



Virginia Department of Rail and Public Transportation

Quarterly Financial Report

September 30, 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 using a cash basis of accounting. In the current quarter, the schedule compares the budget for the first quarter of the fiscal year (July 1 – September 30) to the actual expenditures for the first quarter of FY 2017 using a cash basis of accounting.

Department of Rail and Public Transportation					
Budget vs. Actual					
Fiscal Year 2017					
(\$ in Millions)					
	<u>FY 2017</u>	<u>3 Months</u>	<u>Actual</u>	<u>Variance</u>	<u>Percentage</u>
	<u>Budget</u>	<u>Budget</u>	<u>09/30/2016</u>		
Transit Programs	\$ 500.5	\$ 110.0	\$ 95.6	\$ 14.4	13.1%
Rail Programs	219.4	52.8	36.3	16.5	31.3%
Agency Operating Budget	13.4	3.3	2.7	0.6	18.2%
Agency Total	<u>\$ 733.3</u>	<u>\$ 166.1</u>	<u>\$ 134.6</u>	<u>\$ 31.5</u>	19.0%

The total variance of actual expenditures compared to the anticipated expenditures for the first quarter of FY 2017 is 19.0% or \$31.5 million. For transit programs the fiscal year expenditures are below the estimate by 13.1% or \$14.4 million. These variances were largely due to the delay by NVTC in invoicing capital improvement payments, the timing of bus purchases and overhauls, and the delay in payments for facilities construction and improvements. These were partially offset by a \$12.4 million PRIIA payment to WMATA not being paid until the first quarter of FY 2016. The quarterly payment is normally paid prior to the beginning of the quarter. This was due to a delay in signing the grant agreement.

In the rail programs, the current year expenditures are below the estimate by 31.3% or \$16.5 million. These variances were primarily due to the delay in billing on the Lynchburg to Roanoke, ACCA Yard, and Virginia Port Authority projects. DRPT has set a threshold for detailed explanation of variances that are greater than \$7.3 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.

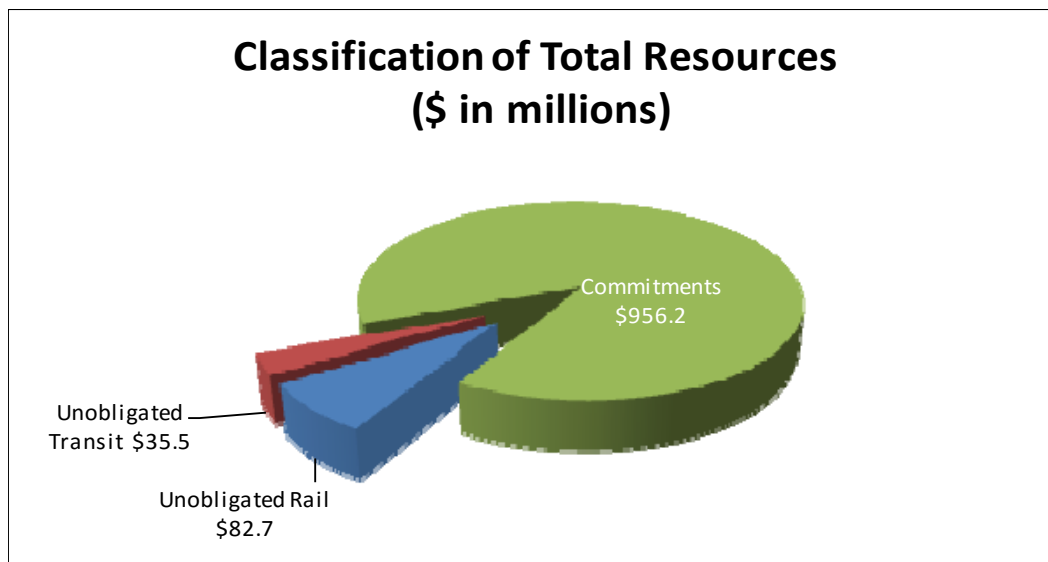
It is important to note that DRPT's reliance on our transportation partners for accurate information will impact the accuracy of our budgeted expenditures. The vast majority of the DRPT budgeted expenditures are initiated by a reimbursement request from one of our project partners who controls the actual 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 unique allocation parameters govern the allowable use of the unobligated balances.

