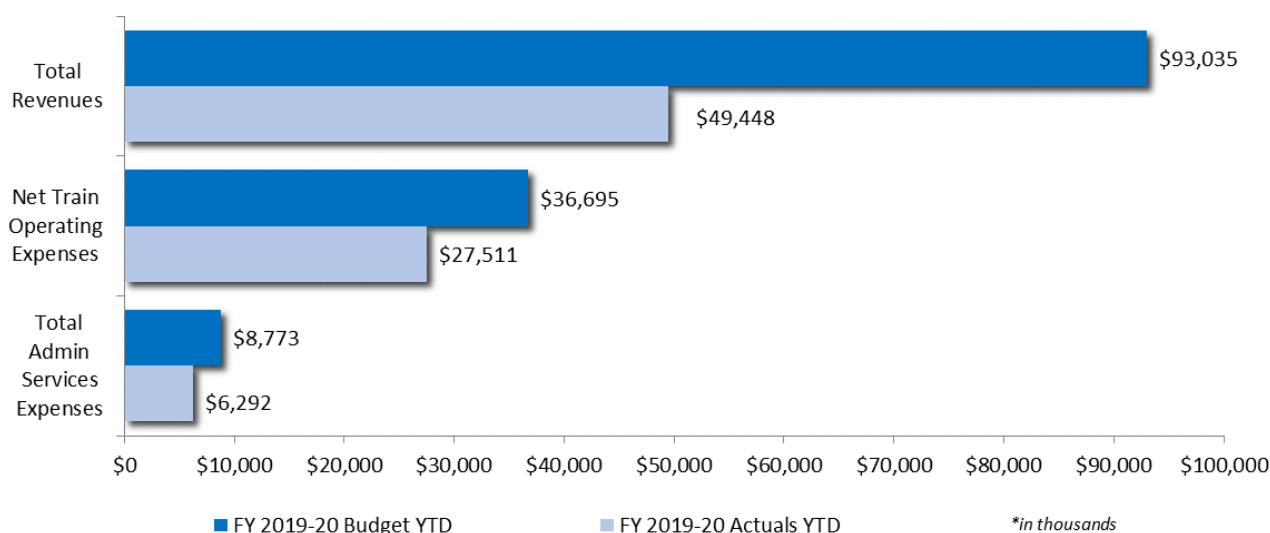




Quarterly Budget Status Report

Fourth 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 two budget

amendments, 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 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 second budget amendment included upgrades to superliner rail cars (\$516,935), business class car enhancements (\$1.5 million) and additional funding capacity related to FFY 2018-19 Amtrak operating costs (\$3 million).

The budget included 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 service north of Los Angeles and extending to San Luis Obispo, an estimate for this additional service was not included in the FY 2019-20 budget. 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 (Caltrans) 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 fourth quarter of FY 2019-20.

AMENDMENTS

The Board has taken action to amend the budget three times during the fiscal year. Two amendments were approved by the Board on June 17, 2019, the first of which adjusted the net train operations budget, increased the administration and marketing budget, and increased the grant programs budget. The second amendment included upgrades to rail car equipment and additional funding capacity related to FY 2018-19 Amtrak operating costs as described in the overview section. The third budget amendment was approved by the Board on February 18, 2020, whereby 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 (UPRR) project activity through the remainder of FY 2020.

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	\$ 5,088,548	\$ 4,436,920	\$ (651,628)	-13%	87.2%
State Marketing Funding	\$ 2,000,000	\$ 3,450,000	\$ 3,450,000	\$ 1,834,312	\$ (1,615,688)	-47%	53.2%
State Operating Funding	\$ 36,220,600	\$ 35,517,943	\$ 35,517,943	\$ 35,077,741	\$ (440,202)	-1%	98.8%
Reimbursements from other Agencies	\$ 1,177,275	\$ 1,177,275	\$ 1,177,275	\$ 1,131,381	\$ (45,894)	-4%	96.1%
Other State Funding ¹	\$ 12,000,000	\$ 47,067,000	\$ 47,067,000	\$ 6,810,952	\$ (40,256,048)	-86%	14.5%
State Capital Funding ²	\$ 500,000	\$ 500,000	\$ 500,000	\$ -	\$ (500,000)	-100%	0.0%
Amtrak Penalty & Assessment Revenue	\$ -	\$ -	\$ -	\$ (55,900)	\$ (55,900)	N/A	N/A
Net State/Other Agency Funded	\$ 56,776,423	\$ 92,800,766	\$ 92,800,766	\$ 49,235,406	\$ (43,565,360)	-47%	53.1%
Interest Revenue	\$ 84,000	\$ 234,000	\$ 234,000	\$ 212,999	\$ (21,001)	-9%	91.0%
Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A
Total Revenues	\$ 56,860,423	\$ 93,034,766	\$ 93,034,766	\$ 49,448,405	\$ (43,586,361)	-47%	53.2%

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.

