



Virginia Department of Rail and Public Transportation

Quarterly Financial Report

March 31, 2017

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Executive Summary

This report provides the Commonwealth Transportation Board (CTB) and other interested parties a quarterly update on the financial status of resources administered by DRPT. The report includes an analysis of the annual budget, as well as a snapshot of DRPT's financial position at quarter end. The cash balances, resources, commitments, and funds available for allocation are reviewed for the transit and rail programs.

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 nine months of the fiscal year (July 1 – March 31) to the actual expenditures for the first three quarters 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>Budget</u>	<u>9 Months</u> <u>Budget</u>	<u>Actual</u> <u>3/31/2017</u>	<u>Variance</u>	<u>Percentage</u>
Transit Programs	\$ 500.5	\$ 354.0	\$ 294.0	\$ 60.0	16.9%
Rail Programs	219.4	160.1	88.8	71.3	44.5%
Agency Operating Budget	13.4	10.0	8.3	1.7	17.0%
Agency Total	<u>\$ 733.3</u>	<u>\$ 524.1</u>	<u>\$ 391.1</u>	<u>\$ 133.0</u>	25.4%

The total variance of actual expenditures compared to the anticipated expenditures for the first three quarters of FY 2017 is 25.4% or \$133.0 million. For transit programs the fiscal year expenditures are below the estimate by 16.9% or \$60.0 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.

In the rail programs, the current year expenditures are below the estimate by 44.5% or \$71.3 million. These variances were primarily due to the delay in billing on the Lynchburg to Roanoke extension of service 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.

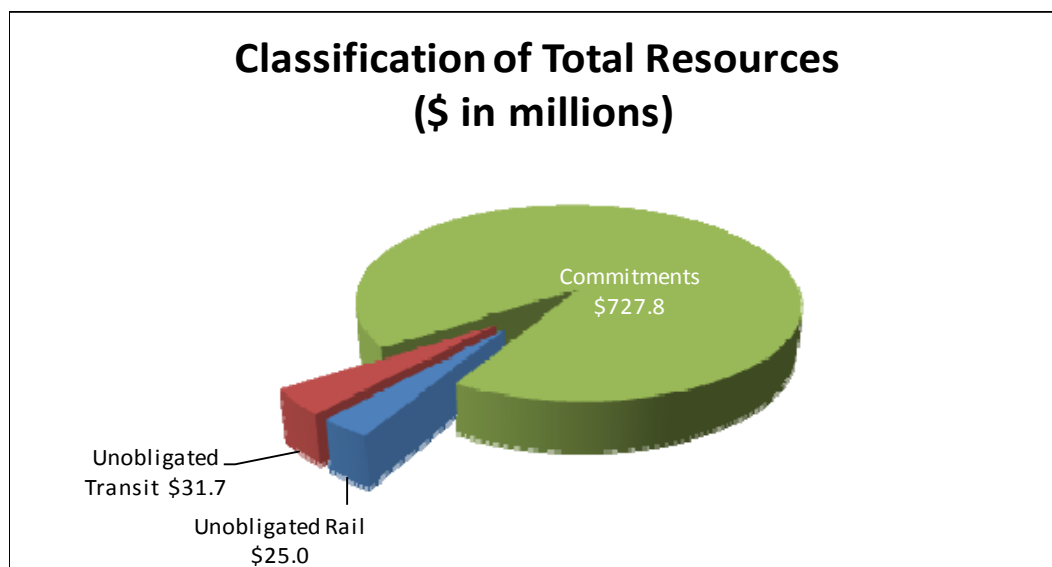
It is important to note that DRPT's reliance on our transportation partners for accurate information will impact the accuracy of our budgeted expenditures. The vast majority of the DRPT budgeted expenditures are initiated by a reimbursement request from one of our project partners who controls the actual 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 nine month period ended March 31, 2017, the total unobligated balance for all funds is \$56.7 million which includes \$25.0 million for the rail programs and \$31.7 million for the transit programs. The total unobligated balance is 7.2% of total resources as compared to 11.5% at March 31, 2016.



The majority of the rail programs balance (\$25.0 million) exists in the REF program (\$15.2 million). Due to economic uncertainties, the railroads are currently reluctant to commit to freight rail projects too far into the future which has caused the demand for the REF program to diminish.

