



Quarterly Financial Report

March 31, 2014

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Executive Summary

This report is intended to provide a snapshot of the financial picture of the Department of Rail and Public Transportation. The report presents to the Commonwealth Transportation Board (CTB) and other interested parties an update regarding what we are doing with our budget; any notable variances between our anticipated expenditures and our actual expenditures; our cash balances; our resources versus our commitments; and funds available for allocation.

Budget vs. Actual

A key schedule included in this report is a Budgeted versus Actual Expenditures 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 anticipated expenditures for the first three quarters of FY 2014 with the actual expenditures in those quarters using a cash basis of accounting. The full budget for the fiscal year (July 1 – June 30) is also shown in the following summary table.

Budget vs. Actual Expenditures					
Fiscal Year 2014					
(\$ in Millions)					
	FY 2014 Budget	9 Months Budget	Actual 3/31/2014	Variance	Percentage
Public Transit Programs	\$ 440.6	\$ 363.7	\$ 280.6	\$ 83.1	23%
Rail Programs	101.4	66.8	47.9	18.9	28%
Agency Operating Budget	5.4	4.1	3.6	0.5	11%
Support to Other Agencies	0.7	0.5	-	0.5	100%
Agency Total	<u>\$ 548.1</u>	<u>\$ 435.1</u>	<u>\$ 332.1</u>	<u>\$ 103.0</u>	24%

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 while maintaining a goal of 10% or less variance from our budget.

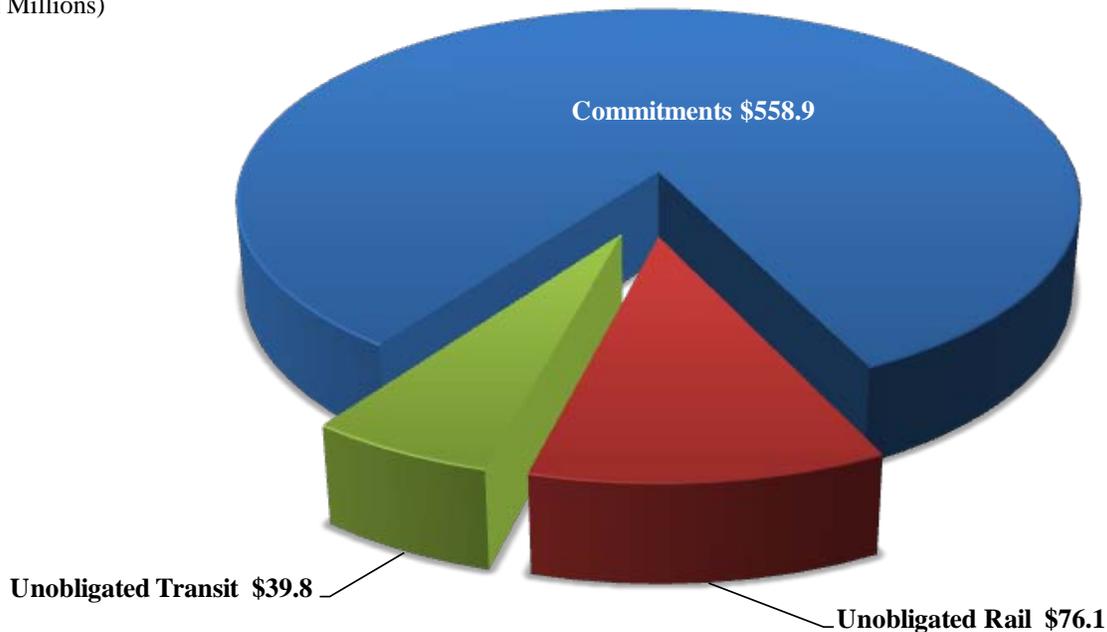
For transit programs, the current year expenditures are off by 23% through March 31, as compared to a 2% variance at the same time last year. Actual expenditures have lagged current year estimates for transit capital projects due to various reasons such as delays in the projects. In the rail programs, the current variance of 28% is an improvement over the prior year's variance of 46% as of March 31. Both of these large variances highlight the need for DRPT to develop better project cash flow estimation processes with our grantees.

Unobligated Funds

The 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 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 have unique allocation parameters that govern their allowable use.

For the quarter ended March 31, the total unobligated balance for all funds is \$178.7 million. The largest unobligated balance is the \$65.4 million of Passenger Rail Funds, which includes a General Fund transfer of \$28.7 million made in June of 2012, and \$32 million of FY 2014 Intercity Passenger Rail Operating and Capital (IPROC) funds. Unobligated transit funds include \$15 million of capital funds from House Bill 2313 and \$3.7 million for the FY 2014 operating/capital reserve, as well as \$34.3 million of Commonwealth Project Revenue (CPR) bonds carried over from prior years.

