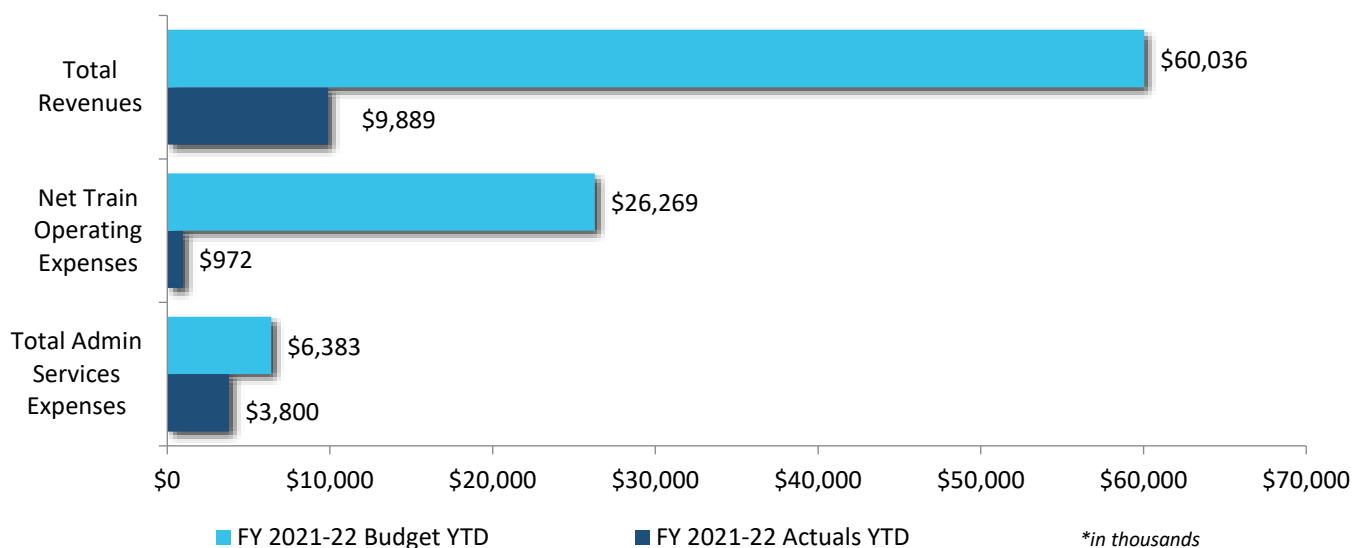




Quarterly Budget Status Report

Third Quarter of Fiscal Year 2021-22

FY 2021-22 Budget to Actuals Year-To-Date



OVERVIEW

The Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor Agency (Agency) Business Plan for Fiscal Year (FY) 2021-22 and FY 2022-23 (Business Plan), and the FY 2021-22 budget were approved at the March 15, 2021 Board of Directors (Board) meeting. The business plan was submitted to the Secretary of the California State Transportation Agency on April 1, 2021, as required by the interagency transfer agreement and LOSSAN joint powers agreement.

The Board-approved FY 2021-22 Business Plan and budget is \$113,544,927. This includes funding for administrative and marketing services in the amount of \$8,215,547, and \$30,807,380 for net train operations (which includes \$50,000 for emergency bus bridge services and the continuation of the transit transfer program, and \$941,820 reimbursement from other agencies), \$500,000 for minor capital projects, and \$74,022,000 for grant programs. The adopted budget was based on preliminary estimates available at the time and assumed 80 percent of pre-pandemic operating service levels.

Amtrak operates on a Federal Fiscal Year (FFY) of October through September and the operating contract is executed on an FFY basis. The LOSSAN Agency operates on a FY between July and June.

The FY 2021-22 adopted budget assumes the California Department of Transportation (Caltrans) Division of Rail and Mass Transportation will directly fund equipment capital charges for the Amtrak-owned railcars and locomotives used on the three state-supported corridors. As a result, equipment capital charges are not included in the operating agreement between Amtrak and the LOSSAN Agency.

