



November 16, 2020

To: Members of the Board of Directors

From: Donna DeMartino, Managing Director

Subject: Fiscal Year 2020-21 Budget Amendment

Overview

The Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency's fiscal year 2020-21 budget and the Business Plan for Fiscal Year 2020-21 and Fiscal Year 2021-22 were approved by the Board of Directors on May 18, 2020. The California State Transportation Agency approved the administrative and marketing components of the fiscal year 2020-21 budget on July 9, 2020 and the operations component on September 23, 2020. Staff is seeking Board of Directors' approval to amend the fiscal year 2020-21 budget to include the Amtrak Federal Fiscal Year 2020-21 operating forecast and funding levels approved by the California State Transportation Agency, as well as revisions to the administrative, marketing and grant budgets.

Recommendations

- A. Amend the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency's Fiscal Year 2020-21 revenue and expense budget to reflect the revised Amtrak operating revenue and expense forecast and State-approved operating funding levels through January 2021, as well as the revised administrative, marketing, and grant budgets.
- B. Authorize the Managing Director to make amendments to the Master Fund Transfer Agreement annual supplements for operating funds, minor capital improvement projects funds, administrative, and marketing funds.

Background

The development of the Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor Agency's (Agency) fiscal year (FY) 2020-21 budget and the business plan for FY 2020-21 and FY 2021-22 was significantly impacted due to the coronavirus (COVID-19) pandemic. The final business plan was scheduled to be approved at the March 18, 2020 Board of Directors (Board) meeting. However, as a result of pandemic-related restrictions, the March 2020 Board meeting was canceled. In the weeks that followed, it became apparent that the annual budget request would need to be adjusted to reflect the reduction of service as well as funding constraints

imposed by the State. Staff began working with Amtrak to develop revised operating revenue and expense estimates as well as coordinated with Amtrak, the State, and the two other California state-supported routes on cost savings measures. A timeline of budget activities over the last 6 months is a below.

On May 18, 2020, the Board approved the May 1, 2020 submittal of the LOSSAN Agency FY 2020-21 budget and the FY's 2020-21 and 2021-22 Business Plan, and directed staff to return in September 2020 with an updated budget request once revised cost estimates were received by Amtrak.

On July 10, 2020, the California State Transportation Agency (CalSTA) provided early approval of the administrative, marketing, and minor capital programs elements of the FY 2020-21 budget.

On September 21, 2020, the Board directed staff to return in November 2020 with a revised operating budget consistent with the revenue and expense estimates provided by Amtrak.

On September 23, 2020, CalSTA provided approval for the estimated funding necessary to cover the first four months of federal FY (FFY) Amtrak operating net expenses (October 2020 through January 2021). This short-term funding approval was provided with the understanding that the State and the LOSSAN Agency will closely monitor expenses and revenues and coordinate on additional funding requests as the FY progresses.

Discussion

The LOSSAN Agency's FY 2020-21 adopted operating budget approved by the Board on May 18, 2020, includes \$50,567,505 for net Amtrak operating costs. This amount reflects \$131,510,548 in total Amtrak operating expenses, less \$87,501,974 in total revenue. In addition, the operating budget included an estimate of \$6,378,931, for implementation of a 14th round trip between San Diego and Los Angeles, 6th roundtrip between San Diego and Goleta, and a 3rd roundtrip between San Diego and San Luis Obispo, and \$180,000 for emergency bus bridge services and the continuation of the transit transfer program. The budget also includes a revenue contribution of \$1,177,275, from the Santa Barbara County Association of Governments for the estimated cost of re-timed trains to facilitate the morning peak-period service. Additional expenses and revenues of \$500,000, are included for minor capital projects, consistent with prior year approved amounts.

The FY 2020-21 adopted budget includes \$6,830,782 for administrative services and \$3,240,390 for marketing services (including \$1,240,390 surplus from FY 2020-21). Additionally, the adopted budget includes \$19,682,000 for various grant programs.

