



Virginia Department of Rail and Public Transportation

Quarterly Financial Report

September 30, 2018

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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 2019 using the cash basis of accounting.

Department of Rail and Public Transportation Budget vs. Actual Fiscal Year 2019 (\$ in Millions)					
	FY 2019 Budget	3 Months Budget	Actual 9/30/2018	Variance	Percentage
Transit Programs	\$ 658.8	\$ 143.9	\$ 81.4	\$ 62.5	43.4%
Rail Programs	120.1	29.0	18.9	10.1	34.8%
Agency Operating Budget	14.6	3.7	3.3	0.4	10.8%
Agency Total	<u>\$ 793.5</u>	<u>\$ 176.6</u>	<u>\$ 103.6</u>	<u>\$ 73.0</u>	41.3%

The total variance of actual expenditures compared to the anticipated expenditures for the first quarter of FY 2019 is 41.3% or \$73.0 million. For transit programs the current year expenditures are below the estimate by 43.4% or \$62.5 million. This is mainly due to the time needed to set up the processes for the new Dedicated Washington Metropolitan Area Transit Authority (WMATA) funding and the 53.5% dedication of the Mass Transit Trust Fund for WMATA Assistance payments, delayed closeout of the GRTC Bus Rapid Transit project, and delayed bus purchases and overhauls.

In the rail programs, the current year expenditures are below the estimate by 34.8% or \$10.1 million. These variances were primarily due to the delay in billing on the DC2RVA project, the Lynchburg to Roanoke service network project, and Amtrak capital and operating expenses. DRPT has set a threshold for detailed explanation of variances that are greater than \$7.9 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.

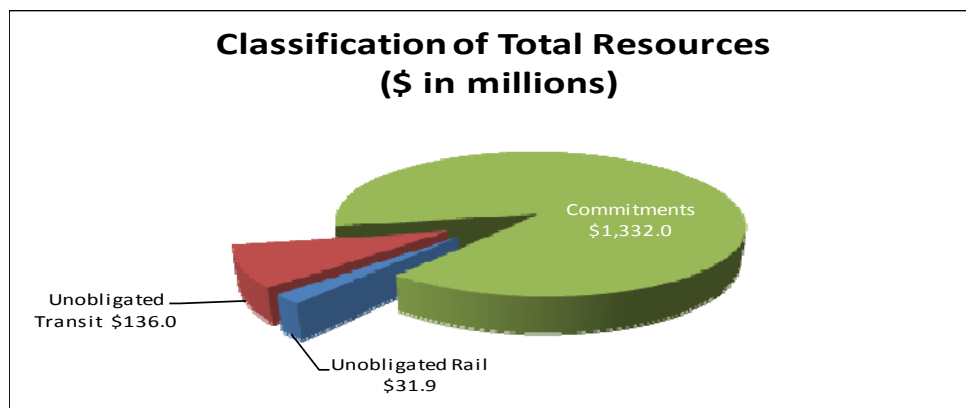
It is important to note that DRPT's reliance on our transportation partners for accurate information will impact the accuracy of our budgeted expenditures. The vast majority of the DRPT budgeted expenditures are initiated by a reimbursement request from one of our project partners who controls the actual 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, 2018, the total unobligated balance for all funds is \$167.9 million which includes \$31.9 million for the rail programs and \$136.0 million for the transit programs. The total unobligated balance is 11.2% of total resources as compared to 9.3% at September 30, 2017.



The rail programs balance (\$31.9 million) mainly exists in the IPROC program (\$19.2 million) and the REF program (\$12.2 million). About \$1.0 million of the REF balance is needed for commitments in the out years of the FY 2019 Six Year Improvement Program.

