



February 18, 2020

To: Members of the Board of Directors

From: Jennifer L. Bergener, Managing Director

Subject: Fiscal Year 2019-20 First Quarter Budget Status Report

Overview

The Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency's Fiscal Year 2019-20 Budget was approved by the Board of Directors on March 18, 2019, and amended on June 17, 2019, in conjunction with the approval of the annual business plan for fiscal years 2019-20 and 2020-21. This report provides a summary of financial activities and performance through the first quarter of fiscal year 2019-20, covering the months of July, August, and September.

Recommendation

Receive and file as an information item.

Background

On March 18, 2019, 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) 2019-20 and FY 2020-21 (Business Plan), as well as the FY 2019-20 budget. Included in both the adopted budget and the Business Plan is funding for FY 2019-20 administrative and marketing services, in the amount of \$6,962,548 (including interest revenue), as well as \$37,897,875, for net train operations (including \$500,000 for minor projects and \$1,177,275, for 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 the LOSSAN Agency to submit a revised budget and resubmittal of the Business Plan by June 30, 2019, in order to

incorporate Amtrak's FFY 2019-20 forecast. The budget amendments were approved by the Board on June 17, 2019, which adjusted the net train operations budget to \$37,195,218 (including \$500,000 for minor capital projects and \$1,177,275 reimbursements from other agencies), to align the budget with the Amtrak forecast. The budget amendments also included upgrades to superliner rail cars (\$516,935), business class car enhancements (\$1.5 million) and additional funding capacity for FFY 19 Amtrak operating costs (\$3 million). The budget amendment increased administration revenues and expenses by \$360,000, increased grant revenues and expenses by \$67,000, and marketing revenues and expenses by \$1,450,000 (to incorporate the approved use of prior year marketing surplus funds), bringing the total budget to \$58,034,766.

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 first quarter (July 1, 2019 through September 30, 2019) of FY 2019-20. A summary of these activities is provided below.

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

Actual revenues through the first quarter totaled \$14,885,230, versus a 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 Amtrak penalty and assessment revenue of (\$55,900), and an accrual for reimbursements from other agencies of (\$129,740). The majority of the variance is due to receiving additional operating funds in the first quarter that were used to cover increased Amtrak operating costs throughout FFY 2018-19 as well as higher than anticipated revenues received for grant related projects. The budget versus actual variances are further detailed in Attachment A.

Budgeted expenses through the first quarter of FY 2019-20 total \$14,044,118, which is comprised of \$9,170,064 for 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 major areas experiencing budget variances are within grant

programs, administrative staffing, marketing services, and net train operating expenses. 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 first quarter of Fiscal Year 2019-20, the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency's actual revenues are higher than budgeted while expenses are below budget. The majority of the revenue variance is due to receiving additional operating funds in the first quarter of fiscal year 2019-20 that were used to cover net operating expenses during federal fiscal year 2019-20, as well as receiving additional grant revenue than expected. The expense variances are due to lower than expected activity within grant programs, timing of payments for administrative fees, and lower than expected activity within net Amtrak train expenses and marketing expenses.

Attachments

- A. Quarterly Budget Status Report, First Quarter of Fiscal Year 2019-20
- B. Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency, First Quarter Financial Activity Report, Fiscal Year 2019-20
- C. Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency, Open Agreements Listing as of September 30, 2019

Prepared by:

A handwritten signature in black ink, appearing to read 'J. Jewell', is written over a light gray, textured rectangular background.

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