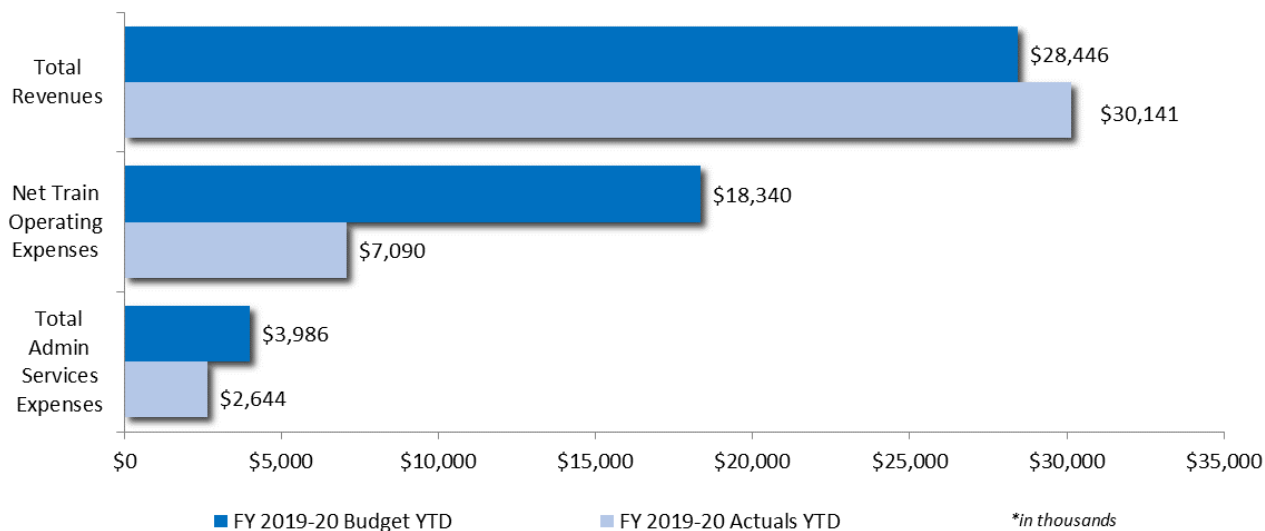




## Quarterly Budget Status Report

Second 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 draft 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, which will be funded by 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 second quarter of FY 2019-20.

## REVENUES

Budgeted revenues through the second quarter of FY 2019-20 are \$28,446,482, which is comprised of \$17,751,726 in state advance operating funds, \$6,033,500 in 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 the 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, interest revenue of \$134,509, state administrative funding 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).

### 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	FY 2019-20 Percent of Budget Used to Date
State Administrative Funding	\$ 4,878,548	\$ 5,088,548	\$ 2,544,274	\$ 51,502	\$ (2,492,772)	-98%	1.0%
State Marketing Funding	\$ 2,000,000	\$ 3,450,000	\$ 2,000,000	\$ -	\$ (2,000,000)	-100%	0.0%
State Operating Funding	\$ 36,220,600	\$ 35,517,943	\$ 17,751,726	\$ 25,682,916	\$ 7,931,190	45%	72.3%
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	\$ 6,033,500	\$ 4,458,040	\$ (1,575,460)	-26%	36.9%
State Capital Funding <sup>2</sup>	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	N/A	0.0%
Amtrak Penalty & Assessment 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>\$ 28,329,500</b>	<b>\$ 30,006,819</b>	<b>\$ 1,677,319</b>	<b>6%</b>	<b>51.9%</b>
Interest Revenue	\$ 84,000	\$ 234,000	\$ 116,982	\$ 134,509	\$ 17,527	15%	57.5%
Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A
<b>Total Revenues</b>	<b>\$ 56,860,423</b>	<b>\$ 58,034,766</b>	<b>\$ 28,446,482</b>	<b>\$ 30,141,328</b>	<b>\$ 1,694,846</b>	<b>6%</b>	<b>51.9%</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.

The major areas experiencing budget variances are within state operating funding, state administrative and marketing funding, other state funding, and reimbursements from other Agencies. The variance within state operating funding is primarily due to invoicing (and recording the related revenue) for January and February operating advances during the second quarter.

The variance in state administrative and marketing funding is attributed to timing. Revenue for the first half administrative and marketing funding in the amount of \$4,439,274 was received in February of 2020, after the close of the second quarter.

The variance in other state funding of (\$1,575,460) is primarily due to lower reimbursements in Transit and Intercity Rail Capital Program (TIRCP) grant funds for the corridor optimization study (\$2,143,088), Transit Transfer Program funding (\$816,027), and California Office of Emergency Services (CalOES) funds for various corridor wide projects (\$600,000), due to lower than anticipated expenses. This is partially offset by higher than anticipated revenues attributed to the receipt of State Rail Assistance (SRA) revenue in the first quarter of \$4,381,910 vs. the budgeted amount of \$2,550,00 through the second quarter.

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 third and fourth quarters.

## OPERATING EXPENSES

Budgeted expenses through the second quarter of FY 2019-20 total \$28,273,525, which is comprised of \$18,340,128 for net 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 actuals are primarily comprised of net train operating expenses of \$7,090,431, total administrative services (including marketing) of \$2,644,426, and grant programs of (\$1,343,131). The major areas experiencing budget variances are within net train operating expenses, grant programs, marketing services, and administrative staffing.

