STATUS OF ACTION ITEMS
From
September 24-25, 2003 Commission Meeting

6 (4.5) Bob Garcia/Robert Sertich/Joan Borucki – For Fund Estimate Action Items from the September meeting, see attached memo to Bob Garcia from Diane Eidam, dated September 30, 2003.

- **This will be discussed under October 2003 Agenda Tab 44 (Item 4.5).**

46 (3.1) Robert Sertich/Joan Borucki – CTC and Caltrans staffs work together on a reconciliation of the cash balance number and to further refine the information contained in the report.

- **This will be done.**

52 (3.10) Warren Weber – Provide by letter to Commissioner Lawrence, the estimated costs to increase on time performance to 95% for the Surfliner.

- **This has been done.**

81 (3.12) David Brewer – Return at the October Commission meeting with a proposed policy regarding AB 3090 and GARVEE debt service cash commitments. *(October Agenda Item)*

- **This will be discussed under October 30, 2003 Agenda Tab 46 (Item 4.2).**

84 (4.8) Carl Haack – For next year's report and future report on Investments to State Highways by Outside Funding Sources, provide a complete history of the Measure counties contributions. *(Future Agenda Item)*

- **This will be done and reported on at a future Commission meeting.**

Attachment: (0903 4.5 Fund Estimate Actions.doc)

1003 stat/mlf

DRAFT
Memorandum

To: Bob Garcia **Date:** September 30, 2003

From: Diane C. Eidam BOOK ITEM 4.5

Ref: Summary of Actions: 2004 Fund Estimate Assumptions

On September 24, 2003 the Commission was presented with a set of recommendations by the Department regarding the assumptions to be used in calculating the 2004 Fund Estimate. The following is a summary of the actions taken by the Commission.

State Highway Account

SHA 1: Beginning Cash Balance: During the Caltrans Monthly Finance Report discussion, the Commissioners expressed concerns over what the beginning cash balance represented. The number was inconsistent with the expectations and trends laid out in previous months. The Department was directed to work with CTC staff to determine the appropriate beginning balance for use in the fund estimate. Staff was asked to begin with the actual balance per the State Controller's Records as of June 30, 2003 and reconcile to the number as presented by the Department.

SHA 2. Prudent Cash Balance: The Commission agreed to a reservation for a prudent SHA cash balance of $330 million.

SHA 3 - 5 & 7. State Revenues: The Commission adopted these recommendations as proposed by the Department to grow state fuel excise tax revenues at 2.3 % annually, maintain revenue from alternative fuels at $5 million each year, and use the SMIF interest rate of 1.859 %.

SHA 6. State Revenues: The Commission directed the Department to use the current year projected base for Weight Fees that assume the passage of SB 1055, and then grow weight fees 1% annually.

SHA 8 – 10. Transfers: The Commission adopted the Department's recommendations to use historical trends to forecast rental and miscellaneous income, continue transfers for Planning to the PTA based on the assumptions made concerning State Operations and assume no transfer from MVA. The Commission also directed the Department to work with Commission staff to display the commitments to the Toll Bridge Seismic Retrofit program and transfers in from the Transportation Investment Fund so they are highlighted and easily distinguished in the Fund Estimate.

SHA 11 – 12. Loans: The Commission took action to direct the department to adjust their assumptions to include the estimated revenues from the rental car fees (AB 487) as the loan payback from TCRF to SHA with any remaining amount appearing in FY 2008/2009. These funds should also be displayed separately in the Fund Estimate.

SHA 13 – 14. Federal Revenues: The Commission adopted assumptions SHA 13 and 14 as recommended by the Department. These assumed an August redistribution of OA of $25 million annually and no change to the existing structure of federal transportation programs.

SHA 15. Federal Revenues: The Commission directed the Department to use for the purpose of preparing the draft fund estimate for October the mid-point between the House and Senate appropriations proposals and an escalation factor of 2% annually beginning in FY 2005/06. Because the issue of full taxation of ethanol has not been addressed, the Department was asked to assume that it would not be fixed during the fund estimate period and to factor in an appropriate reduction in federal revenues as a result (Department estimates this to be in the range of $300 m to $700 m a year). The Commission indicated its willingness to revisit this assumption in October based on any subsequent action taken by Congress.

