



Quarterly Financial Report

December 31, 2014

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Executive Summary

The report provides the Commonwealth Transportation Board (CTB) and other interested parties an update regarding the Agency budget; any notable variances between anticipated expenditures and actual expenditures; cash balances; resources versus commitments; and funds available for allocation.

Budget vs. Actual

A key schedule included in this report is a Budget versus Actual Expenditure analysis. This schedule reports the actual results of the agency’s activities during the current fiscal year as compared to the budget adopted by the CTB. In the current quarter, the schedule compares the budget for the first two quarters of the fiscal year (July 1 – December 31) with the actual expenditures for the first two quarters of FY 2015 using a cash basis of accounting.

Department of Rail and Public Transportation Budget vs. Actual Fiscal Year 2015 (\$ in Millions)					
	<u>FY 2015</u> <u>Budget</u>	<u>6 Months</u> <u>Budget</u>	<u>Actual</u> <u>12/31/2014</u>	<u>Variance</u>	<u>Percentage</u>
Transit Programs	\$ 474.6	\$ 227.6	\$ 190.9	\$ 36.7	16%
Rail Programs	98.7	35.5	27.1	8.4	24%
Agency Operating Budget	10.3	5.5	3.2	2.3	42%
Agency Total	<u>\$ 583.6</u>	<u>\$ 268.6</u>	<u>\$ 221.2</u>	<u>\$ 47.4</u>	18%

It is important to note that DRPT’s reliance on our transportation partners for accurate information will impact the accuracy of our budgeted expenditures. The vast majority of the DRPT budgeted expenditures are initiated by a reimbursement request from one of our project partners who controls the actual project development. As such, DRPT must gather information from these partners about the timing of almost 2,000 projects in order to estimate cash basis expenditures each year. Based on this operating format for DRPT, a variance of up to 15% would not be unreasonable. Ultimately, the goal for DRPT will be to work with our project partners to attain a variance of 10% or less by each year end.

The total variance of actual expenditures compared to the anticipated expenditures for the 1st two quarters of FY 2015 is 18% or \$47.4 million. For transit programs, the current year expenditures are off by 16% and \$36.7 million through December 31 mainly due to the capital assistance program. In the rail programs, the current year expenditures are off by 24% and \$8.4 million mainly due to the Passenger and Freight Rail program. DRPT has set a threshold for detailed explanation of variances that are greater than \$5.8 million (1% of the Total Budget) AND 15%. Any detailed line items that meet this threshold are explained later in this report.