The transit programs balance (\$31.7 million) consists mainly of federal funds totaling \$9.5 million that have restrictions on their potential use, \$4.4 million of transit operating and capital reserve, and \$14.7 million of capital bonds. The transit operating and capital reserve has been reduced by \$5.6 million as it is anticipated that these funds will be used for transit operating allocations in the FY 2018 SYIP.

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, 2016 – March 31, 2017) 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 2017 using a cash basis of accounting. For transit programs, the FY 2017 estimates are off by 16.9%, as compared to a 22.9% variance at the same time last year. In the rail programs, the current year expenditures are off by 44.5% compared to the prior year’s variance of 26.1% as of March 31.

Schedule of Budget vs. Actual						
As of March 31, 2017						
(\$ in Millions)						
	Adopted FY 2017	9 Months Budget	Actual 3/31/2017	Variance	Percentage Variance	Notes
Public Transportation Programs						
Operating Assistance	\$ 217.1	\$ 163.7	\$ 159.7	\$ 4.0	2.4%	
Capital Assistance	252.0	166.5	113.2	53.3	32.0%	A
Special Programs	2.1	1.7	1.4	0.3	17.6%	
Total	471.2	331.9	274.3	57.6	17.4%	
Commuter Assistance Programs	9.6	8.0	8.4	(0.4)	-5.0%	
Human Service Transportation Pgm	13.7	9.2	7.6	1.6	17.4%	
Planning, Regulation, & Safety Pgm	6.0	4.9	3.7	1.2	24.5%	
Total Transit Programs	500.5	354.0	294.0	60.0	16.9%	
Rail Assistance Programs						
Rail Preservation Programs	6.0	4.6	5.5	(0.9)	-19.6%	
Rail Industrial Access	1.9	-	1.3	(1.3)	-100.0%	
Passenger and Freight Rail Programs	211.5	155.5	82.0	73.5	47.3%	B
Total	219.4	160.1	88.8	71.3	44.5%	
Agency Operating Budget	13.4	10.0	8.3	1.7	17.0%	
Agency Total	\$ 733.3	\$ 524.1	\$ 391.1	\$ 133.0	25.4%	

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

Variance notes:

(A) Transit Capital Assistance expenditures were \$53.3 million, or 32.0% less than the estimate provided in the CTB budget. The following project specific details help to explain the total variance:

- Expenditures for NVTC WMATA’s Capital Improvement Program were \$9.2 million less than expected. Expenditures are normally billed and reconciled quarterly. All

reimbursements were put on hold by NVTC until completion of the WMATA audit in November 2016. NVTC is waiting for a reconciliation from WMATA for \$8.2 million of capital expenses and the remaining \$1.0 million has been deobligated.

- NVTC WMATA was expected to invoice an additional \$6.5 million for buses and spare parts. DRPT will pay the invoice in April 2017.
- The Greater Richmond Transit Company was expected to invoice an additional \$6.5 million for the Bus Rapid Transit program, but expenditures are lagging behind the schedule.
- Hampton Roads Transit was expected to invoice an additional \$6.3 million related to bus purchases and overhauls, trolleys, ferries, and facilities. Federal funding is pending on \$4.6 million of the projects, \$1.2 million is expected to be paid in the fourth quarter of FY 2017, and \$0.5 million was paid in the prior fiscal year.
- The City of Virginia Beach was expected to invoice \$5.9 million for the Virginia Beach Light Rail project. This project has been cancelled and there will be no future reimbursements.
- NVTC was expected to invoice an additional \$5.2 million for the VRE replacement rail cars. The remaining balance is for retainage which will be paid upon the expiration of the warranty period in early 2018.
- The City of Alexandria was expected to invoice an additional \$4.1 million for replacement and expansion buses. Invoices are expected to be paid in the fourth quarter of FY 2017.
- Greater Lynchburg Transit was expected to invoice an additional \$3.8 million for construction of an administrative and maintenance facility. Construction was delayed about six to nine months but the building is now completed. Move in is expected in April and final invoices are expected to be paid in the fourth quarter of FY 2017.
- The City of Richmond was expected to invoice an additional \$3.1 million for the Main St Station. The project has been granted an extension with a new end date of December 31, 2017.
- VRE was expected to invoice an additional \$1.6 million for track lease payments. Invoices from Amtrak and CSX are behind leading to a lag in reimbursement by DRPT.
- The remaining variance is due to many smaller projects that differ from the estimated cash flows for a variety of reasons.

