National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Management's Discussion and Analysis of Financial Condition and Results of Operations and Consolidated Financial Statements With Report of Independent Auditors

Fiscal Year 2020

Table of Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations . . 1

Consolidated Financial Statements 23
Report of Independent Auditors 25

Audited Consolidated Financial Statements
Consolidated Balance Sheets 27
Consolidated Statements of Operations 29
Consolidated Statements of Comprehensive Loss 30
Consolidated Statements of Changes in Capitalization 31
Consolidated Statements of Cash Flows 32

Notes to Consolidated Financial Statements 33

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to provide readers with an understanding of our results of operations, changes in financial position, and liquidity. This MD&A should be read in conjunction with our audited Consolidated Financial Statements for the fiscal years ended September 30, 2020 (FY2020) and September 30, 2019 (FY2019) and the related notes included elsewhere in this report.

FORWARD-LOOKING STATEMENT DISCLOSURE

This MD&A contains forward-looking statements that may be identified by the use of words like "may," "will," "could," "believe," "expect," "estimate," "anticipate," "project," and similar expressions. These forward-looking statements reflect our good-faith evaluation of information currently available and are subject to risks and uncertainties, including but not limited to the risk factors set forth below.

Forward-looking statements reflect our expectations, forecasts, or predictions of future conditions, events, or results based on various assumptions as well as our business plans. Forward-looking statements are not guarantees of future performance and actual results may differ materially from those envisaged by such forward-looking statements. Accordingly, readers should not place undue reliance on any such forward-looking statements. Forward-looking statements are representative only as of the date this report was prepared, and we do not assume any obligation to update or revise any forward-looking statement, whether as a result of new information, future events and developments, or otherwise.

RISK FACTORS

The risks we face could materially adversely affect our business, results of operations, financial condition, liquidity, and net worth, and could cause our actual results to differ materially from our past results or the results contemplated by any forward-looking statements we make. We believe the risks described below and in the other sections of this report are the most significant we face; however, these are not the only risks we face. We may face additional risks and uncertainties not currently known to us or that we currently believe are immaterial.

- We have a history of recurring operating losses and are dependent on grants from the Federal Government to operate the national passenger rail system and maintain the underlying infrastructure. These grants are usually received through annual appropriations. Appropriated funds for Amtrak are generally provided to the United States (U.S.) Department of Transportation (the DOT), which through its agency the Federal Railroad Administration (the FRA) provides us those funds pursuant to annual grant agreements. If we do not receive sufficient Federal Government funding in the form of grants and subsidies, our ability to operate in our current form may be adversely affected.
- We face various risks related to health epidemics, pandemics and similar outbreaks, including the recent global outbreak of the coronavirus disease (COVID-19). The COVID-19 pandemic has negatively impacted worldwide economic activity and affected demand for our services. The unprecedented and rapid spread of COVID-19 and the related travel restrictions and social distancing measures resulted in unprecedented reduction in travel demands which has adversely impacted our business, operating results, financial condition, and liquidity. While we have received \$1.0 billion in COVID-19 relief funding through the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), which was signed into law by President Trump on March 27, 2020, and an additional \$1.0 billion through the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (the additional COVID-19 relief funding), which was signed into law by

President Trump on December 27, 2020 as a part of the Consolidated Appropriations Act, 2021 (Public Law 116-260), the current level of funding may not be sufficient to fund our operations, required capital expenditures, and debt obligations until customer demand for our services improves. If additional Federal Government COVID-19 relief funding is not received, our operations may be adversely impacted. See *Impact of COVID-19 and our Response, FY2020 CARES Act Emergency Funding,* and *FY2021 Outlook and Additional Funding* for additional information related to COVID-19.

- Title XI-Rail of the Fixing America's Surface Transportation Act (the FAST Act), cited as the Passenger Rail Reform and Investment Act of 2015, authorized funding to the Secretary of the DOT (the Secretary) for annual grants to Amtrak totaling $8.1 billion for FY2016 through FY2020. Subsequent to September 30, 2020, through multiple continuing appropriations acts and the Consolidated Appropriations Act, 2021, we were provided full year funding for FY2021 of $2.0 billion, additional COVID-19 relief funding of $1.0 billion, and many of the FAST Act provisions were extended through the end of FY2021. Congress is now considering a new surface transportation reauthorization bill, although the timing of its passage is unclear. While passage of a new surface transportation bill is not required in order for us to receive federal grant funding, a substantial delay or reduction in funding could negatively impact our ability to maintain our current operations and to continue our capital spending on essential infrastructure projects.
- At pre-COVID-19 train operating levels, the infrastructure on the Northeast Corridor (NEC) is approaching the limit of its capacity and needs significant rehabilitation. According to the NEC Commission, the NEC has a state of good repair backlog of approximately $42.2 billion. Some of the most critical projects - including the Hudson Tunnel - are part of the Gateway Program, a planned phased expansion and renovation of the NEC rail line between Newark, New Jersey, and New York City, New York. We are also advancing work to replace the Baltimore & Potomac Tunnel and Susquehanna River Bridge in Maryland. If sufficient funding is not secured for advancing these and other essential projects in the near term, we will face serious operational constraints in the years ahead as vital NEC infrastructure reaches the end of its useful life, resulting in degradation of service reliability and significant reductions of capacity at certain locations due to the need to shut down tunnels, tracks, and bridges for rehabilitation and major construction projects.
- The impact of COVID-19 on long-range travel demand and preferences is not yet known and this may affect Amtrak's market and operations well beyond the end of the pandemic. COVID-19 accelerated certain trends already occurring in the U.S., such as remote work and video conferencing instead of travel to meet in person. To the extent the changed behavior becomes the new normal after COVID-19, it will impact demand for Amtrak services.
- A significant portion of our equipment fleet is at or nearing the end of its useful service life. Our passenger railcar fleet averages nearly 35 years of age and diesel locomotives nearly 21 years of age. Our older equipment has outmoded mechanical designs and systems, limited parts availability, poor reliability, commercially outdated appearances and amenities, and high operating costs. If replacement equipment is not provided, these issues may decrease customer satisfaction and the competitiveness of our services, impair on-time performance, and drive up our expenses, impacting our results of operations.
- Most of the rights-of-way over which we operate are owned by freight and other railroads, known as host railroads. Because the host railroads make all dispatching decisions about which trains have priority in using their rail line, they have significant control over our operations. Failure of host railroads to provide Amtrak trains with acceptable on-time performance (OTP) and adhere to our agreed-upon passenger train schedules could have an adverse impact on our revenues. Some

freight railroads have disregarded the statutory requirement that our trains be given preference over freight. Currently, enforcement of this requirement lies exclusively with the Department of Justice, which has not exercised that authority since 1979 despite recent requests by us to do so. This results in poor OTP that reduces our revenues and increases our costs. Continued non-compliance with the law by host railroads, and failure by Congress to provide us with a legal remedy to address non-compliance, could negatively affect our financial performance and jeopardize the continued operation of the impacted routes.

- Our current route map still closely resembles the service Amtrak provided when we began operations in 1971. The only Amtrak service in certain regions in the country (i.e., most of the South, Southwest and Mountain States), is provided by Long Distance trains that generally operate once a day or less, serve many major metropolitan areas in the middle of the night or not at all, have unreliable on-time performance, and continue to generate significant operating losses. Starting in October 2020, in response to the COVID-19 impact on ridership that further increased our Long Distance route operating losses, we reduced services for many Long Distance routes from daily to tri-weekly service. We are committed to restoring pre-COVID-19 service levels when feasible. In addition, our failure to add new corridor routes to serve growing metropolitan areas and megaregions, in order to become relevant to present and future travelers in these underserved or not served regions and corridors, could negatively impact future revenue growth and financial performance and hinder our ability to attract the state funding support that has historically enabled us to expand our operations and increase our attractiveness to potential customers in other regions.

- In FY2020, our State Supported services represented 47.6% of our ridership and generated $281.7 million in revenue, including $161.0 million funded by a portion of the CARES Act grant received to support our state partners in making their route subsidy payments to Amtrak. Continued operation of State Supported routes is subject to annual operating agreements and state legislative appropriations. Failure on the part of any of the states to secure the necessary operating and capital funds from their state legislatures or decisions by states to contract with service providers other than Amtrak could put some state corridor services at risk. In response to the COVID-19 impact, State Supported train schedules were modified in FY2020 based on guidance from our state partners. Although Congress provided additional COVID-19 relief funding to support our state partners, it may not be sufficient to maintain the current level of train service on the State Supported routes, and if additional supplemental COVID-19 relief funding is not provided to support our state partners, further service reductions in our State Supported routes may occur.

- Our business is subject to federal and certain state and local laws and regulations. Our non-compliance with applicable laws or regulations could result in litigation, assessment of damages, imposition of penalties, or other consequences, any or all of which could harm our reputation and have an adverse effect on our financial results.

- Positive Train Control (PTC) is a system of functional requirements for monitoring and controlling train movements and is a type of train protection system. We and the host railroads were required to complete installation of PTC by December 31, 2020. As of September 30, 2020, we completed the installation of PTC on all Amtrak owned or controlled tracks which required the installation of PTC. Additionally, all host railroad tracks over which Amtrak trains operate and where PTC was required were fully compliant by the December 31, 2020 deadline. Certain host railroads over which we operate our passenger trains have asserted material claims against us to recover costs of PTC installation and they may assert future claims to recover certain ongoing PTC maintenance costs. We are currently in arbitration for one of the host railroad PTC claims against us. While we have recorded our best estimate of the liability associated with host railroad PTC installation and maintenance for amounts that are both probable and reasonably estimable, it is possible we may incur additional material liability in excess of the amount we have recorded to date.

- Our business is subject to the impacts of climate change, including increased frequency of weather events, storm surges, heavy precipitation, and sea level rise, that could adversely impact our operations, infrastructure and facilities.
- We could experience adverse publicity, harm to our brand, reduced travel demand, and potential tort liability as a result of an accident, catastrophe, future disease outbreak, COVID-19 vaccine response rate that is less than current anticipation, or incident that involves us, our state partners, or our host railroads, which may result in a material adverse effect on our business, operating results, and financial condition.
- Our business is subject to numerous operational risks such as equipment failure, disruption of our supply chain, information system failure or interruption, severe weather, natural disasters, acts of terrorism or war, criminal activity, and other events which could adversely impact our operations.
- Breaches or lapses in the security of our technology systems and the data we store could compromise passenger, employee, or business partner information and expose us to liability, possibly having a material adverse effect on our business. The compromise of our technology systems resulting in the loss, disclosure, misappropriation of, or access to, our information or that of our customers, employees, or business partners or failure to comply with regulatory or contractual obligations with respect to such information could result in legal claims or proceedings, liability, or regulatory penalties under laws protecting the privacy of personal information, disruption to our operations, and damage to our reputation, any or all of which could adversely affect our business. In addition, the costs to remediate breaches and similar system compromises that do occur could be material.
- Large portions of our operating costs are driven by prices for diesel fuel and electricity. To protect against increases in the market prices of electricity, we enter into forward purchases of our forecasted electricity consumption, and to protect against increases in the market prices of diesel fuel, we enter into forward purchases for a portion of our future fuel requirements. However, these programs may not be successful in mitigating higher fuel costs due to changes in our consumption, and any price protection provided may limit the benefit we would have received under favorable market conditions.
- Due to the capital-intensive nature of our business, a significant increase in the replacement cost of our assets due to inflation or other economic conditions could adversely impact our business operations and financial results.
- Most of our employees are represented by unions, and failure to negotiate reasonable collective bargaining agreements under the terms of the Railway Labor Act could eventually result in strikes, work stoppages, or substantially higher ongoing labor costs.
- Environmental liabilities incurred in the normal course of business could have an adverse effect on our results of operations.
- Catastrophic events, including train derailments, could result in liabilities exceeding our insurance coverage.
- Any further decline in the economy that further reduces business travel or depresses consumer spending in the U.S. could have a negative impact on our revenues.

GENERAL BUSINESS DESCRIPTION

Amtrak is America's Railroad®, the nation's intercity passenger rail service and its high-speed rail operator. Our principal business is to provide rail passenger service in the major intercity travel markets of the U.S. In addition to our core business of intercity passenger railroad operations, we engage in related ancillary businesses that include:

- operating commuter railroads on behalf of various states and transit agencies;
- providing infrastructure access to commuter agencies, freight railroads, and third parties such as private developers, utilities, and others that require right-of-way access;
- performing engineering and capital improvement activities for others, including commuter agencies and freight railroads, on a cost reimbursable basis; and
- managing and leasing of commercial real estate.

We operate a national rail network of more than 21,400 route miles serving more than 500 destinations in 46 states, the District of Columbia (D.C.), and three Canadian provinces. Additionally, we offer up to 150 Thruway routes that provide guaranteed connection to trains via buses, vans, ferries, and other modes of transportation. This extends our service to hundreds of communities not served directly by Amtrak trains in 38 states and Canada.

The *Acela* travels on the NEC between Washington, D.C., and Boston, Massachusetts. It is the fastest train in the Western Hemisphere, with a maximum speed of 150 mph (241 kph) on sections of its route between Boston and New Haven, Connecticut. Its top speed between New York City and Washington, D.C., is 135 mph (217 kph). Nearly half of our trains operate at top speeds of 100 mph (160 kph) or greater. Amtrak is the only railroad in North America to maintain right-of-way for service at speeds in excess of 125 mph (201 kph) and our engineering forces maintain more than 350 route-miles of track for 100+ mph (160+ kph) service.

The NEC is generally the busiest railroad segment in North America. Prior to COVID-19, there were approximately 2,200 Amtrak, commuter, and freight trains operating over some portion of the Washington, D.C.- New York - Boston NEC spine each day. There are eight commuter rail operators on the NEC. In FY2020, when customer ridership was adversely impacted by COVID-19, customers made 6.1 million trips on Amtrak NEC services (*Acela* and *Northeast Regional*) compared to 12.2 million trips in FY2019.

In FY2020, we received funding from 20 state agencies representing 17 states for financial support of 28 short distance routes (less than 750 miles). Section 209 of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) required Amtrak and its state partners to develop jointly a single, nationwide, and standardized cost-sharing methodology to charge states for State Supported intercity passenger rail service. In FY2020, 8.0 million trips were taken on our State Supported services routes as compared to 15.4 million trips in FY2019.

Five State Supported corridors had ridership of 500,000 or more in FY2020:

- *Pacific Surfliner* (San Diego-Los Angeles-San Luis Obispo) - 1.4 million;
- *Capitol Corridor* (San Jose-Oakland-Sacramento-Auburn) - 0.9 million;
- *Empire Service/Maple Leaf* (New York-Albany-Buffalo-Toronto) - 0.9 million;
- *Keystone Service* (Harrisburg-Philadelphia) - 0.8 million; and
- *San Joaquins* (Oakland/Sacramento-Bakersfield) - 0.6 million.

Amtrak operates 15 Long Distance train routes (more than 750 miles), which accounted for 16% of Amtrak ridership (2.7 million trips) in FY2020 as compared to 14% of Amtrak ridership (4.4 million trips) in FY2019. Amtrak is the only intercity passenger transportation service in an increasing number of communities that lack intercity bus and airline service. Our Long Distance trains provide the only rail service at nearly half of the stations in the Amtrak system and are the only Amtrak trains in 23 of the 46 states in the network.

Impact of COVID-19 and our Response

Due to COVID-19, we, along with our state partners, experienced significant revenue losses as a result of the precipitous decline in passenger demand and bookings due to pandemic containment measures such as "shelter in place" or quarantine requirements, travel restrictions or advisories, limitations on public gatherings, social distancing recommendations, remote work arrangements, and closures of tourist destinations and attractions, as well as consumer perceptions of the safety.

We have taken aggressive actions to mitigate the effect of COVID-19 on our business including capacity reductions, employee headcount and cost reductions, and steps to preserve cash and improve our overall liquidity position. In our efforts to try to align the continuing severely decreased demand for service, manage our financial losses, and continue to make investments in capital projects for future riders, we initiated the following cost-reduction and other measures:

- We reduced service frequency and train capacity on the NEC and State Supported routes in partnership with our 20 state agency partners.
- Starting in October 2020, we reduced many Long Distance routes from daily to tri-weekly service.
- Operations north of the U.S.-Canada border were suspended due to closure of the border.
- We deferred and/or restructured $600 million in capital projects.
- We initiated voluntary and involuntary separation programs for our entire workforce, including employees covered by collective bargaining agreements, to reduce headcount.
- We offered voluntary unpaid time off to our employees.
- We dramatically reduced employee overtime expense.
- Several of our unions agreed to defer previously negotiated wage increases.
- During FY2020, pay for our workforce not covered by collective bargaining agreements was temporarily reduced by 7 to 22% based on a tiered system and the matching employer contribution to their 401(k) retirement savings plan was temporarily suspended. These are being reinstated in FY2021.
- For the health and safety of customers and employees, we established a new standard of travel in an effort to simplify and safeguard the travel experience. We put in place several cleaning, contact-free, and convenience measures in every part of the customer trip, including requiring all customers and employees to wear a face covering while onboard and in stations, allowing for more physical distancing in seating areas on most trains, and implementing enhanced cleaning protocols. Detailed information on our measures for health and safety of our employees and customers is as follows:
    - *Face coverings*: We required all customers and employees to wear a face mask or covering that fully covered the entire mouth and nose while onboard and in stations.
    - *Physical distancing*: Signage was displayed at stations to indicate safe distances in high traffic areas. In addition, protective plastic barriers were installed at customer counters.

- *Limited bookings*: Allowed for more physical distancing in seating areas on most trains.
- *Capacity indicator*: When searching for travel options, customers saw a new volume percentage next to each train for a real-time look at seat availability, providing insight into which trains were less crowded.
- *Enhanced cleaning protocols*: We enhanced cleaning frequency. In stations, commonly used surfaces were cleaned with EPA-registered disinfectants. Trains were deep cleaned and sanitized prior to service, with additional en-route cleaning to disinfect restrooms and frequently touched surfaces.
- *Partnership with Reckitt Benckiser (RB), the makers of Lysol®*: Germ-kill experts and microbiologists from RB helped strengthen and reinforce our disinfection protocols for trains and stations.
- *Seeking expertise*: We engaged the Department of Environmental and Occupational Health at the George Washington University Milken Institute School of Public Health to provide ongoing technical expertise and guidance to enhance our comprehensive coronavirus pandemic response. We also retained the law firm of Jenner & Block LLP to provide expert legal advice and help guide our pandemic response. These experts worked closely with our medical director and public health and safety team.

