




November 28, 2018

To: Members of the Board of Directors

From: Jennifer L. Bergener, Managing Director 

Subject: Fiscal Year 2017-18 Fourth Quarter Budget Status Report

Overview

The Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency's fiscal year 2017-18 budget was approved by the Board of Directors on March 20, 2017, in conjunction with the approval of the annual business plan for fiscal years 2017-18 and 2018-19. This report provides a summary of financial activities and performance through the fourth quarter of fiscal year 2017-18.

Recommendation

Receive and file as an information item.

Background

On March 20, 2017, the Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor Agency (Agency) Board of Directors (Board) approved the LOSSAN Agency Annual Business Plan for fiscal year (FY) 2017-18 and FY 2018-19 (Business Plan), as well as the FY 2017-18 budget. Included in both the adopted budget and Business Plan is funding for FY 2017-18 administrative and marketing services in the amount of \$5,009,474, as well as \$33,388,641 for operations (including \$500,000 for minor projects), and \$3,900,000 for grant programs, bringing the total adopted budget to \$42,298,115. The adopted budget for operations was based on preliminary cost estimates available at the time of adoption.

The LOSSAN Agency received Amtrak's federal FY (FFY) 2017-18 operating revenue and expense forecast on March 30, 2017. In order to incorporate Amtrak's FFY 2017-18 forecast, the California State Transportation Agency allowed the LOSSAN Agency to submit a revised budget and resubmittal of the Business Plan by June 20, 2017. A budget amendment was approved by the Board on June 19, 2017, which adjusted the net train operations budget to \$33,039,762 (including minor projects) to align the budget with the Amtrak

forecast. The budget amendment did not change the FY 2017-18 administrative or marketing amounts.

Amtrak operates on an FFY of October – September; thus, the operating contract has historically been executed on a FFY basis.

Discussion

The LOSSAN Agency bylaws state that a quarterly written report shall be filed with the Board reporting the amount of money held, the amount and source of receipts since the last report, and the amount and recipient of the amounts paid out since the last report. The Quarterly Budget Status Report (Attachment A) provides a detail-level overview of financial activity, including a comparison of budget to actuals and explanations for any budget-to-actual variances through the fourth quarter of FY 2017-18 (April 2018 through June 2018). A summary of these activities is provided below.

Budgeted revenues through the fourth quarter of FY 2017-18 totaled \$41,949,236, which is comprised of \$3,004,674 in state advance administrative funds, \$2,000,000 in state advance marketing funds, \$32,539,762 in state advance operating funds, \$3,900,000 for the California Transit Security Grant and Transit and Intercity Rail Capital Grant programs, \$500,000 for State minor projects funds, and \$4,800 for interest revenue. Interest revenue of \$4,800 plus the state advance administrative funds of \$3,004,674, plus state advance marketing funds of \$2,000,000, equals the total budgeted administrative and marketing services expense amount of \$5,009,474.

Actual revenues through the fourth quarter totaled \$28,302,638, versus a budgeted amount of \$41,949,236. The actuals are comprised of operating funds from the state of \$23,416,027, administrative funds from the state of \$2,726,845, marketing funds from the state of \$2,022,670, other state funding for grant programs of \$121,794, state minor capital funds of \$11, other revenue of \$3,500 and interest revenue of \$11,791. The variances are primarily due to operating funds provided by the state at the executed FFY 2017-18 Amtrak operating agreement amount of \$26,891,144 compared to the LOSSAN Agency budget of \$32,539,762, which included funding capacity to implement an additional round trip and peak period service. The variance is also due to the deferral of revenues that are not used in the current period to offset expenses. The budget versus actual variances are further detailed in Attachment A.

Budgeted expenses through the fourth quarter of FY 2017-18 total \$41,949,236, which is comprised of \$ 32,539,762 for Amtrak operations, \$5,009,474 for administrative and marketing services, \$3,900,000 for grant programs, and \$500,000 for minor projects. Actual expenses through the fourth quarter totaled \$28,294,979 versus a budgeted amount of \$41,949,236. The major areas

experiencing budget variances are within net train operating expenses, administrative staffing, grant programs, and minor projects. These variances are further detailed in Attachment A.

The LOSSAN Agency bylaws also call for a report of all expenditures under \$100,000 to be provided on a quarterly basis. This report is included as Attachment B.

The LOSSAN Agency Board has also directed staff to provide a listing of all open agreements, including vendor, description of purchase, contract number, contract amount, amount spent, remaining balance, and expiration date on a quarterly basis. This report is provided in Attachment C.

Summary

Through the fourth quarter of fiscal year 2017-18, the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency's actual revenues and expenses are below budget. The majority of the variance in both net train operating revenues and expense are due to operating funds provided by the state at the executed federal fiscal year 2017-18 Amtrak agreement level of \$26,891,144 versus the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency amended budget and California State Transportation Agency approved funding amount of \$32,539,762 (excluding \$500,000 for minor projects). Other revenue variance is due to the deferral of revenues that are not used to offset actual expenses. The remainder of the net train operating expense variance is due to lower than anticipated expenses in route costs. Other areas experiencing budget variances are lower than anticipated expenses in administrative staffing, grant programs and minor projects.

Attachments

- A. Quarterly Budget Status Report, Fourth Quarter of Fiscal Year 2017-18
- B. Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency, Fourth Quarter Financial Activity Report, Fiscal Year 2017-18
- C. Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency, Open Agreements Listing as of June 30, 2018

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