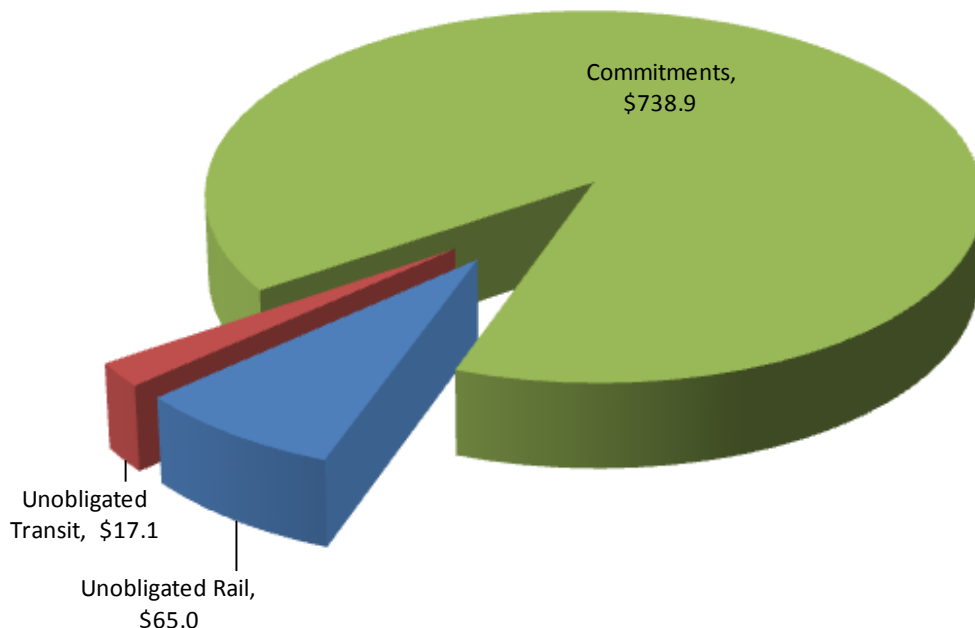
Unobligated Funds

The detailed analysis section of this report includes a Schedule of Resources and Commitments that identifies available resources that may be allocated to new projects. This schedule is supported by a reconciliation of current and prior year resources and the related SYIP allocations of those resources to various projects by the CTB. It utilizes the modified accrual basis of accounting and is similar to a balance sheet. The schedule also provides an indication of the utilization and collection efforts of DRPT's resources (assets).

The key output of the Schedule of Resources and Commitments (see page 10) is the detail of unobligated funds that are currently available to fund rail and transit projects. The chart below illustrates the amount of available funds after our commitments are met. Essentially, the chart shows how the agency's resources are being utilized. It is important to note that each of the unobligated balances depicted in the following chart has unique allocation parameters that govern its allowable use.

For the quarter ended December 31, the total unobligated balance for all funds is \$82.1 million which includes \$65.0 million for the rail programs and \$17.1 million for the transit programs. Compared with one year ago, this balance is \$64.5 million lower as DRPT has worked to put its resources to more effective use.

Classification of Total Resources (\$ in Millions)



The majority of the rail programs balance (\$65.0 million) exists in the IPROC fund due to the better than expected performance of the trains and the one-time general fund transfer of \$28.7 million made in June 2012. The Department is currently developing a rail resource allocation plan to align project needs with available resources to better utilize these funds.

The majority of the transit programs balance consists of \$6.0 million of CPR bonds and other funds carried over from prior years that are anticipated to be utilized for several large transit projects that will be advancing in FY 2016. Additionally, the unobligated transit balance includes \$6.8 million for the operating/capital reserve and federal funds of \$13.6 million that have restrictions on their potential use. These balances are offset by a deficit in the Mass Transit Trust Fund of \$9.3 million due to a shortfall in FY 2014 revenue collections.

The detailed report included herein provides a more in depth look at DRPT's assets (cash and receivables), liabilities (project and grant commitments), and annual operational results as compared to the approved budget.

Detailed Quarterly Analysis

The following pages present a detailed reporting of the Department's six month financial picture. For a definition of individual line items in the subsequent schedules, please consult the glossary beginning on page 17.

Schedule of Budget vs. Actual

This schedule reports the actual results of the agency's activities during the current fiscal year as compared to the budget adopted by the CTB. In the current quarter, the schedule compares the budget for the first two quarters of the fiscal year (July 1 – December 31) with the actual expenditures for the first two quarters of FY 2015 using a cash basis of accounting. For transit programs, the current year estimates are off by 16% through December 31, as compared to a 42% variance at the same time last year. The prior year variance was mainly due to delays in contracting with grantees. In the rail programs, the current year expenditures are off by 24% compared to the prior year's variance of 4% as of December 31.

Schedule of Budget vs. Actual						
As of December 31, 2014						
(\$ in Millions)						
	Adopted FY 2015	Estimated as of 12/31/2014	Actual as of 12/31/2014	Variance	Percentage Change	Notes
Public Transportation Programs						
Operating Assistance	\$ 194.5	\$ 100.6	\$ 97.9	\$ 2.7	2.7%	
Capital Assistance	253.3	109.0	78.6	30.4	27.9%	A
Special Programs	1.5	0.6	0.5	0.1	16.7%	
Total	449.3	210.2	177.0	33.2	15.8%	
Rail Assistance Programs						
Rail Preservation Programs	9.9	1.3	3.3	(2.0)	-153.8%	
Rail Industrial Access	1.2	0.3	0.4	(0.1)	-33.3%	
Passenger and Freight Rail Programs	87.6	33.9	23.4	10.5	31.0%	B
Total	98.7	35.5	27.1	8.4	23.7%	
Commuter Assistance Programs	8.8	5.3	4.6	0.7	13.2%	
Human Service Transportation Pgm	8.7	7.4	6.9	0.5	6.8%	
Planning, Regulation, & Safety Pgm	7.8	4.7	2.4	2.3	48.9%	
Agency Operating Budget	10.3	5.5	3.2	2.3	41.8%	
Agency Total	\$ 583.6	\$ 268.6	\$ 221.2	\$ 47.4	17.6%	

