



Virginia Department of Rail and Public Transportation

Quarterly Financial Report

September 30, 2015

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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. 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 2016 using a cash basis of accounting.

Department of Rail and Public Transportation					
Budget vs. Actual					
Fiscal Year 2016					
(\$ in Millions)					
	<u>FY 2016</u>	<u>3 Months</u>	<u>Actual</u>	<u>Variance</u>	<u>Percentage</u>
	<u>Budget</u>	<u>Budget</u>	<u>9/30/2015</u>		
Transit Programs	\$ 465.1	\$ 108.8	\$ 83.0	\$ 25.8	24%
Rail Programs	185.0	36.1	22.4	13.7	38%
Agency Operating Budget	12.1	3.0	2.1	0.9	30%
Agency Total	<u>\$ 662.2</u>	<u>\$ 147.9</u>	<u>\$ 107.5</u>	<u>\$ 40.4</u>	27%

The total variance of actual expenditures compared to the anticipated expenditures for the first quarter of FY 2016 is 27% or \$40.4 million. For transit programs the fiscal year expenditures are below the estimate by \$25.8 million. These variances were largely due to the WMATA capital improvement payments, the timing of bus purchases, and payments for facilities improvements. In the rail programs, the current year expenditures are below the estimate by 38% or \$13.7 million. Amtrak did not bill the agency in a timely manner for the six intercity passenger trains and several large construction projects were delayed but are now underway. DRPT has set a threshold for detailed explanation of variances that are greater than \$6.6 million (1% of the Total Budget) AND 15%. 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

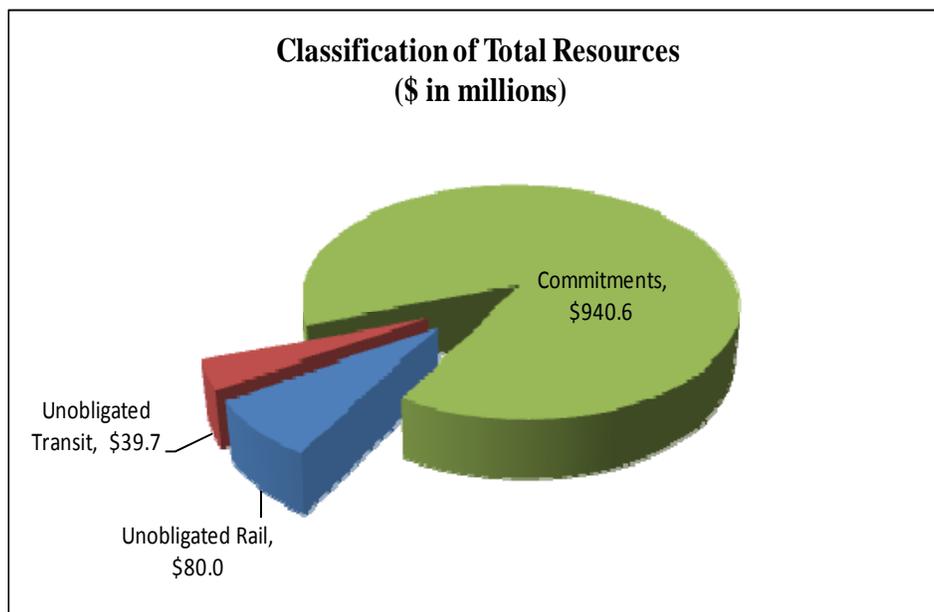
from these partners about the timing of almost 2,000 projects in order to estimate cash basis expenditures each year. Based on this operating format for DRPT, a variance of up to 15% would not be unreasonable. Ultimately, the goal for DRPT will be to work with our project partners to attain a variance 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 9) 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 each of the unobligated balances depicted in the following chart has unique allocation parameters that govern its allowable use.

For the quarter ended September 30, 2015, the total unobligated balance for all funds is \$119.7 million which includes \$80.0 million for the rail programs and \$39.7 million for the transit programs. The total unobligated balance is 11.3% of total resources as compared to 17.7% at June 30, 2015.



