



Virginia Department of Rail and Public Transportation

# **Quarterly Financial Report**

**September 30, 2017**

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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 2018 using a cash basis of accounting.

Department of Rail and Public Transportation Budget vs. Actual Fiscal Year 2018 (\$ in Millions)					
	FY 2018 Budget	3 Months Budget	Actual 9/30/2017	Variance	Percentage
Transit Programs	\$ 458.4	\$ 125.3	\$ 93.0	\$ 32.3	25.8%
Rail Programs	216.7	63.6	36.1	27.5	43.2%
Agency Operating Budget	13.9	3.5	2.3	1.2	34.3%
<b>Agency Total</b>	<b><u>\$ 689.0</u></b>	<b><u>\$ 192.4</u></b>	<b><u>\$ 131.4</u></b>	<b><u>\$ 61.0</u></b>	<b>31.7%</b>

The total variance of actual expenditures compared to the anticipated expenditures for the first quarter of FY 2018 is 31.7% or \$61.0 million. For transit programs the fiscal year expenditures are below the estimate by 25.8% or \$32.3 million. These variances were largely due to reduced NVTC capital improvement payments, delays in the GRTC Bus Rapid Transit project, 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 43.2% or \$27.5 million. These variances were primarily due to the delay in billing on the Lynchburg to

Roanoke, Lynchburg to Alexandria, DC2RVA, and Atlantic Gateway projects. DRPT has set a threshold for detailed explanation of variances that are greater than \$6.9 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.

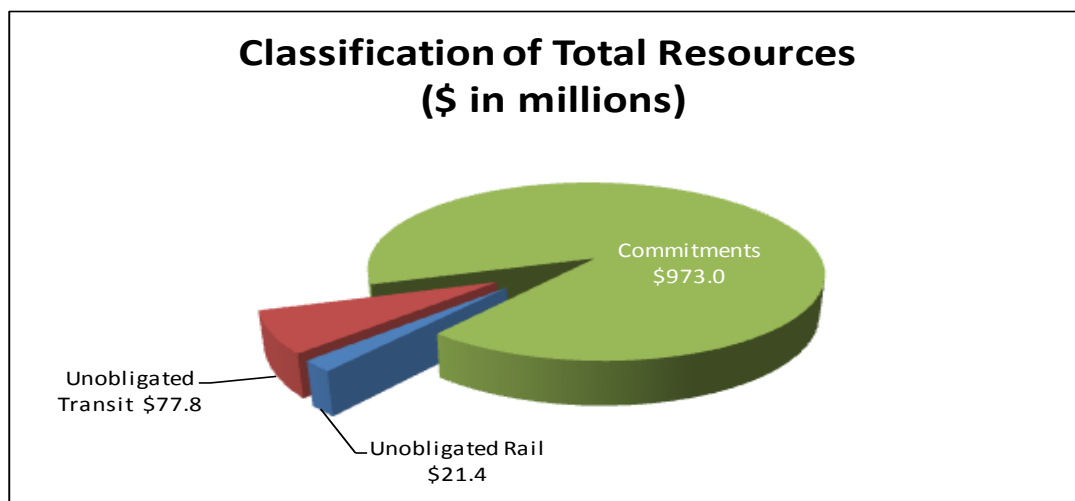
It is important to note that DRPT's reliance on our transportation partners for accurate information will impact the accuracy of our budgeted expenditures. The vast majority of the DRPT budgeted expenditures are initiated by a reimbursement request from one of our project partners who controls the actual 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, 2017, the total unobligated balance for all funds is \$99.2 million which includes \$21.4 million for the rail programs and \$77.8 million for the transit programs. The total unobligated balance is 9.3% of total resources as compared to 7.2% at September 30, 2016.



The majority of the rail programs balance (\$21.4 million) exists in the REF program (\$9.7 million) and the IPROC program (\$8.7 million). About one third of the REF balance is needed for commitments in the out years of the FY 2018 Six Year Improvement Program. A majority of the IPROC balance is set aside as rail contingency for passenger rail projects.

