



**TRANSMITTAL DATE:** June 25, 2019

**MEETING DATE:** June 28, 2019 **ITEM 19**

**TO:** Board of Directors

**FROM:** Stephanie Wiggins, Chief Executive Officer

**SUBJECT:** Update on Forecasted Comparative Operating Statement for Fiscal Year Ending June 30, 2019

**Issue**

Staff provided a Forecast for the Full Fiscal Year Ending June 30, 2019 when presenting the Comparative Operating Statement Actual vs. Adopted Budget through the Third Quarter of Fiscal Year 2019 on May 10, 2019. Staff committed to monitoring the activities for April and May and providing an update on the Forecast to the Board in a June Meeting.

**Recommendation**

It is recommended that the Board:

- 1) Receive and File the Update on the Forecasted Comparative Operating Statement;
- 2) Approve 50% or \$3.75 Million of the Forecasted FY19 Year- End Surplus be Reprogrammed and Carried Forward into the FY20 Operating Budget; and
- 3) Amend the FY20 Operating Budget by \$3.75 Million.

**Strategic Goal Alignment**

This report aligns with the strategic goals to *maintain fiscal sustainability, improve organizational efficiency, improve communication to customers & stakeholders, and retain & grow ridership.*

**Background**

The Board adopted the FY19 Budget on July 13, 2018. The total FY19 Operating Budget of \$251.4 million (M) consists of \$193.4M for Train Operations, \$41.3M for Maintenance of Way (MOW) and \$16.6M for Insurance.

Staff analyzes actual revenue and expenditures in comparison to the Adopted budget on a quarterly basis. The previous forecast as of March 31, 2019 is summarized in Attachment A. Attachment B provides detail of actual operating results through May 31, 2019 with a forecast of June revenue and expenditures to complete the current fiscal

year. All information presented is preliminary and unaudited and includes estimates where actual amounts are unavailable.

**Discussion**

**FY19 Actual Revenue and Expenses through May 31, 2019**

- Revenues were \$89.9M.
- Expenses were \$218.7M.
- Budgeted subsidy is \$150.5M.

**FY19 Forecast to Year End as of May 31, 2019**

- Revenues forecasted to be \$98.2M and under budget by \$2.6M or 2.6%.
- Expenses forecasted to be \$241.3M and under budget by \$10.1M or 4.0%.
- Budgeted subsidy is \$150.5M, providing a forecasted surplus of \$7.5M.

The major revisions to the forecast previously provided include:

1. Less than forecasted Transfers to Other Operators: The Authority have spent \$1.0 million less than forecasted due to the continued decrease of passengers transferring from Metrolink to multiple bus operators.
2. Less than forecasted for Operations – Non-Labor: The Authority have spent \$1.4 million less than forecasted due to less charges from IT and Professional services.
3. Less than forecasted Indirect Administrative Expenses: The Authority have spent \$1.1 million less than forecasted in Indirect Administration due to lower than projected PTC costs.
4. Legal: It was forecasted that the Authority would spend \$1.2m less than budgeted. After accounting for claims accrual activity, staff is now forecasted to spend \$2.3 million less than budgeted after properly accounting for claims accrual.

This \$5.8 million in additional expenditure savings when combined with the \$4.3 million identified in March provide for the forecasted FY19 Expenditure underrun of \$10.1 million. As revenue is yet forecasted to experience a \$2.5m shortfall as identified in March, the forecasted Operating Surplus would be \$7.5 million at the end of the current fiscal year.

The preliminary allocation of the Revised Forecasted Operating Surplus by Member Agency is presented below:

MEMBER AGENCY	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL
FORECASTED SURPLUS	4,177,585	1,649,452	722,940	652,775	265,653	7,468,404

**Use of FY19 Forecasted Surplus**

As a mechanism to continue with the Chief Executive Officer (CEO) Workplan from the 90 Day Plan Findings to focus on Improved Fiscal Sustainability, Strengthened Partnerships with the Member Agencies, and Modernizing Business Practices, staff recommends carrying forward 50% of the Forecasted Surplus for use in FY20.

