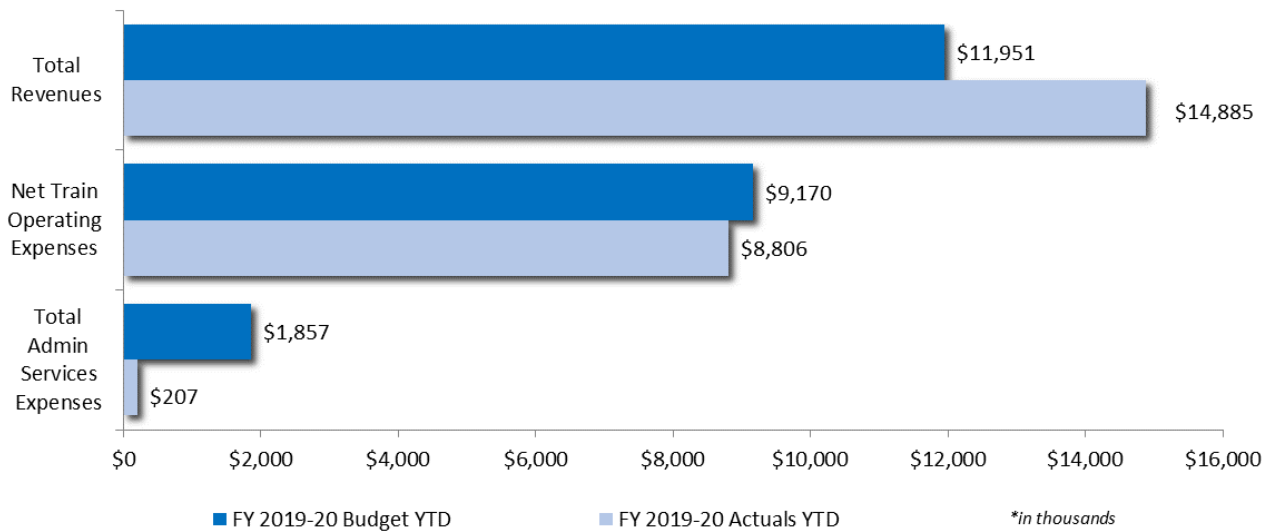




# Quarterly Budget Status Report

First Quarter of Fiscal Year 2019-20

## FY 2019-20 Budget to Actuals Year-To-Date



## OVERVIEW

On March 18, 2019, 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) 2019-20 and FY 2020-21 (Business Plan), as well as the FY 2019-20 budget. Included in the Business Plan and budget is funding for FY 2019-20 administrative and marketing services in the amount of \$6,962,548 (which includes interest revenue within the revenue budget), as well as \$ 37,897,875 for net train operations (including \$500,000 for minor capital projects and \$1,177,275 reimbursement from other agencies), and \$12,000,000 for grant programs, bringing the total adopted budget to \$56,860,423. 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) 2019-20 operating revenue and expense forecast on April 1, 2019. The California State Transportation Agency (CalSTA) allowed for a revised budget and resubmittal of the business plan by June 30, 2019, in order to incorporate Amtrak’s FFY 2019-20

forecast. On June 17, 2019, the Board approved budget amendments which adjusted the net train operations budget to \$37,195,218 (including \$500,000 for minor capital projects and \$1,177,275 reimbursement from other agencies), to align the budget with the Amtrak forecast as well as increase funding capacity for additional projects and operations. The budget amendment included upgrades to superliner rail cars (\$516,935), business class car enhancements (\$1.5 million) and additional funding capacity for FFY 2019-20 Amtrak operating costs (\$3 million). The budget amendment also increased Administrative expenses and revenues by \$360,000 which includes professional services (\$210,000 re-budgeted from prior FY) for the San Diego County layover and maintenance facility study, additional funding capacity to hire vacant positions at a salary between midpoint and top of range, as well as increases in insurance and travel budgets. The additional funding for salary, insurance, and travel line items are funded by a budgeted increase in interest revenue. The amendment also increased grant revenues and expenses by \$67,000. Lastly, marketing revenues and expenses

increased by \$1,450,000, to incorporate the approved use of prior year marketing surplus funds.