This report highlights the major variances between the budget and actual revenues and expenses through the third quarter (January 2022 through March 2022) of FY 2021-22.

AMENDMENTS

On June 21, 2021, the Board approved an amendment to the LOSSAN Agency's FY 2021-22 revenue and expense budget to reflect revised Amtrak operating revenue and expense forecasts, reduced service levels, and revised administrative and grants programs budgets. The amendment increased the net operating revenue and expenses by \$4,700,800. It also assumed that Amtrak would have remaining American Rescue Plan Act federal funds to apply to the net costs of the Pacific Surfliner. The revised operating estimate assumed a more conservative return of ridership and revenue of approximately 55 percent of prior year revenue. The administrative revenue and expenses increased by \$413,860 to incorporate employee

performance-based salary increases which are consistent with the managing agency, the Orange County Transportation Authority's (OCTA), adopted FY 2021-22 personnel and salary resolution. Grant program revenues and expenses increased by \$7,844,000 associated with Transit and Intercity Rail Capital Program (TIRCP) and Proposition 1B grant programs (Prop 1B) for the completion of a timetable and corridor-wide network integration and strategic investment projects, host railroad access fees to support increased frequencies on the northern end of the corridor, and station security and safety projects.

Table 1: Budget Amendment, provides a summary of the net impact to the revenue and expense budget.

TABLE 1: BUDGET AMENDMENT

Revenues	FY 2021-22 Adopted Budget (3/15/21)	June 21, 2021 Budget Amendment	FY 2021-22 Working Budget
Total Revenues Available for Amtrak Operating Expenses	\$ 30,807,380	\$ 4,700,800	\$ 35,508,180
Total State Minor Projects Revenues	\$ 500,000	\$ -	\$ 500,000
Total State and Grant Administration and Marketing Funding	\$ 8,215,547	\$ 413,860	\$ 8,629,407
Total Grant Programs Revenues	\$ 74,022,000	\$ 7,844,000	\$ 81,866,000
Total Revenue Budget	\$ 113,544,927	\$ 12,958,660	\$ 126,503,587
Expenses	FY 2021-22 Adopted Budget (3/15/21)	June 21, 2021 Budget Amendment	FY 2021-22 Working Budget
Net Amtrak Operating Expenses	\$ 30,807,380	\$ 4,700,800	\$ 35,508,180
Total Minor Projects Expenses	\$ 500,000	\$ -	\$ 500,000
Total State Administration and Marketing Expenses	\$ 8,215,547	\$ 413,860	\$ 8,629,407
Total Grant Programs Expenses	\$ 74,022,000	\$ 7,844,000	\$ 81,866,000
Total Expense Budget	\$ 113,544,927	\$ 12,958,660	\$ 126,503,587

REVENUES

Budgeted revenues through the third quarter of FY 2021-22 total \$60,035,617, as presented in **Table 2: Revenues** under "FY 2021-22 Working Budget Year-To-Date". Actual Year-To-

Date revenues through the third quarter totaled \$9,889,177. This is a variance of (\$50,146,440).

State operating funding is underrunning by \$24,729,564. This is primarily due to an overall lower funding requirement from the State due to Federal relief funding provided directly to Amtrak through the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) (signed into law December 27, 2020) and the American Rescue Plan Act (ARPA) (signed into law March 11, 2021). Amtrak will apply the CRRSA and ARPA federal funds in full to each month's net operating expenses until the funds are fully exhausted. Both CRRSA and ARPA will provide \$28,355,073 each to Amtrak to offset net

operating costs for the Pacific Surfliner. It is currently estimated that the federal funds will last through May 2022.

