




October 21, 2019

To: Members of the Board of Directors

From: Jennifer L. Bergener, Managing Director 

Subject: Fiscal Year 2018-19 Fourth 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 and amended on June 18, 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 fourth quarter of fiscal year 2018-19, covering the months of April, May, and June.

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 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 capital projects), to align the budget with the Amtrak forecast. The budget included 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.

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 fourth quarter (April 1, 2019 through June 30, 2019) of FY 2018-19. A summary of these activities is provided below.

Budgeted revenues through the fourth quarter of FY 2018-19 totaled \$62,499,565, which is comprised of \$43,989,186 in state advance operating funds, \$10,400,000 in grant funds (other state funding), \$4,428,904 in State Administrative Funding, \$2,000,000 in State Marketing Funding, \$1,177,275 in reimbursements from other agencies, \$500,000 in State Capital Funding, and \$4,200 for interest revenue.

Actual revenues through the fourth quarter totaled \$38,143,604, versus a budgeted amount of \$62,499,565. The actuals are comprised of operating funds from the state of \$29,686,147, administrative funds of \$2,994,846, marketing funds of \$2,760,356, reimbursements from other agencies of \$1,853,785, other state funding (grant revenue) of \$465,497, Amtrak penalty and assessment revenue of \$200,100, interest revenue of \$182,157, and other revenue of \$715. The majority of the variance is due to lower than anticipated revenues recognized for operating expenses and lower than anticipated revenues recognized for grant funded projects due to lower than anticipated project expenses. The budget versus actual variances are further detailed in Attachment A.

Budgeted expenses through the fourth quarter of FY 2018-19 total \$62,499,565, which is comprised of \$45,166,461 for Amtrak operations, \$10,400,000 for grant programs, \$6,433,104 for administrative and marketing services, and \$500,000

for minor capital projects. Actual expenses through the fourth quarter totaled \$41,153,097, versus a budgeted amount of \$62,499,565. The major areas experiencing budget variances are within net train operating expenses, grant programs, administrative staffing, minor capital projects, 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 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 fourth 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. The majority of the revenue variance is due to lower than anticipated revenues recognized for net train operating expenses and grant-funded projects due to lower than anticipated project expenses. The expense variances are due to the net train operating budget including estimates for an additional round trip and services which didn't incur expenses during Fiscal Year 2018-19, offset by the net Amtrak train expenses and marketing expenses coming in higher than forecast. Additional expense variances are due to vacant administrative positions, and lower than expected activity within grant programs and minor capital projects.

Attachments

- A. Quarterly Budget Status Report, Fourth Quarter of Fiscal Year 2018-19
- B. Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency, Fourth Quarter Financial Activity Report, Fiscal Year 2018-19
- C. Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency, Open Agreements Listing as of June 30, 2019

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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