Note: Any variances of \$5.8 million (1% of the total budget) AND 15% are explained.

Variance notes:

(A) Capital Assistance expenditures were \$30.4 million, or 27.9% less than the estimate provided in the annual CTB budget. The following project specific details help to explain the total variance for Capital Assistance expenditures.

- Debt service payments for FY 2014 for Metro Matters of \$2.1 million were anticipated to be paid by the second quarter of FY 2015, but were actually paid just prior to the end of the fourth quarter of FY 2014. Debt service payments for FY 2015 for Metro Matters of \$1.6 million was anticipated to be paid by December 31, 2014. These payments should be invoiced by June 30, 2015.
- Arlington County, Fairfax County, and the City of Alexandria had \$5.3 million of bus purchases that were anticipated to be invoiced in the first two quarters of FY 2015. The Arlington County and City of Alexandria buses were delivered in October 2014 and should be paid in the third quarter of FY 2015. The Fairfax County buses have been ordered, but not delivered.
- The Virginia Railway Express (VRE) track lease payments for FY 2014 and FY 2015 totaling \$4.0 million were expected to be invoiced by the second quarter of FY 2015. One payment totaling \$1.4 million was invoiced and paid early in the third quarter of FY 2015. The remaining amount is expected to be invoiced and paid by the end of FY 2015.
- NVTC was expected to invoice \$3.1 million for WMATA's FY 2015 Capital Improvement Program by December 31, 2014. Spending has lagged behind the estimate but the funds should be spent by the end of the fiscal year.
- Arlington County was expected to invoice \$3.0 million for the construction of rail facilities by December 31, 2014. Construction has been underway for several months now and construction should be complete by the end of FY 2015.
- Arlington County was expected to invoice \$2.7 million for real estate that will be used for a bus facility by December 31, 2014. They are still coordinating to purchase the real estate, but it may not happen prior to the end of FY 2015.
- Arlington County has two bus facilities totaling \$2.5 million that were expected to be invoiced by December 31, 2014. The procurement process to select a contractor has begun on one of the facilities. The second facility has been delayed due to a problem with purchasing the land.
- Fairfax County has \$1.6 million of anticipated ITS Hardware and Software purchases that were anticipated to be invoiced by December 31, 2014. The process is moving slower than anticipated and they have indicated they will be requesting a one year extension for the grant.
- The remaining variance is due to multiple smaller projects lagging behind the estimated cash flows for a variety of reasons.

(B) Passenger and Freight Rail expenditures were \$10.5 million, or 31.0% less than the estimate in the budget. Expenditures for the six intercity passenger trains were \$11.0 million below the estimate due to delays in invoicing by Amtrak and accumulated credits of approximately \$4 million that will offset expenditures when billed. The Intercity Passenger Rail Operating and Capital (IPROC) expenditures are behind because the Roanoke extension capital

agreement was not signed until January 2014. Work has started, and the project has begun billing. Rail Enhancement projects were \$0.5 million above the estimate which is due to differences in various projects.

It is important to note that DRPT's reliance on our transportation partners for accurate information will impact the accuracy of our budgeted expenditures. The vast majority of the DRPT budgeted expenditures are initiated by a reimbursement request from one of our project partners who controls the actual project development. As such, DRPT must gather information from these partners about the timing of almost 2,000 projects in order to estimate cash basis expenditures each year. Based on this operating format for DRPT, a variance of up to 15% would not be unreasonable. Ultimately, the goal for DRPT will be to work with our project partners to attain a variance of 10% or less by each year end.