(B) Passenger and Freight Rail expenditures were \$73.5 million, or 47.3% 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 \$28.6 million less than expected due to prior delays caused by design issues. The project is underway and increases in billings are expected throughout the remainder of the fiscal year and into the beginning of the next fiscal year.
- The Virginia Port Authority was expected to invoice \$13.3 million for port rail improvements. Negotiations between the Port Authority and Commonwealth Railway have resulted in delays. The APMT Intermodal yard program (\$5.7 million) is no longer moving forward and is being deobligated. The NIT central rail yard expansion project (\$6.3 million) draft agreement is being reviewed by the Attorney General's Office. Invoicing should begin

in FY 2018. The Port of Richmond rail improvements project (\$1.3 million) is on schedule and invoicing is expected in the fourth quarter of FY 2017.

- Expenditures for Amtrak operating expenses were \$5.5 million dollars less than expected due to delays with Amtrak billing. Invoices from Amtrak are now being processed monthly.
- Expenditures to CSX for Quantico and Potomac Shores platform were \$5.0 million less than expected due to delays finalizing the agreement. Billing is expected to begin in the fourth quarter of FY 2017.
- Expenditures for the Amtrak Staples Mill parking lot expansion project were \$3.3 million less than expected. Construction is expected to begin in FY 2018.
- Expenditures for the VRE Potomac Shores platform were \$3.3 million less than expected due to delays in finalizing the agreement.
- Expenditures for the City of Newport News station platform project were \$3.0 million less than expected due to delays in finalizing the funding agreement.
- Expenditures to Norfolk Southern for the Clark siding project are \$2.9 million less than expected. The project may be deobligated by Norfolk Southern due to declining demand on the corridor.
- Expenditures for the DC2RVA study were \$1.9 million less than expected. The project has been delayed due to delays in receiving railroad data and additional review time required by the Federal Railroad Administration.
- 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 March 31, 2017				
(\$ in Millions)				
	3/31/2017			3/31/2016
	Rail	Transit	Total	Total
Resources				
Cash	\$ 236.9	\$ 75.7	\$ 312.6	\$ 311.2
Due from Other Funds	-	-	-	0.8
Estimated Revenues - FY 2017	21.7	94.3	116.0	113.3
Accounts Receivable	3.5	1.9	5.4	4.7
Bonds Receivable	2.3	11.0	13.3	17.0
Anticipated Bond Proceeds	48.6	155.1	203.7	177.7
Anticipated Reimbursement-VDOT	1.7	36.2	37.9	82.1
Anticipated Reimbursement-Federal	50.9	44.7	95.6	121.8
Total Resources (A)	365.6	418.9	784.5	828.6
Commitments				
Transit & TDM Commitments	-	362.5	362.5	387.2
Rail Commitments	276.1	-	276.1	312.0
Due to VDOT	0.6	-	0.6	3.5
Due to Other Funds	-	-	-	0.8
Allocated in FY 2018 SYIP	63.9	24.7	88.6	29.9
Total Commitments (B)	340.6	387.2	727.8	733.4
Funds Available	\$ 25.0	\$ 31.7	\$ 56.7	\$ 95.2

Variance Notes

(A) Total Resources decreased by \$44.1 million from the \$828.6 million reported last year at March 31, 2016. The cancellation of the Virginia Beach Light Rail Project resulted in a decrease of \$53.1 million anticipated reimbursements from VDOT. Anticipated Federal Reimbursements decreased by \$26.2 million mainly due to payments of \$21.9 million for the Arkendale to Powell's Creek rail project reimbursed through a one-time Federal grant. This was offset by an increase in anticipated bond proceeds of \$26.0 million caused by the timing of capital projects.

(B) Total Commitments decreased by \$5.6 million. Transit commitments decreased by \$24.7 million. This was mainly due to the cancellation of the Virginia Beach Light Rail Project, but was partially offset by the addition of FY 2017 capital commitments funded by the new HB1887 revenues. Rail commitments decreased by \$35.9 million mainly due to payments of \$21.9 million for the Arkendale to Powell's Creek rail project reimbursed through a one-time Federal grant.

