



Quarterly Financial Report

June 30, 2014

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Executive Summary

The report provides the Commonwealth Transportation Board (CTB) and other interested parties an update regarding the Agency budget; any notable 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 full budget for the fiscal year (July 1 – June 30) with the actual expenditures for FY 2014 using a cash basis of accounting.

Department of Rail and Public Transportation				
Budget vs. Actual				
Fiscal Year 2014				
(\$ in Millions)				
	<u>FY 2014 Budget</u>	<u>Actual 6/30/2014</u>	<u>Variance</u>	<u>Percentage</u>
Public Transportation Programs	\$ 440.6	\$ 369.5	\$ 71.1	16%
Rail Programs	101.4	73.9	27.5	27%
Agency Operating Budget	5.4	5.2	0.2	4%
Support to Other Agencies	0.7	0.8	(0.1)	-14%
Agency Total	<u>\$ 548.1</u>	<u>\$ 449.4</u>	<u>\$ 98.7</u>	18%

It is important to note that DRPT’s reliance on our 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.

The total variance for FY 2014 is 18% compared to a 19% variance at the same time last year. For transit programs, the current year expenditures are off by 16% through June 30, as compared to a 10% variance at the same time last year. Actual expenditures have lagged current year estimates for transit capital projects due to various reasons such as delays in the projects. In the rail programs, the current variance of 27% is an improvement over the prior year's variance of 54% as of June 30. See pages 8 and 9 for a more detailed analysis of the transit and rail variances. Both of these large variances highlight the need for DRPT to develop better project cash flow estimation processes with our grantees.

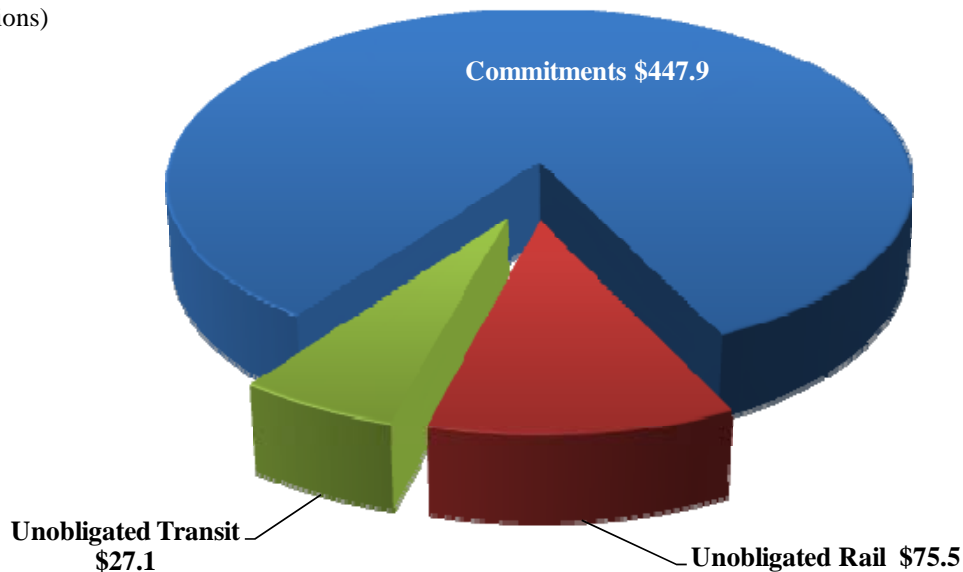
Unobligated Funds

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 each of the unobligated balances depicted in the following chart has unique allocation parameters that govern its allowable use.

For the quarter ended June 30, the total unobligated balance for all funds is \$102.6 million. The rail programs are projected to have \$75.5 million and the transit programs are projected to have \$27.1 million of unobligated balances after the FY 2015 SYIP needs are addressed.

Classification of Total Resources (\$ in Millions)



The majority of the rail programs balance (\$54.5 M) exists in the IPROC fund due to the better than expected performance of the trains and the one-time general fund transfer of \$28.7 million made in June 2012. The Department is currently developing a rail resource allocation plan to align project needs with available resources to better utilize these funds.

The majority of the transit programs balance consists of \$24.1 M of CPR bonds carried over from prior years that are anticipated to be utilized for several large transit projects that will be advancing in FY 2016. Additionally, the unobligated transit balance includes \$3.7 M for the FY 2014 operating/capital reserve and federal funds of \$11.3 M that have restrictions on their potential use. These balances are offset by a deficit in the Mass Transit Trust Fund of \$12.2 M due to a shortfall in FY 2014 revenue collections.

