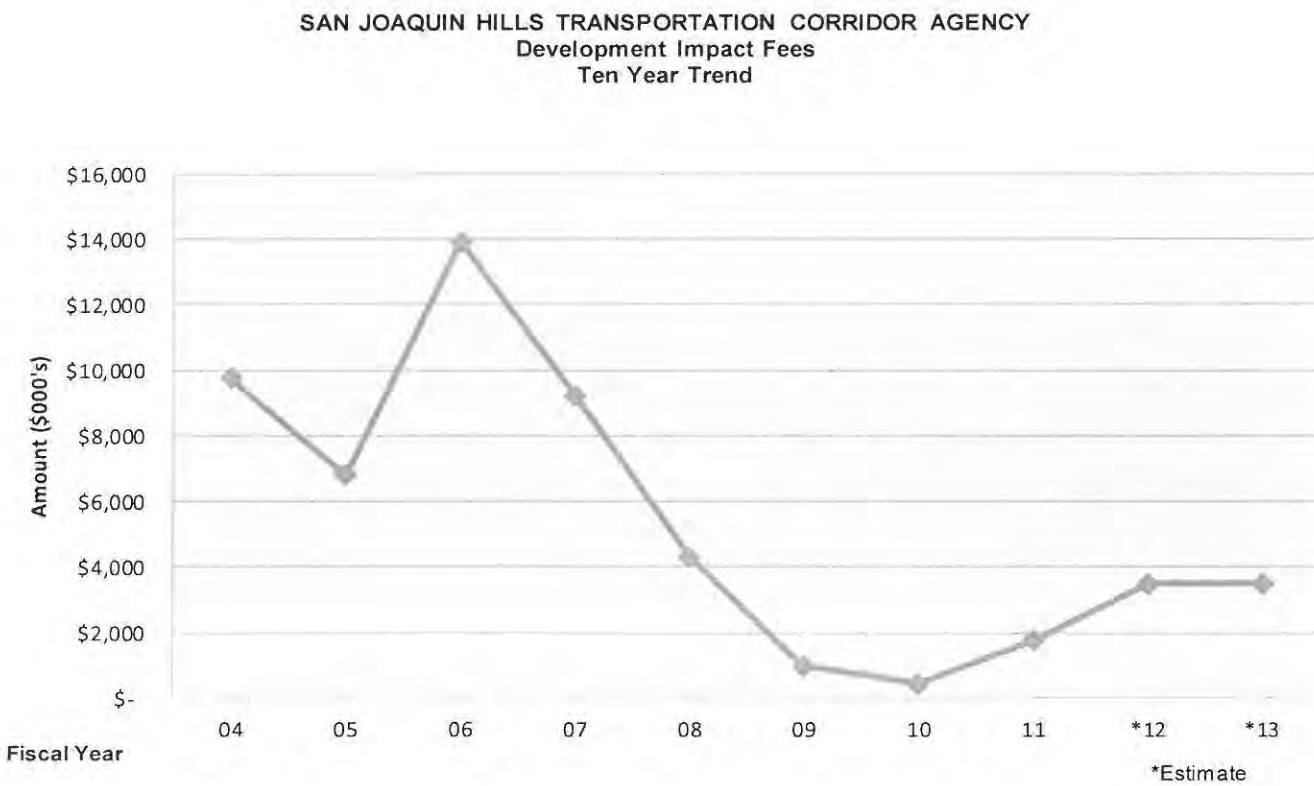
Fees and Penalties

Fees and Penalties revenue are being budgeted for FY13 at $12.8 million, representing 11.4% of total revenues. Fees and Penalties revenue consist of $9.1 million for estimated amounts to be collected for the recovery of lost tolls from toll violations, and fees and penalties related to the violations, account maintenance fees of $3.0 million from FasTrak account holders, and other miscellaneous fees related to operations (i.e., suspended account and returned check fees, lost, stolen or damaged transponder fees, and fees related to programs with San Francisco Airport and rental car agencies) of $700,000.

Actual Fees and Penalties revenue for FY12 are estimated to be $12.5 million. The FY13 Fees and Penalties budget is based on the current trends in collections, the estimated transactions for FY13, the current pursuable violation rate at 1.4% of traffic, and a staff recommendation to not change the violation penalty amounts from the current rates of $57.50 on first notice and $42.50 on delinquency notice. The 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. The amount budgeted for FY13 of $3.5 million represents 3.1% of total revenues and is based on FY12 estimated actuals of approximately $3.5 million the agency anticipates it will collect in development impact fees. The following chart is provided to illustrate the historical trend of development impact fee collections.



Interest Earnings

Interest Earnings represent earnings on funds held in trust for bondholders, funds held for operations and funds held in custody accounts at the trustee for the agency. Budgeted Interest Earnings are based on projected average balances and an estimated average yield of approximately 1.5% on all funds. Total Interest Earnings budgeted for FY13 of $4.7 million represents approximately 4.2% of total revenues.

Interest Earnings for FY12 are estimated to be $5.7 million. The decrease in the FY13 budget compared to the FY12 estimate is primarily due to the assumption that interest rates for FY13 will continue to be extremely low resulting in a lower average yield on reinvestments.

