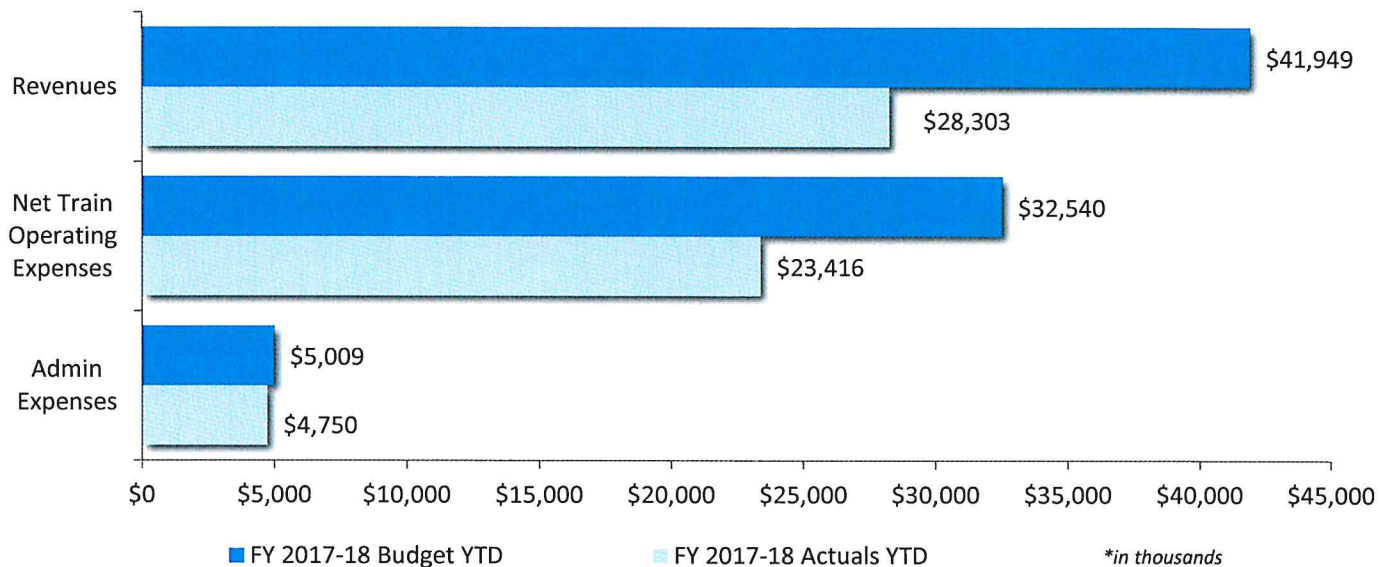




Quarterly Budget Status Report

Fourth Quarter of Fiscal Year 2017-18

FY 2017-18 Budget to Actuals Year-To-Date



OVERVIEW

On March 20, 2017, the Board of Directors (Board) approved the Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor Agency (Agency) Business Plan for Fiscal Year (FY) 2017-18 and FY 2018-19 (Business Plan) as well as the FY 2017-18 budget. Included in the Business Plan and budget is funding for FY 2017-18 administrative and marketing services in the amount of \$5,004,674, as well as \$33,388,641 for net train operations (including minor projects). The budgeted amounts were 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. The California Transportation Agency (CalSTA) allowed for a revised budget and resubmittal of the business plan by June 20, 2017, in order to incorporate Amtrak's FFY 2017-18 forecast. 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.

The LOSSAN Agency submitted a revised FY 2017-18 and FY 2018-19 Business Plan to CalSTA on June 20, 2017, for approval, which was subsequently approved by CalSTA on November 28, 2017 at the funding levels requested by the LOSSAN Agency.

The net train operating funding level approved by CalSTA is \$32,539,762, which provides funding capacity to implement additional round trips from San Diego to San Luis Obispo during the fourth quarter of FY 2017-18, as well as peak period service into Santa Barbara beginning in April 2018. The FFY 2017-18 Amtrak agreement amount for train operations is \$26,891,144, which was based on the current service levels at the time of execution, and does not include additional round trips or peak period service into Santa Barbara. As these services are implemented, amendments will be brought to the Board to modify the Amtrak agreement and adjust the state funding supplements as necessary.

Amtrak operates on an FFY of October through September, thus the operating contract has historically been executed on an FFY basis. The LOSSAN Agency operates on a FY between July through June.