For the quarter ended September 30, 2016, the total unobligated balance for all funds is \$118.2 million which includes \$82.7 million for the rail programs and \$35.5 million for the transit programs. The total unobligated balance is 11.0% of total resources as compared to 11.3% at September 30, 2015.



The majority of the rail programs balance (\$82.7 million) exists in the IPROC (\$39.6 million) and REF (\$41.8 million) programs. The IPROC program balance of \$39.6 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. There was a shortfall of \$5.8 million of IPROC revenues in FY 2016. Unobligated balances were reduced by the revenue shortfall. A significant amount of the IPROC and REF balances are needed for commitments in the out years of the FY 2017 Six Year Improvement Program.

The transit programs balance (\$35.5 million) consists mainly of federal funds totaling \$11.4 million that have restrictions on their potential use, the \$10.0 million transit operating and capital reserve, and \$16.6 million of capital bonds. In addition, there was a \$7.2 million shortfall in DRPT's 14.7% of the Transportation Trust Fund revenue for FY 2016. Unobligated balances were reduced by the revenue shortfall to the extent possible. The remainder of the shortfall will be covered by the reserve or will be deducted from the estimated revenue in FY 2018 before allocations are made.

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 quarter (July 1, 2016 - September 30, 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 quarter of the fiscal year (July 1 – September 30) with the actual expenditures for the first quarter of FY 2017 using a cash basis of accounting. For transit programs, the FY 2017 estimates are off by 13.1%, as compared to a 23.7% variance at the same time last year. In the rail programs, the current year expenditures are off by 31.3% compared to the prior year’s variance of 38.0% as of September 30th.

Schedule of Budget vs. Actual						
As of September 30, 2016						
(\$ in Millions)						
	Adopted FY 2017	3 Months Budget	Actual 9/30/2016	Variance	Percentage Variance	Notes
Public Transportation Programs						
Operating Assistance	\$ 217.1	\$ 56.7	\$ 48.2	\$ 8.5	15.0%	A
Capital Assistance	252.0	46.9	37.1	9.8	20.9%	B
Special Programs	2.1	0.6	0.7	(0.1)	-16.7%	
Total	471.2	104.2	86.0	18.2	17.5%	
Commuter Assistance Programs	9.6	2.4	4.0	(1.6)	-66.7%	
Human Service Transportation Pgm	13.7	1.8	4.3	(2.5)	-138.9%	
Planning, Regulation, & Safety Pgm	6.0	1.6	1.3	0.3	18.8%	
Total Transit Programs	500.5	110.0	95.6	14.4	13.1%	
Rail Assistance Programs						
Rail Preservation Programs	6.0	1.2	0.9	0.3	25.0%	
Rail Industrial Access	1.9	-	(0.4)	0.4	-100.0%	
Passenger and Freight Rail Programs	211.5	51.6	35.8	15.8	30.6%	C
Total	219.4	52.8	36.3	16.5	31.3%	
Agency Operating Budget	13.4	3.3	2.7	0.6	18.2%	
Agency Total	\$ 733.3	\$ 166.1	\$ 134.6	\$ 31.5	19.0%	

Note: Any variances of \$7.3 million (1% of the total budget) AND 15% are explained.

Variance notes:

(A) Transit Operating Assistance expenditures were \$8.5 million, or 15.0% less than the estimate provided in the CTB budget. The following project specific details help to explain the total variance:

- NVTC locations including Arlington County, City of Alexandria, City of Fairfax, and County of Fairfax had not yet signed and executed their operating agreements as of

September 30, 2016. Additional operating funds of \$5.9 million are expected to be paid in the second quarter.

