

Memorandum

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: October 8, 2014

Reference No.: 3.7
Information Item

From: NORMA ORTEGA
Chief Financial Officer

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Budgets

Subject: **FY 2013-14 FOURTH QUARTER FINANCE REPORT**

Attached is the California Department of Transportation's Fiscal Year 2013-14 Fourth Quarter Finance Report.

Attachment



Department of Transportation Quarterly Finance Report

Fourth Quarter 2013-14

Department of Transportation
Division of Budgets

The purpose of the Quarterly Finance Report is to provide the California Transportation Commission (Commission) with the status of capital allocations versus capacity and to report any trends or issues that may require action by the California Department of Transportation or Commission regarding transportation funding policy, allocation capacity, or forecast methodology to ensure the efficient and prudent management of transportation resources. Below is the schedule of dates for the development of the fiscal year 2013-14 and 2014-15 Quarterly Finance Reports.

| Quarterly Finance Report | | | |
|---------------------------------|-------------------------|---|-----------------|
| Schedule of Reports | | | |
| Fiscal Year | Quarterly Report | Activity | Date |
| 2014-15 | 2013-14 Q4 | Close of Quarter | 6/30/14 |
| | | Quarterly Report to Commission Staff | 8/30/14 |
| | | Presented to Commission | 10/8/14 |
| | 2014-15 Q1 | Close of Quarter | 9/30/14 |
| | | Quarterly Report to Commission Staff | 11/15/14 |
| | | Presented to Commission | 12/10/14 |
| | 2014-15 Q2 | Close of Quarter | 12/31/14 |
| | | Quarterly Report to Commission Staff | 2/15/15 |
| | | Presented to Commission | 3/26/15 |
| | 2014-15 Q3 | Close of Quarter | 3/31/15 |
| | | Quarterly Report to Commission Staff | 5/15/15 |
| | | Presented to Commission | 5/28/15 |
| 2015-16 | 2014-15 Q4 | Close of Quarter | 6/30/15 |
| | | Quarterly Report to Commission Staff | 8/30/15 |
| | | Presented to Commission | 10/22/15 |

Department of Transportation Quarterly Finance Report

Fourth Quarter 2013-14

EXECUTIVE SUMMARY

| 2013-14 Capital Allocations vs. Capacity Summary through June 30, 2014 (\$ in millions) | | | | | |
|---|--------------------|------------|-------------------|--------------|--------------|
| | SHOPP ¹ | STIP | TCRP ³ | BONDS | TOTAL |
| Total Allocation Capacity | \$2,085 | \$640 | \$71 | \$765 | \$3,561 |
| Total Votes | 1,521 | 629 | 78 | 461 | \$2,689 |
| Authorized Changes ² | -133 | 13 | 0 | 0 | -\$120 |
| Total Remaining Capacity | \$697 | \$0 | \$0 | \$304 | \$992 |

Note: Totals may not add due to rounding

¹Proposition 1B bond capacity included in total: \$86 million (Proposition 1B SHOPP).

²Authorized changes include project increases and decreases pursuant to the Commission's G-12 process and project rescissions.

³TCRP funds are over-allocated. See TCRP section for details.

The California Transportation Commission (Commission) has allocated \$2.7 billion toward 677 projects through the fourth quarter of fiscal year 2013-14. Adjustments totaled negative \$120 million, leaving approximately \$1 billion (28 percent) in remaining allocation capacity. The bulk of the remaining capacity is primarily due to State Highway Operation and Protection Program (SHOPP) allocations, which were not voted at the June Commission meeting. Approximately \$600 million in SHOPP projects are scheduled to be voted in August and will be attributed to 2013-14 capacity.

The State Highway Account (SHA) ended the fourth quarter with a higher than projected cash balance primarily due to the early receipt of a \$135 million loan repayment from the General Fund (GF) that was originally anticipated to occur in 2014-15. The Public Transportation Account (PTA) also ended the fourth quarter with a higher than projected balance due to a delay in the fourth quarter State Transit Assistance (STA) transfer totaling approximately \$100 million, which is now expected to occur during the first quarter of 2014-15. The Transportation Investment Fund (TIF) and the Transportation Deferred Investment Fund (TDIF) each ended the fourth quarter with a higher than projected cash balance due to expenditure transfers caused by increased federal reimbursement. The Traffic Congestion Relief Fund (TCRF) ended the fourth quarter with a higher than expected cash balance due to expenditures being lower than anticipated.

During the fourth quarter, the State Treasurer's Office (STO) conducted two Spring general obligation bond sales, which yielded approximately \$968 million in proceeds. Additional information regarding these sales can be located in the Proposition 1A and 1B Bonds section of this report.

On June 20, 2014 the Governor signed the 2014-15 Budget Act, authorizing \$11.1 billion in expenditures for the California Department of Transportation (Department), which represents a \$1.7 billion reduction from the 2013-14 Enacted Budget. This reduction is primarily due to the approaching completion of the Proposition 1B bond programs. The Budget authorized the repayment of \$351 million in outstanding GF loan repayments which included; \$100 million to cities and counties, \$210 million to the SHOPP, \$27 million for Maintenance projects, \$5 million to the Environmental Enhancement and Mitigation Program, and \$9 million to the newly enacted Active Transportation

Program (ATP). The Budget also approved a \$4 million transfer from the Local Airport Loan Account (LALA) to the Aeronautics Account to assist in funding the California Aid to Airports Program.

Effective July 1, 2014, the price-based excise tax on gasoline decreased from 21.5 cents per gallon to 18 cents per gallon. In addition, effective July 1, 2014, the excise tax on diesel fuel increased by one cent per gallon (from 10 cents to 11 cents per gallon). These modifications have been accounted for, and are in line with, the 2014 Fund Estimate, the SHA and PTA 2014-15 forecasts, and the 2014-15 Budget.

On August 8, 2014, President Obama signed a short-term plan that will provide temporary relief to the Federal Highway Trust Fund (FHTF) and extend federal transportation funding authority through May 31, 2015. The temporary extension plan includes approximately \$11 billion for the FHTF to prevent funding shortfalls. Congress is still searching for sustainable funding solutions for the FHTF. The Department will continue to monitor progress closely.

Due to the addition of the newly enacted ATP and as a result of recent changes in the Aeronautics Program (AERO), the Department will begin reporting on both Programs commencing in the 2014-15 first quarter report to the Commission.

STATE HIGHWAY OPERATION AND PROTECTION PROGRAM (SHOPP)

| State Highway Operation and Protection Program (\$ in millions) | | | | | |
|--|---------------------|---------------------|---------------|-----------------|--------------------|
| Fund | Allocation Capacity | Allocations to Date | Adjustments | Net Allocations | Remaining Capacity |
| SHA | \$250 | \$247 | -\$14 | \$234 | \$16 |
| FTF | 1,750 | 1,273 | -123 | 1,149 | 601 |
| Proposition 1B | 85 | 1 | 4 | 5 | 80 |
| Total | \$2,085 | \$1,521 | -\$133 | \$1,388 | \$697 |

Note: Totals may not add due to rounding

Capital Allocations vs. Capacity

The Commission allocated \$1.4 billion, including adjustments, toward 433 SHOPP projects through the fourth quarter of 2013-14, leaving \$700 million (approximately 33 percent) in remaining allocation capacity. The bulk of the remaining capacity is primarily due to \$600 million in SHOPP projects, which were delivered by June 30, 2014 but not ready for vote by the June Commission meeting. These projects are scheduled to be voted in August and will be attributed to 2013-14 capacity.

