



Virginia Department of Rail and Public Transportation

Quarterly Financial Report

December 31, 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 six months of the fiscal year (July 1 – December 31) to the actual expenditures for the first two quarters of FY 2018 using a cash basis of accounting.

Department of Rail and Public Transportation					
Budget vs. Actual					
Fiscal Year 2018					
(\$ in Millions)					
	<u>FY 2018</u> <u>Budget</u>	<u>6 Months</u> <u>Budget</u>	<u>Actual</u> <u>12/31/2017</u>	<u>Variance</u>	<u>Percentage</u>
Transit Programs	\$ 458.4	\$ 223.7	\$ 183.6	\$ 40.1	17.9%
Rail Programs	216.7	122.3	60.5	61.8	50.5%
Agency Operating Budget	13.9	7.0	5.2	1.8	25.7%
Agency Total	<u>\$ 689.0</u>	<u>\$ 353.0</u>	<u>\$ 249.3</u>	<u>\$ 103.7</u>	29.4%

The total variance of actual expenditures compared to the anticipated expenditures for the first two quarters of FY 2018 is 29.4% or \$103.7 million. For transit programs the fiscal year expenditures are below the estimate by 17.9% or \$40.1 million. These variances were largely due to delays in payments for facilities construction and improvements, as well as the timing of NVTC capital improvement payments, the GRTC Bus Rapid Transit project, and bus purchases and overhauls.

In the rail programs, the current year expenditures are below the estimate by 50.5% or \$61.8 million. These variances were primarily due to the delay in billing on the Lynchburg to

Roanoke, Lynchburg to Alexandria speed improvements, 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.

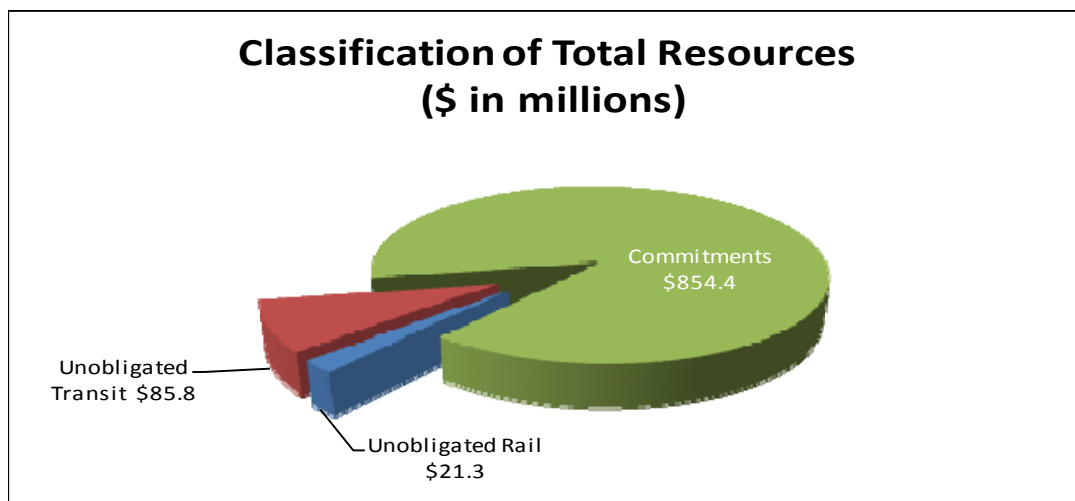
It is important to note that DRPT's reliance on our transportation partners for accurate information will impact the accuracy of our budgeted expenditures. The vast majority of the DRPT budgeted expenditures are initiated by a reimbursement request from one of our project partners who controls the actual 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 December 31, 2017, the total unobligated balance for all funds is \$107.1 million which includes \$21.3 million for the rail programs and \$85.8 million for the transit programs. The total unobligated balance is 11.1% of total resources as compared to 14.0% at December 31, 2016.



The majority of the rail programs balance (\$21.3 million) exists in the REF program (\$9.7 million) and the IPROC program (\$8.6 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 (\$6.9 million) is set aside as rail contingency for passenger rail projects.

