




March 18, 2019

To: Members of the Board of Directors

From: Jennifer L. Bergener, Managing Director 

Subject: Fiscal Year 2018-19 Second 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 second 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 FY2018-19 budget. Included in both the adopted budget and the 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 for 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 an additional round trip, 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 1 – September 30; 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 second quarter of FY 2018-19 (October 2018 through December 2018). A summary of these activities is provided below.

Budgeted revenues through the second quarter of FY 2018-19 totaled \$24,786,708 which is comprised of \$18,695,156 in state advance operating funds, \$1,625,000 in grant funds, \$2,214,452 in State Administrative Funding, \$2,000,000 in State Marketing Funding, \$250,000 in State Capital Funding, and \$2,100 for interest revenue.

Actual revenues through the second quarter totaled \$11,801,082, versus a budgeted amount of \$24,786,708. The actuals are comprised of operating funds from the state of \$11,456,761, grant funds of \$297,863, and interest revenue of \$46,458. 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. This represents approximately \$4.3 million of the variance through the second quarter. The remainder of the variance in net state operating funding of approximately \$2.9 million is due to lower than anticipated actual revenues recognized to offset expenses due to overall lower than anticipated net train operating expenses. The budget versus actual variances are further detailed in Attachment A.

Budgeted expenses through the second quarter of FY 2018-19 total \$23,414,734, which is comprised of \$18,695,157 for Amtrak operations, \$1,625,000 for grant programs, and \$3,094,577 for administrative and marketing services. Actual expenses through the second quarter totaled \$13,487,936 versus a budgeted amount of \$23,414,734. The major areas experiencing budget variances are within net train operating expenses, grant programs, 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 second 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 expenses 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). The remaining variance in both net train operating revenues and expenses are mainly due to higher budget allocations from the first quarter due to cyclical activity. Additional expense variances are due to vacant administrative positions, and lower than expected activity within grant programs and marketing.

Attachments

- A. Quarterly Budget Status Report, Second Quarter of Fiscal Year 2018-19
- B. Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency, Second Quarter Financial Activity Report, Fiscal Year 2018-19
- C. Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency, Open Agreements Listing as of December 31, 2018

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