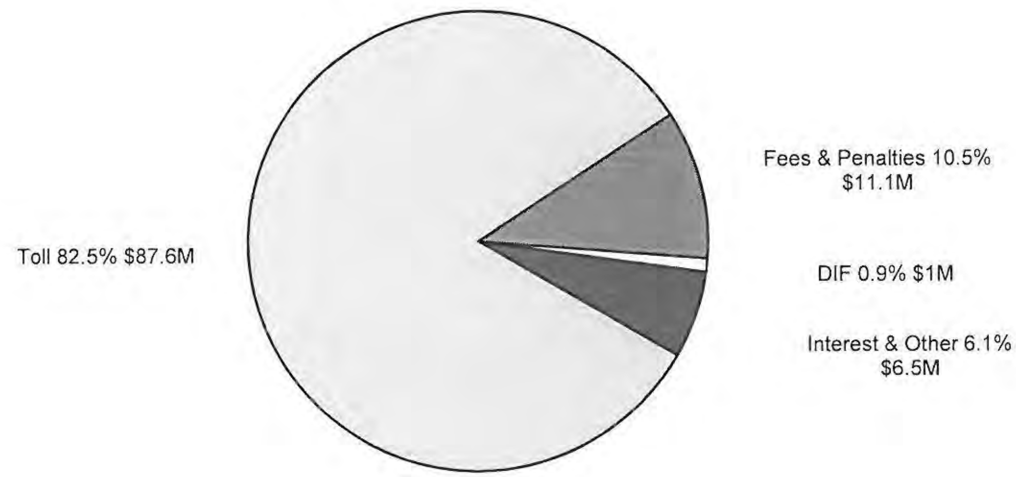
Revenue Pie Chart

The following chart represents a comparison of FY13 proposed budgeted revenues to FY12 budgeted revenues as amended.

Budgeted revenues increased $6.3 million to $112.5 million in FY13 from budgeted revenues of $106.2 million in FY12 due to increases in revenue from Tolls, Fees and Penalties, and Development Impact Fees offset by a decrease in Interest.

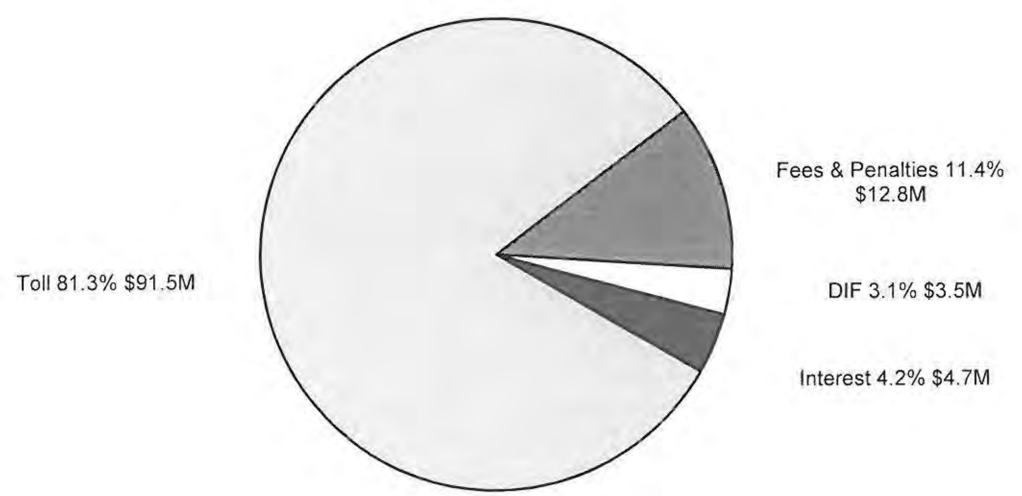
Toll Revenues are expected to increase from $87.6 million budgeted in FY12 to $91.5 million in the FY13 budget as a result of current transaction and revenue trends and toll rate recommendations. Fees and Penalties are projected to be higher in FY13 by $1.7 million compared to the FY12 budget as a result of actual violation collections. Development Impact Fees have increased $2.5M from the FY12 budget to $3.5 million based on recent development activity. Interest Earnings are expected to decrease by approximately $1.8M as a result of lower average yields and balances expected on reinvestments that will occur in FY13 due to current market conditions.

San Joaquin Hills Transportation Corridor Agency
FY 2012 Revenue
Amended Budget
($000)



Total Revenue $106,160

San Joaquin Hills Transportation Corridor Agency
FY 2013 Revenue
Proposed Budget
($000)