The transit programs balance (\$85.8 million) consists mainly of \$48.0 million of Mass Transit Funds, Federal funds totaling \$20.3 million that have restrictions on their potential use, \$12.9 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 in the FY 2018 Six Year Improvement Program.

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 two quarters (July 1, 2017 - December 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 six months of the fiscal year (July 1 – December 31) with the actual expenditures for the first two quarters of FY 2018 using a cash basis of accounting. For transit programs, the FY 2018 estimates are off by 17.9%, as compared to a 13.2% variance at the same time last year. In the rail programs, the current year expenditures are off by 50.5% compared to the prior year's variance of 34.3% as of December 31st.

Schedule of Budget vs. Actual						
As of December 31, 2017						
(\$ in Millions)						
	Adopted FY 2018	6 Months Budget	Actual 12/31/2017	Variance	Percentage Variance	Notes
Public Transportation Programs						
Operating Assistance	\$ 205.5	\$ 105.9	\$ 104.4	\$ 1.5	1.4%	
Capital Assistance	219.2	99.3	65.1	34.2	34.4%	A
Special Programs	4.3	2.6	0.7	1.9	73.1%	
Total	429.0	207.8	170.2	37.6	18.1%	
Commuter Assistance Programs	8.7	5.2	5.8	(0.6)	-11.5%	
Human Service Transportation Pgm	16.4	8.6	6.2	2.4	27.9%	
Planning, Regulation, & Safety Pgm	4.3	2.1	1.4	0.7	33.3%	
Total Transit Programs	458.4	223.7	183.6	40.1	17.9%	
Rail Assistance Programs						
Rail Preservation Programs	7.8	4.7	2.8	1.9	40.4%	
Rail Industrial Access	1.6	0.3	0.2	0.1	33.3%	
Passenger and Freight Rail Programs	207.3	117.3	57.5	59.8	51.0%	B
Total	216.7	122.3	60.5	61.8	50.5%	
Agency Operating Budget	13.9	7.0	5.2	1.8	25.7%	
Agency Total	\$ 689.0	\$ 353.0	\$ 249.3	\$ 103.7	29.4%	

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

Variance notes:

(A) Transit Capital Assistance expenditures were \$34.2 million, or 34.4% less than the estimate provided in the CTB budget. The following project specific details help to explain the total variance:

- The Greater Richmond Transit Company was expected to invoice \$9.9 million for the Bus Rapid Transit project. Billing continues and the project is expected to be completed by June 30, 2018.
- NVTC was expected to invoice \$7.2 million more for WMATA's Capital Improvement Program. The final FY 2017 reconciliation has been completed and there will be no more invoices for that fiscal year. The remaining balance of \$7.2 million will be de-obligated.
- NVTC was expected to invoice \$6.0 million more for various capital projects for Fairfax County. The projects are on schedule and Fairfax County has invoiced NVTC. NVTC is expected to invoice DRPT in the third quarter.
- The Greater Roanoke Transit System was expected to invoice \$3.6 million for bus replacements. The vehicles have been ordered and are expected to arrive by the end of the fiscal year.
- VRE was expected to invoice \$2.6 million more for track lease payments in the first half of the year. Payments are expected to continue in the third quarter.
- Hampton Roads Transit was expected to invoice an additional \$2.2 million related to bus overhauls. The project scope was changed to add additional overhauls. The new agreement has been approved and billing is expected to continue in the third 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 \$59.8 million, or 51.0% 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 \$24.0 million less than expected. The service began October 31, 2017. Under the agreement these funds can be used to improve that area's network and Norfolk Southern is identifying improvement projects. Billing is expected to continue in future quarters until funding is exhausted.
- Expenditures to CSX for the Quantico and Potomac Shores platform and track work and the Atlantic Gateway projects were \$22.5 million less than expected. The agreements are still pending review by the Attorney General's Office. These were mostly offset by \$20.5 million of expenditures for the Carson to Reams (ACCA yard) project which is far ahead of schedule and will probably be completed under budget.
- Expenditures to Norfolk Southern for the Lynchburg to Alexandria speed improvements project were \$6.4 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 \$5.3 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.
- CSX was expected to invoice \$4.8 million more for the Arkendale to Powell's Creek third track project. Federal funds were fully drawn down in the first quarter. Work has stopped on the project until new agreements are reviewed by the Attorney General's Office.

