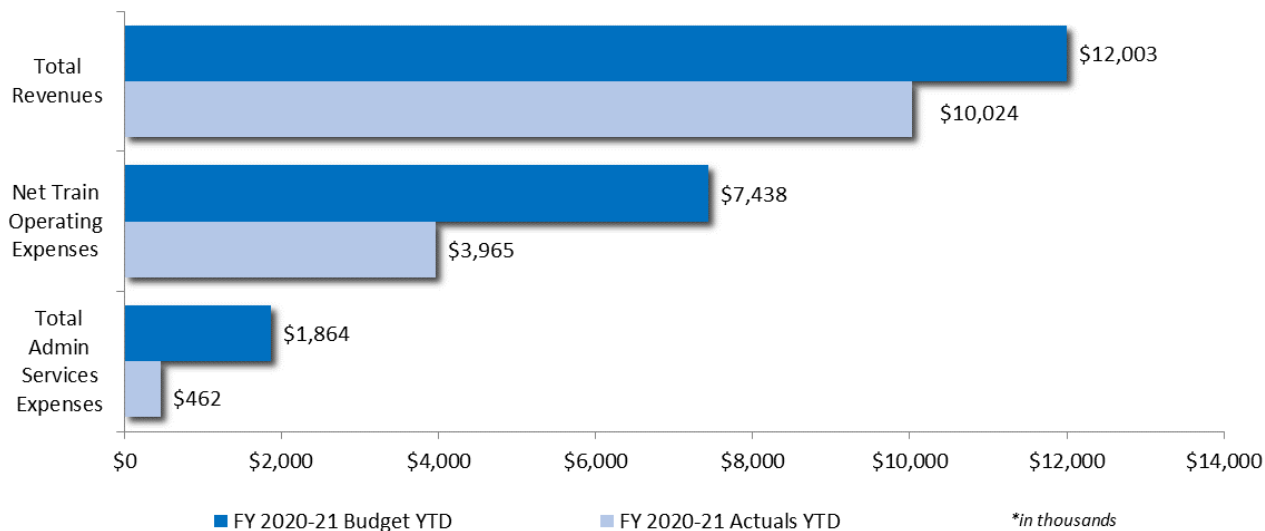




## Quarterly Budget Status Report

First Quarter of Fiscal Year 2020-21

### FY 2020-21 Budget to Actuals Year-To-Date



## OVERVIEW

The Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor Agency (Agency) Business Plan for Fiscal Year (FY) 2020-21 and FY 2021-22 (Business Plan), and the FY 2020-21 budget were anticipated to be approved at the March 18, 2020 Board of Directors (Board) meeting. The coronavirus (COVID-19) pandemic-related travel restrictions required the March 2020 Board meeting be canceled and the deadline to submit the annual Business Plan to the California State Transportation Agency (CalSTA) was pushed to May 1, 2020. On May 18, 2020, the LOSSAN Board approved the May 1, 2020 submittal of the LOSSAN Agency Business Plan.

The Board-approved FY 2020-21 Business Plan and budget is \$80,820,677. This includes funding for administrative and marketing services in the amount of \$10,071,172 (which includes interest revenue), and \$51,067,505 for net train operations (which includes \$180,000 for emergency bus bridge services and the continuation of the transit transfer program, \$1,177,275 reimbursement from other agencies, and \$6,378,931 for implementing a 3<sup>rd</sup> roundtrip between San Diego and San Luis Obispo), \$500,000 for minor capital projects, and \$19,682,000 for grant programs. The adopted budget for operations is based on preliminary cost estimates available at the time and assumed normal operating service levels (pre-coronavirus (COVID-19) pandemic).

On July 9, 2020, CalSTA approved a lower administrative, marketing, and minor capital programs budget. On September 23, 2020, a short-term operating budget of \$9,959,039, was approved for estimated net Amtrak operating expenses from October through January 2021. The approved operating budget is to support a reduced level of service of no more than sixty percent of the train miles previously approved in the FY 2019-20 business plan.

Amtrak operates on a Federal Fiscal Year (FFY) of October through September and the operating contract is executed on an FFY basis. The LOSSAN Agency operates on a FY between July and June.

The FY 2020-21 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 first quarter of FY 2020-21 (July 2020 through September 2020).

## AMENDMENTS

On November 16, 2020, the Board approved an amendment to the LOSSAN Agency's FY 2020-21 revenue and expense budget to reflect the revised Amtrak operating revenue and expense forecast, reduced service levels, State-approved estimated operating funding allocation, and revised administrative, marketing and grants programs budget. This amendment will be reflected in the second quarter budget status report.

## REVENUES

Budgeted revenues through the first quarter of FY 2020-21 total \$12,002,860, as presented in **Table 1: Revenues** under "FY 2020-21 Working Budget Year-To-Date". Actual Year-To-Date revenues through the first quarter totaled \$10,024,372. This is a variance of \$1,998,057.