The request for 50% carryforward of surplus is shown below by Member Agency:

MEMBER AGENCY	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL
<b>FORECASTED SURPLUS</b>	<b>4,177,585</b>	<b>1,649,452</b>	<b>722,940</b>	<b>652,775</b>	<b>265,653</b>	<b>7,468,404</b>
<b>50% CARRYFORWARD</b>	<b>2,088,793</b>	<b>824,726</b>	<b>361,470</b>	<b>326,388</b>	<b>132,826</b>	<b>3,734,202</b>

As these funds have previously been approved to support commuter rail operations, the funds would be reprogrammed to support the following CEO Initiatives:

**1. Strategic Business Plan (SBP)**

The current Authority Strategic Plan was approved in 2015. Over the last four years, significant changes have taken place (i.e. Southern California Optimized Rail Expansion [SCORE]) and the Strategic Plan needs to be updated. The SBP will serve as the update to the 2015 Strategic Plan. This will allow for a strengthened partnership with the Member Agencies by providing a shared vision regarding service levels, growth, and financial sustainability.

The SBP will fully address both the need to maintain the current infrastructure (State of Good Repair backlog) and build out towards SCORE levels of service. The SBP will address a long-range view of the fleet management plan and rolling stock needs, including emissions technology. In addition, the cost elements and drivers resulting from the Bundled Operations & Maintenance Contract will be incorporated in the SBP.

**2. Rebranding Exploration**

There is brand confusion that serves as a barrier to attracting riders. The Authority will work collaboratively with a branding expert to explore the possibilities of a rebrand for the Authority and develop a comprehensive recommendation.

**3. Operational Effectiveness**

As part of the effort to improve fiscal sustainability, the Operational Excellence Program (OpEx) was established by the CEO in May to encourage employees to identify ideas to generate new revenue, reduce expenditures, and identify process improvements.

As these new ideas are advanced, these surplus funds are needed to support the implementation.

Use of the FY19 Forecasted Surplus would be administered by the Office of the CEO and reported on a monthly basis to the Member Agency Advisory Committee (MAAC). The remaining 50% of the FY19 Forecasted Surplus would be accounted for at year-end as Unearned Revenue. In most recent years, at the direction of the Member Agencies, this amount has been used to offset funding Operating Subsidy in the following year's budget. The Joint Powers Agreement does not address use of Operating Surplus. Finance Policy 1.2, Section 1.8.1 states that budget authorization for unexpended operating budget "Operating Surplus" expires at June 30<sup>th</sup> of each year. Approval of this request would be an exception to that policy.

The requested use of FY19 Forecasted Surplus was discussed with both the MAAC and Member Agency CEO's during their June meeting. As of this transmittal date, all of the Member Agency CEOs have expressed their support of this request to carry forward 50% of the Forecasted Surplus for use in FY20. The balance of the surplus will be programmed by the Member Agencies.

### **Budget Impact**

Allowing the carryforward of the requested portion of the FY19 Forecasted Operating surplus would amend the FY20 Budget by the corresponding amounts, or approximately \$3.75M. Precise allocations by individual Member Agency would be reconciled as part of the fiscal year end close.

Prepared by: Christine Wilson, Senior Manager, Finance



Ronnie Campbell  
Chief Financial Officer

Attachment A: March 31, 2019 Forecast for 12 Months Ending June 30, 2019

Attachment B: May 31, 2019 Revised Forecast for 12 Months Ending June 30, 2019

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY  
 FORECAST OPERATING STATEMENT  
 FOR THE 12 MOS. ENDING JUNE 30, 2019

Attachment A

(Unaudited)