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 fourth quarter 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 full budget for the fiscal year (July 1 – June 30) with the actual expenditures for FY 2014 using a cash basis of accounting. For public transportation programs, the current year estimates are off by 17% through June 30, as compared to a 9% variance at the same time last year. Actual expenditures have lagged current year estimates for transit capital projects due to various reasons such as delays in the projects. In the rail programs, the current variance of 27% is an improvement over the prior year's variance of 54% as of June 30. Both of these large variances highlight the need for DRPT to develop better project cash flow estimation processes with our grantees.

Schedule of Budget vs. Actual As of June 30, 2014 (\$ in Millions)					
	Budget FY 2014	Actual as of 6/30/2014	Variance	Percentage Change	Notes
Public Transportation Programs					
Operating Assistance	\$ 192.7	\$ 204.0	\$ (11.3)	-5.9%	
Capital Assistance	219.8	136.7	83.1	37.8%	A
Special Programs	0.8	0.3	0.5	62.5%	
Total	413.3	341.0	72.3	17.5%	
Rail Assistance Programs					
Rail Preservation Programs	7.3	6.3	1.0	13.7%	
Rail Industrial Access	2.6	0.9	1.7	65.4%	
Passenger and Freight Rail Programs	87.3	64.3	23.0	26.3%	B
Richmond-Washington HSR	4.2	2.4	1.8	42.9%	
Total	101.4	73.9	27.5	27.1%	
Commuter Assistance Programs	10.6	12.4	(1.8)	-17.0%	
Human Service Transportation Pgm	6.2	7.5	(1.3)	-21.0%	
Planning, Regulation, & Safety Pgm	10.5	8.6	1.9	18.1%	
Agency Operating Budget	5.4	5.2	0.2	3.7%	
Support to Other Agencies	0.7	0.8	(0.1)	-14.3%	
Agency Total	\$ 548.1	\$ 449.4	\$ 98.7	18.0%	

Note: Any variances of \$5.5 million (1% of the total budget) AND 15% are explained.

Variance notes:

(A) Capital Assistance expenditures were \$83.1 million, or 37.8% less than the estimate provided in the annual CTB budget. The following project specific details help to explain the total variance for Capital Assistance expenditures.

- For various projects, \$9.7 million was anticipated to be paid in the first quarter of FY 2014, but was actually paid just prior to the end of the fourth quarter of FY 2013.
- The Virginia Railway Express (VRE) rail car purchase was expected to be invoiced in the third quarter of FY 2014. Four of the eight rail cars are expected to be delivered in the next several weeks and the other four are expected to be delivered later in FY 2015. This accounts for \$11.4 million of the variance.
- The VRE Station Platform and Canopy project and two other projects related to the construction of rail related facilities accounts for \$6.7 million of the variance. These projects were expected to be further along. Construction has begun on one project and construction should begin on the other two projects in another month or two.
- Project agreements for several projects with Fairfax County and VRE were signed later in the year than expected. This led to delays in the projects that accounts for \$9.6 million of the variance.
- Harrisonburg Transit has completed construction on their facility and has submitted an invoice for partial payment. This project was delayed due to issues with the Federal Transit Administration. This accounts for \$4.9 million of the variance. Additionally, they purchased six buses which were expected to be invoiced in the third quarter of FY 2014, but the buses will be delivered in early FY 2015. This accounts for \$2.3 million of the variance.
- The payment to WMATA to match the federal funds under PRIIA was estimated to be the entire \$50 million in FY 2014. However, \$3.6 million of this amount was paid in FY 2015 which is just a timing difference.
- The remaining variance is due to multiple smaller projects lagging behind the estimated cash flows for a variety of reasons.

(B) Passenger and Freight Rail expenditures were \$23.0 million, or 26.3% less than the estimate in the budget. Rail Enhancement projects account for \$15.2 million of the variance, and Intercity Passenger Rail Operating and Capital (IPROC) projects account for the remaining \$7.8 million. The following project specific details help to explain the total variance for Passenger and Freight Rail Expenditures.