SHA 16. Reduction of Advanced Construction Balance: The level of obligation authority used to convert advanced construction authorizations should not have an impact on resources in the Fund Estimate if the resulting cash reimbursement from the conversion is being factored into the resources available. Based on assurances from the Department that the resources will be incorporated in the Fund Estimate, the Commission adopted the Department's recommendation to dedicate $200 m of OA a year to convert Advanced Construction. The Department was further directed to ensure that this did not affect the amount of OA available for Local Assistance.

SHA 17. Display of Existing Capital Outlay Commitments: The Commission adopted the department's recommendation to display existing commitments as currently programmed for purposes of calculating the draft fund estimate.

SHA 18 – 19. Capital Project Escalation Rates: The Commission adopted the recommendation to use the CHCCI for capital projects and the DOF escalation rate for office buildings.

SHA 20 – 21. State Operations: The Commission rejected SHA 20 Reservation for Budget Change Proposals. Instead the Commission adopted an assumption to modify the existing base budget for State Operations to reflect all adjustments post-budget and then escalate the State Operations costs 2 percent annually for the life of the fund estimate.

SHA 22. SHOPP: The Commission adopted the following annual levels for the SHOPP:

FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
$1,482 b	$1,641 b	$1,718 b	$1,718 b	$1,718 b

The Commission directed the Department to assign 85 percent of the annual funding to the four categories of Safety, Bridge Preservation, Roadway Preservation and Mobility, which is an increase of 5 % from what the Department proposed. The Department was directed to come back to the October meeting with a revised SHOPP funding allocation by categories with revised performance outcomes. These performance outcomes would then be used to review the Department's progress towards their

achievement on an annual basis. The Commission may have to revisit this assumption in October based on the acceptability of the performance outcomes and funding levels in the Draft Fund Estimate.

SHA 23 – 24, 26 - 29. SHOPP: The Commission adopted assumptions SHA 23, 24, 26, 28 and 29. those assumptions were:

- Minor safety projects are part of the forecast for the SHOPP.
- Actual programmed right of way costs will be used for FYs 2004-06. For the remaining years it will be assumed that right of way costs equal 3 percent of the SHOPP annual level.
- Capital Outlay Support will be based on workload.
- Annual amounts for stormwater will be shown.
- Award savings factors will be applied.

Assumption 27 was explicitly not adopted since the Commission is not familiar with the Department's Five Year Capital Outlay Plan. Instead this was addressed through the action taken on Assumption 22.

SHA 25. SHOPP: AB 1171 specified not less than $642 million from the state's share of the federal Highway Bridge Replacement and Rehabilitation Program would be used for Toll Bridge Seismic Retrofit projects. AB 1171 also stated that if the projects costs exceed $4,637 million then the department may program not more than $448 million in projects savings or other available resources from the ITIP, the SHOPP, or federal bridge replacement funds. The Department recommended and the Commission adopted a contingency reserve of $448 million for Toll Bridge Seismic Retrofit. This reserve is to be identified separately along with the other expenditures for Toll Bridge Seismic Retrofit.

SHA 30 – 36. Local Assistance: The Commission adopted the following assumptions:

- Local Assistance project delivery will be 100%.
- Any OA borrowed from local agencies in FY 2003-04 will be paid back in FY 2003–04. Any OA borrowed from locals prior to FY 2003–04 will be identified in the Fund Estimate with a proposed payback timeline.
- Federal lump sum allocations will no longer be cash flowed.
- The state and local percentage split for OA is estimated at 60/40 percent respectively.
- No state funds are set aside as local match for Local Seismic Retrofit projects.
- No change to the existing transportation program structures.
- Safe Routes to School Program will expire in January 2005.

SHA 37. Reservations: The Commission did not adopt any assumptions for additional reservations.

SHA 38 – 39. Prior STIP Commitments: The Commission adopted the Department's recommendation to have STIP expenditure levels reflect the program as amended through the September CTC meeting. Award savings will be factored in.

SHA 40. GARVEE Bonds: The Commission adopted the Department's recommendation to include all currently programmed GARVEE projects as existing commitments and to identify the debt service as a line in the Fund Estimate.

