



Virginia Department of Rail and Public Transportation

Quarterly Financial Report

December 31, 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 six months of the fiscal year (July 1 – December 31) to the actual expenditures for the first two quarters of FY 2019 using the cash basis of accounting.

Department of Rail and Public Transportation					
Budget vs. Actual					
Fiscal Year 2019					
(\$ in Millions)					
	<u>FY 2019</u> <u>Budget</u>	<u>6 Months</u> <u>Budget</u>	<u>Actual</u> <u>12/31/2018</u>	<u>Variance</u>	<u>Percentage</u>
Transit Programs	\$ 658.8	\$ 310.3	\$ 233.5	\$ 76.8	24.8%
Rail Programs	120.1	53.4	36.5	16.9	31.6%
Agency Operating Budget	14.6	7.3	5.8	1.5	20.5%
Agency Total	<u>\$ 793.5</u>	<u>\$ 371.0</u>	<u>\$ 275.8</u>	<u>\$ 95.2</u>	25.7%

The total variance of actual expenditures compared to the anticipated expenditures for the first two quarters of FY 2019 is 25.7% or \$95.2 million. For transit programs the current year expenditures are below the estimate by 24.8% or \$76.8 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, delayed final billings and construction items associated with the GRTC Bus Rapid Transit project, and delayed capital projects including facility construction and bus overhauls.

In the rail programs, the current year expenditures are below the estimate by 31.6% or \$16.9 million. These variances were primarily due to the delay in billing on the DC2RVA project, the Lynchburg to Roanoke service network project, and Amtrak 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.

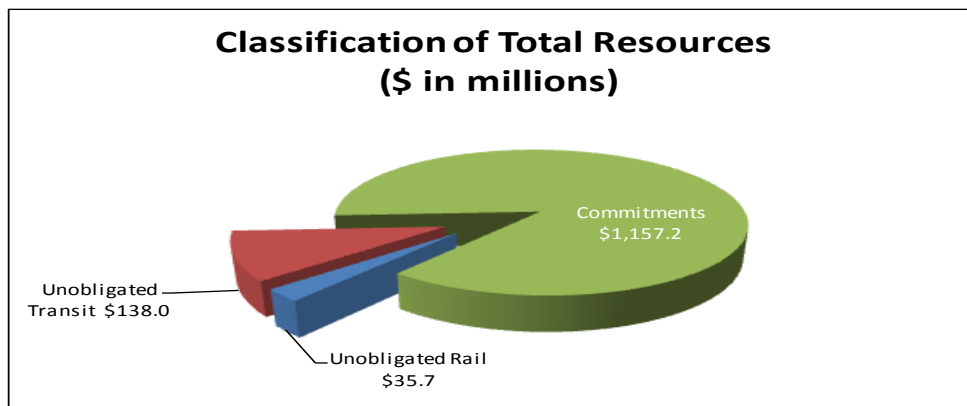
It is important to note that DRPT's reliance on our transportation partners for accurate information will impact the accuracy of our budgeted expenditures. The vast majority of the DRPT budgeted expenditures are initiated by a reimbursement request from one of our project partners who controls the actual 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 December 31, 2018, the total unobligated balance for all funds is \$173.7 million which includes \$35.7 million for the rail programs and \$138.0 million for the transit programs. The total unobligated balance is 13.1% of total resources as compared to 11.1% at December 31, 2017.



