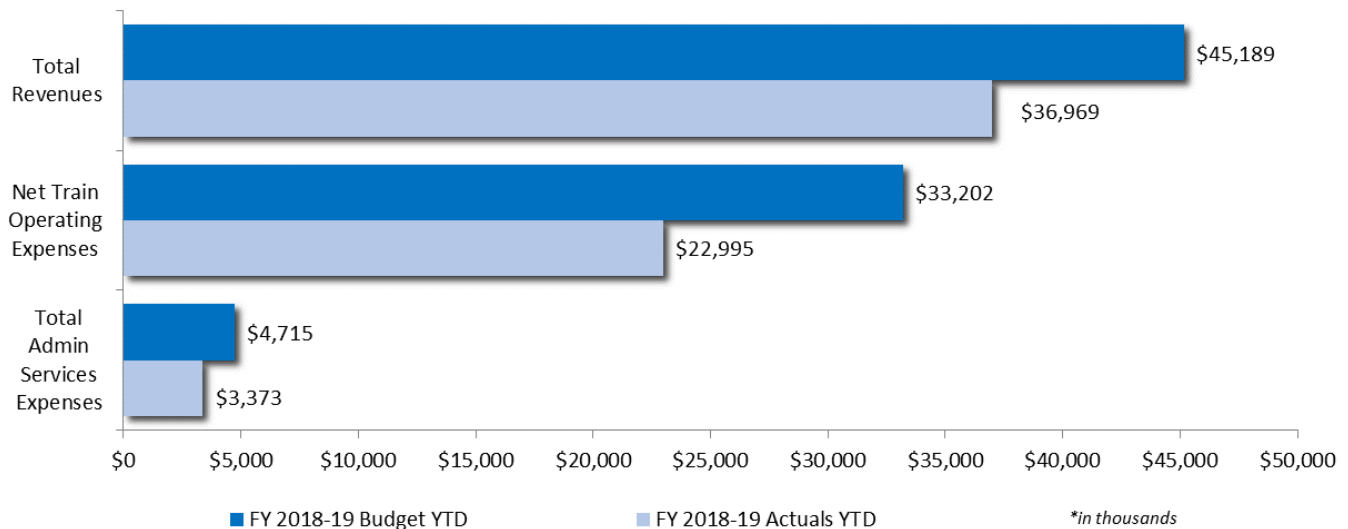




Quarterly Budget Status Report

Third 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 capital 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 fiscal year (FFY) 2018-19 operating revenue and expense forecast 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 capital 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 capital 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. The approved funding also includes \$8,065,754 to implement additional round trips 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 third quarter of FY 2018-19.

REVENUES

Budgeted revenues through the third quarter of FY 2018-19 are \$45,188,719 which is comprised of \$33,056,665 in state advance operating funds, \$5,450,000 in other state funding, \$4,428,904 in state administrative funding, \$2,000,000 in state marketing funding, \$250,000 in state capital funding, and \$3,150 for interest revenue. Actual revenues through the third quarter totaled \$36,968,902 versus the budgeted amount of \$45,188,719. The actuals are comprised of state operating

funds of \$31,939,081, state administrative funding of \$2,214,452, state marketing funding of \$2,000,000, other state funding of \$697,863, interest revenue of \$116,790 and other revenue of \$715.

The majority of the variance in revenues through the third quarter is in other state funding. This variance includes lower than anticipated revenues recognized for both State Rail Assistance (SRA) funds (of approximately \$1.8 million) and for California Office of Emergency Services (CalOES) funds (of approximately \$1.1 million) for various corridor wide projects, due to lower than anticipated project expenses. Revenues will be recognized to offset expenses as more project expenses are anticipated during the fourth quarter and into FY 2019-20. The variance also includes approximately \$1.8 million in lower than expected reimbursements in Transit and Intercity Rail Capital Program (TIRCP) grant funds (for the transit transfer program and corridor optimization study) due to lower than anticipated expenses.