FULL FISCAL YEAR 2019 FORECAST							
	2019 4TH QTR PROJECTIONS	2019 ADOPTED BUDGET	2018 ACTUAL	VARIANCE from Adopted Budget Over/(Under)		VARIANCE from Prior Year Over/(Under)	
				Amount	%	Amount	%
<b>Operating Revenues</b>							
Farebox Revenue	79,402,514	82,903,871	82,541,709	(3,501,357)	(4.2%)	(3,139,195)	(3.8%)
Fare Reduction Subsidy	3,276,135	2,731,794	156,923	<b>544,341</b>	19.9%	3,119,212	1987.7%
<b>Subtotal-Pro Forma FareBox</b>	<b>82,678,650</b>	<b>85,635,665</b>	<b>82,698,632</b>	<b>(2,957,015)</b>	<b>(3.5%)</b>	<b>(19,982)</b>	<b>(0.0%)</b>
Dispatching	2,052,631	2,120,270	2,132,855	(67,639)	(3.2%)	(80,224)	(3.8%)
Other Revenues	57,274	489,500	463,278	(432,226)	-88.3%	(406,004)	(87.6%)
MOW Revenues	12,863,203	12,560,897	12,788,918	302,306	2.4%	74,285	0.6%
<b>Total Operating Revenue</b>	<b>97,651,758</b>	<b>100,806,332</b>	<b>98,083,683</b>	<b>(3,154,574)</b>	<b>(3.1%)</b>	<b>(431,925)</b>	<b>(0.4%)</b>
<b>Operating Expenses</b>							
<b>Operations &amp; Services</b>							
Train Operations	44,980,929	46,871,756	42,115,799	(1,890,827)	(4.0%)	2,865,130	6.8%
Equipment Maintenance	36,012,090	38,133,426	34,242,475	(2,121,336)	(5.6%)	1,769,615	5.2%
Fuel	22,075,119	18,744,335	17,576,876	3,330,784	17.8%	4,498,243	25.6%
Non-Sched Rolling Stock Repairs	151,110	260,000	55,909	(108,890)	(41.9%)	95,201	170.3%
Operating Facilities Maintenance	1,733,437	1,684,292	1,492,674	49,145	2.9%	240,763	16.1%
Other Operating Train Services	1,129,598	482,276	721,831	647,322	134.2%	407,767	56.5%
Rolling Stock Lease	229,950	335,500	10,950	(105,550)	(31.5%)	219,000	2000.0%
Security - Sheriff	6,367,247	5,889,371	5,662,304	477,876	8.1%	704,943	12.4%
Security - Guards	2,616,783	2,450,000	1,931,493	166,783	6.8%	685,290	35.5%
Supplemental Additional Security	153,338	690,000	226,844	(536,662)	(77.8%)	(73,506)	(32.4%)
Public Safety Program	316,300	389,000	192,711	(72,700)	(18.7%)	123,589	64.1%
Passenger Relations	1,801,113	1,731,999	1,723,215	69,114	4.0%	77,898	4.5%
TVM Maint/Revenue Collection	7,894,294	9,055,316	8,188,246	(1,161,022)	(12.8%)	(293,952)	(3.6%)
Marketing	4,867,378	5,379,600	1,306,880	(512,222)	(9.5%)	3,560,498	272.4%
Media & External Communications	282,461	458,002	319,775	(175,541)	(38.3%)	(37,314)	(11.7%)
Utilities / Leases	2,782,523	3,472,560	2,804,426	(690,037)	(19.9%)	(21,903)	(0.8%)
Transfers to Other Operators	5,998,923	6,495,964	3,817,973	(497,041)	(7.7%)	2,180,950	57.1%
Amtrak Transfers	1,438,914	2,400,000	1,678,089	(961,086)	(40.0%)	(239,175)	(14.3%)
Station Maintenance	1,496,559	1,805,500	1,575,405	(308,941)	(17.1%)	(78,846)	(5.0%)
Rail Agreements	5,734,374	5,399,736	4,938,063	334,638	6.2%	796,311	16.1%
