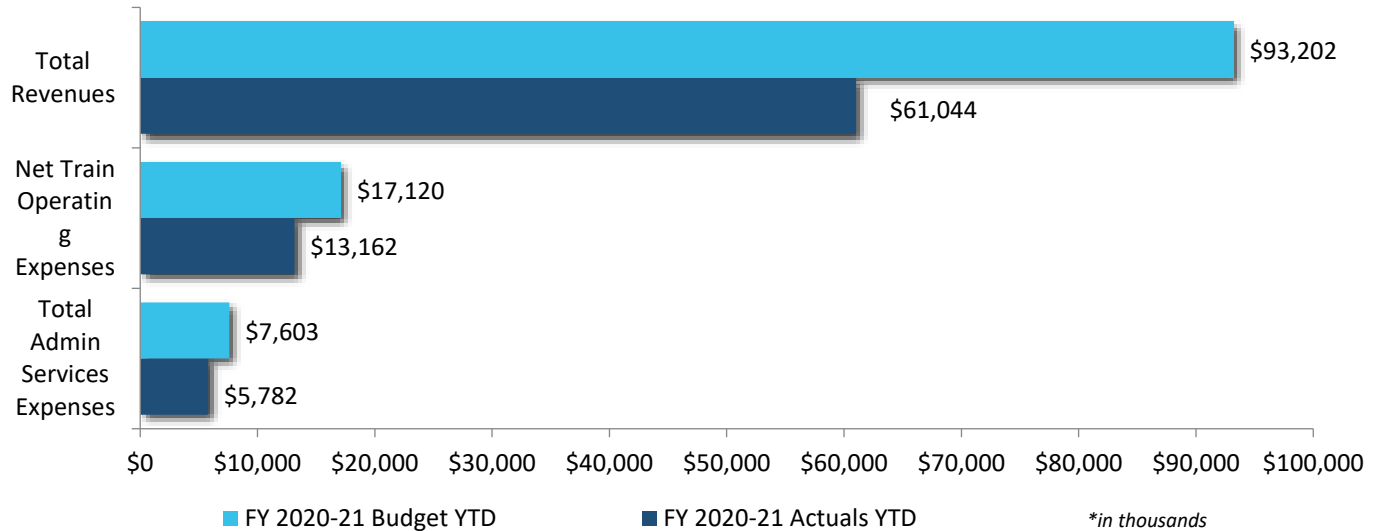




Quarterly Budget Status Report

Fourth 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 3rd 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 fourth quarter (April 2021 through June 2021) of FY 2020-21.

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. The amendment decreased the net operating revenue and expenses by \$33,447,505, the state minor projects revenue and expenses decreased by \$500,000, the administrative and marketing revenue and expenses decreased by \$2,467,765, and the grant program revenues and expenses increased by \$23,797,057.

On June 21, 2021 the LOSSAN Board approved a budget amendment to the fiscal year 2020-21 budget for increases in revenues and expenses related to grant programs. The amendment increased grant programs revenues and expenses by \$25,000,000 to support an accelerated implementation schedule by Union Pacific Railroad (UPRR) to design and construct capital improvement projects on the northern end of the corridor. **Table 1: Budget Amendment** provides a summary of the net impact to the revenue and expense budget.

TABLE 1: BUDGET AMENDMENT

| Revenues | Fiscal Year (FY) 2020-21 Adopted Budget | November 16, 2021 Budget Amendment | June 21, 2021 Budget Amendment | FY 2020-21 Working 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 | \$ 25,000,000 | \$ 68,479,057 |
| Total Revenue Budget | \$ 80,820,677 | \$ (12,618,213) | \$ 25,000,000 | \$ 93,202,464 |
| Expenses | Fiscal Year (FY) 2020-21 Adopted Budget | November 16, 2021 Budget Amendment | June 21, 2021 Budget Amendment | FY 2020-21 Working 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 | \$ 25,000,000 | \$ 68,479,057 |
| Total Expense Budget | \$ 80,820,677 | \$ (12,618,213) | \$ 25,000,000 | \$ 93,202,464 |

REVENUES

Budgeted revenues through the fourth quarter of FY 2020-21 total \$93,202,464, as presented in **Table 2: Revenues** under "FY 2020-21 Working Budget Year-To-Date" on page 3. Actual Year-To-Date revenues through the fourth quarter totaled \$61,044,092. This is a variance of \$32,158,372.