There can be no assurance that these actions will suffice to sustain our business and operations through the pandemic. Ridership remained suppressed across all our service lines in FY2020 adversely impacting our FY2020 results of operations despite our cost cutting and other efforts, and continues to be suppressed into FY2021. We remain extremely focused on taking all self-help measures available to manage our business during this unprecedented time, consistent with the terms of the financial assistance we have received from the U.S. Government.

FY2020 CARES Act Emergency Funding

Considering the adverse impact of COVID-19 on the global economy and U.S. financial markets, the U.S. Congress passed and President Trump signed into law on March 27, 2020, the $2.2 trillion economic stimulus bill known as the CARES Act to provide emergency assistance and health care response for individuals, families, and businesses affected by COVID-19. The CARES Act provided Amtrak with $1.0 billion in federal grants to help offset lost revenue related to COVID-19 in FY2020, which included $239.0 million to support our state partners in funding State Supported service.

FY2021 Outlook and Additional Funding

The duration and severity of the COVID-19 pandemic remain uncertain and its further spread could result in additional adverse effects on our business, operating results, financial condition, and liquidity. There has been a new surge in COVID-19 cases beginning in the first quarter of FY2021, and as states across the U.S. reinstate travel restrictions and measures to contain the spread, we expect our ridership to remain suppressed and our results of operations for FY2021 to be materially impacted. With our anticipation of continued lower revenue in FY2021, we expect challenges in our ability to operate our train routes at normal frequencies and to generate enough revenue to meet our operating expenses and capital spending requirements. Accordingly, we requested that Congress provide up to $4.9 billion in federal funding for FY2021 that included base funding of $2.0 billion and supplemental funding of $2.9 billion to allow us to continue to operate at then-current levels, invest in our network, support our partners, and address various congressional concerns like avoiding employee furloughs and maintaining daily long distance service, all of which would be adversely impacted if the requested federal funding was not received.

On December 27, 2020, President Trump signed into law the Consolidated Appropriations Act, 2021 which includes a $900 billion COVID-19 relief package that provides $1.0 billion in additional COVID-19 relief funding for Amtrak which includes $174.9 million to support our states partners in making their route subsidy payments to us and $109.8 million to be used in lieu of capital payments from our state and commuter rail passenger transportation providers. The bill contains provisions that direct Amtrak to prevent further furloughs or reductions in long-distance service and restricts us from contracting out activities performed by furloughed workers. This COVID-19 relief funding is important to us and our state and commuter partners. It will help us minimize the negative impacts to our customers and further reductions to our service and will also help us avoid more workforce impacts. However, this additional COVID-19 relief funding is approximately $1.9 billion less than our total request of $2.9 billion in supplemental funding as noted above. It is critical that we get this additional funding in order to minimize the material adverse impact of COVID-19 on our business operations.

Fleet, Facilities and Infrastructure Assets

As of September 30, 2020, our active fleet included 20 *Acela* high speed trainsets; 1,374 passenger cars including *Amfleet, Superliner, Viewliner, Horizon, Talgo,* and other types; 80 *Auto Train* vehicle carriers; 230 road diesel locomotives; and 66 ACS-64 electric locomotives.

We are focused on the modernization of our passenger car, locomotive, and trainset fleets. Our current fleet predominantly consists of custom-built equipment and there is long lead-time to procure replacement units. As part of our efforts to launch and/or complete major fleet initiatives to modernize our passenger car, locomotive, and trainset fleets, we have entered into the following agreements:

- In December 2018, we entered into a contract to purchase 75 long-distance diesel-electric passenger locomotives with options to purchase additional locomotives. Deliveries of the locomotives are expected to start in February 2021.
- In August 2016, we entered into a contract to purchase 28 Next Generation High Speed Trainsets (the Trainsets) that will replace our existing 20 *Acela* trainsets. Acceptance of the Trainsets is expected to start in 2021.
- In August 2010, we entered into a contract to purchase 130 long-distance single level cars. As of September 30, 2020, we have taken delivery of 115 cars.

We serve 526 stations in the U.S. and Canada. At these stations, Amtrak owns 74 station structures, 48 platforms and 38 parking facilities. In addition, there are 58 stations in the U.S. where Amtrak owns one or more station components (i.e., station structure, platform, parking facility) but does not serve the station. We own 18 tunnels consisting of 24 miles of track and 1,414 bridges. We own most of the maintenance and repair facilities for our fleet.

Property that we own and/or maintain includes:

- *NEC*: 363 miles of the 457-mile NEC spine which connects Washington, D.C., Philadelphia, New York City, and Boston. The NEC is generally the busiest passenger line in the country, with trains regularly reaching speeds of 125-150 mph (201-241 kph). Two sections of the NEC are owned by others: (1) the New York Metropolitan Transportation Authority owns 10 miles and Connecticut Department of Transportation owns 46 miles on Metro-North Railroad between New Rochelle, New York, and New Haven, Connecticut and (2) the Commonwealth of Massachusetts owns 38 miles between the Massachusetts/Rhode Island border and Boston that is operated and maintained by Amtrak;

- *Springfield Line*: A 60.5-mile segment of up to 110 mph (177 kph) track between New Haven, Connecticut, and Springfield, Massachusetts;
- *Harrisburg Line*: A 104.2-mile segment of up to 110 mph (177 kph) track in Pennsylvania between Philadelphia and Harrisburg;
- *Michigan Line*: A 95.6-mile segment of up to 110 mph (177 kph) track from Porter, Indiana to Kalamazoo, Michigan;
- *Michigan Right-of-Way:* We also operate, maintain, and dispatch a 135-mile line between Kalamazoo and Dearborn, Michigan owned by the state of Michigan. Michigan and Amtrak have completed a series of infrastructure improvements, including replacement of worn track and upgrades to the train signaling and communication system, to further integrate this section of railroad with Amtrak's Michigan Line; and
- *Hudson Line*: We operate, maintain, and dispatch approximately 94 miles of the Hudson Line, also known as the *Empire Corridor,* in New York state between Poughkeepsie and Hoffmans (near Schenectady), nearly all of which is owned by CSX and leased to Amtrak.

Outside of the NEC, we contract with other railroads for the use of their tracks and other resources required to operate our trains, with incentives for on-time performance. These host railroads are responsible for the condition of their tracks and for the dispatching on their tracks. Approximately 75 percent of Amtrak's train miles are run on tracks owned by the host railroads.

The six largest host railroads for Amtrak trains in FY2020, by train-miles traveled, were:

- *BNSF Railway* - 6.3 million train-miles;
- *Union Pacific Railroad* - 5.4 million train-miles;
- *CSX Transportation* - 4.4 million train-miles;
- *Norfolk Southern Railway* - 2.3 million train-miles;
- *Canadian National Railway* - 1.3 million train-miles; and
- *Metro-North Railroa*d - 1.0 million train-miles.

Relationship with Federal Government

The Federal Government through the DOT owns all of our issued and outstanding preferred stock and also provides financing to us under the Railroad Rehabilitation & Improvement Financing (RRIF) loan program (see Note 7 to the Consolidated Financial Statements included elsewhere in this report for detailed information regarding our RRIF loan financing with the Federal Government).

Employees

Excluding Amtrak's Office of Inspector General (OIG), as of September 30, 2020, we had approximately 17,400 employees and approximately 85 percent of our labor force was covered by labor agreements.

PRINCIPAL BUSINESS

Our principal business activity is to provide passenger rail service in the major intercity travel markets of the U.S. States and our core operating revenue comes from passenger ridership on our trains. Our train operations are divided into three service lines:

Northeast Corridor

The NEC is a high-speed railroad developed over the course of a multi-year partnership among Amtrak, the DOT, commuter railroads, and states. While portions of the right-of-way follow alignments that date back to the 1830s, Amtrak, the DOT, and the commuter railroads have created a network that supports an intense daily schedule of up to 2,200 trains and provides hourly high-speed service, with a top speed (on the Boston to New York route) of 150 mph (241 kph). Prior to COVID-19, approximately 140 Amtrak trains were running on the NEC each day.

State Supported

Our State Supported routes operate on short-distance corridors (less than 750 miles) outside of the NEC. These routes provide a travel alternative that is generally trip-time competitive with other modes for shorter distance trips and also provide connections to our national network at larger stations. State Supported services are vital links in the Amtrak national network. The power of increasing demand for passenger rail is recognized through state investments to improve service, speed, and safety. In addition, states and communities realize stations served by Amtrak are anchors for economic development, catalysts for historic preservation and tourism growth, sites for commercial and cultural uses, and points of civic pride.

Long Distance

We operate trains on 15 Long Distance routes, all but one offering sleeping car service in addition to coaches. Our Long Distance trains provide the only rail service at nearly half of the stations in the Amtrak system and are the only Amtrak trains in 23 of the 46 states in the network. Amtrak is the only intercity passenger transportation service in many communities that lack intercity bus and airline service. Operating over routes that range up to 2,728 miles in length, the Long Distance trains serve several purposes, connecting nearby communities with one another, with major metropolitan areas, and with other Amtrak services at hubs such as Chicago. The vast majority of passengers, particularly in coach, travel over only portions of these routes. In many places, Long Distance trains have helped to “incubate” short-distance corridor service on portions of their route, and most Long Distance trains provide additional service frequency on State Supported routes and the NEC, offering travelers a greater range of travel options. The vast majority of Long Distance train-miles are on host railroad tracks owned by freight railroads. Customer OTP, measured as the percentage of customers arriving on time compared to total customers traveling by Amtrak train, for our Long Distance routes has historically been the weakest in our network. The primary reason for delays was freight train interference. Customer OTP improved in FY2020 to 58.7%, compared to 42.0% in FY2019. Long Distance routes also have the lowest operating cost recovery ratio in Amtrak's network requiring substantial Federal Government subsidy.

OTHER BUSINESS ACTIVITIES

In addition to passenger-related revenue, we earn other revenue from contracts with customers, including (i) commuter and freight access fee and other revenue from the use of Amtrak-owned tracks by commuter agencies and freight railroad companies, and other revenue related to the use of Amtrak's infrastructure; (ii) revenue from reimbursable contracts, which represents amounts earned under contracts with customers pursuant to which Amtrak provides repair, maintenance, design, engineering, or construction services; (iii) revenue earned under contractual arrangements to operate various commuter rail services for a cost-based fee; (iv) commercial development revenue from communication, parking, advertising, and pipe and wire contracts; and (v) miscellaneous revenue from co-branding commissions and other sources.

Revenues from sources other than contracts with customers include (i) revenue from state partners for their State Supported route subsidy; (ii) revenue from state government capital assistance; and (iii) rental income from lease contracts and miscellaneous other revenue.

RESULTS OF OPERATIONS

We adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606),* in FY2020. FY2019 results of operations have been reclassified to conform with the Topic 606 presentation and are otherwise not adjusted and continue to be reported under the accounting standards in effect for the prior period. See Note 3 to the Consolidated Financial Statements included elsewhere in this report for additional information on the impact of adoption of Topic 606.

The following discussion presents an analysis of results of our operations for FY2020 and FY2019 (in millions):

	Year Ended September 30,			
	2020	**2019**	**$ Change**	**% Change**
Revenues:				
Revenue from contracts with customers	**$ 1,855.2**	$ 3,025.6	$ (1,170.4)	(38.7) %
Other	**575.5**	477.9	97.6	20.4
Total revenues	**2,430.7**	3,503.5	(1,072.8)	(30.6)
Total operating expenses	**4,154.9**	4,403.2	(248.3)	(5.6)
Loss from operations	**(1,724.2)**	(899.7)	(824.5)	91.6
Non-operating income, net	**45.2**	18.8	26.4	140.4
Net loss	**$ (1,679.0)**	$ (880.9)	$ (798.1)	90.6 %

Our total revenue decreased by $1.1 billion or 30.6% in FY2020, compared with FY2019, due to the unprecedented and material adverse impact of the COVID-19 pandemic. The rapid spread of the COVID-19 virus, the related travel restrictions, and social distancing measures resulted in a sharp decrease in travel demand which resulted in a significant decline in our ridership and gross ticket revenues across all service lines. Our operating expenses decreased by $248.3 million or 5.6% primarily attributable to a significant decrease in salaries, wages, and benefits expense as a result of actions taken in response to COVID-19.

Prior to the COVID-19 pandemic and with strong support from our partners, we set new records for ridership, revenue, and financial performance in FY2019 and were on target to generate operating revenue equal to qualified operating expense in FY2020. However, due to the adverse impact of COVID-19, our revenues (excluding capital project related revenue and amortization of deferred state government capital assistance) covered only 74.2% of our qualified operating expenses in FY2020 compared to 99.1% in FY2019. We define qualified operating expenses as total operating expenses excluding depreciation and amortization expense, capital project related expenditures not eligible for capitalization, the non-cash portion of pension and postretirement employee benefit cost, and OIG expenses. Non-operating income, net, which primarily consists of interest income, interest expense, and other income, net, is excluded from both revenues and operating expenses.

Total Revenues (in millions)

	Year Ended September 30, 2020	Year Ended September 30, 2019	$ Change	% Change
Passenger related revenue:				
Ticket	**$ 1,192.5**	$ 2,288.5	$ (1,096.0)	(47.9) %
Food and beverage	**77.3**	143.9	(66.6)	(46.3)
Total passenger related revenue	**1,269.8**	2,432.4	(1,162.6)	(47.8)
Commuter and freight access	**235.6**	232.8	2.8	1.2
Reimbursable operating	**151.7**	132.1	19.6	14.8
Commuter operations	**124.2**	138.8	(14.6)	(10.5)
Commercial development (non-lease)	**43.8**	54.7	(10.9)	(19.9)
Miscellaneous	**30.1**	34.8	(4.7)	(13.5)
Total revenues from contracts with customers	**1,855.2**	3,025.6	(1,170.4)	(38.7)
State Supported route subsidy	**342.1**	234.2	107.9	46.1
Amortization of deferred state government capital assistance	**133.4**	127.4	6.0	4.7
Reimbursable capital revenue	**59.3**	77.2	(17.9)	(23.2)
Lease and other revenue	**40.7**	39.1	1.6	4.1
Total revenues	**$ 2,430.7**	$ 3,503.5	$ (1,072.8)	(30.6) %

Total passenger related revenue decreased by $1.2 billion or 47.8% in FY2020 compared with FY2019. The decrease is primarily attributable to significantly reduced passenger ridership across all service lines. Due to the COVID-19 pandemic, demand for travel declined at a rapid pace starting in March 2020 and has remained depressed since, resulting in an unprecedented decline in our passenger related revenue.

Ridership and Gross Ticket Revenue

The following table provides a detailed analysis of our ridership and gross ticket revenue (in millions):

Amtrak Ridership and Gross Ticket Revenue

	Ridership (Number of Trips)			Gross Ticket Revenue[1] ($)		
	2020	2019[2]	% Change	2020	2019	% Change
NEC	**6.1**	12.2	(50.0) %	**$ 651.7**	$ 1,321.6	(50.7) %
State Supported	**8.0**	15.4	(48.1)	**281.7**	538.1	(47.6)
Long Distance	**2.7**	4.4	(38.6)	**308.2**	494.6	(37.7)
Total	**16.8**	32.0	(47.5) %	**$ 1,241.6**	$ 2,354.3	(47.3) %

[1] Gross ticket revenue in this table includes food and beverage provided as part of the ticket price.

[2] FY2019 ridership numbers have been updated to reflect revised methodology adopted in FY2020 for calculation of passenger ridership.

NEC ridership and gross ticket revenue decreased by 50.0% and 50.7%, respectively, in FY2020 compared with FY2019. Our FY2020 ridership and gross ticket revenue for the NEC were adversely impacted by the COVID-19 pandemic resulting in a sharp decline in customer travel demand. In FY2020, *Acela* ridership and gross ticket revenue decreased by 52.5% and 52.3% respectively; and *Northeast Regional* ridership and gross ticket revenue decreased by 48.5% and 49.3%, respectively.

State Supported ridership and gross ticket revenue decreased by 48.1% and 47.6%, respectively, in FY2020 compared with FY2019. State Supported routes also experienced sharp declines in ridership in

FY2020 due to COVID-19. In FY2020, the top five State Supported routes with the largest gross ticket revenue were *Pacific Surfliner, Capitol Corridor, Empire Service/Maple Leaf, Keystone Service,* and *San Joaquins*.

Long Distance ridership and gross ticket revenue decreased by 38.6% and 37.7%, respectively, in FY2020 compared with FY2019 due to COVID-19. In FY2020, the top five routes with the largest gross ticket revenue were the *Auto Train, Coast Starlight, Empire Builder, California Zephyr,* and *Southwest Chief*.

Other revenues from contracts with customers decreased by $7.8 million compared with FY2019, primarily driven by a $14.6 million decrease in commuter operations revenue due to lower travel, a $10.9 million decrease in commercial development due to lower parking revenue and a $4.7 million decrease in miscellaneous other revenue, all due to COVID-19. These decreases in revenues were partly offset by a $19.6 million increase in reimbursable operating revenue due to an increase in state-related project work.

Revenues from sources other than contracts with customers increased by $97.6 million compared with FY2019, primarily driven by higher State Supported route subsidy of $107.9 million or 46.1%. Section 209 of PRIIA required Amtrak and its state partners to develop jointly a single, nationwide, and standardized cost-sharing methodology to charge states for State Supported intercity passenger rail service and we receive route subsidy payments from our state partners to compensate for some expenses which are not covered by paid ticket revenue. Decreased ridership due to COVID-19 resulted in lower ticket revenue on State Supported routes which resulted in higher subsidies from State Supported route partners. The CARES Act funding that we received in FY2020 included $239.0 million to support our state partners in making their route subsidy payments to us. In FY2020, our State Supported route subsidy payments came from California, Connecticut, Illinois, Maine, Massachusetts, Michigan, Missouri, New York, North Carolina, Oklahoma, Oregon, Pennsylvania, Texas, Vermont, Virginia, Washington, and Wisconsin.

