

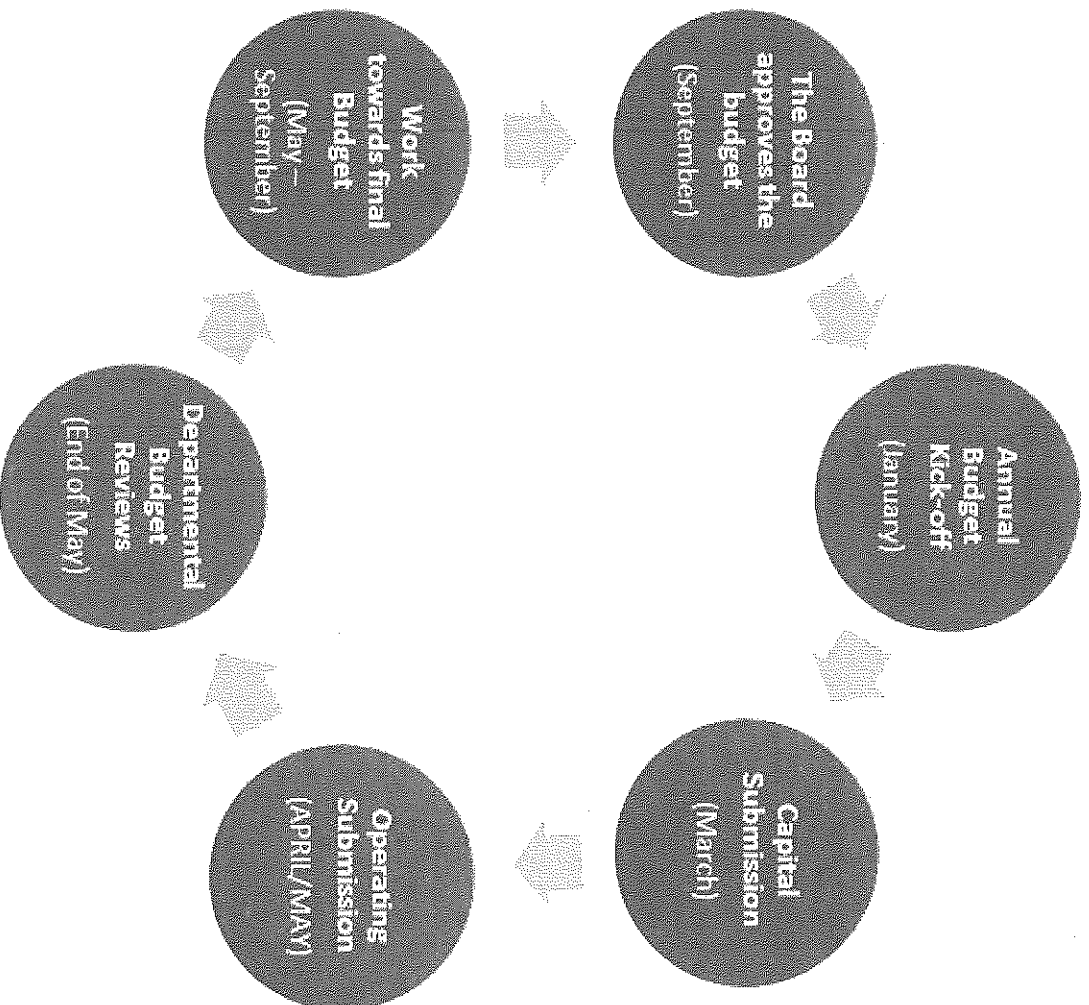
# Consolidated Budget Process

*Amtrak's budgeting process is designed to ensure funding is invested in a manner that is consistent with its overall corporate strategy, while at the same time enhancing revenue growth, operating margins, and asset efficiency*

- In the beginning of each calendar year, Financial Planning meets to establish dates, high level themes & assumptions, defines the budget process between operating and capital for the next 5 years
- Multiple check-ins are conducted with departments to help answer any questions they may have on submissions or provide guidance as needed
  - Capital Initial Submissions begin in March
  - Operating Initial Submissions begin in April/May
- Detailed departmental capital & operating budgets reviews are held in May in which departments present key assumptions, initiatives, and strategies regarding their submission
- Multiple rounds of refinements, reductions, and detailed reviews are conducted with the ultimate goal of creating an budget that improves on results
- The final Budget is presented to the Amtrak Board of Directors in September for approval



