



Virginia Department of Rail and Public Transportation

Quarterly Financial Report

March 31, 2016

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Executive Summary

This report provides the Commonwealth Transportation Board (CTB) and other interested parties an update regarding the Agency budget and the related 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 nine months of the fiscal year (July 1 – March 31) to the actual expenditures for the first three quarters of FY 2016 using a cash basis of accounting.

Department of Rail and Public Transportation					
Budget vs. Actual					
Fiscal Year 2016					
(\$ in Millions)					
	<u>FY 2016</u>	<u>9 Months</u>	<u>Actual</u>	<u>Variance</u>	<u>Percentage</u>
	<u>Budget</u>	<u>Budget</u>	<u>03/31/2016</u>		
Transit Programs	\$ 465.1	\$ 335.8	\$ 258.9	\$ 76.9	22.9%
Rail Programs	185.0	129.3	95.5	33.8	26.1%
Agency Operating Budget	12.1	9.1	6.2	2.9	31.9%
Agency Total	<u>\$ 662.2</u>	<u>\$ 474.2</u>	<u>\$ 360.6</u>	<u>\$ 113.6</u>	24.0%

The total variance of actual expenditures compared to the anticipated expenditures for the first three quarters of FY 2016 is 24.0% or \$113.6 million. For transit programs the fiscal year expenditures are below the estimate by 22.9% or \$76.9 million. These variances were largely due to the delay in WMATA capital improvement payments, the timing of bus purchases, and the delay in payments for facilities improvements. In the rail programs, the current year expenditures are below the estimate by 26.1% or \$33.8 million. Norfolk Southern projects and invoicing have been delayed due to a shift in company structure, and several large construction projects were delayed but are now underway. DRPT has set a threshold for detailed explanation of variances that are greater than \$6.6 million (1% of the Total Budget) AND 15% variance between the actual results and budget. Any detailed line items that meet this threshold are explained later in this report.

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

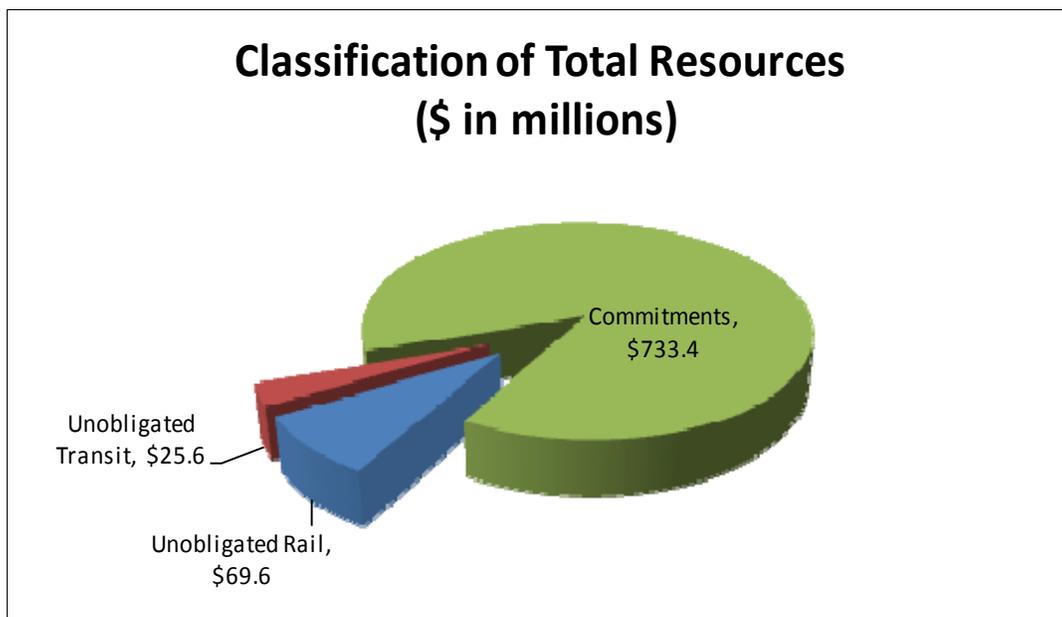
DRPT budgeted expenditures are initiated by a reimbursement request from one of our project partners who controls the actual project development. As such, DRPT must gather information from these partners about the timing of almost 2,000 projects in order to estimate cash basis expenditures each year. 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.