Other state funding (grant revenue) is underrunning by \$22,057,745. The variance is primarily attributed to grant reimbursements from the state for expenses related to Union Pacific Railroad (UPRR) to design and construct capital improvement projects

including Island Central Traffic (\$14,861,000), Non-Powered Switch Upgrades (\$3,433,667), and Safety Improvement Program (\$1,487,000). The state funding source for the UPRR projects include Transit & Intercity Rail Capital Program (TIRCP), State Transportation Improvement Program (STIP), and Proposition 1B (Prop 1B). These projects are on a

TABLE 2: REVENUES

	FY 2021-22 Adopted Budget	FY 2021-22 Working Budget	FY 2021-22 Working Budget Year-To-Date	FY 2021-22 Actuals Year-To-Date	\$ Variance Year-To-Date	% Variance Year-To-Date	FY 2021-22 Percent of Budget Used-to-Date
State Administrative Funding	\$ 6,615,547	\$ 7,029,407	\$ 6,615,547	\$ 3,514,704	\$ (3,100,844)	-46.9%	50.0%
State Marketing Funding	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ -	0.0%	100.0%
State Operating Funding	\$ 29,865,560	\$ 34,626,360	\$ 25,554,090	\$ 824,526	\$ (24,729,564)	-96.8%	2.4%
Reimbursements from other Agencies	\$ 941,820	\$ 941,820	\$ -	\$ (26,531)	\$ (26,531)	N/A	-2.8%
Other State Funding ¹	\$ 74,022,000	\$ 81,806,000	\$ 26,015,980	\$ 3,958,236	\$ (22,057,745)	-84.8%	4.8%
State Capital Funding ²	\$ 500,000	\$ 500,000	\$ 250,000	\$ -	\$ (250,000)	-100.0%	0.0%
Net State/Other Agency Funded	\$113,544,927	\$126,503,587	\$ 60,035,617	\$ 9,870,934	\$ (50,164,683)	-83.6%	7.8%
Interest Revenue	\$ -	\$ -	\$ -	\$ 18,244	\$ 18,244	N/A	N/A
Total Revenues	\$113,544,927	\$126,503,587	\$ 60,035,617	\$ 9,889,177	\$ (50,146,440)	-83.5%	7.8%

¹ Includes Transit & Intercity Rail Capital Program, California Transit Security Grant Program, State Rail Assistance, State Transportation Improvement Program Funds and Proposition 1B grant programs

² Includes State Minor projects funding

Working budget is the adopted budget plus any amendments approved during the year.

reimbursement basis; as reimbursements are received from Caltrans, the LOSSAN Agency is able to pay additional invoices and seek additional reimbursements. Additional project reimbursement and payments are anticipated in the fourth quarter.

Additionally, TIRCP NCTD Increased Service Frequencies and On-time Performance and California Transit Security Grant Program (CalOES) are underrunning by \$2,359,300, and \$1,719,797 respectively, due to lower revenue recognition directly related to lower than anticipated project expenses.

The state funding (grant revenue) underruns are partially offset by the receipt of FY 2020-21 State Rail Assistance (SRA) revenue of \$3,342,740 million vs. the working budget year-to-date amount of \$0 through the third quarter. This variance is due to timing. The FY 2020-21 SRA funds were originally anticipated to be received in the fourth quarter of FY 2020-21, instead they were received in the first quarter of FY 2021-22.

COVID-19 Impacts to third Quarter Operating Revenues: Total passenger revenue for the third quarter performed very well and saw an increase of approximately 178.3 percent compared to the same period last year, however when compared to pre-pandemic (October – December 2019) passenger revenue it was lower by approximately 43.9 percent. Although revenue and ridership levels remain lower when compared to pre-pandemic levels in 2019, the third quarter of FY 2021-22 saw some easing of Covid-19 related travel restrictions and a positive impact on ridership. This has had a positive impact on the overall net operating costs, which will be addressed in the operating expenses section of this report.

OPERATING EXPENSES

Budgeted expenses through the third quarter of FY 2020-21 total \$86,623,358, as presented in **Table 3: Expenses** under “FY 2021-22 Working Budget Year-To-Date”. Actual Year-To-Date expenses through the third quarter totaled \$5,801,671. This is a variance of \$80,821,687.

