



January 30, 2019

To: Members of the Board of Directors

From: Jennifer L. Bergener, Managing Director

Subject: Fiscal Year 2018-19 First Quarter Budget Status Report

Overview

The Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency's Fiscal Year 2018-19 budget was approved by the Board of Directors on March 29, 2018, in conjunction with the approval of the annual business plan for Fiscal Years 2018-19 and 2019-20. This report provides a summary of financial activities and performance through the first quarter of Fiscal Year 2018-19.

Recommendation

Receive and file as an information item.

Background

On March 29, 2018, 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) 2018-19 and FY 2019-20 (Business Plan), as well as the FY 2018-19 budget. Included in both the adopted budget and Business Plan is funding for FY 2018-19 administrative and marketing services in the amount of \$6,174,329, as well as \$ 36,493,957 for net train operations (including \$500,000 for minor projects and \$1,177,275 reimbursement from other agencies), and \$8,900,000 for grant programs, bringing the total adopted budget to \$51,568,286. 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) 2018-19 operating revenue and expense forecast on March 30, 2018. The California State Transportation Agency (CalSTA) allowed for the LOSSAN Agency to submit a revised budget and resubmittal of the Business Plan by June 30, 2018, in order to incorporate Amtrak's FFY 2018-19 forecast. A budget amendment was approved by the Board on June 18, 2018, which adjusted the net train operations

budget to \$44,489,186 (including \$500,000 for minor projects), to align the budget with the Amtrak forecast. The budget includes estimates to implement additional round trips, one-time positive train control host railroad costs, emergency bus bridge services, design for Coachella special train service, minor projects, and a reimbursement from other agencies of \$1,177,275. The gross train operations budget including minor capital is \$45,666,461. The budget amendment also increased grant revenues and expenses by \$1,500,000, and increased administration revenues and expenses by \$258,775, bringing the total budget to \$62,499,565.

Amtrak operates on a 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 first quarter of FY 2018-19 (July 2018 through September 2018). A summary of these activities is provided below.

Budgeted revenues through the first quarter of FY 2018-19 totaled \$11,092,286, which is comprised of \$10,466,236 in state advance operating funds, \$625,000 in grant funds, and \$1,050 for interest revenue.

Actual revenues through the first quarter totaled \$5,169,818, versus a budgeted amount of \$11,092,286. The actuals are primarily comprised of operating funds from the state of \$4,894,959, grant funds of \$271,427, and interest revenue of \$3,432. The variances are primarily due to operating funds being provided by the state at the FFY 2018-19 Amtrak forecast amount of \$26.4 million (less \$1.2 million in other agency reimbursement) vs. the net train operating funding level approved by CalSTA at \$ 33.8 million, which includes the operating funds to implement additional Pacific Surfliner service and additional operating items. The remainder of the variance in net state operating funding of approximately \$3.1 million is due to lower than anticipated actual revenues recognized to offset expenses due to overall lower than anticipated net train operating expense. This is due to a higher budget allocation from July through September. The budget versus actual variances are further detailed in Attachment A.

Budgeted expenses through the first quarter of FY 2018-19 total \$12,013,524, which is primarily comprised of \$10,466,236 for Amtrak operations, and \$1,547,288 for administrative and marketing services. Actual expenses through

the first quarter totaled \$5,515,679, versus a budgeted amount of \$12,013,524. The major areas experiencing budget variances are within net train operating expenses, administrative staffing, and marketing services. 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 first quarter of Fiscal Year 2018-19, the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency's actual revenues and expenses are below budget. A portion of the variance in both net train operating revenues and expense are due to operating funds provided by the state at the federal fiscal year 2018-19 Amtrak forecast level of \$26.4 million (less \$1.2 million in other agency reimbursement) versus the California State Transportation Agency approved funding amount of \$33.8 million (excluding \$500,000 for minor projects). Other variances in both revenues and expenses are due to higher budget allocations for July through September due to cyclical activity. Expense variances are also due to vacant administrative positions, and lower than planned activity within grant programs.

Attachments

- A. Quarterly Budget Status Report, First Quarter of Fiscal Year 2018-19
- B. Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency, First Quarter Financial Activity Report, Fiscal Year 2018-19
- C. Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency, Open Agreements Listing as of September 30, 2018

Prepared by:

A handwritten signature in black ink, appearing to read 'J. Jewell', is written over a light gray rectangular background.

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