Total Operating Expenses (in millions)

	Year Ended September 30,			
	2020	**2019**	**$ Change**	**% Change**
Salaries, wages, and benefits	**$ 1,995.1**	$ 2,174.3	$ (179.2)	(8.2) %
Train operations	**277.3**	306.6	(29.3)	(9.6)
Fuel, power, and utilities	**215.5**	260.2	(44.7)	(17.2)
Materials	**183.3**	187.4	(4.1)	(2.2)
Facility, communication, and office related	**169.7**	181.6	(11.9)	(6.6)
Advertising and sales	**56.6**	99.5	(42.9)	(43.1)
Casualty and other claims	**58.6**	65.6	(7.0)	(10.7)
Depreciation and amortization	**921.8**	870.2	51.6	5.9
Other	**417.1**	412.2	4.9	1.2
Indirect cost capitalized to property and equipment	**(140.1)**	(154.4)	14.3	(9.3)
Total operating expenses	**$ 4,154.9**	$ 4,403.2	$ (248.3)	(5.6) %

Salaries, wages, and benefits decreased by $179.2 million or 8.2% in FY2020 compared with FY2019, due to significant decreases in wages and overtime primarily attributable to service reductions in response to reduced travel demands; elimination of FY2020 employee annual bonuses; decreases in employer railroad retirement and other tax expense driven by payroll tax credits under the CARES Act for employee retention; decreases in employee health insurance and prescription cost as employees defer, delay, or eliminate certain medical services; and temporary salary reductions and 401(k) match suspension in response to COVID-19. These decreases were partially offset by the cost of our voluntary separation program, involuntary separations, and furloughs recognized in FY2020.

Train operations decreased by $29.3 million or 9.6% in FY2020 compared with FY2019, primarily due to reductions in train service that resulted in lower overall train operation cost and supply purchases. These reductions were partially offset by higher incentive obligations payable to our host railroads for better on time performance.

Fuel, power, and utilities decreased by $44.7 million or 17.2% in FY2020 compared with FY2019, primarily due to lower fuel prices, lower volume of diesel fuel and electric power consumption due to service reductions in response to COVID-19, and favorable energy prices, partially offset by the unfavorable impact of forward purchase of fuel.

Materials decreased by $4.1 million or 2.2% in FY2020 compared with FY2019, primarily due to a decrease in equipment repair and maintenance material consumption due to COVID-19 driven reduction in services and related activities.

Facility, communication, and office related decreased by $11.9 million or 6.6% in FY2020 compared with FY2019, primarily due to decreases in building maintenance and janitorial services and office equipment and supplies. These decreases were partially offset by a charge recorded in FY2020 for ceasing to use one of Amtrak's leased office spaces.

Advertising and sales decreased by $42.9 million or 43.1% in FY2020 compared with FY2019, primarily due to a decrease in credit card commissions attributable to reduced travel bookings and a decrease in advertising expenses as advertising spending was reduced from late March onwards to offset some of the financial impact of COVID-19.

Casualty and other claims expenses decreased by $7.0 million or 10.7% in FY2020 compared with FY2019, primarily due to lower actuarial estimate of liability and other insurance claims.

Depreciation and amortization expense increased by $51.6 million or 5.9% in FY2020 compared with FY2019, primarily due to an increased fixed asset base in FY2020, additional depreciation expense resulting from an update to group depreciation rates, and accelerated depreciation related to *Acela* trainsets which are planned to be retired in the coming years as the Trainsets are received and placed into service.

Other increased by $4.9 million or 1.2% in FY2020 compared with FY2019, primarily due to a non-recurring gain recorded in FY2019 for an insurance settlement and an increase in road maintenance services in FY2020 due to increased engineering track projects. These higher expenses were partially offset by decreases in expenses for passenger busing and other passenger inconvenience services due to reduced customer travel due to COVID-19 and other reductions in variable expenses due to cost reduction measures we implemented to mitigate the impact of COVID-19.

Indirect cost capitalized to property and equipment decreased by $14.3 million or 9.3% in FY2020 compared with FY2019, primarily due to lower overhead rates in FY2020 compared to FY2019.

Non-operating Income (Expense) (in millions)

	Year Ended September 30,			
	2020	2019	$ Change	% Change
Interest income	$ **48.6**	$ 51.4	$ (2.8)	(5.4) %
Interest expense	**(30.4)**	(40.8)	10.4	(25.5)
Other income, net	**27.0**	8.2	18.8	229.3
Total non-operating income, net	$ **45.2**	$ 18.8	$ 26.4	140.4 %

Interest income decreased by $2.8 million or 5.4% in FY2020 compared with FY2019, primarily due to lower interest rates, which was partially offset by higher average cash and investment balances in FY2020 due to additional CARES Act grant funding received to respond to COVID-19.

Interest expense decreased by $10.4 million or 25.5% in FY2020 compared with FY2019, primarily due to a lower outstanding balance of debt and capital lease obligations, excluding the 2016 RRIF loan from the DOT, attributable to scheduled principal payments made in FY2020. The interest incurred on the 2016 RRIF loan is capitalized into the cost of the assets constructed with the borrowed funds.

Other income, net increased by $18.8 million or 229.3% in FY2020 compared with FY2019, primarily due to a gain on sale of an asset.

LIQUIDITY AND CAPITAL RESOURCES

Our business activities require that we maintain adequate liquidity to fund current and future needs for our business obligations and to provide for planned capital expenditures, including those to implement regulatory and legislative initiatives.

We rely on cash flows from operating activities and appropriations from the Federal Government to operate the national passenger rail system and to maintain the underlying infrastructure we own. Our primary uses of cash are to support operations; maintain and improve our infrastructure; service our debt; acquire new and maintain and/or modernize our existing locomotives, rolling stock, and other equipment; and meet other obligations.

Our grants from the Federal Government are received through annual appropriations. The annual federal appropriations under the FAST Act totaled $2.0 billion and $1.9 billion for FY2020 and FY2019, respectively. Of the $2.0 billion annual appropriation for FY2020, $1.3 billion was for the National Network (NN) and $700.0 million was for the NEC. In addition to this $2.0 billion in FY2020 annual federal appropriations, on March 27, 2020, we received an additional $1.0 billion under the CARES Act to help us prevent, prepare for, and respond to the COVID-19 pandemic. The CARES Act grant consisted of $492.0 million for the NEC and $526.0 million for the NN, which included $239.0 million to support Amtrak's state partners in making their State Supported route subsidy payments due to Amtrak.

Subsequent to September 30, 2020, we were provided full year funding for FY2021 of $2.0 billion and the additional COVID-19 relief funding of $1.0 billion. Included in the $1.0 billion of additional COVID-19 relief funding was $174.9 million to support our state partners in making their State Supported route subsidy payments to us and $109.8 million to be used in lieu of capital payments from states and commuter rail passenger transportation providers that use the NEC infrastructure. The bill which provided the additional COVID-19 relief funding contains provisions that direct us to prevent further furloughs or reductions in Long Distance service and restrict us from contracting out activities performed by furloughed workers. This COVID-19 relief funding is important to us and our state and commuter partners and it will help us minimize the negative impacts to our customers and further reductions to our service and will also help us avoid more workforce impacts. However, this additional COVID-19 relief funding is $1.9 billion less than our total request of $2.9 million in supplemental funding as discussed elsewhere in this report. These Federal Government subsidies are critical to maintain our business operations and without such federal funding, we will not be able to continue to operate in our current form and significant operating changes, restructuring, or bankruptcy may occur.

See Note 2 to the Consolidated Financial Statements included elsewhere in this report for additional information regarding our annual funding.

In addition to grant funding, we have a debt financing arrangement with the Federal Government under the RRIF Loan program to finance the acquisition of the Trainsets. We also have debt financing arrangements with third parties. On October 7, 2020, we entered into a new $250 million unsecured revolving credit facility to provide for working capital and to enhance liquidity. See Note 7 to the Consolidated Financial Statements included elsewhere in this report for more detailed information regarding our debt financing arrangements.

Overview of Cash Flow (in millions)

	Year Ended September 30,			
	2020	**2019**	**$ Change**	**% Change**
Cash flows (used in) provided by:				
Operating activities	**$ (824.6)**	$ (46.2)	$ (778.4)	1,684.8 %
Investing activities	**(2,029.9)**	(2,598.0)	568.1	(21.9)
Financing activities	**2,897.1**	2,509.9	387.2	15.4
Net change in cash and cash equivalents, including restricted cash	**42.6**	(134.3)	176.9	(131.7)
Beginning balance of cash and cash equivalents, including restricted cash	**366.6**	500.9	(134.3)	(26.8)
Ending balance of cash and cash equivalents, including restricted cash	**$ 409.2**	$ 366.6	$ 42.6	11.6 %

Operating Cash Flows

Net operating cash outflows for FY2020 increased by $778.4 million to $824.6 million, compared with $46.2 million in FY2019. The higher FY2020 operating cash outflow was primarily due to the $798.1 million higher net loss in FY2020 attributable to revenue losses arising from the economic impacts of COVID-19.

Investing Cash Flows

Cash flows relating to investing activities consist primarily of capital expenditures on property and equipment and activity related to our available-for-sale and short-term investment securities. Net cash used in investing activities decreased by $568.1 million to $2.0 billion in FY2020 compared with $2.6 billion in FY2019. Investing activities decreased primarily as available-for-sale investments were used to fund operations. In addition, the company had higher capital spending in FY2020 which was due in part to approximately $300 million of expenditures for the Trainsets.

Financing Cash Flows

Cash flows from financing activities consist primarily of receipt of federal grant funds, state capital payments, and issuance and repayment of long-term debt and capital lease obligations. Financing activities provided cash of $2.9 billion in FY2020, $387.2 million higher when compared with $2.5 billion in FY2019. The increase was primarily due to CARES Act funding received in FY2020, partially offset by RRIF loan borrowings in FY2019.

Financing cash flows for FY2020 and FY2019 are discussed in more detail below:

- Net financing cash inflows for FY2020 were $2.9 billion. Annual appropriations from the Federal Government provided funding of $2.0 billion. Additionally, we received $1.0 billion in CARES Act federal funding of which $0.8 billion was recorded as financing cash flows. See Note 2 to the Consolidated Financial Statements included elsewhere in this report for detailed information on annual funding from the Federal Government, including information on CARES Act financial assistance received for responding to COVID-19. In addition, we received $271.4 million from state government capital assistance. Offsetting these inflows were long-term debt and capital lease obligation payments of $171.0 million.
- Net financing cash inflows for FY2019 were $2.5 billion. Annual appropriations from the Federal Government provided funding of $1.9 billion. In addition, we received $294.3 million in state government capital assistance and we drew $419.2 million under the 2016 RRIF loan and paid $24.3 million in related credit risk premiums (see Note 7 to the Consolidated Financial Statements included elsewhere in this report for detailed information regarding RRIF loan financing with the Federal Government). Offsetting these inflows were long-term debt and capital lease obligation payments of $140.0 million.

We are subject to various covenants and restrictions under our borrowing arrangements. A default by us or acceleration of our indebtedness may result in cross-default with other debt and may have a material adverse effect on us. As of September 30, 2020, we satisfied all of our covenant obligations.

Overview of Contractual Obligations and Capital Expenditures

Contractual Obligations

We have contractual obligations related to long-term debt and leases, including off-balance sheet arrangements in the form of operating leases, that we have entered into to facilitate our business operations and to supplement our funding requirements. Refer to Notes 7 to the Consolidated Financial Statements included elsewhere in this report for information on our long-term debt financing and related scheduled maturities and Note 8 for information on our capital and operating leasing arrangements and related future minimum lease payment obligations.

In the normal course of business, we enter into long-term contractual commitments for future services needed for the operations of our business. Such commitments are not in excess of expected requirements and are not reasonably likely to result in performance penalties or payments that would have a material adverse effect on our liquidity. See Note 11 to the Consolidated Financial Statements included elsewhere in this report for additional information.

Capital Expenditures

Our business is capital intensive, requiring significant amounts of capital to fund the acquisition of assets. Our capital spending programs have been designed to assure our ability to provide safe, efficient, and reliable transportation services. We receive funds from state and local entities and from federal appropriations for our capital spending programs, including state of good repair spending on our infrastructure and modernization of our passenger car, locomotive, and trainset fleets.

The following table summarizes major capital expenditures by department for FY2020 and FY2019 (in millions):

	Year Ended September 30,	
	2020	**2019**
Engineering	**$ 680.1**	$ 660.2
Mechanical	**266.7**	383.5
Other	**826.4**	381.6
Total	**$ 1,773.2**	**$** 1,425.3

- ***Engineering*** major capital expenditures in FY2020 included $551.3 million for right-of-way (track, signals, substations, etc.) replacement and upgrade projects; $83.4 million for station and facility upgrades; and $40.0 million for construction and upgrades to bridges, tunnels, and culverts. Included within the right-of-way projects are $117.1 million related to Amtrak system tie and timber replacement, and undercutting, surfacing, and turnout renewal programs and $55.7 million for major equipment purchases.
- ***Mechanical*** major capital expenditures in FY2020 included $73.1 million for overhauls of Amfleet cars (single-level passenger cars built in the 1970s and 1980s), $52.4 million for diesel locomotive acquisitions, $50.9 million for overhauls and modifications on Superliners (bi-level passenger cars built for us in the 1970s and 1990s and used on Long Distance trains that do not operate over the NEC), and $83.6 million for other locomotive and passenger car overhauls and modifications and facilities repairs and improvements.
- ***Other*** major capital expenditures in FY2020 included $313.7 million for the Trainsets, $108.2 million for projects for compliance with the Americans with Disabilities Act, $67.3 million for customer focused station facility improvements, $65.2 million related to construction of the Moynihan Station Train Hall, and $27.1 million on NEC infrastructure and joint benefit capital projects funded by Amtrak and states pursuant to Section 212 of PRIIA.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our Consolidated Financial Statements in accordance with GAAP requires us to make judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of contingent assets and liabilities. We base these judgments and estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

Understanding the extent to which we use management judgment and estimates in applying our accounting policies is integral to understanding our financial statements. See Note 3 to our Consolidated Financial Statements included elsewhere in this report for a detailed discussion on our significant accounting policies and related management judgments and estimates.

We believe the following accounting policies require significant judgments and assumptions about material and inherently uncertain matters and the use of reasonably different estimates and assumptions could have a material impact on our results of operations or financial condition:

Property, Equipment, and Depreciation

Due to the highly capital-intensive nature of the railroad industry, capitalization and depreciation of property and equipment are substantial components of our financial statements. Property and equipment, including leasehold improvements, comprised 79.9% of our total assets at the end of FY2020, and related depreciation and amortization comprised 22.2% of total operating expenses in FY2020.

Except as described below, property and equipment that we own are carried at cost and are depreciated using the group method of depreciation (group method) in which a single composite depreciation rate is applied to the gross investment in a particular class of property or equipment, despite differences in the service life or salvage value of individual property units within the same class. This excludes computer equipment and software, which are stated at cost and are individually depreciated on a straight-line basis over their estimated useful lives, which are generally four to ten years. Properties held under capital leases and leasehold improvements are depreciated over the shorter of their estimated useful lives or their respective lease terms. Land is carried at cost.

We periodically engage a civil engineering firm with expertise in railroad property usage to conduct a study to evaluate depreciation rates for assets subject to the group method. In addition to the adjustment to group depreciation rates because of periodic depreciation studies, certain other events might occur that could affect our estimates and assumptions related to depreciation. Unforeseen changes in operations or technology or assets' physical conditions could substantially alter assumptions regarding our ability to realize the return of investment on our operating assets and, therefore, affect the amount of current and future depreciation expense. Because group method depreciation expense is a function of analytical studies made of property and equipment, subsequent studies could result in different estimates of useful lives and net salvage values. If future group method depreciation studies yield results indicating that assets have shorter lives because of obsolescence, physical condition, changes in technology, or changes in net salvage values, the depreciation expense for assets under the group method could increase. Likewise, if future studies indicate that assets have longer lives, the depreciation expense for assets under the group method could decrease.

Casualty Losses and Claims

We record an estimated liability for unsettled casualty and other open claims, including personal injury, occupational injury, passenger liability, and miscellaneous liability claims. Our projections for personal injury liability and ultimate loss are undiscounted and estimated using standard actuarial methodologies, including estimates for provisions for unasserted claims. We also record insurance recovery receivables for the estimated liability for passenger and/or employee claims in excess of our self-insured retention amount. Our insurance recovery receivables represent our best estimate of insurance proceeds we believe are highly probable of recovery.

Revenue Recognition

We recognize revenue from contracts with customers as operating revenues when the related performance obligations are performed. For passenger related revenue, amounts received for tickets that have been sold but not used are initially recorded as deferred ticket revenue and then recognized in revenue when travel occurs and the service has been provided.

In our experience, there is always a small percentage of tickets purchased by customers which expire unused. For non-refundable tickets that expire unused, we recognize revenue on the date of the scheduled travel. Refundable tickets that expire unused are recognized in revenue on the scheduled travel dates if the customers do not request a refund or exchange prior to the departure dates. We issue vouchers good for future travel within one year upon request for exchange and record revenue on issued vouchers that are estimated to expire unused (breakage). These estimates are generally based on analysis of our historical data.

Amtrak Guest Rewards Program

The Amtrak Guest Rewards (AGR) program generates customer loyalty by rewarding customers with incentives on transactions with Amtrak or its partners. This program allows AGR members to earn AGR points by traveling on Amtrak or from transactions with other participating AGR partner companies such as credit card companies, hotels, and car rental agencies. Points can be redeemed for Amtrak travel or for non-travel such as partner gift cards or hotel/car rental certificates. To facilitate transactions with participating AGR partners, we also sell AGR points to members and partners.

Passenger ticket sales earning AGR points under our loyalty program provide customers with i) AGR points earned; and ii) transportation provided by Amtrak. We first value the AGR points earned and the remaining sales proceeds are allocated to transportation provided by us. To value the AGR points earned, we use the market approach to estimate the value per point and also factor in an estimated breakage for AGR points that are not likely to be redeemed. We recognize the associated value proportionally during the period in which the remaining AGR points are estimated to be redeemed. We use statistical models to estimate breakage based on both historical and forecasted future redemption patterns. A change in assumptions as to the period over which AGR points are expected to be redeemed, the actual redemption activity for AGR points, or the estimated fair value of AGR points expected to be redeemed could have an impact on revenues in the year in which the change occurs and in future years.

See Note 3 to the Consolidated Financial Statements included elsewhere in this report for additional information on our revenue recognition policy and methodology including information on our adoption of Topic 606.