The budget includes estimates to implement a 14th round trip from Los Angeles to San Diego (\$1,114,820). While it is the intent of the LOSSAN Agency to implement additional roundtrip service north of Los Angeles to San Luis Obispo, staff will come back to the Board for additional budget authorization once host rail road approval is granted and the necessary equipment is identified to extend the service. The budget also includes emergency bus bridge services (\$60,000) continuation of the Transit Transfer Program (\$40,000) and retimed train service from Ventura to Santa Barbara/Goleta (\$1,177,275). This brings the total budget to \$58,034,766.

The LOSSAN Agency submitted a revised FY 2019-20 and FY 2020-21 Business Plan to CalSTA on June 28, 2019 for approval, which was subsequently approved by CalSTA on July 31, 2019. The net train operating funding level approved by CalSTA included the FFY 2019-20 Amtrak forecast amount for train operations at \$30,403,463, less \$1,177,275 in funding for re-timed trains from the Santa Barbara County Association of Governments. CalSTA approved additional funding of \$1,114,820 to implement an additional round trip from Los Angeles to San Diego, as well as continuation of the Transit Transfer Program (\$40,000), funding for emergency bus bridge services (\$60,000), Live Nation concert train service (\$60,000), and superliner car upgrades (\$516,395). The business class car enhancements (\$1.2 million from the State plus \$300,000 State Rail Assistance funds) and additional operating funding for FFY 19 (\$3 million) were approved by CalSTA separately from the business plan approval.

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

The FY 2019-20 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 first quarter of FY 2019-20. This report was completed prior to the conclusion of the FY 19 audit, and therefore may not reflect all adjusting entries which could have an impact on FY 20 actuals. Any adjustments made will be included in the second quarter budget status report.

**REVENUES**

Budgeted revenues through the first quarter of FY 2019-20 are \$11,951,104, which is comprised of \$8,875,863 in state advance operating funds, \$3,016,750 in other state funding, and \$58,491 for interest revenue.

Actual revenues through the first quarter totaled \$14,885,230, versus the budgeted amount of \$11,951,104. The actuals are comprised of state operating funds of \$10,667,973, other state funding (grant revenue) of \$4,265,883, state administrative funding of \$79,459, interest revenue of \$57,554, an accrual for

REVENUES	FY 2019-20 Adopted Budget	FY 2019-20 Working Budget	FY 2019-20 Working Budget Year To Date	FY 2019-20 Actuals Year To Date	\$ Variance Year To Date	% Variance Year To Date	Percent of Budget Used to Date
State Administrative Funding	\$ 4,878,548	\$ 5,088,548	\$ -	\$ 79,459	\$ 79,459	N/A	1.6%
State Marketing Funding	\$ 2,000,000	\$ 3,450,000	\$ -	\$ -	\$ -	N/A	0.0%
State Operating Funding	\$ 36,220,600	\$ 35,517,943	\$ 8,875,863	\$ 10,667,973	\$ 1,792,110	20%	30.0%
Reimbursements from other Agencies	\$ 1,177,275	\$ 1,177,275	\$ -	\$ (129,740)	\$ (129,740)	N/A	-11.0%
Other State Funding <sup>1</sup>	\$ 12,000,000	\$ 12,067,000	\$ 3,016,750	\$ 4,265,883	\$ 1,249,133	41%	35.4%
State Capital Funding <sup>2</sup>	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	N/A	0.0%
Revenue	\$ -	\$ -	\$ -	\$ (55,900)	\$ (55,900)	N/A	N/A
<b>Net State/Other Agency Funded</b>	<b>\$ 56,776,423</b>	<b>\$ 57,800,766</b>	<b>\$ 11,892,613</b>	<b>\$ 14,827,676</b>	<b>\$ 2,935,063</b>	<b>25%</b>	<b>25.7%</b>
Interest Revenue	\$ 84,000	\$ 234,000	\$ 58,491	\$ 57,554	\$ (937)	-2%	24.6%
Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A
<b>Total Revenues</b>	<b>\$ 56,860,423</b>	<b>\$ 58,034,766</b>	<b>\$ 11,951,104</b>	<b>\$ 14,885,230</b>	<b>\$ 2,934,126</b>	<b>25%</b>	<b>25.6%</b>

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

<sup>2</sup> Includes State Minor projects funding

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

Amtrak penalty and assessment revenue of (\$55,900), and an accrual for reimbursements from other agencies of (\$129,740).