Resources and Commitments

The Schedule of Resources and Commitments outlines the Department’s financial assets and obligations, which are reported by Rail and Transit. The current year totals are compared to the prior year balances and any substantial variances are explained. This schedule is supported by a reconciliation of current and prior year resources and the related allocations of those resources to various projects by the CTB. It utilizes the modified accrual basis of accounting and is similar to a balance sheet. The schedule also provides an indication of the utilization and collection efforts of DRPT’s resources (assets).

DRPT resources include cash and receivables for expenditures made, as well as all anticipated collections of revenues that will be used to fund the DRPT projects that are allocated in current and prior year SYIPs. These anticipated collections are included because the commitments include the remaining balance of all active DRPT projects with SYIP allocation in FY 2015 and prior. The balances shown in the report are based on the Final Six Year Improvement Program that was approved by the CTB in November 2014. More information about each of the line items in the schedule can be found in the glossary.

The key output of the Schedule of Resources and Commitments is the detail of unobligated funds that are currently available to fund rail and transit projects. The remaining funds (“Funds Available”) are discussed in more detail on the following page.

Schedule of Resources and Commitments				
As of December 31, 2014				
(\$ in Millions)				
	12/31/2014			12/31/2013
	Rail	Transit	Total	Total
Resources				
Cash	\$ 179.3	\$ 48.6	\$ 227.9	\$ 239.7
Estimated Revenues - FY 2015	33.9	110.7	144.6	170.7
Accounts Receivable	3.6	4.0	7.6	4.1
Bonds Receivable	2.3	16.2	18.5	14.5
Anticipated Bond Proceeds	54.9	182.9	237.8	210.2
Anticipated Reimbursement from VDOT	2.6	15.4	18.0	19.3
Anticipated Reimbursement from FEDS	114.2	52.4	166.6	-
Total Resources (A)	390.8	430.2	821.0	658.5
Commitments				
Transit & TDM Commitments	-	413.0	413.0	357.2
Rail Commitments	325.1	-	325.1	153.9
Due to VDOT	0.7	0.1	0.8	0.8
Total Commitments (B)	325.8	413.1	738.9	511.9
Funds Available	\$ 65.0	\$ 17.1	\$ 82.1	\$ 146.6

Variance Notes

(A) Total Resources increased by \$162.5 million from the \$658.5 million reported last year at December 31, 2013. This change is mainly due to federal resources totaling \$166.6 million that were not included in the December 31, 2013 report. These funds were not previously reported because of staffing and time constraints in meeting the quarterly reporting deadline.

(B) Total Commitments increased by \$227.0 million. Federal commitments totaling \$153.0 million were not included in the December 31, 2013 report for the reasons discussed above. The remainder of the increase is due to the improvements needed for the Roanoke Passenger Rail extension and timing differences between years.