**Allocation of
Total Resources**
(\$ in Millions)

As part of the FY 2015 six year improvement program (SYIP) allocation process, \$62.8 million of the unobligated balances are currently planned for allocation in the SYIP. For the transit programs, approximately \$40 million of unobligated balances will remain after the allocations in the current SYIP process – down from \$81 million. These remaining balances are primarily CPR bonds (\$28 M) that are anticipated to be utilized for several large transit projects that will be advancing in FY 2016, and federal funds (\$10 M) that have restrictions on their potential use.

The rail programs are projected to have \$76 million of unobligated balances after the FY 2015 SYIP needs are addressed. The majority of this balance (\$60 M) exists in the IPROC fund due to the better than expected performance of the trains and the one-time general fund transfer. The Department is currently evaluating long term rail program needs to determine a path to utilize these unobligated balances.

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 third quarter financial picture. For a definition of individual line items in the subsequent schedules, please consult the glossary beginning on page 16.

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 anticipated expenditures for the first three quarters of FY 2014 with the actual expenditures in those quarters using a cash basis of accounting. The full budget for the fiscal year (July 1 – June 30) is also shown in the following summary table. Any variances of \$5.5 million (1% of the total budget) **AND** 15% percentage change are explained.

Schedule of Budget vs. Actual					
As of March 31, 2014					
(\$ in Millions)					
	Budget FY 2014	Estimated as of 3/31/2014	Actual as of 3/31/2014	Variance	Percentage Change
Public Transportation Programs					
Operating Assistance	\$ 192.7	160.4	\$ 146.2	\$ 14.3	8.9%
Capital Assistance	219.8	181.1	112.1	69.0 (A)	38.1%
Special Programs	0.8	0.6	0.3	0.3	50.0%
Total	413.3	342.1	258.6	83.5	24.4%
Rail Assistance Programs					
Rail Preservation Programs	7.3	4.2	4.5	(0.3)	-7.1%
Rail Industrial Access	2.6	2.2	0.9	1.3	59.1%
Passenger and Freight Rail Programs	87.3	57.4	41.4	16.0 (B)	27.9%
Richmond- Washington HSR	4.2	2.8	1.1	1.7	60.7%
Total	101.4	66.8	47.9	18.9	28.3%
Commuter Assistance Programs	10.6	8.8	8.4	0.4	4.5%
Human Service Transportation Pgm	6.2	4.7	6.3	(1.7)	-35.5%
Planning, Regulation, & Safety Pgm	10.5	8.1	7.3	0.8	9.9%
Agency Operating Budget	5.4	4.1	3.6	0.5	11.1%
Support to Other Agencies	0.7	0.5	-	0.5	100.0%
Agency Total	\$ 548.1	\$ 435.1	\$ 332.1	\$ 103.0	23.7%

Variance notes:

(A) Capital Assistance expenditures were \$69 million, or 38.1% less than the estimate provided in the annual CTB budget. Part of the reason for this discrepancy is due to \$9.7 million that was anticipated to be paid in the first quarter of FY 2014, but was actually paid in the fourth quarter of FY 2013. The remaining variance is due to multiple projects lagging behind the estimated cash flows for a variety of reasons.

(B) Passenger and Freight Rail expenditures were \$16 million, or 27.9% less than the estimate in the budget. Rail Enhancement projects account for \$10.5 million of the variance, and Intercity Passenger Rail Operating and Capital (IPROC) projects account for the remaining \$5.5 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 we expect to be billed soon.
- 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 \$10.7 million. However, this is offset by multiple smaller projects lagging behind the estimate.
- The Arkendale to Powell's Creek Third Track project accounts for \$5.8 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 \$3.6 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 \$3.6 million of the variance because the grantee is behind schedule and has been slow in submitting invoices.
- The Bridge Clearances project has not been started and will not have related expenditures until the second quarter of FY 2015. This accounts for \$1.7 million of the variance.
- The Virginia Avenue Tunnel project accounts for \$1.3 million of the variance, and has been delayed due to the environmental assessment process.

For public transportation programs, the current year estimates are off by 24% through March 31, as compared to a 1% 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 28% is an improvement over the prior year's variance of 46% as of March 31. Both of these large variances highlight the need for DRPT to develop better project cash flow estimation processes with our grantees.