The majority of the rail programs balance (\$48.4 million) exists in the IPROC fund due to the better than expected performance of the trains over the past several years and the one-time general fund transfer of \$28.7 million made in June 2012.

The transit programs balance consists mainly of federal funds totaling \$13.0 million that have restrictions on their potential use, \$6.8 million of transit operating and capital reserve balance from prior years, and FY 2015 Mass Transit Trust Fund excess revenues of \$16.6 million.

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, 2015 - September 30, 2015) financial picture. For a definition of individual line items in the subsequent schedules, please consult the glossary beginning on page 17.

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 2016 using a cash basis of accounting. For transit programs, the FY 2016 estimates are off by 23.7%, as compared to a 3.2% variance at the same time last year. In the rail programs, the current year expenditures are off by 38.0% compared to the prior year's variance of 16.7% as of September 30.

	Adopted FY 2016	3 Months Budget	Actual 9/30/2015	Variance	Percentage Change	Notes
Public Transportation Programs						
Operating Assistance	\$ 192.1	\$ 49.5	\$ 43.5	\$ 6.0	12.1%	
Capital Assistance	242.4	50.7	31.0	19.7	38.9%	A
Special Programs	1.9	0.5	0.7	(0.2)	-40.0%	
Total	436.4	100.7	75.2	25.5	25.3%	
Commuter Assistance Programs	14.6	5.3	3.8	1.5	28.3%	
Human Service Transportation Pgm	8.0	0.5	2.5	(2.0)	-400.0%	
Planning, Regulation, & Safety Pgm	6.1	2.3	1.5	0.8	34.8%	
Total Transit Programs	465.1	108.8	83.0	25.8	23.7%	
Rail Assistance Programs						
Rail Preservation Programs	16.6	1.1	1.6	(0.5)	-45.5%	
Rail Industrial Access	2.1	0.2	-	0.2	100.0%	
Passenger and Freight Rail Programs	166.3	34.8	20.8	14.0	40.2%	B
Total	185.0	36.1	22.4	13.7	38.0%	
Agency Operating Budget	12.1	3.0	2.1	0.9	30.0%	
Agency Total	\$ 662.2	\$ 147.9	\$ 107.5	\$ 40.4	27.3%	

Note: Any variances of \$6.6 million (1% of the total budget) AND 15% are explained.

Variance notes:

(A) Transit Capital Assistance expenditures were \$19.7 million, or 38.9% 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 \$10.9 million for WMATA's FY 2016 Capital Improvement Program by September 30, 2015. Expenditures are billed and reconciled quarterly. The invoices are expected to be issued and paid in the second quarter.

- Hampton Roads Transit was expected to invoice \$4.0 million for improvements to the downtown Norfolk transfer center. The project was delayed due to weather and is expected to be completed in the second quarter.
- Hampton Roads Transit was expected to invoice \$2.1 million related to bus purchases in the first quarter. Partial delivery has been made. Full delivery is expected in the second quarter.
- Fairfax County has \$1.9 million of bus facilities and parking expansion expenditures that were anticipated to be invoiced in the first quarter. The projects are advancing.
- The City of Richmond was expected to invoice \$1.4 million for Main Street Station during the first quarter but there were construction delays caused by utility and archeology discoveries.
- Hampton Roads Transit was expected to invoice \$1.3 million related to the light rail extension project. The project has been delayed because the procurement for design work took longer than expected. The design contract has been awarded, and work is progressing.
- The remaining variance is due to multiple smaller projects that differ from the estimated cash flows for a variety of reasons.