The transit programs balance (\$136.0 million) consists mainly of \$80.7 million of Mass Transit Funds, Federal funds totaling \$35.1 million that have restrictions on their potential use, \$10.0 million in the transit operating and capital reserve, and \$10.0 million of Transit bonds. The large balance of the Mass Transit Trust Funds and Federal funds is mainly due to requests for capital funding being much less than anticipated in the FY 2019 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 quarter (July 1, 2018 – September 30, 2018) 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 2019 using a cash basis of accounting. For transit programs, the FY 2019 expenditures are off by 43.4% from the estimate, as compared to a 25.8% variance at the same time last year. In the rail programs, the current year expenditures are off by 34.8% compared to the prior year’s variance of 43.2% as of September 30th.

Schedule of Budget vs. Actual						
As of September 30, 2018						
(\$ in Millions)						
	Adopted FY 2019	3 Months Budget	Actual 9/30/2018	Variance	Percentage Variance	Notes
Public Transportation Programs						
Operating Assistance	\$ 105.9	\$ 26.9	\$ 22.2	\$ 4.7	17.5%	
Capital Assistance	138.8	31.5	17.2	14.3	45.4%	A
Special Programs	4.2	0.9	0.9	-	0.0%	
WMATA Assistance	241.0	51.1	34.0	17.1	33.5%	B
Dedicated Funding	141.7	25.6	-	25.6	100.0%	C
Total	631.6	136.0	74.3	61.7	45.4%	
Commuter Assistance Programs	10.7	1.7	2.1	(0.4)	-23.5%	
Human Service Transportation Pgm	12.0	5.2	4.3	0.9	17.3%	
Planning, Regulation, & Safety Pgm	4.4	1.0	0.7	0.3	30.0%	
Total Transit Programs	658.7	143.9	81.4	62.5	43.4%	
Rail Assistance Programs						
Rail Preservation Programs	12.6	2.7	3.0	(0.3)	-11.1%	
Rail Industrial Access	1.3	0.4	0.5	(0.1)	-25.0%	
Passenger and Freight Rail Programs	106.2	25.9	15.4	10.5	40.5%	D
Total	120.1	29.0	18.9	10.1	34.8%	
Agency Operating Budget	14.7	3.7	3.3	0.4	10.8%	
Agency Total	\$ 793.5	\$ 176.6	\$ 103.6	\$ 73.0	41.3%	

Note: Any variances of \$7.9 million (1% of the total budget) AND 15% are explained.

Variance notes:

(A) Transit Capital Assistance expenditures were \$14.3 million, or 45.4% 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 \$7.3 million for the Bus Rapid Transit project. The project was completed and service began June 24, 2018. Final expenses are being reviewed in October. Final payment is expected to be completed in the second quarter.
- Loudon County was expected to invoice \$2.5 million for bus purchases. The bus purchases were put on hold in FY 2018 so that Loudon County could complete a fleet analysis. The fleet analysis was completed and the buses were delivered. Final payment will be made in the second quarter.
- NVTC was expected to invoice \$1.3 million for Fairfax County for mid-life bus rebuilds. Fairfax County suspended the rebuild program while waiting for new expansion buses to arrive. The program restarted in the first quarter and will be on-going into FY 2020.
- NVTC was expected to invoice \$1.2 million for Fairfax County for construction and renovation to the Herndon metro rail related facilities. Two of the facilities are over 90% complete with final billings and occupancy expected by the fourth quarter. The Innovation Metrorail Garage project is 65% complete, and billing is expected by the fourth quarter with occupancy expected in the first quarter of FY 2020.
- VRE was expected to invoice \$1.2 million for track lease payments. These payments are expected to be made 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) WMATA Assistance was \$17.1 million, or 33.5% less than the estimate in the budget. WMATA Assistance funding through NVTC was expected to be \$38.6 million for the first quarter. The funding agreement between DRPT and WMATA has not yet been ratified. When the agreement is signed, payment for the first quarter will be made. Future payments will be made on a scheduled basis. This was partially offset by \$21.5 million more of PRIIA payments since two payments were made in the first quarter due July 1 and October 1.