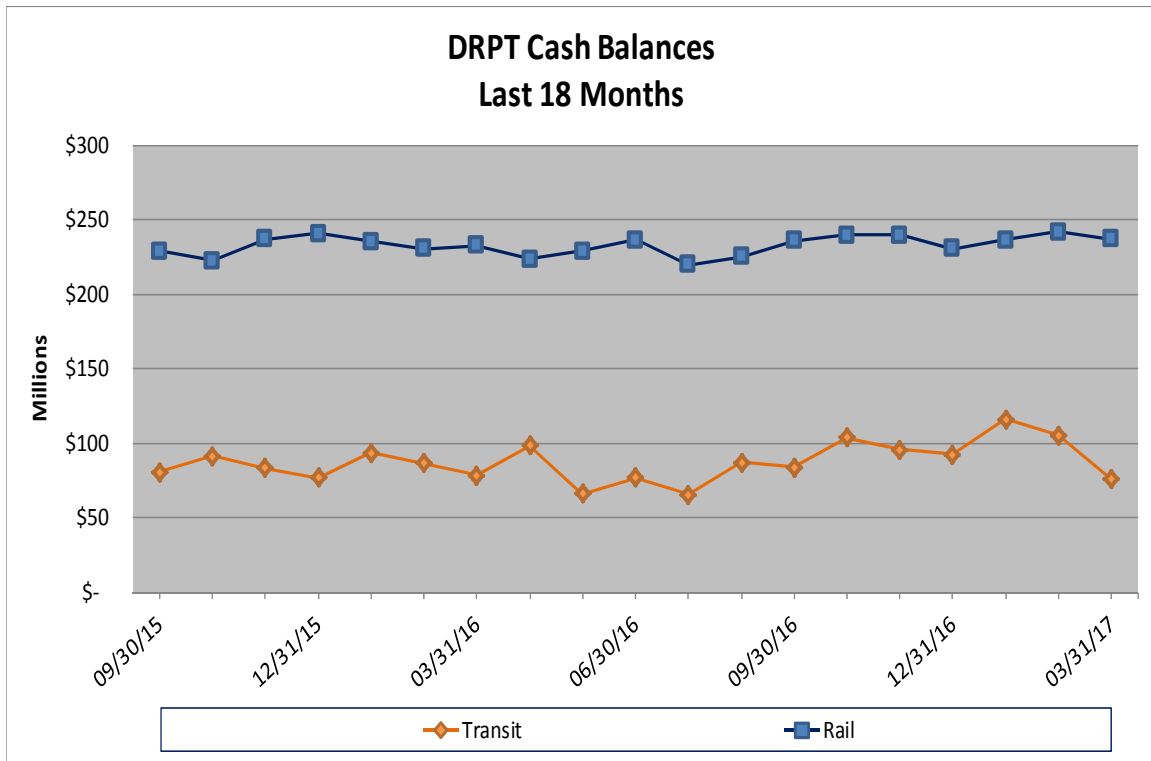
Funds Available

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, 2017					
(\$ in Millions)					
	3/31/2017			3/31/2016	Variance
	Rail	Transit	Total	Total	
Unobligated Passenger Rail Funds	\$ -	\$ -	\$ -	\$ 49.0	\$ (49.0)
Unobligated Rail Enhancement Funds	15.2	-	15.2	21.9	(6.7)
Unobligated Rail Preservation Funds	2.9	-	2.9	0.4	2.5
Rail Project Contingency	6.9	-	6.9	-	6.9
Unobligated VDOT TTF	-	-	-	3.6	(3.6)
Unobligated VTA 2000 Funds	-	-	-	2.0	(2.0)
Unobligated Mass Transit Trust Funds	-	3.1	3.1	19.3	(16.2)
Operating and Capital Reserve	-	4.4	4.4	6.8	(2.4)
Unobligated Transit Bonds	-	14.7	14.7	6.1	8.6
Unobligated Federal Funds	-	9.5	9.5	15.8	(6.3)
Unobligated Transit Other	-	-	-	0.2	(0.2)
Total Funds Available	\$ 25.0	\$ 31.7	\$ 56.7	\$ 125.1	\$ (68.4)

The total funds available decreased by \$68.4 million from last year to this year. The Unobligated Passenger Rail Funds decreased by \$49.0 million because they are needed for FY 2018 Six Year Improvement Program allocations. The Unobligated Mass Transit Trust Funds decreased by \$16.2 million over the prior year. At financial close of FY 2015, actual revenues exceeded the estimate by \$16.6 million after paying excess revenues to the Priority Transportation Fund.

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 remained consistent through March 2017.

Transit cash balances remained fairly constant through March 2017 except for timing differences related to bonds receivable balances and their subsequent collection. The Department has significant outstanding bond receivable balances at the end of each quarter. The impact is seen as a decline in cash at the end of each quarter and a subsequent spike in the following month when bond proceeds are received. 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.

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 excess rail cash balance is needed in the out years of the FY 2018 Six Year Improvement Program.