Funds Available

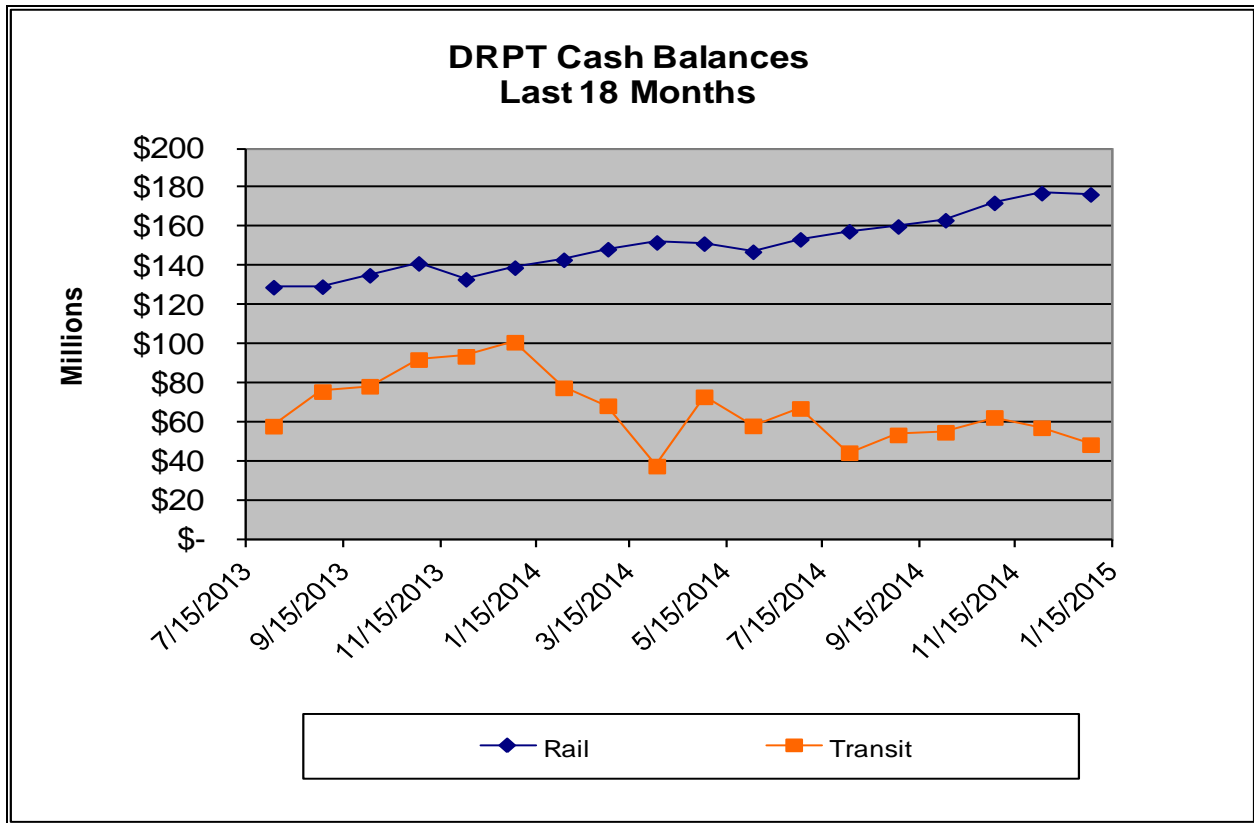
The following schedule outlines the Department's available balances after meeting all current commitments. These balances are available to fund new projects within the parameters mandated by the Code of Virginia for each separate source. Please see the glossary for a more detailed explanation of each of the schedule line items.

Schedule of Available Balances				
As of December 31, 2014				
(\$ in Millions)				
	12/31/2014			12/31/2013
	Rail	Transit	Total	Total
Unobligated Passenger Rail Funds	\$ 49.6	\$ -	\$ 49.6	\$ 60.9
Unobligated Rail Enhancement Funds	12.6	-	12.6	25.3
Unobligated Rail Preservation Funds	0.5	-	0.5	2.7
Unobligated VTA 2000 Funds	2.3	-	2.3	4.5
Unobligated Mass Transit Trust Funds	-	(9.3)	(9.3)	23.2
Operating and Capital Reserve	-	6.8	6.8	-
Unobligated Transit Bonds	-	5.9	5.9	26.5
Unobligated Federal Funds	-	13.6	13.6	-
Unobligated Transit Other	-	0.1	0.1	3.5
Total Funds Available	\$ 65.0	\$ 17.1	\$ 82.1	\$ 146.6

The total funds available decreased by \$64.5 million from last year to this year and there are a number of reasons that contribute to this decrease. Passenger Rail available balances decreased due to FY 2015 allocations, which included the Roanoke Passenger Service extension project, exceeding the current year revenues. Rail Enhancement available balances also decreased due to FY 2015 allocations exceeding current year revenues.