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 nine month period ended March 31, 2016, the total unobligated balance for all funds is \$95.2 million which includes \$69.6 million for the rail programs and \$25.6 million for the transit programs. The total unobligated balance is 11.5% of total resources as compared to 11.4% at March 31, 2015.



The majority of the rail programs balance (\$69.6 million) exists in the IPROC (\$45.3 million) and REF (\$21.9 million) programs. The IPROC program balance of \$45.3 million is due to the better than expected performance of the trains over the past several years and the one-time general fund transfer of \$28.7 million made in June 2012. Approximately \$26.0 million of the IPROC balance and \$16.0 million of the REF balance are needed for commitments in the out years of the FY 2017 Draft Six Year Improvement Program.

The transit programs balance (\$25.6 million) consists mainly of federal funds totaling \$9.7 million that have restrictions on their potential use, the \$6.8 million transit operating and capital reserve, and \$6.1 million of capital bonds.

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 first three quarters (July 1, 2015 - March 31, 2016) financial picture. For a definition of individual line items in the subsequent schedules, please consult the glossary beginning on page 18.

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 nine months of the fiscal year (July 1 – March 31) with the actual expenditures for the first three quarters of FY 2016 using a cash basis of accounting. For transit programs, the FY 2016 estimates are off by 22.9%, as compared to a 20.0% variance at the same time last year. In the rail programs, the current year expenditures are off by 26.1% compared to the prior year’s variance of 40.7% as of March 31.

Schedule of Budget vs. Actual						
As of March 31, 2016						
(\$ in Millions)						
	Adopted FY 2016	9 Months Budget	Actual 3/31/2016	Variance	Percentage Change	Notes
Public Transportation Programs						
Operating Assistance	\$ 192.1	\$ 145.8	\$ 142.0	\$ 3.8	2.6%	
Capital Assistance	242.4	163.8	95.3	68.5	41.8%	A
Special Programs	1.9	1.5	1.8	(0.3)	-20.0%	
Total	436.4	311.1	239.1	72.0	23.1%	
Commuter Assistance Programs	14.6	12.9	10.3	2.6	20.2%	
Human Service Transportation Pgm	8.0	6.8	5.6	1.2	17.6%	
Planning, Regulation, & Safety Pgm	6.1	5.0	3.9	1.1	22.0%	
Total Transit Programs	465.1	335.8	258.9	76.9	22.9%	
Rail Assistance Programs						
Rail Preservation Programs	16.6	9.4	5.0	4.4	46.8%	
Rail Industrial Access	2.1	2.1	0.3	1.8	85.7%	
Passenger and Freight Rail Programs	166.3	117.8	90.2	27.6	23.4%	B
Total	185.0	129.3	95.5	33.8	26.1%	
Agency Operating Budget	12.1	9.1	6.2	2.9	31.9%	
Agency Total	\$ 662.2	\$ 474.2	\$ 360.6	\$ 113.6	24.0%	

Note: Any variances of \$6.6 million (1% of the total budget) AND 15% are explained.

Variance notes:

(A) Transit Capital Assistance expenditures were \$68.5 million, or 41.8% less than the estimate provided in the CTB budget. The following project specific details help to explain the total variance:

- NVTC was expected to invoice \$35.3 million for WMATA’s FY 2016 Capital Improvement Program by March 31, 2016. Expenditures are normally billed and reconciled quarterly. All reimbursements were put on hold by NVTC until completion of the WMATA audit in the

Fall of 2015. Requests for FY 2016 capital payments are expected to be received in the fourth quarter.