- Virginia Regional Transit and Bay Aging were expected to request \$0.5 million and \$0.4 million of operating funds in the first quarter respectively, but these funds will not be requested until the second quarter.
- The remaining variance is due to several smaller operating drawdowns that were expected in the first quarter but will not be made until the second quarter.

(B) Transit Capital Assistance expenditures were \$9.8 million, or 20.9% less than the estimate provided in the CTB budget. The following project specific details help to explain the total variance:

- WMATA invoiced \$15.0 million more than expected for PRIIA funding. The quarterly payment is normally paid prior to the beginning of the quarter. There was a delay in signing the FY 2016 agreement which resulted in the FY 2016 first quarter payment of \$12.4 million being made in July rather than June.
- NVTC was expected to invoice \$8.1 million for WMATA's FY 2017 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 2016.
- Hampton Roads Transit was expected to invoice an additional \$5.2 million related to bus purchases and overhauls, trolleys, ferries, and facilities. The projects are expected to be completed between December 2016 and March 2017.
- NVTC was expected to invoice \$1.7 million for various capital projects for Arlington, the City of Alexandria, Fairfax County, and VRE. Some projects are partially delayed.
- VRE was expected to invoice \$1.6 million more for track lease payments in the first quarter. Payments are expected to be made in the second quarter.
- The Greater Richmond Transit Company was expected to invoice \$1.2 million for the Bus Rapid Transit project. The project is proceeding forward. A design/build firm and consultants have been hired. Invoicing is expected in the second quarter.
- Greater Lynchburg Transit was expected to invoice an additional \$1.0 million for construction of an administrative and maintenance facility. Construction was delayed about six to nine months but the building is now under roof. The building is expected to be completed by December 2016 with move in scheduled for February 2017.
- The remaining variance is due to many smaller projects that differ from the estimated cash flows for a variety of reasons.

(C) Passenger and Freight Rail expenditures were \$15.8 million, or 30.6% less than the estimate in the budget. The following project specific details help to explain the total variance for Passenger and Freight Rail expenditures:

- Expenditures to Norfolk Southern for the Lynchburg to Roanoke extension of service improvements were \$5.4 million less than expected due to prior delays caused by design issues. Billing is expected in the second quarter.
- Expenditures to CSX for the ACCA Yard improvements were \$5.1 million less than expected. The project is moving forward and billing is expected in the second quarter.

- The Virginia Port Authority was expected to invoice \$4.4 million for port rail improvements. Negotiations between the Port Authority and Commonwealth Railway have resulted in delays and extra administrative requirements. The project is expected to move forward in the second quarter with invoicing beginning in the third quarter.
- The remaining variance is due to several smaller projects that differ from 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, broken down 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 anticipated expenditures, 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 2017 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 September 30, 2016				
(\$ in Millions)				
	9/30/2016			9/30/2015
	Rail	Transit	Total	Total
Resources				
Cash	\$ 236.0	\$ 83.9	\$ 319.9	\$ 309.0
Estimated Revenues - FY 2017	58.3	240.4	298.7	272.9
Accounts Receivable	1.4	3.0	4.4	4.3
Bonds Receivable	0.4	14.7	15.1	12.4
Anticipated Bond Proceeds	56.7	181.3	238.0	229.8
Anticipated Reimbursement-VDOT	-	73.8	73.8	73.3
Anticipated Reimbursement-Federal	64.8	59.7	124.5	158.6
Total Resources (A)	417.6	656.8	1,074.4	1,060.3
Commitments				
Transit & TDM Commitments	-	621.3	621.3	559.0
Rail Commitments	334.4	-	334.4	378.3
Due to VDOT	0.5	-	0.5	3.3
Total Commitments (B)	334.9	621.3	956.2	940.6
Funds Available	\$ 82.7	\$ 35.5	\$ 118.2	\$ 119.7

Variance Notes

(A) Total Resources increased by \$14.1 million from the \$1,060.3 million reported last year at September 30, 2015. A majority of this increase was additional capital assistance provided by HB 1887. Sales tax on fuel and recordation tax increased FY 2017 revenue estimates by \$48.2 million. This is offset by reductions in Anticipated-Federal Reimbursements of \$34.1 million mainly due to payments of \$33.0 million for the Arkendale to Powell's Creek rail project reimbursed through a one-time Federal grant.

