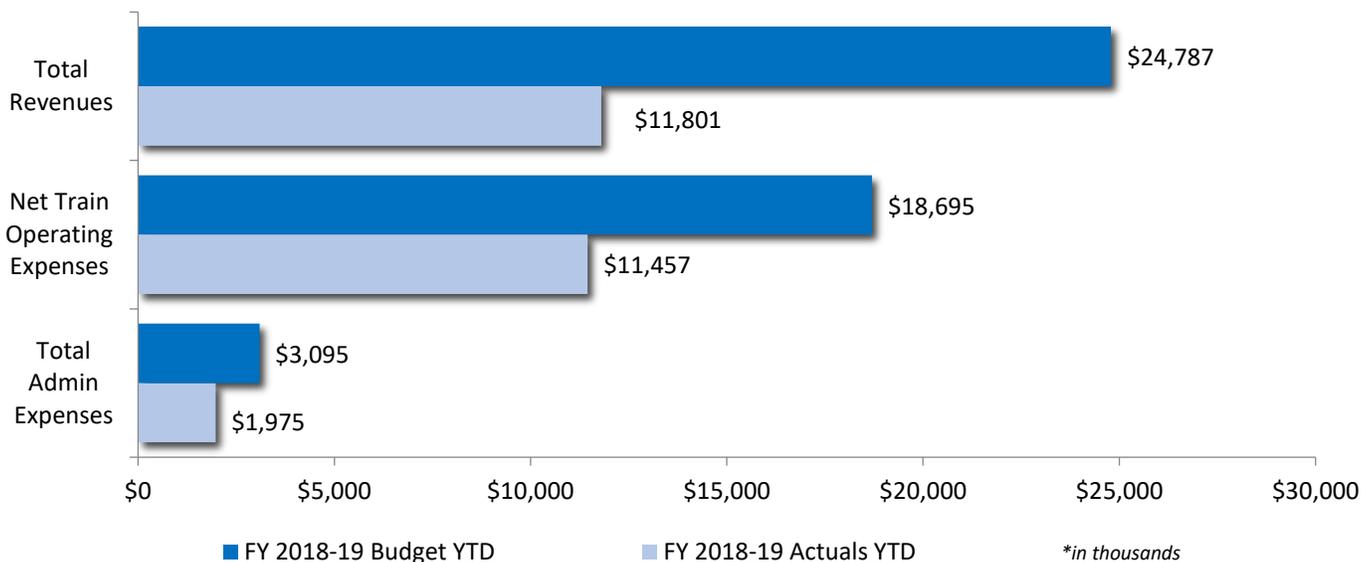




Quarterly Budget Status Report

Second Quarter of Fiscal Year 2018-19

FY 2018-19 Budget to Actuals Year-To-Date



OVERVIEW

On March 29, 2018, 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) 2018-19 and FY 2019-20 (Business Plan) as well as the FY 2018-19 budget. Included in the Business Plan and budget 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 operating revenue and expense forecast for federal FY (FFY) 2018-19 on March 30, 2018. The California State Transportation Agency (CalSTA) allowed for 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.

The LOSSAN Agency submitted a revised FY 2018-19 and FY 2019-20 Business Plan to CalSTA on June 18, 2018 for approval, which was subsequently approved by CalSTA on September 11, 2018. The net train operating funding level approved by CalSTA includes the FFY 2018-19 Amtrak forecast amount for train operations at \$26,442,664, less \$1,177,275 revenue cost share for re-timed trains from the Santa Barbara County Association of Governments (SBCAG). The approved funding also includes \$8,065,754 to implement an additional round trip from San Diego to San Luis Obispo, as well as funding for emergency bus bridge services (\$120,000) and design for Coachella special train service (\$300,768). The

FFY 2018-19 Amtrak forecast amount for train operations of \$26,442,664, was based on the current service levels at the time of execution, and does not include additional round trips, bus bridge service, or Coachella special train service. As these services are implemented, amendments will be brought to the Board to amend the Amtrak agreement and adjust the state funding supplements as necessary. Included in the FY 2018-19 LOSSAN Agency working budget is \$9,000,000 for one-time positive train control host railroad costs. The state has funded this from FY 2017-18 funds.

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

The FY 2018-19 adopted budget assumes the California Department of Transportation 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 second quarter of FY 2018-19.

REVENUES

Budgeted revenues through the second quarter of FY 2018-19 are \$24,786,708 which is comprised of \$18,695,156 in state advance operating funds, \$2,214,452 in state administrative funding, \$2,000,000 in state marketing funding, \$1,625,000 in

other state funding, \$250,000 in state capital funding, and \$2,100 for interest revenue. Actual revenues through the second quarter totaled \$11,801,082 versus the budgeted amount of \$24,786,708. The actuals are comprised of state operating funds of \$11,456,761, other state funding of \$297,863, and interest revenue of \$46,458.