- Greater Lynchburg Transit was expected to invoice an additional \$9.1 million for construction of an administrative and maintenance facility. Construction was delayed about six to nine months but the building is now under roof and construction is progressing.
- NVTC was expected to invoice \$7.5 million for WMATA's Eight Car Rail Expansion, but the new capital funding agreement was not completed as expected. WMATA executed a contract for rail cars but delivery will not occur for a few years. Progress on traction power upgrades required for eight car trains has been slowed by work on other state of good repair needs.
- Fairfax County was expected to invoice \$4.1 million for bus purchases by March 31. This purchase has been delayed until FY 2017.
- The City of Richmond was expected to invoice an additional \$3.5 million for Main Street Station. Delays were caused by utility problems and archeological discoveries. Construction is under way and regular requests for payments are being made and are expected to accelerate in the fourth quarter.
- Hampton Roads Transit was expected to invoice \$3.5 million related to the light rail extension project. The LRT vehicle procurement has been delayed leading to the variance.
- Hampton Roads Transit was expected to invoice an additional \$3.3 million related to bus overhauls. The project had vendor delays due to parts delivery. Regular payments are now being made.
- The Greater Richmond Transit Company was expected to invoice \$1.7 million for the Bus Rapid Transit project. City Council met and approved the project in February. The CTB presentation was made March 15, 2016 to authorize the VDOT Commissioner to sign the agreement. Payments are expected to begin in the fourth quarter.
- The remaining variance is due to multiple smaller projects that differ from the estimated cash flows for a variety of reasons.

(B) Passenger and Freight Rail expenditures were \$27.6 million, or 23.4% less than the estimate in the budget. The following project specific details help to explain the total variance for Passenger and Freight Rail expenditures:

- Norfolk Southern was expected to invoice \$11.1 million for several projects. The company has recently had a re-organization which has delayed projects and invoicing. As such, projects are moving along slower than expected and \$5.4 million potentially will be de-obligated.
- Expenditures to Norfolk Southern for the Lynchburg to Roanoke extension of service improvements were \$4.7 million less than expected due to delays caused by design issues. The project is now under construction.
- The DC2RVA project was expected to invoice an additional \$4.4 million. There have been delays due to Federal reviews and some costs have been deferred for later tasks. Additional attention has been given to Virginia rail improvement fast track projects.
- CSX was expected to invoice an additional \$2.5 million for the Virginia Avenue tunnel project. Construction was delayed but is now underway. Final invoicing is expected in the fourth quarter.

- Expenditures to NVTC for the VRE Spotsylvania third track extension were \$2.0 million less than expected due to previous delays caused by OSHA issues. The project is now moving forward appropriately.
- The remaining variance is due to multiple smaller projects lagging behind the estimated cash flows for a variety of reasons.

As stated earlier, 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 2016 and prior. 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 page 12.

Schedule of Resources and Commitments				
As of March 31, 2016				
(\$ in Millions)				
	3/31/2016			3/31/2015
	Rail	Transit	Total	Total
Resources				
Cash	\$ 232.6	\$ 78.6	\$ 311.2	\$ 243.9
Due from Other Funds	-	0.8	0.8	-
Estimated Revenues - FY 2016	30.2	83.1	113.3	69.7
Accounts Receivable	0.8	3.9	4.7	1.9
Bonds Receivable	-	17.0	17.0	28.4
Anticipated Bond Proceeds	48.3	129.4	177.7	159.7
Anticipated Reimbursement from VDOT	8.3	73.8	82.1	56.1
Anticipated Reimbursement from FEDA	72.1	49.7	121.8	159.0
Total Resources (A)	392.3	436.3	828.6	718.7
Commitments				
Transit & TDM Commitments	-	387.2	387.2	318.8
Rail Commitments	312.0	-	312.0	305.6
Due to VDOT	0.4	3.1	3.5	0.2
Due to Other Funds	0.8	-	0.8	-
Allocated in FY 2017 Draft SYIP	9.5	20.4	29.9	12.2
Total Commitments (B)	322.7	410.7	733.4	636.8
Funds Available	\$ 69.6	\$ 25.6	\$ 95.2	\$ 81.9

Variance Notes

(A) Total Resources increased by \$109.9 million from the \$718.7 million reported last year at March 31, 2015. Cash increased by \$67.3 million for several reasons. Cash in the Mass Transit Trust Fund increased by \$38.1 million mainly due to NVTC not invoicing \$35.3 million for WMATA's FY 2016 Capital Improvement Program. Expenditures are normally billed and reconciled quarterly. All reimbursements were put on hold by NVTC until completion of the WMATA audit in the Fall of 2015. Requests for FY 2016 capital payments are expected to be received in the fourth quarter which will show a corresponding decrease in cash. The revenues for the Intercity Passenger Rail Operating and Capital Fund (IPROC) have exceeded expenditures by \$22.5 million from the fourth quarter of FY 2015 through the third quarter of FY 2016 which caused an increase in cash. DRPT will be updating its Rail Resource Allocation Plan in 2016 to include the IPROC program, which will align project needs with available resources to better utilize these funds.