Total Revenue $112,529

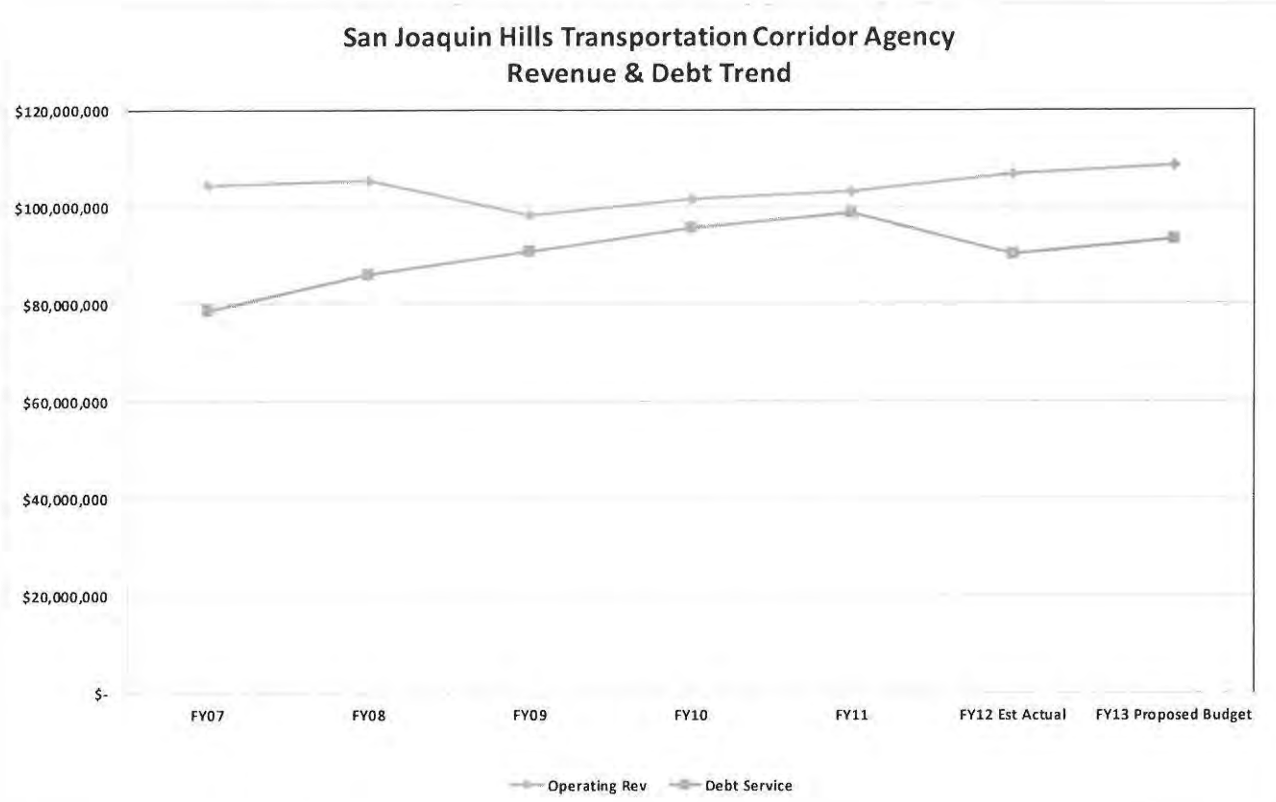
Uses Summary

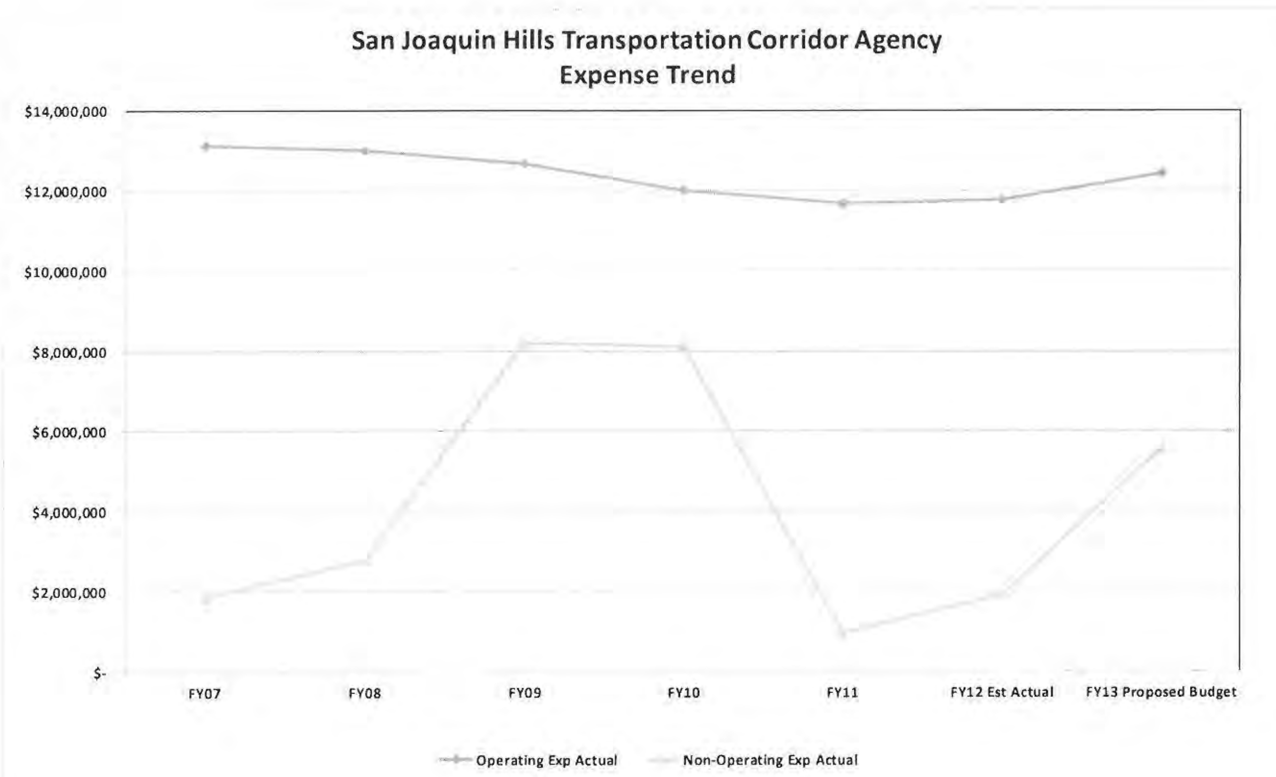
The Agency has worked diligently over the past four years to decrease operating expenses and reduce headcount while continuing to provide great customer service. As we reduce expenses, we are mindful that we must also plan for the future by ensuring that equipment, systems and facilities continue to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

In response to the economic situation experienced over the last several years, the agency significantly reduced budgeted expenses and staffing levels, and staff has continued to hold actual expenses below the reduced budgets. While the focus was on reducing expenditures, the agency also continued to maintain the system which included violation camera improvements and the analysis of AET to improve operating efficiencies.