The majority of this variance (\$19,722,638) is within other state funding (grant revenue) and is primarily attributed to grant reimbursements from the state for expenses related to UPRR to design and construct capital improvement projects including: Narlon Bridge Replacement (\$13,769,815), Non-Powered Switch Upgrades (\$7,067,231), Island Central Traffic (\$3,318,091), Rail Replacement (\$1,558,047), and Interim San Luis Obispo Facility (\$1,523,276). The state funding source for the UPRR project include Transit & Inter Rail Capital Program (TIRCP), State Transportation Improvement Program (STIP), and Proposition 1B (Prop 1B). These projects were anticipated to have accelerated work completed through the fourth quarter, instead this work will largely be completed in the first quarter of FY 2021-22 and therefore the grant revenues and project expenses have been re-budgeted accordingly. Additionally, the California Office of Emergency Services (CalOES) revenue budget for various corridor wide projects is underrunning by \$2,830,203, due to lower revenue recognition directly related to lower than anticipated project expenses. Lastly, lower than anticipated grant reimbursements directly related to the North County Transit District (NCTD) capital maintenance and incentive agreement (\$1,061,942) is contributing to the revenue budget underrun. Reduced service levels due to Covid-19 impacts on ridership have reduced actual expenses realized for this agreement as well as corresponding grant related revenues.

TABLE 2: 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 | \$ 6,363,017 | \$ 6,363,017 | \$ 6,276,175 | \$ (86,842) | -1.4% | 98.6% |
| State Marketing Funding | \$ 3,240,390 | \$ 1,240,390 | \$ 1,240,390 | \$ - | \$ (1,240,390) | -100% | N/A |
| State Operating Funding | \$ 49,330,230 | \$ 17,020,000 | \$ 17,020,000 | \$ 6,045,979 | \$ (10,974,021) | -64.5% | 35.5% |
| Reimbursements from other Agencies | \$ 1,177,275 | \$ 25,000 | \$ 25,000 | \$ 24,745 | \$ (255) | -1.0% | 99.0% |
| Other State Funding ¹ | \$ 19,742,000 | \$ 68,479,057 | \$ 68,479,057 | \$ 48,756,419 | \$ (19,722,638) | -28.8% | 71.2% |
| State Capital Funding ² | \$ 500,000 | \$ - | \$ - | \$ - | \$ - | N/A | N/A |
| Amtrak Penalty & Assessment Revenue | \$ - | \$ - | \$ - | \$ (107,100) | \$ (107,100) | N/A | N/A |
| Net State/Other Agency Funded | \$ 80,820,677 | \$ 93,127,464 | \$ 93,127,464 | \$ 60,996,217 | \$ (32,131,247) | -34.5% | 65.5% |
| Interest Revenue | \$ - | \$ 75,000 | \$ 75,000 | \$ 47,563 | \$ (27,437) | -36.6% | 63.4% |
| Other Revenue | \$ - | \$ - | \$ - | \$ 312 | \$ 312 | N/A | N/A |
| Total Revenues | \$ 80,820,677 | \$ 93,202,464 | \$ 93,202,464 | \$ 61,044,092 | \$ (32,158,372) | -34.5% | 65.5% |

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.

The state funding (grant revenue) underruns are partially offset by the receipt of higher than anticipated receipt of State Rail Assistance (SRA) revenue of \$9,418,763 million vs. the working budget year-to-date amount of \$1,105,020 million through the fourth quarter. Any revenue that will not be used to offset current FY expenses will be reclassified to unearned revenue and recognized in future periods when expenses are incurred, consistent with generally accepted accounting principles (GAAP).