Estimated revenues increased by \$43.6 million from the last year due to several reasons. The estimate for DRPT's 14.7% of the Transportation Trust Fund increased by \$23.0 million, but FY 2016 collections through the third quarter were \$3.7 million higher for a net increase of \$19.3 million. The estimate for House Bill 2313 State Sales and Use tax increased by \$14.1 million in FY 2016, but FY 2016 collections through the third quarter were actually \$1.6 million lower than the prior year for an increase of \$15.7 million. Additionally, the revenue estimate for the HB 2313 State Sales and Use tax for the IPROC Fund increased by \$9.3 million while collections were consistent from year to year.

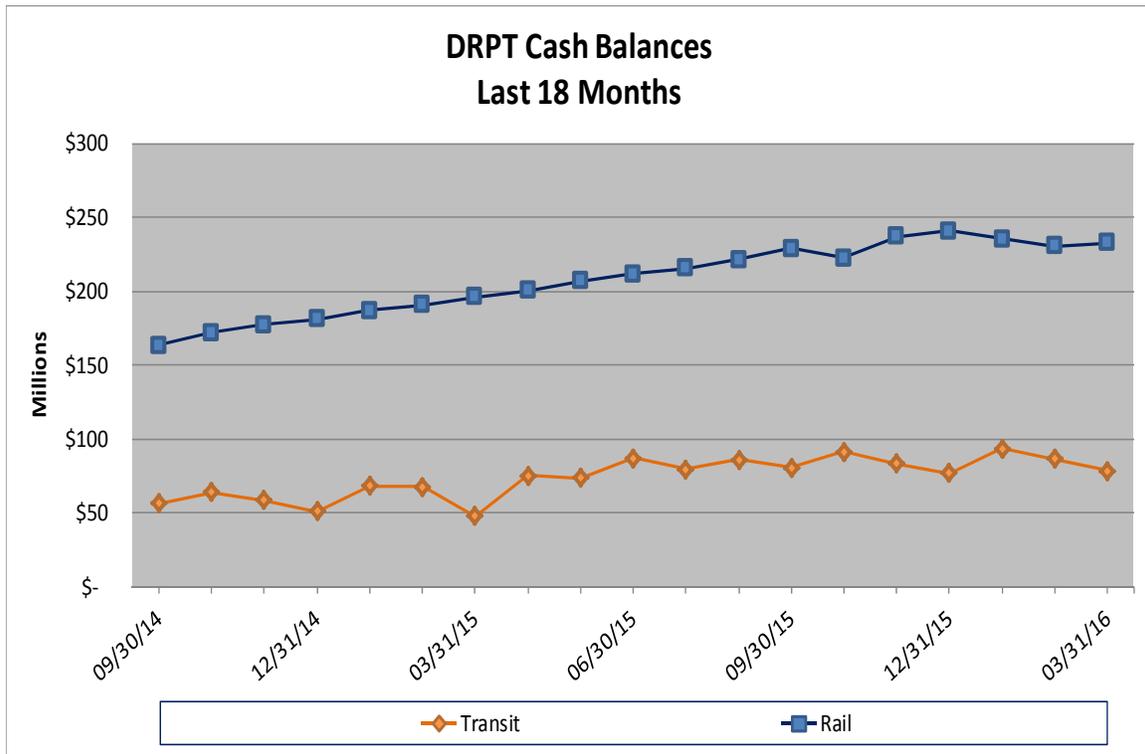
(B) Total Commitments increased by \$96.6 million. Transit & TDM commitments increased by \$68.4 million. As discussed above, \$35.3 million of WMATA's Capital Improvement Program commitments were not reimbursed by March 31, 2016 as expected. The remaining difference is due to an increase in estimated revenues and normal timing differences related to capital projects. The amount allocated in the Draft SYIP increased due to excess FY 2015 Mass Transit Trust Fund revenues that are being carried forward in the FY 2017 Draft SYIP.