- The IPROC operating cash flows are behind due to delays in invoicing by Amtrak. Accumulated credits should offset any invoices in the near term. The capital cash flows are behind because the Roanoke extension capital agreement was not signed until January 2014. Work has started, and the project should begin billing in the near future.
- The Norfolk Passenger Rail project is ahead of schedule and is almost completely billed out. Expenditures exceeded the current year estimate included in the FY 2014 budget by \$3.8 million.

- The Arkendale to Powell's Creek Third Track project accounts for \$9.7 million of the variance related to Rail Enhancement projects. The project has been delayed due to procurement issues related to the Design Build process, as well as environmental issues raised by the Marine Corps Base at Quantico.
- The VRE Third Track Spotsylvania extension is \$6.7 million behind the estimate because construction started late due to a delay in securing the necessary right of way.
- The Berryville, Elkton, Roanoke project accounts for \$1.1 million of the variance because the grantee had been behind schedule and slow in submitting invoices. An invoice was submitted in May for \$4.7 million to bring actual expenditures much closer to anticipated cash flows.
- The Bridge Clearances project has not been started and will not have related expenditures until the second quarter of FY 2015. This accounts for \$2.1 million of the variance.
- The Virginia Avenue Tunnel project accounts for \$1.8 million of the variance, and has been delayed due to the environmental assessment process.
- The Petersburg to Norfolk capital improvements project is ahead of schedule based on the estimated cash flows. Expenditures exceeded the current year estimate included in the FY 2014 budget by \$18.1 million.
- The remaining variance is due to multiple smaller projects lagging behind the estimated cash flows for a variety of reasons.

It is important to note that DRPT's reliance on our 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 2014 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 the following page.

Schedule of Resources and Commitments				
As of June 30, 2014				
(\$ in Millions)				
	6/30/2014			6/30/2013
	Rail	Transit	Total	Total
Resources				
Cash	\$ 155.0	\$ 63.4	\$ 218.4	\$ 200.8
Estimated Revenues - FY 2015	3.0	2.4	5.4	-
Accounts Receivable	0.3	3.3	3.6	1.9
Bonds Receivable	0.1	0.2	0.3	2.0
Anticipated Bond Proceeds	53.5	91.5	145.0	144.2
Anticipated Reimbursement from VDOT	1.4	15.7	17.1	13.5
Anticipated Reimbursement from FEDS	118.8	41.9	160.7	-
Total Resources (A)	332.1	218.4	550.5	362.4
Commitments				
Transit & TDM Commitments	-	151.0	151.0	130.1
Rail Commitments	234.0	-	234.0	134.1
Due to VDOT	0.8	0.1	0.9	0.4
Allocated in Future SYIP	21.8	40.2	62.0	11.5
Total Commitments (B)	256.6	191.3	447.9	276.1
Funds Available	\$ 75.5	\$ 27.1	\$ 102.6	\$ 86.3

Variance Notes

(A) Total Resources increased by \$188.1 million from the \$362.4 million reported last year at the end of the fiscal year. This change is mainly due to federal resources totaling \$160.7 million that were not included in the June 30, 2013 report. These funds were not reported because of staffing and time constraints in meeting the quarterly reporting deadline. Additionally, estimated revenues for FY 2015 increased by \$5.4 million due to FY 2014 collections falling short of the estimate. When this occurs, the subsequent year revenue estimates are adjusted downwards to offset the prior year shortfall.

(B) Total Commitments increased by \$171.8 million, which is mainly due to federal commitments totaling \$141.2 million that were not included in the June 30, 2013 report. Also, the amount carried forward to the next year SYIP increased due to additional unobligated funds being available.

Funds Available

The following schedule outlines the Department’s available balances after meeting all current commitments and deducting funds that will be used in the FY 2015 SYIP. 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.