Net train operating expenses came in lower than budgeted by \$11,249,697 for the second quarter. The variance includes an \$8.5 million credit due to an accrual reversal for the Union Pacific Railroad for railroad track improvements related to the implementation of positive train control on the Santa Barbara subdivision. The expense was accrued in FY 2018-19 and reversed in FY 2019-20 in anticipation of incurring the expense. Once the expense is incurred, the variance will clear. Additionally, expenses came in lower than budgeted by \$2.5 million due to an outstanding invoice for the LOSSAN car WIFI upgrade and refresh, and outstanding projects such as the business class car refresh. The variance is also due to the budget containing additional capacity for the emergency bus bridge service, and transit transfer program in which no expenses have been incurred through the second quarter.

Even though the budget to actuals are under-running through the second quarter, when comparing the Amtrak forecast to actuals, the actuals are \$17.4 million compared to the \$15.8 forecast through December. The major areas experiencing overages are in the car and locomotive maintenance, and connecting motor coach. However, these variances are partially offset by a reduction in expenses due to the current withholding of payments associated with the marketing additive. The LOSSAN agency and the other two Joint Powers Authorities in California are withholding payment of the marketing additive to Amtrak until there is a resolution on the level of marketing services currently provided by Amtrak in accordance with the Passenger Rail Investment and Improvement Act Section 209 policy.

Grant programs expenses came in lower than budgeted by \$7,290,605 through second quarter. The variance includes a \$2.3 million expense credit due to an accrual reversal for the TIRCP funded on-time performance incentive and maintenance agreement with North County Transit District (NCTD). The expense was accrued in FY 2018-19 and reversed in FY 2019-20 in anticipation of incurring the expense. The expense is anticipated to be incurred in the third quarter and the variance will clear. The budget variance is further compounded by having no expenses through the second quarter related to the NCTD agreement versus the budget amount of \$2.2 million. Additionally, there were lower than anticipated expenses for the corridor wide SRA-funded projects (\$2.6 million), and TIRCP grant funds for the transit transfer program (\$214k) through the second quarter. Expenses for these programs are anticipated to be incurred in the third and fourth quarters.

The administrative staffing line item budget variance is primarily due to salary savings through the second quarter related to the LOSSAN Managing Director (vacant during first and second quarters), and LOSSAN Strategic Planning & Customer Experience Manager (vacant in December 2019).

Marketing expenses came in lower than budgeted by \$723,019. The variance is due to timing of invoice payments from media and sports sponsorship vendors. However, actuals are anticipated to align with the budget as the FY progresses.

**EXPENSES**

	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	FY 2019-20 Percent of Budget Used to Date
<b>Administrative Budget Line Items</b>							
Administration - Staffing	\$ 4,408,398	\$ 4,535,398	\$ 2,266,820	\$ 1,804,041	\$ 462,779	20%	39.8%
Legal Services	\$ 50,000	\$ 50,000	\$ 21,000	\$ 6,657	\$ 14,343	68%	13.3%
Travel	\$ 26,950	\$ 34,950	\$ 14,627	\$ 10,447	\$ 4,180	29%	29.9%
Marketing	\$ 2,000,000	\$ 3,450,000	\$ 1,470,522	\$ 747,503	\$ 723,019	49%	21.7%
Insurance	\$ 68,000	\$ 83,000	\$ 26,190	\$ 10,000	\$ 16,190	62%	12.0%
Contracted services (Audit, Planning)	\$ 400,000	\$ 610,000	\$ 180,000	\$ 61,697	\$ 118,303	66%	10.1%
Dues & Memberships	\$ 5,000	\$ 5,000	\$ 5,000	\$ -	\$ 5,000	100%	0.0%
<b>Net State Funded Services</b>	<b>\$ 6,958,348</b>	<b>\$ 8,768,348</b>	<b>\$ 3,984,159</b>	<b>\$ 2,640,345</b>	<b>\$ 1,343,814</b>	<b>34%</b>	<b>30.1%</b>
Banking Services	\$ 4,200	\$ 4,200	\$ 1,764	\$ 781	\$ 983	56%	18.6%
<b>Total Admin Services</b>	<b>\$ 6,962,548</b>	<b>\$ 8,772,548</b>	<b>\$ 3,985,923</b>	<b>\$ 2,641,126</b>	<b>\$ 1,344,797</b>	<b>34%</b>	<b>30.1%</b>
Non Budgeted Expenses							
Other Business Expenses	\$ -	\$ -	\$ -	\$ 3,299	\$ (3,299)	N/A	N/A
<b>Non Budgeted Admin Services</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,299</b>	<b>\$ (3,299)</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>\$ 3,985,923</b>	<b>\$ 2,644,426</b>	<b>\$ 1,341,497</b>	<b>34%</b>	<b>30%</b>
<b>Operating/Capital Budget Line Items</b>							
	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	FY 2019-20 Percent of Budget Spent to Date
Net Train Operating Expenses	\$ 37,397,875	\$ 36,695,218	\$ 18,340,128	\$ 7,090,431	\$11,249,697	61%	19.3%
Minor Projects	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	N/A	0.0%
Grant Programs <sup>1</sup>	\$ 12,000,000	\$ 12,067,000	\$ 5,947,474	\$ (1,343,131)	\$ 7,290,605	123%	-11.1%
<b>Total Operating/Capital Budget</b>	<b>\$ 49,897,875</b>	<b>\$ 49,262,218</b>	<b>\$ 24,287,602</b>	<b>\$ 5,747,300</b>	<b>\$18,540,302</b>	<b>76%</b>	<b>11.7%</b>
<b>Total Budget</b>	<b>\$ 56,860,423</b>	<b>\$ 58,034,766</b>	<b>\$ 28,273,525</b>	<b>\$ 8,391,726</b>	<b>\$19,881,799</b>	<b>70%</b>	<b>14.5%</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.