Proposed Budget Amendment

A budget amendment for FY 2020-21 is necessary in four primary areas: operations, administration and marketing, minor capital projects and grant programs. The budget amendment incorporates revised funding levels approved by the State as well as amendments necessary for grant funded programs.

Net Amtrak Operating Budget

The COVID-19 pandemic has significantly impacted ridership and revenue, and as a result, the State has directed all State-supported corridors to operate no more than 60 percent of the train miles previously approved in FY 2019-20 business plan, until there is more clarity regarding the availability of funding to support a higher level of service.

The proposed FY 2020-21 budget amendment for net Amtrak operating expenses is a decrease of \$33,447,505, from \$50,567,505 to \$17,120,000. The proposed amendment includes the estimated net Amtrak operating costs from July 2020 through January 2021 and is consistent with the most recent operating forecasts provided by Amtrak. The most recent Amtrak operating forecast reflects the current level of reduced service including significant reductions in crew labor, stations labor, connecting motor coach services, fuel and equipment usage. Staff will continue to work with Amtrak, CalSTA, the California Department of Transportation, Division of Rail and Mass Transportation, the State-Amtrak Intercity Passenger Rail Committee and the two other California state-supported services to identify further ways to reduce and control costs as we move forward in the FY. The proposed FY 2020-21 operating budget amendment assumes that Amtrak will continue to apply remaining CARES Act funding (currently estimated to be \$80 million and shared among all state-supported routes) to offset the monthly net operating costs through December 2020.

The State has approved operating funding in the amount of \$9,959,039, to cover net Amtrak operating expenses for the first four months of FFY 2020-21, from October 2020 through January 2021. This State funding combined with an estimated \$3.3 million in the operating reserve fund and an estimated additional \$6.2 million in operating surplus (pending full FFY 2020 reconciliation with Amtrak), is estimated to be enough to cover the net Amtrak operating expenses from July 2020 through January 2021. The LOSSAN Agency has an additional \$6.2 million Amtrak credit (from the LOSSAN Agency identifying an accounting error), that can be used for ongoing net operating expenses. The LOSSAN Agency also received Board and State approval for the use of approximately \$12 million in State Rail Assistance (SRA) funding for operations during FY 2020-21 if needed.

The LOSSAN Agency staff and CalSTA will meet regularly for budget check-in meetings throughout FY 2020-21 to review updated operations costs and planned resumption of service and assess the needs for additional operating and marketing funding. Following those meetings, CalSTA may provide additional funding to the LOSSAN Agency for FY 2020-21 based on ridership increases, identified needs, and the availability of State funds. Staff will bring to the Board FY 2020-21 budget amendments necessary to accommodate anticipated changes in revenues and expenses.

Administrative and Marketing Budget

The proposed FY 2020-21 budget amendment for administrative expenses is a decrease of \$467,765, from \$6,830,782 to \$6,363,017. The LOSSAN Agency was able to identify various cost savings and budget adjustments that lowered the administrative budget funding request to the State from the originally proposed \$6,830,782 to \$5,967,455. This reflects the elimination of performance-based increases, delay in hiring of new positions, and the identification of grant funding to reimburse for direct costs related to administrative positions. The grant funding reimbursement amount is budgeted at \$395,562. This amount plus the State approved funding of \$5,967,455, equals the proposed administrative amended budget of \$6,363,017. The proposed budget amendment for administrative expenses includes funding for 18 full-time positions, as well as \$978,500, for professional services, including audit, insurance, planning, program management and design, as well as legal, travel, banking and membership dues.