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 goal of less than 10% variance 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 the SYIP for FY 2014 and prior. 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 March 31, 2014				
(\$ in Millions)				
	3/31/2014			3/31/2013
	Rail	Transit	Total	Total
Resources				
Cash	\$ 154.2	\$ 36.1	\$ 190.3	\$ 176.5
Estimated Revenues - FY 2014	23.8	75.1	98.9	50.8
Accounts Receivable	0.2	4.2	4.4	9.4
Bonds Receivable	2.7	28.4	31.1	1.5
Anticipated Bond Proceeds	58.7	104.6	163.3	233.2
Anticipated Reimbursement from VDOT	1.4	17.2	18.6	17.8
Anticipated Reimbursement from FEDS	119.0	49.2	168.2	-
Total Resources (A)	360.0	314.8	674.8	489.2
Commitments				
Transit & TDM Commitments	-	233.9	233.9	231.9
Rail Commitments	261.0	-	261.0	158.7
Due to VDOT	1.1	0.1	1.2	5.5
Total Commitments (B)	262.1	234.0	496.1	396.1
Resources in Excess of Commitments	97.9	80.8	178.7	93.1
Allocated in FY 15 SYIP	(21.8)	(41.0)	(62.8)	*
Funds Available	\$ 76.1	\$ 39.8	\$ 115.9	\$ 93.1

Note: The FY 2014 SYIP Draft was done in May so this information was not available at 3/31/13.

Variance Notes

(A) Total Resources increased by \$185.6 million from the \$489.2 million reported last year at the end of the third quarter. This discrepancy is due in part to federal resources totaling \$169.5 million that were not included in the March 31, 2013 report. These funds were not reported because of staffing and time constraints in meeting the quarterly reporting deadline.

Additionally, estimated revenues increased by \$57 million mainly due to the increase in rail and transit revenue estimates brought about by the passage of House Bill 2313. This increase is offset by a decrease in anticipated bond proceeds, which is mainly due to the \$50 million of bonds allocated to the Dulles Project in FY 2013.

(B) Total Commitments increased by \$100.0 million, which is due in part to federal commitments totaling \$148.5 million that were not included in the March 31, 2013 report. This is offset by a decrease in Transit and TDM commitments due to the FY 2013 \$50.0 million Dulles commitment.

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 draft 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 March 31, 2014				
(\$ in Millions)				
	3/31/2014			3/31/2013
	Rail	Transit	Total	Total
Unobligated Passenger Rail Funds	\$ 65.4	\$ -	\$ 65.4	\$ 35.4
Unobligated Rail Enhancement Funds	25.3	-	25.3	3.8
Unobligated Rail Preservation Funds	0.2	-	0.2	0.3
Unobligated Rail Bonds	2.5	-	2.5	-
Unobligated VTA 2000 Funds	4.5	-	4.5	7.3
Unobligated Mass Transit Trust Funds	-	23.0	23.0	4.7
Unobligated Transit Bonds	-	34.3	34.3	36.1
Unobligated Federal Funds	-	19.7	19.7	-
Unobligated Transit Other	-	3.8	3.8	5.5
Total Funds Available (A)	97.9	80.8	178.7	93.1
Allocated in FY 15 SYIP	(21.8)	(41.0)	(62.8)	*
Net Funds Available	\$ 76.1	\$ 39.8	\$ 115.9	\$ 93.1

Note: The FY14 SYIP Draft was done in May so this information is not available.