Environmental Matters

As further described in Note 12 to the Consolidated Financial Statements included elsewhere in this report, we are subject to extensive and complex federal and state environmental laws and regulations regarding environmental issues. As a result of our operations and acquired properties, we are from time to time involved in administrative and judicial proceedings and administrative inquiries related to environmental matters. Our policy is to accrue estimated liabilities and capitalize such remediation costs if they extend the life, increase the capacity, or improve the safety or efficiency of the property; mitigate or prevent environmental contamination that has not occurred but may result from future operations; are incurred in preparing the property for sale; or are incurred on property acquired with existing environmental conditions, and to expense other remediation costs. The liability is periodically adjusted based on our present estimate of the costs we will incur related to these sites and/or actual expenditures made. Some of our real estate properties may have the presence of environmentally regulated wastes or materials. If these properties undergo excavations or major renovations or are demolished, certain environmental regulations that are in place may specify the manner in which the wastes or materials must be assessed, handled, and disposed. We have identified a number of locations for which excavations and major renovations are planned and liabilities have been recorded. In the future, we may plan other excavations, demolitions, major renovations, or other construction activities that affect similar wastes or materials.

At some locations, although a potential liability exists for the removal or remediation of environmentally regulated materials, sufficient information is not available currently to estimate the liability, as the range of time over which we may settle these obligations is unknown or the cost of remediation cannot be reasonably estimated at this time. Although we believe we have appropriately recorded reserves for known and estimable future environmental costs, we could incur significant costs that exceed reserves or require unanticipated cash expenditures.

The amounts included in the environmental reserve reflect only our estimate of our portion of the gross liability. The ultimate liability for environmental remediation is difficult to determine with certainty due to, among other factors, the number of potentially responsible parties, site-specific cost sharing arrangements, the degree and types of contamination, potentially unidentified contamination, developing remediation technology, and evolving statutory and regulatory standards related to environmental matters. In addition, for certain known sites, the ultimate liability cannot be estimated until the results of the remedial investigation phase are known. We believe that additional future remedial actions for known environmental matters will not have a material adverse effect on our results of operations or financial condition and that our environmental reserves are adequate to fund remedial actions to comply with present laws and regulations.

Postretirement Employee Benefits

Accounting for pension and other postretirement benefits requires us to make several estimates and assumptions. These include estimates and assumptions regarding the discount rates used to measure future obligations and interest expense, long-term rate of return on plan assets, health care cost trend rates, mortality rates, and other assumptions.

We engage an independent, external actuary to compute the amounts of liabilities and expenses relating to these plans subject to the assumptions that we select. We review the discount rate, long-term rate of return on plan assets, mortality rates, and health care cost trend rates on an annual basis and make modifications to the assumptions based on current rates and trends as appropriate. We have a qualified, non-contributory defined benefit retirement plan (the Retirement Income Plan) whose assets are held in trust covering certain nonunion employees and certain employees who at one time held nonunion positions. Effective June 30, 2015, the Retirement Income Plan was closed to new entrants and frozen for future benefit accruals. See Note 13 to the Consolidated Financial Statements included elsewhere in this report for additional information on our postretirement employee benefit obligations.

Discount Rates

Discount rates affect the amount of liability recorded and the interest expense component of pension and other postretirement benefit expense. Discount rates reflect the rates at which pension and other post-retirement benefits could be effectively settled, or in other words, how much it would cost us to buy enough high quality bonds to generate sufficient cash flow equal to our expected future benefit payments. We determine the discount rate based on the market yield as of each fiscal year end for high quality corporate bonds whose maturities match the plans' expected benefit payments. Each year, these discount rates are reevaluated and adjusted to reflect the best estimate of the currently effective settlement rates. If interest rates generally decline or rise, the assumed discount rates will change.

Long-term Rate of Return on Plan Assets

The expected long-term rate of return on plan assets reflects the average rate of earnings expected on the funds invested, or to be invested, to provide for benefits included in the projected benefit obligation. Several factors are considered in developing the estimate for the long-term expected rate of return on plan assets. These include historical rates of return over the past three-, five-, and ten-year periods as well as projected long-term rates of return obtained from pension investment consultants.

Health Care Cost Trend Rates

Health care cost trend rates are based on recent plan experience and industry trends. We use guidance from employee benefits and actuarial consultants, Amtrak-specific claims trends, and health care cost studies to substantiate the inflation assumption for health care costs.

Other Assumptions

The calculations made by the actuaries also include assumptions relating to mortality rates, turnover, and retirement age. These include assumptions related to future mortality improvement, anticipated future retirement experience for our agreement and non-agreement populations and expected employee turnover.

LEGAL PROCEEDINGS

We are involved in various litigation and arbitration proceedings in the normal course of business, including but not limited to tort, contract, eminent domain, and civil rights claims. When we conclude it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, we accrue it through a charge to earnings. While the ultimate amount of liability incurred in any of these lawsuits and claims is dependent on future developments, in our opinion, recorded liabilities, where applicable, are adequate to cover the future payment of such liabilities and claims. However, the final outcome of any of these lawsuits and claims cannot be predicted with certainty, and unfavorable or unexpected outcomes could result in additional accruals that could be significant to our results of operations in a particular year. Any adjustments to the recorded liability will be reflected in earnings in the periods in which such adjustments are probable and reasonably estimable. See Note 11 to the Consolidated Financial Statements included elsewhere in this report for additional information on our legal matters.

CONSOLIDATED FINANCIAL STATEMENTS

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Years Ended September 30, 2020 and 2019

With Report of Independent Auditors

AMTRAK®

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Financial Statements

Years Ended September 30, 2020 and 2019

Table of Contents

Report of Independent Auditors 25

Audited Consolidated Financial Statements

Consolidated Balance Sheets 27
Consolidated Statements of Operations 29
Consolidated Statements of Comprehensive Loss 30
Consolidated Statements of Changes in Capitalization 31
Consolidated Statements of Cash Flows 32

Notes to Consolidated Financial Statements

1. Nature of Operations 33
2. Annual Funding 34
3. Basis of Presentation and Summary of Significant Accounting Policies 37
4. Accounting and Reporting for Federal Payments 49
5. Capitalization 50
6. Available-for-Sale Securities 51
7. Long-Term Debt 54
8. Leasing Arrangements 58
9. Fair Value Measurement 60
10. Income Taxes 62
11. Commitments and Contingencies 64
12. Environmental Matters 68
13. Postretirement Employee Benefits 69
14. Subsequent Events 77

Building a better
working world

Ernst & Young LLP
1775 Tysons Blvd
Tysons, VA 22102

Tel: +1 703 747 1000
Fax: +1 703 747 0100
ey.com

Report of Independent Auditors

The Board of Directors and Stockholders
National Railroad Passenger Corporation

We have audited the accompanying consolidated financial statements of National Railroad Passenger Corporation and subsidiaries (Amtrak or the Company), which comprise the consolidated balance sheets as of September 30, 2020 and 2019, and the related consolidated statements of operations, comprehensive loss, changes in capitalization and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of National Railroad Passenger Corporation and subsidiaries at September 30, 2020 and 2019, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Federal Government Funding

As explained in Notes 1 and 2 to the accompanying consolidated financial statements, the Company has a history of operating losses and is dependent upon substantial Federal Government subsidies to sustain its operations and maintain its underlying infrastructure. As further explained in Note 2 to the consolidated financial statements, the Company is receiving Federal Government funding under the Continuing Appropriations Acts, 2021. There are currently no Federal Government subsidies appropriated by law for any period subsequent to December 18, 2020. Without the receipt of Federal Government funding, Amtrak will not be able to continue in its current form and significant operating changes, restructurings or bankruptcy might occur. Our opinion is not modified with respect to this matter.

Adoption of Accounting Standard Update No. 2014-09, "Revenue from Contracts with Customers"

As discussed in Note 3 to the consolidated financial statements, the Company changed its method for accounting for revenue from contracts with customers due to the adoption of Accounting Standard Update No. 2014-09, "Revenue from Contracts with Customers," effective October 1, 2019. Our opinion is not modified with respect to this matter.

Ernst & Young LLP

December 17, 2020

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Balance Sheets

(In Thousands of Dollars, Except Share Data)

	September 30, 2020	September 30, 2019
Assets:		
Current Assets:		
Cash and cash equivalents, including restricted cash	**$ 409,184**	$ 366,597
Short-term investments	**170,025**	—
Available-for-sale securities	**2,357,271**	2,131,045
Accounts receivable, net	**129,396**	175,581
Materials and supplies, net	**271,380**	275,853
Prepaid expenses	**51,758**	51,980
Other current assets	**78,607**	61,099
Total current assets	**3,467,621**	3,062,155
Property and equipment:		
Locomotives	**1,886,945**	1,899,139
Passenger cars and other rolling stock	**3,478,968**	3,388,648
Right-of-way and other properties	**16,220,827**	15,497,729
Construction-in-progress	**2,355,958**	1,891,883
Leasehold improvements	**904,583**	767,897
Property and equipment, gross	**24,847,281**	23,445,296
Less: Accumulated depreciation and amortization	**(9,655,814)**	(9,092,154)
Total property and equipment, net	**15,191,467**	14,353,142
Other assets:		
Restricted investments	**182,695**	183,392
Notes receivable on sale-leasebacks	**18,571**	54,201
Deferred charges, deposits, and other	**159,356**	207,252
Total other assets	**360,622**	444,845
Total assets	**$ 19,019,710**	$ 17,860,142

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Balance Sheets (continued)

(In Thousands of Dollars, Except Share Data)

	September 30, 2020	September 30, 2019
Liabilities and capitalization:		
Current liabilities:		
Accounts payable	**$ 510,057**	$ 455,460
Accrued expenses and other current liabilities	**930,644**	886,134
Deferred ticket revenue	**60,978**	161,395
Current maturities of long-term debt and capital lease obligations	**97,384**	170,121
Total current liabilities	**1,599,063**	1,673,110
Long-term debt and capital lease obligations:		
Long-term debt	**1,015,861**	1,055,402
Capital lease obligations	**42,899**	86,311
Total long-term debt and capital lease obligations	**1,058,760**	1,141,713
Other liabilities:		
Deferred state government capital assistance	**2,551,431**	2,385,640
Amtrak guest rewards program liability	**129,117**	—
Casualty reserves	**217,965**	235,128
Postretirement employee benefits obligation	**613,711**	634,791
Environmental reserve	**169,025**	128,622
Other liabilities	**152,005**	131,983
Total other liabilities	**3,833,254**	3,516,164
Total liabilities	**6,491,077**	6,330,987
Commitments and contingencies *(Note 11)*		
Capitalization:		
Preferred stock - $100 par, 109,396,994 shares authorized, issued and outstanding	**10,939,699**	10,939,699
Common stock - $10 par, 10,000,000 shares authorized, 9,385,694 issued and outstanding	**93,857**	93,857
Other paid-in capital	**39,869,509**	37,072,889
Accumulated deficit	**(38,131,909)**	(36,332,178)
Accumulated other comprehensive loss	**(242,523)**	(245,112)
Total capitalization	**12,528,633**	11,529,155
Total liabilities and capitalization	**$ 19,019,710**	$ 17,860,142

See accompanying notes.

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Statements of Operations

(In Thousands of Dollars)

	Year Ended September 30, 2020	Year Ended September 30, 2019
Revenues:		
Revenue from contracts with customers	**$ 1,855,245**	$ 3,025,596
Other	**575,456**	477,919
Total revenues	**2,430,701**	3,503,515
Expenses:		
Salaries, wages, and benefits	**1,995,134**	2,174,302
Train operations	**277,275**	306,578
Fuel, power, and utilities	**215,496**	260,208
Materials	**183,324**	187,374
Facility, communication, and office related	**169,650**	181,625
Advertising and sales	**56,582**	99,503
Casualty and other claims	**58,612**	65,627
Depreciation and amortization	**921,784**	870,193
Other	**417,147**	412,242
Indirect cost capitalized to property and equipment	**(140,069)**	(154,440)
Total operating expenses	**4,154,935**	4,403,212
Loss from operations	**(1,724,234)**	(899,697)
Non-operating income (expense):		
Interest income	**48,648**	51,415
Interest expense	**(30,389)**	(40,770)
Other income, net	**26,943**	8,136
Total non-operating income, net	**45,202**	18,781
Net loss	**$ (1,679,032)**	$ (880,916)

See accompanying notes.

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Statements of Comprehensive Loss

(In Thousands of Dollars)

	Year Ended September 30,	
	2020	**2019**
Net loss	**$ (1,679,032)**	$ (880,916)
Other comprehensive income (loss):		
Pension and other postretirement benefit plans:		
Actuarial gain (loss) arising during the period, net	**745**	(76,364)
Amortization of net actuarial loss reclassified into earnings	**17,466**	13,987
Amortization of prior service credit reclassified into earnings	**(21,857)**	(40,431)
Other	**1,509**	—
Total change from pension and other postretirement benefit plans	**(2,137)**	(102,808)
Changes in unrealized gains on available-for-sale securities, net of reclassifications into earnings due to sales and maturities	**4,726**	2,725
Total other comprehensive income (loss)	**2,589**	(100,083)
Total comprehensive loss	**$ (1,676,443)**	$ (980,999)

See accompanying notes.

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Statements of Changes in Capitalization

(In Thousands of Dollars)

	Preferred Stock	Common Stock	Other Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance as of September 30, 2018	$ 10,939,699	$ 93,857	$ 35,112,208	$ (35,451,262)	$ (145,029)	$ 10,549,473
Federal paid-in capital	—	—	1,960,681	—	—	1,960,681
Net loss	—	—	—	(880,916)	—	(880,916)
Other comprehensive loss	—	—	—	—	(100,083)	(100,083)
Balance as of September 30, 2019	10,939,699	93,857	37,072,889	(36,332,178)	(245,112)	11,529,155
Adoption of ASU 2014-09	—	—	—	**(120,699)**	—	**(120,699)**
Federal paid-in capital	—	—	**2,796,620**	—	—	**2,796,620**
Net loss	—	—	—	**(1,679,032)**	—	**(1,679,032)**
Other comprehensive income	—	—	—	—	**2,589**	**2,589**
Balance as of September 30, 2020	**$ 10,939,699**	**$ 93,857**	**$ 39,869,509**	**$ (38,131,909)**	**$ (242,523)**	**$ 12,528,633**

See accompanying notes.

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Statements of Cash Flows

(In Thousands of Dollars)

	Year Ended September 30,	
	2020	**2019**
Cash flows from operating activities:		
Net loss	**$ (1,679,032)**	$ (880,916)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of deferred state government capital assistance	**(133,379)**	(127,369)
Depreciation and amortization	**921,784**	870,193
(Gain)/loss on sale of property and equipment	**(28,904)**	4,756
Other	**14,031**	(7,492)
Changes in assets and liabilities:		
Accounts receivable	**44,384**	218,214
Materials and supplies, prepaid expenses, and other current assets	**(25,374)**	(35,670)
Other assets	**83,526**	(56,290)
Accounts payable, deferred ticket revenue, and accrued expenses and other current liabilities	**(21,914)**	(24,249)
Other liabilities	**321**	(7,423)
Net cash used in operating activities	**(824,557)**	(46,246)
Cash flows from investing activities:		
Purchases of short-term investments	**(6,594,519)**	—
Proceeds from sales and maturities of short-term investments	**6,474,664**	—
Purchases of available-for-sale securities	**(7,869,152)**	(10,757,545)
Proceeds from sales and maturities of available-for-sale securities	**7,613,796**	9,596,061
Purchases and refurbishments of property and equipment	**(1,726,555)**	(1,446,339)
Proceeds from disposals of property and equipment and other	**71,856**	9,835
Net cash used in investing activities	**(2,029,910)**	(2,597,988)
Cash flows from financing activities:		
Proceeds from federal paid-in capital	**2,796,620**	1,960,681
Proceeds from state government capital assistance	**271,409**	294,306
Repayments of debt and capital lease obligations	**(170,975)**	(139,984)
Proceeds from issuance of debt, net of credit risk premium	**—**	394,927
Net cash provided by financing activities	**2,897,054**	2,509,930
Net change in cash and cash equivalents, including restricted cash	**42,587**	(134,304)
Beginning balance of cash and cash equivalents, including restricted cash	**366,597**	500,901
Ending balance of cash and cash equivalents, including restricted cash	**$ 409,184**	$ 366,597
Supplemental disclosure of cash payments:		
Interest paid, net of amount capitalized	**$ 32,596**	$ 40,066
Supplemental disclosure of non-cash investing and financing activities:		
Acquisition of property and equipment from state government capital assistance	**$ 27,761**	$ 16,986
Other non-cash changes in property, including accruals of amounts due for purchases	**$ 50,548**	$ 25,393

See accompanying notes.

1. Nature of Operations

The National Railroad Passenger Corporation (Amtrak or the Company) was incorporated in 1971 pursuant to the Rail Passenger Service Act of 1970 and is authorized to operate a nationwide system of passenger rail transportation. The United States government (the Federal Government) through the Secretary of the United States Department of Transportation (the DOT) owns all issued and outstanding preferred stock. Amtrak's principal business is to provide rail passenger transportation service in the major intercity travel markets of the United States. The Company also operates commuter rail operations on behalf of certain states and transit agencies, provides equipment and right-of-way maintenance services, and has leasing operations.

The Company has a history of recurring operating losses and is dependent on subsidies from the Federal Government to operate the national passenger rail system and maintain the underlying infrastructure. These subsidies are usually received through annual appropriations. Appropriated funds for Amtrak are generally provided to the DOT, which through its agency the Federal Railroad Administration (the FRA) provides those funds to Amtrak pursuant to annual grant agreements. Amtrak's ability to continue operating in its current form is dependent upon the continued receipt of subsidies from the Federal Government. The DOT, through its National Surface Transportation and Innovative Finance Bureau (also referred to as the Build America Bureau), also provides financing to Amtrak through the Railroad Rehabilitation and Infrastructure Financing (RRIF) Program.

In March 2020, the World Health Organization declared the outbreak of the 2019 coronavirus disease (COVID-19) as a pandemic. The unprecedented and rapid spread of COVID-19 and the related travel restrictions and social distancing measures resulted in significantly reduced travel demands that adversely impacted fiscal year (FY) 2020 financial results.

Amtrak received financial assistance from the Federal Government to respond to the pandemic and to lessen the impact on the Company's financial position and operations. In addition, to alleviate the effect of COVID-19, the Company made adjustments to train service, including service frequency reductions, and implemented multiple cost management programs, including a voluntary separation program and an involuntary separation program. In addition, the Company announced in FY2020 furloughs of employees covered by collective bargaining agreements, which took effect primarily during the first quarter of FY2021. As a result of the cost management programs, the Company reduced its headcount by approximately 2% in FY2020 and announced furloughs to occur in FY2021 impacting up to an additional 10% of its total headcount before the reductions. The timing for recall of some or all of the furloughed employees will depend upon future Federal Government funding as well as the Company's evaluation of customer demand for the Company's services. During FY2020, the Company recorded $55.0 million in associated severance and medical coverage cost, which is reflected within "Salaries, wages, and benefits" in the accompanying Consolidated Statement of Operations.