The transit programs balance (\$77.8 million) consists mainly of \$46.4 million of Mass Transit Funds, Federal funds totaling \$17.9 million that have restrictions on their potential use, \$8.7 million of capital bonds, and \$4.4 million transit operating and capital reserve. The large balance of Mass Transit Funds is mainly due to requests for capital funding being much less than anticipated.

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, 2017 - September 30, 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 quarter of the fiscal year (July 1 – September 30) with the actual expenditures for the first quarter of FY 2018 using a cash basis of accounting. For transit programs, the FY 2018 estimates are off by 25.8%, as compared to a 13.1% variance at the same time last year. In the rail programs, the current year expenditures are off by 43.2% compared to the prior year's variance of 31.3% as of September 30th.

Schedule of Budget vs. Actual						
As of September 30, 2017						
(\$ in Millions)						
	Adopted FY 2018	3 Months Budget	Actual 9/30/2017	Variance	Percentage Variance	Notes
<b>Public Transportation Programs</b>						
Operating Assistance	\$ 205.5	\$ 53.2	\$ 48.0	\$ 5.2	9.8%	
Capital Assistance	219.2	62.1	38.3	23.8	38.3%	A
Special Programs	4.3	1.3	0.4	0.9	69.2%	
<b>Total</b>	<b>429.0</b>	<b>116.6</b>	<b>86.7</b>	<b>29.9</b>	<b>25.6%</b>	
<b>Commuter Assistance Programs</b>	<b>8.7</b>	<b>3.0</b>	<b>2.6</b>	<b>0.4</b>	<b>13.3%</b>	
<b>Human Service Transportation Pgm</b>	<b>16.4</b>	<b>4.7</b>	<b>3.3</b>	<b>1.4</b>	<b>29.8%</b>	
<b>Planning, Regulation, &amp; Safety Pgm</b>	<b>4.3</b>	<b>1.0</b>	<b>0.4</b>	<b>0.6</b>	<b>60.0%</b>	
<b>Total Transit Programs</b>	<b>458.4</b>	<b>125.3</b>	<b>93.0</b>	<b>32.3</b>	<b>25.8%</b>	
<b>Rail Assistance Programs</b>						
Rail Preservation Programs	7.8	2.5	2.3	0.2	8.0%	
Rail Industrial Access	1.6	-	0.1	(0.1)	N/A	
Passenger and Freight Rail Programs	207.3	61.1	33.7	27.4	44.8%	B
<b>Total</b>	<b>216.7</b>	<b>63.6</b>	<b>36.1</b>	<b>27.5</b>	<b>43.2%</b>	
<b>Agency Operating Budget</b>	<b>13.9</b>	<b>3.5</b>	<b>2.3</b>	<b>1.2</b>	<b>34.3%</b>	
<b>Agency Total</b>	<b>\$ 689.0</b>	<b>\$ 192.4</b>	<b>\$ 131.4</b>	<b>\$ 61.0</b>	<b>31.7%</b>	

Note: Any variances of \$6.9 million (1% of the total budget) AND 15% are explained.