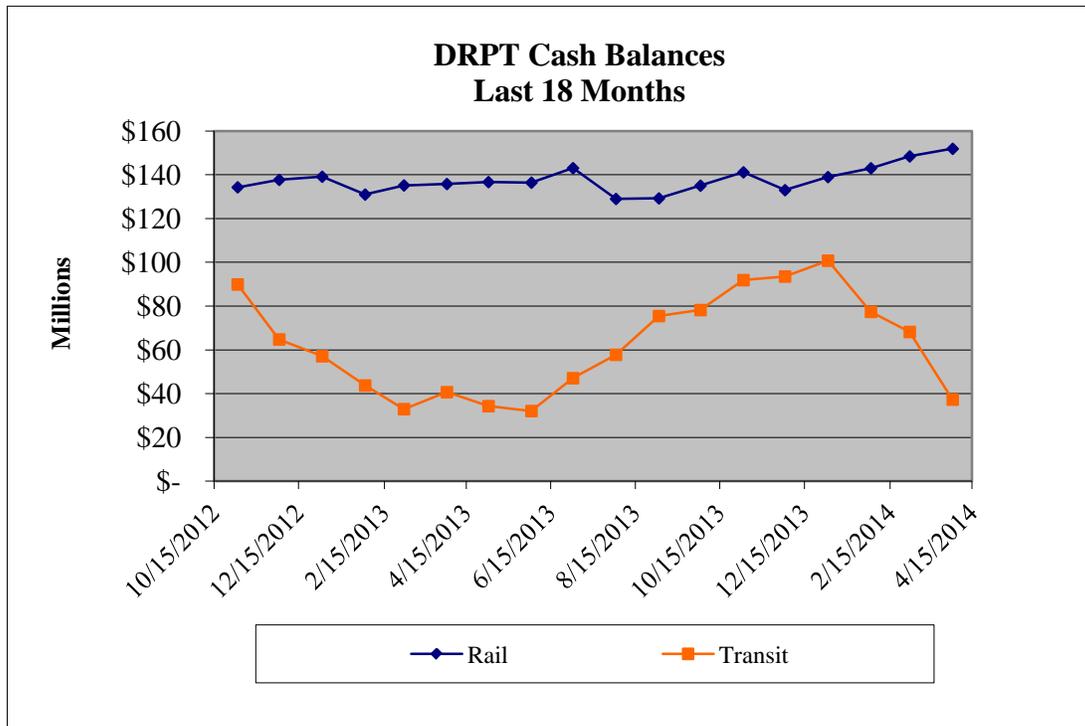
The total funds available increased by \$85.6 million from last year to this year, and there are a number of reasons that contribute to this increase. Passenger Rail available balances increased due to HB 2313 revenues for the Intercity Passenger Rail Operating and Capital (IPROC) Fund significantly 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 increased due to new revenues generated by HB 2313 related to capital funding. It was determined that the FY 2014 capital allocation of \$15.9 million would be carried forward to the FY 2015 SYIP to allow a new funding distribution process to be developed and implemented. An additional \$3.7 million was set aside in an Operating and Capital Reserve 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 intentionally left out due to staffing and related time constraints to meet the quarterly reporting deadline.

As part of the FY 2015 SYIP allocation process, \$62.8 million of the unobligated balances are currently planned for allocation in the SYIP. For the transit programs, approximately \$40 million of unobligated balances will remain after the allocations in the current SYIP process – down from \$81 million. These remaining balances are primarily CPR bonds (\$28 M) that are anticipated to be utilized for several large transit projects that will be advancing in FY 2016, and federal funds (\$10 M) that have restrictions on their potential use.

The rail programs are projected to have \$76 million of unobligated balances after the FY 2015 SYIP needs are addressed. The majority of this balance (\$60 M) exists in the IPROC fund due to the better than expected performance of the trains and the one-time general fund transfer. The Department is currently evaluating long term rail program needs.

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 \$135 million with a gradual increasing trend reflected over the past 9 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. In early FY 2013, the NVTC jurisdictions and DRPT had difficulty contracting for grant funds that make up about 80% of annual allocations. Once an agreement was reached, the cash balances declined to the expected \$40 million level in January of 2013.

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) in 2013, and approved by CTB in October 2013. In January 2014, the new operating funding was disbursed, 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 is expected from VDOT in time to prevent 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 evaluating long term rail program needs to determine a path to utilize these excess balances.

<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>78.2</u>	<u>142.7</u>
Excess / (Shortfall)	<u>\$ 4.8</u>	<u>\$ 92.0</u>

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

Receivables

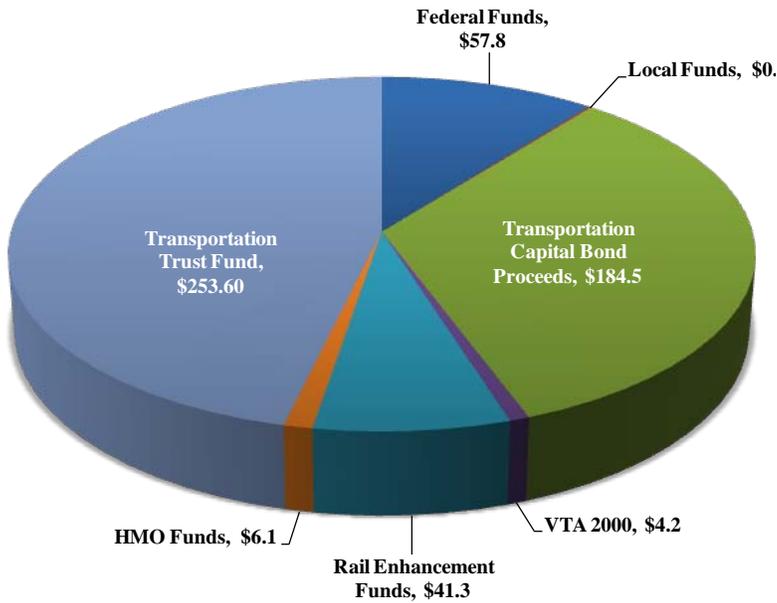
DRPT has accounts receivable from VDOT for numerous small projects that are paid on a reimbursement basis using highway funds. The bonds receivable will be collected from CPR bond proceeds from VDOT as they function as the trustee for the bond issuance proceeds. In the current year, DRPT had several large bond funded disbursements in March including the PRIIA match for WMATA and Fairfax County bus and WMATA subsidy payments. The aging of DRPT’s receivables is not a significant concern as of March 31, 2014.