(B) Passenger and Freight Rail expenditures were \$14.0 million, or 40.2% 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 for the six intercity passenger trains were \$2.9 million below the estimate due to delays in invoicing by Amtrak.
- CSX was expected to invoice an additional \$3.1 million for the Virginia Avenue tunnel project. Construction was delayed but is now underway.
- Norfolk Southern was expected to invoice \$0.7 million for the Montgomery tunnel project. A construction agreement is now in place.
- The DC2RVA project is delayed by two months in invoicing an additional \$2.8 million because of discussions with CSX about agreements, but the project is progressing.
- Expected payments of \$2.8 million for the Arkendale to Powell's Creek project will be paid in the second quarter. The project is progressing as planned.
- The remaining variance is due to multiple smaller projects lagging behind 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, which are reported 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 expenditures made, 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 2016 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 11.

Schedule of Resources and Commitments					
As of September 30, 2015					
(\$ in Millions)					
	9/30/2015			9/30/2014	
	Rail	Transit	Total	Total	
Resources					
Cash	\$ 228.6	\$ 80.4	\$ 309.0	\$ 219.9	
Estimated Revenues - FY 2016	69.4	203.5	272.9	225.5	
Accounts Receivable	0.4	3.9	4.3	3.7	
Bonds Receivable	0.1	12.3	12.4	16.8	
Anticipated Bond Proceeds	57.7	172.1	229.8	263.1	
Anticipated Reimbursement from VDOT	10.4	62.9	73.3	17.3	
Anticipated Reimbursement from FEDS	92.1	66.5	158.6	179.0	
Total Resources (A)	458.7	601.6	1,060.3	925.3	
Commitments					
Transit & TDM Commitments	-	559.0	559.0	501.5	
Rail Commitments	378.3	-	378.3	339.1	
Due to VDOT	0.4	2.9	3.3	0.8	
Total Commitments (B)	378.7	561.9	940.6	841.4	
Funds Available	\$ 80.0	\$ 39.7	\$ 119.7	\$ 83.9	

Variance Notes

(A) Total Resources increased by \$135.0 million from the \$925.3 million reported last year at September 30, 2014. Cash increased by \$89.1 million for several reasons. The revenues for the

Intercity Passenger Rail Operating and Capital Fund (IPROC) for FY 2015 exceeded expenditures for FY 2015 by \$45.3 million. DRPT will be updating its Rail Resource Allocation Plan in 2016 to include the IPROC program, which will align project needs with available resources to better utilize these funds. Cash in the Mass Transit Trust Fund increased by \$26.3 million mainly due to excess revenues of \$16.6 million that were collected in FY 2015.

Estimated revenues increased by \$47.4 million from the last year due to several reasons. The estimate for DRPT's 14.7% of the Transportation Trust Fund increased by \$24.9 million and the estimate for House Bill 2313 State Sales and Use tax increased by \$14.1 million. Additionally, the revenue estimate for the HB 2313 State Sales and Use tax for the IPROC Fund increased by \$9.3 million. The decrease in the line item Anticipated Bond Proceeds and the increase in the line item Anticipated Reimbursement from VDOT are mainly due to the re-classification between the line items of the \$41.6 million of funding from VDOT for fixed guide-way projects.