The Company evaluated if the pandemic and ongoing operating losses raise substantial doubt about Amtrak's ability to continue in the foreseeable future, considered to be through the end of December 2021, and concluded that the Company's forecasted cash flows, including anticipated Federal and state funding and credit arrangements, are sufficient to cover Amtrak's operations for the next year.

1. Nature of Operations (continued)

See Notes 2, 4, 5, and 7 for additional information about Amtrak and its relationship with the Federal Government, including funding received under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) to assist the Company in responding to COVID-19.

2. Annual Funding

On December 4, 2015, the President signed as Public Law 114-94, the Fixing America's Surface Transportation Act (the FAST Act). Title XI-Rail of the FAST Act, cited as the Passenger Rail Reform and Investment Act of 2015, authorized funding to the Secretary of the DOT (the Secretary) for annual grants to Amtrak totaling $8.1 billion for FY2016 through FY2020. Of the total amount authorized for Amtrak, $2.6 billion of this support was for the Northeast Corridor (NEC) and $5.5 billion was for Amtrak's National Network (NN) as defined in the FAST Act. The FAST Act also authorized an additional $2.2 billion for other rail grant programs in which Amtrak could participate. Amtrak was appropriated $2.0 billion and $1.9 billion for FY2020 and FY2019, respectively.

In March 2020, the CARES Act was signed into law to address the economic fallout of COVID-19 in the United States. The CARES Act provided relief to Amtrak by providing additional funding of $1.0 billion to help in responding to COVID-19. The additional funding was provided to help Amtrak prevent, prepare for, and respond to the pandemic, and consisted of $492.0 million for the NEC and $526.0 million for the NN, which included $239.0 million to support the Company's state partners in making their State Supported route subsidy payments due to Amtrak. The $239.0 million received by Amtrak and intended for the states was recorded as an advance payment from the states. The balance of the CARES Act funding was recorded as additional paid-in capital. Considering the enormous impact of COVID-19 on the overall economy and the businesses, Congress is currently considering various proposals to provide emergency funding, however, such new COVID relief bill has yet to be passed.

Subsequent to September 30, 2020, the President signed into law the Continuing Appropriations Act, 2021 and Other Extensions Act (Public Law 116-159) and the Further Continuing Appropriations Act, 2021, and Other Extensions Act (Public Law 116-215) (collectively, the Continuing Appropriations Acts, 2021), which provided continuing FY2021 appropriations to the Company through December 11, 2020 and December 18, 2020, respectively. These bills provided funding for Amtrak at the FY2020 levels of $2.0 billion until December 18, 2020, and extended many of the FAST Act provisions through the end of FY2021.

There are currently no federal funds appropriated for the Company for the period subsequent to December 18, 2020. Amtrak and its state partners have urged Congress to provide additional funding to help offset the loss in revenue being experienced during the pandemic and the Company has requested up to $4.9 billion in federal funding that includes the base funding for $2.0 billion and supplemental funding for $2.9 billion for FY2021 to continue normal operation and invest in the network, support its state partners, and address various congressional concerns such as avoiding employee furloughs and maintaining daily Long Distance service. Without such Federal Government subsidies, Amtrak will not be able to continue to operate in its current form and significant operating changes, restructuring, or bankruptcy may occur. Such changes or restructuring would likely result in asset impairments.

2. Annual Funding (continued)

In addition to authorizing funding for Amtrak, the FAST Act also mandated reforms for Amtrak and its grant programs. Requirements included the development of five-year plans for business lines and assets to be used as the basis for Amtrak's annual grant requests, separate reporting for the NN and the NEC, and a process for transferring funds between the two accounts. The FAST Act also directed the formation of committees to facilitate improved cooperation and, where applicable, required Amtrak to work in partnership with stakeholders including representatives of transit, state, and federal rail transportation authorities to plan, implement, and fund certain rail programs. There also were competitive grant programs authorized to which Amtrak was eligible to apply: for FY2016 through FY2020, a total of $1.1 billion was authorized for rail infrastructure and safety improvements, $1.0 billion for Federal-State partnership grants for State-of-Good Repair projects, and $100 million for rail restoration and enhancement grants.

While the authorization for Amtrak under the FAST Act has expired, passage of a new surface transportation reauthorization bill is not required in order for Amtrak to receive its federal grant funding. The actual spending decisions for Amtrak are made by the House and Senate Appropriations Committees and subsequently by Congress on an annual basis, and even if the authorization for Amtrak grants has expired, Amtrak can still receive its annual funding through the appropriations bill. Congress is considering a new surface transportation reauthorization bill, although the timing of its passage is unclear. Amtrak does not anticipate any disruption in its federal grant funding due to a delay in the passage of a new surface transportation reauthorization bill.

See Note 4 for information on additional grants received by the Company.

2. Annual Funding (continued)

The table below provides information on funding for the Company's FY2021, FY2020, and FY2019 under various continuing resolutions (CRs) (for continuing and further continuing appropriations), the Consolidated Appropriations Act (Full Year Funding) related to those years, and the CARES Act (dollars in millions):

	FY2021	FY2020	FY2019
Enactment dates for CRs	October 1, 2020 December 11, 2020	**September 27, 2019** **November 21, 2019**	September 28, 2018 December 7, 2018 January 25, 2019
Public Law (PL) numbers for CRs	PL 116-159 PL 116-215	**PL 116-59** **PL 116-69**	PL 115-245 PL 115-298 PL 116-5
Enactment date for Full Year Funding	N/A [1]	**December 20, 2019**	February 15, 2019
Public Law number for Full Year Funding	N/A [1]	**PL 116-94**	PL 116-6
Enactment date for CARES Act Funding		**March 27, 2020**	
Public Law number for CARES Act Funding		**PL 116-136**	
Appropriated for National Network	$ 256.5	**$ 1,826.0**	$ 1,291.6
Appropriated for NEC	138.1	**1,192.0**	650.0
Total funds appropriated	394.6	**3,018.0**	1,941.6
FRA authorized withholdings	(3.4)	**(17.0)**	(16.7)
Total appropriated funds designated for Amtrak	$ 391.2	**$ 3,001.0**	$ 1,924.9
Funds received by Amtrak:			
In FY2019			$ 1,924.9
In FY2020		**$ 3,001.0**	—
In FY2021, as of December 17, 2020	$ 391.2	**—**	—
Total funds received, as of December 17, 2020	$ 391.2	**$ 3,001.0**	$ 1,924.9

[1] FY2021 full year funding is not yet in place.

3. Basis of Presentation and Summary of Significant Accounting Policies

Method of Accounting

The accompanying Consolidated Financial Statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Certain amounts reported in prior period Consolidated Financial Statements have been reclassified to conform to the current period presentation.

Principles of Consolidation

The Consolidated Financial Statements reflect the consolidated operations of Amtrak and its wholly owned subsidiaries, Passenger Railroad Insurance, Limited (PRIL) and Washington Terminal Company (WTC). All intercompany balances and transactions have been eliminated.

PRIL was incorporated on December 18, 1996 under the laws of Bermuda to provide excess liability and property insurance coverage to Amtrak. In addition, PRIL provides insurance and reinsurance coverage to third parties performing work on Amtrak property.

WTC was formed on December 6, 1901 and its assets are comprised of buildings and rail yard adjacent to Washington Union Station. This entity has no operations.

Cash and Cash Equivalents

Short-term highly liquid investments that have a maturity at the date of acquisition of three months or less and are readily convertible to known amounts of cash without incurring penalties are generally considered cash equivalents. Cash and cash equivalents are maintained at various financial institutions and, at times, the balance may exceed federally insured limits.

The Company considers funds that are restricted for specific purposes or cash set aside and restricted for specific payments as restricted cash and cash equivalents. As of September 30, 2020 and 2019, the Company's cash and cash equivalents include restricted cash of $12.7 million and $10.3 million, respectively. The Company's restricted cash and cash equivalents consist of funds held in trust restricted from withdrawals based upon certain collateral requirements and funds restricted for certain operations of the Amtrak Police Department.

Short-Term Investments

Short-term investments are investments in money market funds that seek to preserve the investment by maintaining stable market net asset value (NAV) of $1. These investments include restricted investments, $32.4 million as of September 30, 2020, in the investment portfolio acquired using the $239.0 million of the CARES Act grant funds received in April 2020 for the purpose of supporting Amtrak's state partners in their State Supported route subsidy payments due to Amtrak. See Note 2 for additional information on CARES Act funding received in FY2020.

Money market funds are accounted for as equity securities and are carried at market NAV. Because of their stable NAV of $1, there are no realized gains or losses on sale or unrealized gains or losses on market value adjustments on these investments. Return on investment in the form of dividends is recorded within "Interest income" in the Consolidated Statements of Operations.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Available-for-Sale Securities

Available-for-sale securities are comprised of investments in marketable debt securities that when acquired are classified and accounted for as available-for-sale securities. These securities include restricted investments, $68.1 million as of September 30, 2020, that represent available-for-sale securities acquired using the $239.0 million of the CARES Act grant funds received in April 2020 for the purpose of supporting Amtrak's state partners in their State Supported route subsidy payments due to Amtrak. See Note 2 for additional information on CARES Act grant funding received in FY2020.

Available-for-sale securities are measured at fair value in the Consolidated Balance Sheets and unrealized gains and losses are included in the Consolidated Statements of Comprehensive Loss. Realized gains and losses are recognized when the securities are sold based on the specific identification method and realized gains and losses, interest, and dividends are recorded within “Interest income” in the Consolidated Statements of Operations.

Fuel Purchase Agreements

The Company periodically enters into agreements to purchase fuel in the future to manage a portion of its exposure to fluctuating energy prices. These agreements, which inherently contain market risk, are generally effective in reducing fluctuations in cash flows. The Company does not enter into energy agreements for trading or speculative purposes.

The Company does not designate these agreements as hedging instruments. Realized and unrealized gains and losses on these agreements are recorded in current earnings as a component of “Fuel, power, and utilities” in the Consolidated Statements of Operations.

The Company held agreements on September 30, 2020 for fuel purchases to be made in FY2021 and held no fuel purchase agreements as of September 30, 2019. During FY2020, the Company recorded $16.1 million in realized losses on its fuel purchase agreements. As of September 30, 2020, the Company had a $1.2 million unrealized gain on its fuel purchase agreements which is recorded within “Other current assets” in the Consolidated Balance Sheets. No such gains or losses were recorded in FY2019 as the Company did not enter into any such fuel purchase agreements in FY2019.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable in the Consolidated Balance Sheets include billed and unbilled accounts receivable. Billed accounts receivable represents amounts for which invoices have been sent to customers. These accounts receivable are recorded at the invoiced amount. Unbilled accounts receivable represents amounts recognized as revenue for which invoices have not yet been sent to customers but for which services and work have been performed. The Company recorded $30.6 million and $31.7 million of unbilled accounts receivable as of September 30, 2020 and 2019, respectively. The Company does not extend credit and payment is always due at the point of sale for passenger tickets, food and beverage, and related services sold to customers. With regard to non-passenger-related sales, the Company generally provides payment terms that typically range from 30 to 60 days. The Company does not require collateral from customers. Customer accounts outstanding longer than the payment terms are considered past due.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

The allowance for doubtful accounts, $2.7 million and $2.1 million as of September 30, 2020 and September 30, 2019, respectively, is the Company's best estimate of the amount of probable credit losses in the Company's billed accounts receivable. To determine its allowance for doubtful accounts, the Company evaluates historical loss experience and the characteristics of current accounts, as well as general economic conditions and trends. Uncollectible billed accounts receivable is applied against the allowance.

Materials and Supplies

Materials and supplies, which are stated at weighted-average cost, net of allowance for shrinkage and obsolescence, consist primarily of items for repairs and maintenance of property and equipment. The allowance for shrinkage and obsolescence, $49.3 million and $41.6 million as of September 30, 2020 and September 30, 2019, respectively, is recorded based on specific identification and expected usage rates.

Property, Equipment, and Depreciation

Except as described below, property and equipment owned by the Company are carried at cost and depreciated using the group method of depreciation (group method) in which a single composite depreciation rate is applied to the gross investment in a particular class of property or equipment, despite differences in the service life or salvage value of individual property units within the same class. This excludes computer equipment and software, which are stated at cost and are individually depreciated on a straight-line basis over their estimated useful lives, which are generally four to ten years. Properties held under capital leases and leasehold improvements are depreciated over the shorter of their estimated useful lives or their respective lease terms, and the related depreciation expense is reported within "Depreciation and amortization" in the Consolidated Statements of Operations. Land is carried at cost.

For assets depreciated under the group method, upon normal sale or retirement, the cost less the net salvage value is applied to "Accumulated depreciation and amortization" in the Consolidated Balance Sheets and no gain or loss is recognized. Gains or losses on the disposal of land and accelerated depreciation related to significant premature retirements of assets under the group method are recorded in the Consolidated Statements of Operations at the time of occurrence. There were no significant premature retirements of depreciable property or disposals of land for which gains or losses were recorded in FY2020 or FY2019.

Amtrak periodically engages an outside civil engineering firm with expertise in railroad property usage to conduct a study to evaluate depreciation rates for assets subject to the group method. In addition to the adjustment to group depreciation rates because of periodic depreciation studies, certain other events might occur that could affect Amtrak's estimates and assumptions related to depreciation. Unforeseen changes in operations or technology could substantially alter assumptions regarding Amtrak's ability to realize the return on its investment in operating assets and, therefore, affect the amounts of current and future depreciation expense. Because group method depreciation expense is a function of analytical studies made of property and equipment, subsequent studies could result in different estimates of useful lives and net salvage values. If future group method depreciation studies yield results indicating that assets have shorter lives because of obsolescence, physical condition, changes in technology, or changes in net salvage values, the depreciation expense for assets under the group method could increase. Likewise, if future

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

studies indicate that assets have longer lives, the depreciation expense for assets under the group method could decrease.

Construction-in-progress is stated at cost and includes direct costs of construction and interest expense capitalized during the period of construction of major facilities, locomotives, and passenger cars. Construction-in-progress is transferred to property and equipment when substantially all the activities necessary to prepare such assets for their intended use are completed, at which time depreciation commences. When constructed assets are funded through long-term debt, capitalized interest is recorded as part of the asset to which it relates and is depreciated over the asset's useful life. Total interest cost incurred by the Company was $44.8 million and $49.6 million for FY2020 and FY2019, respectively, of which interest cost capitalized on construction projects was $14.4 million and $8.8 million for FY2020 and FY2019, respectively.

The useful lives of locomotives, passenger cars, and other rolling stock assets for depreciation purposes range up to 40 years. Depreciable right-of-way and other properties are depreciated using useful lives ranging up to 90 years. Within other properties is computers, office equipment, and maintenance equipment which are depreciated using useful lives ranging from four to 53 years. Expenditures that significantly increase asset values or extend useful lives are capitalized, including major overhauls. Repair and maintenance expenditures, including preventive maintenance, are charged to operating expense when the work is performed. The cost of internally developed software is capitalized and amortized over its estimated useful life, which is generally five to ten years.

The Company accounts for asset retirement obligations (AROs) in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 410, *Asset Retirement and Environmental Obligations*. The standard applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, and/or normal use of the asset. In accordance with FASB ASC Topic 410, the Company recognizes the fair value of any liability for conditional AROs, including environmental remediation liabilities, in the period in which it is incurred, which is generally upon acquisition, construction, or development and/or through the normal operation of the asset, if sufficient information exists with which Amtrak can reasonably estimate the fair value of the obligation. Amtrak capitalizes the cost by increasing the carrying amount of the related long-lived asset. The capitalized cost is depreciated over the useful life of the related asset and upon settlement of the liability Amtrak either settles the obligation for its recorded amount or incurs a gain or loss. The asset retirement cost capitalized was $10.1 million as of both September 30, 2020 and 2019, and was included in "Right-of-way and other properties" in the Consolidated Balance Sheets.

Indirect Cost Capitalized to Property and Equipment

Capitalized overhead cost represents the indirect support expenses related to specific geographic regions and departments that are involved in particular capital projects. These indirect costs, which include fringe benefits allocable to direct labor, are capitalized along with the direct costs of labor, material, and other direct costs. Amtrak's overhead rates are updated at the end of each fiscal year based upon the actual activity and costs incurred during the fiscal year.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

Properties and other long-lived assets are reviewed for impairment whenever events or business conditions indicate that their carrying amounts may not be recoverable. Initial assessments of recoverability are based on an estimate of undiscounted future net cash flows. If impairment indicators are present, the assets are evaluated for sale or other disposition, and their carrying amounts are reduced to fair value based on discounted cash flows or other estimates of fair value.

In performing its impairment analysis, the Company assumes future Federal Government subsidies at levels consistent with the historical funding levels, excluding the CARES Act funding, discussed in Note 2. The Company believes funding at historical levels is the best estimate to be used for the future. At this approximate level of funding, the Company determined that no indicators of impairment existed as of September 30, 2020. If future Federal Government funding drops below historical levels and ridership does not return to the anticipated levels as the Company emerges from the COVID-19 crisis, material impairment may occur as discussed in Note 2.

Restricted Investments

Restricted investments represent investments acquired using the funds received under a settlement agreement with one of the Company's state partners that requires the Company to utilize the funds only for certain agreed-upon capital projects and accordingly, have been classified as restricted and non-current. The interest earned on these investments can be withdrawn by the Company for its general use. These investments are accounted for as available-for-sale securities, except $5.5 million in money market funds that are accounted for as equity securities.

Casualty Losses and Claims

Provision is made for Amtrak's estimated liability for unsettled casualty and other open claims. An insurance recovery receivable is recorded for the estimated liability for passenger and/or employee claims in excess of the Company's self-insured retention amount. The insurance recovery expected to be collected within one year is recorded in "Other current assets" and amounts expected to be collected beyond one year are recorded in "Deferred charges, deposits, and other" in the Consolidated Balance Sheets. These receivables represent the Company's best estimate of insurance proceeds it believes are highly probable of recovery.