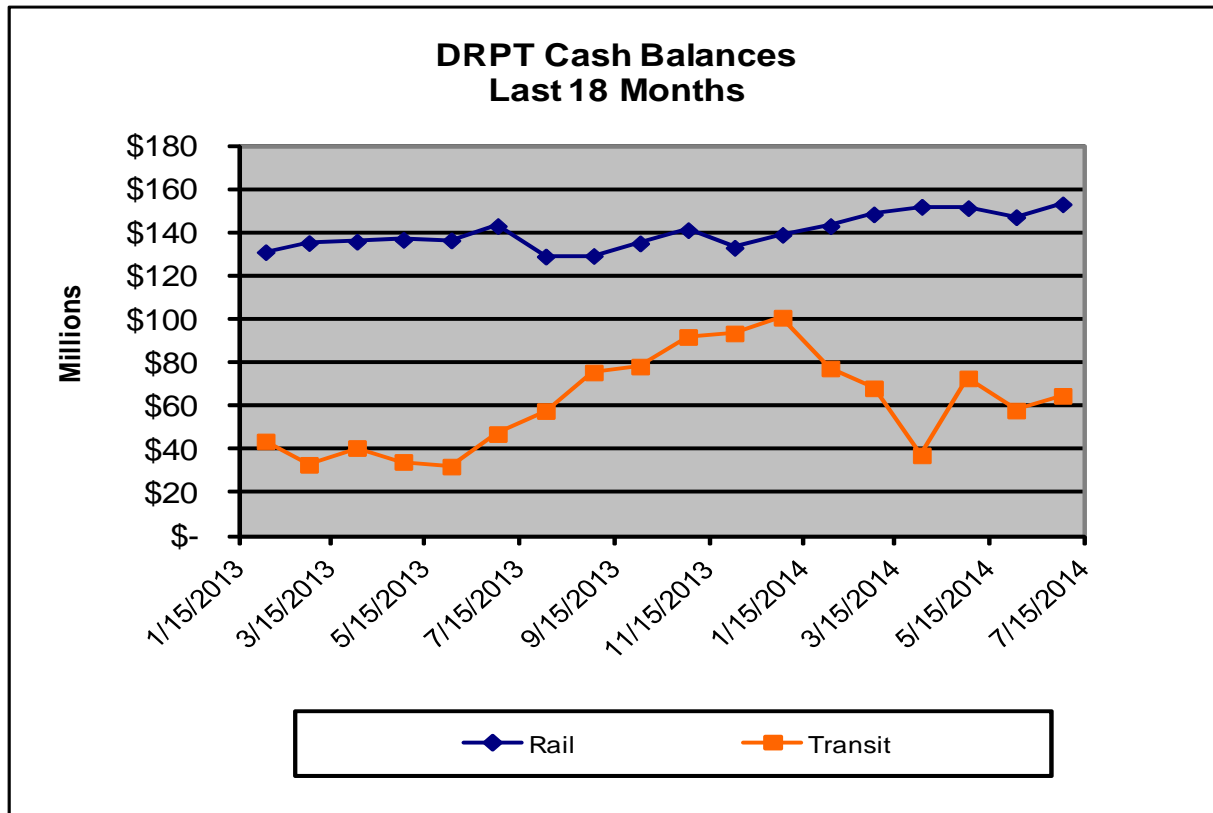
Schedule of Available Balances				
As of June 30, 2014				
(\$ in Millions)				
	6/30/2014			6/30/2013
	Rail	Transit	Total	Total
Unobligated Passenger Rail Funds	\$ 54.5	\$ -	\$ 54.5	\$ 35.4
Unobligated Rail Enhancement Funds	16.2	-	16.2	3.8
Unobligated Rail Preservation Funds	0.3	-	0.3	0.3
Unobligated VTA 2000 Funds	4.5	-	4.5	7.3
Unobligated Mass Transit Trust Funds	-	(12.2)	(12.2)	4.7
Operating and Capital Reserve	-	3.7	3.7	-
Unobligated Transit Bonds	-	24.1	24.1	36.1
Unobligated Federal Funds	-	11.3	11.3	-
Unobligated Transit Other	-	0.2	0.2	5.5
Total Funds Available	\$ 75.5	\$ 27.1	\$ 102.6	\$ 93.1

The total funds available increased by \$9.5 million from last year to this year, and there are a number of reasons that contribute to this increase. Passenger Rail available balances increased due to HB 2313 revenues for the Intercity Passenger Rail Operating and Capital

(IPROC) Fund significantly exceeding current year IPROC commitments. Since these IPROC funds were not appropriated until FY 2014, these revenues did not exist in FY 2013. Rail Enhancement available balances increased due to the reversion of funding to this program from the passenger rail program after IPROC was funded by HB 2313.

The Mass Transit Trust Funds available balance decreased mainly due to a revenue shortfall of \$15.9 million for FY 2014. This is partially offset by decreases to the FY 2015 revenue estimates. The Operating and Capital Reserve did not exist in FY 2013, but \$3.7 million was set aside in FY 2014 in accordance with the Code of Virginia. It should be noted that the increase in federal balances is due to the fact that this line item was not included in the prior year quarterly report. The item was consciously left out due to staffing and related time constraints to meet the quarterly reporting deadline.

