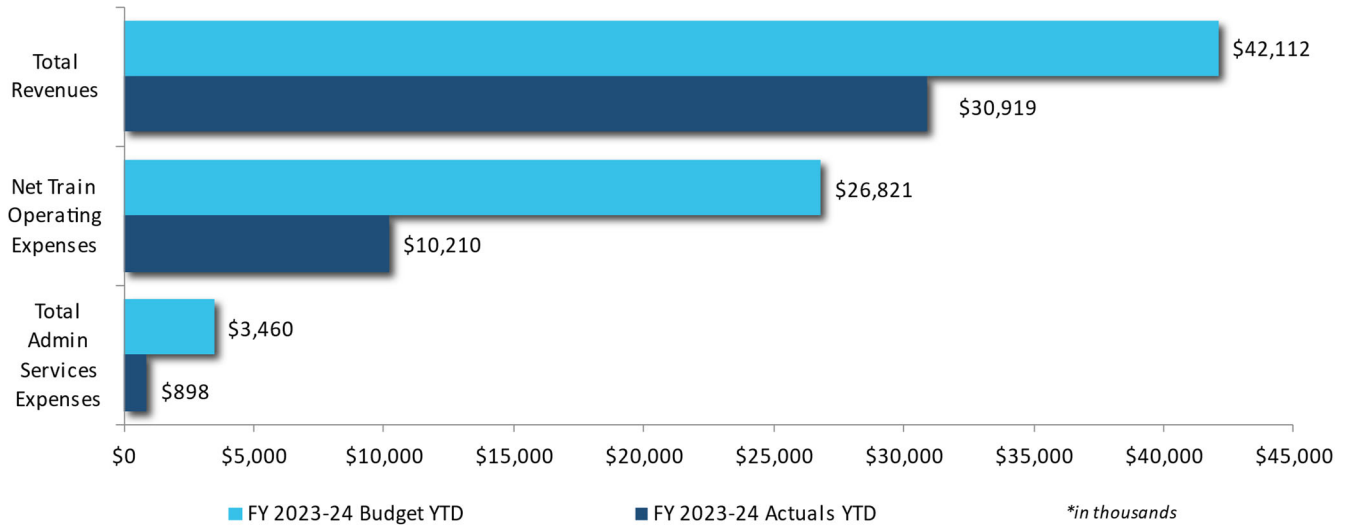




Quarterly Budget Status Report

Second Quarter of Fiscal Year 2023-24

FY 2023-24 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) 2023-24 and FY 2024-25 (Business Plan), and the FY 2023-24 budget were approved at the March 20, 2023 Board of Directors (Board) meeting. The business plan was submitted to the Secretary of the California State Transportation Agency on April 1, 2023, as required by the interagency transfer agreement and LOSSAN joint powers agreement.

The Board-approved FY 2023-24 Business Plan and budget is \$122,398,294. This includes funding for administrative and marketing services in the amount of \$9,383,378, and \$53,641,496 for net train operations (which includes \$40,000 for the continuation of the transit transfer program), \$833,000 for minor capital projects, and \$58,540,420 for grant programs. The adopted budget was based on preliminary estimates available at the time and assumed 85 percent of pre-pandemic operating service levels.

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 2023-24 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 second quarter (July 2023 through December 2023) of FY 2023-24.

REVENUES

Budgeted revenues through the second quarter of FY 2023-24 total \$42,112,478, as presented in **Table 1: Revenues** under “FY 2023-24 Working Budget Year-To-Date”. Actual Year-To-Date revenues through the second quarter totaled \$30,918,534. This is a variance of (\$11,193,943).

Other state funding (grant revenue) is underrunning by \$9,720,938. The variance is primarily attributed to the invoicing of Union Pacific on-time performance payments and the reimbursements for those payments (\$5,196,952).