Projects within grant programs are underrunning by \$52,690,684. This underrun is primarily attributed to timing of payments for the capital improvement project expenses within the UPRR Master Capital Agreement including: Narlon Bridge Replacement (\$14,975,000), Island Central Traffic Construction (\$14,861,000), Non-Powered Switch Upgrades (\$4,433,852), and Rail Replacement (\$4,000,000). Invoices related to UPRR projects were received earlier in the fiscal year, however due to a longer than anticipated invoice review

process and reimbursement process, some invoices were not processed until the third quarter. Due to the large dollar amount of the invoices, reimbursements must be received prior to additional invoices being paid. A significant amount of invoices are anticipated to be paid prior to the end of the fiscal year. Also contributing to the underrun are delays in the Canada Honda Bridge (\$2,500,000), and Corridor Hardening Improvement (\$1,500,000) projects. These projects are now anticipated to be completed in fiscal year 2022-23 and will be re-budgeted.

Additionally, TIRCP NCTD Increased Service Frequencies and On-Time Performance and CalOES are underrunning by \$2,156,963 and \$1,454,480 respectively, due to lower than anticipated project expenses.

Net train operating expenses variance of \$25,297,513 is due to overall lower net Amtrak operating expenses in the third quarter due to the Federal Funding Amtrak is receiving directly to lower net operating costs.

The administrative staffing budget variance of \$1,499,153 is primarily related to vacant positions through the third quarter. The Equipment and Mechanical Manager was vacant the majority of the first quarter. The Marketing Manager became vacant during the first quarter and remained vacant through the third quarter. The Business Unit Analyst (converted from Marketing Specialist, Principal) and Project Manager, Senior were both vacant until they were filled towards the end of the second quarter. Also, the Deputy Managing Director was vacant through the third quarter.

On July 18, 2016, the Board approved the use of surplus member agency funds (with approval from member agencies) for professional services for lobbying related activities, promotional items which may be ineligible for State funding and general planning activities. Member Agency Surplus funds were utilized in the third quarter for Federal Legislative Advocacy costs for \$20,008, and marketing promotional materials of \$692. Legislative advocacy services are being utilized through a cooperative agreement with the San Joaquin and Capital Corridor Joint Power Authority's. There is a remaining balance of \$176,512 in surplus member agency funds.

COVID-19 Pandemic Impacts to third Quarter Expenses: The LOSSAN Agency has been coordinating with stakeholders through the State-Amtrak Intercity Passenger Rail Committee (SAIPRC) on the implementation, accountability, and transparency of the CARES Act funding, as well as the application of the CRRSA Act funding and ARPA Act funding.

Third Quarter of FY 2021-22

TABLE 3: EXPENSES

	FY 2021-22 Adopted Budget	FY 2021-22 Working Budget	FY 2021-22 Working Budget Year-To-Date	FY 2021-22 Actuals Year-To-Date	\$ Variance Year-To-Date	% Variance Year-To-Date	FY 2021-22 Percent of Budget Used-to- Date
Operating/Capital Budget Line Items							
Net Train Operating Expenses	\$ 30,807,380	\$ 35,568,180	\$ 26,269,401	\$ 971,888	\$25,297,513	96.3%	2.7%
Minor Projects	\$ 500,000	\$ 500,000	\$ 250,000	\$ -	\$ 250,000	100.0%	0.0%
Grant Programs ¹	\$ 74,022,000	\$ 81,806,000	\$ 53,720,678	\$ 1,029,994	\$52,690,684	98.1%	1.3%
Total Operating/Capital Budget	\$105,329,380	\$117,874,180	\$ 80,240,079	\$ 2,001,883	\$78,238,196	97.5%	1.7%
Total Budget	\$113,544,927	\$126,503,587	\$ 86,623,358	\$ 5,801,671	\$80,821,687	93.3%	4.6%

Working budget is the adopted budget plus any amendments approved during the year. Actuals year to date include encumbrances.