#### Variance notes:

(A) Transit Capital Assistance expenditures were \$23.8 million, or 38.3% 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 \$8.1 million for WMATA's Capital Improvement Program and Metro Matters Debt Service. Expenditures are billed and reconciled quarterly. The final fiscal year reconciliation is not yet completed but \$7.2 million of the \$8.1 million is not expected to be paid when the reconciliation is completed.
- The Greater Richmond Transit Company was expected to invoice \$6.4 million for the Bus Rapid Transit project. Billing is expected in the next quarter and the project is expected to be completed by June 30, 2018.
- Hampton Roads Transit was expected to invoice an additional \$2.0 million related to bus overhauls. The project scope was changed to add additional overhauls. The new agreement is now being approved. Billing is expected to begin in the second quarter.
- NVTC was expected to invoice \$2.1 million for various capital projects for Fairfax County. The projects are on schedule and billing is expected in the second quarter.
- VRE was expected to invoice \$1.1 million more for track lease payments in the first quarter. Payments are expected to be made in the second quarter.
- The City of Danville was expected to invoice an additional \$0.8 million for construction of an administrative and maintenance facility. The project is essentially complete and expenditures are expected to be billed in the second quarter.
- Fairfax County was expected to invoice \$0.5 million for the Route 1 Bus Rapid Transit study. Expenses were incurred and billing is expected in the second quarter.
- 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 \$27.4 million, or 44.8% 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 \$16.6 million less than expected. The project is on schedule and service begins October 31, 2017. Billing is expected in the second quarter.
- Expenditures to CSX for the Quantico and Potomac Shores platform and track work and the Atlantic Gateway projects were \$11.0 million less than expected. The agreements are still pending review by the Attorney General's Office. These were mostly offset by \$10.8 million of expenditures for the Carson to Reams (ACCA yard) project which is ahead of schedule.
- Expenditures to Norfolk Southern for the Lynchburg to Alexandria speed improvements project were \$3.6 million less than expected. The agreements are still pending review by the Attorney General's Office.
- The City of Newport News was expected to invoice \$2.5 million for the Newport News station platform project. The contract is being reviewed by the Office of Attorney General. The memorandum of understanding between VDOT, DRPT and the City is being amended. Construction is now expected to begin in the fourth quarter.
- Expenditures related to the DC2RVA project were \$2.5 million less than expected. The project has been delayed due to additional Federal Railroad Administration requirements which require additional data and analysis from railroad partners and consulting teams.



- VDOT is managing the design and construction of the Backlick Road bridge project on behalf of DRPT and was expected to invoice \$1.4 million. Construction is expected to begin in November 2017 and billings are expected to begin 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 2018 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, 2017				
(\$ in Millions)				
	9/30/2017			9/30/2016
	Rail	Transit	Total	Total
<b>Resources</b>				
Cash	\$ 217.2	\$ 99.2	\$ 316.4	\$ 319.9
Estimated Revenues - FY 2018	57.8	235.5	293.3	298.7
Accounts Receivable	0.4	4.1	4.5	4.4
Bonds Receivable	1.6	13.4	15.0	15.1
Anticipated Bond Proceeds	51.1	224.4	275.5	238.0
Anticipated Reimbursement-VDOT	12.1	43.4	55.5	73.8
Anticipated Reimbursement-Federal	48.0	64.0	112.0	124.5
<b>Total Resources (A)</b>	<b>388.2</b>	<b>684.0</b>	<b>1,072.2</b>	<b>1,074.4</b>
<b>Commitments</b>				
Transit & TDM Commitments	-	606.2	606.2	621.3
Rail Commitments	365.9	-	365.9	334.4
Due to VDOT	0.9	-	0.9	0.5
<b>Total Commitments (B)</b>	<b>366.8</b>	<b>606.2</b>	<b>973.0</b>	<b>956.2</b>
<b>Funds Available</b>	<b>\$ 21.4</b>	<b>\$ 77.8</b>	<b>\$ 99.2</b>	<b>\$ 118.2</b>

**Variance Notes**

(A) Total Resources decreased by \$2.2 million from the \$1,074.4 million reported last year at September 30, 2016. Anticipated bond proceeds increased \$37.5 million as bonds were programmed before MTTF funds for capital improvements in the FY 2018 Six Year Improvement Program. This was offset by reductions in Anticipated Reimbursements from VDOT of \$18.3 million and Anticipated Federal Reimbursements of \$12.5 million mainly due to the completion of payments for the Arkendale to Powell's Creek rail project reimbursed through a one-time Federal grant.

(B) Total Commitments increased by \$16.8 million. Transit commitments decreased by \$15.1 million mainly due to requests for capital funding in FY 2018 being much less than anticipated. Rail commitments increased by \$31.5 million mainly due to several large rail programs including the Atlantic Gateway, Carson to Reams (ACCA yard), Lynchburg second train capital improvements, and Newport News station platform projects which are included in the FY 2018 Six Year Improvement Program.

