



February 16, 2020

To: Members of the Board of Directors

From: Donna DeMartino, Managing Director *Donna DeMartino*

Subject: Fiscal Year 2020-21 First Quarter Budget Status Report

Overview

The Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency's fiscal year 2020-21 budget was 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. This report summarizes financial activities and performance through the first quarter of fiscal year 2020-21, covering the months of July through September 2020.

Recommendation

Receive and file as an information item.

Background

The development of the Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor Agency's (Agency) fiscal year (FY) 2020-21 budget was significantly impacted due to the coronavirus (COVID-19) pandemic. The draft FY 2020-21 budget was anticipated to be approved by the Board of Directors (BOD) on March 18, 2020 during the regularly schedule BOD meeting. However, the meeting was canceled as a result of COVID-19 pandemic-related travel restrictions. At that time it became apparent that the annual budget submittal would need to be adjusted to reflect the pandemic-related reduction in service levels and state-imposed funding constraints. Staff then worked with Amtrak to develop revised operating estimates and coordinated state-wide cost savings measures, the State, the California State Transportation Agency (CalSTA), and the two other California state-supported routes. A timeline of budget activities over the last six months is provided below.

- May 18, 2020: the Board approved the LOSSAN Agency FY 2020-21 budget submittal and directed staff to return in September 2020 with an updated budget request incorporating revised cost estimates.
- July 10, 2020: CalSTA approved the administrative, marketing, and minor capital programs elements of the FY 2020-21 budget submittal.
- September 21, 2020: the Board directed staff to return in November 2020 with a revised operating budget consistent with revised Amtrak estimates.
- September 23, 2020: CalSTA approved the estimated funding necessary for the first four months of Amtrak's federal FY (FFY) operating expenses (October 2020 through January 2021). This was provided with the understanding that the State and the LOSSAN Agency will closely monitor expenses and revenues and coordinate additional funding requests as the FY progresses.
- November 16, 2020: the Board approved an amendment to the FY 2020-21 budget to reflect revised Amtrak operating forecasts at the reduced service levels, and revised administrative, marketing, and grants program budgets consistent with State-approved funding levels.

Discussion

The quarterly budget status report provides an overview of all financial activity, including a comparison of budget to actuals, and explanations for variances through the report period. While the details can be found in Attachment A, a summary is below.

TABLE 1: REVENUES	FY 2020-21		\$ Variance
	Working Budget Year-To- Date	FY 2020-21 Actuals Year-To-Date	
State Administrative Funding	\$ -	\$ 3,951,263	\$ 3,951,263
State Marketing Funding	\$ -	\$ -	\$ -
State Operating Funding	\$ 10,733,541	\$ 5,571,259	\$ (5,162,282)
Reimbursements from other Agencies	\$ 294,319	\$ (29,011)	\$ (323,330)
Other State Funding	\$ 975,000	\$ 511,292	\$ (463,708)
Interest Revenue	\$ -	\$ 19,569	\$ 19,569
Total Revenues	\$ 12,002,860	\$ 10,024,372	\$ (1,978,488)

Revenues

As shown in Table 1, budgeted revenues through the first quarter of FY 2020-21 totaled \$12,002,860, whereas actual revenues totaled \$10,024,372. This results in year-to-date revenues under-running the budget by \$1,978,488.

The majority of the revenue variance fell within state operating funding that assumed full service operating levels. The budget amendment approved in November 2020 reflected a revised budget based on reduced service levels and reduced short-term operating revenue from the State, which will be reflected in the

second quarter budget status report. This revenue variance is offset by state administrative funding budgeted to be received during the second quarter. The budget versus actual variances is further detailed in Attachment A.

Expenses

As shown in Table 2, budgeted expenses through the first quarter of FY 2020-21 totaled \$10,277,628, whereas actual expenses totaled \$4,202,076, resulting in a year-to-date expense variance of \$6,075,552.

The Coronavirus Aid, Relief and Economic Security (CARES) Act provided Amtrak federal funds to help offset losses in revenue for state-supported routes caused by a sharp decline in ridership

associated with the COVID-19 pandemic. The CARES Act also limits the amount state-supported routes must pay Amtrak for FFY 2020 to 80 percent of the FFY 2019 operating amount. CARES Act funding credits applied by Amtrak during the first quarter of FY 2020-21 totaled approximately \$10.5 million, reducing the monthly expense obligation. Amtrak estimates that leftover CARES Act funding will be available through January 2021. Further information on the CARES Act and its impact on the LOSSAN Agency budget is detailed in Attachment A.

The LOSSAN Agency bylaws require a quarterly report to be filed with the Board reporting the amount of money held, the amount and source of receipts since the last report, the amount and recipient of the amounts paid out since the last report, and a report of all expenditures under \$100,000. 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 as Attachment C.

Summary

Through the first quarter of fiscal year 2020-21, the Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency's actual revenues and expenses are

TABLE 2: EXPENSES		FY 2020-21	FY 2020-21	
		Working Budget	Actuals	\$ Variance
Administrative Budget Line Items	Year-To-Date	Year-To-Date	Year-To-Date	Year-To-Date
Administration - Staffing	\$ 1,355,952	\$ 227,706	\$ 1,128,246	
Legal Services	\$ 8,500	\$ 554	\$ 7,946	
Travel	\$ 9,317	\$ (227)	\$ 9,544	
Marketing	\$ 386,337	\$ 221,422	\$ 164,915	
Insurance	\$ -	\$ -	\$ -	
Contracted services	\$ 104,050	\$ 12,000	\$ 92,050	
Dues & Memberships	\$ -	\$ -	\$ -	
Banking Services	\$ 255	\$ 256	\$ (1)	
Total Administrative Services	\$ 1,864,411	\$ 461,712	\$ 1,402,699	
Operating/Capital Budget Line Items				
Net Train Operating Expenses	\$ 7,437,717	\$ 3,964,910	\$ 3,472,807	
Minor Projects	\$ -	\$ -	\$ -	
Grant Programs	\$ 975,500	\$ (224,546)	\$ 1,200,046	
Total Operating/Capital Budget	\$ 8,413,217	\$ 3,740,364	\$ 4,672,853	
Total Budget	\$ 10,277,628	\$ 4,202,076	\$ 6,075,552	

below budget. This is primarily due to lower State operating revenue resulting from reduced service levels. This is offset by an overrun of State administrative revenue due to the timing of receiving the revenue. The expense variances are primarily due to reduced service levels and lower-than-anticipated expenses within grant programs, administrative staffing, and marketing services.

Attachments

- A. Quarterly Budget Status Report, First Quarter of Fiscal Year 2020-21
- B. Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency, First Quarter Financial Activity Report, Fiscal Year 2020-21
- C. Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency, Open Agreements Listing as of September 30, 2020

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