The unobligated Mass Transit Trust Funds decreased by \$32.5 million over the last year. The FY 2014 allocation of the HB 2313 capital revenues of the Mass Transit Trust Fund was not included in the FY 2014 SYIP. A new capital allocation methodology was approved by the CTB in December 2013 and \$15.9 million of FY 2014 allocations were included in the FY 2015 SYIP. Additionally, the available balance of Mass Transit Trust Funds decreased by \$14.2 million due to a revenue shortfall in FY 2014. Transit Bonds balances decreased mainly due to using bonds to cover capital costs to allow a portion of the capital share of the Mass Transit Trust Fund to be used to cover operating decreases caused by the decline in revenue estimates.

Cash Balances and Working Cash Needs



DRPT’s cash balances for both rail and transit are depicted in a trend analysis over the last 18 months in the preceding chart. The rail cash balances have been fairly constant around \$140 million with a gradual increasing trend reflected over the past 12 months due to the new revenue collections for passenger rail from HB 2313.

The transit cash balances have fluctuated significantly over the past 18 months. At the beginning of FY 2014, an allocation methodology for the HB 2313 funds had to be developed and implemented. This methodology was developed by the Transit Service Delivery Advisory Committee (TSDAC) and approved by CTB in 2013. In January 2014, the new operating funding was disbursed based on the new allocation formula, and the transit cash balance returned

to its anticipated level at the end of February 2014. During March, several large disbursements on projects funded with CPR bonds were made and remained outstanding as a bond receivable at March 31. This caused the ending cash balance to fall below the working needs level, but payment was received from VDOT in April 2014 which prevented this from being anything other than a normal timing issue. A similar issue occurred in December and we expect to receive payment for the bonds receivable from VDOT in January 2015.

The following table calculates the working cash needs for rail and transit using the current annual CTB adopted budget. DRPT has determined that two months of working cash is sufficient for transit, while six months of working cash is needed for rail, as these projects are usually larger and span a longer time period. The rail cash balance continues to far exceed the estimating working needs. This is due to several projects not advancing according to plan, and the accumulated IPROC unobligated balance. The Department is currently developing a rail resource allocation plan to align project needs with available resources to better utilize these funds.

<u>Working Cash Needs</u>		
	<u>Transit</u>	<u>Rail</u>
Annual Budget	\$ 474.6	\$ 98.7
Divided by 12 Months	÷12	÷12
Times Number of Months Reserve	<u>X 2</u>	<u>X 6</u>
Working Cash Needs	<u>79.1</u> *	<u>49.4</u> ^
Six Month Average Cash Balance	<u>53.2</u>	<u>167.8</u>
Excess / (Shortfall)	<u>\$ (25.9)</u>	<u>\$ 118.4</u>
* - 60 days cash reserve		
^ - 180 days cash reserve		

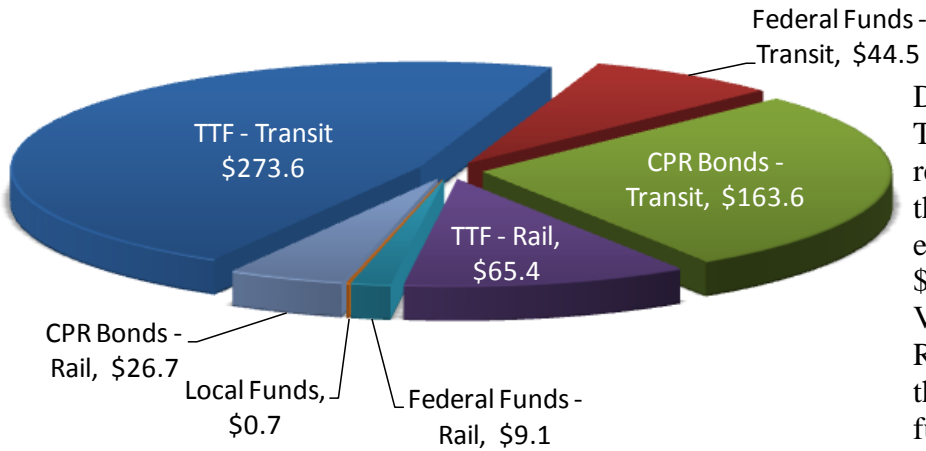
Receivables

DRPT has accounts receivable from VDOT for numerous small projects that are paid on a reimbursement basis using highway funds. The bonds receivable will be collected from VDOT as they function as the trustee for the bond issuance proceeds. The aging of DRPT's receivables is not a significant concern as of December 31, 2014, as the greater than 90 days balance is due from VDOT, and the two agencies continue to work together to resolve the outstanding billings.