<b>Subtotal Operations &amp; Services</b>	<b>148,062,441</b>	<b>152,128,633</b>	<b>130,581,938</b>	<b>(4,066,192)</b>	<b>(2.7%)</b>	<b>17,480,503</b>	<b>13.4%</b>
<b>Maintenance-of-Way</b>							
MoW - Line Segments	41,380,911	40,710,762	42,410,528	670,149	1.6%	(1,029,617)	(2.4%)
MoW - Extraordinary Maintenance	776,126	590,604	594,027	185,522	31.4%	182,099	30.7%
<b>Subtotal Maintenance-of-Way</b>	<b>42,157,037</b>	<b>41,301,366</b>	<b>43,004,555</b>	<b>855,671</b>	<b>2.1%</b>	<b>(847,518)</b>	<b>(2.0%)</b>
<b>Administration &amp; Services</b>							
Ops Salaries & Fringe Benefits	13,763,246	13,781,917	12,507,199	(18,671)	(0.1%)	1,256,047	10.0%
Ops Non-Labor Expenses	7,866,546	7,635,164	5,890,332	231,382	3.0%	1,976,214	33.6%
Indirect Administrative Expenses	17,197,364	17,096,430	19,333,036	100,934	0.6%	(2,135,672)	(11.0%)
Ops Professional Services	2,605,829	2,579,038	2,686,676	26,791	1.0%	(80,847)	(3.0%)
<b>Subtotal Admin &amp; Services</b>	<b>41,432,986</b>	<b>41,092,549</b>	<b>40,417,243</b>	<b>340,437</b>	<b>0.8%</b>	<b>1,015,743</b>	<b>2.5%</b>
Contingency (Non-Train Ops)	-	204,000	15,000	(204,000)	(100.0%)	(15,000)	(100.0%)
<b>Total Operating Expenses</b>	<b>231,652,463</b>	<b>234,726,548</b>	<b>214,018,736</b>	<b>(3,074,085)</b>	<b>(1.3%)</b>	<b>17,633,727</b>	<b>8.2%</b>
<b>Insurance Expense/(Revenue)</b>							
Liability/Property/Auto/Misc	9,401,717	11,418,392	9,747,595	(2,016,675)	(17.7%)	(345,878)	(3.5%)
Net Claims / SI	4,725,208	4,000,000	8,550,608	725,208	18.1%	(3,825,400)	(44.7%)
Claims Administration	1,281,049	1,211,088	584,868	69,961	5.8%	696,181	119.0%
<b>Net Insurance Expense</b>	<b>15,407,974</b>	<b>16,629,480</b>	<b>18,883,071</b>	<b>(1,221,506)</b>	<b>(7.3%)</b>	<b>(3,475,097)</b>	<b>(18.4%)</b>
<b>Total Expenses</b>	<b>247,060,437</b>	<b>251,356,028</b>	<b>232,901,807</b>	<b>(4,295,591)</b>	<b>(1.7%)</b>	<b>14,158,630</b>	<b>6.1%</b>
<b>Net Loss</b>	<b>(149,408,679)</b>	<b>(150,549,696)</b>	<b>(134,818,124)</b>	<b>1,141,017</b>	<b>(0.8%)</b>	<b>(14,590,555)</b>	<b>10.8%</b>
<b>Member Subsidies*</b>							
Operations	133,920,216	133,920,216	124,736,037	-	0.0%	9,184,179	7.4%
Insurance	16,629,480	16,629,480	17,662,779	-	0.0%	(1,033,299)	(5.9%)
<b>Total Member Subsidies</b>	<b>150,549,696</b>	<b>150,549,696</b>	<b>142,398,816</b>	<b>-</b>	<b>0.0%</b>	<b>8,150,880</b>	<b>5.7%</b>
<b>Net Loss</b>	<b>(149,408,679)</b>	<b>(150,549,696)</b>	<b>(134,818,124)</b>	<b>1,141,017</b>	<b>-0.8%</b>	<b>(14,590,555)</b>	<b>10.8%</b>
<b>All Member Subsidies</b>	<b>150,549,696</b>	<b>150,549,696</b>	<b>142,398,816</b>	<b>-</b>	<b>0.0%</b>	<b>8,150,880</b>	<b>5.7%</b>
<b>Surplus / (Deficit)</b>	<b>1,141,017</b>	<b>-</b>	<b>7,580,692</b>	<b>1,141,017</b>	<b>n/a</b>	<b>(6,439,675)</b>	<b>n/a</b>