The proposed expenditures for FY13 continue to reflect the reductions in operating expenditures and the number of employees, while also including expenditures that will help to achieve the longer term goals and needs of the agency. The FY13 budget for expenses was developed with three main goals: (1) Ensuring the agency's financial flexibility and long term sustainability, (2) Continuing excellent customer service, and (3) Keeping the system and facilities in a state of good repair.

The charts on the next page show operating revenues compared to debt and the trend of operating and nonoperating actual expenditures.


San Joaquin Hills Transportation Corridor Agency
Revenue & Debt Trend
$120,000,000
$100,000,000
$80,000,000
$60,000,000
$40,000,000
$20,000,000
$-
FY07
FY08
FY09
FY10
FY11
FY12 Est Actual
FY13 Proposed Budget
Operating Rev
Debt Service


San Joaquin Hills Transportation Corridor Agency
Expense Trend
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
FY07
FY08
FY09
FY10
FY11
FY12 Est Actual
FY13 Proposed Budget
Operating Exp Actual
Non-Operating Exp Actual

The proposed budget for FY13 includes total uses of $111.2 million which requires a cash outlay. The following is a brief explanation of the various uses.

Planning, Environmental and Construction (Excluding Administration)

This category includes costs associated with the agency's current capital improvement plan and appropriations for various studies to monitor the agency's compliance with permits and other environmental documents. The FY13 budget for these expenses is $3.8M, approximately 3.4% of the total budget.

The Planning, Environmental and Construction projected actuals for FY12 total $676,000. The increase of $3.1 million in the FY13 budget is primarily due to the design and implementation of AET.

Administration

The total proposed budget for Administration expenses in FY13 is $6.2 million, or 5.6% of the total budget. The Administration category includes all employee compensation as well as overhead-type expenses, such as office, 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 27 of this document. The total for each line item is shown in the last column of the same schedule.

Projected Administration expenses for FY12 total $5.6 million. The increase in the FY13 proposed budget from the FY12 projected actuals is due to an estimated increase in legal costs associated with litigation related to development impact fees, litigation related to flood claims in Laguna Canyon, and construction issues related to Costco in Laguna Niguel, an estimated increase in insurance premiums, increases in amounts budgeted for catastrophic and general liability insurance premiums, and salary and benefit costs. The majority of the variance that is related to salaries and benefits is due to staff turnover that resulted in some positions not filled for part of FY12 along with employees who were out on disability during FY12.

Toll Operations Categories (Excluding Administration)

The Toll Operations categories include costs associated with toll collection services provided by the current toll attendant contractor, CPS, as well as costs associated with the agency's cash collection and counting efforts, toll system costs associated with maintaining the agency's Toll Collection and Revenue Management System (TCARMS) currently under contract with TransCore, and functions currently under contract with VES, including customer service costs associated with FasTrak customers, and toll compliance costs associated with processing and collection of toll violations and image based transactions. Also included in this category are toll facilities costs for maintaining the agency's toll booths and buildings utilized in the operation of the road, and toll equipment such as transponders, TCARMS system hardware, and software costs. The proposed FY13 budget for these expenses totals $8 million and represents approximately 7.2% of the total budget.

Toll Operations Expenses, excluding Administration, are projected to total $7.4 million in FY12. The FY13 budget is $621,000 higher than projected FY12 actuals due to expenditures related to AET transitional costs, Consumer Price Index adjustments to the major toll operations contracts, and an increase in equipment and transponder purchases.

Debt Expenses

The Debt Service category includes the principal and semi-annual interest payments on the 1993 and 1997 outstanding bonds. These payments are budgeted at $93.2 million for FY13.

Actual Debt Expenses for FY12 are projected to total $90.1 million consisting of interest and principal payments. The increase in the FY13 budget is a result of higher scheduled debt payments in FY13.

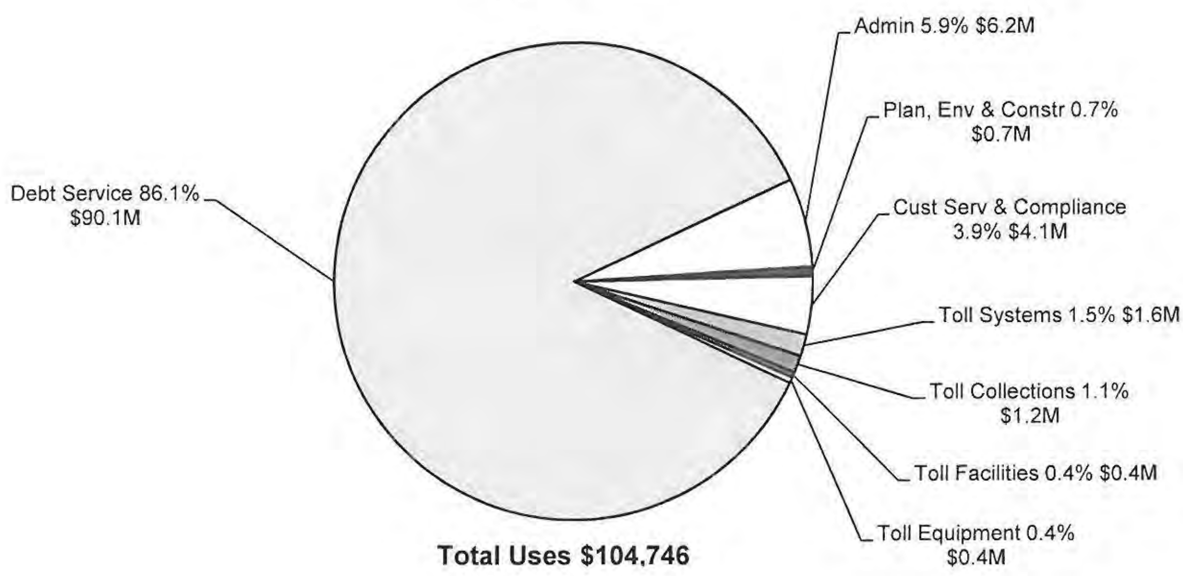
Uses Pie Charts

The following charts illustrate the differences between the FY13 proposed budget and the FY12 amended budget.