The rail programs balance (\$35.7 million) mainly exists in the IPROC program (\$20.2 million) and the REF program (\$14.5 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 (\$138.0 million) consists mainly of \$82.4 million of Mass Transit Funds, Federal funds totaling \$35.2 million that have restrictions on their potential use, \$10.0 million in the transit operating and capital reserve, and \$10.1 million of Transit bonds. The large balance of the Mass Transit Trust Funds and Federal funds is mainly due to demands for transit capital funding being much less than anticipated in the FY 2019 Six Year Improvement Program. Some of this drop in demand resulted from transit projects receiving funding through the Smart Scale 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, 2018 – December 31, 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 six months of the fiscal year (July 1 – December 31) with the actual expenditures for the first two quarters of FY 2019 using a cash basis of accounting. For transit programs, the FY 2019 expenditures are off by 24.8% from the estimate, as compared to a 17.9% variance at the same time last year. In the rail programs, the current year expenditures are off by 31.6% compared to the prior year's variance of 50.5% as of December 31st.

Schedule of Budget vs. Actual						
As of December 31, 2018						
(\$ in Millions)						
	Adopted FY 2019	6 Months Budget	Actual 12/31/2018	Variance	Percentage Variance	Notes
Public Transportation Programs						
Operating Assistance	\$ 105.9	\$ 54.8	\$ 52.8	\$ 2.0	3.6%	
Capital Assistance	138.8	73.0	42.0	31.0	42.5%	A
Special Programs	4.2	1.7	1.2	0.5	29.4%	
WMATA Assistance	241.0	102.1	125.5	(23.4)	-22.9%	B
Dedicated Funding	141.7	64.2	-	64.2	100.0%	C
Total	631.6	295.8	221.5	74.3	25.1%	
Commuter Assistance Programs	10.7	5.4	4.4	1.0	18.5%	
Human Service Transportation Pgm	12.0	6.9	6.0	0.9	13.0%	
Planning, Regulation, & Safety Pgm	4.4	2.2	1.6	0.6	27.3%	
Total Transit Programs	658.7	310.3	233.5	76.8	24.8%	
Rail Assistance Programs						
Rail Preservation Programs	12.6	6.5	4.2	2.3	35.4%	
Rail Industrial Access	1.3	0.9	0.4	0.5	55.6%	
Passenger and Freight Rail Programs	106.2	46.0	31.9	14.1	30.7%	D
Total	120.1	53.4	36.5	16.9	31.6%	
Agency Operating Budget	14.7	7.3	5.8	1.5	20.5%	
Agency Total	\$ 793.5	\$ 371.0	\$ 275.8	\$ 95.2	25.7%	

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

Variance notes:

(A) Transit Capital Assistance expenditures were \$31.0 million, or 42.5% 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 \$13.0 million more for the Bus Rapid Transit project. The initial phase of the project was completed and service began June 24, 2018. The initial 90-day validation period concluded on October 12, 2018. Significantly higher than expected initial ridership has resulted in additional station needs. Billing is expected through the end of fiscal year 2019. Any remaining funds at that time will be de-obligated.
- NVTC was expected to invoice \$5.4 million for Fairfax County for mid-life bus rebuilds and the purchase of expansion buses. The buses arrived earlier than anticipated and were invoiced in June 2018. The remaining funds were de-obligated. Fairfax County suspended the rebuild program while waiting for the expansion buses to arrive. The program restarted in the first quarter of FY 2019 and will be on going into FY 2020.
- NVTC was expected to invoice \$3.5 million for Arlington for its Shirlington Road property acquisition. The property was acquired in the fall of 2018. Reimbursement will be made in the third quarter of FY 2019.
- NVTC was expected to invoice \$3.3 million more for Fairfax County for construction and renovation to the Herndon and Huntington metro rail and bus facilities. Two of the facility renovations are substantially complete. The Herndon Metrorail garage is 96% complete with occupancy expected in April 2019. The Innovation Metrorail Garage project is 65% complete with occupancy expected in the second quarter of FY 2020. Billing is expected to continue in the next few quarters.
- VRE was expected to invoice \$2.5 million for upgrades to stations and storage and maintenance facilities. The projects are all underway but are experiencing delays due to third parties including various rail roads and FRA requirements. Billing is expected to continue through the next few quarters.
- 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 \$23.4 million, or 22.9% more than the estimate in the budget. This was primarily due to \$14.4 million of PRIIA payments made at the end of December due January 1.