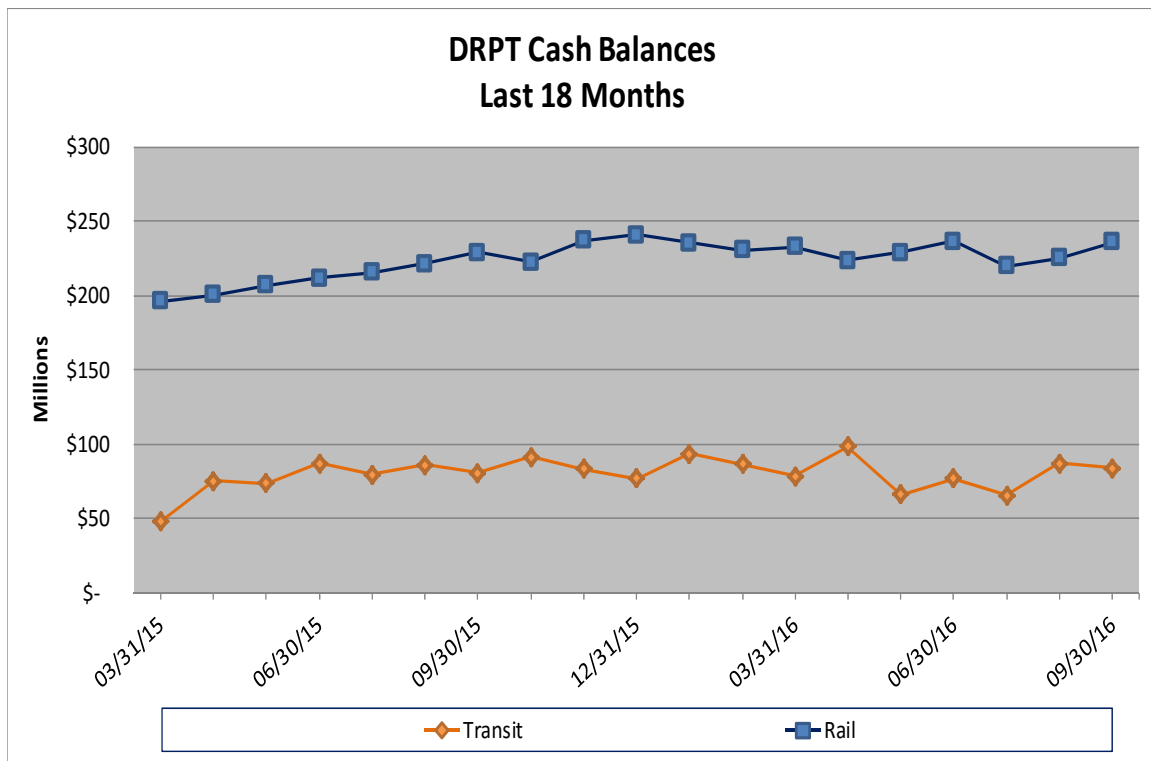
(B) Total Commitments increased by \$15.6 million. Transit commitments increased by \$62.3 million. This was mainly due to the addition of FY 2017 capital commitments funded by the new HB1887 revenues. Rail commitments decreased by \$43.9 million mainly due to payments of \$33 million for the Arkendale to Powell's Creek rail project reimbursed through a one-time Federal grant. As noted in the explanation of unobligated funds, a significant amount of the available Rail funds are needed for commitments expected in the out years of the FY 2017 Six Year Improvement Program.