TABLE 1: REVENUES

	FY 2023-24 Adopted Budget	FY 2023-24 Working Budget	FY 2023-24 Working Budget Year-To-Date	FY 2023-24 Actuals Year-To-Date	\$ Variance Year-To-Date	% Variance Year-To-Date	FY 2023-24 Percent of Budget Used-to-Date
State Administrative Funding	\$ 7,783,378	\$ 7,783,378	\$ 3,891,689	\$ 1,604,877	\$ (2,286,812)	0.0%	20.6%
State Marketing Funding	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ -	\$ (1,600,000)	0.0%	0.0%
State Operating Funding	\$ 53,641,496	\$ 53,641,496	\$ 26,820,748	\$ 28,304,577	\$ 1,483,829	5.5%	52.8%
Other State Funding ¹	\$ 58,540,420	\$ 58,540,420	\$ 9,800,041	\$ 79,102	\$ (9,720,938)	-99.2%	0.1%
State Capital Funding ²	\$ 833,000	\$ 833,000	\$ -	\$ -	\$ -	0.0%	0.0%
Net State/Other Agency Funded	\$122,398,294	\$122,398,294	\$ 42,112,478	\$ 29,988,556	\$ (12,123,921)	-28.8%	24.5%
Interest Revenue	\$ -	\$ -	\$ -	\$ 929,978	\$ 929,978	N/A	N/A
Total Revenues	\$122,398,294	\$122,398,294	\$ 42,112,478	\$ 30,918,534	\$ (11,193,943)	-26.6%	25.3%

¹ Includes Transit & Intercity Rail Capital Program, California Transit Security Grant Program, State Rail Assistance, State Transportation Improvement Program Funds and Proposition 1B grant programs

² Includes State Minor projects funding

Working budget is the adopted budget plus any amendments approved during the year. Adjusted for prior year accruals.

State administrative funding is underrunning the budget by \$2,268,812, and State marketing funding is underrunning by \$1,600,000. These variances stem from delays in the state funding request process. We anticipate receiving the first-half state administrative payment and the entirety of the state marketing payment during the third quarter of FY23-24.

Total Passenger revenue for the second quarter reached \$18,120,672, marking a 74% increase over the same period last year (\$10,435,234), largely due to service disruptions in San Clemente that began back in Fall 2022. However, this figure is still 17% lower than the pre-pandemic revenue of October-December 2019. Despite revenue and ridership not fully recovering to pre-pandemic levels, the reopening of the San Clemente tracks in Q2 of FY 2023-24 positively impacted ridership and net operating costs.

OPERATING EXPENSES

Budgeted expenses through the second quarter of FY 2023-24 total \$58,703,499, as presented in **Table 2: Expenses** under “FY 2023-24 Working Budget Year-To-Date”. Actual Year-To-Date expenses through the second quarter totaled \$12,584,922. This is a variance of \$46,118,577.

Projects within grant programs are underrunning by \$26,789,515. The variance is primarily attributed to the timing of the Canada Honda Bridge (\$11 million). The Canada Honda Bridge has been delayed due to a longer than expected environmental and design period. Artifacts related to indigenous persons were recovered, significantly slowing the process. It’s anticipated that the project will likely start in March 2024.

Net train operating expenses are underrunning by 16,610,685 which is due to delays in finalizing the operating agreement with Amtrak, resulting in the postponement of payments from October 2023 to present. We anticipate the operating agreement to be executed in March along with outstanding invoices be paid.

The Administrative Staffing budget variance of \$1,941,524 is due to delayed billing from OCTA for those costs. OCTA anticipates catching up on their staffing cost billing and is expected to invoice LOSSAN by the third quarter.

The Marketing budget variance of \$195,927 is due to the timing of invoicing and payments. The LOSSAN Agency marketing team plans on scaling up advertising, promotions, and partnerships in the coming months.

Contracted Services is underrunning by \$339,894 primarily due to lower-than-anticipated use of on-call project management services. This is because the LOSSAN Agency has recently employed a Capital Project Manager who has assumed some of these responsibilities. However, we anticipate continued use of contract services for ongoing capital projects.

