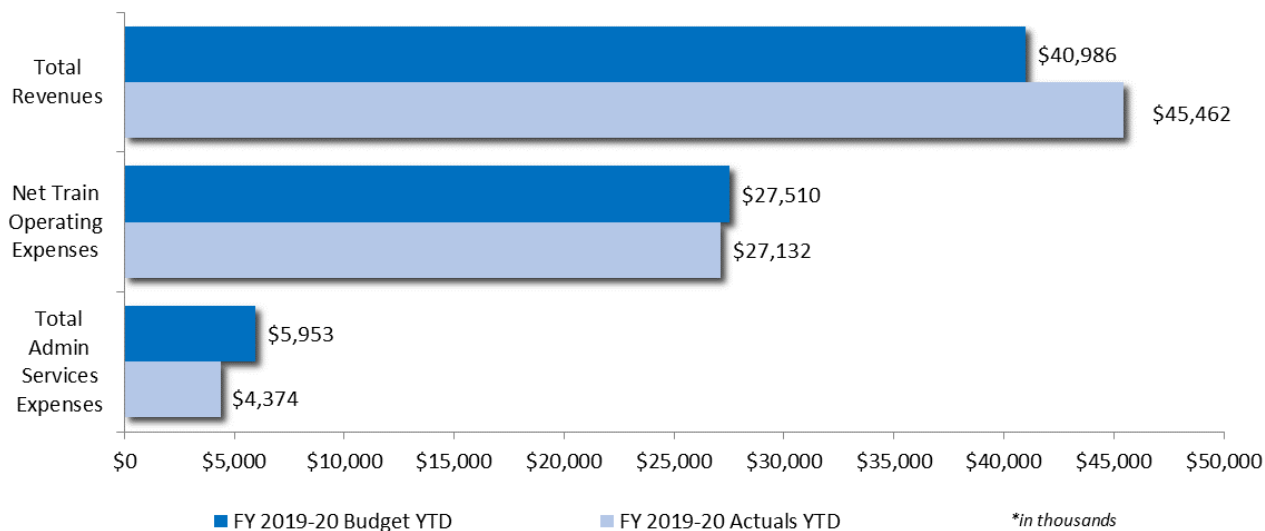




Quarterly Budget Status Report

Third 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 third quarter of FY 2019-20.

AMENDMENTS

On February 18, 2020, the Board amended the FY 2020 revenue and expense budget for \$35 million to design and construct the capital improvements necessary to implement two additional roundtrips north of Los Angeles. This was the amount estimated for Union Pacific Railroad project activity through the remainder of FY 2020.

REVENUES

Budgeted revenues through the third quarter of FY 2019-20 are \$40,986,223, which is comprised of \$26,627,589 in state advance operating funds, \$9,050,250 in other state funding, \$4,544,274 in state administrative and marketing funding combined, \$588,637 in reimbursements from other agencies, and \$175,473 for interest revenue.

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	\$ 2,490,776	\$ (53,498)	-2%	48.9%
State Marketing Funding	\$ 2,000,000	\$ 3,450,000	\$ 2,000,000	\$ 2,000,000	\$ -	0%	58.0%
State Operating Funding	\$ 36,220,600	\$ 35,517,943	\$ 26,627,589	\$ 31,300,403	\$ 4,672,814	18%	88.1%
Reimbursements from other Agencies	\$ 1,177,275	\$ 1,177,275	\$ 588,637	\$ 1,098,509	\$ 509,872	87%	93.3%
Other State Funding ¹	\$ 12,000,000	\$ 12,067,000	\$ 9,050,250	\$ 8,429,940	\$ (620,310)	-7%	69.9%
State Capital Funding ²	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	N/A	0.0%
Amtrak Penalty & Assessment Revenue	\$ -	\$ -	\$ -	\$ (55,900)	\$ (55,900)	N/A	N/A
Net State/Other Agency Funded	\$ 56,776,423	\$ 57,800,766	\$ 40,810,750	\$ 45,263,728	\$ 4,452,978	11%	78.3%
Interest Revenue	\$ 84,000	\$ 234,000	\$ 175,473	\$ 198,745	\$ 23,272	13%	84.9%
Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A
Total Revenues	\$ 56,860,423	\$ 58,034,766	\$ 40,986,223	\$ 45,462,473	\$ 4,476,250	11%	78.3%

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.