The FY 2017-18 adopted budget assumes the California Department of Transportation (Caltrans) Division of Rail and Mass Transportation (DRMT) 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 fourth quarter of FY 2017-18.

REVENUES

Budgeted revenues through the fourth quarter of FY 2017-18 is \$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 for state advance operating funds, \$3,900,000 for the California Transit Security Grant and Transit and Intercity Rail Capital Grant (TIRCP) programs, \$500,000 for State minor projects funds and \$4,800 for interest revenue. The budgeted interest revenue of \$4,800 plus the state advance administrative funds of \$3,004,674 plus the state advance marketing funds of \$2,000,000 equals the budgeted expense amount for administrative and marketing services in the amount of \$5,009,474. Actual revenues through the fourth quarter totaled \$28,302,638 versus the budgeted amount of \$41,949,236. The actuals are comprised of state administrative funds of \$2,726,845, state marketing

funds of \$2,022,670, state operating funds of \$23,416,027, other state funding for grant programs of \$121,794, state minor capital funds of \$11, interest revenue of \$11,791 and other revenue of \$3,500.

The majority of the variance in revenues through the fourth quarter are due to operating funds being provided by the state at the executed FFY 2017-18 Amtrak agreement amount of \$26,891,144 vs. the LOSSAN Agency amended budget of \$32,539,762. This creates approximately a \$5.6 million budget variance in both revenues and operating expenses through the fourth quarter. As explained earlier in this report, CalSTA approved the LOSSAN Agency budget at \$32,539,762, in order to provide funding capacity for additional round trips and the implementation of peak period service into Santa Barbara.

The remainder of the majority of variance in revenues through the fourth quarter is due to the deferral of revenues that are not used in the current period to offset expenses. Generally accepted accounting principles set forth the rule that revenues are recognized and recorded when an expense is incurred. Actual revenue is only recognized up to the amount of actual expenses. The remainder of revenue that is not used to offset actual expenses is deferred to the following FY. Once the FY 2017-18 audit is complete, a final reconciliation of expenses and revenues will be completed in cooperation with the State. Any surplus or deficit of funds will be handled in accordance with the provisions specified in the interagency transfer

REVENUES

	FY 2017-18 Adopted Budget	FY 2017-18 Working Budget Year To Date	FY 2017-18 Actual Year To Date	\$ Variance Year To Date	% Variance Year To Date
State Administrative Funding	\$ 3,004,674	\$ 3,004,674	\$ 2,726,845	\$ (277,829)	-9%
State Marketing Funding	\$ 2,000,000	\$ 2,000,000	\$ 2,022,670	\$ 22,670	1%
State Operating Funding	\$ 32,888,641	\$ 32,539,762	\$ 23,416,027	\$ (9,123,735)	-28%
Other State Funding ¹	\$ 3,900,000	\$ 3,900,000	\$ 121,794	\$ (3,778,206)	-97%
State Capital Funding ²	\$ 500,000	\$ 500,000	\$ 11	\$ (499,989)	-100%
Interest Revenue	\$ 4,800	\$ 4,800	\$ 11,791	\$ 6,991	146%
Other Revenue	\$ -	\$ -	\$ 3,500	\$ 3,500	N/A
Total Revenues	\$ 42,298,115	\$ 41,949,236	\$ 28,302,638	\$ (13,646,598)	-33%

¹ Includes Transit & Intercity Rail Capital grant funds & California Transit Security grant funds

² Includes State Minor projects funding

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

REVENUES (CONTINUED)

agreement and the master fund transfer agreement.

The reasons for the expense variance are explained in more detail in the expense section. The variance in revenues for state capital funding is due to lower than anticipated activity for minor projects during the FY. Although approximately \$142,000 in minor projects funding were received during the FY, it was used to offset project expenses that were incurred and accrued in the previous FY. These revenues were also accrued in the prior FY.

The variance in grant programs is also due to lower reimbursements in TIRCP funds for the transit transfer program and corridor optimization study due to lower than anticipated expenses.

Prior year marketing funds in the amount of \$22,670 were recorded to offset marketing expenses which came in slightly over budget.

OPERATING EXPENSES

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, grant programs, minor projects and administrative staffing expenses. The actuals in these categories are comprised of net train operating expenses of \$23,416,026, grant programs expenses of \$129,427, minor projects of \$11, and administrative staffing expenses of \$2,557,355.