State administrative funding is underrunning the budget by \$2,214,452 due to timing. The second half of administrative funds was budgeted to be received in the third quarter. However due to updates to the FY18 close out reports and coordination with Caltrans on the balance of funds due to the LOSSAN Agency, the second half of administrative funds are anticipated to be received in the fourth quarter.

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

Interest revenue is also tracking higher than budgeted. The LOSSAN Agency executed a new banking agreement in

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	\$ 4,428,904	\$ 2,214,452	\$ (2,214,452)	N/A	50.0%
State Marketing Funding	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ -	N/A	100.0%
State Operating Funding	\$ 34,816,682	\$ 43,989,186	\$ 33,056,665	\$ 31,939,081	\$ (1,117,584)	-3%	72.6%
Other State Funding ¹	\$ 8,900,000	\$ 10,400,000	\$ 5,450,000	\$ 697,863	\$ (4,752,137)	-87%	6.7%
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	\$ 51,564,086	\$ 62,495,365	\$ 45,185,569	\$ 36,851,397	\$ (8,334,173)	-18%	59.0%
Interest Revenue	\$ 4,200	\$ 4,200	\$ 3,150	\$ 116,790	\$ 113,640	3608%	2780.7%
Other Revenue	\$ -	\$ -	\$ -	\$ 715	\$ 715	N/A	
Total Revenues	\$ 51,568,286	\$ 62,499,565	\$ 45,188,719	\$ 36,968,902	\$ (8,219,817)	-18%	59.2%

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.

November 2018, in which a higher interest rate on a repurchase agreement was negotiated. The LOSSAN Agency intends to use these funds next FY for administrative and support functions.

OPERATING EXPENSES

Budgeted expenses through the third quarter of FY 2018-19 total \$43,617,124, which is comprised of \$33,202,284 for net Amtrak operations, \$4,714,839 for administrative and marketing services, \$5,450,000 for grant programs and \$250,000 for minor capital projects. Actual expenses through the third quarter totaled \$27,457,301 versus a budgeted amount of \$43,617,124. The major areas experiencing budget variances are within net train operating expenses, grant programs, administrative staffing, minor capital projects and marketing.

The actuals are comprised of net train operating expenses of \$22,995,304, total administrative services (including marketing) of \$3,372,867 and grant program expenses of \$1,089,130. The majority of the variance in net train operating expenses 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 and Coachella special train service). This creates approximately a \$6.4 million budget variance through the third quarter. In addition, the net train operating expense budget includes \$9 million for one-time Union Pacific positive train control costs, which has not been paid yet, and is now anticipated to be paid during the fourth quarter. This contributes to another \$6.7 million in variance through the third quarter. This is offset by actual net Amtrak expenses coming in higher than forecast by approximately \$2.5 million through the third quarter. The third quarter experienced both ridership and revenue declines, averaging approximately 13.5% less in ridership and 6.7% less in revenue over the same time period in the previous fiscal year. Amtrak route costs were also averaging slightly higher than forecast in on board services crew and stations costs. This will continue to be monitored closely through the fourth quarter.

The grant programs expenses are lower than budgeted by \$4,360,870. The variance is due to lower than anticipated expenses for corridor wide SRA-funded projects (\$2.5 million) and CalOES funded station improvements, (\$1 million) through

the third quarter. The variance is also due to lower than anticipated expenses for the transit transfer program of \$1.1 million through the third quarter. This is offset by an encumbrance for corridor optimization services came in at \$990,000 vs. the budgeted amount of \$750,000 through the third quarter. This is a timing difference, as the remaining budget of \$250,000 is cash flowed in the fourth quarter.

The administrative staffing line item budget variance is driven by five administrative positions which remained vacant throughout the first quarter of the fiscal year. 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 third quarter, creating a vacancy for a LOSSAN Transportation Analyst, Principal. The vacant positions remaining at the end of the third quarter include the LOSSAN Mechanical and Equipment Manager, LOSSAN Marketing Specialist, Principal, and the LOSSAN Transportation Analyst, Principal, in which active recruitments are underway.