Outlook for Funding & Allocations

SHA. The SHA is forecasted to experience a spike in cash during 2014-15 as a result of the temporary increase in revenues from the price-based excise tax which rose from 18 cents per gallon to 21.5 cents per gallon during 2013-14. Although the increase translates to additional revenues for the SHA in the short term, the high balance spike is projected to decrease in future years, as allocated projects begin spending and as projected revenues steadily decline. Effective July 1, 2014, the price-based excise tax on gasoline decreased from 21.5 cents per gallon back down to 18 cents per gallon. This modification has been accounted for, and is in line with, the 2014 Fund Estimate, the SHA 2014-15 forecast.

Federal Trust Fund (FTF). The Commission has committed net allocations totaling more than \$1 billion, roughly 66 percent, of the allocation capacity available for federally eligible SHOPP projects through the fourth quarter. Most of the remaining capacity is expected to be voted at the August Commission meeting and will be attributed to 2013-14 capacity. On August 8, 2014, the President approved a plan to extend FHTF funding authority through May 2015. During that time Congress will be searching for long-term funding solutions for the FHTF. The Department will continue to monitor progress.

Proposition 1B. Of the \$80 million in remaining Proposition 1B SHOPP authority, approximately \$77 million will be added to the 2014-15 allocation capacity. The 2014-15 Budget authorizes \$745 million in Proposition 1B appropriations. This is a significant decrease from prior years since the majority of Proposition 1B projects are near completion or are in construction.

Refer to Appendix A for the 2014-15 Allocation Capacity.

Recommendations

The Department prepared the final 2014-15 allocation capacity for the SHOPP based on long-range cash forecasts and expected revenues. Refer to Appendix C for Forecast Methodology details.

STATE TRANSPORTATION IMPROVEMENT PROGRAM (STIP)

| State Transportation Improvement Program (\$ in millions) | | | | | |
|--|---------------------|---------------------|-------------|-----------------|--------------------|
| Fund | Allocation Capacity | Allocations to Date | Adjustments | Net Allocations | Remaining Capacity |
| SHA | \$250 | \$174 | \$12 | \$187 | \$63 |
| FTF | 350 | 423 | 1 | 424 | 0 |
| PTA | 40 | 32 | 0 | 32 | 8 |
| Total | \$640 | \$629 | \$13 | \$642 | \$0 |

Note: Totals may not add due to rounding.

Capital Allocations vs. Capacity

The Commission allocated \$642 million, including adjustments, toward 167 STIP projects through the fourth quarter of 2013-14, leaving no remaining allocation capacity.

Outlook for Funding & Allocations

SHA. The SHA is forecasted to experience a spike in cash during 2014-15 as a result of the temporary increase in revenues from the price-based excise tax which rose from 18 cents per gallon to 21.5 cents per gallon during 2013-14. Although the increase translates to additional revenues for the SHA in the short term, the high balance spike is projected to decrease in future years, as allocated projects begin spending and as projected revenues steadily decline. Effective July 1, 2014, the price-based excise tax on gasoline decreased from 21.5 cents per gallon back down to 18 cents per gallon. This modification has been accounted for, and is in line with, the 2014 Fund Estimate, the SHA 2014-15 forecast.

FTF. The Department has authorized net obligations of \$424 million on federally eligible STIP projects through the fourth quarter, which was approximately \$74 million more than capacity. This overage was partially offset by SHA savings. On August 8, 2014, the President approved a plan to extend FHTF funding authority through May 2015. During that time Congress will be searching for long-term funding solutions for the FHTF. The Department will continue to monitor progress.

PTA. The Commission allocated \$32 million toward PTA projects through the fourth quarter of 2013-14. Effective July 1, 2014, the excise tax on diesel fuel increased by one cent per gallon (from 10 cents to 11 cents per gallon). These modifications have been accounted for, and are in line with, the 2014 Fund Estimate and the PTA 2014-15 forecast. Unused PTA capacity, totaling approximately \$8 million, will be carried over into the 2014-15 fiscal year.

Refer to Appendix A for the 2014-15 Allocation Capacity.

Recommendations

The Department prepared the final 2014-15 allocation capacity for the STIP based on long-range cash forecasts and expected revenues. Refer to Appendix C for Forecast Methodology details.

TRAFFIC CONGESTION RELIEF PROGRAM (TCRP)

| Traffic Congestion Relief Program (\$ in millions) | | | | | |
|---|---------------------|---------------------|-------------|-----------------|--------------------|
| Fund | Allocation Capacity | Allocations to Date | Adjustments | Net Allocations | Remaining Capacity |
| TCRF | \$71 | \$78 | \$0 | \$78 | \$0 |
| Total | \$71 | \$78 | \$0 | \$78 | \$0 |

Capital Allocations vs. Capacity

The TCRP remained unchanged through the fourth quarter of 2013-14. Approximately \$78 million has been allocated toward 11 projects. The TCRF was over-allocated by \$7 million in 2013-14; therefore, the Department reduced the 2014-15 allocation capacity to offset the overage.

Outlook for Funding & Allocations

As of June 2014, approximately \$167 million in suspended Proposition 42 loan repayments are still outstanding from the GF. Refer to Appendix E for additional details. The TCRF is also owed \$482 million in Pre-Proposition 42 (Tribal Gaming) loans repayments. The 2011-12 Budget indicated that the Tribal Gaming loan repayments would begin no earlier than 2016-17; however, there is no statutory repayment schedule.

Refer to Appendix A for the 2014-15 Allocation Capacity.

Recommendations

The Department will continue to monitor for potential impacts, and if necessary, recommend changes.

PROPOSITION 1A & 1B BONDS

| Proposition 1A & 1B Bonds (\$ in millions) | | | |
|---|---------------------|---------------------|--------------------|
| Fund | Allocation Capacity | Allocations to Date | Remaining Capacity |
| Proposition 1A | \$360 | \$150 | \$210 |
| TCIF | 220 | 202 | 19 |
| Intercity Rail | 44 | 12 | 32 |
| Local Bridge Seismic | 25 | 11 | 14 |
| Grade Separations | 28 | 25 | 3 |
| Traffic Light Synch. | 34 | 12 | 22 |
| Route 99 | 53 | 49 | 4 |
| Total | \$765 | \$461 | \$304 |

Note: Totals may not add due to rounding.

Capital Allocations vs. Capacity

The Commission allocated \$461 million toward 66 Bond projects through the fourth quarter of 2013-14, leaving \$304 million (approximately 40 percent) in remaining allocation capacity. Of the remaining capacity, approximately \$56 million will be carried forward for use in 2014-15. In addition, \$77 million in remaining Proposition 1B authority will be added to the 2014-15 SHOPP allocation capacity.

Outlook for Funding & Allocations

Bond Funding. During the fourth quarter the STO conducted a Spring general obligation bond sale, which yielded \$574 million in Proposition 1B bond upfront proceeds. Approximately \$570 million of the proceeds were used to fund Department projects, while the remainder went toward administration costs incurred by the Department and the Commission.