- VDOT is managing the design and construction of the Backlick Road bridge project on behalf of DRPT and was expected to expend \$3.9 million. Construction began in September 2017. Payments are expected to begin in the third quarter.
- VDOT is managing the design and construction of the Staples Mill parking lot expansion project on behalf of DRPT and was expected to invoice \$2.2 million. Construction began in August 2017. Billings are expected to begin in the third quarter.
- Expenditures to the Virginia Port Authority are \$1.9 million less than expected. \$1.4 million of the Port of Richmond rail improvements have been completed and are expected to be invoiced in the next quarter. Agreements for \$0.5 million of the NIT central rail yard expansion are still pending review by the Attorney General's Office.
- Expenditures related to the DC2RVA project were \$1.9 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.
- 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 December 31, 2017				
(\$ in Millions)				
	<u>12/31/2017</u>			<u>12/31/2016</u>
	<u>Rail</u>	<u>Transit</u>	<u>Total</u>	<u>Total</u>
Resources				
Cash	\$ 224.1	\$ 112.3	\$ 336.4	\$ 323.0
Estimated Revenues - FY 2018	37.9	160.1	198.0	204.8
Accounts Receivable	-	1.4	1.4	5.0
Bonds Receivable	2.6	10.0	12.6	11.6
Anticipated Bond Proceeds	40.2	209.4	249.6	223.5
Anticipated Reimbursement-VDOT	11.6	45.7	57.3	31.5
Anticipated Reimbursement-Federal	46.4	59.8	106.2	110.2
Total Resources (A)	<u>362.8</u>	<u>598.7</u>	<u>961.5</u>	<u>909.6</u>
Commitments				
Transit & TDM Commitments	-	512.9	512.9	479.4
Rail Commitments	341.5	-	341.5	302.0
Due to VDOT	-	-	-	0.6
Total Commitments (B)	<u>341.5</u>	<u>512.9</u>	<u>854.4</u>	<u>782.0</u>
Funds Available	<u>\$ 21.3</u>	<u>\$ 85.8</u>	<u>\$ 107.1</u>	<u>\$ 127.6</u>

Variance Notes

(A) Total Resources increased by \$51.9 million from the \$909.6 million reported last year at December 31, 2016. Anticipated bond proceeds increased \$26.1 million as bonds were programmed before MTTF funds for capital improvements in the FY 2018 Six Year Improvement Program. Anticipated Reimbursements from VDOT increased \$25.8 million from December 31, 2016 primarily for Smart Scale projects and additional funding for the GRTC Bus Rapid Transit project.

