



May 18, 2020

To: Members of the Board of Directors
From: Donna DeMartino, Managing Director *Donna DeMartino*
Subject: Fiscal Year 2019-20 Second 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 second quarter of fiscal year 2019-20, covering the months of July through December 2019.

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 draft 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 2018-19 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 an FFY of October 1 – September 30; thus, the operating contract has historically been executed on an 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 second quarter (July 1, 2019 through December 31, 2019) of FY 2019-20. A summary of these activities is provided below.

Budgeted revenues through the second quarter of FY 2019-20 totaled \$28,446,482, which is comprised of \$17,751,726 in state advance operating funds, \$6,033,500 in grant funds (other state funding), \$4,544,274 in state administrative and marketing funding and \$116,982 for interest revenue.

Actual revenues through the second quarter totaled \$30,141,328 versus a budgeted amount of \$28,446,482. The actuals are comprised of state operating funds of \$25,682,916, other state funding (grant revenue) of \$4,458,040, state interest revenue of \$134,509, state administrative revenue of \$51,502, 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 invoicing for January and February operating advances during the second quarter. This is offset by lower reimbursements for grant related projects (due to lower expenses), and the timing of receipts for administrative and marketing funding. The budget versus actual variances are further detailed in Attachment A.

Budgeted expenses through the second quarter of FY 2019-20 total \$28,273,525, which is comprised of \$18,340,128 for Amtrak operations, \$5,947,474 for grant programs, and \$3,985,923 for administrative and marketing services. Actual

expenses through the second quarter totaled \$8,391,726, versus a budgeted amount of \$28,273,525. The major areas experiencing budget variances are within net train operating expenses, grant programs, marketing services and administrative staffing. 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 second 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 invoicing for January and February operating advances during the second quarter. The expense variances are primarily due to a large credit in operating expenses due to an accrual reversal, and the timing of implementing operations projects. In addition, variances are due to lower than expected activity within grant programs, the timing of marketing invoices and administrative vacancies.

Attachments

- A. Quarterly Budget Status Report, Second Quarter of Fiscal Year 2019-20
- B. Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency, Second Quarter Financial Activity Report, Fiscal Year 2019-20
- C. Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency, Open Agreements Listing as of December 31, 2019

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