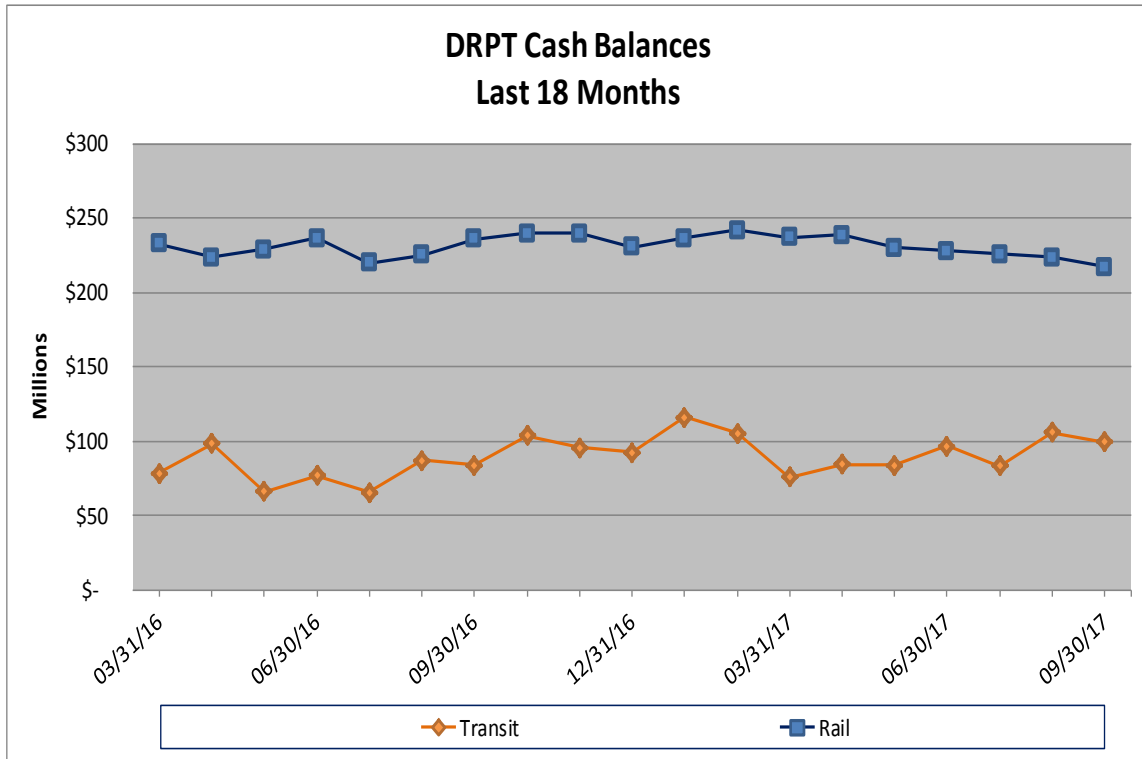
## Funds Available

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, 2017					
(\$ in Millions)					
	9/30/2017			9/30/2016	Variance
	Rail	Transit	Total	Total	
Unobligated Passenger Rail Funds	\$ 1.8	\$ -	\$ 1.8	\$ 39.6	\$ (37.8)
Unobligated Rail Enhancement Funds	9.7	-	9.7	41.8	(32.1)
Unobligated Rail Preservation Funds	3.0	-	3.0	1.3	1.7
Rail Project Contingency	6.9	-	6.9	-	6.9
Unobligated Mass Transit Trust Funds	-	46.4	46.4	(2.5)	48.9
Transit Operating/Capital Reserve	-	4.4	4.4	10.0	(5.6)
Unobligated Transit Bonds	-	8.7	8.7	16.6	(7.9)
Unobligated Transit Federal Funds	-	17.9	17.9	11.4	6.5
Unobligated Transit Other	-	0.4	0.4	-	0.4
<b>Total Funds Available</b>	<b>\$ 21.4</b>	<b>\$ 77.8</b>	<b>\$ 99.2</b>	<b>\$ 118.2</b>	<b>\$ (19.0)</b>