An additional Spring sale resulted in \$398 million in bond proceeds, which was used to repay Proposition 1B Commercial Paper (CP) debt owed by the Department. The STO did not issue any CP during the fourth quarter; however, the STO's authority to issue new CP for the Department was increased to \$1.2 billion by the end of 2013-14. The Spring 2014 bond sales yielded enough proceeds to fund approximately three months worth of project costs. The Department anticipates requesting CP issuances prior to the Fall 2014 bond sale.

Refer to Appendix A for the 2014-15 Allocation Capacity.

Recommendations

Proposition 1A and 1B 2014-15 allocation capacities include savings from 2013-14.

APPENDICES

Appendix A Allocation Capacity and Assumptions

Appendix B Authorized Changes

Appendix C Cash Forecasts

- Forecast Methodology**
- State Highway Account**
- Public Transportation Account**
- Traffic Congestion Relief Fund**
- Transportation Investment Fund**
- Transportation Deferred Investment Fund**

Appendix D Federal Emergency Projects

Appendix E Transportation Loans

- Status of Outstanding Transportation Loans, as of June 30, 2014**
- Interfund Transportation Loans**

APPENDIX A – ALLOCATION CAPACITY AND ASSUMPTIONS

| 2014-15 Allocation Capacity By Fund and Program (\$ in millions) | | | | | | | |
|--|----------------|--------------|-------------|------------|--------------|--------------|----------------|
| Fund | SHOPP | STIP | TCRP | AERO | ATP | BONDS | Total |
| SHA | \$410 | \$200 | \$0 | \$0 | \$77 | \$0 | \$687 |
| FTF | 1,482 | 370 | 0 | 0 | 171 | 0 | 2,023 |
| PTA | 0 | 73 | 0 | 0 | 0 | 0 | 73 |
| TCRF | 0 | 0 | 76 | 0 | 0 | 0 | 76 |
| AERO | 0 | 0 | 0 | 6 | 0 | 0 | 6 |
| Prop 1A Bonds * | 0 | 0 | 0 | 0 | 0 | 210 | 210 |
| Prop 1B Bonds * | 77 | 102 | 0 | 0 | 0 | 387 | 566 |
| Total Capacity | \$1,969 | \$745 | \$76 | \$6 | \$248 | \$597 | \$3,641 |

Note: Totals may not add due to rounding

* Subject to Bond Sales

The 2014-15 allocation capacity of \$3.6 billion is based on the following:

- The SHOPP allocation capacity is based on the 2014-15 Budget Act revenue and expenditure estimates and the 2014 STIP Fund Estimate federal receipts. The total allocation capacity includes \$32 million in 2013-14 carryover capacity and approximately \$600 million in project allocations that will be voted on during the August 2014 Commission meeting.
- The ATP allocation capacity is based on the 2014 Fund Estimate, includes 2013-14 carry-over capacity, and \$9 million in loan repayments from the GF. The 2014-15 ATP also incorporates the following assumptions:
 - Distribution to Metropolitan Planning Organizations is based upon total population per 2010 census data.
 - Federal funding apportionments are based on 95 percent obligational authority. The Federal Transportation Alternative Program funding component is distributed according to Moving Ahead for Progress in the 21st Century guidelines. Other federal funds are distributed based on total population.
 - Federal Highway Safety Improvement Program funds are not incorporated into the ATP.
 - State and federal resources are forecasted to remain stable throughout the fund estimate period.
- The STIP PTA allocation capacity of \$70 million includes approximately \$8 million in 2013-14 carryover capacity and is based on a prudent cash balance of \$100 million.
- The annual TCRP allocation capacity is based on a dollar-for-dollar ratio of actual revenues received for current year expenditures. The allocation capacity and specific project funding was established by the Commission, in consultation with the Department and local agencies.
- The TCRP allocation is based on annual Proposition 42 suspension repayments of approximately \$83 million.
- The TCRP allocation capacity for 2014-15 was reduced from \$83 million to \$76 million due to a \$7 million over-allocation in 2013-14.
- The AERO capacity is based on the 2014 Fund Estimate and includes a one-time, \$4 million transfer from the LALA, authorized by the 2014-15 Budget.

- The 2014-15 AERO capacity assumes approximately \$1 million in remaining 2013-14 authority will be available due to project de-allocation.
- Bond capacity for the SHOPP is based on the remaining bond authority, budget authority, and any administrative costs.
- Proposition 1A and 1B capacities are based on the 2014-15 Enacted Budget and include 2013-14 savings of approximately \$134 million. The bond capacities are also dependent on the sale of sufficient bonds for funding.

APPENDIX B – AUTHORIZED CHANGES

| 2013-14 Authorized Changes Summary through June 30, 2014 (\$ in millions) | | | | |
|---|------------------|------------|------------|---------------|
| Program | # of Adjustments | | | Net Change |
| | Increases | Decreases | Total | |
| SHOPP ¹ | 121 | 162 | 283 | -\$133 |
| STIP ¹ | 8 | 13 | 21 | 13 |
| TOTAL | 129 | 175 | 304 | -\$120 |

Note: Totals may not add due to rounding

¹Proposition 1B bond G-12 adjustments are included in total.

Summary of Authorized Changes

Through the fourth quarter of 2013-14, the Department has authorized a total of 304 allocation adjustments, resulting in a savings of \$120 million.

Background

Commission Resolution G-09-12 (Resolution G-12) allows for the Director of the Department to adjust project allocations within specific limits. It is intended that the Director's approved "decreases" will offset the Director's approved "increases." These authorized changes are known as G-12 authority. This delegation of authority greatly reduces the volume of financial transactions submitted to the Commission and increases the efficiency of the Department in processing changes. The Resolution G-12 requires that the Department report on all project capital outlay allocation changes made under this delegation to the Commission's Executive Director on a monthly basis. The Department provides a detailed, project by project, report to Commission staff each month.

APPENDIX C – CASH FORECASTS – FORECAST METHODOLOGY

Methodology and Assumptions

The cash forecasts for the SHA, PTA, TCRF, TIF and TDIF are used by the Department to estimate and monitor the cash balance of transportation funds to determine the level of allocations that can be supported, and to prepare for low or high cash periods. Variances are identified and reported to management and the Commission. If necessary, adjustments are made to capital allocation levels, funding policy, or forecast methodology. The 2014-15 cash forecasts and allocation capacities are based on the following assumptions:

- State Operations projections are based on historical trends and assumes a two-percent increase each year, based on the 2014-15 Price Letter.
- Includes the most current expenditure projections available for Right-of-Way SHOPP and STIP.
- Capital Outlay and Local Assistance expenditures are based on actual and projected Commission allocations using historical and seasonal construction patterns.
- Monthly adjustments are not forecasted, since they comprise timing differences between the Department's accounting system and the State Controller's Office (SCO). These adjustments include short-term loans made to the GF, short-term loan repayments, Plans of Financial Adjustments, funds transferred in and out, and reimbursements.
- Federal receipts are based on the 2014 STIP Fund Estimate.