State operating funding is underrunning by \$10,974,021. This is primarily due to an overall lower funding requirement from the State due to Federal relief funding provided directly to Amtrak through the Coronavirus Aid, Relief, and Economic Security (CARES) Act (signed into law March 27, 2020), the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) (signed into law December 27, 2020) and the American Rescue Plan Act (ARPA) (signed into law March 11, 2021). Under the CARES Act Amtrak can charge no more than 80 percent of FFY 2018-19 costs for FFY 2019-20 and FFY 2020-21. The CARES Act funding was applied by Amtrak beginning in March 2020 and lasted through mid-February 2021. The total amount of CARES Act funding used by Amtrak to offset Pacific Surfliner costs is \$40,572,075.

Amtrak will apply the CRRSA and ARPA federal funds in full to each month's net operating expenses until the funds are fully exhausted. Both CRRSA and ARPA will provide \$28,355,073 each directly to Amtrak to offset net operating costs for the Pacific Surfliner. It is currently estimated that the federal funds may last through March 2021.

In addition, the year-end close and audit process is under way in which final year-end adjustments will be made that will recognize prior year surplus operations revenues (currently in unearned revenue) in an amount equal to FY21 operating expenses.

The FY 2020-21 marketing budget is comprised of use of prior year marketing surplus funds previously approved by the State, and consistent with the business plan assumptions. The year-end close and audit process is underway in which final year-end adjustments will be made that will recognize prior year surplus revenue (currently in unearned revenue) in an amount equal to marketing expenses. The remaining state marketing funding variance (approximately \$588k) is attributed to intentional cost savings due to the economic impacts of Covid-19, the LOSSAN marketing team scaled down advertising, paused promotions and partnerships, and obtained no cost media from partners for public service announcements.

COVID-19 Impacts to fourth Quarter Operating Revenues:

Total passenger revenue for the fourth quarter performed very well and saw an increase of approximately 375.9 percent compared to the same period last year, however when compared to pre-pandemic (April – June 2019) passenger revenue it was lower by approximately 60.2 percent. Although revenue and ridership levels remain lower when compared to pre-pandemic levels in 2019, the fourth quarter of FY 2020-21 saw some easing of Covid-19 related travel restrictions and a positive impact on ridership when compared to the third quarter of FY 2020-21. The fourth quarter saw an average

increase of ridership of 442 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.

OPERATING EXPENSES

Budgeted expenses through the fourth quarter of FY 2020-21 total \$93,202,464, as presented in **Table 3: Expenses** under "FY 2020-21 Working Budget Year-To-Date". Actual Year-To-Date expenses through the fourth quarter totaled \$57,874,591. This is a variance of \$35,327,873.

The majority of this budget variance (\$29,549,314) is in grant programs and is primarily attributed to less than anticipated UPRR design and construct capital improvement project expenses including: Narlon Bridge Replacement (\$13,769,815), Non-Powered Switch Upgrades (\$7,067,231), Island Central Traffic (\$3,318,091), Rail Replacement (\$1,558,047), and Interim San Luis Obispo Facility (\$1,523,276). These projects were anticipated to have accelerated work completed through the fourth quarter, instead this work will largely be completed

in the first quarter of FY 2021-22 and has been re-budgeted accordingly.

Additionally, the CalOES expense budget for various corridor wide projects is underrunning by \$2,288,757, due to lower than anticipated project expenses. The NCTD capital maintenance and incentive agreement is running under budget by \$1,002,359 through the fourth quarter due to an overall lower number of trains in service. Also contributing to the overall variance is the \$1,037,983 underrun related to the Project Approval and Environmental Document phase of the Central Coast Layover Facility. This project experienced delays due to expansion in the scope of work, which included additional site investigation and design features not originally included in the 35 percent design for Phase 1. This phase of the project is now expected to be completed by the end of fiscal year 2021-22. Related expenses and revenue have been re-budgeted.