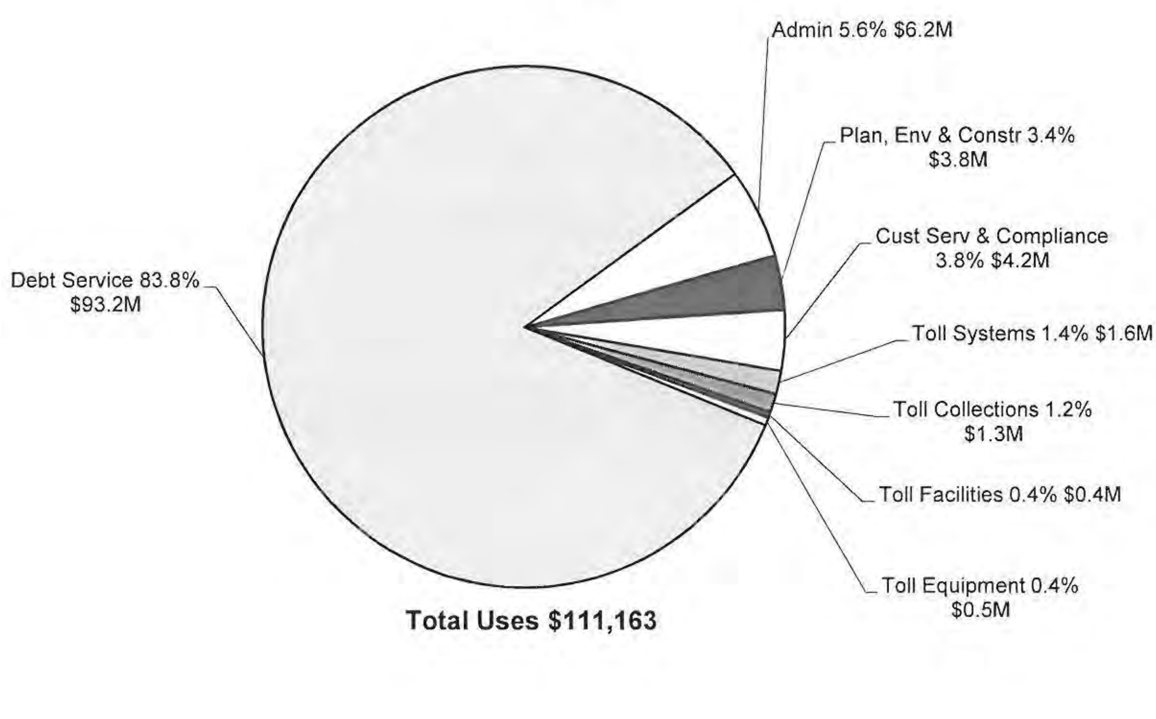
The FY13 proposed budget is $111.2 million compared to the prior year amended budget of $104.7 million, an increase of $6.5 million or 6.2%. A comparison of the two budgets excluding Debt Service in FY12 results is an increase of $3.4 million, or 23.0%. The increase can primarily be attributed to implementation costs budgeted for AET.

Debt service payments for FY13 show an increase of $3.1 million, reflecting the change $90.1 million in FY12 to $93.2 million in FY13.

San Joaquin Hills Transportation Corridor Agency
FY 2012 Uses of Funds
Amended Budget
($000)



San Joaquin Hills Transportation Corridor Agency
FY 2013 Uses of Funds
Proposed Budget
($000)



Uses Detail

The schedule on the following page details the budget as summarized on pages 20 to 25 into more specific categories. Many of the Administration categories are allocated between planning, environmental and construction and toll operating expenses.

San Joaquin Hills Transportation Corridor Agencies
Fiscal Year 2013 Proposed Budget
($000)