SHA

- Beginning cash balance includes two payments to the Project Information System and Analysis (PISA).
- Repayment of \$50 million from the GF in 2014-15, coinciding with a \$50 million loan repayment to the TCRF in 2014-15.
- Repayment of a \$135 million loan to the PTA in 2014-15.
- Receipt of approximately \$29 million in remaining assets from the Bicycle Transportation Account (BTA) due to closure of the fund.
- Repayment of a \$6 million loan from the GF in 2014-15 (formerly owed to the BTA).
- Proceeds from a \$237 million loan repayment to the Highway Users Tax Account in 2014-15.
- Includes anticipated expenditures from the new ATP.
- State Operations expenditures are based on historical trends.
- Weight fee and excise tax revenue projections provided by the Department of Finance (DOF).
- Miscellaneous revenues are based on historical trends.
- Continued monthly transfers of weight fee revenues to the Transportation Debt Service Fund (TDSF).
- Prudent cash balance of \$415 million.

PTA

- Revenue projections provided by the DOF.
- Repayment of a \$135 million loan from the SHA.
- Includes an anticipated \$29 million loan to the High-Speed Passenger Train Bond Fund in 2014-15.
- Prudent cash balance of \$100 million.

TCRF

- Annual suspended Proposition 42 transfers from the TDIF in the amount of \$83 million in 2014-15 and 2015-16.
- Reduced 2014-15 allocation capacity from \$83 million to \$76 million due to a \$7 million over-allocation in 2013-14.
- Future allocations are based on the projected net revenues received in 2014-15.

TIF

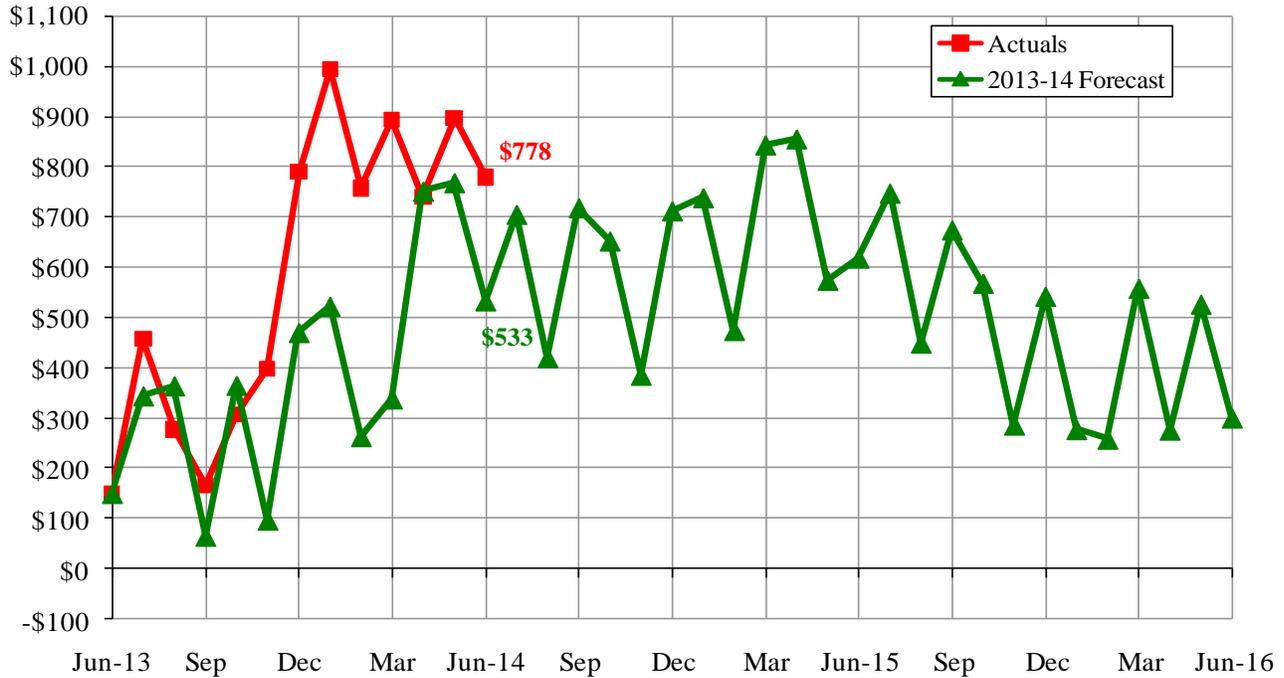
- The fund will not receive any new revenue.
- The TIF will be closed by the end of 2014-15 and all remaining assets and liabilities will be transferred to the SHA.

TDIF

- Annual suspended Proposition 42 transfers in the amount of \$83 million in 2014-15 and 2015-16.
- Annual transfers in the amount of \$83 million to the TCRF.

APPENDIX C – CASH FORECASTS – STATE HIGHWAY ACCOUNT

**State Highway Account (SHA)
36-Month Cash Forecast
(\$ in millions)**



Year-to-Date SHA Summary

The SHA ending cash balance through the fourth quarter was \$778 million, \$245 million (46 percent) above the forecasted amount of \$533 million. The variance is due, in part, to transfers and expenditures being lower than anticipated, and the receipt of a \$135 million loan repayment from the GF that was forecasted to occur in 2014-15. In addition, timing differences in the posting of contractor payments contributed to the higher than forecasted balance. Revenues totaled \$4.7 billion, \$60 million (1 percent) below forecast. Transfers totaled negative \$513 million, \$239 million (32 percent) below forecast. Expenditures totaled \$3.5 billion, \$213 million (6 percent) below forecast. Adjustments, which represent timing differences between the Department’s accounting system and the SCO’s accounting system, totaled a negative \$148 million.