The proposed FY 2020-21 budget amendment for marketing expenses is a decrease of \$2,000,000, from \$3,240,390 to \$1,240,390. The State has approved this reduced marketing amount with the understanding that additional funds may be requested to support an increase in ridership demand and service levels, during planned quarterly budget reviews and subject to available funding. Due to the current reduction of service and funding levels, the LOSSAN Agency marketing program has operated with a “keeping the lights on” strategy by suspending advertising, pausing promotions and partnerships, and obtaining no cost media from partners for public service announcements. Grant Programs Budget

The proposed FY 2020-21 budget amendment for grant programs revenues and expenses includes an increase of \$23,797,057, from \$19,682,000 to \$43,479,057. The proposed budget amendment increase includes an increase in the Transit and Intercity Rail Capital Program (TIRCP) grant of \$7,568,000, for the transit transfer program, host railroad capital track maintenance and incentive programs, and Union Pacific Railroad capital improvement projects on the northern end of the corridor. The proposed budget amendment increase also includes \$3,000,000, for California Transit Security Grant Program for corridor-wide video surveillance system upgrades and station security improvements, a decrease of \$3,994,980 in SRA projects due to a

focusing only on projects anticipated to be worked on during FY 2020-21, an increase of \$17,126,000 in Goods Movement Emission Reduction Program (Proposition 1B) for the interim San Luis Obispo layover facility design and construction and capital projects along the Union Pacific Railroad Santa Barbara Subdivision along the northern end of the corridor, and an increase of \$98,037 of State Transportation Improvement Program (STIP) grants for the Central Coast layover facility environmental phase. As discussed in the administrative and marketing budget section, the proposed grant budget amendment includes \$395,562, for reimbursement of direct administrative staff time spent on grant related projects (\$323,988 from STIP and \$71,574 from TIRCP).

Minor Capital Projects

The minor capital projects revenue and expense budget is proposed to decrease from \$500,000 to \$0. Currently no minor capital projects are planned during FY 2020-21, however, staff will bring back to the Board any budget amendments necessary if minor capital projects are planned to be implemented during the second half of FY 2020-21.

A summary of the proposed FY 2020-21 budget amendment in the four primary areas is presented in the table below. A more detailed summary of the proposed FY 2020-21 budget amendment is presented in Attachment A. The preliminary FY 2021-22 budget originally included in the FY 2020-21 and FY 2021-22 annual business plan will be updated and brought to the Board for annual approval as part of the FY 2021-22 and FY 2022-23 annual business plan and budget.

Revenues	Fiscal Year (FY) 2020-21 Adopted Budget ¹	FY 2020-21 Proposed Amendment	FY 2020-21 Final Budget
Total Revenues Available for Amtrak Operating Expenses	\$ 50,567,505	\$ (33,447,505)	\$ 17,120,000
Total State Minor Projects Revenues	\$ 500,000	\$ (500,000)	\$ -
Total State and Grant Administration and Marketing Funding	\$ 10,071,172	\$ (2,467,765)	\$ 7,603,407
Total Grant Programs Revenues	\$ 19,682,000	\$ 23,797,057	\$ 43,479,057
Total Revenue Budget	\$ 80,820,677	\$ (12,618,213)	\$ 68,202,464
Expenses	Fiscal Year (FY) 2020-21 Adopted Budget ¹	FY 2020-21 Proposed Amendment	FY 2020-21 Final Budget
Net Amtrak Operating Expenses	\$ 50,567,505	\$ (33,447,505)	\$ 17,120,000
Total Minor Projects Expenses	\$ 500,000	\$ (500,000)	\$ -
Total State Administration and Marketing Expenses	\$ 10,071,172	\$ (2,467,765)	\$ 7,603,407
Total Grant Programs Expenses	\$ 19,682,000	\$ 23,797,057	\$ 43,479,057
Total Expense Budget	\$ 80,820,677	\$ (12,618,213)	\$ 68,202,464

Summary

The proposed Fiscal Year 2020-21 proposed budget amendment decreases the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency Fiscal Year 2020-21 net operating revenue and expense budget by \$33,447,505. The proposed amendment decreases the administrative and marketing revenues and expenses overall by \$2,467,765. Finally, the proposed amendment also increases net grant program revenues and expenses by \$23,797,057. Necessary budget amendments for Fiscal Year 2020-21 will be brought to the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency Board of Directors during the year.

Attachment

- A. Fiscal Year 2020-21 Proposed Budget Amendment, Revenues and Expense Detail

Prepared by:



Jason Jewell
Finance and Administration Manager
(714) 560-5688