REVENUES

Budgeted revenues through the fourth quarter of FY 2019-20 are \$93,034,766, which is comprised of \$47,067,000 in other state funding, \$35,517,943 in state advance operating funds, \$8,538,548 in state administrative and marketing funding combined, \$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 the 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 funding of \$4,436,920, state marketing funding of \$1,834,312, 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 major areas experiencing budget variances are within other state funding (grant revenue), state marketing funding, state administrative funding, and state capital funding. The variance within other state funding (grant revenue) through the fourth quarter is primarily due to less than anticipated revenue reimbursements for capital improvements necessary to implement two additional roundtrips north of Los Angeles on UPRR-owned tracks. The majority of the budget variance (\$34,652,000) is due to lower overall expenses due to a longer than anticipated agreement execution process, and project delays due to the impacts of the coronavirus (COVID-19) pandemic. Project revenues and expenses will be re-budgeted in FY 2020-21. The variance in other state funding is also attributed to the deferral of revenues that are not used in the current period to offset expenses for State Rail Assistance (SRA) funds (of approximately \$3.8 million). Lastly, lower reimbursements in Transit Transfer Program funding attributed \$1,328,465 to the variance due to lower than anticipated project expenses.

The variance in state marketing funding is comprised of unearned marketing surplus funds that were not used in the current period to offset current expenses. A reduction of marketing expenses is further explained in the expense section of this report. The use of prior year marketing surplus funds was previously approved by the State, and consistent with the Business Plan assumptions. The LOSSAN agency received \$2,000,000 in FY 2019-20 marketing funds and was authorized to use \$1,450,000 in marketing surplus funds for a total

marketing budget of \$3,450,000. The cost savings measures resulted in an underrun of \$1,615,688 in marketing funds.

State administrative funding is underrunning the budget by \$651,628. This is due to State administrative funding received during the year of \$4,436,920 versus the budgeted amount of \$5,088,548. The revenue variance of approximately \$652 thousand is due to the deferral of revenues that were not used in the current period to offset current expenses. Administrative expenses were lower than budgeted primarily due to position vacancies and explained further in the expense section of this report.

The variance in revenues for state capital funding is due to no minor capital project expenses through the fourth quarter. This funding is reimbursement based. Further detail is provided in the operating expense variance analysis section.

COVID-19 Pandemic Impacts to Fourth Quarter Revenues:

Total passenger revenue for the fourth quarter fell approximately 90.7 percent compared to the same period last year. The decline in ridership due to the COVID-19 pandemic began in the middle of March, prior to the State of California's shelter in place orders. Beginning March 24, 2020, the Pacific Surfliner reduced service levels to meet the states mandate to not operate more than 60 percent of normal operating service levels. The fourth quarter saw an average decrease of ridership of 92.7 percent 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 fourth quarter of FY 2019-20 total \$93,034,766, which is comprised of \$47,067,000 for grant programs, \$36,695,218 for net Amtrak operations, \$8,772,548 for total administrative services (including 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.

Grant programs expenses came in lower than budgeted by \$40,894,266 through the fourth quarter. The budget variance

is primarily due to less than anticipated expenses for capital improvements necessary to implement two additional roundtrips north of Los Angeles on UPRR-owned tracks. The majority of the variance (\$34,652,000) is due to a longer than anticipated agreement execution process, and project delays due to the impacts of the COVID-19 pandemic. Project revenues and expenses will be re-budgeted in FY 2020-21. The budget variance is further compounded by having less than anticipated expenses through the fourth quarter related to corridor wide SRA funded projects (\$4.4 million). These projects have been temporarily placed on hold as a result of the COVID-19 pandemic impacts. Lastly, due to service reductions caused by the pandemic, there were lower than anticipated expenses for the NCTD increased service frequency and on-time performance agreement (\$972k).

Net train operating expenses are underrunning the budget by \$9,183,735. The majority of the budget variance is related to less than anticipated Amtrak operating expenses due to a cap on the total costs Amtrak can charge state supported routes under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the CARES Act (signed into law March 27, 2020), Amtrak can charge no more than 80 percent of FFY 2019 costs for FFY 2019-20. This amount is calculated to be \$25,929,956 for the LOSSAN Agency for FFY 2019-20. Amtrak is receiving federal CARES Act funds directly to cover the monthly difference between the cap and the actual net operating amount. Amtrak is currently estimating remaining CARES Act funds to be approximately \$80 million as of the end of FFY 2019-20. These funds will be carried forward to FFY 2020-21 and are expected to offset state-supported payments through December 2020.