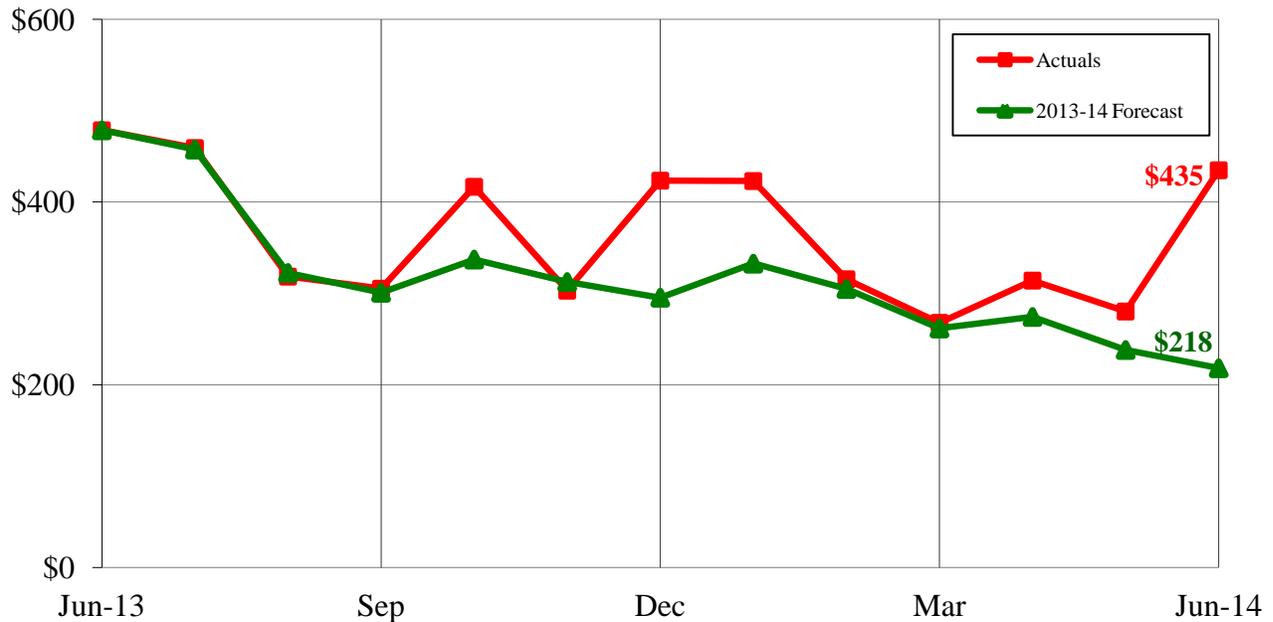
Year-to-Date Reconciliation

| (\$ in millions) | | | | |
|-------------------------------|--------------|--------------|--------------|------------|
| | Forecast | Actual | Difference | % |
| Beginning Cash Balance | \$150 | \$150 | N/A | |
| Revenues | 4,805 | 4,745 | -60 | |
| Transfers | -753 | -513 | 239 | |
| Expenditures | -3,668 | -3,455 | 213 | |
| Adjustments | 0 | -148 | -148 | |
| Ending Cash Balance | \$533 | \$778 | \$245 | 46% |

Note: Ending cash balance may differ due to rounding.

APPENDIX C – CASH FORECASTS – PUBLIC TRANSPORTATION ACCOUNT

**Public Transportation Account (PTA)
12-Month Cash Forecast
(\$ in millions)**



Year-to-Date PTA Summary

The PTA ending cash balance through the fourth quarter was \$435 million, \$217 million (99 percent) above the forecasted amount of \$218 million. The variance is primarily due to lower than anticipated expenditures and a delayed fourth quarter STA transfer to locals, totaling approximately \$100 million, which is now projected to occur during the first quarter of 2014-15. Revenues totaled \$640 million, \$26 million (4 percent) above forecast. Transfers totaled \$10 million, \$1 million above the forecasted amount. Expenditures totaled \$415 million, \$95 million (19 percent) below forecast. Adjustments, which represent timing differences between the Department’s accounting system and the SCO’s accounting system, totaled a negative \$279 million.

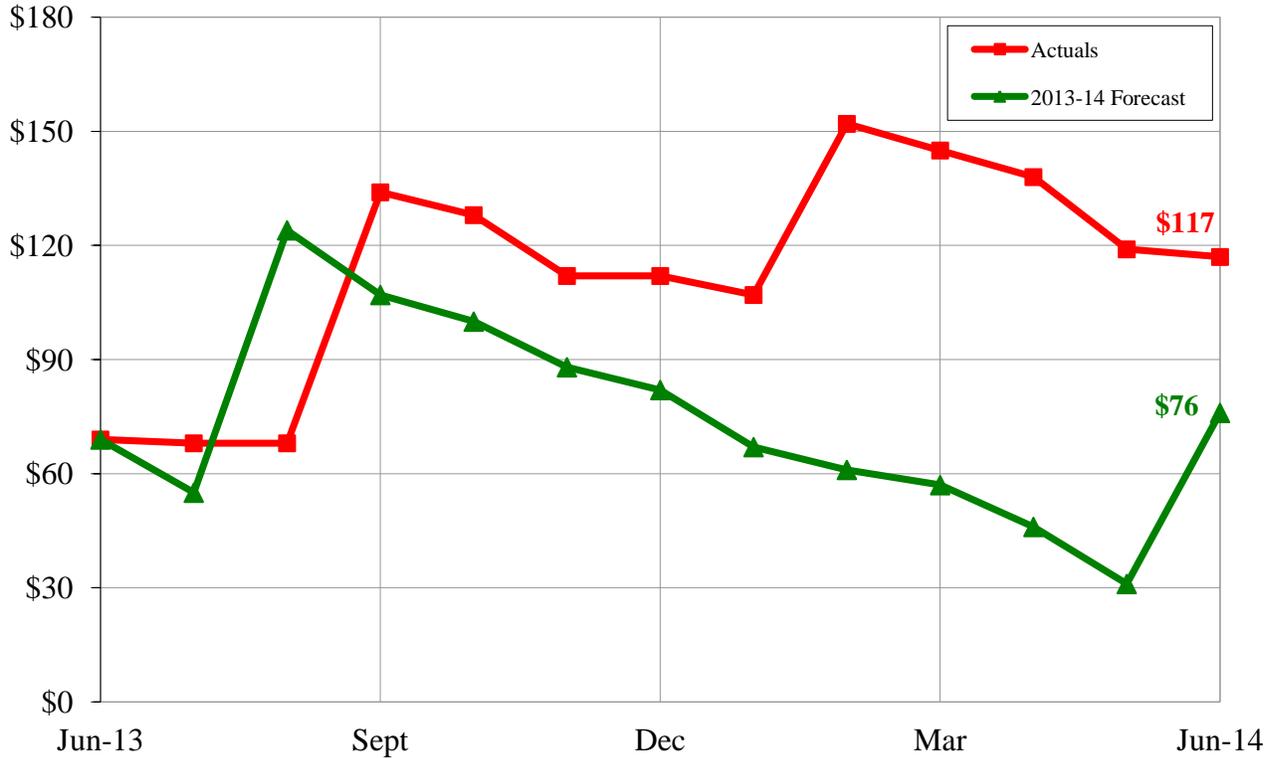
Year-to-Date Reconciliation

| | (\$ in millions) | | | |
|-------------------------------|------------------|--------------|--------------|------------|
| | Forecast | Actual | Difference | % |
| Beginning Cash Balance | \$479 | \$479 | N/A | |
| Revenues | 614 | 640 | 26 | |
| Transfers | 9 | 10 | 1 | |
| Expenditures | -510 | -415 | 95 | |
| Adjustments | -374 | -279 | 94 | |
| Ending Cash Balance | \$218 | \$435 | \$217 | 99% |

Note: Ending cash balance may differ due to rounding.

APPENDIX C – CASH FORECASTS – TRAFFIC CONGESTION RELIEF FUND

**Traffic Congestion Relief Fund (TCRF)
12-Month Cash Forecast
(\$ in millions)**



Year-to-Date TCRF Summary

The TCRF ending cash balance through the fourth quarter was \$117 million, \$41 million (54 percent) above the forecasted amount of \$76 million. The variance is primarily due to expenditures being lower than anticipated and a \$50 million partial loan repayment from the SHA that was received in February 2014, but was not expected to occur until June 2014. Transfers totaled a positive \$131 million. Expenditures totaled \$96 million, \$29 million (23 percent) lower than forecast. Adjustments, which represent timing differences between the Department’s accounting system and the SCO’s accounting system, totaled a positive \$12 million.