The major areas experiencing budget variances are within State operating funding, and other State funding. The variance within State operating funding is due to receiving additional operating funds in the first quarter of FY 2019-20 that were used to cover increases in net operating expenses that occurred during the entire Amtrak operating FFY 2018-19.

The variance in other state funding of \$1,249,133 is primarily attributed to the receipt of State Rail Assistance (SRA) revenue of \$4,381,910 vs. the budgeted amount of \$1,275,000 in the first quarter. This is partially offset by lower than anticipated revenues in Transit and Intercity Rail Capital Program (TIRCP) grant funds for the corridor optimization study (\$1,207,777), California Office of Emergency Services (CalOES) funds for various corridor wide projects (\$300,000), and Transit Transfer Program funding (\$350,000) due to lower than anticipated expenses.

The variance in State administrative funding is attributed to the receipt of administrative funds in the amount of \$79,459 vs. the budgeted amount of \$0 in the first quarter for the reimbursement of the San Diego County Maintenance and Layover Facility study.

Reimbursements from other agency's in the amount of (\$129,740) is related to a prior fiscal year accrual for fare subsidies provided by the Santa Barbara County Association of Governments (SBCAG). Amtrak penalty and assessment revenue in the amount of (\$55,900) is related to a prior fiscal year accrual for assessments charged to Amtrak in the performance of train operations. Revenue related to these prior fiscal year accruals are expected to be received in the second and third quarters.

**OPERATING EXPENSES**

Budgeted expenses through the first quarter of FY 2019-20 total \$14,044,118, which is comprised of \$9,170,064 for net Amtrak operations, \$3,016,750 for grant programs, and \$1,857,304 for administrative and marketing services. Actual expenses through the first quarter totaled \$9,042,390 versus a budgeted amount of \$14,044,118. The actuals are primarily comprised of net train operating expenses of \$8,806,450, total administrative services (including marketing) of \$207,176, and grant programs of \$28,764. The major areas experiencing budget variances are within grant programs, administrative staffing, marketing, and net train operating expenses.

Grant programs expenses came in lower than budgeted by \$2,987,986 through the first quarter. The variance is due to lower than anticipated expenses for the TIRCP funded North County Transit District (NCTD) on-time performance incentive and maintenance agreement (\$1.1 million), corridor wide SRA-funded projects (\$1 million), TIRCP grant funds for the corridor optimization study (\$363k), and CalOES funded station improvements (\$300k) through the first quarter. Expenses for these programs are anticipated to be incurred in the second quarter.

The administrative staffing line item budget variance is due to timing. Administrative fees for the first quarter are estimated to be \$987k and are anticipated to be paid during the second quarter. Additionally, there were salary savings from two vacant positions that were filled during the middle of the first quarter, which include the LOSSAN Transportation Analyst, Principal and the LOSSAN Mechanical and Equipment Manager.

Net train operating expenses came in lower than budgeted by \$363,614 for the first quarter. The first quarter of LOSSAN's FY20 is the fourth quarter of Amtrak's FFY19 (July-September). When compared to Amtrak's forecast for the fourth quarter of FFY19, net train operating expenses tracked approximately \$830,000 over. Ticket revenue came in lower than forecast by approximately \$2.2 million. This is primarily due to flat ridership as compared to the same period in the previous year. Offsetting the decrease in revenue is operating expenses coming in lower than the Amtrak forecast by approximately \$1.8 million in the major areas of fuel and power, host railroad charges and overall route costs. These expense variances are primarily attributed to higher forecasted expenses being allocated to July, August and September for these line items. Although the overall ridership was flat during the first quarter (as compared to the same period last FY), September ridership has grown slightly over the previous FY (2.5%). We will continue to monitor trends in net operating costs through FY20.