The majority of the variance in revenues through the second quarter is in state operating funding. Part of this variance is due to operating funds being provided by the state at the FFY 2018-19 Amtrak forecast amount of \$26,442,664 (less \$1,177,275 SBCAG revenue) vs. the LOSSAN Agency budget amount, which includes an additional \$8.5 million for additional round trips, emergency bus bridge service, and Coachella special train service which have not been implemented yet. Funding will be provided by the State as these projects are implemented. This contributes to approximately \$4.3 million in budget variance for state operating funds 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 expenses, causing lower than anticipated actual revenues recognized to offset the expenses. The variance in net train operating expenses is explained in the operating expenses section. State administrative and marketing funding are collectively contributing a variance of \$4,214,452 in the second quarter. The variance is due to timing. It is anticipated that funding will be received in the third quarter.

The variance of \$1,327,137 in other state funding is primarily due to lower reimbursements in Transit & Intercity Rail Capital Program grant funds (for the transit transfer program and corridor optimization study) due to lower than anticipated expenses. The variance also includes lower than anticipated

REVENUES	FY 2018-19 Adopted Budget	FY 2018-19 Working Budget	FY 2018-19 Working Budget Year To Date	FY 2018-19 Actual Year To Date	\$ Variance Year To Date	% Variance Year To Date	Percent of Budget Used to Date
State Administrative Funding	\$ 4,170,129	\$ 4,428,904	\$ 2,214,452	\$ -	\$ (2,214,452)	N/A	0.0%
State Marketing Funding	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ -	\$ (2,000,000)	N/A	0.0%
State Operating Funding	\$ 33,639,407	\$ 43,989,186	\$ 18,695,156	\$ 11,456,761	\$ (7,238,395)	-39%	26.0%
Other State Funding ¹	\$ 8,900,000	\$ 10,400,000	\$ 1,625,000	\$ 297,863	\$ (1,327,137)	-82%	2.9%
Reimbursements from other Agencies	\$ 1,177,275	\$ 1,177,275	\$ -	\$ -	\$ -	N/A	0.0%
State Capital Funding ²	\$ 500,000	\$ 500,000	\$ 250,000	\$ -	\$ (250,000)	N/A	0.0%
Net State/Other Agency Funded	\$ 50,386,811	\$ 62,495,365	\$ 24,784,608	\$ 11,754,625	\$ (13,029,984)	-53%	18.8%
Interest Revenue	\$ 4,200	\$ 4,200	\$ 2,100	\$ 46,458	\$ 44,358	2112%	1106.1%
Total Revenues	\$ 50,391,011	\$ 62,499,565	\$ 24,786,708	\$ 11,801,082	\$ (12,985,626)	-52%	18.9%

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

² Includes State Minor projects funding

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

revenues recognized for California Office of Emergency Services (CalOES) grant funded station improvement projects, due to lower than anticipated project expenses.

The variance in revenues for state capital funding is due to no minor project expenses through the second quarter. Expenses for minor projects are anticipated in the fourth quarter.

OPERATING EXPENSES

Budgeted expenses through the second quarter of FY 2018-19 total \$23,414,734, which is comprised of \$18,695,157 for net Amtrak operations, \$3,094,577 for administrative and marketing services, and \$1,625,000 for grant programs. 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 expenses.

The actuals in these categories are comprised of net train operating expenses of \$11,456,761, total administrative services (including marketing) of \$1,974,986 and grant program expenses of \$56,189. As explained in the revenue section, part of this variance is due to operating funds being provided by the state at the executed FFY 2018-19 Amtrak agreement amount of \$26,442,664 (less \$1,177,275 in SBCAG revenue) vs. the LOSSAN Agency budget amount, which includes an additional \$8.5 million (for funding capacity for additional round trips, emergency bus bridge service for Coachella special train service). This creates approximately a \$4.3 million budget variance in both state operating revenues and net train operating expenses through the second quarter.

The remaining budget variance within net train operations of \$2.9 million is due to overall route costs and additives coming in lower than forecast by approximately \$2.93 million and host railroad fees lower than forecast by \$344,000. This is primarily due to a higher budget allocation from July through September anticipating higher net expenses during the summer months, which did not occur. In addition, total revenue is coming in over forecast by \$89,000. The route costs, additives, and host railroad fees coming in under forecast (as well as total revenue over forecast), is offset by fuel costs being higher than forecast by approximately \$551,000. This is due to the budget assumption of \$2.33 cost per diesel gallon of fuel compared to the average actual price of \$2.54 per gallon during the second quarter. This expense will continue to be monitored

throughout the year. The LOSSAN Agency has approximately \$4.1 million in operating reserve funds that can be used to fund variances in operating expenses if needed.

