



# San Joaquin Hills Proposed Budget

Fiscal Year 2013





# TCA Goals and Initiatives

- Ensuring the Agency's financial flexibility and long term sustainability
- Excellent customer service
- State of good repair



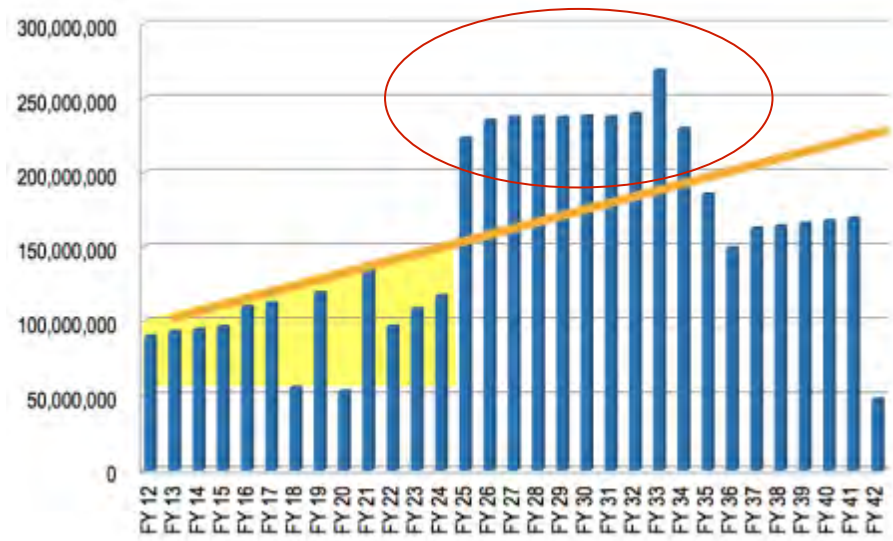
# FY13 Proposed Budget – Summary

- Debt service
  - Restructured debt requirements
- Toll Rates
  - T&R consultant recommendation to maximize revenue
- Capital Expenditures
  - All Electronic Tolling (AET)
- Operating and Administrative Expenditures
  - Operation levels consistent with FY12
  - Temporary addition of contract staff/support services during AET implementation
  - Merit increase


# SJH Restructuring Summary

With a reduced debt service coverage ratio of 1.0x, the Agency is now required to:

- Use T & R consultant to determine maximum revenue scenario while considering negative long-term impacts from traffic diversion or 97.5% provision
- Transfer expected excess toll revenues from FY13 through FY24 to toll stabilization fund to offset future debt service costs
- Fund no more than \$2.0M of eligible additional costs (environmental, Caltrans coordination, and related administration) from toll revenues
- Receive bondholder approval for additional capital projects funded with excess net revenues



— Net revenue growth scenario of 3%. Not an official agency projection.  
■ Debt service schedule.



# Debt Restructure Requirement to Maximize Revenue (Summary of 5/22/12 Memo)

- Amended and Restated Indenture Governs:
  - Requirement to use traffic consultant annually
  - Test to maximize revenues must be met each year (cannot be spread over a period of years)
  - Alternative toll rate structure allowed if traffic consultant agrees it will produce not less than 97.5% of maximum revenue and agency can generate the difference in new revenue sources (account maintenance fee increase, etc.)
- Traffic consultant's interpretation of maximum revenue
  - Recommended toll rates set just below the top of the elasticity curve
  - Diversion not expected to have a long-term negative effect (approximately 1400 trips per day not expected to result in noticeable diversion)



# Toll Rate Recommendation Rationale (Summary of 5/22/12 Memo)

## Traffic Consultant's Recommendation - Max Revenue Scenario

- Preserves ability to use new revenues to offset toll rates in future years and/or captures new revenues in addition to toll revenue to build reserves for future debt service
- Builds upon the good faith efforts demonstrated as a result of the Amended & Restated Indenture; further sends positive message to other market participants
- Supports market access for both San Joaquin Hills and Foothill/Eastern

# SJH Toll Rate Recommendation

The amended and restated indenture obligates the Agency to invoke one of two alternatives for rate setting purposes:

- Max revenue scenario as determined by the T & R consultant, or
- 97.5% scenario which requires that the difference be made up with new revenues

	FY 2013			
	FY12 Estimated Actual	Scenario I * Baseline (No Toll Increase)	Scenario II ✓ Max. Revenue	Scenario III ** 97.5% Provision
<b>Total Transactions</b> % Diversion from FY12	25,190,000	25,250,000 0.2%	24,120,000 (4.2%)	24,570,000 (2.5%)
<b>Total Revenue</b> % Revenue increases vs. FY12	\$91,890,000	\$92,120,000 0.3%	\$94,700,000 3.1%	\$94,050,000 2.4%
Change in revenue compared to FY12		\$230,000	\$2,810,000	\$2,160,000

✓ *T&R consultant recommendation and staff recommendation*

\* *Does not meet indenture requirement*

\*\* *Requires new revenue of approximately \$629,000*



# Toll Rate Scenarios

- Scenario I – No toll increase – does not meet indenture requirement
- Scenario II - Max revenue as determined by the T & R consultant
  - \$0.50 peak cash / \$0.50 off-peak cash, 10% FasTrak increase: Catalina View
  - \$0.25 cash, 10% FasTrak increase: Aliso Creek, El Toro, Newport Coast, Bonita Canyon
  - No increase: La Paz
- Scenario III - 97.5% option
  - \$0.25 cash / 5% FasTrak
  - Requires new revenue of \$629,000
  - This scenario not recommended – see memo dated 5/22/12