Net train operating expenses variance of \$3,957,614 is due to overall net Amtrak operating expenses coming in lower for the

TABLE 3: EXPENSES

| Administrative Budget Line Items | 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 |
|---------------------------------------|---------------------------------|---------------------------------|--|---------------------------------------|-----------------------------|----------------------------|---|
| Administration - Staffing | \$ 5,852,282 | \$ 5,384,517 | \$ 5,384,517 | \$ 4,534,238 | \$ 850,279 | 15.8% | 84.2% |
| Legal Services | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 49,616 | \$ 384 | 0.8% | 99.2% |
| Travel | \$ 52,000 | \$ 52,000 | \$ 52,000 | \$ 3,184 | \$ 48,816 | 93.9% | 6.1% |
| Marketing | \$ 3,240,390 | \$ 1,240,390 | \$ 1,240,390 | \$ 652,501 | \$ 587,889 | 47.4% | 52.6% |
| Insurance | \$ 80,000 | \$ 80,000 | \$ 80,000 | \$ 61,541 | \$ 18,459 | 23.1% | 76.9% |
| Contracted services (Audit, Planning) | \$ 790,000 | \$ 790,000 | \$ 790,000 | \$ 475,284 | \$ 314,716 | 39.8% | 60.2% |
| Dues & Memberships | \$ 5,000 | \$ 5,000 | \$ 5,000 | \$ 5,200 | \$ (200) | -4.0% | 104.0% |
| Net State Funded Services | \$ 10,069,672 | \$ 7,601,907 | \$ 7,601,907 | \$ 5,781,564 | \$ 1,820,343 | 23.9% | 76.1% |
| Banking Services | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 898 | \$ 602 | 40% | 59.9% |
| Total Admin Services | \$ 10,071,172 | \$ 7,603,407 | \$ 7,603,407 | \$ 5,782,462 | \$ 1,820,945 | 23.9% | 76.1% |
| Non Budgeted Expenses | | | | | | | |
| Other Business Expenses | \$ - | \$ - | \$ - | \$ - | \$ - | N/A | N/A |
| Non Budgeted Admin Services | \$ - | \$ - | \$ - | \$ - | \$ - | N/A | N/A |
| Total Administrative Services | \$ 10,071,172 | \$ 7,603,407 | \$ 7,603,407 | \$ 5,782,462 | \$ 1,820,945 | 23.9% | 76% |

| Operating/Capital Budget Line Items | 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 |
|---|---------------------------------|---------------------------------|--|---------------------------------------|-----------------------------|----------------------------|---|
| Net Train Operating Expenses ¹ | \$ 50,567,505 | \$ 17,120,000 | \$ 17,120,000 | \$ 13,162,386 | \$ 3,957,614 | 23.1% | 76.9% |
| Minor Projects | \$ 500,000 | \$ - | \$ - | \$ - | \$ - | N/A | N/A |
| Grant Programs ² | \$ 19,682,000 | \$ 68,479,057 | \$ 68,479,057 | \$ 38,929,743 | \$ 29,549,314 | 43.2% | 56.8% |
| Total Operating/Capital Budget | \$ 70,749,505 | \$ 85,599,057 | \$ 85,599,057 | \$ 52,092,129 | \$ 33,506,928 | 39.1% | 60.9% |
| Total Budget | \$ 80,820,677 | \$ 93,202,464 | \$ 93,202,464 | \$ 57,874,591 | \$ 35,327,873 | 37.9% | 62.1% |

¹ Net Train Operating actuals include expenses for the business class refresh and Wi-Fi/LOSSAN IV refresh in the amount of \$370,112

² 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.

year due to the Federal Funding Amtrak is receiving directly to lower net operating costs.

The administrative staffing budget variance of \$850,279 is primarily related to vacant positions. Three administrative vacancies are contributing to the underrun. The Deputy Managing Director and the Project Manager positions were vacant during the fiscal year. Additionally, the Equipment & Mechanical Manager position became vacant in the fourth quarter.

The Marketing budget variance of \$587,889 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 partnerships, and obtained no cost media from partners for public service announcements.

Contracted services (Program Management, Audit) is underrunning the budget by \$314,716. The variance is attributed to lower than anticipated expenses for Environmental and Design Consulting Services. The revenue and expenses for this line item have been re-budgeted in FY 2021-22.

COVID-19 Pandemic 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, as well as the application of the CRRSA Act funding and ARPA Act funding. The LOSSAN Agency is continuing to coordinate with Amtrak, CalSTA, Caltrans, SAIPRC, and the two other state-supported routes in California to determine operating areas for cost savings and planning for future service increases as we navigate through the COVID-19 pandemic.