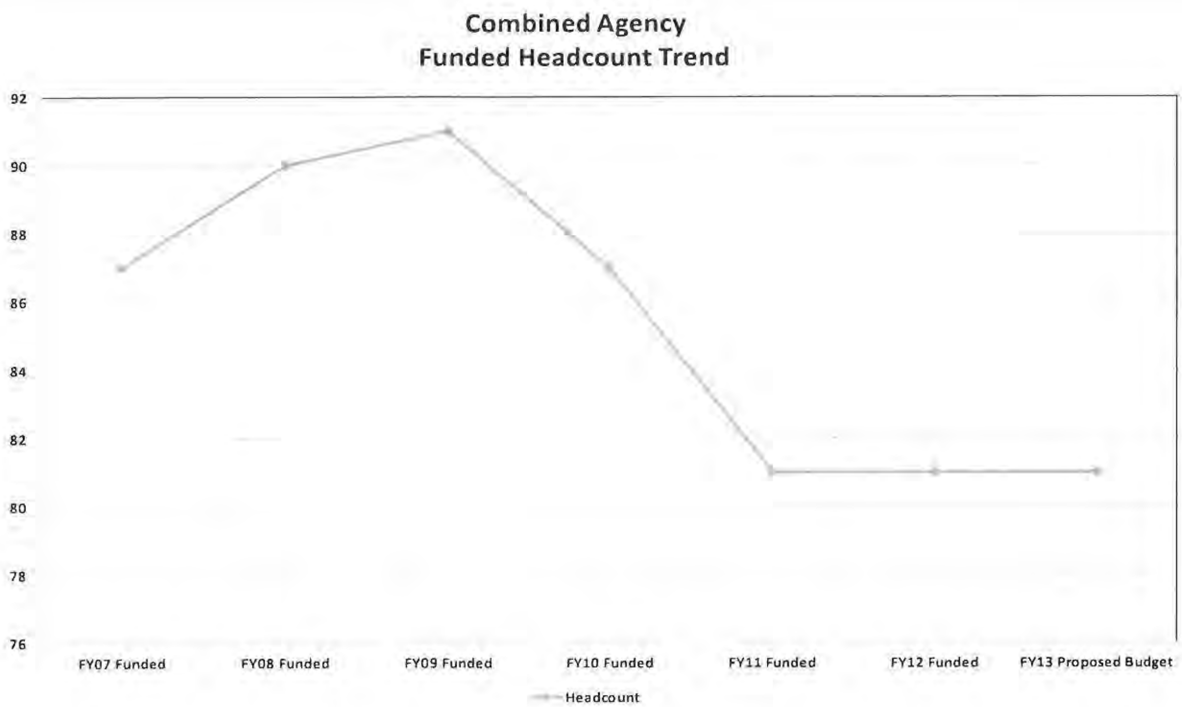
Category	Plan & Environ & Admin	Operations & Admin	Debt Service	Total
Cash Uses				
Administration:				
Regular Salaries	422	1,685	-	2,107
Board Compensation	11	45	-	56
Benefits	178	690	-	868
Employer Taxes	8	35	-	43
Insurance	40	776	-	816
Legal Expense	883	109	-	992
Telephone/Comm	8	34	-	42
Office Expense	24	97	-	121
Educ, Seminar, Membership, Mtgs	8	45	-	53
Consulting and Other Services	109	324	-	433
Marketing	2	126	-	128
Publications & Subscriptions	1	4	-	5
Rents & Leases	56	296	-	352
Transportation & Travel	16	89	-	105
Office Equipment	6	20	-	26
Pacifica Fixed Assets	4	21	-	25
Total Administration	1,776	4,396	-	6,172
Planning, Environmental and Construction:				
Capital Improvement Plan (CIP):				
Strategic & Policy Planning Study (AET)	3,526	-	-	3,526
Total Capital Improvement Plan	3,526	-	-	3,526
Other Planning, Environmental and Construction:				
Environmental	175	-	-	175
Design/Program Mgmt	53	-	-	53
ROW Acquisitions, Appraisals & Other	5	-	-	5
Other Construction SJH	30	-	-	30
Total Other Planning, Environ and Construction	263	-	-	263
Total Planning, Environ and Construction	3,789	-	-	3,789
Toll Operations:				
Customer Service and Toll Compliance	-	4,163	-	4,163
Toll Systems	-	1,602	-	1,602
Toll Collections	-	1,308	-	1,308
Toll Facilities	-	410	-	410
Subtotal Toll Operations	-	7,483	-	7,483
Operations Equipment:				
Transponder Equipment	-	290	-	290
Toll Equipment	-	242	-	242
Total Equipment	-	532	-	532
Total Toll Operations	-	8,015	-	8,015
Debt Service	-	-	93,187	93,187
Total Debt Service	-	-	93,187	93,187
Total Uses	5,565	12,411	93,187	111,163

Staffing

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

The staffing plan for FY12 included 81 funded positions. The recommended staffing plan for FY13 remains at 81 funded positions.

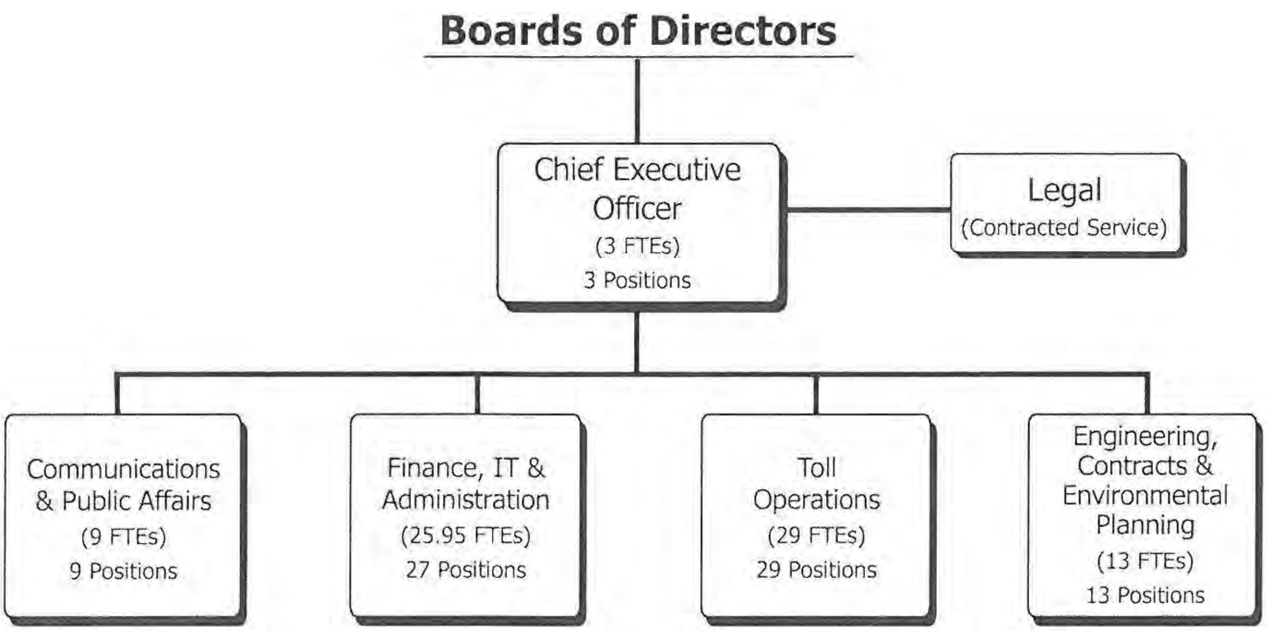
The following chart shows the change in funded headcount from 2007 through 2013 on a combined agency basis (F/ETCA and SJHTCA).