	<u>0-30 days</u>	<u>31-90 days</u>	<u>> 90 days</u>	<u>Total</u>
Accounts Receivable	\$ 4.2	\$ 0.4	\$ 3.0	\$ 7.6
Bonds Receivable	\$ 18.5	\$ -	\$ -	\$ 18.5

The remainder of this report provides some background on the annual CTB budget and highlights our largest partners by funding disbursed.

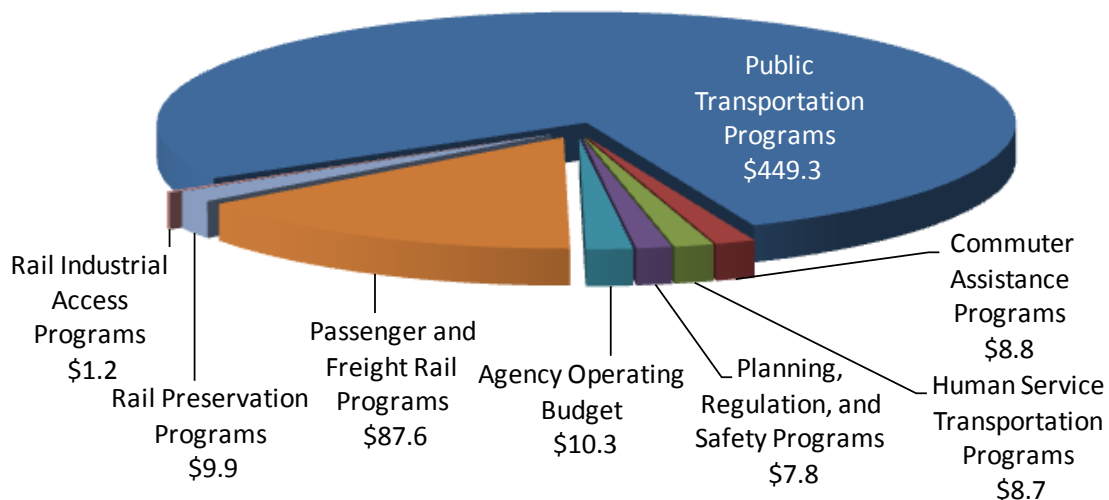
**DRPT Funding for Budgeted Expenditures – FY 2015
\$583.6 Million**



The major sources of funds for the DRPT budget are depicted in this chart. This does not represent the estimated revenues for FY 2015; instead, it shows the sources of funding for the budgeted expenditures for the year. For example, \$137.3 million of Commonwealth of Virginia Transportation Capital Projects Revenue Bonds is allocated to transit in the FY 2015 SYIP, but the budget and the funding sources statement includes \$163.6 million of projected expenditures for FY 2015. This is the result of the two to three year lag on some transit capital projects between the SYIP allocation and the timing of the actual expenditures.

**DRPT Budgeted Expenditures – FY 2015
\$583.6 Million**

In FY 2015, DRPT anticipates spending \$583.6 million of federal, state, and local funds compared to \$548.1 million in FY 2014. The increase of \$35.5 million results primarily from an increase in the Public Transportation Program for capital projects. This increase results from transit capital funding of \$33.7 million from the passage of House Bill 2313 and allocations being more closely aligned with anticipated cash flows. The FY 2015 DRPT budget will be accounted for utilizing the agency’s eight service areas, including: Public Transportation Programs; Commuter Assistance Programs; Human Service Transportation Programs; Rail Preservation Programs; Passenger and Freight Rail Programs; Rail Industrial Access Programs; Planning, Regulation and Safety Programs; and General Management and Direction (operating budget). The adjacent chart depicts the DRPT budget.