Schedule of Receivables					
As of March 31, 2014					
(\$ in Millions)					
	<u>0-30 days</u>	<u>31-90 days</u>	<u>> 90 days</u>	<u>Total</u>	
Accounts Receivable	\$ 2.5	\$ 0.1	\$ 1.8	\$	4.4
Bonds Receivable	\$ 31.1	\$ -	\$ -	\$	31.1

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**

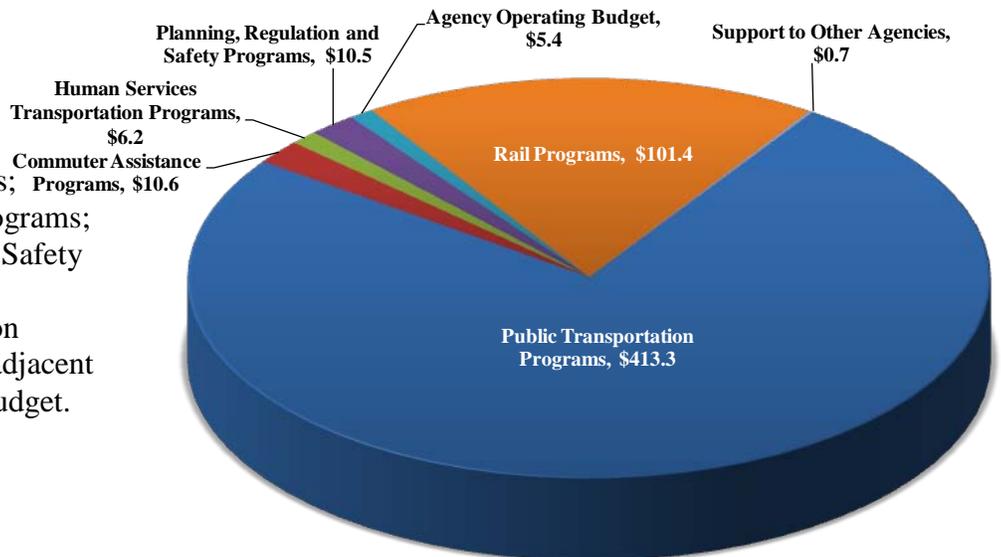
The major sources of funds for the DRPT budget are depicted in this chart. This does not represent the estimated revenues for FY 2014; instead, it shows the source of funding for the budgeted expenditures for the year. For example, \$107.7 million of Commonwealth of Virginia Transportation Capital Projects Revenue Bonds is allocated to transit in the FY 2014 Six Year Improvement Program, 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 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	\$ 88.1
WMATA - PRIIA	52.9
Norfolk Southern Railway	36.1
Hampton Roads Transit	18.2
NVTC - Virginia Railway Express	16.7
NVTC - County of Fairfax	16.0
Potomac Rappahannock Transportation Commission	11.6
Greater Richmond Transit Company	9.9
NVTC - County of Arlington	7.9
County of Loudoun (OTS)	4.9
Bay Transit	4.2
NVTC - City of Alexandria	4.0
CSX	3.6
Buckingham Branch RR	3.3
JAUNT, Inc	2.7
Town of Blacksburg	2.1
VRTA - Loudoun District	2.1
Greater Lynchburg Transit Company	2.0
Greater Roanoke Transit Company	2.0

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: Rail Industrial Access funds collected from DRPT grantees that did not meet the performance requirements of their grant.
7. Estimated revenues: The original revenue estimates provided by the Department of Taxation less collections through March 31, 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. Unobligated Passenger Rail Funds: Available balances of the Intercity Passenger Rail Operating and Capital Fund (IPROC).
13. Unobligated Rail Bonds: Bond balance that can be used for the Rail Enhancement Program or the Rail Preservation Program.

14. Unobligated Rail Enhancement Funds: Available balances of the Rail Enhancement Fund that are not related to bonds.
15. Unobligated Rail Preservation Funds: Available balances in the Rail Preservation fund that are not related to 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.