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 September 30, 2016					
(\$ in Millions)					
	9/30/2016			9/30/2015	Variance
	Rail	Transit	Total	Total	
Unobligated Passenger Rail Funds	\$ 39.6	\$ -	\$ 39.6	\$ 58.8	\$ (19.2)
Unobligated Rail Enhancement Funds	41.8	-	41.8	19.1	22.7
Unobligated Rail Preservation Funds	1.3	-	1.3	0.1	1.2
Unobligated VTA 2000 Funds	-	-	-	2.0	(2.0)
Unobligated Mass Transit Trust Funds	-	(2.5)	(2.5)	18.2	(20.7)
Operating and Capital Reserve	-	10.0	10.0	6.8	3.2
Unobligated Transit Bonds	-	16.6	16.6	1.6	15.0
Unobligated Federal Funds	-	11.4	11.4	13.0	(1.6)
Unobligated Transit Other	-	-	-	0.1	(0.1)
Total Funds Available	\$ 82.7	\$ 35.5	\$ 118.2	\$ 119.7	\$ (1.5)

The total funds available decreased by \$1.5 million from last year to this year. The Unobligated Passenger Rail Funds decreased by \$19.2 million. This included a revenue shortfall in the IPROC fund of \$5.8 million at the end of FY 2016 that reduced unobligated funds. A significant amount of the available Rail funds are needed for commitments in the out years of the FY 2017 Six Year Improvement Program. The Unobligated Mass Transit Trust Funds decreased by \$20.7 million over the prior year. There was a revenue shortfall at the end of FY 2016 of \$7.2 million. Unobligated balances were reduced by the revenue shortfall which causes this category of unobligated fund balance to be negative in this report. This remaining shortfall will be covered by the reserve or will be deducted from the estimated revenue in FY 2018 before allocations are made.

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 September 2016 except for timing differences related to bonds receivable balances and their subsequent collection. During March 2015 and December 2015 the Department had significant outstanding bonds receivable balances that were received in April 2015 and January 2016 respectively. The impact is seen as a decline in cash in March and December and a spike in April and January. Cash balances were higher than usual in April 2016 due to delays in WMATA requesting reimbursement for their capital grants. These capital payments were made in May 2016 and cash balances returned to normal levels. June 2016 outstanding bond receivables were received in August resulting in spike in cash.

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. Much of the excess rail cash balance is needed in the out years of the FY 2017 SYIP.

Working Cash Needs		
As of September 30, 2016		
(\$ in Millions)		
	<u>Transit</u>	<u>Rail</u>
Annual Budget	\$ 509.8	\$ 223.5
Divided by 12 Months	÷12	÷12
Times Number of Months Reserve	<u>X 2</u>	<u>X 6</u>
Working Cash Needs	<u>85.0 (A)</u>	<u>111.8 (B)</u>
Six Month Average Cash Balance	<u>79.6</u>	<u>228.2</u>
Excess / (Shortfall)	<u>\$ (5.4)</u>	<u>\$ 116.4</u>
(A) - 60 days cash reserve		
(B) - 180 days cash reserve		

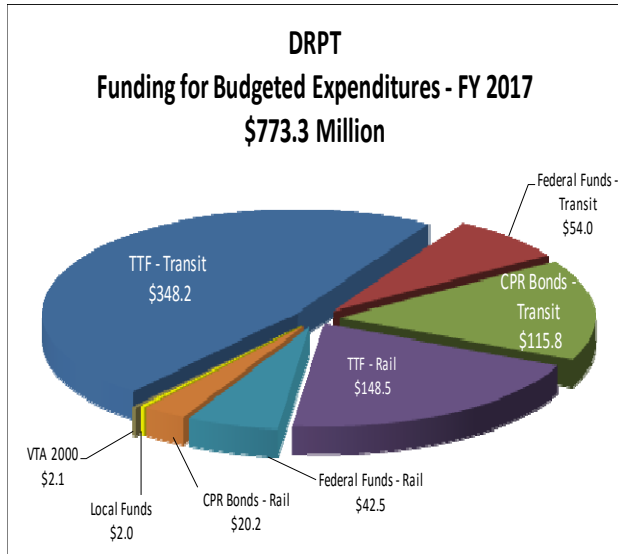
Receivables

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 September 30, 2016, as the majority of the 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>> 365 days</u>	<u>Total</u>
Accounts Receivable	\$ 3.9	\$ 0.5	\$ -	\$ -	\$ 4.4
Bonds Receivable	\$ 15.1	\$ -	\$ -	\$ -	\$ 15.1