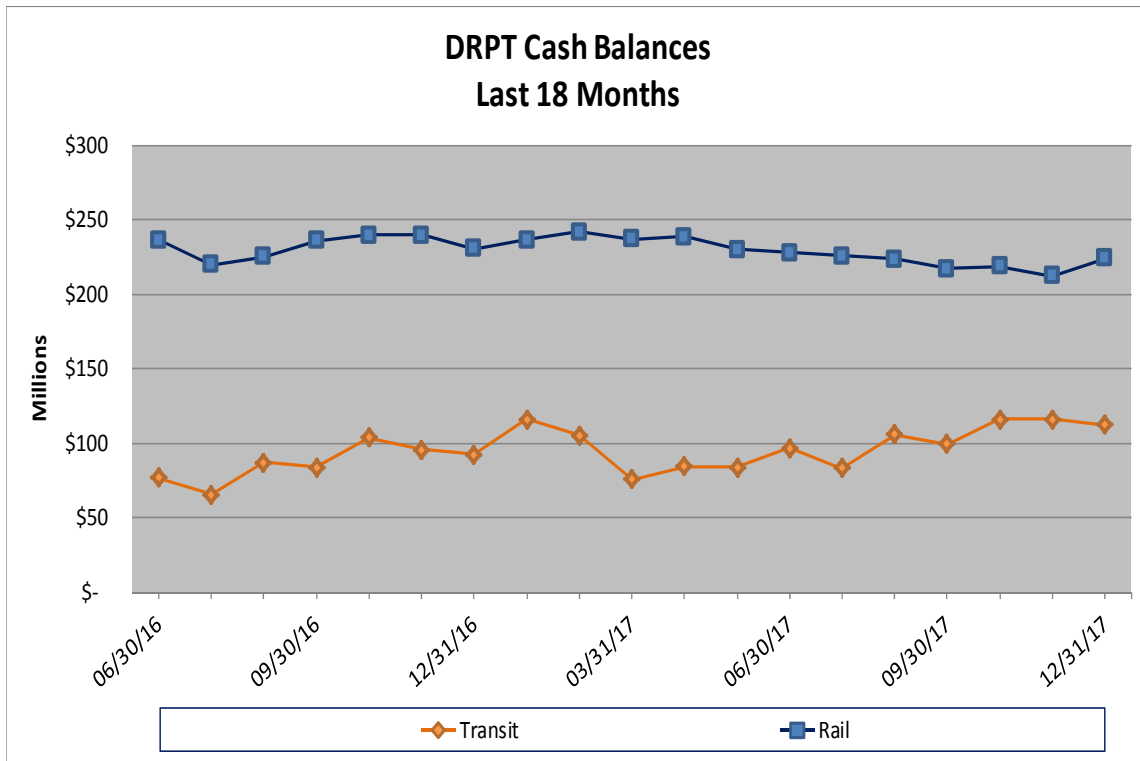
(B) Total Commitments increased by \$72.4 million. Transit commitments increased by \$33.5 million mainly due to Smart Scale projects, the GRTC Bus Rapid Transit project, and PRTC bus purchases. Rail commitments increased by \$39.5 million mainly due to the Carson to Reams (ACCA yard) and Newport News 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 December 31, 2017					
(\$ in Millions)					
	12/31/2017			12/31/2016	Variance
	Rail	Transit	Total	Total	
Unobligated Passenger Rail Funds	\$ 1.7	\$ -	\$ 1.7	\$ 41.3	\$ (39.6)
Unobligated Rail Enhancement Funds	9.7	-	9.7	41.8	(32.1)
Unobligated Rail Preservation Funds	3.0	-	3.0	1.4	1.6
Rail Project Contingency	6.9	-	6.9	-	6.9
Unobligated Mass Transit Trust Funds	-	48.0	48.0	(2.2)	50.2
Transit Operating/Capital Reserve	-	4.4	4.4	10.0	(5.6)
Unobligated Transit Bonds	-	12.9	12.9	24.0	(11.1)
Unobligated Transit Federal Funds	-	20.3	20.3	11.3	9.0
Unobligated Transit Other	-	0.2	0.2	-	0.2
Total Funds Available	\$ 21.3	\$ 85.8	\$ 107.1	\$ 127.6	\$ (20.5)

The total funds available decreased by \$20.5 million from last year to this year. The Unobligated Passenger Rail Funds decreased by \$39.6 million. There were significant allocations made in the FY 2018 Six Year Improvement Program for the Carson to Reams (ACCA yard), and Newport News station platform projects that were not in the FY 2017 Six Year Improvement Plan. 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 December 31, 2016. The Unobligated Mass Transit Trust Funds increased by \$50.2 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 year 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 December 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.