The total funds available decreased by \$19.0 million from last year to this year. The Unobligated Passenger Rail Funds decreased by \$37.8 million. There were significant allocations made in the FY 2018 Six Year Improvement Program for the Atlantic Gateway, Carson to Reams (ACCA yard), Lynchburg second train capital improvements, and Newport News station platform projects. In addition, \$6.9 million of IPROC funds were set aside as rail contingency for passenger rail projects. The Unobligated Rail Enhancement Funds decreased \$32.1 million primarily due to the de-obligation of multiple REF projects towards the end of FY 2016 which made the unobligated balance larger at September 30, 2016. The Unobligated Mass Transit Trust Funds increased by \$48.9 million over the prior year. The large balance of Mass Transit Funds is mainly due to requests for capital funding being much less than anticipated. The Transit Operating and Capital Reserve decreased by \$5.6 million. The \$5.6 million was used to increase FY 2018 operating funds to the same level as estimated in the prior year Six Year Improvement Program.

**Cash Balances and Working Cash Needs**



DRPT’s cash balances for both rail and transit are depicted in a trend analysis over the last eighteen months in the preceding chart. The rail cash balances are relatively high compared to transit due to the revenue collections for passenger rail from HB 2313 and the lead time required to develop the associated rail program. The gradual decreasing trend reflected over the past six months will continue as major rail programs in the FY 2018 Six Year Improvement Program come on line and payments exceed revenues.

Transit cash balances remained fairly constant through September 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.

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 2018 Six Year Improvement Program.

<b>Working Cash Needs</b>		
<b>As of September 30, 2017</b>		
<b>(\$ in Millions)</b>		
	<u>Transit</u>	<u>Rail</u>
Annual Budget	\$ 467.8	\$ 221.2
Divided by 12 Months	÷12	÷12
Times Number of Months Reserve	<u>X 2</u>	<u>X 6</u>
<b>Working Cash Needs</b>	<b><u>78.0 (A)</u></b>	<b><u>110.6 (B)</u></b>
Six Month Average Cash Balance	<u>92.2</u>	<u>227.1</u>
Excess / (Shortfall)	<u>\$ 14.2</u>	<u>\$ 116.5</u>
(A) - 60 days cash reserve		
(B) - 180 days cash reserve		

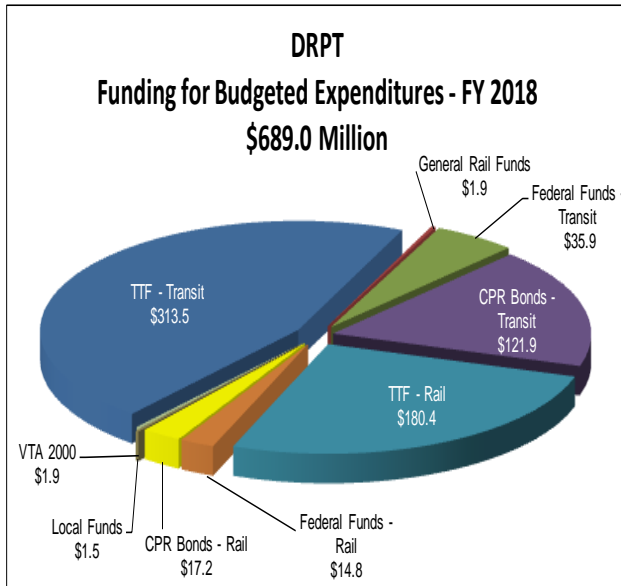
**Receivables**

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, 2017, as the majority of the balance is due from VDOT, and the two agencies continue to work together to resolve the outstanding billings.

	<b>Schedule of Receivables</b>					
	<b>As of September 30, 2017</b>					
	<b>(\$ in Millions)</b>					
	<u>0-30 days</u>	<u>31-90 days</u>	<u>&gt; 90 days</u>	<u>&gt; 365 days</u>	<u>Total</u>	
<b>Accounts Receivable</b>	\$ 3.1	\$ -	\$ 1.4	\$ -	\$ 4.5	
<b>Bonds Receivable</b>	\$ 15.0	\$ -	\$ -	\$ -	\$ 15.0	