(C) WMATA Dedicated Funding was \$64.2 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 \$14.1 million, or 30.7% 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 \$6.9 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 project is expected to be completed in the first quarter of FY 2020.

- Norfolk Southern was expected to invoice \$3.8 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 \$2.4 million more for operating expenses. Payments are ongoing and expected to continue in the third quarter of FY 2019.
- 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 December 31, 2018 (\$ in Millions)				
	12/31/2018			12/31/2017
	Rail	Transit	Total	Total
Resources				
Cash	\$ 247.1	\$ 163.4	\$ 410.5	\$ 336.4
Estimated Revenues - FY 2019	41.3	286.9	328.2	198.0
Accounts Receivable	-	3.7	3.7	1.4
Bonds Receivable	1.1	31.1	32.2	12.6
Anticipated Bond Proceeds	31.5	150.9	182.4	249.6
Anticipated Reimbursement-VDOT	47.5	191.5	239.0	57.3
Anticipated Reimbursement-Federal	56.6	78.3	134.9	106.2
Total Resources (A)	425.1	905.8	1,330.9	961.5
Commitments				
Transit & TDM Commitments	-	767.8	767.8	512.9
Rail Commitments	389.4	-	389.4	341.5
Due to VDOT	-	-	-	-
Total Commitments (B)	389.4	767.8	1,157.2	854.4
Funds Available	\$ 35.7	\$ 138.0	\$ 173.7	\$ 107.1

Variance Notes

(A) Total Resources increased by \$369.4 million from the \$961.5 million reported last year at December 31, 2017. Estimated Revenues increased \$130.2 million primarily because of new dedicated funding for WMATA included in the Final FY 2019 SYIP. Anticipated Reimbursements from VDOT increased \$181.7 million from December 31, 2017 primarily for the I-66 outside the beltway concession funds. Cash balances increased \$74.1 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 \$19.6 million and a majority of the receivables are expected to be collected from VDOT within one month, however future collections are expected to be delayed until the next bond issue in April 2019. This was offset by Anticipated Bond Proceeds which decreased \$67.2 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 \$302.8 million. Transit commitments increased by \$254.9 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 \$47.9 million mainly due to delays in the Atlantic Gateway project and adding a subsequent year of allocated funding in FY 2019.