SHA 41 – 44. GARVEE Projects: The Commission adopted the following assumptions related to GARVEE projects:

- All programmed GARVEE projects will be included in the Fund Estimate as existing commitments.
- Assume a 1 % issuance cost.
- Debt Service interest rate is assumed to be 4.75%.
- Programmed GARVEE projects will stay within the level of available programming.

SHA 45. Contingencies: The Commission adopted the Department's recommendation to not include a contingency for delivery shortfall.

SHA 46 – 47. AB 3090 Projects: The Commission adopted the department's recommendations to assume that the Commission would program AB 3090 projects within available resources and that the following amounts for cash reimbursements would be included as part of the existing commitments:

FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
$17.5 m	$43.6 m	$75.1 m	$43.8 m	$43.8 m

SHA 48 – 50. Advanced project Development Element: The Commission adopted the Department's recommendation not to include APDE.

Public Transportation Account

PTA 1 – 8. PTA Revenues: The Commission adopted the following recommendations from the Department:

- The beginning cash balance will be calculated on an accrual basis.
- Revenues from gasoline sales will grow at 1.25 percent annually and diesel at 4.8 % annually.
- Payback of the $275 million loan repayment will be made June 30, 2008 from the TCRF to PTA.
- Federal funds will be used for support functions of mass transit and planning.
- The Aeronautics transfer will equal $30,000 per year.
- Historical trends will be used to estimate the transfer of non-Article XIX revenues from SHA to PTA.
- The TIF transfer will as specified in law resume in FY 2004–05. TIF revenues will be identified separately in the Fund Estimate.
- SHA resources to cover the Department's Planning support costs will be transferred consistent with the State Operations assumptions.

PTA 9. PTA Revenues: The Commission adopted the Department's recommendation to show the PTA share of TBSRA as $30 million in FY 2005–06 and $40 million in FY 2006–07. This should fulfill the PTA's commitment to TBSRA per SB 60/AB 1171. It will be clearly defined in the Fund Estimate.

PTA 10. Prudent Cash Balance: The Commission adopted the Department's recommendation to maintain a Prudent Cash Balance of $52 million.

PTA 11. Expenditures: The Commission directed the Department for the purpose of calculating the draft Fund Estimate that the cost of the Intercity Rail Program be held constant at the FY 2003-04 level for the five years of the Fund Estimate. This assumption can be revisited after the presentation of the funding levels and resulting performance outcomes at the October meeting.

PTA 12. Expenditures: The Commission adopted the Department's recommendation to assume a 1.01% escalation factor for ferry operations costs.

PTA 13. State Operations: Consistent with the recommendation made on the State Highway Account the Commission directed the Department to modify their assumption to reflect a revised FY 2003-04 base budget and then escalate the State Operations dollars 2 percent annually for the five years of the fund estimate.

Transportation Investment Fund

The Commission adopted the Department's recommendations to assume that the TIF transfer would occur in FY 2004-05 and that there is no need for a prudent cash balance.

Transportation Deferred Investment Fund

The Commission adopted the Department's recommendations that the transfer of General Funds to the TDIF would occur June 30, 2009, the current PMIA interest rate of 1.859 % would be used to calculate the interest and funds would be distributed as they would have been in FY 2003 – 04 to TCRP, STIP, Local Streets and Roads and PTA.

Aeronautics Account

The Commission adopted the recommendations of the Department as follows:

- The beginning balance is calculated on an accrual basis.
- Jet fuel revenues will increase at a rate of 10.9 % annually and aviation gasoline revenue will decrease at 3.2%. (NOTE: There is a large variation in the taxes imposed by the State on these two fuels. Jet fuel is taxed at 2 cents per gallon and gasoline at 18 cents per gallon. There is a potential problem of declining funds as the shift from aviation gasoline to jet fuel continues.)
- Transfer to the PTA is $30,000 per year.
- Existing commitments include what has been programmed through the 2002 AIP and A&D programs only.
- Future federal revenues and programs will be based on the President's Air 21 proposal.
- Consistent with the assumption made in the other accounts regarding State Operations, the Department will begin with an adjusted FY 2003-04 base budget and then escalate it at 2% annually.