It’s also important to note that the LOSSAN Agency received direction from CalSTA as part of its approval letter received on September 13, 2023, to develop potential cost reduction measures and submit a plan of action back to the state by November 30, 2023. In response, LOSSAN submitted a comprehensive plan identifying key initiatives such as the implementation of a demand pricing model expected to increase revenue by \$4.5 to \$5.5 million annually, the elimination of the underutilized Amtrak Thruway bus route No. 04 to decrease costs by \$530K annually, and adjustments

TABLE 2: EXPENSES

Administrative Budget Line Items	FY 2023-24 Adopted Budget	FY 2023-24 Working Budget	FY 2023-24 Working Budget Year-To-Date	FY 2023-24 Actuals Year-To-Date	\$ Variance Year- To-Date	% Variance Year-To-Date	FY 2023-24 Percent of Budget Used-to- Date
Administration - Staffing	\$ 6,588,578	\$ 6,588,578	\$ 2,196,193	\$ 254,669	\$ 1,941,524	88.4%	3.9%
Legal Services	\$ 75,000	\$ 75,000	\$ 25,000	\$ 13,343	\$ 11,657	46.6%	17.8%
Travel	\$ 60,000	\$ 60,000	\$ 28,900	\$ 11,647	\$ 17,253	59.7%	19.4%
Marketing	\$ 1,600,000	\$ 1,600,000	\$ 803,482	\$ 607,555	\$ 195,927	24.4%	38.0%
Insurance	\$ 60,000	\$ 60,000	\$ 60,000	\$ 1,000	\$ 59,000	98.3%	1.7%
Contracted Services (Audit, Planning, On-Call)	\$ 985,800	\$ 985,800	\$ 346,467	\$ 6,573	\$ 339,894	98.1%	0.7%
Dues & Memberships	\$ 14,000	\$ 14,000	\$ -	\$ 499	\$ (499)	N/A	3.6%
Net State Funded Services	\$ 9,383,378	\$ 9,383,378	\$ 3,460,041	\$ 895,285	\$ 2,564,756	74.1%	9.5%
Banking Services	\$ -	\$ -	\$ -	\$ 1	\$ (1)	N/A	N/A
Total Admin Services	\$ 9,383,378	\$ 9,383,378	\$ 3,460,041	\$ 895,286	\$ 2,564,755	74.1%	9.5%
Non Budgeted Expenses							
Other Business Expenses	\$ -	\$ -	\$ -	\$ 3,193	\$ (3,193)	N/A	N/A
Non Budgeted Admin Services	\$ -	\$ -	\$ -	\$ 3,193	\$ (3,193)	N/A	N/A
Total Administrative Services	\$ 9,383,378	\$ 9,383,378	\$ 3,460,041	\$ 898,479	\$ 2,561,562	74.0%	9.6%

Operating/Capital Budget Line Items	FY 2023-24 Adopted Budget	FY 2023-24 Working Budget	FY 2023-24 Working Budget Year-To-Date	FY 2023-24 Actuals Year-To-Date	\$ Variance Year- To-Date	% Variance Year-To-Date	FY 2023-24 Percent of Budget Used-to- Date
Net Train Operating Expenses	\$ 53,641,496	\$ 53,641,496	\$ 26,820,748	\$ 10,210,063	\$ 16,610,685	61.9%	19.0%
Minor Projects	\$ 833,000	\$ 833,000	\$ 250,000	\$ 93,185	\$ 156,815	N/A	11.2%
Grant Programs ¹	\$ 58,540,420	\$ 58,540,420	\$ 28,172,710	\$ 1,383,195	\$ 26,789,515	95.1%	2.4%
Total Operating/Capital Budget	\$113,014,916	\$113,014,916	\$ 55,243,458	\$ 11,686,443	\$ 43,557,015	78.8%	10.3%
Total Budget	\$122,398,294	\$122,398,294	\$ 58,703,499	\$ 12,584,922	\$ 46,118,577	78.6%	10.3%

¹ Includes Transit & Intercity Rail Capital Program, California Transit Security Grant Program, State Rail Assistance, State Transportation Improvement Program Funds and Proposition 1B grant programs

Working budget is the adopted budget plus any amendments approved during the year. Actuals year to date include encumbrances. Adjusted for prior year accruals.

to other Thruway bus services and station staffing strategies to further reduce expenses and enhance revenue. The elimination of Thruway bus route No. 04 has been implemented and the other initiatives are currently moving forward with implementation.