Actual revenues through the third quarter totaled \$45,462,473, versus the budgeted amount of \$40,986,223. The actuals are comprised of state operating funds of \$31,300,403, other state funding (grant revenue) of \$8,429,940, state administrative funding of \$2,490,776, state marketing funding of \$2,000,000, reimbursements from other agencies of \$1,098,509, interest revenue of \$198,745, and an accrual for Amtrak penalty and assessment revenue of (\$55,900).

The major areas experiencing budget variances are within state operating funding, reimbursements from other agencies, and other state funding. The variance within state operating funding through the third quarter is primarily due to invoicing for additional operating funds for July (\$1,730,196), October, November, and December (combined at \$2,349,050).

The variance in reimbursements from other agencies is attributed to 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 were received in the third quarter in the amount of \$1,098,509 vs. the budgeted amount of \$588,637 through the third quarter.

The variance in other state funding of (\$620,310) is primarily due to lower reimbursements in Transit Transfer Program funding (\$1,057,529), and California Office of Emergency Services (CalOES) funds for various corridor wide projects (\$900,000), 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 of \$4,593,242 vs. the budgeted amount of \$3,825,000 through the third quarter, and Transit and Intercity Rail Capital Program (TIRCP) grant funds for the corridor optimization study of \$3,524,674 vs. the budgeted amount of \$3,275,250 through the third quarter.

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 fourth quarter.

COVID-19 Impacts to March Revenues: Total passenger revenue for the month of March fell approximately 60% percent compared to the same period last year. The decline in ridership due to COVID-19 began in the middle of March, prior to the State of California shelter in place orders. Beginning March 24, 2020, the Pacific Surfliner reduced service levels by approximately 50%. The last week of March saw an average

decrease of ridership of 95% over the same period in the previous year. This has a significant impact on the overall net operating costs, which will be addressed in the operating expenses section of this report.

OPERATING EXPENSES

Budgeted expenses through the third quarter of FY 2019-20 total \$42,513,399, which is comprised of \$27,510,192 for net Amtrak operations, \$9,050,250 for grant programs, and \$5,952,957 for administrative and marketing services. Actual expenses through the third quarter totaled \$35,073,095 versus a budgeted amount of \$42,513,399. The actuals are primarily comprised of net train operating expenses of \$27,131,659, total administrative services (including marketing) of \$4,373,647, and grant programs of \$3,567,789. The major areas experiencing budget variances are within grant programs, administrative staffing, marketing services, and contracted services.

Grant programs expenses came in lower than budgeted by \$5,482,461 through third quarter. The variance is primarily attributed to lower than anticipated expenses for the corridor wide SRA- funded projects (\$3.5 million). These projects have been temporarily placed on hold as a result of the COVID-19 impacts. The budget variance is further compounded by having less than anticipated expenses through the third quarter related to the NCTD increased service frequency and on-time performance agreement (\$2.3 million) versus the budget amount (\$3.3 million). Additionally, there were lower than anticipated expenses for TIRCP grant funds for the transit transfer program (\$478k), and CalOES funds for various corridor wide projects (\$403k) through the third quarter. Expenses for these programs are anticipated to be incurred in the fourth quarter.

The administrative staffing line item budget variance is primarily due to salary savings through the third quarter related to the LOSSAN Managing Director (vacant during first and second quarters), and LOSSAN Strategic Planning & Customer Experience Manager (vacant in December 2019 through the beginning of April 2020). This position has been converted to the LOSSAN Programming and Grants Manager, which was filled in the fourth quarter.

Marketing expenses came in lower than budgeted by \$719,132. The variance is due to timing of invoice payments from media and sports sponsorship vendors. Marketing spend is anticipated to be aligned with operating service levels through the fourth quarter. It is anticipated to have a

marketing surplus of approximately \$1.2 million which will be re-budgeted for FY 2021).

Contracted services expenses came in lower than budgeted by \$109,258 through the third quarter. The variance is primarily attributed to lower than anticipated expenses for on-call services. On-call services are utilized on an as needed basis.

Even though the net train operating expense's budget to actuals are on target through the third quarter, when comparing the Amtrak forecast to actuals, the actuals are \$33.7 million compared to the \$26.5 million forecast through March. This is primarily due to the net March operating costs coming in at \$7.3 million compared to the monthly average of \$3.3 million, due to the drop in revenue related to COVID-19. However, approximately \$5 million of the March net operating costs will be covered by Federal funding received by Amtrak and discussed in the next section.

Amtrak actuals also include approximately \$1.5 million of marketing additive expenses currently being withheld by the LOSSAN Agency. 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.