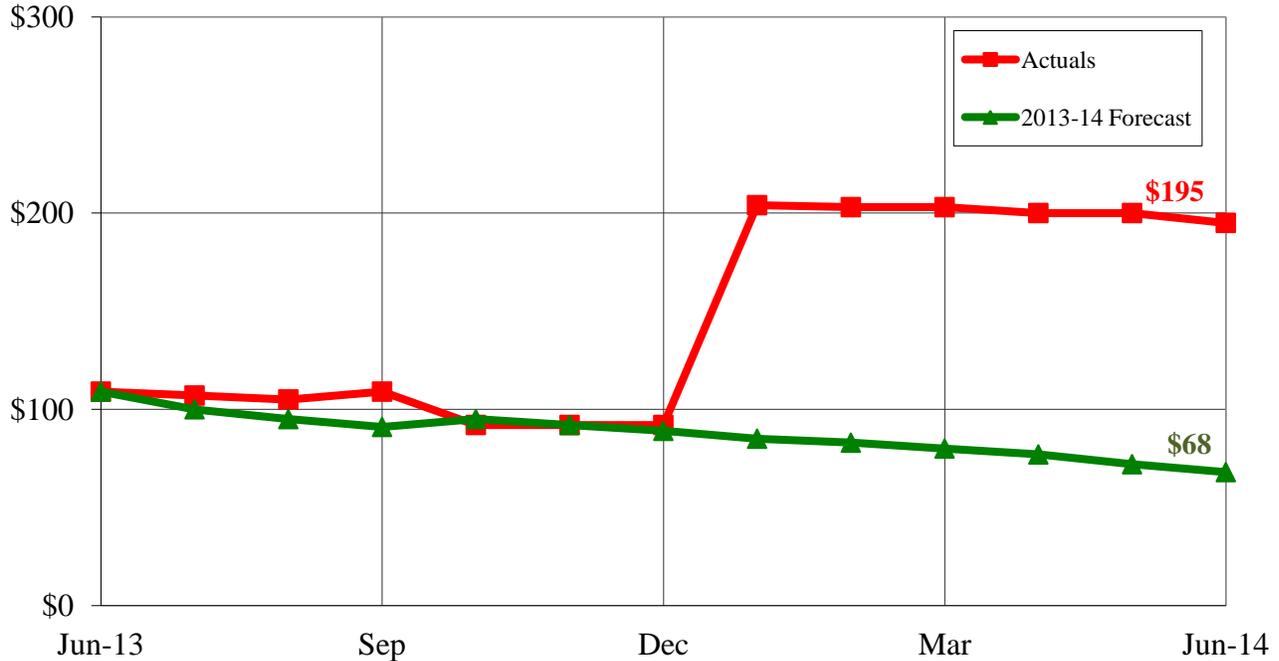
Year-to-Date Reconciliation

| | (\$ in millions) | | | |
|-------------------------------|------------------|--------------|-------------|------------|
| | Forecast | Actual | Difference | % |
| Beginning Cash Balance | \$69 | \$69 | N/A | |
| Revenues | 0 | 0 | 0 | |
| Transfers | 131 | 131 | 0 | |
| Expenditures | -125 | -96 | 29 | |
| Adjustments | 0 | 12 | 12 | |
| Ending Cash Balance | \$76 | \$117 | \$41 | 54% |

Note: Ending cash balance may differ due to rounding.

APPENDIX C – CASH FORECASTS – TRANSPORTATION INVESTMENT FUND

**Transportation Investment Fund (TIF)
12-Month Cash Forecast
(\$ in millions)**



Year-to-Date TIF Summary

The TIF ending cash balance through the fourth quarter was \$195 million, \$127 million (187 percent) above the forecasted amount of \$68 million. The variance is attributable to a project that became federally eligible resulting in a credit to the fund that occurred in the third quarter. Expenditures totaled \$23 million, approximately \$18 million (44 percent) lower than forecast. Adjustments, which represent timing differences between the Department’s accounting system and the SCO’s accounting system, totaled a positive \$7 million. The Department anticipates requesting to move any remaining TIF resources and obligations to the SHA during 2014-15.

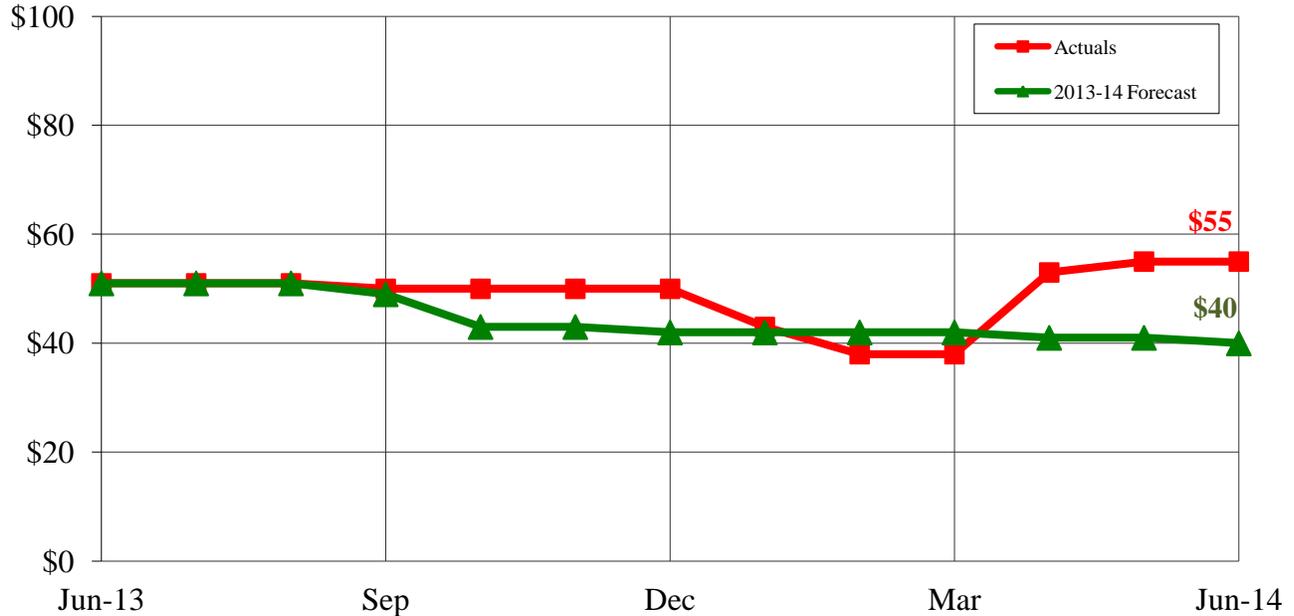
Year-to-Date Reconciliation

| (\$ in millions) | | | | |
|-------------------------------|--------------|--------------|--------------|-------------|
| | Forecast | Actual | Difference | % |
| Beginning Cash Balance | \$109 | \$109 | N/A | |
| Revenues | 0 | 0 | 0 | |
| Transfers | 0 | 102 | 102 | |
| Expenditures | -41 | -23 | 18 | |
| Adjustments | 0 | 7 | 7 | |
| Ending Cash Balance | \$68 | \$195 | \$127 | 187% |

Note: Ending cash balance may differ due to rounding.

APPENDIX C – CASH FORECASTS – TRANSPORTATION DEFERRED INVESTMENT FUND

**Transportation Deferred Investment Fund (TDIF)
12-Month Cash Forecast
(\$ in millions)**



Year-to-Date TDIF Summary

The TDIF ending cash balance through the fourth quarter was \$55 million, \$15 million (38 percent) above the forecasted amount of \$40 million. The variance is primarily due the closure of two projects, which resulted in a credit to the fund. Revenues totaled \$83 million. Transfers totaled a net \$76 million, which included a \$7 million credit to the fund. Expenditures totaled \$3 million, \$8 million (73 percent) lower than forecast. Adjustments, which represent timing differences between the Department’s accounting system and the SCO’s accounting system, totaled a negative \$100,000.