(C) WMATA Dedicated Funding was \$25.6 million less than the estimate in the budget. The dedicated funding program for WMATA is very complicated and extends across multiple agencies for the collection and distribution of the funds. Agreements between State agencies are in place, the revenue collection has begun, and appropriations are being transferred to DRPT. The agreement with WMATA is pending. DRPT will begin payment to WMATA as revenues are collected when all agreements and appropriations are finalized.

(D) Passenger and Freight Rail expenditures were \$10.5 million, or 40.5% 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 related to the DC2RVA project were \$5.3 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.
- Norfolk Southern was expected to invoice \$1.1 million more for improvements along the Lynchburg to Roanoke corridor. In FY 2018 expenditures to Norfolk Southern for the extension of service were less than expected. That 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.

- Amtrak was expected to invoice \$2.8 million more for operating expenses and capital improvements. Payments are on-going and expected to continue in the second quarter of FY 2019.
- VDOT is managing the design and construction of the Backlick Road bridge project on behalf of DRPT and was expected to invoice DRPT \$0.8 million more for expenses. Substantial completion of the project is scheduled for December 2018. Final completion is expected by April 2019. Final billing is expected to be completed by the first quarter of FY 2020.
- 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 the current and prior year’s SYIPs. These anticipated collections are included because the commitments include the remaining balance of all active DRPT projects with SYIP allocation in FY 2019 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, 2018				
(\$ in Millions)				
	9/30/2018			9/30/2017
	Rail	Transit	Total	Total
Resources				
Cash	\$ 241.1	\$ 176.0	\$ 417.1	\$ 316.4
Estimated Revenues - FY 2019	62.2	390.7	452.9	293.3
Accounts Receivable	0.5	8.2	8.7	4.5
Bonds Receivable	1.9	23.6	25.5	15.0
Anticipated Bond Proceeds	32.6	182.1	214.7	275.5
Anticipated Reimbursement-VDOT	47.3	192.6	239.9	55.5
Anticipated Reimbursement-Federal	57.5	83.6	141.1	112.0
Total Resources (A)	443.1	1,056.8	1,499.9	1,072.2
Commitments				
Transit & TDM Commitments	-	920.8	920.8	606.2
Rail Commitments	411.2	-	411.2	365.9
Due to VDOT	-	-	-	0.9
Total Commitments (B)	411.2	920.8	1,332.0	973.0
Funds Available	\$ 31.9	\$ 136.0	\$ 167.9	\$ 99.2

Variance Notes

(A) Total Resources increased by \$427.7 million from the \$1,072.2 million reported last year at September 30, 2017. Estimated Revenues increased \$159.6 million primarily because of new dedicated funding for WMATA included in the Final FY 2019 SYIP. Anticipated Reimbursements from VDOT increased \$184.4 million from September 30, 2017 primarily for the I-66 outside the beltway concession funds. Cash balances increased \$100.7 million primarily due to the timing of implementation of Chapter 856 of the 2018 Acts of Assembly in which new dedicated WMATA funding programs were established. In addition, there are delays in the Atlantic Gateway project. Bonds receivable increased \$10.5 million and are expected to be collected from VDOT within one month. This was offset by Anticipated Bond Proceeds which decreased \$60.8 million because there was a significant decrease in bond allocations in FY 2019, and bonds were programmed before MTTF funds for capital improvement in the FY 2018 Six Year Improvement Program.

(B) Total Commitments increased by \$359.0 million. Transit commitments increased by \$314.6 million mainly due to new dedicated funding for WMATA included in the FY 2019 SYIP and the I-66 outside the beltway concession funds. Rail commitments increased by \$45.3 million mainly due to delays in Atlantic Gateway project and continued increases in funding in the project in the FY 2019 Six Year Improvement Program.