# Annual Budget Process Flow



# Operating Budget Process

---

- Field groups are required to submit 5 years of input and asked to submit a thoroughly reviewed zero based budget
- Assumptions and Definitions are provided for all major revenue and expense items including:
  - Ticket Revenue: Financial Planning works with Marketing to develop ticket revenue and ridership ensuring consistent assumptions for OTP %, service changes, fuel impacts, and demand. In addition to the baseline forecast, Marketing is asked to include any change in demand based on planned initiatives.
  - Labor & Employee expenses: Detailed assumptions for salary increases are provided to the departments. Merit % for Non Agreement Employees, and GWI assumptions for agreement employees.
  - Overhead Rates & Benefits Expense: Working with Accounting, Financial Planning distributes Fully loaded benefit % to be applied to all labor models (Straight Time, Overtime, Non Agreement, etc.) and Overhead rates for calculating Ancillary spend and Transfer to Capital.
  - Train Operations & Fuel: Financial planning works with the Operations team to ensure OTP % and Fuel assumptions are consistently applied to both Revenue and Expense
  - Management Headcount & Agreement Hours: All departments are expected to provide budget information on headcount operating metrics and will be measured on changes to budget. Definition of Management Headcount and Agreement Hours will be provided by Financial Planning.
- Operating Initiative are approved by the COT (Company Operating Team) who reviews, discusses and debates the proposals and provides a final list of approved initiatives to be included in the budget submission
- In addition to COT approved initiatives, corporate wide cost saving measures are reviewed and discussed with departments (Reduction to overtime, Claims Management, etc.) for inclusion in the operating budget

# Capital Budget Process

---

- Creation of three Capital Spending Buckets (called Tiers) that focused on Compliance (Tier 1), Maintenance (Tier 2), Enhancing Performance and New Initiatives (Tier 3)
- Maintenance projects (Tier 2), primarily Engineering, IT and Mechanical rolled up the Program level for funding:
  - Engineering – Project: replace track from mile post 2-3 vs. Program: track replacement Program (flexibility for engineering to determine where to replace track due to day to day changes in track locations)
  - Mechanical – Project: Replace seat material on Amfleet 1 coach cars vs. Program: Level 2 overhaul, which incorporates seat replacement with other maintenance items such as lighting and A/C units
- Projects are submitted and placed into one or more of the spending buckets or Tiers (projects can spread across multiple Tiers based on the nature of the request)
- Each Tier is reviewed for funding regardless if a project is spread across multiple Tiers
- Tier 3 or Enhancing Performance and New Initiatives respectively are scored based on alignment to Amtrak's strategic objectives, financial performance, and risk
- Full Business Cases are required for all Programs and Projects and need to include metrics and milestones
  - Detailed Scope & Business Justification
  - 5 Year P&L including cost estimate and Benefits
  - Metrics & Milestones
  - Risks & Opportunities
  - SWAT Analysis

# Budgeted Metrics

*Key Operating and Capital Metrics are collected and measured against during the year*

## Examples of Operating Metrics

<u>FTE Related</u>	<u>Other Metrics</u>
ST & OT Hours	OTP %
Hours by Type of Work	Power & Fuel Prices
FTE's	Power & Fuel Usage
(Management, Agreement)	Claims Data
(Core, Ancillary, Capital)	eCSI Score
	Materials Related
	Other specific

<u>Revenue Related (by Route)</u>
Ridership
Train Miles
Seat Miles
Average Load Factor
Peak Load Factor
RASM
CASM

## Examples of Capital Metrics

<u>FTE Related</u>	<u>Fleet &amp; Overhaul</u>
# FTE's on project	Level specific
Hourly rate/FTE	Fleet type
# Days work/FTE	# of cars
Days to complete the project	Amount
	Material
	Labor

<u>Materials</u>	<u>Other</u>
#, Listing and inventory	Signal cable miles
Price/material	Hardware
Materials to be purchased	Shoulder clearing miles

<u>Track Related</u>
# Ties
Undercutting miles
# Mile replacements
# Cables



# Amtrak Performance Tracking (APT)

## *How are Amtrak's Revenue and Expense results assigned to routes?*

- The budgeted amounts are assigned to routes using APT through a combination of direct charges and allocations
  - Direct Charges are those transactions that have a train/route number (i.e. Labor, Commissary, railroad fees and MoW)
  - Transactions without a train/route number are allocated to a route using operating statistics (i.e. Salaries, Fuel, Facility, Advertising and IT)
- The routes assigned in APT represent Amtrak's total business
  - National Train Service (NTS)
    - Northeast Corridor (NEC)
    - State Supported Service (SS)
    - Long Distance Service (LD)
  - Ancillary Service
    - Commuter
    - Commercial
    - Reimbursable
  - Corporate Development & Infrastructure
- APT budget results match exactly to corporate budget with the only difference being that the revenue and expenses are assigned to a route
  - Route P&L's are available for the business and trains are measures against budget