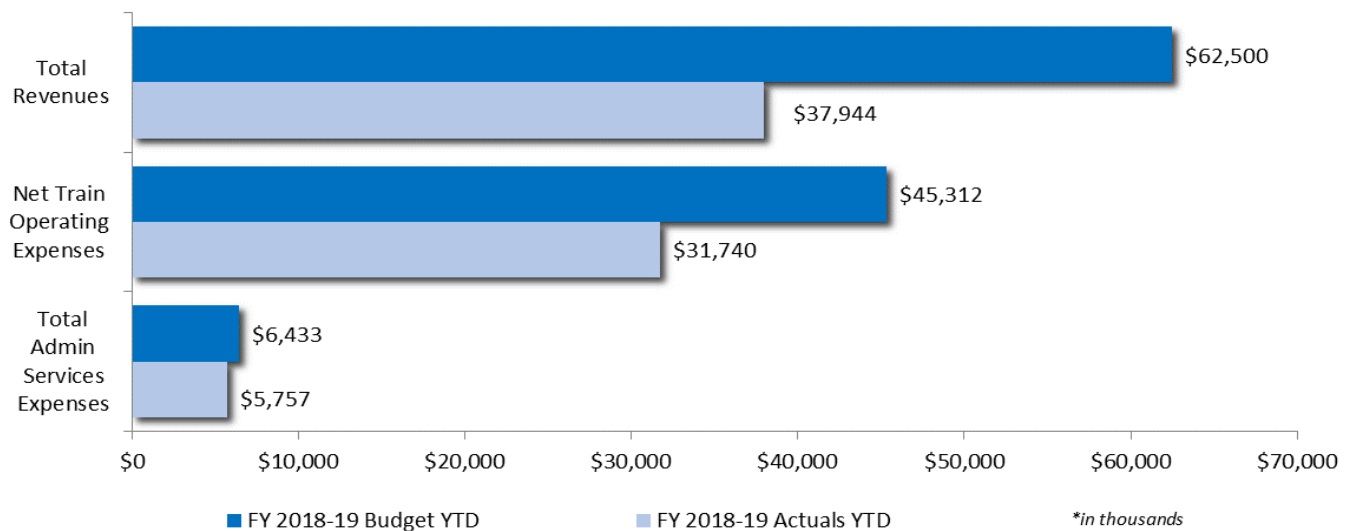




Quarterly Budget Status Report

Fourth 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 FY (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 subsequently 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.

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 included 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 included \$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. Included in the FY 2018-19 LOSSAN Agency working budget is \$9,000,000 for one-time positive train control (PTC) host railroad costs. The state has funded this from FY 2017-18 funds.

Amtrak operates on an 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 fourth quarter of FY 2018-19.

REVENUES

Budgeted revenues through the fourth quarter of FY 2018-19 are \$62,499,565, which is comprised of \$43,989,186 in state advance operating funds, \$10,400,000 in 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 the budgeted amount of \$62,499,565. The actuals are comprised of state operating funds of \$29,686,147, state administrative funding of \$2,994,846, state marketing funding 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 major areas experiencing budget variances are within State operating funding, other State funding and State administrative funding. The majority of the variance within State operating funding is due to budgeted revenues including \$9,000,000 for one-time PTC host railroad funds and funding for the implementation of additional round trips from San Diego to San Luis Obispo, in the amount of \$8,065,754. One-time revenues for host railroad PTC were received in the amount of \$8,943,777, however it has been deferred to FY 2019-20 and will be recognized when the payment occurs, which is anticipated during FY20. An agreement between the LOSSAN Agency and Union Pacific is anticipated to be executed which will allow the LOSSAN Agency to pay for these costs. In addition, state funds for additional round trips were not received due to the additional round trips not being implemented during FY 2018-19. This is offset by approximately \$3.2 million in prior year deferred revenue that is recognized in the current period in order to offset fourth quarter operating expenses.