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

In addition to the regular duties and responsibilities that are required to manage the agencies, there are a number of project initiatives that staff works on each year to achieve the agency goals and objectives. Some of the longer term projects have been included on the chart. A more detailed description of these projects along with a number of additional project initiatives for FY13 has been included as Appendix A.

TCA Organizational Structure
Fiscal Year 2013



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

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

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

- 241 Completion Project Development
- 241 Completion & Tesoro Extension Environmental Processing
- Tesoro Extension Development
- Capital Improvement Plan (CIP)
- Habitat Stewardship
- Environmental Compliance
- Special Projects
- Design
- Engineering
- Construction Management
- Real Property
- Caltrans Interface
- Contracts & Procurement
- DBE Program

Compensation (Regular Salaries and Benefits)

The agency employee compensation budget is $3.0 million or 2.7% of the total budget. The budget includes amounts for salary and benefits of current and projected staff made pursuant to the Employee Handbook and Personnel Policies. TCA salaries are reviewed each year through the annual merit review process. The Agency does not provide for any type of automatic step or COLA increases. Base salaries have not increased since July 2008. The recommended merit pool will be funded from continued savings on six positions vacated in the Voluntary Separation Program. That Program required that any position approved for a voluntary separation incentive remain vacant for at least one year. These six positions are recommended to remain vacant again this fiscal year, resulting in FY13 savings to this agency of approximately $186,000 in salaries and benefits.

Benefits include contributions to a cafeteria plan (medical, dental, and vision) and retirement plans. In general, budgeted benefits are determined by applying estimated rates for these plans to budgeted salaries. If positions are not filled, or if benefit rates come in lower than expected, the budget is not spent. FY13 benefits are 41.1% of salaries.

Insurance

Insurance expense is included at $816,000, which represents 0.7% of the total budget. Insurance primarily includes earthquake, property, general liability, use and occupancy, and workers' compensation coverage as detailed in the annual Current Insurance Coverage Report which will be provided at the upcoming July board meeting. Policies are marketed and placed by the agency's insurance broker, Alliant Insurance Services, Inc. who provides all of the agencies' insurance procurement needs as part of a two-year fixed priced contract that expires in February 2014. All insurance is maintained in accordance with the requirements of the Indentures and as prudent business activities dictate.

Legal Expenses

Legal Expenses are included at $992,000, 0.9% of the total budget. The legal budget includes funding for existing and potential litigation including litigation related to development impact fees, litigation related to flood claims in Laguna Canyon, construction issues related to Costco in Laguna Niguel, and toll evasion litigation. Other items included in the legal budget are general counsel representation, legislation, financing legal, and legal consulting related to contract issues. 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. Below is a breakdown of legal expenses by major category:

General/Other	$750,000
Development Impact Fees	150,000
Contracts	31,000
Legislation	25,000
Toll Operations	15,000

Financing	13,000
Construction	5,000
Environmental	3,000
Total	$992,000

Consulting and Other Services

The Consulting Services category amounts to $433,000, which represents approximately 0.4% of the total budget and, as detailed below, includes service fees, maintenance and third party assistance contracts for both recurring needs and special projects, such as ADP for payroll processing and KPMG, LLP for annual audit services. It also includes financial planning, printing and distribution of publications, video production, federal lobbying, and community relations/public relations services.

Payroll & Personnel Services	$99,000
Finance Advisors	64,000
Audit Services	54,000
Trustee Fees	37,000
Publication & Video Production	34,000
Community Outreach	31,000
Rating Agencies	25,000
Traffic & Revenue Consultant	24,000
Federal Lobbying/Not Related to 241 Completion	24,000
Bloomberg Investing Services	14,000
Financial Consulting	12,000
Public Relations Consulting & Research	8,000
Internal Software Maintenance & Programming	7,000
Total	$433,000

Marketing Consultant

Total expenditures for Marshall Advertising and Design (Marshall), the agency's Marketing Consultant, are budgeted at $128,000, representing 0.1% of the total budget. This includes on-line advertising, and customer communications. In addition, during FY13, the not to exceed contract also includes website design and programming services that SJHTCA is unable to do in house.

Rents and Leases

The budget for Rents and Leases totals $352,000, representing 0.3% 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.

Capital Improvement Plan

The Capital Improvement Plan (CIP), is budgeted at $3.5 million and represents 3.2% of the total budget. This category is comprised of the implementation phase of AET and is outlined in the Capital Improvement Plan approved by the Board of Directors on May 10, 2012.

Other Planning, Environmental and Construction

This category totals $263,000 or .2% of the total budget and primarily includes $175,000 for various studies to monitor the agency's compliance with permits and other environmental documents, costs for title and survey work related to mitigation sites, and document control.