As explained in the revenue section, a major component of the train operating expense variance is due to the fact that the net operating funding paid to Amtrak is based on the executed FFY 2017-18 Amtrak agreement amount of \$26,891,144 vs. the LOSSAN Agency amended budget of \$32,539,762. This creates approximately a \$5.6 million budget variance through the fourth quarter

The additional budget variance within net train operations is due to a combination of items. The majority of the variance is due to revenues coming in higher than forecast, application of an Amtrak wage credit, and lower than anticipated expenses in route costs, host railroad fees and additives. This is offset by fuel costs being higher than forecast. Train fuel costs are approximately \$1.6 million higher than the Amtrak forecast due to the budget assumption of \$2.06 cost per diesel gallon of fuel compared to the average actual price of \$2.58 per gallon during the fourth quarter. The average cost per gallon during the FY is \$2.32. This expense is offset by actual revenues coming in approximately \$2.2 million over budget (\$2.0 million in ticket revenue, \$248,000 in food and beverage). Amtrak provided a \$1.2 million credit due to negotiating new labor agreements with its unions. The amount of back pay to employees was lower than the amount accrued for and charged to LOSSAN, resulting in the credit. In addition, expenses were lower in overall route costs by approximately \$980,000. Additives and host railroad fees combined came in lower than anticipated by \$570,000. All of these factors drive the net train operating expense coming in lower than anticipated through the fourth quarter.

The administrative staffing line item budget variance is driven by a vacant administrative position. One position (LOSSAN Mechanical Compliance Officer) remained vacant through the fourth quarter.

The majority of the grant programs budget variance is due to lower than anticipated activity related to both transit facility safety and security upgrades, the transit transfer program and corridor optimization study. The variance in minor projects is due to lower than anticipated activity. Approximately \$142,000 in expense was paid during the FY for minor projects, however these expenses were accrued the prior FY when the expense was incurred.

EXPENSES

	FY 2017-18 Adopted Budget	FY 2017-18 Working Budget Year To Date	FY 2017-18 Actual Year To Date	\$ Variance Year To Date	% Variance Year To Date
Administrative Budget Line Items					
Administration - Staffing	\$ 2,766,324	\$ 2,766,324	\$ 2,557,355	\$ 208,969	8%
Legal Services	\$ 50,000	\$ 50,000	\$ 36,046	\$ 13,954	28%
Travel	\$ 26,950	\$ 26,950	\$ 23,810	\$ 3,140	12%
Marketing	\$ 2,000,000	\$ 2,000,000	\$ 2,022,670	\$ (22,670)	-1%
Insurance Premiums	\$ 57,000	\$ 57,000	\$ 44,224	\$ 12,776	N/A
Contracted services (Audit, Planning)	\$ 100,000	\$ 100,000	\$ 54,248	\$ 45,752	46%
Banking Services	\$ 4,200	\$ 4,200	\$ 4,205	\$ (5)	0%
Dues & Memberships	\$ 5,000	\$ 5,000	\$ 5,000	\$ -	N/A
Budgeted Admin Services	\$ 5,009,474	\$ 5,009,474	\$ 4,747,558	\$ 261,916	5%
Non Budgeted Expenses					
Other Business Expenses	\$ -	\$ -	\$ 1,957	\$ (1,957)	N/A
Non Budgeted Admin Services	\$ -	\$ -	\$ 1,957	\$ (1,957)	N/A
Total Administrative Services	\$ 5,009,474	\$ 5,009,474	\$ 4,749,515	\$ 259,959	5%
	FY 2017-18 Adopted Budget	FY 2017-18 Working Budget Year To Date	FY 2017-18 Actual Year To Date	\$ Variance Year To Date	% Variance Year To Date
Operating/Capital Budget Line Items					
Train Operating Expenses	\$ 32,888,641	\$ 32,539,762	\$ 23,416,026	\$ 9,123,736	28%
Minor Projects	\$ 500,000	\$ 500,000	\$ 11	\$ 499,989	N/A
Grant Programs ¹	\$ 3,900,000	\$ 3,900,000	\$ 129,427	\$ 3,770,573	97%
Total Operating/Capital Budget	\$ 37,288,641	\$ 36,939,762	\$ 23,545,464	\$13,394,298	36%
Total Budget	\$ 42,298,115	\$ 41,949,236	\$ 28,294,979	\$13,654,257	33%

¹ Includes Transit & Intercity Rail Capital grant funds & California Transit Security grant funds

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