Personal injury liability and ultimate loss projections are undiscounted and estimated using standard actuarial methodologies. The actuarial estimates include an estimate for unasserted claims. As of September 30, 2020 and 2019, the reserve for casualty losses and claims was $290.3 million and $364.6 million, respectively. Of the total amount reserved as of September 30, 2020 and 2019, the estimated current claims liability included in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets was $72.3 million and $129.5 million, respectively. The remaining reserve as of both September 30, 2020 and 2019 is included in "Casualty reserves" in the Consolidated Balance Sheets.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Revenue Recognition

On October 1, 2019, the Company adopted Accounting Standard Update (ASU) 2014-09 *Revenue from Contracts with Customers (Topic 606)*, by applying the modified retrospective approach to contracts that were not completed as of October 1, 2019. Results for reporting periods beginning on and after October 1, 2019, are presented applying the guidance of Topic 606. Prior period amounts presented on the Consolidated Statements of Operations have been reclassified to conform with the Topic 606 presentation and are otherwise not adjusted and continue to be reported under the accounting standards in effect for the prior period. See the Recently Adopted Accounting Pronouncements section of this footnote for the adoption impact of Topic 606 on the Company's Consolidated Financial Statements.

"Revenue from contracts with customers" in the Consolidated Statements of Operations includes (i) all passenger related revenue (i.e. ticket and food and beverage sales); (ii) commuter and freight access fee and other revenue from the use of Amtrak-owned tracks by commuter agencies and freight railroad companies, and other revenue related to the use of Amtrak's infrastructure; (iii) revenue from reimbursable contracts, which represents amounts earned under contracts with customers pursuant to which the Company provides repair, maintenance, design, engineering, or construction services; (iv) revenue earned under contractual arrangements to operate various commuter rail services for a cost-based fee; (v) commercial development revenue from communication, parking, advertising, and pipe and wire contracts; and (vi) miscellaneous revenue from co-branding commissions and other sources.

The components of "Revenue from contracts with customers" are as follows (in millions):

	Year Ended September 30,	
	2020	**2019**
Ticket	**$ 1,192.5**	$ 2,288.5
Food and beverage	**77.3**	143.9
Total passenger related revenue	**1,269.8**	2,432.4
Commuter and freight access	**235.6**	232.8
Reimbursable operating	**151.7**	132.1
Commuter operations	**124.2**	138.8
Commercial development (non-lease)	**43.8**	54.7
Miscellaneous	**30.1**	34.8
Total revenue from contracts with customers	**$ 1,855.2**	$ 3,025.6

Revenue from contracts with customers is recognized as operating revenues when the related performance obligations are performed. For passenger related revenue, amounts received for tickets that have been sold but not used are reflected initially as "Deferred ticket revenue" in the Consolidated Balance Sheets then recognized in revenue when travel occurs. Commuter and freight access revenues are recognized when the access service has been provided for the period. Reimbursable revenues are recognized when related costs are incurred. Commuter operations revenues are recognized as commuter operating services are provided to the customers. Commercial development (non-lease) revenues are recognized when the related services are provided to customers.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Non-refundable tickets expire and are recognized in revenue on the date of the scheduled travel. Refundable tickets expire and are recognized in revenue on the scheduled travel dates if the customers do not request a refund or exchange prior to the departure dates. The Company issues vouchers good for future travel within one year upon request for exchange and records revenue on issued vouchers that are estimated to expire unused (breakage). The Company uses its historical experience to estimate voucher breakage.

"Other" revenue in the Consolidated Statements of Operations includes income from sources other than contracts with customers and includes (i) revenue from state partners for their State Supported route subsidy; (ii) revenue from state government capital assistance; and (iii) rental income from lease contracts and miscellaneous other revenue.

The components of "Other" revenue are as follows (in millions):

	Year Ended September 30,	
	2020	**2019**
State Supported route subsidy	**$ 342.1**	$ 234.2
Amortization of deferred state government capital assistance	**133.4**	127.4
Reimbursable capital revenue	**59.3**	77.2
Lease and other revenue	**40.7**	39.1
Total other revenue	**$ 575.5**	$ 477.9

State Supported route subsidy and reimbursable capital revenue are recognized in revenue in the periods when the related expenses are incurred. State government capital assistance is recorded as "Deferred state government capital assistance" in the Company's Consolidated Balance Sheets when received and is then amortized into revenue to offset the related asset's depreciation expense over the estimated life of the related asset.

For revenue transactions that involve more than one performance obligation, the Company defers the revenue associated with any unsatisfied performance obligation until the obligation is satisfied, considered to occur when control of a product is transferred to the customer or a service is completed.

Amtrak Guest Rewards Program

The Amtrak Guest Rewards (AGR) program generates customer loyalty by rewarding customers with incentives to travel on Amtrak. This program allows AGR members to earn AGR points by traveling on Amtrak or from transactions with other participating AGR partner companies such as credit card companies, hotels, and car rental agencies. Points can be redeemed for Amtrak travel or for non-travel such as partner gift cards or hotel/car rental certificates. To facilitate transactions with participating AGR partners, Amtrak also sells AGR points to members and partners.

To reflect the AGR points earned, the loyalty program includes two types of transactions that are considered revenue arrangements with multiple performance obligations: (1) AGR points earned with travel and (2) AGR points sold to members/partners.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

AGR points earned with travel

Passenger ticket sales earning AGR points under the Company's loyalty program provide customers with (1) AGR points earned and (2) transportation provided by Amtrak. Amtrak values AGR points earned first and the remaining sales proceeds are allocated to Amtrak transportation. To value the AGR points earned, the Company uses the market approach to estimate the value per point and also factors in an estimated breakage for AGR points that are not likely to be redeemed (breakage). The Company uses statistical models to estimate breakage based on both historical and forecasted future redemption patterns. A change in assumptions as to the actual redemption activity for AGR points or the estimated price per point expected to be redeemed could have a material impact on the Company's revenue in the year in which the change occurs and in future years.

For each passenger ticket sold to a customer who is an AGR member, the Company records the portion of the ticket price allocable to AGR points earned but not yet redeemed, net of estimated breakage, as "Amtrak guest rewards program liability" on the Consolidated Balance Sheets and the remaining portion of the passenger ticket sale for currently booked travel as "Deferred ticket revenue" on the Consolidated Balance Sheets. The "Deferred ticket revenue" is then recorded to "Revenue from contracts with customers" on the Consolidated Statements of Operations when Amtrak provides transportation or if the ticket goes unused and is forfeited.

The AGR liability is recognized in revenue based on the redemption types: (1) Amtrak travel redemption and (2) partner gift cards/certificates/points redemption. Upon redemption by a customer of AGR points for future Amtrak travel, Amtrak reclassifies the AGR liability to "Deferred ticket revenue" and then recognizes it within "Revenue from contracts with customers" when Amtrak provides transportation or if the ticket goes unused and is forfeited. When customers redeem AGR points for partner gift cards/ certificates/points, Amtrak considers itself to be an agent of the transaction and recognizes revenue on a net basis at points redemption.

AGR points sold to members/partners

Customers may earn AGR points based on their spending with participating companies such as credit card companies, hotels, and car rental agencies with which the Company has marketing agreements to sell AGR points. Amtrak sells AGR points to those partner companies at agreed-upon rates. Payments are typically due monthly based on the volume of points sold during the period. AGR members may also purchase AGR points from the Company. Amtrak recognizes in "Amtrak guest rewards program liability" the payments collected from partners and members. The AGR liability is recognized in revenue based on the redemption types as described above.

As of September 30, 2020 and 2019, the Company's AGR program liability was $158.9 million and $22.5 million, respectively. The current portion of the liability was $29.8 million and $22.5 million as of September 30, 2020 and 2019, respectively, and is reported in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets. On October 1, 2019, the Company's AGR program liability was increased from $22.5 million to $135.4 million upon adoption of Topic 606.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Advertising Expenses

The Company records advertising expenses as incurred and reports these amounts in "Advertising and sales" in the Consolidated Statements of Operations. Advertising expenses were $25.8 million and $36.3 million for FY2020 and FY2019, respectively.

Income Taxes

The Company accounts for its income taxes in accordance with FASB ASC Topic 740, *Income Taxes*, which requires recognition of deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Management evaluates its potential exposures from tax positions taken that have been or could be challenged by taxing authorities. These potential exposures result because taxing authorities may take positions that differ from those taken by management in the interpretation and application of statutes, regulations, and rules. Management considers the possibility of alternative outcomes based upon historical experience, previous actions by taxing authorities (e.g., actions taken in other jurisdictions), and advice from tax experts. The Company has evaluated income tax positions taken in prior years and believes that all positions are more likely than not to be sustained in an audit.

Pursuant to the provisions of Title 49 of the United States Code, Section 24301, Amtrak is exempt from all state and local taxes, including income and franchise taxes that are directly levied against the Company. Accordingly, there is no provision for state and local income or franchise taxes recorded in the Consolidated Financial Statements for FY2020 and FY2019. The CARES Act did not materially impact the Company's accounting for income taxes.

See Note 10 for additional information.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclose contingent assets and liabilities at the date of the financial statements, and report amounts of revenues and expenses during the reporting period. The Company bases these estimates on historical experience, the current economic environment, and various other assumptions that are believed to be reasonable under the circumstances. However, uncertainties associated with these estimates exist and actual results may differ from these estimates. The Company's significant estimates include: estimated useful lives of property and equipment, estimates of casualty reserves, estimate of AGR program liability, pension and other postretirement employee benefits cost and obligations (including expected return on plan assets, discount rates, and health care cost trend rates), estimated future valuation of certain assets in connection with the Company's tax planning strategy, and environmental reserves.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Comprehensive Loss

Amtrak reports a comprehensive loss in the Consolidated Statements of Comprehensive Loss. Comprehensive loss is defined as changes in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. As of September 30, 2020 and 2019, "Accumulated other comprehensive loss" consists of adjustments for pension and other postretirement liabilities and unrealized gains and losses on available-for-sale securities.

Recently Adopted Accounting Pronouncements

On October 1, 2019, the Company adopted Topic 606 by applying the modified retrospective approach to contracts that were not completed as of October 1, 2019. The new standard requires that a company recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the company expects to receive in exchange for those goods or services. In-depth reviews of all of the Company's revenue streams were completed and changes to processes and internal controls to meet the reporting and disclosure requirements of Topic 606 were implemented. For Amtrak's customer advance payments contract liability, the Company adopted the practical expedient to not disclose the opening and closing balances for the advance payments as those are either related to short-term performance obligations (i.e. satisfied within a year) or performance obligations with periodic billings terms.

The impact of adopting Topic 606 on the Company's consolidated financial statements is summarized as follows:

- The adoption of the new standard increased the Company's AGR program liability as of October 1, 2019 and had other immaterial impacts. The Company previously recorded the AGR program liability using the estimated cost of AGR points expected to be redeemed by customers. Under Topic 606, the Company applies a relative selling price approach whereby the total amount collected from each passenger ticket sale is allocated between the passenger ticket and the AGR points earned. The portion of each passenger ticket sale attributable to AGR points earned is initially deferred when redeemed and then recognized in passenger ticket revenue when transportation is provided. The estimated selling price of AGR points is determined using an equivalent ticket value approach, which uses historical data, including award redemption patterns by geographic region and class of service, as well as similar fares as those used to settle award redemptions. The estimated selling price of AGR points is adjusted for an estimate of AGR points that will not be redeemed based on historical redemption patterns.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

- The cumulative effect of the changes made to the Company's Consolidated Balance Sheet on October 1, 2019 upon adoption of the new standard is as follows (in millions):

	September 30, 2019	Adjustments	October 1, 2019
Liabilities:			
Accrued expenses and other current liabilities	$ 886.1	$ 4.3	$ 890.4
Deferred ticket revenue	161.4	7.8	169.2
Amtrak guest rewards program liability	—	108.6	108.6
Capitalization:			
Accumulated deficit	36,332.2	120.7	36,452.9

- The following tables reflect the impact of adopting this standard on the Company's Consolidated Balance Sheet and Statement of Operations as of and for the year ended September 30, 2020, which includes the opening balance adjustment as detailed in the table above (in millions):

	As of September 30, 2020		
Impact of changes to Consolidated Balance Sheet	**As reported**	**Balances without adoption of Topic 606**	**Effect of change**
Liabilities:			
Accrued expenses and other current liabilities	$ 930.6	$ 924.5	$ 6.1
Deferred ticket revenue	61.0	58.2	2.8
Amtrak guest rewards program liability	129.1	12.5	116.6
Capitalization:			
Accumulated deficit	38,131.9	38,006.4	125.5

	Year ended September 30, 2020		
Impact of changes to Consolidated Statement of Operations	**As reported**	**Balance without adoption of Topic 606**	**Effect of change**
Revenues:			
Revenue from contracts with customers	$ 1,855.2	$ 1,860.0	$ (4.8)

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

- In connection with the adoption of the new guidance, the Company revised the presentation of its revenues in the Consolidated Statements of Operations to distinguish between those revenues within the scope of Topic 606 and those revenues that are outside the scope of Topic 606. In doing so, certain amounts that were previously reported for FY2019 were reclassified to conform with the current year presentation under Topic 606. The following table presents the reclassification changes made to amounts previously reported in the Company's FY2019 financial statements to conform with the Topic 606 presentation for the year ended September 30, 2020 (in millions):

	Year Ended September 30, 2019		
	As Reported in the Consolidated Statements of Operations		
	Current Year	Prior Year	Reclassification change
Revenues			
Passenger related	$ —	$ 2,666.6	$ (2,666.6)
Revenue from contracts with customers	3,025.6	—	3,025.6
Other	477.9	836.9	(359.0)
Total revenues	$ 3,503.5	$ 3,503.5	$ —

The impact of adoption of Topic 606 is also reflected in the reconciliation of the effective income tax rate. See Note 10.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU No. 2016-01 enhances the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The guidance addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments, including eliminating the requirement to disclose the fair value of financial instruments measured at amortized cost for non-public business entities. This ASU became effective for the Company beginning with FY2020 and was adopted on a modified retrospective basis. As a result of adoption of the guidance, the Company's money market funds are accounted for as equity securities instead of available-for-sale securities. Prior year amounts have not been reclassified and the money market fund balances as of September 30, 2019 continue to be presented as available-for-sale securities as of that date. Since the money market funds maintain stable market NAV of $1, there was no cumulative-effect adjustment recorded upon adoption. The adoption did not have a material impact on the Company's Consolidated Financial Statements.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation-Retirement benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* The standard changes how the Company presents pension and other postretirement employee benefit cost in its income statement and reduces capitalizable pension and other postretirement benefit cost. Previously, all components of postretirement benefit cost recorded in the Consolidated Statements of Operations were presented within "Salaries, wages, and benefits." With the adoption of this guidance, the service cost component of the postretirement benefit cost continues to be presented within "Salaries, wages, and benefits" while all other components of postretirement benefit cost are presented within "Other

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

income, net" in the Consolidated Statements of Operations. The new standard was adopted by the Company in FY2020 on a full-retrospective basis. Accordingly, the FY2019 amounts presented in the Company's FY2020 Consolidated Financial Statements have been adjusted to conform to the new standard, resulting in the reclassification of $6.5 million in credits from "Salaries, wages, and benefits" to "Other income, net" in the Consolidated Statements of Operations. The Company elected to apply the practical expedient and use the amounts disclosed in Note 13 for FY2019 as the estimation basis for applying the retrospective presentation requirements of the standard. See Note 13 for additional information on the components of net periodic benefit cost.

Previously Issued but Not Yet Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU was issued to increase transparency and comparability among companies by requiring most leases to be included in the balance sheet and by expanding disclosures on leasing arrangements. The effective date for implementation of ASU No. 2016-02 for non-public entities was modified in June 2020 by the issuance of ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) - Effective Dates for Certain Entities*. The amendments in ASU 2020-05 defer the effective date of the lease guidance for the Company to FY2023. Early adoption is permitted, but the Company does not intend to early adopt.

The Company is still evaluating the impact of the guidance and is in the process of identifying the population of lease arrangements that are within the scope of the guidance and reviewing the systems and processes that are relevant to the implementation of this standard. As the Company is and will continue to be involved in multiple leasing arrangements whereby the Company is either the lessee or the lessor, the adoption of the ASU is expected to have a significant impact on the Company's Consolidated Balance Sheets due to recognition of assets and liabilities for leases currently accounted for as operating leases. However, the Company does not expect the guidance to have a material impact on its Consolidated Statements of Operations or Consolidated Statements of Cash Flows.

4. Accounting and Reporting for Federal Payments

Certain funds are provided to Amtrak during the year through federal payments. These federal payments, which are recorded when received in "Other paid-in capital" in the Consolidated Balance Sheets and Consolidated Statements of Changes in Capitalization, totaled $2.8 billion and $2.0 billion for FY2020 and FY2019, respectively.

Note 2 provides information on the Company's annual funding. Additional federal funding received by the Company, all of which was recorded within "Other paid-in capital" when received, is described below.

Since FY2005, the Department of Homeland Security has awarded Amtrak a total of $215.5 million in grants from the Intercity Passenger Rail Grants Program, American Recovery and Reinvestment Act Rail and Transit Security Grant Program, and other security grants. Funding is provided on a reimbursable basis. Amtrak has cumulatively received $179.7 million and $172.6 million as of September 30, 2020 and 2019, respectively.

Appropriations are made to directly fund operations of Amtrak's Office of Inspector General (OIG). Amtrak and the OIG entered into a service agreement on January 8, 2010, whereby Amtrak would

4. Accounting and Reporting for Federal Payments (continued)

continue to provide accounting and financial management services for the OIG. Amtrak is reimbursed for expenses incurred upon the submission of invoices to the OIG. Amtrak was appropriated $24.3 million and $23.3 million for FY2020 and FY2019, respectively, and Amtrak received $22.6 million and $23.5 million in FY2020 and FY2019, respectively.

"Other paid-in capital", included in the Consolidated Balance Sheets and Consolidated Statements of Changes in Capitalization, also includes the effects of certain funding received from the Federal Government for the acquisition of and improvements to property and equipment. In exchange for this funding, Amtrak issued two promissory notes to the United States of America. The first note has a balance of $4.0 billion as of September 30, 2020 and 2019, was issued in 1976 and matures on December 31, 2975, and is secured by the real and personal property of Amtrak, WTC, and PRIL. The second note has a balance of $1.1 billion as of September 30, 2020 and 2019, was issued in 1983 and matures on November 1, 2082, with successive 99-year automatic renewal terms, if the note has not been paid at maturity or accelerated in accordance with its terms, and is secured by all rolling stock owned by Amtrak. Neither of the notes bears interest, unless prepaid, which Amtrak does not intend to do, or unless the note is accelerated in accordance with its terms. The amount due to the Federal Government on the first note may be accelerated by enactment of federal law or upon the occurrence of various actions concerning an Amtrak bankruptcy, reorganization, or assignment for the benefit of creditors. The Federal Government is entitled to repayment and interest under the second note in the event Amtrak ceases operations, is acquired by another entity, or seeks relief under bankruptcy or insolvency laws.