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

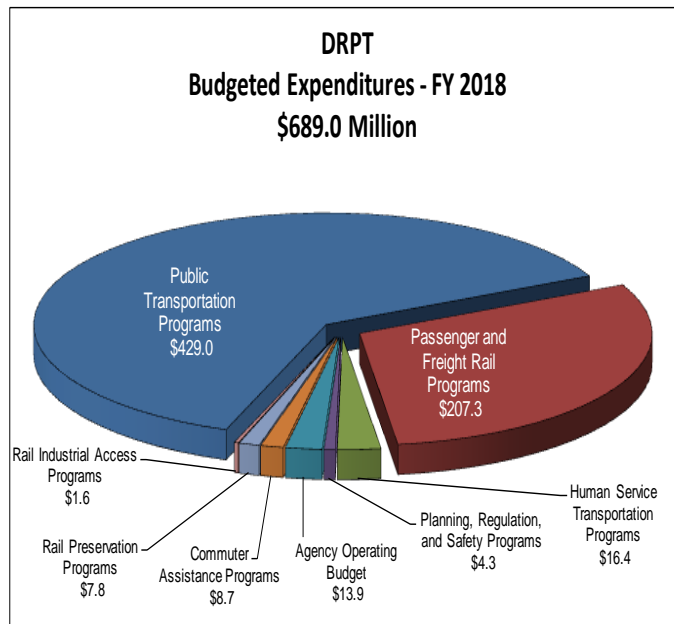
**Funding for Budgeted Expenditures  
FY 2018**



The major sources of funds for the \$689.0 million DRPT budget are depicted in this chart. This does not represent the estimated revenues for FY 2018; instead, it shows the sources of funding for the budgeted expenditures for the year. For example, \$134.0 million of Commonwealth of Virginia Transportation Capital Projects Revenue Bonds is allocated to transit in the FY 2018 SYIP, but the budget and the funding sources statement includes \$121.2 million of projected expenditures for FY 2018. 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 2018**

In FY 2018, DRPT anticipates spending \$689.0 million of federal, state, and local funds compared to \$733.3 million in FY 2017. The decrease of \$44.3 million is mainly due to requests for transit capital funding being much less than anticipated. The FY 2018 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 2018. This list provides an indication of the wide variety of project partners that DRPT works with to accomplish its transportation goals.

WMATA - NVTC	\$ 26.9
WMATA - PRIIA	25.3
CSX	22.9
Norfolk Southern Railway	6.9
Hampton Roads Transit	6.5
County of Loudoun (OTS)	4.1
Greater Richmond Transit Company	3.8
Virginia Railway Express	3.5
County of Arlington	3.0
Potomac Rappahannock Transportation Commission	2.7
National Railroad Passenger Corp. (Amtrak)	2.2
Danville Transit	1.5
Greater Lynchburg Transit Company	1.5
Buckingham Branch RR	1.1
Bay Transit	1.0
Va Regional Transportation Association	1.0
JAUNT, Inc	1.0
City of Richmond	0.8
Williamsburg Area Transport	0.7
Winchester and Western RR Company	0.7
UHSTS (RADAR) - Roanoke County	0.6
City of Alexandria	0.5
Town of Blacksburg	0.5
Shenandoah Valley RR	0.5
Town of Farmville	0.5
Greater Roanoke Transit Company	0.5
Fredericksburg Regional Transit	0.5
Charlottesville Transit	0.5
Central Shenandoah PDC	0.4
City of Harrisonburg	0.4
County of Fairfax	0.4
City of Radford	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. Rail Project Contingency: Available balances of the Intercity Passenger Rail Operating and Capital Fund (IPROC).
10. Transit and Transportation Demand Management (TDM) Commitments: Obligations that have been approved by the Commonwealth Transportation Board or the Agency Director.
11. 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.
12. 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.
13. 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.

14. Unobligated Passenger Rail Funds: Available balances of the Intercity Passenger Rail Operating and Capital Fund (IPROC).
15. Unobligated Rail Enhancement Funds: Available balances of the Rail Enhancement Fund including bonds.
16. Unobligated Rail Preservation Funds: Available balances in the Rail Preservation fund including bonds.
17. 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.
18. 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.