REVENUES							
	FY 2018-19 Adopted Budget	FY 2018-19 Working Budget	FY 2018-19 Working Budget Year To Date	FY 2018-19 Actuals 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	\$ 2,994,846	\$ (1,434,058)	N/A	67.6%
State Marketing Funding	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,760,356	\$ 760,356	N/A	138.0%
State Operating Funding	\$ 34,816,682	\$ 43,989,186	\$ 43,989,186	\$ 29,686,147	\$ (14,303,039)	-33%	67.5%
Other State Funding ¹	\$ 8,900,000	\$ 10,400,000	\$ 10,400,000	\$ 465,497	\$ (9,934,503)	-96%	4.5%
Reimbursements from other Agencies	\$ 1,177,275	\$ 1,177,275	\$ 1,177,275	\$ 1,853,785	\$ 676,510	N/A	157.5%
State Capital Funding ²	\$ 500,000	\$ 500,000	\$ 500,000	\$ -	\$ (500,000)	N/A	0.0%
Amtrak Penalty & Assessment Revenue	\$ -	\$ -	\$ -	\$ 200,100	\$ 200,100	N/A	N/A
Net State/Other Agency Funded	\$ 51,564,086	\$ 62,495,365	\$ 62,495,365	\$ 37,960,731	\$ (24,534,634)	-39%	60.7%
Interest Revenue	\$ 4,200	\$ 4,200	\$ 4,200	\$ 182,157	\$ 177,957	4237%	4337.1%
Other Revenue	\$ -	\$ -	\$ -	\$ 715	\$ 715	N/A	N/A
Total Revenues	\$ 51,568,286	\$ 62,499,565	\$ 62,499,565	\$ 38,143,604	\$ (24,355,961)	-39%	61.0%

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.

The variance in other state funding of \$9,934,503 is attributed to the deferral of revenues that are not used in the current period to offset expenses for State Rail Assistance (SRA) funds (of approximately \$4.9 million), Transit and Intercity Rail Capital Program (TIRCP) funds (of approximately \$2.4 million) State Transportation Improvement Program (STIP) funds (of \$1.5 million), and for California Office of Emergency Services (CalOES) funds (of approximately \$1.2 million) for various corridor-wide projects, due to lower than anticipated project expenses. Generally accepted accounting principles set forth the rule that revenues are recognized and recorded when an expense is incurred. Actual revenue is only recognized up to the amount of actual expenses. The remainder of revenue that is not used to offset actual expenses is deferred until future expenses are incurred. Once the FY 2018-19 audit is complete, a final reconciliation of expenses and revenues will be completed in cooperation with the State. Any surplus or deficit of funds will be handled in accordance with the provisions specified in the interagency transfer agreement and the master fund transfer agreement.

State administrative funding is underrunning the budget by \$1,434,058. This is due to State administrative funding received during the year of \$4,098,415 vs. the budgeted amount of \$4,428,904. Per the State master funding agreement, current FY administrative funding is reduced by any unspent funds from the previous FY, which was approximately \$335,500 for FY 2018. The additional revenue variance of approximately \$1 million is due to the deferral of revenues that were not used in the current period to offset current expenses.

The variance in revenues for state capital funding is due to no minor capital project expenses through the fourth quarter. This funding is reimbursement based. Further detail is provided in the operating expense variance analysis section.

The state marketing funding variance is attributed to recognizing marketing surplus funds in the amount of \$760,356, to offset marketing expenses. The use of prior year marketing surplus funds was previously approved by the State, and consistent with business plan assumptions.

The variance in reimbursements from other agencies is attributed to additional operating subsidy funds and discounted fare reimbursements from the Santa Barbara County Association of Governments related to re-timed train service from Ventura to Santa Barbara/Goleta retroactive to the start of the service beginning in April 2018.

Interest revenue is also tracking higher than budgeted. The LOSSAN Agency executed a new banking agreement in November 2018, in which a higher interest rate on a repurchase agreement investment was negotiated. The LOSSAN Agency Board and the State approved the use of these funds to partially offset administrative expenses in FY 2019-20.

OPERATING EXPENSES

Budgeted expenses through the fourth quarter of FY 2018-19 total \$62,499,565, which is comprised of \$45,166,461 for net 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.

The actuals are comprised of net train operating expenses of \$31,740,032, total administrative services (including marketing) of \$5,756,806, and grant program expenses of \$3,656,259. The majority of the variance in net train operating expenses is due to the budget including approximately \$8 million for funding capacity for additional round trips which were not implemented during FY 2018-19. In addition, the net train operating expense budget includes \$8.9 million for one-time PTC costs associated with the Union Pacific owned Santa Barbara subdivision, which were not paid out during FY 2018-19. This is offset by actual net Amtrak expenses coming in higher than forecast by approximately \$4.8 million through the fourth quarter. The fourth quarter experienced both ridership and revenue declines, averaging approximately 4.6 percent less in ridership and 1.1 percent less in revenue over the same time period in the previous FY. Total revenue was below forecast by \$1.4 million (ticket revenue was below forecast \$3.2 million offset by positive food and beverage revenue of \$1.8 million). Amtrak route costs came in over forecast in the areas of car and locomotive maintenance by \$1.7 million, due to Charger locomotive maintenance costs unexpected by the LOSSAN Agency and not disclosed by either Amtrak or the California Department of Transportation. Fuel costs came in over forecast by approximately \$880k due to diesel fuel costs per gallon averaging higher than budgeted. Stations costs came in over forecast by approximately \$900k,

due to senior staff transfers to the Los Angeles station from the Riverside customer service center closure.