\*\* Numbers may not foot due to rounding.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY  
REVISED FORECAST OPERATING STATEMENT  
FOR THE 12 MOS. ENDING JUNE 30, 2019**

	<u>ACTUAL THRU</u> <u>5/31/19</u>	<u>FORECAST FOR</u> <u>THE MONTH OF</u> <u>JUNE 2019</u>	<u>REVISED</u> <u>FORECAST FY</u> <u>ENDING JUNE 2019</u>	<u>ADOPTED BUDGET</u> <u>June 30, 2019</u>	<u>Revised Forecast vs Adopted</u> <u>Budget</u>	
					<u>\$ VARIANCE</u>	<u>% VARIANCE</u>
<b>Operating Revenues</b>						
Farebox Revenue	72,499,200	6,800,009	79,299,209	82,903,871	(3,604,662)	(4.3%)
Fare Reduction Subsidy	2,980,819	273,011	3,253,830	2,731,794	522,036	19.1%
<b>Subtotal-Pro Forma FareBox</b>	<b>75,480,019</b>	<b>7,073,020</b>	<b>82,553,039</b>	<b>85,635,665</b>	<b>(3,082,626)</b>	<b>(3.6%)</b>
Dispatching	1,916,612	171,092	2,087,704	2,120,270	(32,566)	(1.5%)
Other Revenues	583,566	0	583,566	489,500	94,066	19.2%
MOW Revenues	11,932,412	1,031,201	12,963,613	12,560,897	402,716	3.2%
<b>Total Operating Revenues</b>	<b>89,912,609</b>	<b>8,275,313</b>	<b>98,187,922</b>	<b>100,806,332</b>	<b>(2,618,410)</b>	<b>(2.6%)</b>
<b>Operating Expenses</b>						
<b>Operations &amp; Services</b>						
Train Operations	40,801,482	4,243,855	45,045,337	46,871,756	(1,826,419)	(3.9%)
Equipment Maintenance	33,172,482	3,139,552	36,312,034	38,133,426	(1,821,392)	(4.8%)
Fuel	21,037,066	1,738,965	22,776,031	18,744,335	4,031,696	21.5%
Non-Scheduled Rolling Stock Repairs	82,456	6,087	88,543	260,000	(171,457)	(65.9%)
Operating Facilities Maintenance	1,405,802	221,725	1,627,527	1,684,292	(56,765)	(3.4%)
Other Operating Train Services	1,076,768	67,379	1,144,147	482,276	661,871	137.2%
Rolling Stock Lease	229,950	19,110	249,060	335,500	(86,440)	(25.8%)
Security - Sheriff	5,807,947	540,911	6,348,858	5,889,371	459,487	7.8%
Security - Guards	2,150,878	284,898	2,435,776	2,450,000	(14,224)	(0.6%)
Supplemental Additional Security	44,545	36,917	81,462	690,000	(608,538)	(88.2%)
Public Safety Program	200,004	39,818	239,822	389,000	(149,178)	(38.3%)
Passenger Relations	1,620,312	162,561	1,782,873	1,731,999	50,874	2.9%
TVM Maintenance/Revenue Collection	7,163,108	835,967	7,999,075	9,055,316	(1,056,241)	(11.7%)
Marketing	4,064,575	870,802	4,935,377	5,379,600	(444,223)	(8.3%)
Media & External Communications	312,810	42,200	355,010	458,002	(102,992)	(22.5%)
Utilities / Leases	2,561,009	292,567	2,853,576	3,472,560	(618,984)	(17.8%)
Transfers to Other Operations	4,430,650	593,667	5,024,317	6,495,964	(1,471,647)	(22.7%)