COVID-19 Impacts to March Expenses: On March 27, 2020, the Coronavirus Aid, Relief, and Economic Stability (CARES) Act was signed into law. This provides approximately \$1.02 billion to Amtrak to help offset the revenue and ridership losses on rail services throughout the United States. Specifically, through a grant between the Federal Railroad Administration (FRA) and Amtrak. The relief package provides \$492 million for the northeast corridor routes, and \$526 million towards the national network, of which at least \$239 million will be provided to state-supported routes in lieu of any increase in states payments for FY20. The CARES Act legislation puts a cap on the amount states must pay Amtrak; actual state supported payments in FFY 2020 can be no more than 80% of the FFY19 amounts. This amount is approximately \$26.6 million for the LOSSAN Agency and includes adjustments for marketing additive withholding and withholding for benefit labor costs associated with turnaround servicing (which the LOSSAN Agency has asked Amtrak to substantiate).

Beginning in April, the LOSSAN Agency will pay Amtrak a fixed monthly amount of approximately \$1.2 million per month for

the remainder of FFY 2020 until the 80% cap is reached. Amtrak will draw down the Federal funds to cover the monthly difference between the cap and the actual net operating amount. The Federal funds are expected to last through the end of the FFY, which is September 30, 2020. Any remaining funds may be utilized into FFY 2021. The LOSSAN Agency expects to be under budget in operating costs through the remainder of FFY 2020 and expects a surplus of operating funding of approximately \$3 million due to the Federal funding and the 80% cap on net operating expenses.

The LOSSAN Agency has been coordinating with stakeholders through the State-Amtrak Intercity Passenger Rail Committee on the implementation, accountability and transparency of the CARES Act funding. The LOSSAN Agency is also coordinating with Amtrak and the two other Joint Power Authority's in California to determine additional operating areas for cost reduction and savings as we navigate through the COVID-19 pandemic.

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
Administrative Budget Line Items							
Administration - Staffing	\$ 4,408,398	\$ 4,535,398	\$ 3,400,230	\$ 2,670,501	\$ 729,729	21%	58.9%
Legal Services	\$ 50,000	\$ 50,000	\$ 33,500	\$ 7,747	\$ 25,753	77%	15.5%
Travel	\$ 26,950	\$ 34,950	\$ 21,230	\$ 20,336	\$ 894	4%	58.2%
Marketing	\$ 2,000,000	\$ 3,450,000	\$ 2,199,683	\$ 1,480,551	\$ 719,132	33%	42.9%
Insurance	\$ 68,000	\$ 83,000	\$ 79,250	\$ 72,953	\$ 6,297	8%	87.9%
Contracted services (Audit, Planning)	\$ 400,000	\$ 610,000	\$ 211,250	\$ 101,992	\$ 109,258	52%	16.7%
Dues & Memberships	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ -	0%	100.0%
Net State Funded Services	\$ 6,958,348	\$ 8,768,348	\$ 5,950,143	\$ 4,359,081	\$ 1,591,062	27%	49.7%
Banking Services	\$ 4,200	\$ 4,200	\$ 2,814	\$ 1,243	\$ 1,571	56%	29.6%
Total Admin Services	\$ 6,962,548	\$ 8,772,548	\$ 5,952,957	\$ 4,360,324	\$ 1,592,633	27%	49.7%
Non Budgeted Expenses							
Other Business Expenses	\$ -	\$ -	\$ -	\$ 13,323	\$ (13,323)	N/A	N/A
Non Budgeted Admin Services	\$ -	\$ -	\$ -	\$ 13,323	\$ (13,323)	N/A	N/A
Total Administrative Services	\$ 6,962,548	\$ 8,772,548	\$ 5,952,957	\$ 4,373,647	\$ 1,579,310	27%	50%

	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
Operating/Capital Budget Line Items							
Net Train Operating Expenses	\$ 37,397,875	\$ 36,695,218	\$ 27,510,192	\$ 27,131,659	\$ 378,533	1%	73.9%
Minor Projects	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	N/A	0.0%
Grant Programs ¹	\$ 12,000,000	\$ 12,067,000	\$ 9,050,250	\$ 3,567,789	\$ 5,482,461	61%	29.6%
Total Operating/Capital Budget	\$ 49,897,875	\$ 49,262,218	\$ 36,560,442	\$ 30,699,448	\$ 5,860,994	16%	62.3%
Total Budget	\$ 56,860,423	\$ 58,034,766	\$ 42,513,399	\$ 35,073,095	\$ 7,440,304	18%	60.4%

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.