Marketing expenses came in lower than budgeted by \$520,549. The variance is due to timing of paid invoices from media and sports sponsorship vendors. However, actuals are anticipated to align with the budget as the FY progresses.

EXPENSES							
Administrative Budget Line Items	FY 2019-20	FY 2019-20	FY 2019-20	FY 2019-20	\$ Variance	% Variance	FY 2019-20
	Adopted Budget	Working Budget	Working Budget	Actuals			Percent of Budget
			Year To Date	Year To Date	Year To Date	Year To Date	Used to Date
Administration - Staffing	\$ 4,408,398	\$ 4,535,398	\$ 1,133,410	\$ -	\$ 1,133,410	100%	0.0%
Legal Services	\$ 50,000	\$ 50,000	\$ 8,500	\$ 2,556	\$ 5,944	70%	5.1%
Travel	\$ 26,950	\$ 34,950	\$ 6,919	\$ 2,662	\$ 4,257	62%	7.6%
Marketing	\$ 2,000,000	\$ 3,450,000	\$ 676,511	\$ 155,962	\$ 520,549	77%	4.5%
Insurance	\$ 68,000	\$ 83,000	\$ -	\$ -	\$ -	N/A	0.0%
Contracted services (Audit, Planning)	\$ 400,000	\$ 610,000	\$ 31,250	\$ 45,426	\$ (14,176)	-45%	7.4%
Dues & Memberships	\$ 5,000	\$ 5,000	\$ -	\$ -	\$ -	N/A	0.0%
<b>Net State Funded Services</b>	<b>\$ 6,958,348</b>	<b>\$ 8,768,348</b>	<b>\$ 1,856,590</b>	<b>\$ 206,607</b>	<b>\$ 1,649,983</b>	<b>89%</b>	<b>2.4%</b>
Banking Services	\$ 4,200	\$ 4,200	\$ 714	\$ 304	\$ 410	57%	7.2%
<b>Total Admin Services</b>	<b>\$ 6,962,548</b>	<b>\$ 8,772,548</b>	<b>\$ 1,857,304</b>	<b>\$ 206,910</b>	<b>\$ 1,650,394</b>	<b>89%</b>	<b>2.4%</b>
Non Budgeted Expenses							
Other Business Expenses	\$ -	\$ -	\$ -	\$ 266	\$ (266)	N/A	N/A
<b>Non Budgeted Admin Services</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 266</b>	<b>\$ (266)</b>	<b>N/A</b>	<b>N/A</b>
<b>Total Administrative Services</b>	<b>\$ 6,962,548</b>	<b>\$ 8,772,548</b>	<b>\$ 1,857,304</b>	<b>\$ 207,176</b>	<b>\$ 1,650,128</b>	<b>89%</b>	<b>2%</b>
Operating/Capital Budget Line Items							
	FY 2019-20	FY 2019-20	FY 2019-20	FY 2019-20	\$ Variance	% Variance	FY 2019-20
	Adopted Budget	Working Budget	Working Budget	Actuals			Percent of Budget
			Year To Date	Year To Date	Year To Date	Year To Date	Spent to Date
Net Train Operating Expenses	\$ 37,397,875	\$ 36,695,218	\$ 9,170,064	\$ 8,806,450	\$ 363,614	4%	24.0%
Minor Projects	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	N/A	0.0%
Grant Programs <sup>1</sup>	\$ 12,000,000	\$ 12,067,000	\$ 3,016,750	\$ 28,764	\$ 2,987,986	99%	0.2%
<b>Total Operating/Capital Budget</b>	<b>\$ 49,897,875</b>	<b>\$ 49,262,218</b>	<b>\$ 12,186,814</b>	<b>\$ 8,835,214</b>	<b>\$ 3,351,600</b>	<b>28%</b>	<b>17.9%</b>
<b>Total Budget</b>	<b>\$ 56,860,423</b>	<b>\$ 58,034,766</b>	<b>\$ 14,044,118</b>	<b>\$ 9,042,390</b>	<b>\$ 5,001,728</b>	<b>36%</b>	<b>15.6%</b>

<sup>1</sup> 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.