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 been fairly constant around \$140 million with a gradual increasing trend reflected over the past 12 months due to the new revenue collections for passenger rail from HB 2313.

The transit cash balances have fluctuated significantly over the past 18 months. At the beginning of FY 2014, an allocation methodology for the HB 2313 funds had to be developed and implemented. This methodology was developed by the Transit Service Delivery Advisory Committee (TSDAC) and approved by CTB in 2013. In January 2014, the new operating funding was disbursed based on the new allocation formula, and the transit cash balance returned to its anticipated level at the end of February 2014. During March, several large disbursements on projects funded with CPR bonds were made and remained outstanding as a bond receivable at March 31. This caused the ending cash balance to fall below the working needs level, but payment was received from VDOT in April 2014 which prevented this from being anything other than a normal timing issue.

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 estimating working needs. This is due to several projects not advancing according to plan, and the accumulated IPROC unobligated balance. The Department is currently developing a rail resource allocation plan to align project needs with available resources to better utilize these funds.

<u>Working Cash Needs</u>		
	<u>Transit</u>	<u>Rail</u>
Annual Budget	\$ 440.6	\$ 101.4
Divided by 12 Months	÷12	÷12
Times Number of Months Reserve	X 2	X 6
Working Cash Needs	<u>73.4</u> *	<u>50.7</u> ^
Six Month Average Cash Balance	<u>63.1</u>	<u>149.1</u>
Excess / (Shortfall)	<u>\$ (10.4)</u>	<u>\$ 98.3</u>

* - 60 days cash reserve
 ^ - 180 days cash reserve

Receivables

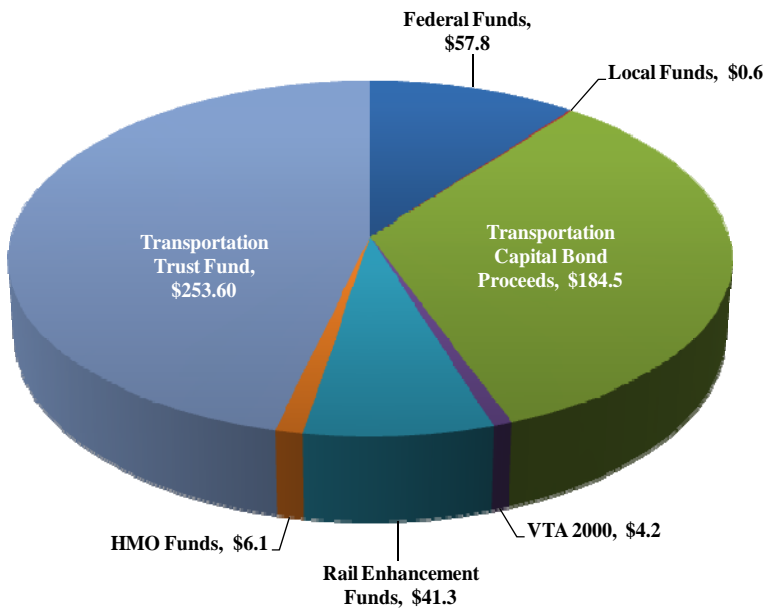
DRPT has accounts receivable from VDOT for numerous small projects that are paid on a reimbursement basis using highway funds. The bonds receivable will be collected from VDOT as they function as the trustee for the bond issuance proceeds. The aging of DRPT's receivables is not a significant concern as of June 30, 2014, as the greater than 90 days balance is due from VDOT.

Schedule of Receivables				
As of June 30, 2014				
(\$ in Millions)				
	<u>0-30 days</u>	<u>31-90 days</u>	<u>> 90 days</u>	<u>Total</u>
Accounts Receivable	\$ 1.4	\$ 0.1	\$ 2.1	\$ 3.6
Bonds Receivable	\$ 0.3	\$ -	\$ -	\$ 0.3