The FY 2019-20 year-end close out process is currently taking place, and additional FY 2019-20 accruals for operating expenses in the amount of \$3.2 million are expected to be recorded. Total net Amtrak operating expenses for the LOSSAN Agency's FY 2019-20 (July 2019 through June 2020) is anticipated to be approximately \$26.5 million. Once the FY 2019-20 audit is complete, a final reconciliation of expenses and revenues will be completed in cooperation with the State. Any surplus or deficit of funds will be handled in accordance with the provisions specified in the interagency transfer agreement and the master fund transfer agreement.

Marketing expenses came in lower than budgeted by \$1,615,688. The variance is attributed to intentional cost savings due to the economic impacts of the COVID-19 pandemic, the LOSSAN marketing team scaled down advertising, paused promotions and partnerships, and

obtained no cost media from partners for public service announcements.

The administrative staffing line item budget variance is primarily due to salary savings through the fourth 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.

Minor capital project expenses came in lower than budgeted by \$500,000, due to no qualifying project expenses through the fourth quarter.

COVID-19 Impacts to Fourth quarter Expenses: The LOSSAN Agency has been coordinating with stakeholders through the State-Amtrak Intercity Passenger Rail Committee (SAIPRC) on the implementation, accountability and transparency of the CARES Act funding. The LOSSAN Agency is also coordinating with Amtrak, CalSTA, Caltrans, SAIPRC, and the two other state-supported routes in California to develop both additional funding sources and determine operating areas for cost reduction and savings as we navigate through the COVID-19 pandemic. Some of the funding sources that have been identified for future operating use include \$12 million in SRA funding the Board approved for operations, an anticipated \$3.3 million available at the end of FFY 2019-20 in the operating reserve fund, and a \$6.2 million Amtrak credit (from the LOSSAN Agency identifying an accounting error). The LOSSAN Agency is also estimating to have on hand an additional \$6.3 million in FFY 2019-20 operating surplus that can be used for ongoing operating expenses into FFY 2020-21. Areas of identified cost reduction are in station labor, crew labor, fuel, connecting motor coach services, and equipment. The majority of these cost reductions will be realized starting in FFY 2020-21, as Amtrak begins to reduce their labor force.

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	\$ 4,535,398	\$ 4,013,106	\$ 522,292	12%	88.5%
Legal Services	\$ 50,000	\$ 50,000	\$ 50,000	\$ 31,490	\$ 18,510	37%	63.0%
Travel	\$ 26,950	\$ 34,950	\$ 34,950	\$ 21,605	\$ 13,345	38%	61.8%
Marketing	\$ 2,000,000	\$ 3,450,000	\$ 3,450,000	\$ 1,834,312	\$ 1,615,688	47%	53.2%
Insurance	\$ 68,000	\$ 83,000	\$ 83,000	\$ 72,953	\$ 10,047	12%	87.9%
Contracted services (Audit, Planning)	\$ 400,000	\$ 610,000	\$ 610,000	\$ 288,774	\$ 321,226	53%	47.3%
Dues & Memberships	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,300	\$ (300)	-6%	106.0%
Net State Funded Services	\$ 6,958,348	\$ 8,768,348	\$ 8,768,348	\$ 6,267,540	\$ 2,500,808	29%	71.5%
Banking Services	\$ 4,200	\$ 4,200	\$ 4,200	\$ 1,695	\$ 2,505	60%	40.4%
Total Admin Services	\$ 6,962,548	\$ 8,772,548	\$ 8,772,548	\$ 6,269,235	\$ 2,503,313	29%	71.5%
Non Budgeted Expenses							
Other Business Expenses	\$ -	\$ -	\$ -	\$ 22,668	\$ (22,668)	N/A	N/A
Non Budgeted Admin Services	\$ -	\$ -	\$ -	\$ 22,668	\$ (22,668)	N/A	N/A
Total Administrative Services	\$ 6,962,548	\$ 8,772,548	\$ 8,772,548	\$ 6,291,903	\$ 2,480,645	28%	72%
	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	\$ 36,695,218	\$ 27,511,483	\$ 9,183,735	25%	75.0%
Minor Projects	\$ 500,000	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	100%	0.0%
Grant Programs ¹	\$ 12,000,000	\$ 47,067,000	\$ 47,067,000	\$ 6,172,734	\$ 40,894,266	87%	13.1%
Total Operating/Capital Budget	\$ 49,897,875	\$ 84,262,218	\$ 84,262,218	\$ 33,684,217	\$ 50,578,001	60%	40.0%
Total Budget	\$ 56,860,423	\$ 93,034,766	\$ 93,034,766	\$ 39,976,119	\$ 53,058,647	57%	43.0%

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.