The budget variances of \$5,162,282 in the State Operating Funding is because the approved FY 2020-21 working budget is based on the adopted budget, which assumes full service operating levels, prior to service reductions following the COVID-19 pandemic. The FY 2020-21 budget was adopted by the Board with the understanding that budget amendments would be brought to the Board during the FY, as necessary, to accommodate service changes and funding levels approved by CalSTA. The budget amendment approved by the Board on November 16, 2020 will be reflected in the second quarter budget status report.

The variance of \$463,708 in other state funding (grant revenue) is from lower revenue for the North County Transit District increased service frequencies and on-time

performance agreement due to timing of the payment for the first quarter expenses and invoicing of the revenue from the State.

The variance of \$323,330 in reimbursement from other Agencies is from a decrease in reimbursements from the Santa Barbara County Association of Governments for re-timed trains due to COVID-19 pandemic-related service reductions, and a longer time than we expected in invoicing for the fare subsidy reimbursements pending the execution of a new agreement. This agreement is anticipated to be executed in the third quarter of FY 2020-21.

State administrative funding is overrunning the budget by \$3,951,263, due to timing. The first half of state administrative funding was invoiced and received in the first quarter and is budgeted to be received in the second quarter.

**COVID-19 Impacts to First Quarter Operating Revenues:** Total passenger revenue for the first quarter fell approximately 83.4 percent compared to the same period last year. The decline in ridership due to the COVID-19 pandemic began in March 2020, even before the State of California safer-at-home orders. Beginning March 24, 2020, the Pacific Surfliner reduced service levels to match ridership declines and then to meet the state's mandate to not operate over 60 percent of normal operating service levels. The first quarter saw an average decrease of ridership of 85.4 percent over the same period in the previous year. This has had a significant impact on the overall net operating costs, which will be addressed in the operating expenses section of this report.

**TABLE 1: REVENUES**

	FY 2020-21 Adopted Budget	FY 2020-21 Working Budget	FY 2020-21 Working Budget Year-To-Date	FY 2020-21 Actuals Year-To-Date	\$ Variance Year-To-Date	% Variance Year-To-Date	FY 2020-21 Percent of Budget Used-to-Date
State Administrative Funding	\$ 6,830,782	\$ 6,830,782	\$ -	\$ 3,951,263	\$ 3,951,263	N/A	57.8%
State Marketing Funding	\$ 3,240,390	\$ 3,240,390	\$ -	\$ -	\$ -	N/A	N/A
State Operating Funding	\$ 49,390,230	\$ 49,390,230	\$ 10,733,541	\$ 5,571,259	\$ (5,162,282)	-48%	11.3%
Reimbursements from other Agencies	\$ 1,177,275	\$ 1,177,275	\$ 294,319	\$ (29,011)	\$ (323,330)	-110%	-2.5%
Other State Funding <sup>1</sup>	\$ 19,682,000	\$ 19,682,000	\$ 975,000	\$ 511,292	\$ (463,708)	-48%	2.6%
State Capital Funding <sup>2</sup>	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	N/A	N/A
Amtrak Penalty & Assessment Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A
<b>Net State/Other Agency Funded</b>	<b>\$ 80,820,677</b>	<b>\$ 80,820,677</b>	<b>\$ 12,002,860</b>	<b>\$ 10,004,803</b>	<b>\$ (1,998,057)</b>	<b>-17%</b>	<b>12.4%</b>
Interest Revenue	\$ -	\$ -	\$ -	\$ 19,569	\$ 19,569	N/A	N/A
Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A
<b>Total Revenues</b>	<b>\$ 80,820,677</b>	<b>\$ 80,820,677</b>	<b>\$ 12,002,860</b>	<b>\$ 10,024,372</b>	<b>\$ (1,978,488)</b>	<b>-16%</b>	<b>12.4%</b>

<sup>1</sup> Includes Transit & Intercity Rail Capital Program, California Transit Security Grant Program, State Rail Assistance and State Transportation Improvement Program Funds

<sup>2</sup> Includes State Minor projects funding

Working budget is the adopted budget plus any amendments approved during the year.

## OPERATING EXPENSES

Budgeted expenses through the first quarter of FY 2020-21 total \$10,277,628, as presented in **Table 2: Expenses** under "FY 2020-21 Working Budget Year-To-Date". Actual Year-To-Date expenses through the first quarter totaled \$4,202,076. This is a variance of \$6,075,552.

The budget variance of \$3,472,807 in the net train operating expenses is because the first quarter budget amount is based on the FY 2020-21 adopted budget, which assumes full-service levels at a higher cost than was actually running during the quarter. Actual net operating expenses incurred during the first quarter came in lower than budget due to a cap on the total cost 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 2018-19 costs for FFY 2019-20. During FFY 2019-20 (which covers through September 30, 2020), Amtrak applied federal CARES Act funds directly to state-supported monthly invoices to cover the monthly difference between the cap and the actual net operating amount. Amtrak is currently estimating remaining

CARES Act funds that will be available to offset state-supported payments through January 2021.