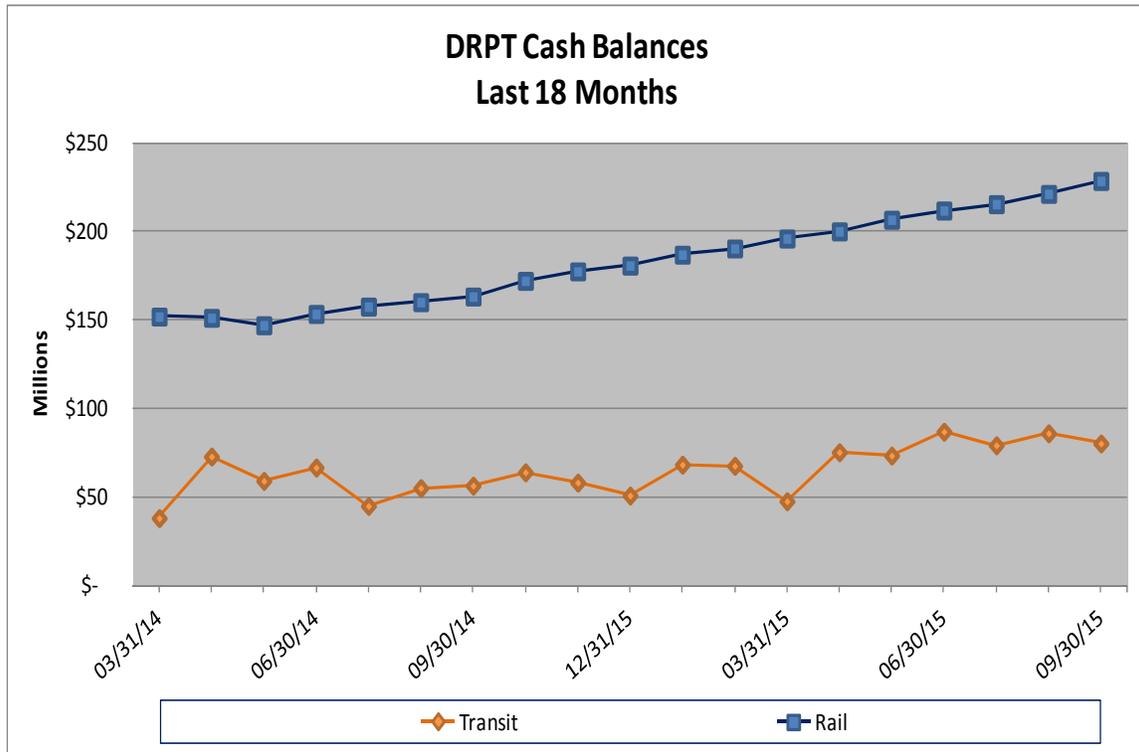
(B) Total Commitments increased by \$99.2 million. Transit commitments increased by \$57.5 million. This was mainly due to the addition of the FY 2016 capital commitments. Rail commitments increased by \$39.2 million due to several factors. This was due to the addition of the FY 2016 IPROC commitments of \$67.2 million offset by a decrease in Rail federal commitments for the DC2RVA project and the Arkendale to Powell's Creek project. These projects are funded by federal grants at fixed amounts so commitments will decrease as expenditures are reimbursed by DRPT.

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, 2015					
(\$ in Millions)					
	<u>9/30/2015</u>			<u>9/30/2014</u>	<u>Variance</u>
	<u>Rail</u>	<u>Transit</u>	<u>Total</u>	<u>Total</u>	
Unobligated Passenger Rail Funds	\$ 58.8	\$ -	\$ 58.8	\$ 49.7	\$ 9.1
Unobligated Rail Enhancement Funds	19.1	-	19.1	12.0	7.1
Unobligated Rail Preservation Funds	0.1	-	0.1	0.5	(0.4)
Unobligated VTA 2000 Funds	2.0	-	2.0	2.8	(0.8)
Unobligated Mass Transit Trust Funds	-	18.2	18.2	(10.6)	28.8
Operating and Capital Reserve	-	6.8	6.8	6.9	(0.1)
Unobligated Transit Bonds	-	1.6	1.6	8.6	(7.0)
Unobligated Federal Funds	-	13.0	13.0	13.9	(0.9)
Unobligated Transit Other	-	0.1	0.1	0.1	-
Total Funds Available	\$ 80.0	\$ 39.7	\$ 119.7	\$ 83.9	\$ 35.8

The total funds available increased by \$35.8 million from last year to this year. The unobligated Passenger Rail funds increased by \$9.1 million mainly due to VDOT providing \$10.4 million of funding for passenger rail in the Route 29 corridor which still needs to be programmed. The unobligated Mass Transit Trust Funds increased by \$28.8 million over the prior year. There was a shortfall in FY 2014, but revenues exceeded the estimate in FY 2015 by \$16.6 million after paying excess revenues to the Priority Transportation Fund. The remaining difference is due to small changes in various funds.