Toll Customer Service and Toll Compliance

The Toll Customer Service and Toll Compliance category totals $4.2 million, approximately 3.7% of the total budget, and primarily includes funding for the service center operations and toll compliance contract with VES, including $40,000 related to technical projects, credit card processing fees assessed on all FasTrak and violation credit card transactions, and transitional operating costs related to the implementation of AET. Also included in this category are printing, postage and mailing services, judgment recovery and collection costs, CHP violation enforcement, and telephone expenses. Customer incentive offers included in this category include ongoing Costco and AAA member discounts and quarterly promotions to increase ridership and reduce operating costs. The budget associated with these expenses is detailed below:

Toll Enforcement & Customer Serv Center Contract-VES	$1,782,000
Credit Card Processing Fees	1,457,000
Postage & Printing	394,000
Enforcement Services-CHP, Judgment Recovery & Other	298,000
Customer Incentives, Supplies & Equipment Maintenance	97,000
AET Transitional Costs	84,000
Telecommunications-Customer Service Center	51,000
Total	$4,163,000

Toll Systems

The Toll Systems category totals $1.6 million, or 1.4%, of the total budget and, as detailed below, primarily consists of fees for the current TCARMS contractor, TransCore, for the maintenance and operation of the TCARMS software and hardware. Also included in this category are TCARMS spare parts and repairs, software licenses, and various computer maintenance contracts.

TCARMS Software Maintenance & Operation	$791,000
TCARMS Hardware Maintenance	604,000

TCARMS Spare Parts	128,000
System Maintenance & Support	79,000
Total	$1,602,000

Toll Collections

This category totals $1.3 million, representing 1.2% of the total budget and, as detailed below, is primarily for the current toll attendant personnel contract with CPS. This category also includes armored truck services, security, transitional operating costs related to the implementation of all electronic tolling, and other collection supplies and maintenance such as coin vault and cash counting equipment repairs and maintenance, uniforms, and moneybags.

Toll Attendant Contract - CPS	$1,143,000
Armored Truck Services	65,000
AET Transitional Cost	59,000
Security	23,000
Other Collection Supplies & Maintenance	18,000
Total	$1,308,000

Toll Facilities

This category is budgeted at $410,000 representing 0.4% 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	$224,000
Other On Road Building Maintenance & Repair	36,000
On Road Landscaping	35,000
Heating & Air Conditioning Services	34,000
On Road Janitorial	31,000
Generator Maintenance, Fuel & Permits	23,000
On Road Maintenance-County of Orange Public Works	11,000
Toll Booth Mainline Repair & Maintenance	10,000
Toll Ramp Lighting, Repair & Maintenance	6,000
Total	$410,000

Toll Operations Equipment

The Toll Operations Equipment budget is $532,000, approximately 0.5% of the total budget. The budget breakdown below includes purchases of transponders, and other equipment purchases as detailed in the FY13 project initiatives document:

Transponders	$290,000
Violation Camera Updates	117,000

AVI Reader Replacements	72,000
Server Replacements	21,000
AET Office & Computer Equipment	15,000
On Road Service Vehicle	9,000
Network Switches	8,000
Total	$532,000

Debt Service

The Debt Service category totals $93.2 million or 83.8% of the total budget and includes principal and interest payments on the agency's outstanding bonds. Scheduled debt payments after executing the Indenture amendments and second Supplemental Indenture for FY13 include a principal payment on the 1997 bonds of $35.3 million due on January 15, 2013 and interest payments for the outstanding 1993 and 1997 debt of $57.9 million.

See reconciliation of Debt Expenses – Cash versus Accrual on page 36 for more information on debt.

The FY13 budgeted debt service coverage ratio shown below meets the Indenture requirement as amended in May 2011. The budgeted coverage is 1.04x and does not include the use of reserves or toll stabilization funds. Adjusted Net Toll Revenues as shown below only includes certain revenues per the Indentures, and interest earnings in certain accounts and development impact fees are not included in the calculation. Current expenses include the expenditures that are allocated to operations (as shown in the second column of schedule on page 27).

Debt Coverage Calculation Fiscal Year 2013

	FY13 Budget (In Thousands)
Adjusted Net Toll Revenues	
Total Toll Revenues Including Fees and Penalties	104,319
Interest Earnings	4,592
Current Expenses - Funded From Toll Revenue	(12,411)
Adjusted Net Toll Revenues	96,500
Net Debt Service	
Annual Debt Service	93,187
Coverage Ratio	1.04

San Joaquin Hills Transportation Corridor Agency
Reconciliation of FY 2013 Debt Expenses
Cash versus Accrual Basis
($000)

	Interest	Principal		Accretion	Total
Cash Basis					
July 2012 and January 2013 Payments	57,877	35,310		-	93,187
Total Cash Basis Debt Expenses	**57,877**	**35,310**		**-**	**93,187**
Accrual Basis					
January 2013 and July 2013 Payments	57,877	35,310	*		93,187
Non-Cash Accretion				58,130	58,130
Total Accrual Basis Debt Expenses	**57,877**	**35,310**		**58,130**	**151,317**
Debt Expenses Used in Calculation of Coverage	**57,877**	**35,310**		**-**	**93,187**

* Includes $994 of Accretion Expenses in the current year.

San Joaquin Hills Transportation Corridor Agency
Toll Stabilization Fund
($000)

Estimated Toll Stabilization Funds at 6/30/12		30,755
Less Eligible Additional Costs:		
Planning, Environmental and Construction	(263)	
Non-Operating Administration Expense	(1,737)	
Total Eligible Additional Costs		(2,000)
Surplus Revenue		4,325
Interest		47
Estimated Toll Stabilization Funds at 6/30/13		33,127