The administrative staffing budget variance of \$1,128,246 is due to administrative payments anticipated for the first quarter that will now be paid during the second quarter. Additionally, there were salary savings from the vacant Project Manager position to be filled during the third quarter.

Grant programs expenses came in lower than budgeted by \$1,200,046 through the first quarter. This budget variance is because of a delay in payments to North County Transit District for the increased service frequencies and on-time performance agreement due to the time to receive the invoiced revenue from the State. Additionally, \$224,546 in prior fiscal year expenses related to various projects were accrued in FY 2019-20. These invoices are outstanding and should be paid in the third quarter.

The Marketing budget variance of \$164,915 is due to intentional cost savings in response to the economic impacts of the COVID-19 pandemic. The LOSSAN Agency marketing team scaled down advertising, paused promotions and

**TABLE 2: EXPENSES**

	FY 2020-21 Adopted Budget	FY 2020-21 Working Budget	FY 2020-21 Working Budget Year-To-Date	FY 2020-21 Actuals Year-To-Date	\$ Variance Year-To-Date	% Variance Year-To-Date	FY 2020-21 Percent of Budget Used-to- Date
<b>Administrative Budget Line Items</b>							
Administration - Staffing	\$ 5,852,282	\$ 5,852,282	\$ 1,355,952	\$ 227,706	\$ 1,128,246	83%	3.9%
Legal Services	\$ 50,000	\$ 50,000	\$ 8,500	\$ 554	\$ 7,946	93%	1.1%
Travel	\$ 52,000	\$ 52,000	\$ 9,317	\$ (227)	\$ 9,544	102%	-0.4%
Marketing	\$ 3,240,390	\$ 3,240,390	\$ 386,337	\$ 221,422	\$ 164,915	43%	6.8%
Insurance	\$ 80,000	\$ 80,000	\$ -	\$ -	\$ -	N/A	N/A
Contracted services (Audit, Planning)	\$ 790,000	\$ 790,000	\$ 104,050	\$ 12,000	\$ 92,050	88%	1.5%
Dues & Memberships	\$ 5,000	\$ 5,000	\$ -	\$ -	\$ -	N/A	N/A
<b>Net State Funded Services</b>	<b>\$ 10,069,672</b>	<b>\$ 10,069,672</b>	<b>\$ 1,864,156</b>	<b>\$ 461,456</b>	<b>\$ 1,402,700</b>	<b>75%</b>	<b>4.6%</b>
Banking Services	\$ 1,500	\$ 1,500	\$ 255	\$ 256	\$ (1)	-1%	17.1%
<b>Total Admin Services</b>	<b>\$ 10,071,172</b>	<b>\$ 10,071,172</b>	<b>\$ 1,864,411</b>	<b>\$ 461,712</b>	<b>\$ 1,402,699</b>	<b>75%</b>	<b>4.6%</b>
Non Budgeted Expenses							
Other Business Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A
<b>Non Budgeted Admin Services</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>N/A</b>	<b>N/A</b>
<b>Total Administrative Services</b>	<b>\$ 10,071,172</b>	<b>\$ 10,071,172</b>	<b>\$ 1,864,411</b>	<b>\$ 461,712</b>	<b>\$ 1,402,699</b>	<b>75%</b>	<b>5%</b>

	FY 2020-21 Adopted Budget	FY 2020-21 Working Budget	FY 2020-21 Working Budget Year-To-Date	FY 2020-21 Actuals Year-To-Date	\$ Variance Year-To-Date	% Variance Year-To-Date	FY 2020-21 Percent of Budget Used-to- Date
<b>Operating/Capital Budget Line Items</b>							
Net Train Operating Expenses	\$ 50,567,505	\$ 50,567,505	\$ 7,437,717	\$ 3,964,910	\$ 3,472,807	47%	7.8%
Minor Projects	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	N/A	N/A
Grant Programs <sup>1</sup>	\$ 19,682,000	\$ 19,682,000	\$ 975,500	\$ (224,546)	\$ 1,200,046	123%	-1.1%
<b>Total Operating/Capital Budget</b>	<b>\$ 70,749,505</b>	<b>\$ 70,749,505</b>	<b>\$ 8,413,217</b>	<b>\$ 3,740,364</b>	<b>\$ 4,672,853</b>	<b>56%</b>	<b>5.3%</b>
<b>Total Budget</b>	<b>\$ 80,820,677</b>	<b>\$ 80,820,677</b>	<b>\$ 10,277,628</b>	<b>\$ 4,202,076</b>	<b>\$ 6,075,552</b>	<b>59%</b>	<b>5.2%</b>

<sup>1</sup> 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.

partnerships, and obtained no cost media from partners for public service announcements.

**COVID-19 Pandemic Impacts to First 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 determine operating areas for cost reduction and savings as we navigate through the COVID-19 pandemic. Areas of identified cost reduction are in station labor, crew labor, fuel, connecting motor coach services, and equipment. Most of these cost reductions will be realized starting in FFY 2020-21, as Amtrak reduces their labor force.