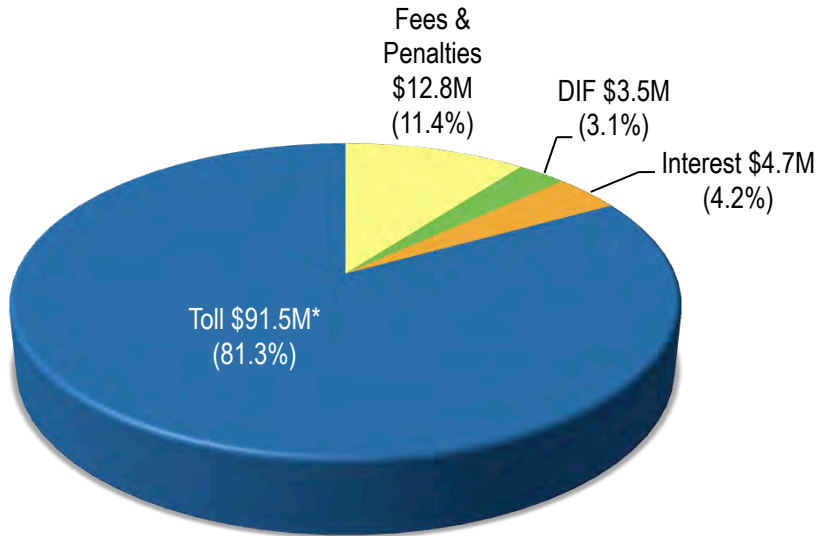


# SJH Recommended Toll Rates – Scenario II

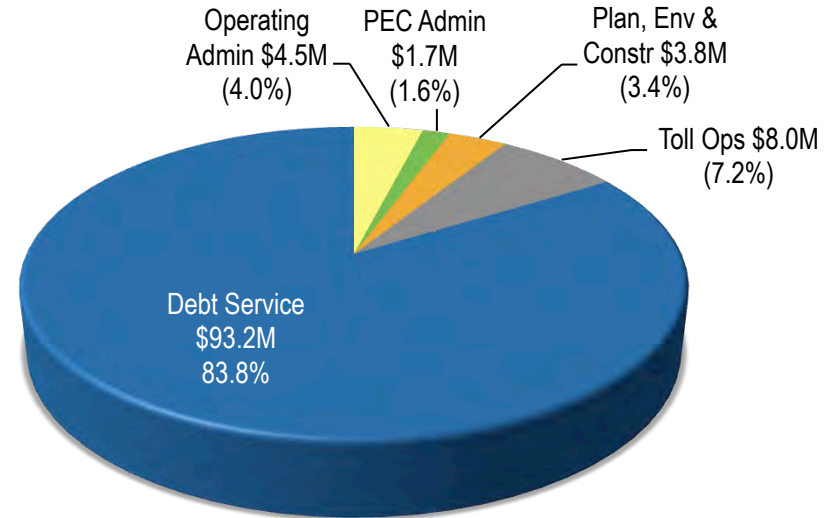
Location	Time/Type	Current Rates	Scenario II (Recommendation)		Scenario III (97.5% Provision)	
			Rate	Change	Rate	Change
La Paz	Cash	\$1.75	\$1.75	–	\$2.00	\$0.25
	AVI	\$1.30	\$1.30	–	\$1.35	\$0.05
Aliso Creek	Cash	\$2.00	\$2.25	\$0.25	\$2.25	\$0.25
	AVI	\$1.60	\$1.75	\$0.15	\$1.70	\$0.10
El Toro	Cash	\$2.50	\$2.75	\$0.25	\$2.75	\$0.25
	AVI	\$2.10	\$2.30	\$0.20	\$2.20	\$0.10
Catalina View	Cash Off-Peak	\$5.00	\$5.50	\$0.50	\$5.25	\$0.25
	AVI Off -Peak	\$4.20	\$4.60	\$0.40	\$4.40	\$0.20
	Cash	\$5.75	\$6.25	\$0.50	\$6.00	\$0.25
	AVI	\$5.00	\$5.50	\$0.50	\$5.25	\$0.25
	Weekend Cash	\$4.75	\$5.25	\$0.50	\$5.00	\$0.25
	Weekend AVI	\$3.95	\$4.35	\$0.40	\$4.15	\$0.20
Newport Coast	Cash	\$2.25	\$2.50	\$0.25	\$2.50	\$0.25
	AVI	\$1.85	\$2.05	\$0.20	\$1.95	\$0.10
Bonita Canyon	Cash	\$1.25	\$1.50	\$0.25	\$1.50	\$0.25
	AVI	\$0.80	\$0.90	\$0.10	\$0.85	\$0.05

# FY13 Proposed Revenues & Expenditures

- Operating expenses and \$2.0M of eligible additional costs funded with operating revenues
- Planning, Environmental & Construction related to AET of \$3.5M funded from unrestricted cash



**Total Proposed Revenues \$112.5M**



**Total Proposed Expenditures \$111.2M**

\*Transactional toll revenue of \$94.7M reduced by violations and non revenue transactions of \$3.2M



# Toll Operations Initiatives

- Cash payment network
- Phone applications/website enhancement
- AAA transponder distribution
- Customer incentives
- Transponder reader replacement project\*
- Server replacement
- Violation camera upgrades\*

*\*Execution and timing dependent upon AET decision*

# Toll Operations - \$8.0M

- Increase in FY13 budget reflects ramp-up of AET operating costs and scheduled CPI adjustments to the major toll operations contracts, and additional transponder purchases

	FY12 Amended Budget	FY12 Est. Actuals	FY13 Budget	Change Between FY12 Est. Actuals vs. FY13 Budget
Toll Customer Service & Compliance	\$4.1M	\$4.0M	\$4.2M	\$0.2M
Toll Systems	1.6M	1.5M	1.6M	0.1M
Toll Equipment	0.4M	0.3M	0.5M	0.2M
Toll Collections	1.2M	1.2M	1.3M	0.1M
Toll Facilities	0.4M	0.4M	0.4M	0.0M
<b>Total</b>	<b>\$7.7M</b>	<b>\$7.4M</b>	<b>\$8.0M</b>	<b>\$0.6M</b>



# Planning, Environmental & Construction and Operating Administration Initiatives

- Fully integrated long-range financial model
- Enhanced information technology security and infrastructure monitoring process
- Automation of human resources & benefits services

# Planning, Environmental & Construction and Operating Administration Costs - \$6.2M

- The FY 13 budget remains on par with the FY12 amended budget
- Administration costs support planning, environmental and construction and operating efforts (including debt management)