Marketing expenses came in lower than budgeted by \$228,222. Marketing expenses are anticipated to increase through the fourth quarter, as a major media marketing campaign and major league baseball partnership commitments are underway. It is anticipated that prior year marketing surplus funds may be utilized to cover any additional marketing program expenses, as previously approved by CalSTA and included within the FY 2018-19 LOSSAN Board adopted budget assumptions.

Minor capital project expenses came in lower than budgeted by \$250,000 due to no expenses through the third quarter. Minor capital project expenses are anticipated during the fourth quarter.

EXPENSES

	FY 2018-19			FY 2018-19			FY 2018-19	
	FY 2018-19	FY 2018-19	Working Budget	Actuals	\$ Variance	% Variance	Percent of Budget	
Adminstrative Budget Line Items	Adopted Budget	Working Budget	Year To Date	Year To Date	Year To Date	Year To Date	Used to Date	
Administration - Staffing	\$ 3,831,179	\$ 4,089,954	\$ 3,067,466	\$ 1,971,283	\$ 1,096,183	36%	48.2%	
Legal Services	\$ 50,000	\$ 50,000	\$ 37,500	\$ 14,457	\$ 23,043	61%	28.9%	
Travel	\$ 26,950	\$ 26,950	\$ 19,724	\$ 12,928	\$ 6,796	34%	48.0%	
Marketing	\$ 2,000,000	\$ 2,000,000	\$ 1,500,000	\$ 1,271,778	\$ 228,222	15%	63.6%	
Insurance	\$ 57,000	\$ 57,000	\$ 57,000	\$ 67,349	\$ (10,349)	N/A	118.2%	
Contracted services (Audit, Planning)	\$ 200,000	\$ 200,000	\$ 25,000	\$ 25,459	\$ (459)	-2%	12.7%	
Dues & Memberships	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ -	N/A	100.0%	
Net State Funded Services	\$ 6,170,129	\$ 6,428,904	\$ 4,711,689	\$ 3,368,253	\$ 1,343,436	29%	52.4%	
Banking Services	\$ 4,200	\$ 4,200	\$ 3,150	\$ 1,404	\$ 1,746	55%	33.4%	
Total Admin Services	\$ 6,174,329	\$ 6,433,104	\$ 4,714,839	\$ 3,369,657	\$ 1,345,182	29%	52.4%	
Non Budgeted Expenses								
Other Business Expenses	\$ -	\$ -	\$ -	\$ 3,210	\$ (3,210)	N/A	N/A	
Non Budgeted Admin Services	\$ -	\$ -	\$ -	\$ 3,210	\$ (3,210)	N/A	N/A	
Total Administrative Services	\$ 6,174,329	\$ 6,433,104	\$ 4,714,839	\$ 3,372,867	\$ 1,341,973	28%	52%	
	FY 2018-19			FY 2018-19			FY 2018-19	
	FY 2018-19	FY 2018-19	Working Budget	Actuals	\$ Variance	% Variance	Percent of Budget	
Operating/Capital Budget Line Items	Adopted Budget	Working Budget	Year To Date	Year To Date	Year To Date	Year To Date	Spent to Date	
Net Train Operating Expenses	\$ 35,993,957	\$ 45,166,461	\$ 33,202,284	\$ 22,995,304	\$ 10,206,980	31%	50.9%	
Minor Projects	\$ 500,000	\$ 500,000	\$ 250,000	\$ -	\$ 250,000	N/A	0.0%	
Grant Programs ¹	\$ 8,900,000	\$ 10,400,000	\$ 5,450,000	\$ 1,089,130	\$ 4,360,870	80%	10.5%	
Total Operating/Capital Budget	\$ 45,393,957	\$ 56,066,461	\$ 38,902,284	\$ 24,084,435	\$ 14,817,849	38%	43.0%	
Total Budget	\$ 51,568,286	\$ 62,499,565	\$ 43,617,124	\$ 27,457,301	\$ 16,159,822	37%	43.9%	

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. Actuals year to date include encumbrances.