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

**DRPT Funding for Budgeted Expenditures – FY 2014
\$548.1 Million**

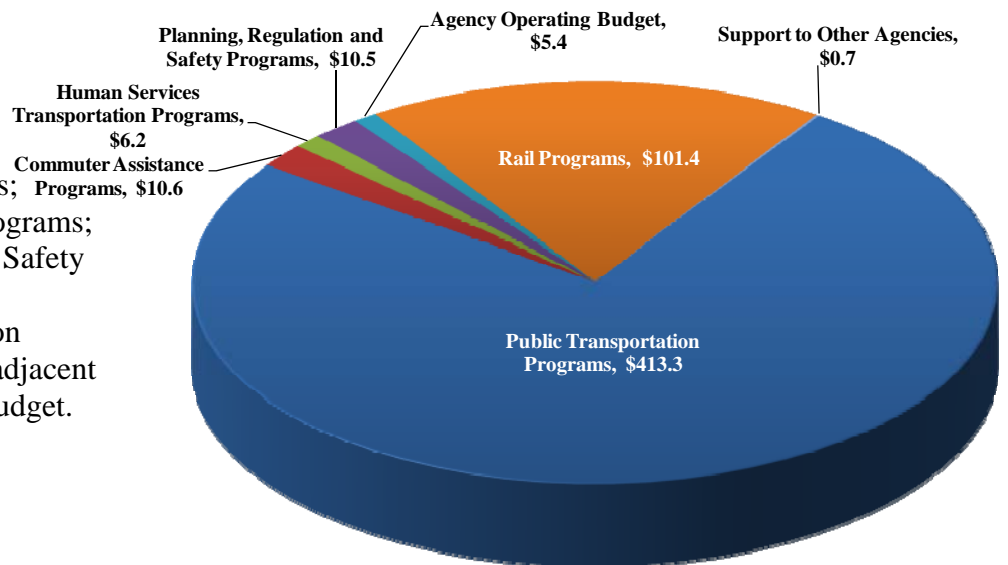
The major sources of funds for the DRPT budget are depicted in this chart. This does not represent the estimated revenues for FY 2014; instead, it shows the sources of funding for the budgeted expenditures for the year. For example, \$107.7 million of Commonwealth of Virginia Transportation Capital Projects Revenue Bonds is allocated to transit in the FY 2014 SYIP, but the budget and the funding sources statement includes \$159.1 million of projected expenditures for FY 2014. 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.



**DRPT Budgeted Expenditures – FY 2014
\$548.1 Million**

In FY 2014, DRPT anticipates spending \$548.1 million of federal, state, and local funds compared to \$509.3 million in FY 2013. The increase of \$38.8 million results primarily from the new transit operating money from the passage of House Bill 2313 and the FY 2014 capital allocations being more closely aligned with anticipated cash flows. This total increase of \$90 million is offset by the decrease of \$50 million in budgeted expenditures for the Dulles Corridor Metrorail Project. The FY 2014 DRPT budget will be accounted for utilizing the agency’s eight service areas, including:

- Public Transportation Programs;
 - Commuter Assistance Programs;
 - Human Services Transportation 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).
- The adjacent chart depicts the DRPT budget.



Payments to Grantees

The following is a list of grantees that have received payments of \$2 million or more in the current fiscal year. This list provides an indication of the wide variety of project partners that DRPT works with to accomplish its transportation goals.

NVTC - WMATA	\$ 129.3
Norfolk Southern Railway	58.3
WMATA - PRIIA	52.9
NVTC - County of Fairfax	27.8
Hampton Roads Transit	24.5
NVTC - Virginia Railway Express	20.4
Potomac Rappahannock Transportation Commission	13.2
Greater Richmond Transit Company	12.8
NVTC - County of Arlington	11.7
County of Loudoun (OTS)	7.8
NVTC - City of Alexandria	5.7
Bay Transit	5.7
Buckingham Branch RR	4.3
CSX	3.6
JAUNT, Inc	3.1
Town of Blacksburg	2.6
Greater Lynchburg Transit Company	2.5
Greater Roanoke Transit Company	2.5
Williamsburg Area Transport	2.2
VRTA - Loudoun District	2.2

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: Rail Industrial Access funds collected from DRPT grantees that did not meet the performance requirements of their grant.
7. Estimated revenues: The amount FY 2015 revenue estimates were decreased to offset the shortfall in revenue collections for FY 2014.
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 Bonds: Bond balance that can be used for the Rail Enhancement Program or the Rail Preservation Program.
15. Unobligated Rail Enhancement Funds: Available balances of the Rail Enhancement Fund that are not related to bonds.
16. Unobligated Rail Preservation Funds: Available balances in the Rail Preservation fund that are not related to 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.
19. 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.