Cash Balances and Working Cash Needs

DRPT's cash balances for both rail and transit are depicted in a trend analysis over the last 18 months in the preceding chart. The rail cash balances have a gradual increasing trend reflected over the past 18 months due to the new revenue collections for passenger rail from HB 2313, and the lead time required to develop the associated new rail program.

Despite numerous fluctuations over the past 18 months, the transit cash balances have remained fairly constant. The six month average cash balance is near two months working cash needs, which DRPT has determined is sufficient for transit. During March of the past two years the Department had significant outstanding bonds receivable balances that were paid in April. The impact is seen as a decline in cash in March and a spike in April.

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 rail cash balance continues to far exceed the estimated working needs. This is due to several projects not advancing according to plan, and the accumulated IPROC unobligated balance. The planned update to the Rail Resource Allocation Plan will result in a better utilization of these funds.

<u>Working Cash Needs</u>		
	<u>Transit</u>	<u>Rail</u>
Annual Budget	\$ 474.0	\$ 188.2
Divided by 12 Months	÷12	÷12
Times Number of Months Reserve	X 2	X 6
Working Cash Needs	<u>79.0 (A)</u>	<u>94.1 (B)</u>
Six Month Average Cash Balance	<u>80.4</u>	<u>214.0</u>
Excess / (Shortfall)	<u>\$ 1.4</u>	<u>\$ 119.9</u>
<p>(A) - 60 days cash reserve (B) - 180 days cash reserve</p>		

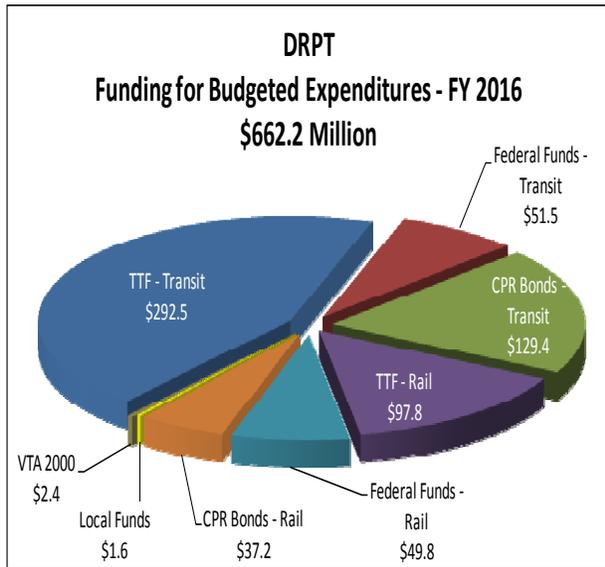
Receivables

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, 2015, as the greater than 90 days balance is due from VDOT, and the two agencies continue to work together to resolve the outstanding billings.

Schedule of Receivables				
As of September 30, 2015				
(\$ in Millions)				
	<u>0-30 days</u>	<u>31-90 days</u>	<u>> 90 days</u>	<u>Total</u>
Accounts Receivable	\$ 1.7	\$ 1.0	\$ 1.6	\$ 4.3
Bonds Receivable	\$ 12.4	\$ -	\$ -	\$ 12.4

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

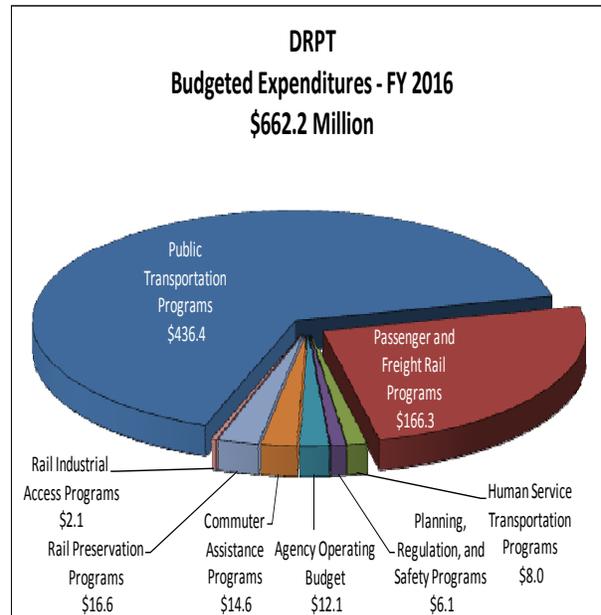
**Funding for Budgeted Expenditures
FY 2016**