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 March 31, 2016					
(\$ in Millions)					
	3/31/2016			3/31/2015	Variance
	Rail	Transit	Total	Total	
Unobligated Passenger Rail Funds	\$ 49.0	\$ -	\$ 49.0	\$ 57.2	\$ (8.2)
Unobligated Rail Enhancement Funds	21.9	-	21.9	13.2	8.7
Unobligated Rail Preservation Funds	0.4	-	0.4	2.9	(2.5)
Unobligated VDOT TTF	3.6	-	3.6	-	3.6
Unobligated VTA 2000 Funds	2.0	-	2.0	1.9	0.1
Unobligated Mass Transit Trust Funds	-	19.3	19.3	(9.2)	28.5
Operating and Capital Reserve	-	6.8	6.8	6.8	-
Unobligated Transit Bonds	-	6.1	6.1	7.2	(1.1)
Unobligated Federal Funds	2.2	13.6	15.8	13.8	2.0
Unobligated Transit Other	-	0.2	0.2	0.3	(0.1)
Total Funds Available	79.1	46.0	125.1	94.1	31.0
Allocated in FY 2017 SYIP	(9.5)	(20.4)	(29.9)	(12.2)	(17.7)
Net Funds Available	\$ 69.6	\$ 25.6	\$ 95.2	\$ 81.9	\$ 13.3

The total funds available increased by \$31.0 million from last year to this year. The unobligated Mass Transit Trust Funds increased by \$28.5 million over the prior year. There was an actual shortfall from FY 2014 of \$11.8 million that was included as a reduction to the FY 2015 estimated revenues. At financial close of FY 2015, actual revenues exceeded the estimate by \$16.6 million after paying excess revenues to the Priority Transportation Fund. The remaining difference is due to small changes in various funds.

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 a gradual increasing trend reflected over the past 18 months due to the new revenue collections for passenger rail from HB 2313, and the lead time required to develop the associated new rail program.

Transit cash balances remained fairly constant through March 2016 except for timing differences related to bonds receivable balances and their subsequent collection. During December 2014 and March 2015 the Department had significant outstanding bonds receivable balances that were received in January and April respectively. The impact is seen as a decline in cash in December and March and a spike in the following months. Cash in the Mass Transit Trust Fund increased by \$16.6 million by the end of June 2015 due to excess revenues that were collected in FY 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 estimated working needs. This is due to several projects not advancing according to plan, and the accumulated IPROC unobligated balance. The planned update to the Rail Resource Allocation Plan will result in a better utilization of these funds.

Working Cash Needs		
As of March 31, 2016		
(\$ in Millions)		
	<u>Transit</u>	<u>Rail</u>
Annual Budget	\$ 474.0	\$ 188.2
Divided by 12 Months	÷12	÷12
Times Number of Months Reserve	<u>X 2</u>	<u>X 6</u>
Working Cash Needs	<u>79.0 (A)</u>	<u>94.1 (B)</u>
Six Month Average Cash Balance	<u>85.0</u>	<u>233.1</u>
Excess / (Shortfall)	<u>\$ 6.0</u>	<u>\$ 139.0</u>
(A) - 60 days cash reserve		
(B) - 180 days cash reserve		

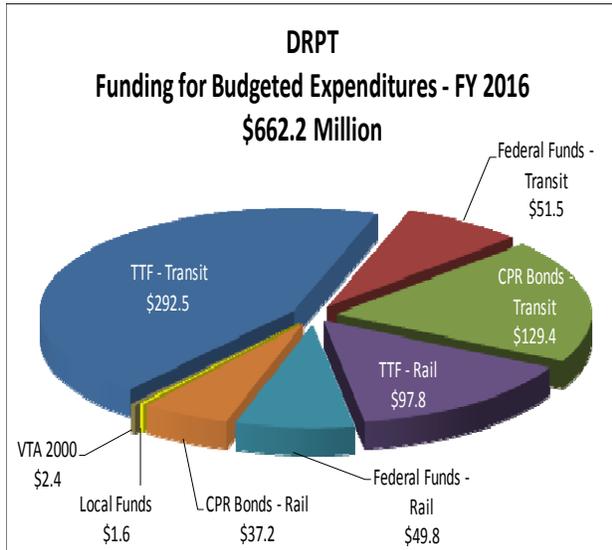
Receivables

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 March 31, 2016, as the greater than 365 days balance is due from VDOT, and the two agencies continue to work together to resolve the outstanding billings.