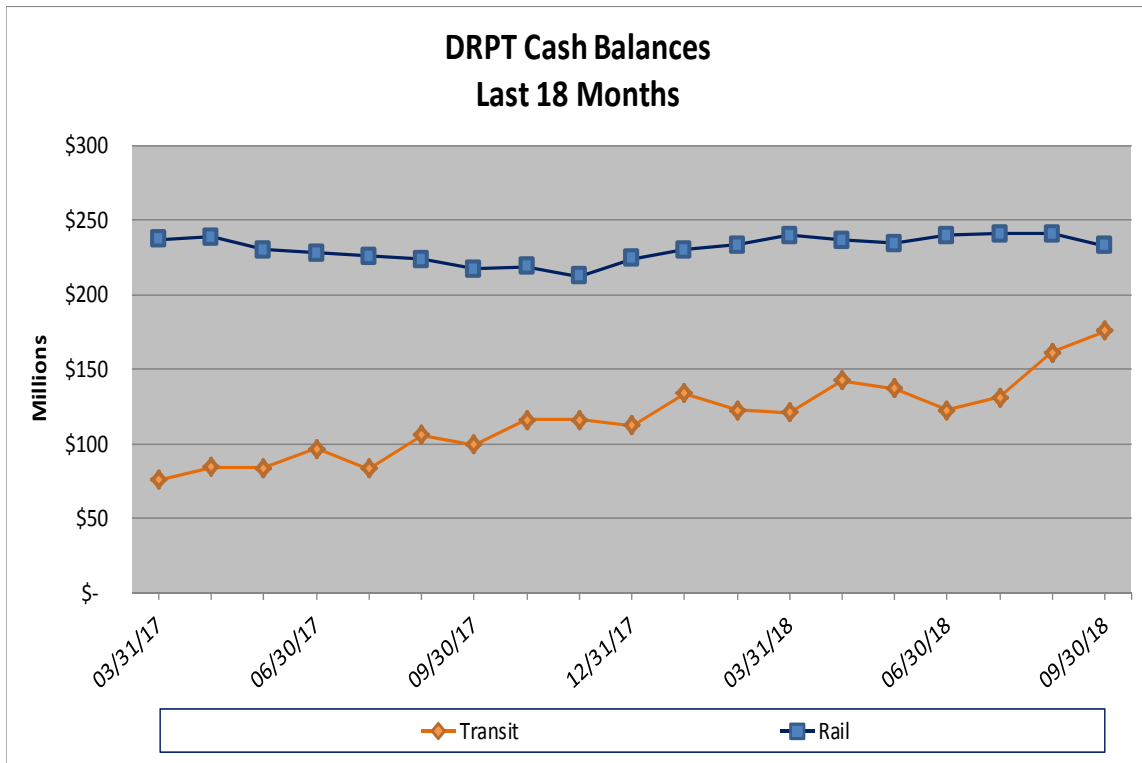
Funds Available

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, 2018					
(\$ in Millions)					
	9/30/2018			9/30/2017	Variance
	Rail	Transit	Total	Total	
Unobligated Passenger Rail Funds	\$ 19.3	\$ -	\$ 19.3	\$ 8.7	\$ 10.6
Unobligated Rail Enhancement Funds	12.2	-	12.2	9.7	2.5
Unobligated Rail Preservation Funds	0.4	-	0.4	3.0	(2.6)
Unobligated Mass Transit Trust Funds	-	80.7	80.7	46.4	34.3
Transit Operating/Capital Reserve	-	10.0	10.0	4.4	5.6
Unobligated Transit Bonds	-	10.0	10.0	8.7	1.3
Unobligated Transit Federal Funds	-	35.1	35.1	17.9	17.2
Unobligated Transit Other	-	0.2	0.2	0.4	(0.2)
Total Funds Available	\$ 31.9	\$ 136.0	\$ 167.9	\$ 99.2	\$ 68.7

The total funds available increased by \$68.7 million from last year to this year. The large balances in the Unobligated Mass Transit Trust Funds and Transit Federal Funds, which increased \$34.3 million and \$17.2 million respectively, are mainly due to requests for capital funding being much less than anticipated in the FY 2019 Six Year Improvement Program. The Transit Federal funds have restrictions on their potential use. Unobligated Passenger Rail Funds increased \$10.6 million because a significant amount of the Priority Transportation Funding increase was allocated to the Atlantic Gateway Project in the FY 2019 SYIP replacing the use of IPROC funding that can now be used in future projects.