Working Cash Needs		
As of December 31, 2017		
(\$ in Millions)		
	<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>
Working Cash Needs	<u>78.0 (A)</u>	<u>110.6 (B)</u>
Six Month Average Cash Balance	<u>105.4</u>	<u>220.1</u>
Excess / (Shortfall)	<u>\$ 27.4</u>	<u>\$ 109.5</u>
(A) - 60 days cash reserve		
(B) - 180 days cash reserve		

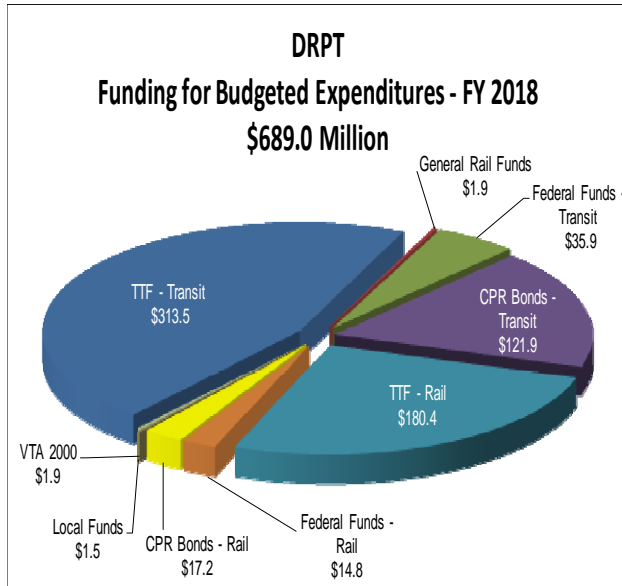
Receivables

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 December 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 December 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	\$ 1.0	\$ 0.2	\$ 0.2	\$ -	\$	1.4
Bonds Receivable	\$ 12.6	\$ -	\$ -	\$ -	\$	12.6

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

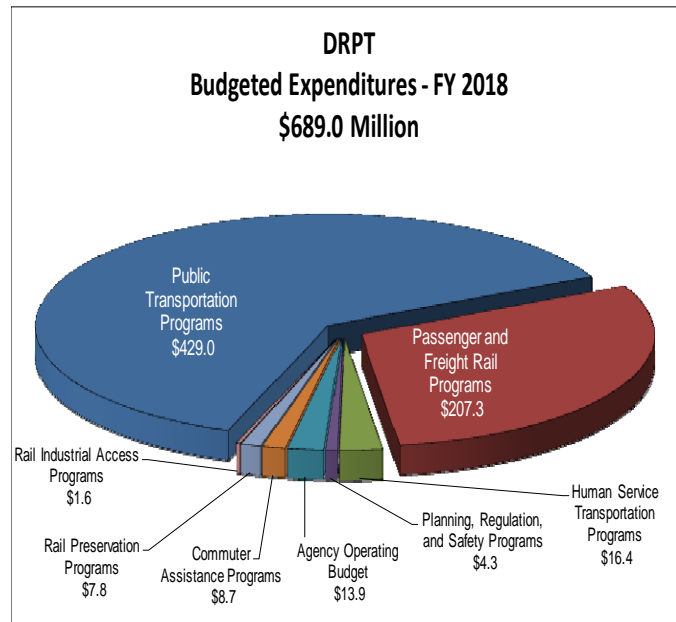
**Funding for Budgeted Expenditures
FY 2018**



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 \$700,000 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	\$ 55.0
CSX	39.7
WMATA - PRIIA	35.1
Hampton Roads Transit	13.4
Greater Richmond Transit Company	12.3
County of Fairfax	10.9
Norfolk Southern Railway	9.8
Virginia Railway Express	8.8
County of Arlington	5.7
County of Loudoun (OTS)	4.9
Potomac Rappahannock Transportation Commission	4.8
National Railroad Passenger Corp. (Amtrak)	4.0
City of Alexandria	2.9
Danville Transit	2.2
Greater Lynchburg Transit Company	2.0
Bay Transit	1.9
Va Regional Transportation Association	1.4
JAUNT, Inc	1.3
Williamsburg Area Transport	1.2
Greater Roanoke Transit Company	1.2
UHSTS (RADAR) - Roanoke County	1.2
Town of Blacksburg	1.1
Buckingham Branch RR	1.1
City of Richmond	0.9
Charlottesville Transit	0.9
Mountain Empire Older Citizens	0.8
District III Governmental Cooperative	0.8
City of Harrisonburg	0.7
Appalachian Agency for Senior Citizens	0.7
Shenandoah Valley RR	0.7
Winchester and Western RR Company	0.7

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.