Amtrak Transfers	1,359,734	126,000	1,485,734	2,400,000	(914,266)	(38.1%)
Station Maintenance	1,532,860	62,540	1,595,400	1,805,500	(210,100)	(11.6%)
Rail Agreements	5,252,653	431,603	5,684,256	5,399,736	284,520	5.3%
<b>Subtotal Operations &amp; Services</b>	<b>134,307,091</b>	<b>13,757,123</b>	<b>148,064,214</b>	<b>152,128,633</b>	<b>(4,064,419)</b>	<b>(2.7%)</b>
<b>Maintenance-of-Way</b>						
MoW - Line Segments	38,050,278	3,521,369	41,571,647	40,710,762	860,885	2.1%
MoW - Extraordinary Maintenance	766,560	40,503	807,063	590,604	216,459	36.7%
<b>Subtotal Maintenance-of-Way</b>	<b>38,816,838</b>	<b>3,561,872</b>	<b>42,378,710</b>	<b>41,301,366</b>	<b>1,077,344</b>	<b>2.6%</b>
<b>Administration &amp; Services</b>						
Ops Salaries & Fringe Benefits	12,244,248	1,197,792	13,442,040	13,781,917	(339,877)	(2.5%)
Ops Non-Labor Expenses	5,361,951	1,047,209	6,409,160	7,635,164	(1,226,004)	(16.1%)
Indirect Administrative Expenses	13,944,949	1,738,363	15,683,312	17,096,430	(1,413,118)	(8.3%)
Ops Professional Services	2,095,841	520,066	2,615,907	2,579,038	36,869	1.4%
<b>Subtotal Administration &amp; Services</b>	<b>33,646,989</b>	<b>4,503,430</b>	<b>38,150,419</b>	<b>41,092,549</b>	<b>(2,942,130)</b>	<b>(7.2%)</b>
<b>Contingency (Non-Train Ops)</b>	<b>0</b>			<b>204,000</b>	<b>(204,000)</b>	<b>(100.0%)</b>
<b>Total Operating Expenses</b>	<b>206,770,918</b>	<b>21,822,424</b>	<b>228,593,342</b>	<b>234,726,548</b>	<b>(6,133,206)</b>	<b>(2.6%)</b>
<b>Insurance Expense/(Revenue)</b>						
Liability/Property/Auto/Misc	8,642,515	777,258	9,419,773	11,418,392	(1,998,619)	(17.5%)
Claims / SI	2,791,172	-414,984	2,376,188	4,000,000	(1,623,812)	(40.6%)
Claims Administration	534,768	345,142	879,910	1,211,088	(331,178)	(27.3%)
<b>Net Insurance Expense</b>	<b>11,968,455</b>	<b>707,416</b>	<b>12,675,871</b>	<b>16,629,480</b>	<b>(3,953,609)</b>	<b>(23.8%)</b>
<b>Total Expense</b>	<b>218,739,373</b>	<b>22,529,840</b>	<b>241,269,213</b>	<b>251,356,028</b>	<b>(10,086,815)</b>	<b>(4.0%)</b>
<b>Total Loss</b>	<b>(128,826,764)</b>	<b>(14,254,528)</b>	<b>(143,081,292)</b>	<b>(150,549,696)</b>	<b>7,468,404</b>	<b>(5.0%)</b>
<b>Member Subsidies*</b>						
Operations	122,126,639	11,793,577	133,920,216	133,920,216	-	0.0%
Insurance	15,493,694	1,135,786	16,629,480	16,629,480	-	0.0%
<b>Total Member Subsidies</b>	<b>137,620,333</b>	<b>12,929,363</b>	<b>150,549,696</b>	<b>150,549,696</b>	<b>-</b>	<b>0.0%</b>
<b>Surplus / (Deficit)</b>	<b>8,793,569</b>	<b>(1,325,165)</b>	<b>7,468,404</b>	<b>-</b>	<b>7,468,404</b>	<b>N/A</b>