Year-to-Date Reconciliation

| (\$ in millions) | | | | |
|-------------------------------|-------------|-------------|-------------|------------|
| | Forecast | Actual | Difference | % |
| Beginning Cash Balance | \$51 | \$51 | N/A | |
| Revenues | 83 | 83 | 0 | |
| Transfers | -83 | -76 | 7 | |
| Expenditures | -11 | -3 | 8 | |
| Adjustments | 0 | 0 | 0 | |
| Ending Cash Balance | \$40 | \$55 | \$15 | 38% |

Note: Ending cash balance may differ due to rounding.

APPENDIX D – FEDERAL EMERGENCY PROJECTS

There have been no new disaster declarations for the quarter ending on June 30, 2014. In addition, the Department received no new Emergency Relief allocations from the Federal Highway Administration (FHWA). The chart below represents disasters that have not been completely funded by FHWA.

| Disaster Repair Costs | | | |
|--|---|--------------|----------------|
| Approved Federal Funding and State/Local Impact | | | |
| (\$ millions) | | | |
| Disaster | Identified Cost of Disaster Repair | | |
| | State | Local | Total |
| Devil's Slide CA83-1 | \$631 | \$0 | \$631 |
| Dec. 2004 Storm CA05-1 | 209 | 103 | 312 |
| Dec. 2005 Storm CA06-1 | 406 | 49 | 455 |
| Jan. 2010 Storm CA10-1 | 86 | 15 | 101 |
| Dec. 2010 Storm CA11-1 | 61 | 19 | 80 |
| Mar. 2011 Storm CA11-3 | 230 | 26 | 256 |
| So. California Windstorm CA12-2 | 1 | 3 | 4 |
| Mar. 2012 Storm CA12-3 | 31 | 0 | 31 |
| San Mateo Co. Storm CA13-1 | 1 | 3 | 4 |
| LA Co. Wildfires CA13-2 | 0 | 3 | 3 |
| Riverside Co. Wildfires CA13-3 | 2 | 0 | 2 |
| July '13 LA Tanker Fire CA13-4 | 20 | 0 | 20 |
| Aug. '13 Rim Fire CA13-5 | 2 | 0 | 2 |
| July '13 Inyo Co. Flood CA13-6 | 0 | 3 | 3 |
| Total Damage Estimate | \$1,680 | \$224 | \$1,904 |
| Amount Obligated To Date | | | \$1,533 |
| Allocation Available for Future Project Costs | | | \$36 |
| Remaining Need | | | \$335 |

Note: Totals may not add due to rounding.

Future federal emergency relief of this type can only be used to fund emergency projects and does not represent new capacity, except to the extent that the SHA funds have already been advanced for the emergency projects.

APPENDIX E – TRANSPORTATION LOANS

| Status of Outstanding Transportation Loans, as of June 30, 2014 (\$ in millions) | | | |
|---|----------------|-------------------------------|-------------------|
| FUND | Original Loan | Loans / Interest Paid-to-Date | Remaining Balance |
| Pre-Proposition 42 (Tribal Gaming Revenue): | | | |
| State Highway Account (SHA) ¹ | \$473 | \$341 | \$132 |
| Public Transportation Account (PTA) | 275 | 10 | 265 |
| Traffic Congestion Relief Fund (TCRF) | 482 | 0 | 482 |
| Subtotal Pre-Proposition 42 Tribal Gaming Loans: | \$1,230 | \$351 | \$879 |
| Proposition 42: | | | |
| Public Transportation Account (PTA) ² | \$220 | \$220 | \$0 |
| Transportation Investment Fund (TIF) ² | 440 | 440 | 0 |
| Transportation Congestion Relief Fund (TCRF) ³ | 1,066 | 898 | 167 |
| Locals ² | 440 | 440 | 0 |
| Subtotal Proposition 42 Loans: | \$2,166 | \$1,998 | \$167 |
| General Fund: | | | |
| State Highway Account (SHA) ⁴ | \$335 | \$235 | \$100 |
| State Highway Account - Weight Fee Revenues ⁵ | 227 | 0 | 227 |
| State Highway Account - Weight Fee Revenues ^{5a} | 590 | 0 | 590 |
| Highway User Tax Account (HUTA) ⁶ | 328 | 0 | 328 |
| Public Transportation Account ⁷ | 29 | 0 | 29 |
| Other transportation accounts ⁸ | 31 | 3 | 28 |
| Subtotal General Fund Loans: | \$1,540 | \$238 | \$1,302 |
| High-Speed Passenger Train: | | | |
| Public Transportation Account (PTA) ⁹ | \$23 | \$0 | \$23 |
| Subtotal High-Speed Passenger Train Loans: | \$23 | \$0 | \$23 |
| Totals: | \$4,959 | \$2,587 | \$2,371 |

Note: Numbers may not add due to rounding.

¹The remaining balance of \$132 million will be directed to debt service per Assembly Bill (AB) 115 of 2010.

²Includes interest payments of \$8 million for the PTA and \$16 million for the TIF and Locals. These loans have been repaid in full and will be removed from the 2014-15 first Quarter Report.

³The remaining amount owed to the TCRF as a result of Proposition 42 suspensions will be repaid in equal annual installments ending in 2015-16.

⁴The SHA is expected to be repaid \$50 million in 2014-15 and \$50 million in 2015-16.

⁵\$80 million and \$147 million were authorized by 2009-10 Budget Act and subsequently characterized as weight fees via AB 115.

^{5a}Post AB 115 weight fee transfers- 2010-11 Budget Act: \$43.7 million loan, \$139 million-excess weight fee loan to GF (11-12), \$24.7 million excess weight fee loan to GF (2011-12), Vehicle Code 9400.4(b)(2) - \$42 million, \$30.3 million-excess weight fee loan to GF (2011-12), \$310 million-excess weight fee loan to GF (2012-13).

⁶The HUTA is expected to be repaid \$328 million in 2014-15. The loan repayment will be subsequently transferred to the SHA and Locals.

⁷The PTA is expected to be repaid \$29 million in 2020-21.

⁸The Environmental Enhancement and Mitigation Fund (\$4.4 million), the former Bicycle Transportation Account (\$6 million loan repayment will be redirected to ATP), and the Pedestrian Safety Account (\$1.7 million), are expected to be repaid in 2014-15. Remaining loans to the Motor Vehicle Fuel Account (\$8 million) and the LALA (\$7.5 million) are expected to occur in 2016-17.

⁹Appropriation of up to \$26 million authorized for 2013-14 and up to \$29 million for 2014-15. Approximately \$23 million was loaned during 2013-14. Repayments will occur when the PTA is determined to be in need of the funds or when the High-Speed Passenger Train Bond Fund no longer needs the funds.

Pre-Proposition 42 Loans (Tribal Gaming)

The Pre-Proposition 42 (Tribal Gaming) loans occurred in fiscal year 2001-02, when the State was faced with a growing budget deficit and looked to transportation funds to help fill the budget shortfall. The Transportation Refinancing Plan, Assembly Bill (AB) 438 (2001), authorized a series of loans that included delaying the transfers of gasoline sales tax to transportation for two years (until 2003-04), a loan from the TCRF to the GF, and loans from the SHA and PTA to the TCRF.