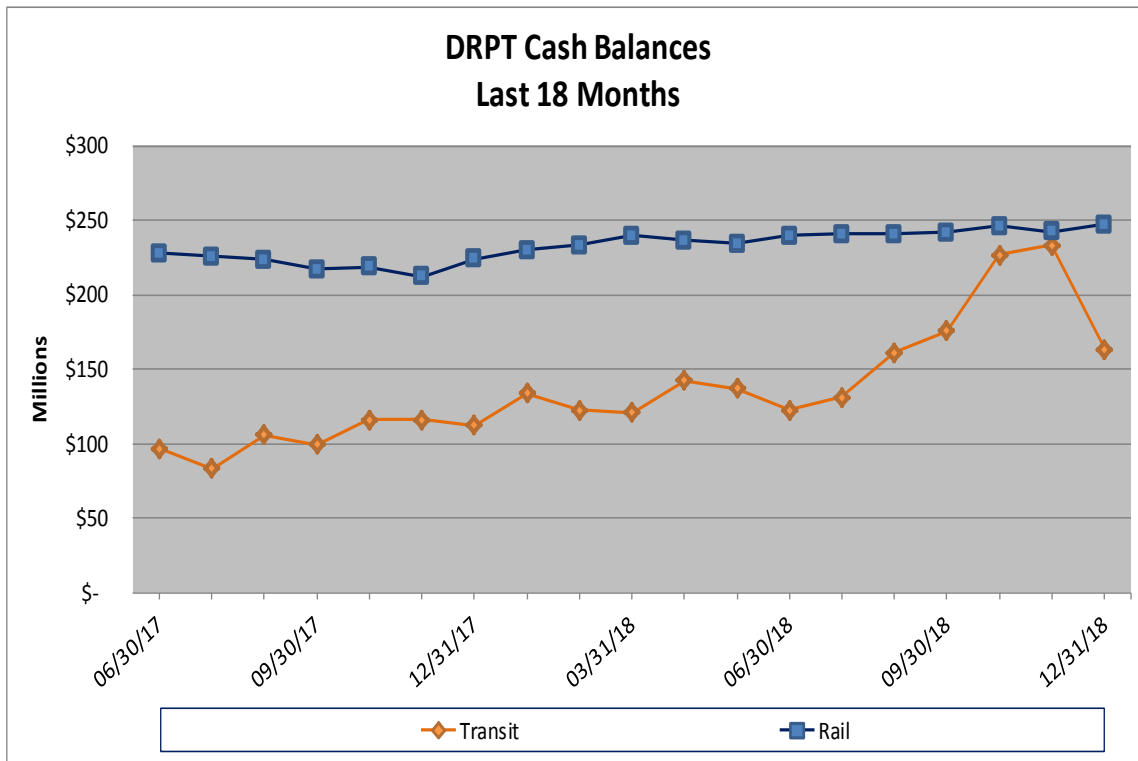
Funds Available

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, 2018					
(\$ in Millions)					
	12/31/2018			12/31/2017	Variance
	Rail	Transit	Total	Total	
Unobligated Passenger Rail Funds	\$ 20.2	\$ -	\$ 20.2	\$ 8.6	\$ 11.6
Unobligated Rail Enhancement Funds	14.5	-	14.5	9.7	4.8
Unobligated Rail Preservation Funds	1.0	-	1.0	3.0	(2.0)
Unobligated Mass Transit Trust Funds	-	82.4	82.4	48.0	34.4
Transit Operating/Capital Reserve	-	10.0	10.0	4.4	5.6
Unobligated Transit Bonds	-	10.1	10.1	12.9	(2.8)
Unobligated Transit Federal Funds	-	35.2	35.2	20.3	14.9
Unobligated Transit Other	-	0.3	0.3	0.2	0.1
Total Funds Available	\$ 35.7	\$ 138.0	\$ 173.7	\$ 107.1	\$ 66.6

The total funds available increased by \$66.6 million from last year to this year. The large balances in the Unobligated Mass Transit Trust Funds and Transit Federal Funds, which increased \$34.4 million and \$14.9 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 \$11.6 million because more Priority Transportation funding was allocated to the Atlantic Gateway Project instead of IPROC funding in FY 2019 of the SYIP.

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. Cash levels remain relatively stable throughout calendar year 2018.

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 November 2018 is primarily caused by the implementation of Chapter 856 of the 2018 Acts of Assembly in which a new WMATA Assistance program and a new Dedicated WMATA funding program was established. The agreement related to WMATA Assistance has been ratified and a payment for the first half of Fiscal Year 2019 was made in December 2018 resulting in a sizeable cash reduction. The Dedicated WMATA funding agreements and procedures for payment are still pending. When the agreement is signed, cash balances will decrease significantly.

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 and 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 December 31, 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>181.8</u>	<u>243.0</u>
Excess / (Shortfall)	<u>\$ 69.9</u>	<u>\$ 181.8</u>
(A) - 60 days cash reserve (B) - 180 days cash reserve		