	FY12 Amended Budget	FY12 Est. Actuals	FY13 Budget	Change Between FY12 Est. Actuals vs. FY13 Budget
Salaries & Benefits	\$3.1M	\$2.9M	\$3.1M*	\$0.2M
Insurance	0.8M	0.6M	0.8M	0.2M
Legal	0.9M	0.8M	1.0M	0.2M
Consulting	0.5M	0.4M	0.4M	0.0M
Rent	0.4M	0.4M	0.4M	0.0M
Transportation & Travel	0.1M	0.1M	0.1M	0.0M
Office Expenses, Equipment, and Other	0.3M	0.2M	0.3M	0.1M
Marketing	0.2M	0.2M	0.1M	(0.1M)
<b>Total</b>	<b>\$6.3M</b>	<b>\$5.6M</b>	<b>\$6.2M</b>	<b>\$0.6M</b>

\*Includes a 3.75% merit budget (\$72,566)



# Planning, Environmental & Construction Initiatives

- AET
- Environmental Mitigation

# Planning, Environmental & Construction - \$3.8M

- AET implementation reflects the significant budget change from FY12 estimated actuals to FY13 budget

	FY12 Amended Budget	FY12 Est. Actuals	FY13 Budget	Change Between FY12 Est. Actuals vs. FY13 Budget
Environmental	\$0.3M	\$0.3M	\$0.2M	(\$0.1M)
Other	0.1M	0.1M	0.1M	0.0M
All Electronic Tolling (AET)	0.3M	0.3M	3.5M	3.2M
<b>Total</b>	<b>\$0.7M</b>	<b>\$0.7M</b>	<b>\$3.8M</b>	<b>\$3.1M</b>



# Debt Coverage Calculation FY13

	Budget FY13 (\$ in Thousands)
<b>Adjusted Net Toll Revenues</b>	
Total Toll Revenues Including Fees and Fines	\$104,319
Interest Earnings	4,592 *
Current Expenses – Funded from Toll Revenue	(12,483)
Adjusted Net Toll Revenue	\$96,428
Annual Debt Service	\$93,187
Coverage Ratio	1.03x

\* Reflects estimated earnings on specific accounts as defined per the indenture.

# Estimated FY13 Available Cash & Toll Stabilization

- Unrestricted cash consists of development impact fees up to \$2.5M per year. AET capital costs will be funded from this account
- Net toll revenues less \$2M of eligible additional costs are deposited into the toll stabilization fund

Estimated Available Cash (Unrestricted)	
Estimated Available Cash at 6/30/12	\$13,323,000
Construction Uses (AET)	(3,527,000)
Eligible Additional Costs in Excess of \$2 Million	(48,000)
FY13 DIFs and Interest	2,549,000
Estimated Available Cash at 6/30/13	\$12,297,000

Toll Stabilization (Restricted)	
Estimated Stabilization Fund at 6/30/12	\$30,755,000
Less PEC*	(263,000)
Less Non-Operating Admin Exp*	(1,737,000)
Surplus Revenue	4,253,000
Interest	47,000
Estimated Toll Stabilization Fund at 6/30/13	\$33,055,000

\* Eligible additional costs per indenture amendment.



# Additional Restricted Funds

- Caltrans Maintenance Facility – \$7.8M
  - Commitment to construct facility by 12/31/15

The following reserve funds have been established in accordance with the bond indentures and meet the funding requirements:

- Current Expense Reserve – \$3.3M
  - Must be at least 1/4 of budgeted operating expenses
- Use and Occupancy Reserve – \$15.0M
  - Intended for any or all of the cost of reconstructing or repairing any portion of the project destroyed or damaged by any cause other than ordinary and usual usage thereof. In addition to cash of \$15M, an insurance policy with a face amount of \$10M covers the Agency's bridges, meeting the U & O indenture requirement of \$25M
- Debt Service Reserve – \$225.7M
  - Held in trust for the benefit of the bondholders equal to the maximum annual debt service on all outstanding bonds



# Staff Recommendation

- Approve budget totaling \$111,244,401
- Approve proposed staffing plan
- Adopt proposed toll rates
- Authorize CEO to reallocate within the following categories
  - Administration \$6,252,595
  - Planning, Environmental & Construction \$3,789,321
  - Toll Operations \$8,015,216
  - Debt Expenses \$93,187,269
- Direct staff to submit budget to the trustee