Schedule of Receivables						
As of March 31, 2016						
(\$ in Millions)						
	<u>0-30 days</u>	<u>31-90 days</u>	<u>> 90 days</u>	<u>> 365 days</u>	<u>Total</u>	
Accounts Receivable	\$ 2.9	\$ 1.4	\$ 0.2	\$ 0.2	\$ 4.7	
Bonds Receivable	\$ 17.0	\$ -	\$ -	\$ -	\$ 17.0	

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

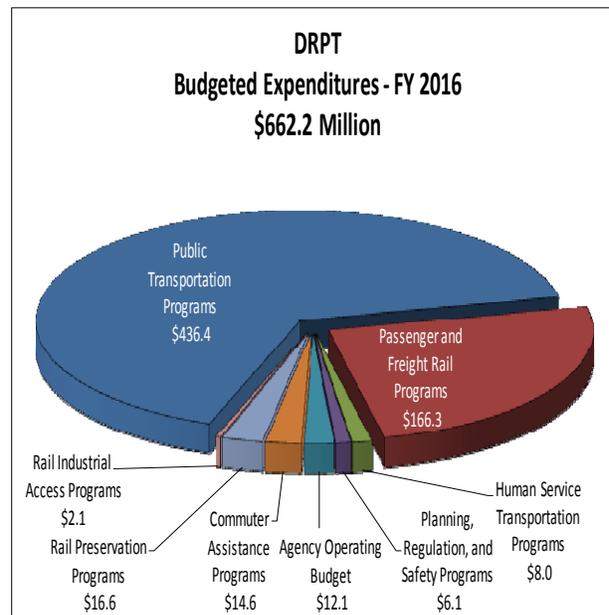
Funding for Budgeted Expenditures FY 2016



The major sources of funds for the \$662.2 million DRPT budget are depicted in this chart. This does not represent the estimated revenues for FY 2016; instead, it shows the sources of funding for the budgeted expenditures for the year. For example, \$118.9 million of Commonwealth of Virginia Transportation Capital Projects Revenue Bonds is allocated to transit in the FY 2016 SYIP, but the budget and the funding sources statement includes \$129.4 million of projected expenditures for FY 2016. 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.

Budgeted Expenditures FY 2016

In FY 2016, DRPT anticipates spending \$662.2 million of federal, state, and local funds compared to \$583.6 million in FY 2015. The increase of \$78.6 million results primarily because several large projects are entering project phases in FY 2016 that will require much larger outlays than in FY 2015. The FY 2016 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).



Payments to Grantees

The following is a list of grantees that have received payments totaling \$1 million or more during FY 2016. This list provides an indication of the wide variety of project partners that DRPT works with to accomplish its transportation goals.

WMATA - NVTC	\$ 75.0
WMATA PRIIA	49.5
Hampton Roads Transit	27.4
NVTC - Virginia Railway Express	22.0
NVTC - County of Fairfax	17.4
NVTC - County of Arlington	14.4
CSX	12.9
Norfolk Southern Railway	11.9
Greater Richmond Transit Company	7.0
Greater Lynchburg Transit Company	6.4
National Railroad Passenger Corp. (Amtrak)	5.7
Potomac Rappahannock Transportation Commission	5.7
Buckingham Branch RR	4.2
NVTC - City of Alexandria	3.4
JAUNT, Inc	2.8
County of Loudoun (OTS)	2.3
Bay Transit	1.9
Greater Roanoke Transit Company	1.8
Appalachian Agency for Senior Citizens	1.7
Mountain Empire Older Citizens	1.5
Charlottesville Transit	1.5
Williamsburg Area Transport	1.4
Va Regional Transportation Association	1.3
Town of Blacksburg	1.2
Danville Transit	1.2

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: Revenue collected in excess of the estimate in the Mass Transit Trust Fund that is due to the Priority Transportation Fund.
7. Estimated revenues: Remaining 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.