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

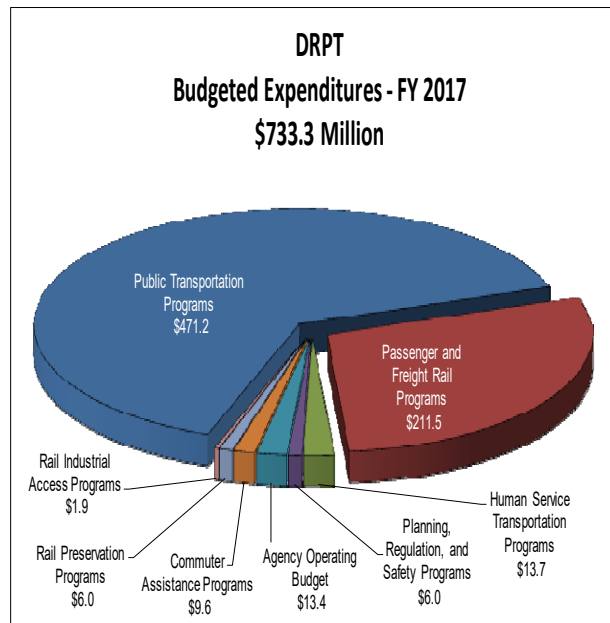
Funding for Budgeted Expenditures FY 2017



The major sources of funds for the \$773.3 million DRPT budget are depicted in this chart. This does not represent the estimated revenues for FY 2017; instead, it shows the sources of funding for the budgeted expenditures for the year. For example, \$106.6 million of Commonwealth of Virginia Transportation Capital Projects Revenue Bonds is allocated to transit in the FY 2017 SYIP, but the budget and the funding sources statement includes \$115.8 million of projected expenditures for FY 2017. 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 2017

In FY 2017, DRPT anticipates spending \$773.3 million of federal, state, and local funds compared to \$662.2 million in FY 2016. The increase of \$111.1 million results primarily because several large projects are entering project phases in FY 2017 that will require much larger outlays than in FY 2016. The FY 2017 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 \$400 thousand or more during FY 2017. This list provides an indication of the wide variety of project partners that DRPT works with to accomplish its transportation goals.

WMATA - NVTC	\$ 27.2
WMATA - PRIIA	25.8
National Railroad Passenger Corp. (Amtrak)	15.0
Norfolk Southern Railway	7.9
CSX	7.3
Hampton Roads Transit	7.2
NVTC - Virginia Railway Express	4.4
NVTC - County of Arlington	3.8
Greater Lynchburg Transit Company	3.6
Greater Richmond Transit Company	2.7
County of Loudoun (OTS)	1.9
Potomac Rappahannock Transportation Commission	1.9
City of Richmond	1.5
Danville Transit	1.3
JAUNT, Inc	1.0
Bay Transit	1.0
Buckingham Branch RR	0.9
NVTC - County of Fairfax	0.9
Williamsburg Area Transport	0.7
Town of Blacksburg	0.7
Greater Roanoke Transit Company	0.6
Charlottesville Transit	0.5
UHSTS (RADAR) - Roanoke County	0.4
City of Radford	0.4
Va Regional Transportation Association	0.4
Rappahannock Area Agency on Aging	0.4

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: Funds received in advance from VDOT for Rail Industrial Access projects that were completed under budget or did not move forward as anticipated.
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.