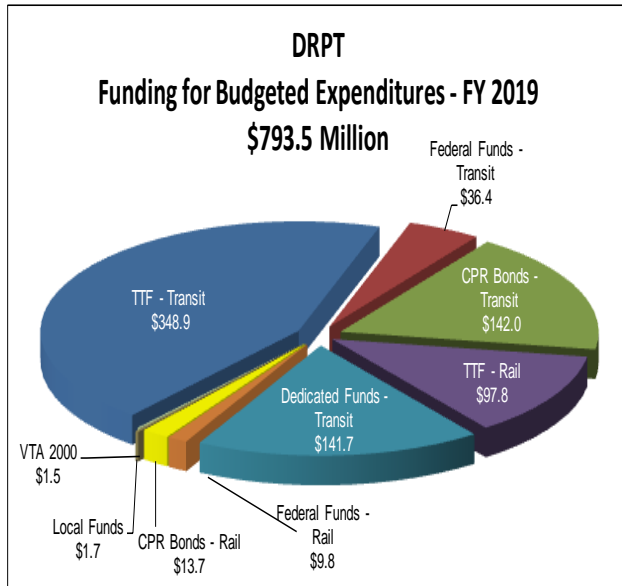
Receivables

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. A majority of the bonds receivable (\$30.2 million) are expected to be collected within a month, however future collections are expected to be delayed until the next bond issue in April 2019. The aging of accounts receivable is not a concern as of December 31, 2018, as the balance is due from VDOT with over 89% current.

Schedule of Receivables As of December 31, 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	\$ 3.3	\$ 0.4	\$ -	\$ -	\$ 3.7	
Bonds Receivable	\$ 28.6	\$ 3.6	\$ -	\$ -	\$ 32.2	

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

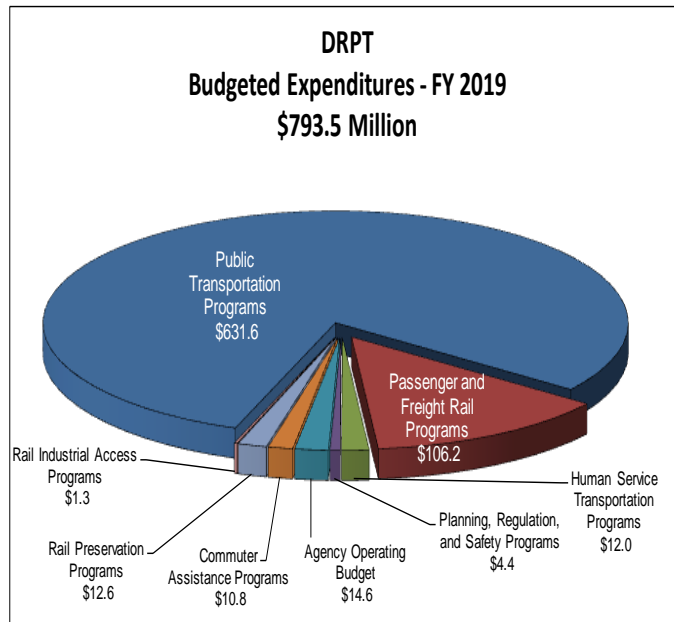
**Funding for Budgeted Expenditures
FY 2019**



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 Transit Authority (WMATA). The FY 2019 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 million 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	\$ 77.2
WMATA - PRIIA	48.4
Hampton Roads Transit	21.2
Potomac Rappahannock Transportation Commission	17.5
CSX	13.6
Virginia Railway Express	11.2
County of Fairfax	11.0
County of Arlington	8.8
Greater Richmond Transit Company	8.3
County of Loudoun	4.3
National Railroad Passenger Corp. (Amtrak)	3.6
Norfolk Southern Railway	3.2
Town of Blacksburg	2.2
Bay Transit	2.2
Norfolk and Portsmouth Belt Line RR Co	2.1
Va Regional Transportation Association	1.9
Danville Transit	1.5
Greater Roanoke Transit Company	1.4
JAUNT, Inc	1.3
Greater Lynchburg Transit Company	1.3
Williamsburg Area Transit Authority	1.2
District III Governmental Cooperative	1.1
City of Alexandria	1.1
Buckingham Branch RR	1.1
Charlottesville Transit	1.0

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.