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 which includes the Atlantic Gateway project. The gradual decreasing trend reflected through the end of calendar year 2017 continued as major rail programs in the FY 2017 and FY 2018 Six Year Improvement Programs came on line and payments exceeded revenues. A slowdown in payments for the Atlantic Gateway project has resulted in the leveling of cash on hand throughout calendar year 2018.

Transit cash balances remained fairly constant through July 2017. A gradual increase in transit cash balances from August 2017 to June 2018 is primarily due to delays in payments for facilities construction and improvements, the GRTC Bus Rapid Transit project, and bus purchases and overhauls. The significant increase in transit cash balances from July 2018 to September 2018 is primarily caused by the implementation of Chapter 856 of the 2018 Acts of Assembly in which new dedicated WMATA funding programs were established and for which new agreements and procedures for payment are being implemented. Upon final implementation, cash balances are expected to decrease significantly in the second quarter.

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 larger than anticipated Transit cash balance is primarily caused by the implementation of new WMATA Assistance and WMATA Dedicated funding programs which require new agreements and payment procedures to be put into place in addition to several large facility construction projects and bus purchases that were delayed. The delay on several major rail projects including Atlantic Gateway is contributing to the excess of cash for rail.

Working Cash Needs		
As of September 30, 2018		
(\$ in Millions)		
	<u>Transit</u>	<u>Rail</u>
Annual Budget	\$ 671.2	\$ 122.3
Divided by 12 Months	÷12	÷12
Times Number of Months Reserve	<u>X 2</u>	<u>X 6</u>
Working Cash Needs	<u>111.9 (A)</u>	<u>61.2 (B)</u>
Six Month Average Cash Balance	<u>144.9</u>	<u>237.4</u>
Excess / (Shortfall)	<u>\$ 33.0</u>	<u>\$ 176.2</u>
(A) - 60 days cash reserve		
(B) - 180 days cash reserve		

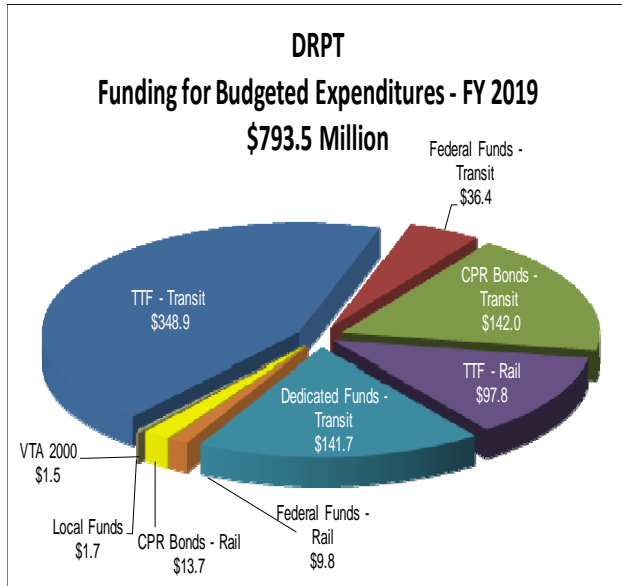
Receivables

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. Bonds receivable are generally collected within thirty days of invoicing VDOT. The aging of accounts receivable is not a concern as of September 30, 2018, as the balance is due from VDOT with over 95% current.