The grant programs expenses are lower than budgeted by \$1,568,811. The variance is due to lower than anticipated expenses for the transit transfer program and the corridor optimization study. Expenses are anticipated to be incurred in the third and fourth quarter. In addition, the CalOES-funded station improvement project related expenses have been lower than anticipated.

The administrative staffing line item budget variance is driven by five administrative positions which remained vacant throughout the first quarter. Three of the five vacant positions were filled during the second quarter. The LOSSAN Planning & Analysis Manager position was filled internally by LOSSAN staff during the second quarter, creating a vacancy for a LOSSAN Transportation Analyst, Principal. The vacant positions remaining at the end of the second quarter include the LOSSAN Mechanical and Equipment Manager, LOSSAN Marketing Specialist, Principal, and the LOSSAN Transportation Analyst, Principal.

Marketing expenses came in lower than budgeted by \$346,761. Marketing expenses are anticipated to increase through the third quarter, as a major media marketing campaign and major league baseball partnership commitments are underway.

Quarterly Budget Status Report - LOSSAN

Second Quarter of FY 2018-19

EXPENSES

	FY 2018-19 Adopted Budget	FY 2018-19 Working Budget	FY 2018-19 Working Budget Year To Date	FY 2018-19 Actual Year To Date	\$ Variance Year To Date	% Variance Year To Date	FY 2018-19 Percent of Budget Used to Date
Adminstrative Budget Line Items							
Administration - Staffing	\$ 3,831,179	\$ 4,089,954	\$ 2,044,977	\$ 1,212,095	\$ 832,882	41%	29.6%
Legal Services	\$ 50,000	\$ 50,000	\$ 25,000	\$ 11,623	\$ 13,377	54%	23.2%
Travel	\$ 26,950	\$ 26,950	\$ 12,500	\$ 10,484	\$ 2,016	16%	38.9%
Marketing	\$ 2,000,000	\$ 2,000,000	\$ 1,000,000	\$ 653,239	\$ 346,761	35%	32.7%
Insurance	\$ 57,000	\$ 57,000	\$ -	\$ 67,349	\$ (67,349)	N/A	118.2%
Contracted services (Audit, Planning)	\$ 200,000	\$ 200,000	\$ 10,000	\$ 16,435	\$ (6,435)	-64%	8.2%
Dues & Memberships	\$ 5,000	\$ 5,000	\$ -	\$ -	\$ -	N/A	0.0%
Net State Funded Services	\$ 6,170,129	\$ 6,428,904	\$ 3,092,477	\$ 1,971,225	\$ 1,121,252	36%	30.7%
Banking Services	\$ 4,200	\$ 4,200	\$ 2,100	\$ 1,048	\$ 1,052	50%	25.0%
Total Admin Services	\$ 6,174,329	\$ 6,433,104	\$ 3,094,577	\$ 1,972,273	\$ 1,122,304	36%	30.7%
Non Budgeted Expenses							
Other Business Expenses	\$ -	\$ -	\$ -	\$ 2,712	\$ (2,712)	N/A	N/A
Non Budgeted Admin Services	\$ -	\$ -	\$ -	\$ 2,712	\$ (2,712)	N/A	N/A
Total Administrative Services	\$ 6,174,329	\$ 6,433,104	\$ 3,094,577	\$ 1,974,986	\$ 1,119,591	36%	31%

	FY 2018-19 Adopted Budget	FY 2018-19 Working Budget	FY 2018-19 Working Budget Year To Date	FY 2018-19 Actual Year To Date	\$ Variance Year To Date	% Variance Year To Date	FY 2018-19 Percent of Budget Used to Date
Operating/Capital Budget Line Items							
Net Train Operating Expenses	\$ 35,993,957	\$ 45,166,461	\$ 18,695,157	\$ 11,456,761	\$ 7,238,396	39%	25.4%
Minor Projects	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	N/A	0.0%
Grant Programs ¹	\$ 8,900,000	\$ 10,400,000	\$ 1,625,000	\$ 56,189	\$ 1,568,811	97%	0.5%
Total Operating/Capital Budget	\$ 45,393,957	\$ 56,066,461	\$ 20,320,157	\$ 11,512,951	\$ 8,807,206	43%	20.5%
Total Budget	\$ 51,568,286	\$ 62,499,565	\$ 23,414,734	\$ 13,487,936	\$ 9,926,798	42%	21.6%

¹ Includes Transit & Intercity Rail Capital Program, California Transit Security Grant Program, State Rail Assistance and State Transportation Improvement Program Funds
Working budget is the adopted budget plus any amendments approved during the year.