In 2004-05, the Governor negotiated compacts that authorized the use of Tribal Gaming bond revenue to repay these loans in 2005-06, but legal challenges prevented the bonds from being issued. Due to the lack of Tribal Gaming bond proceeds, the GF was tasked with repayment of the loans. Between 2005-06 and 2007-08, the GF made partial loan repayments to the SHA and PTA, totaling \$351 million. However, since statute did not specify repayment dates and the State was facing continuing budget shortfalls, repayments were temporarily suspended. The 2011-12 Governor's Budget indicated that the remaining Tribal Gaming loan repayments would start no earlier than 2016-17, with the SHA as the first fund to be repaid.

AB 115 (2010) declared that the SHA loan repayments are revenues derived from weight fees. As such, the June 30, 2021 scheduled repayment of the loans to the SHA will be subsequently transferred to the Transportation Debt Service Fund (TDSF). Repayments to the PTA and TCRF are currently scheduled to occur in installments between 2017-18 and 2024-25.

Proposition 42 Loans

Pursuant to Proposition 42 (2002), the transfer of gasoline sales tax for transportation purposes was made permanent. However, as State budget shortfalls continued, Proposition 42 transfers were partially suspended in 2003-04 and completely suspended in 2004-05, creating the Proposition 42 loan balances. These loans were partially repaid in 2006-07 with a payment of \$1.4 billion, leaving approximately \$752 million due to TCRF. As of July 2007, outstanding Proposition 42 loans are required to be repaid in annual installments with not less than one-tenth of the total amount of the remaining loan and the balance being repaid in full by June 30, 2016. During the first quarter of 2013-14, a net transfer of \$81 million was made to the TCRF and a final \$2 million transfer was made to the PTA. As of June 2014, the TCRF is owed \$167 million.

General Fund Loans

The 2007-08 Budget Act authorized \$231 million in loans to the GF from the SHA, the Historic Property Maintenance Fund (HPMF), the Bicycle Transportation Account (BTA), the Environmental Enhancement and Mitigation Program Fund (EEM), the Pedestrian Safety Account (PSA), the Motor Vehicle Fuel Account (MVFA), and the Local Airport Loan Account (LALA). The SHA loaned a total of \$200 million to the GF and has received \$100 million in partial repayments; \$50 million in July 2012 and \$50 million in December 2013. The remaining \$100 million is scheduled to be repaid in equal installments during 2014-15 and 2015-16. As of June 2014, the \$3 million HPMF loan has been repaid in full. Pursuant to Senate Bill (SB) 99 (2013), the BTA has been eliminated and is now an element of the ATP within the SHA. As a result, the \$6 million owed to the BTA is expected to be redirected to the SHA in July 2014. SB 99 also changed the administering agency for the EEM from the Department to the Secretary of the Natural Resources Agency. As a result, loan repayments owed to the EEM will no longer be monitored by the Department. The \$1.715 owed to the Pedestrian Safety Account is expected to be repaid in 2014-15. The MVFA and the LALA are owed \$8 million and \$7.5 million, respectively. These repayments are expected to occur in 2016-17.

A \$135 million loan from the SHA to the GF was authorized by the 2008-09 Budget Act. The authorized \$135 million loan was originally scheduled to be repaid by June 30, 2013, but the 2011-12 Budget Act delayed the repayment. In 2013-14, the loan repayment was authorized by an Executive Order from the DOF in an effort to reduce the State's "Wall of Debt". As of June 2014, the loan has been repaid in full.

The 2009-10 Budget Act authorized a loan of \$29 million from the PTA to the GF. This loan is scheduled to be repaid by June 30, 2021.

The outstanding Highway Users Tax Account (HUTA) loans of \$328 million were authorized by the 2009-10 Budget Act and had an original repayment date of June 30, 2021. However, the 2014-15 Budget Act requires the early repayment of the \$328 million, plus \$9 million in interest, by June 30, 2015. Once the GF repays the HUTA, the \$337 million will be subsequently distributed as follows; \$100 million to cities and counties, \$210 million to the SHOPP, and \$27 million toward Maintenance projects.

Weight Fees Loans

In 2010, California voters passed Proposition 22, which amended the California Constitution by significantly restricting the State from using fuel excise tax revenues for GF relief, which was previously allowed. Pursuant to AB 105 (2011), a “Weight Fee Swap” was created, which allowed the State to use weight fee revenues for GF relief rather than fuel excise tax revenues. Furthermore, the bill authorized transfers of weight fee revenues from the SHA to the GF for transportation debt service and loans. To offset this diversion, an equivalent amount from the new price-based excise tax is transferred to the SHA.

The 2009-10 Budget Act authorized \$80 million and \$147 million in loans from the SHA to the GF. Pursuant to AB 115, these loans were “grandfathered” into statute and characterized as being derived from weight fees; consequently, the repayment of these loans to the SHA will be transferred to the TDSF for transportation bond debt service.

An additional loan of \$44 million to the GF was authorized by the 2010-11 Budget Act. At the end of 2011-12 and 2012-13, excess weight fees available in the SHA were transferred as loans to the GF in the amount of \$139 million, \$25 million, and \$310 million. Pursuant to Section 9400.4(b)(2) of the Vehicle Code, an additional \$42 million was transferred as a loan from excess weight fee revenues in the SHA to the GF in July 2012. The \$42 million shall be repaid no later June 30, 2021. In May 2013, \$30 million was transferred to the GF from remaining weight fees in 2011-12. In total, there are \$817 million in outstanding loans to the GF derived from weight fee revenues. As such, the June 30, 2021 scheduled repayment of the loans to the SHA will be subsequently transferred to the TDSF.

High-Speed Passenger Train Loans

The 2013-14 Budget Act authorized up to \$26 million in loans from the PTA to the High-Speed Passenger Train Bond Fund to cover support costs incurred by the High-Speed Rail Authority. The 2014-15 Budget Act authorizes an additional amount of up to \$29 million for support costs incurred in 2014-15. During 2013-14, approximately \$23 million was loaned. Repayments will occur when the PTA is determined to be in need of the funds or when the High-Speed Passenger Train Bond Fund no longer needs the funds.

APPENDIX E – INTERFUND TRANSPORTATION LOANS

| Interfund Transportation Loans (\$ in millions) | | | | | | |
|--|--------------|------------|---------------------------------|--------------|---------------------|-------------------|
| Fiscal Year Borrowed | From Account | To Account | Description | Amount | Repaid ¹ | Remaining Balance |
| 2008-09 | TCRF | SHA | Backfill SHA transfer to the GF | \$200 | \$100 | \$100 |
| 2009-10 | PTA | SHA | Backfill SHA transfer to the GF | 135 | 0 | 135 |
| Totals | | | | \$335 | \$100 | \$235 |

¹Two short-term loan repayments (\$50M each) from the SHA to the TCRF occurred on 7/25/2012 and 2/4/2014.

A loan in the amount of \$200 million was made from the TCRF to the SHA in 2008-09, as a means to backfill a \$200 million loan to the GF. A partial repayment of \$50 million was applied to the TCRF in July 2012 and a second partial repayment was made in February 2014, leaving a balance of \$100 million. The remaining balance is expected to be repaid in 2014-15 and 2015-16 (\$50 million each).

A loan of \$135 million was made from the PTA to the SHA in 2009-10, as a means to backfill a \$135 million loan to the GF. Repayment is expected to be made in July 2014.