5. Capitalization

Preferred and Common Stock

For funds received from the Federal Government prior to December 2, 1997, the Rail Passenger Service Act (49 U.S.C. 24304) required Amtrak to issue to the Secretary preferred stock equal in par value to all federal operating payments and most federal capital payments received subsequent to October 1, 1981, as well as capital and certain operating payments received prior to that date. As of September 30, 2020 and 2019, 109,396,994 shares of $100 par value preferred stock were authorized, all of which were issued and outstanding. All issued and outstanding preferred shares are held by the Secretary for the benefit of the Federal Government. The Amtrak Reform and Accountability Act of 1997 (the Act) resulted in significant modifications to Amtrak's capital structure. The Act abolished the voting rights and the liquidation preference of the preferred stockholder and abolished the requirement that additional preferred stock be issued by Amtrak in exchange for federal grants received. At the time of enactment of the Act, the minimum undeclared cumulative preferred dividend in arrears for all series issued and currently outstanding approximated $5.8 billion and ranged between $0.02 and $97.08 per share. Each share of preferred stock is convertible into ten shares of common stock at the option of the preferred stockholder.

As of September 30, 2020 and 2019, 10,000,000 shares of $10 par value common stock were authorized, of which 9,385,694 shares were issued and outstanding. The common stockholders, who acquired their stock from four railroads whose intercity rail passenger operations Amtrak assumed in 1971, have voting rights for amendments to Amtrak's Articles of Incorporation proposed by the Board of Directors and for certain other extraordinary events.

5. Capitalization (continued)

Accumulated Other Comprehensive Loss

The Company's accumulated other comprehensive loss consists of balances related to pension and other postretirement benefit plans and net unrealized gains or losses associated with available-for-sale securities. The balance related to pension and other postretirement benefit plans primarily consists of a net actuarial loss. The reclassifications from accumulated other comprehensive loss include amortization of prior service credits (net) based on average remaining service period of eligible employees, amortization of actuarial loss (net) based on life expectancy, and unrealized gains and losses on available-for-sale securities reclassified into earnings based on the specific identification method upon sales, maturities, and redemptions.

The table below presents the changes in the accumulated other comprehensive loss balances, by components, and the amounts reclassified into earnings (in thousands):

	Pension and Other Postretirement Benefit Plans	Available-for-Sale Securities	Total
Balance as of September 30, 2018	$ (144,676)	$ (353)	$ (145,029)
Other comprehensive (loss) income before reclassifications	(76,364)	3,015	(73,349)
Amounts reclassified from accumulated other comprehensive loss into earnings	(26,444)	(290)	(26,734)
Net change	(102,808)	2,725	(100,083)
Balance as of September 30, 2019	(247,484)	2,372	(245,112)
Other comprehensive income before reclassifications	**2,254**	**6,475**	**8,729**
Amounts reclassified from accumulated other comprehensive loss into earnings	**(4,391)**	**(1,749)**	**(6,140)**
Net change	**(2,137)**	**4,726**	**2,589**
Balance as of September 30, 2020	**$ (249,621)**	**$ 7,098**	**$ (242,523)**

6. Available-for-Sale Securities

The Company's investments in debt securities are accounted for as available-for-sale securities and are recorded as “Available-for-sale securities” and “Restricted investments” in the Consolidated Balance Sheets. These investments are recorded at fair value with unrealized gains and losses recorded as a component of comprehensive loss in the Consolidated Statements of Comprehensive Loss. Beginning with FY2020, upon adoption of ASU 2016-01, money market funds have been presented in “Short-term investments” in the Consolidated Balance Sheets. Money market funds as of September 30, 2019 have been presented within available-for-sale securities at that date. See Note 3 for additional details.

6. Available-for-Sale Securities (continued)

The amortized cost, gross unrealized gains and losses, and fair value by major security type of available-for-sale securities are as follows (in thousands):

	September 30, 2020			
	Total Amortized Cost	Gross Unrealized Losses	Gross Unrealized Gains	Total Fair Value
Commercial paper	**$ 720,010**	**$ (7)**	**$ 139**	**$ 720,142**
U.S. Treasury securities	**704,627**	**(1)**	**3,214**	**707,840**
Corporate bonds	**679,555**	**(251)**	**2,729**	**682,033**
Certificates of deposit	**222,341**	**—**	**68**	**222,409**
Other	**200,847**	**(9)**	**1,216**	**202,054**
Total available-for-sale securities	**$ 2,527,380**	**$ (268)**	**$ 7,366**	**$ 2,534,478**

	September 30, 2019			
	Total Amortized Cost	Gross Unrealized Losses	Gross Unrealized Gains	Total Fair Value
Commercial paper	$ 662,362	$ (31)	$ 99	$ 662,430
U.S. Treasury securities	719,397	(6)	710	720,101
Corporate bonds	463,632	(21)	1,405	465,016
Certificates of deposit	211,977	(10)	60	212,027
Money market funds	55,657	—	—	55,657
Other	199,040	(3)	169	199,206
Total available-for-sale securities	$ 2,312,065	$ (71)	$ 2,443	$ 2,314,437

The gross realized gains, gross realized losses, and sales proceeds, excluding proceeds received on maturities, of available-for-sale securities are as follows (in thousands):

	Year Ended September 30,	
	2020	2019
Gross realized gains	$ **4,423**	$ 238
Gross realized losses	**(10)**	(103)
Total proceeds	**954,304**	4,194,953

6. Available-for-Sale Securities (continued)

The amortized cost and fair value of the available-for-sale securities by remaining contractual maturity are as follows (in thousands):

	September 30, 2020	
	Amortized Cost	Fair Value
Within one year	$ 1,994,358	$ 1,996,422
After one year through five years	531,314	536,354
After five years through ten years	1,043	1,040
After ten years	665	662
Total available-for-sale securities	$ 2,527,380	$ 2,534,478

The fair value and gross unrealized losses for available-for-sale securities aggregated by major security type and the length of time the individual securities have been in a continuous unrealized loss position are as follows (in thousands):

	September 30, 2020					
	Less Than Twelve Months		Twelve Months or Longer		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Commercial paper	$ (7)	$ 30,376	$ —	$ —	$ (7)	$ 30,376
U.S. Treasury securities	(1)	9,346	—	—	(1)	9,346
Corporate bonds	(251)	143,651	—	—	(251)	143,651
Other	(4)	9,457	(5)	1,765	(9)	11,222
Total	$ (263)	$ 192,830	$ (5)	$ 1,765	$ (268)	$ 194,595

	September 30, 2019					
	Less Than Twelve Months		Twelve Months or Longer		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Commercial paper	$ (31)	$ 155,915	$ —	$ —	$ (31)	$ 155,915
U.S. Treasury securities	(6)	11,218	—	—	(6)	11,218
Corporate bonds	(19)	60,066	(2)	4,010	(21)	64,076
Certificates of deposit	(10)	54,365	—	—	(10)	54,365
Other	(3)	14,639	—	—	(3)	14,639
Total	$ (69)	$ 296,203	$ (2)	$ 4,010	$ (71)	$ 300,213

The Company does not believe that any individual unrealized loss in available-for-sale securities as of September 30, 2020 represents a credit loss. The Company does not intend to sell the debt securities in an unrealized or unrecognized loss position as of the balance sheet date. Additionally, it is not more likely than not that the Company will be required to sell the debt securities before the anticipated recovery of its remaining amortized cost of the debt securities in an unrealized or unrecognized loss position

6. Available-for-Sale Securities (continued)

at September 30, 2020. There were no impairment losses recognized in earnings on available-for-sale securities in FY2020 or FY2019.

7. Long-Term Debt

Total long-term debt is recorded at amortized cost in the Consolidated Balance Sheets and consists of the following (in thousands):

	September 30, 2020		September 30, 2019	
	Current	**Long-Term**	**Current**	**Long-Term**
Mortgage obligations:				
High speed maintenance facilities	**$ 9,639**	**$ —**	$ 13,875	$ 9,639
Frequency converter facility	**11,175**	**84,605**	11,075	95,780
Subtotal	**20,814**	**84,605**	24,950	105,419
Senior notes:				
Secured senior notes	**9,000**	**271,680**	24,000	280,680
Unsecured senior notes	**2,000**	**85,948**	15,052	87,948
Subtotal	**11,000**	**357,628**	39,052	368,628
PEDFA 30th St. Garage Revenue Bonds	**—**	**—**	29,837	—
Term Loan A	**15,156**	**—**	19,727	15,156
Term Loan B	**7,386**	**21,633**	7,143	29,019
2016 RRIF loan	**—**	**583,020**	—	570,189
Principal amount of long-term debt	**54,356**	**1,046,886**	120,709	1,088,411
Less: unamortized discount/premium/ issuance cost	**(384)**	**(31,025)**	(853)	(33,009)
Total long-term debt	**$ 53,972**	**$ 1,015,861**	$ 119,856	$ 1,055,402

Letters of Credit

The Company has unsecured commercial letters of credit of $3.7 million that support the issuance of auto fleet insurance. As of September 30, 2020 and 2019, there were no draws against these letters of credit.

Revolving Credit Facility

On July 26, 2016, Amtrak entered into a Credit Agreement with three lenders for a $100 million unsecured revolving credit facility to enhance Amtrak's liquidity. The facility had an expiration date of July 26, 2021, however, it was terminated on October 7, 2020 upon entering into a new unsecured revolving credit facility, as described below. Borrowings under the facility had an interest rate based on the interest rate option selected by Amtrak from the following options: (a) the base rate option, which would have been a variable rate equal to the highest of (i) the Federal Funds Open Rate plus 0.5%, (ii) the Prime Rate, and (iii) the Daily London Interbank Offered Rate (LIBOR) plus 1.0%, plus in all cases an applicable margin based on the Company's Standard & Poor's and Moody's ratings (Credit Ratings); or (b) the LIBOR rate option, which would have been equal to the LIBOR rate for the applicable period plus

7. Long-Term Debt (continued)

a margin based on the Company's Credit Ratings. Amtrak was required to pay a commitment fee on any undrawn portion of the revolving credit facility ranging between 8.5 and 25 basis points based on Amtrak's Credit Ratings. Under the facility, Amtrak was subject to restrictive covenants and financial covenants that required the Company and its subsidiaries to maintain certain financial ratios on a consolidated basis. The Company did not make any draws under the facility in FY2020 or FY2019.

On October 7, 2020, the Company entered into a new $250 million unsecured revolving credit facility with four lenders for working capital and to enhance Amtrak's liquidity. The facility expires on October 7, 2023. Borrowings under the facility will have an interest rate based on the interest rate option selected by Amtrak from the following options: (a) the Base Rate Option, which is a variable rate equal to the highest of (i) the Prime Rate, (ii) the Federal Funds Rate plus 0.5%, and (iii) the LIBOR Index Rate, plus 1.0%; or (b) the LIBOR Rate Option, equal to the LIBOR rate for the applicable period set on the date of determination plus an applicable margin based on the Company's Standard & Poor's and Moody's ratings (Credit Ratings). Both the Base Rate Option and the LIBOR Rate Option have a minimum rate of 0.25%. Amtrak must pay a commitment fee on any undrawn portion of the revolving credit facility of 15 basis points and subject to increase based on Amtrak's Credit Ratings. The facility provides for use of an agreed-upon replacement rate in case LIBOR is no longer available and the use of the Base Rate Option until such agreement is reached. Under the facility, Amtrak is subject to restrictive covenants and financial covenants that require the Company and its subsidiaries to maintain certain financial ratios on a consolidated basis. As of December 17, 2020, the Company has not made any draws under the facility.

Mortgage Obligations

High Speed Maintenance Facilities

On October 30, 2012, Amtrak purchased the equity ownership interests related to leveraged lease agreements under which Amtrak leases three *Acela* maintenance facilities. As a result of the buyout, Amtrak no longer makes lease payments relating to the equity interest, but continues to make payments servicing the leveraged lease debt. Amtrak's obligations are collateralized by a pledge of Amtrak's interests in the maintenance facilities.

Frequency Converter Facility

During FY2001, the Pennsylvania Economic Development Financing Authority (PEDFA) completed two issues, Series A and Series B, of exempt facilities revenue bonds, the net proceeds of which were used to finance part of the costs associated with Amtrak's construction of a frequency converter facility (the Facility). Amtrak procured the bond proceeds of each issue through a structured financing arrangement with PEDFA. Under this arrangement, Amtrak leased the Facility to PEDFA until November 2041, under a long-term ground lease, in exchange for the total net proceeds. Simultaneously, Amtrak leased the Facility back from PEDFA through June 2033, with an option to extend this term through November 2041. PEDFA also has the right to extend Amtrak's leaseback term through November 2041.

On March 31, 2012, PEDFA issued $95.1 million of PEDFA exempt facilities revenue refunding bonds (Series A 2012 bonds), with varying maturities between November 1, 2013 and 2041, to refund the Series

7. Long-Term Debt (continued)

A of 2001. The interest rates on the Series A 2012 bonds range from 3.0% to 5.0% (yields ranging from 1.1% to 4.7%).

On February 15, 2012, the Series B bonds were reissued to a commercial bank for a period of five years (Series B 2012 bonds). The Series B 2012 Bonds continued to have a November 2041 maturity date, but the bond documents provided for a mandatory redemption on February 15, 2017. The interest rate was converted to a tax-effected fraction of the sum of one-month LIBOR plus the applicable spread (based on Amtrak's credit rating) per annum.

On February 15, 2017, at the Company's direction, PEDFA issued $45 million of PEDFA exempt facilities revenue refunding bonds (Series B 2017 bonds) to redeem the Series B 2012 bonds. The Series B 2017 bonds were issued to the same commercial bank for another period of five years with an interest rate of a tax-effected fraction of the sum of three-month LIBOR plus the applicable spread based on the Company's credit rating, which was an effective rate of 1.05% and 2.32% as of September 30, 2020 and 2019, respectively. The Series B 2017 bonds will be repaid in equal quarterly payments of $2.25 million over a five-year period, with the first payment made on May 15, 2017.

Amtrak's obligations in connection with the Series A Bonds and the Series B Bonds are cross-collateralized by a pledge of Amtrak's interest in the Facility. In addition, Amtrak guaranteed all principal and interest payments by PEDFA on the Series A and Series B bonds.

Senior Notes

On December 6, 2016, the Company issued 3.60% senior secured notes for $365 million due November 15, 2033 and 3.81% senior unsecured notes for $135 million due November 15, 2031 (the Notes). The proceeds from the Notes were used to pay off an outstanding capital lease obligation and other related project costs. The secured notes are secured by locomotives acquired by the original capital lease obligation. The Company is repaying the Notes in semi-annual installments beginning in May 2017 and continuing each May 15 and November 15 thereafter to and including November 15, 2033 for the senior secured notes and November 15, 2031 for the senior unsecured notes.

PEDFA 30th St. Garage Revenue Bonds

On January 7, 2003, PEDFA issued $50.0 million of revenue bonds (the 2003 PEDFA Garage Bonds) for the purpose of financing the construction and other related costs of a parking garage located at the 30th Street Station in Philadelphia, Pennsylvania (30th Street Station Garage).

On November 2, 2012, at Amtrak's request, PEDFA issued $42.0 million of revenue bonds (the 2012 PEDFA Garage Bonds) to refinance the 2003 PEDFA Garage Bonds. At the date of issuance, the 2012 PEDFA Garage Bonds were remarketed to a commercial bank that held them for a period of seven years with mandatory purchase by Amtrak at par plus accrued interest at the end of the seventh year. The effective interest rate on the 2012 PEDFA Garage Bonds as of September 30, 2019 was 2.39%. Amtrak completed the purchase of the 2012 PEDFA Garage Bonds via mandatory tender on November 2, 2019, and now holds the bonds, which mature in 2032. Amtrak's obligation as issuer of the bonds is collateralized by a pledge of Amtrak's interests in the 30th Street Station Parking Garage.

7. Long-Term Debt (continued)

Term Loan A and Term Loan B

On June 19, 2014, the Company entered into a $200.0 million long-term loan, secured by certain of the Company's P-42 diesel locomotives, of which $130.0 million was financed with one commercial lender (Term Loan A) and $70.0 million was financed with a different commercial lender (Term Loan B). Under the terms of the agreement for Term Loan A, the Company incurs interest at a rate of LIBOR plus 1.0%. At the time that Term Loan A was entered into, the Company entered into an interest rate swap agreement, the impact of which made the effective interest rate on Term Loan A 2.76%. Under the agreement for Term Loan B, the Company incurs interest at a fixed rate of 3.36%. Term Loan A and Term Loan B will mature on June 20, 2021 and June 20, 2024, respectively.

2016 RRIF Loan

On August 16, 2016, the Company entered into a $2.45 billion financing agreement with the Federal Government under the RRIF Loan program to finance the acquisition of 28 Next Generation High Speed Trainsets (the Trainsets), related spare parts, and improvements to existing facilities and properties (the 2016 RRIF Loan). Amtrak's obligations under the 2016 RRIF Loan are collateralized by a pledge of the Trainsets, spare parts, and the debt service reserve account required under the financing agreement. See Note 11 for a description of the contracts issued to a vendor for the construction and delivery of the Trainsets and related services.

Starting June 15, 2021, the Company will be required to fund and maintain a restricted debt service reserve account equal, over time, to increasing percentages of the projected first year debt service payments to support future debt service. Amtrak is required to begin making repayments on borrowings under the 2016 RRIF Loan on September 15, 2022.

All borrowings under the 2016 RRIF Loan bear interest at a rate of 2.23% per annum. The Company also pays a credit risk premium of 5.80% for all amounts borrowed under the 2016 RRIF Loan. The amortization of the credit risk premium is recognized as interest expense. The Company is capitalizing all interest expense recognized during the construction period of the Trainsets as part of "Construction-in-progress" in the Consolidated Balance Sheets.

No amounts were borrowed in FY2020 or repaid during FY2020 and FY2019 under the 2016 RRIF Loan. In FY2019, the Company drew $419.2 million and paid $24.3 million in credit risk premiums. Total interest incurred in FY2020 and FY2019 was $14.4 million and $8.8 million, respectively, all of which was capitalized within "Construction-in-progress" in the Consolidated Balance Sheets.