EXPENSES

	FY 2018-19 Adopted Budget	FY 2018-19 Working Budget	FY 2018-19 Working Budget Year To Date	FY 2018-19 Actuals Year To Date	\$ Variance Year To Date	% Variance Year To Date	FY 2018-19 Percent of Budget Used to Date
Administrative Budget Line Items							
Administration - Staffing	\$ 3,831,179	\$ 4,089,954	\$ 4,089,954	\$ 2,747,177	\$ 1,342,777	33%	67.2%
Legal Services	\$ 50,000	\$ 50,000	\$ 50,000	\$ 24,714	\$ 25,286	51%	49.4%
Travel	\$ 26,950	\$ 26,950	\$ 26,950	\$ 23,964	\$ 2,986	11%	88.9%
Marketing	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,760,206	\$ (760,206)	-38%	138.0%
Insurance	\$ 57,000	\$ 57,000	\$ 57,000	\$ 67,349	\$ (10,349)	N/A	118.2%
Contracted services (Audit, Planning, On Call)	\$ 200,000	\$ 200,000	\$ 200,000	\$ 122,678	\$ 77,322	39%	61.3%
Dues & Memberships	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ -	N/A	100.0%
Net State Funded Services	\$ 6,170,129	\$ 6,428,904	\$ 6,428,904	\$ 5,751,087	\$ 677,817	11%	89.5%
Banking Services	\$ 4,200	\$ 4,200	\$ 4,200	\$ 1,856	\$ 2,344	56%	44.2%
Total Admin Services	\$ 6,174,329	\$ 6,433,104	\$ 6,433,104	\$ 5,752,943	\$ 680,161	11%	89.4%
Non Budgeted Expenses							
Other Business Expenses	\$ -	\$ -	\$ -	\$ 3,863	\$ (3,863)	N/A	N/A
Non Budgeted Admin Services	\$ -	\$ -	\$ -	\$ 3,863	\$ (3,863)	N/A	N/A
Total Administrative Services	\$ 6,174,329	\$ 6,433,104	\$ 6,433,104	\$ 5,756,806	\$ 676,298	11%	89%
Operating/Capital Budget Line Items							
Net Train Operating Expenses	\$ 35,993,957	\$ 45,166,461	\$ 45,166,461	\$ 31,740,032	\$ 13,426,429	30%	70.3%
Minor Projects	\$ 500,000	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	N/A	0.0%
Grant Programs ¹	\$ 8,900,000	\$ 10,400,000	\$ 10,400,000	\$ 3,656,259	\$ 6,743,741	65%	35.2%
Total Operating/Capital Budget	\$ 45,393,957	\$ 56,066,461	\$ 56,066,461	\$ 35,396,291	\$ 20,670,170	37%	63.1%
Total Budget	\$ 51,568,286	\$ 62,499,565	\$ 62,499,565	\$ 41,153,097	\$ 21,346,468	34%	65.8%

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.

The grant programs expenses came in lower than budgeted by \$6,73,741. The variance is due to lower than anticipated expenses for corridor wide SRA-funded projects (\$4.9 million), CalOES funded station improvements (\$1.2 million) and transit transfer program expenses (\$1.4 million) through the fourth quarter. This is offset by an encumbrance for consultant services for the Central Coast Layover Facility Expansion Project in the amount of \$2 million versus the budgeted amount of \$1.5 million through 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 FY. Three of the five vacant positions were filled during the second quarter. The LOSSAN Planning & Analysis Manager position was filled internally by LOSSAN Agency staff during the third quarter, creating a vacancy for a LOSSAN Transportation Analyst, Principal. The LOSSAN Marketing Specialist, Principal was filled during the fourth quarter. The vacant positions remaining at the end of the fourth quarter include the LOSSAN Transportation Analyst, Principal and the LOSSAN Mechanical and Equipment Manager.

These positions were filled during the first quarter of FY 2019-20. Marketing expenses came in higher than budgeted by \$760,206, due to a major media marketing campaign and major league baseball partnership commitments during the fourth quarter. Prior year marketing surplus funds were utilized to cover the additional marketing program expenses, as previously approved by CalSTA and included within the FY 2018-19 LOSSAN Agency Board adopted budget assumptions, and consistent with the LOSSAN Agency and managing agency budget policy. Minor capital project expenses came in lower than budgeted by \$500,000 due to no qualifying project expenses through the fourth quarter. Station facility and safety project expenses that have been incurred during FY19 have been funded by CalOES and SRA funds. The LOSSAN Agency has yet to undertake additional projects that would qualify for minor capital funding, but anticipates doing so in FY20.