The major sources of funds for the \$662.2 million DRPT budget are depicted in this chart. This does not represent the estimated revenues for FY 2016; instead, it shows the sources of funding for the budgeted expenditures for the year. For example, \$118.9 million of Commonwealth of Virginia Transportation Capital Projects Revenue Bonds is allocated to transit in the FY 2016 SYIP, but the budget and the funding sources statement includes \$129.4 million of projected expenditures for FY 2016. 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 2016**

In FY 2016, DRPT anticipates spending \$662.2 million of federal, state, and local funds compared to \$583.6 million in FY 2015. The increase of \$78.6 million results primarily because several large projects are entering project phases in FY 2016 that will require much larger outlays than in FY 2015. The FY 2016 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 2016. This list provides an indication of the wide variety of project partners that DRPT works with to accomplish its transportation goals.

WMATA - NVTC	\$ 28.3
WMATA - PRIIA	16.4
Hampton Roads Transit	8.2
NVTC - Virginia Railway Express	6.4
NVTC - County of Arlington	5.0
Greater Richmond Transit Company	2.3
NVTC - County of Fairfax	2.1
Potomac Rappahannock Transportation Commission	1.8
Buckingham Branch RR	1.6
Greater Lynchburg Transit Company	1.5
CSX	1.3
NVTC - City of Alexandria	1.0
Danville 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.
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: Revenue collected in excess of the estimate in the Mass Transit Trust Fund that is due to the Priority Transportation Fund.
7. Estimated revenues: Revenues anticipated to be collected in the current fiscal year based on economic forecasts. This amount is reduced by the FY 2014 shortfall of \$11.8 million in the Mass Transit Trust Fund.
8. Rail Commitments: Obligations that have been approved by the Commonwealth Transportation Board or the Agency Director.
9. Transit and Transportation Demand Management (TDM) Commitments: Obligations that have been approved by the Commonwealth Transportation Board or the Agency Director.
10. Unobligated Federal Funds: Available federal funds that have not been allocated to a project or funds that remain on a project that has been completed.
11. Unobligated Mass Transit Trust Funds: Available balances in the Mass Transit Trust Fund. These balances can be comprised of funds that have not been allocated to a project or funds that remain on a project that has been completed.
12. Operating and Capital Reserve: Balance set aside of up to five percent of the Commonwealth Mass Transit Fund revenues above \$160 million to assure better stability in providing operating and capital funding to transit entities from year to year.

13. Unobligated Passenger Rail Funds: Available balances of the Intercity Passenger Rail Operating and Capital Fund (IPROC).
14. Unobligated Rail Enhancement Funds: Available balances of the Rail Enhancement Fund including bonds.
15. Unobligated Rail Preservation Funds: Available balances in the Rail Preservation fund including bonds.
16. Unobligated Transit Bonds: Available bond allocations that have not been allocated to a project or bond allocations that remain on a project that has been completed.
17. Unobligated Transit Other: Available balances related to other transit funding such as transportation demand management projects. It also includes the remaining balance of the up to three and one half percent that DRPT takes off the top to fund administration costs of the agency that is permitted by the Code and the Appropriation Act. Any unused balances are given back to the grantees the following year.
18. Unobligated VTA 2000 Funds: Available balances to fund the development of intercity passenger rail enhancements in the I-95 passenger rail corridor between Richmond and the District of Columbia.