



November 16, 2020

To: Members of the Board of Directors
From: Donna DeMartino, Managing Director *Donna DeMartino*
Subject: Fiscal Year 2019-20 Fourth 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 fourth quarter of fiscal year 2019-20, covering the months of July through June 2020.

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 capital 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. Two budget amendments were approved by the Board on June 17, 2019, the first of which adjusted the net train operations budget to \$37,195,218 (including \$500,000 for minor capital projects and \$1,177,275 in reimbursements from other agencies), to align the budget with the Amtrak forecast. The budget amendment also 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). The second budget amendment 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), bringing the total budget to \$58,034,766.

A third budget amendment was approved by the LOSSAN Board on February 18, 2020, which amended the FY 2019-20 revenue and expense budget in the amount of \$35 million, for the capital improvements necessary to implement two additional roundtrips north of Los Angeles. The amount was estimated for Union Pacific Railroad (UPRR) project activity through the remainder of FY 2019-20.

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 states 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 fourth quarter (July 1, 2019 through June 30, 2020) of FY 2019-20. A summary of these activities is provided below.

Budgeted revenues through the fourth quarter of FY 2019-20 totaled \$93,034,766, which is comprised of \$47,067,000 in other state funding (grant revenue), \$35,517,943 in state advance operating funds, \$8,538,548 in state administrative and marketing funding, \$1,177,275 in reimbursements from other agencies, \$500,000 in state capital funding (minor capital projects), and \$234,000 for interest revenue.

Actual revenues through the fourth quarter totaled \$49,448,405 versus a budgeted amount of \$93,034,766. The actuals are comprised of state operating funds of \$35,077,741, other state funding (grant revenue) of \$6,810,952, state administrative and marketing funding of \$6,271,232, reimbursements from other agencies of \$1,131,381, interest revenue of \$212,999, and an accrual for Amtrak penalty and assessment revenue of (\$55,900). The majority of the revenue

variance (\$34,652,000) is within other state funding (grant revenue) and is due to lower revenue reimbursements associated with lower than anticipated expenses for capital improvements necessary to implement two additional roundtrips north of Los Angeles on UPRR-owned tracks in part due to delays associated with the coronavirus (COVID-19) pandemic. The budget versus actual variances is further detailed in Attachment A.

Budgeted expenses through the fourth quarter of FY 2019-20 total \$93,034,766, which is comprised of \$47,067,000 for grant programs, \$36,695,218 for Amtrak operations, \$8,772,548 for administrative and marketing services, and \$500,000, for minor capital projects. Actual expenses through the fourth quarter totaled \$39,976,119, versus a budgeted amount of \$93,034,766. The actuals are primarily comprised of net train operating expenses of \$27,511,483, total administrative services (including marketing) of \$6,291,903, and grant programs of \$6,172,734. The major areas experiencing budget variances are within grant programs, net train operating expenses, marketing services, administrative staffing, and minor capital projects. These variances are further detailed in Attachment A.

The Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law March 27, 2020. This provides Amtrak federal funds to help offset losses in revenue for state-supported routes that was the result of a sharp decline in ridership associated with the COVID-19 pandemic. The law further limits the amount state-supported routes must pay Amtrak for FFY 2020, to 80 percent of the FFY 2019 operating amount. Further information on the CARES Act and its impact on the LOSSAN Agency budget is 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 fourth quarter of fiscal year 2019-20, the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency's actual revenues and expenses are below budget. The majority of the variance is due to less than anticipated revenue reimbursements directly related to lower than expected expenses. The expense variances are primarily due to lower than expected activity within grant programs, net train operating expenses, marketing services and administrative staffing, and minor capital projects.

Attachments

- A. Quarterly Budget Status Report, Fourth Quarter of Fiscal Year 2019-20
- B. Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency, Fourth Quarter Financial Activity Report, Fiscal Year 2019-20
- C. Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency, Open Agreements Listing as of June 30, 2020

Prepared by:

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

Jason Jewell
Finance and Administration Manager
(714) 560-5086