Working Cash Needs As of March 31, 2017 (\$ 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>98.3</u>	<u>237.4</u>
Excess / (Shortfall)	<u>\$ 13.3</u>	<u>\$ 125.6</u>
(A) - 60 days cash reserve (B) - 180 days cash reserve		

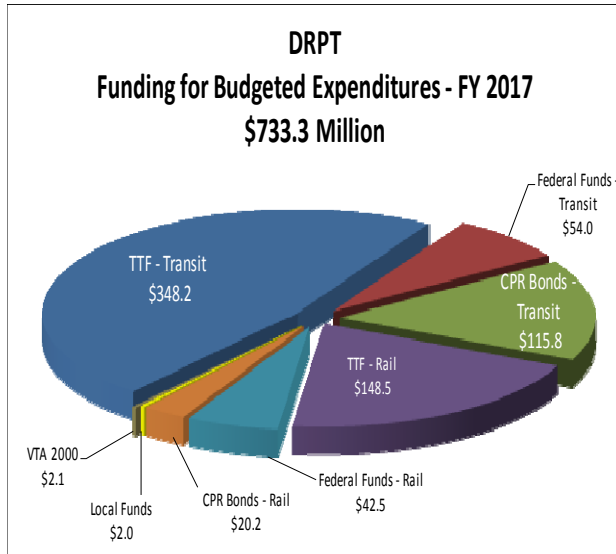
Receivables

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, 2017, as the majority of the 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, 2017						
(\$ 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	\$ 4.1	\$ 0.1	\$ 1.2	\$ -	\$	5.4
Bonds Receivable	\$ 13.3	\$ -	\$ -	\$ -	\$	13.3

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

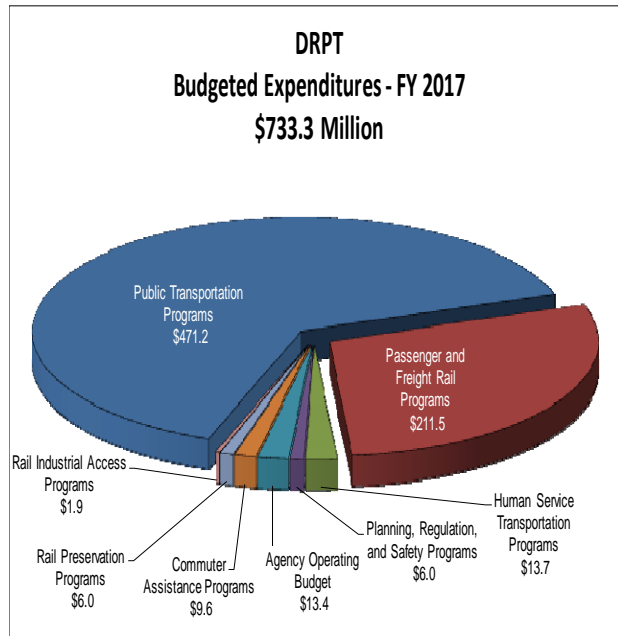
**Funding for Budgeted Expenditures
FY 2017**



The major sources of funds for the \$733.3 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 \$733.3 million of federal, state, and local funds compared to \$662.2 million in FY 2016. The increase of \$71.1 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 \$1.0 million 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	\$ 105.4
WMATA PRIIA	45.6
CSX	31.1
Hampton Roads Transit	21.7
Norfolk Southern Railway	21.2
NVTC - County of Fairfax	17.7
National Railroad Passenger Corp. (Amtrak)	17.1
NVTC - Virginia Railway Express	15.4
Greater Richmond Transit Company	12.4
Greater Lynchburg Transit Company	9.4
NVTC - County of Arlington	9.0
Potomac Rappahannock Transportation Commission	7.4
Buckingham Branch RR	4.3
County of Loudoun (OTS)	3.8
NVTC - City of Alexandria	3.7
City of Harrisonburg	3.0
Bay Transit	2.6
City of Richmond	2.5
JAUNT, Inc	2.3
Williamsburg Area Transport	2.2
Greater Roanoke Transit Company	1.9
District III Governmental Cooperative	1.7
Va Regional Transportation Association	1.7
Town of Blacksburg	1.7
Appalachian Agency for Senior Citizens	1.6
Danville Transit	1.5
UHSTS (RADAR) - Roanoke County	1.4
Mountain Empire Older Citizens	1.4
Charlottesville Transit	1.3

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.