Payments to Grantees

The following is a list of grantees that have received payments totaling \$1 million or more in the first six months of the current fiscal year. This list provides an indication of the wide variety of project partners that DRPT works with to accomplish its transportation goals.

NVTC – WMATA	\$ 72.9
WMATA – PRIIA	36.5
Norfolk Southern Railway	13.4
Hampton Roads Transit	10.8
NVTC - County of Fairfax	9.7
NVTC - Virginia Railway Express	6.9
Greater Richmond Transit Company	5.7
Potomac Rappahannock Transportation Commission	4.7
County of Loudoun (OTS)	4.4
NVTC - County of Arlington	4.2
NVTC - City of Alexandria	3.9
Bay Transit	2.7
JAUNT, Inc.	2.4
CSX	2.2
Greater Roanoke Transit Company	2.2
Buckingham Branch RR	1.7
Town of Blacksburg	1.5
Charlottesville Transit	1.3
Norfolk and Portsmouth Belt Line RR Company	1.2
City of Harrisonburg	1.1
Greater Lynchburg Transit Company	1.0
UHSTS (RADAR) – Roanoke County	1.0
VRTA – Staunton District	1.0
Mountain Empire Older Citizens	1.0
Williamsburg Area Transport	1.0

Glossary of Schedule Line Items

1. Accounts Receivable: Expenditures incurred on projects funded by VDOT and the Federal Government that have not been reimbursed.
2. Anticipated Bond Proceeds: The balance remaining on bond funded projects that will be requested for reimbursement from VDOT when expenditures are incurred.
3. Anticipated Reimbursement from FEDS: The balance remaining on projects funded by the Federal government that will be requested for reimbursement when expenditures are incurred.
4. Anticipated Reimbursement from VDOT: The balance remaining on projects funded by VDOT that will be requested for reimbursement from VDOT when expenditures are incurred.
5. Bonds Receivable: Expenditures incurred on bond funded projects that have not been reimbursed by VDOT.
6. Due to VDOT: Rail Industrial Access funds collected from DRPT grantees that did not meet the performance requirements of their grant.
7. Estimated revenues: Revenues anticipated to be collected in the current fiscal year based on economic forecasts.
8. Rail Commitments: Obligations that have been approved by the Commonwealth Transportation Board or the Agency Director.
9. Transit and Transportation Demand Management (TDM) Commitments: Obligations that have been approved by the Commonwealth Transportation Board or the Agency Director.
10. Unobligated Federal Funds: Available federal funds that have not been allocated to a project or funds that remain on a project that has been completed.
11. Unobligated Mass Transit Trust Funds: Available balances in the Mass Transit Trust Fund. These balances can be comprised of funds that have not been allocated to a project or funds that remain on a project that has been completed.
12. Operating and Capital Reserve: Balance set aside of up to five percent of the Commonwealth Mass Transit Fund revenues above \$160 million to assure better stability in providing operating and capital funding to transit entities from year to year.

13. Unobligated Passenger Rail Funds: Available balances of the Intercity Passenger Rail Operating and Capital Fund (IPROC).
14. Unobligated Rail Enhancement Funds: Available balances of the Rail Enhancement Fund including bonds.
15. Unobligated Rail Preservation Funds: Available balances in the Rail Preservation fund including bonds.
16. Unobligated Transit Bonds: Available bond allocations that have not been allocated to a project or bond allocations that remain on a project that has been completed.
17. Unobligated Transit Other: Available balances related to other transit funding such as transportation demand management projects. It also includes the remaining balance of the up to three and one half percent that DRPT takes off the top to fund administration costs of the agency that is permitted by the Code and the Appropriation Act. Any unused balances are given back to the grantees the following year.
18. Unobligated VTA 2000 Funds: Available balances to fund the development of intercity passenger rail enhancements in the I-95 passenger rail corridor between Richmond and the District of Columbia.