Schedule of Receivables						
As of September 30, 2018						
(\$ 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	\$ 6.9	\$ 0.8	\$ 1.0	\$ -	\$	8.7
Bonds Receivable	\$ 25.5	\$ -	\$ -	\$ -	\$	25.5

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

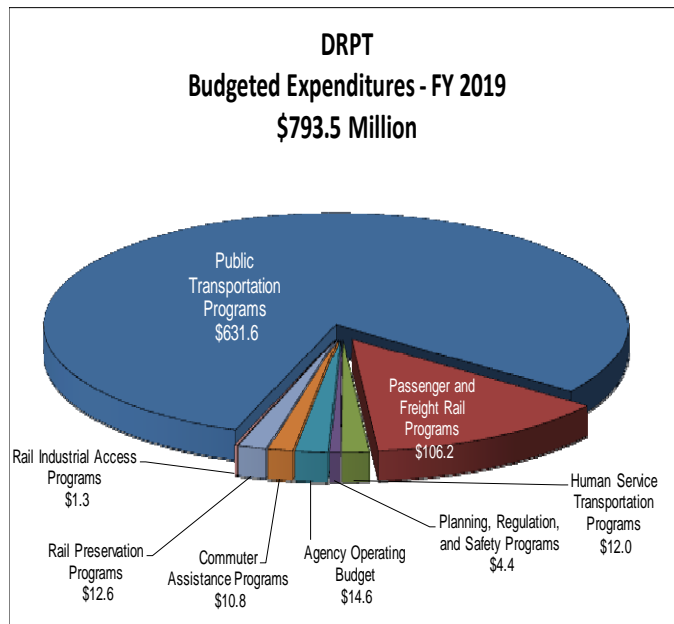
**Funding for Budgeted Expenditures
FY 2019**



The major sources of funds for the \$793.5 million DRPT budget are depicted in this chart. This does not represent the estimated revenues for FY 2019; instead, it shows the sources of funding for the budgeted expenditures for the year. For example, \$75.0 million of Commonwealth of Virginia Transportation Capital Projects Revenue Bonds is allocated to transit in the FY 2019 SYIP, but the budget and the funding sources statement includes \$142.0 million of projected expenditures for FY 2019. 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 2019**

In FY 2019, DRPT anticipates spending \$793.5 million of federal, state, and local funds compared to \$689.0 million in FY 2018. The increase of \$104.5 million is mainly due to the addition of dedicated funds in Chapter 854 of the 2018 Acts of Assembly for the Washington Metropolitan Area Rail Transit Authority (WMATA). 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 \$400,000 or more during FY 2019. This list provides an indication of the wide variety of project partners that DRPT works with to accomplish its transportation goals (Amounts in millions):

WMATA - PRIIA	\$ 34.0
Hampton Roads Transit	14.2
County of Arlington	6.7
CSX	6.4
Greater Richmond Transit Company	5.1
Virginia Railway Express	3.5
County of Fairfax	2.8
Norfolk Southern Railway	2.7
Potomac Rappahannock Transportation Commission	2.2
Town of Blacksburg	1.5
Norfolk and Portsmouth Belt Line RR Co	1.5
Danville Transit	1.4
Va Regional Transportation Association	1.3
National Railroad Passenger Corp. (Amtrak)	1.2
Bay Transit	1.1
JAUNT, Inc	1.0
County of Loudoun (OTS)	0.9
Buckingham Branch RR	0.8
Greater Lynchburg Transit Company	0.7
Greater Roanoke Transit Company	0.7
Williamsburg Area Transit Authority	0.7
City of Alexandria	0.6
City of Richmond	0.5
City of Radford	0.5
Charlottesville Transit	0.5
Central Shenandoah PDC	0.4
Fredericksburg Regional Transit	0.4
Shenandoah Valley RR	0.4
City of Harrisonburg	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. Past collections history indicates that all receivables are collected so no allowance for doubtful accounts is needed.
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. These include reimbursement for Smart Scale projects.
5. **Bonds Receivable:** Expenditures incurred on bond funded projects that have not been reimbursed by VDOT. These receivables are generally paid within 30 days.
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 (capped at \$10 million) of up to five percent of the Commonwealth Mass Transit Fund revenues in a given biennium to ensure 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 capital 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.