7. Long-Term Debt (continued)

Interest Rates

The annual weighted-average interest rates for all interest-bearing borrowings (inclusive of the impact of any interest rate swaps) are shown below:

	September 30,	
	2020	**2019**
Mortgage obligations	**4.81 %**	4.86 %
Senior notes	**3.65**	3.65
PEDFA 30th St. Garage Revenue Bonds	**N/A**	2.39
Term loans	**3.15**	3.07
2016 RRIF Loan	**2.23**	2.23

The overall weighted-average interest rate on all interest-bearing borrowings (inclusive of the impact of any interest rate swaps) is 2.99% and 3.05% per annum at September 30, 2020 and 2019, respectively.

Scheduled Long-Term Debt Maturities

On September 30, 2020, scheduled maturities of long-term debt are as follows (in thousands):

Year Ending September 30,	
2021	$ 54,356
2022	30,366
2023	52,522
2024	55,784
2025	51,799
Thereafter	856,415
Principal amount of long-term debt	1,101,242
Less: unamortized discount/premium/issuance cost	(31,409)
Total long-term debt	$ 1,069,833

Amtrak is subject to various covenants and restrictions under its borrowing arrangements. A default by Amtrak or acceleration of Amtrak's indebtedness may result in cross-default with other debt and may have a material adverse effect on the Company. As of September 30, 2020, the Company had satisfied all of its debt covenant obligations.

8. Leasing Arrangements

Amtrak leases equipment, primarily passenger cars and locomotives, and related maintenance infrastructure under capital leasing arrangements. Amtrak has entered into various lease transactions in which the lease structure contains variable interest entities (VIEs). These VIEs were created solely for the purpose of doing lease transactions and have no other activities, assets, or liabilities outside of the lease

8. Leasing Arrangements (continued)

transactions. In some of the arrangements, Amtrak has the option to purchase some or all of the assets at a fixed price, thereby creating variable interests for Amtrak in the VIEs.

Amtrak maintains and operates the assets based on contractual obligations within the lease arrangements, which set specific guidelines consistent with industry standards. As such, Amtrak has no control over activities that could materially impact the fair value of the leased assets. Amtrak does not hold the power to direct the activities of the VIEs and, therefore, does not control the ongoing activities that have a significant impact on the economic performance of the VIEs. Additionally, Amtrak does not have the obligation to absorb losses or the right to receive benefits of the VIEs.

As of both September 30, 2020 and 2019, the gross amount of assets recorded under capital leases was $1.2 billion, with accumulated amortization of $1.0 billion and $0.9 billion, respectively.

Amtrak is subject to various covenants and restrictions under its leasing arrangements. Amtrak has given guarantees or entered into reimbursement agreements in connection with certain of these lease transactions. A default by Amtrak or acceleration of Amtrak's indebtedness may result in cross-default to other Amtrak indebtedness, and may have a material adverse effect on the Company (see Note 7).

Future Minimum Lease Payments

As of September 30, 2020, future minimum lease payments under capital leases are as follows (in thousands):

Year ending September 30,		
2021	$	56,029
2022		33,051
2023		12,475
2024		1,183
2025		86
Thereafter		2,998
Total minimum lease payments		105,822
Less: discounted to current period amount at interest rates ranging from 5.0% to 9.1%		(19,511)
Present value of minimum lease payments at September 30, 2020	$	86,311

The current portion of capital lease obligations as of September 30, 2020 and 2019 was $43.4 million and $50.3 million, respectively, and is presented in "Current maturities of long-term debt and capital lease obligations" in the Consolidated Balance Sheets.

8. Leasing Arrangements (continued)

Operating Leases

As of September 30, 2020, Amtrak is obligated for the following minimum rental payments under operating lease agreements (in thousands):

Year ending September 30,	
2021	$ 28,421
2022	27,110
2023	24,118
2024	19,618
2025	14,898
Thereafter	46,603
Total	$ 160,768

Rent expense for FY2020 and FY2019 was $58.9 million and $56.1 million, respectively.

Amtrak leases offices, operating areas, stations, and other terminal space. These leases often contain renewal options to enable the Company to retain the use of facilities. Some of the leases contain escalation clauses that increase the rents based on a fixed or variable rate, such as an inflation factor index. Under certain leases, the Company is obligated to pay additional amounts based on the facility's operating expenses.

9. Fair Value Measurement

FASB ASC Topic 820, *Fair Value Measurement,* defines fair value for financial reporting, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. FASB ASC Topic 820 established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

The three levels are defined as follows:

- Level 1 - observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.).
- Level 3 - significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

The fair value measurement of an asset or liability is assigned a level based on the lowest level of any input that is significant to the fair value measurement.

9. Fair Value Measurements (continued)

Financial Instruments Measured at Fair Value

The Company's financial instruments measured at fair value on a recurring basis on the Consolidated Balance Sheets as of September 30, 2020 and 2019 are as follows (in thousands):

	Fair Value Measurement as of September 30, 2020		
	Level 1	**Level 2**	**Total**
Available-for-sale securities:			
Commercial paper	**$ —**	**$ 720,142**	**$ 720,142**
U.S. Treasury securities	**—**	**707,840**	**707,840**
Corporate bonds	**—**	**682,033**	**682,033**
Certificates of deposit	**—**	**222,409**	**222,409**
Other	**(44,278)** [1]	**246,332**	**202,054**
Total available-for-sale securities	**(44,278)**	**2,578,756**	**2,534,478**
Money market funds	**175,513**	**—**	**175,513**
Fuel purchase agreements	**—**	**1,185**	**1,185**
Total financial instruments, at fair value	**$ 131,235**	**$ 2,579,941**	**$ 2,711,176**

[1] Includes receivables and payables related to unsettled transactions.

	Fair Value Measurement as of September 30, 2019		
	Level 1	**Level 2**	**Total**
Available-for-sale securities:			
Commercial paper	$ —	$ 662,430	$ 662,430
U.S. Treasury securities	—	720,101	720,101
Corporate bonds	—	465,016	465,016
Certificates of deposit	—	212,027	212,027
Money market funds	55,657	—	55,657
Other	(31,191) [1]	230,397	199,206
Total available-for-sale securities	$ 24,466	$ 2,289,971	$ 2,314,437

[1] Includes receivables and payables related to unsettled transactions.

Valuation Techniques

The fair values of the Company's available-for-sale debt securities and money market funds are measured using prices received from pricing services, prices received from alternative pricing sources, and mathematically derived calculated prices using market observable inputs. Pricing methodologies used in determining the fair value incorporate terms and conditions of the security, current performance data, proprietary pricing models, real-time quotes from contributing dealers, trade prices, and other market data.

9. Fair Value Measurements (continued)

The Company's fuel purchase agreements are valued by a third-party consultant based on prevailing market data derived from proprietary models.

The following is a description of the valuation techniques and inputs used for the fair value measurement of the Company's financial instruments, including the general fair value hierarchy classification of each category:

Financial Instruments	Valuation Techniques and Inputs Used	Fair Value Hierarchy Level
Commercial paper	Cost approach using calculated prices based on amortization schedule	Level 2
U.S. Treasury securities	Market approach using prices from pricing services	Level 2
Corporate bonds	Market approach using prices from pricing services	Level 2
Certificates of deposit	Cost approach using calculated prices based on amortization schedule	Level 2
Other (cash, receivables, payables and other securities, including agency discount notes, asset-backed securities, and sovereign bonds)	Cash, receivables, and payables - carrying value Securities - market approach using prices from pricing services	Cash, receivables, and payables - Level 1 Other securities - Level 2
Money market funds	Market approach using market observable fixed net asset value of $1	Level 1
Fuel purchase agreements	Market approach using daily mid-market mark for the underlying diesel fuel price to value the contract	Level 2

See Note 13 for fair value measurements for assets held by the Company's Retirement Income Plan.

10. Income Taxes

The Company recorded no income tax expense in FY2020 and FY2019. A reconciliation of the actual effective income tax rate for FY2020 and FY2019 to the expected amount computed by applying the U.S. federal statutory income tax rate to Amtrak's pretax loss is as follows:

	Year Ended September 30,	
	2020	**2019**
U.S. federal statutory income tax rate	**21.0 %**	21.0 %
Impact of:		
Valuation allowance	**(21.5)**	(6.3)
Expiration of net operating loss (NOL)	**(2.1)**	(19.0)
State government capital assistance	**1.3**	2.6
Adoption impact of Topic 606 on AGR liability	**1.4**	N/A
Other	**(0.1)**	1.7
Effective income tax rate	**— %**	— %

10. Income Taxes (continued)

Deferred income tax assets and liabilities were comprised of the following (in thousands):

	September 30, 2020	September 30, 2019
Deferred tax assets:		
NOL carryforward	**$ 1,834,211**	$ 1,647,301
Deferred state government capital assistance	**161,766**	104,442
Postretirement employee benefits obligation	**139,380**	143,690
Claims reserves	**41,790**	43,045
Amtrak guest rewards program liability	**33,364**	4,728
Accrued vacation and other compensation accruals	**25,484**	35,203
Capital lease obligations	**18,125**	28,681
Other accruals	**14,381**	13,999
Materials and supplies reserves	**10,347**	8,730
Other	**13,746**	6,345
Gross deferred tax assets	**2,292,594**	2,036,164
Less: valuation allowance	**(765,408)**	(402,315)
Net deferred tax assets	**1,527,186**	1,633,849
Deferred tax liabilities:		
Property and equipment	**(1,527,186)**	(1,633,849)
Gross deferred tax liabilities	**(1,527,186)**	(1,633,849)
Net deferred tax liability	**$ —**	$ —

Amtrak has recorded valuation allowances against net deferred tax assets as it is more likely than not that the results of future operations will not generate sufficient taxable income to realize deferred tax assets. In the current year, the valuation allowance increased by $363.1 million.

NOL carryforwards were $8.7 billion and $7.8 billion as of September 30, 2020 and 2019, respectively. An NOL carryforward of $171.3 million from FY2000 and $796.8 million from FY1999 expired unused during FY2020 and FY2019, respectively. The remaining carryforwards generated from years through FY2017 will expire in various years from FY2021 through FY2037. The NOLs generated beginning in FY2018 may be carried forward indefinitely and will not expire; however, they can only be used to offset 80% of taxable income in any given future year.

The Company is subject to examination by the Internal Revenue Service and tax authorities in other jurisdictions in which it operates. Generally, the Company's tax years still subject to examination are FY2017 and forward.

11. Commitments and Contingencies

Financial Assistance

Amtrak receives significant financial assistance from the Federal Government in the form of grants and entitlements. The right to these resources, including the funding received in FY2020 under the CARES Act, is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances because of these audits become a liability of the Company. The Company does not believe that the liabilities that may result from such audits for periods through September 30, 2020, would have a material effect on its financial position or the results of operations.

Commitments

Amtrak has various purchase commitments related to capital improvements pertaining to the ordinary conduct of business. In addition, Amtrak has entered into various agreements with states, cities, and other local transportation authorities and private companies pursuant to which Amtrak is required to fund various railroad facility and infrastructure improvements, and to fund the remanufacture and supply of railroad passenger equipment. Such commitments are not in excess of expected requirements and are not reasonably likely to result in performance penalties or payments that would have a material adverse effect on the Company’s liquidity.

On December 20, 2018, Amtrak entered into an agreement with a contractor to purchase 75 long distance diesel-electric passenger locomotives with options to purchase additional locomotives. As of September 30, 2020, the base price with change orders for the 75 locomotives is $455.7 million. The Company makes payments to the contractor pursuant to an approved payment schedule upon the contractor’s successful completion of certain tasks (milestones) during the contract. As of September 30, 2020 and 2019, the Company has incurred $208.8 million and $156.5 million, respectively, in construction and other project-related costs which were capitalized under “Construction-in-progress” in the Consolidated Balance Sheets. Deliveries of the locomotives are expected to start in February 2021 and the final locomotive is expected to be delivered in July 2024.

Also on December 20, 2018, the Company entered into a technical support and spares supply agreement (TSSSA) with the same contractor to provide technical support, spares, and other related services for the twenty-three year period commencing upon the acceptance of the first locomotive. The base price for the TSSSA is approximately $285 million plus overhaul material costs within the contract period. As of September 30, 2020 and 2019, the Company has not incurred any cost related to the TSSSA.

On August 8, 2016, the Company entered into a Purchase Agreement with a contractor for the acquisition of the Trainsets to replace the Company’s current *Acela Express* equipment which runs on the NEC. The base price of the contract with change orders is $1.5 billion. Financing for the contract was obtained under the 2016 RRIF Loan (see Note 7). The Company issued a Notice to Proceed (NTP) to the contractor on August 16, 2016. The Company makes payments to the contractor pursuant to an approved payment schedule upon the contractor’s successful completion of certain tasks (milestones) during the contract. As of September 30, 2019, Amtrak had letters of credit for a total of $434.9 million for which Amtrak was the beneficiary. These letters of credit were cancelled in FY2020 as they were no longer required per the

11. Commitments and Contingencies (continued)

contractual terms. The Company has incurred $898.0 million and $578.6 million in construction and other project-related costs as of September 30, 2020 and 2019, respectively. Of the total cost incurred, $881.4 million and $563.4 million were capitalized as part of "Construction-in-progress" in the Consolidated Balance Sheets as of September 30, 2020 and 2019, respectively. The remaining costs were expensed in the year incurred and reported in the Consolidated Statements of Operations for those years.

Also on August 8, 2016, the Company entered into a TSSSA with the same contractor to provide technical support, spares, and other related services for the fifteen-year period commencing upon acceptance of the first trainset, expected in June 2021. The base price for the technical support and spares supply agreement with change orders is $633.9 million. The Company incurred $32.9 million and $25.7 million in cost related to the agreement as of September 30, 2020 and 2019, respectively.

On August 3, 2010, the Company entered into a contract with a contractor to purchase 130 new long-distance single level cars. The Company issued an NTP to the contractor on September 7, 2010. As of September 30, 2020, the base price of the contract with change orders is $299.5 million. The Company makes payments to the contractor pursuant to an approved payment schedule upon the contractor's successful completion of certain tasks (milestones), e.g. design, fabrication, testing, and manufacturing of the cars, during the contract. The Company has incurred $300.3 million and $272.0 million in construction and other project-related costs as of September 30, 2020 and 2019, respectively. Deliveries of the cars started in December 2014. As of September 30, 2020, the Company has taken delivery of 115 cars. The contractor's most recent delivery schedule shows delivery of the final cars in July 2021.

Most of the rights-of-way over which Amtrak operates are owned by other railroads. Amtrak operates over such rights-of-way under agreements with these railroads. The terms of the agreements range up to twenty years, although they may remain in effect longer if neither party seeks to renegotiate. Payments to these railroads vary based on levels of usage and performance. The total amount incurred by Amtrak for operations over the right-of-way during FY2020 and FY2019 totaled $176.7 million and $173.7 million, respectively, and are included primarily in "Train operations" in the Consolidated Statements of Operations.

Risk of Liability and Insurance

The Amtrak Reform and Accountability Act of 1997 limited the amount railroad passengers may recover from a single accident to an aggregate of $200.0 million. In December 2015, the FAST Act increased the limit to $295.0 million and applied the increased limit to the May 2015 derailment of Amtrak Train No. 188. The FAST Act also required the Secretary to calculate a revised claim limit for all other railroad passenger claims from a single incident based on the change in the consumer price index since December 2, 1997. On January 11, 2016, the Secretary issued its calculation setting the new limit at $294.3 million effective February 11, 2016. The FAST Act requires the limit to be adjusted every five years after the date of the FAST Act's enactment, so this claim limit has remained in effect through 2020. Amtrak purchases excess liability insurance limits beyond the statutory cap to insure for non-passenger liability not limited by the FAST Act and for multiple occurrences in a policy period.

Amtrak operates a majority of its passenger rail service on tracks owned by freight railroads. Amtrak indemnifies these railroads for certain liabilities that arise as a result of its operations on freight tracks. Its

11. Commitments and Contingencies (continued)

indemnity generally applies to bodily injury and property damage claims made by its employees, passengers, and third parties struck by its trains, and for damage to its equipment. The freight railroads generally indemnify Amtrak for bodily injury and property damage claims made by freight railroad employees and third parties, and for damage to freight railroad equipment, lading, and property.

Amtrak maintains insurance for its liability to employees and other parties for injury or damage to their property and for damage to Amtrak property. Amtrak self-insures a portion of these liabilities.

Labor Agreements

Excluding employees within Amtrak's OIG, 84.8% of Amtrak's labor force is covered by labor agreements. Under the Railway Labor Act, labor contracts never expire but are instead opened periodically for renegotiation. Although there are no timeframes for negotiations to be completed, it is likely there could be retroactive wage increases in settlements, consistent with prior agreements. During FY2018, the Company ratified labor contracts with all its unionized workforce, which provide terms and conditions of employment through September 2022 for the Fraternal Order of Police and December 2021 for the remainder of its unionized workforce.

Legal Proceedings

Amtrak is involved in various litigation and arbitration proceedings in the normal course of business, including but not limited to tort, contract, eminent domain and civil rights claims. When management concludes that it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, it is accrued through a charge to earnings. While the ultimate amount of liability incurred in any of these lawsuits and claims is dependent on future developments, in management's opinion, recorded liabilities, where applicable, are adequate to cover the future payment of such liabilities and claims. However, the outcome of any of these lawsuits and claims cannot be predicted with certainty, and unfavorable or unexpected outcomes could result in additional accruals that could be significant to Amtrak's results of operations in a particular year. Any adjustments to the recorded liability will be reflected in earnings in the periods in which such adjustments are probable and reasonably estimable.

Americans with Disabilities Act Compliance

Under the Americans with Disabilities Act (ADA), stations in the intercity rail transportation system served by Amtrak were required to be readily accessible to and usable by individuals with disabilities no later than July 26, 2010. This requirement applies to all components of a station used by the general public, including passenger platforms, designated waiting areas, ticketing areas, restrooms, and in some cases, concession areas. The Company has developed a plan to bring the station components for which it is legally responsible into ADA compliance. This plan is regularly updated and adjusted based on new information and external factors, such as direction the Company receives from the FRA and other government agencies. On June 9, 2015, the Department of Justice (DOJ) provided Amtrak with a Letter of Findings and Conclusions regarding ADA compliance at Amtrak. On December 2, 2020, DOJ and Amtrak entered into a joint settlement agreement pursuant to which the Company agreed, among other things, to bring into compliance the station components for which it is legally responsible. Amtrak is working to obtain sufficient funding to achieve full ADA compliance of all station components for which it is

11. Commitments and Contingencies (continued)

responsible under the ADA. The extent of these estimated costs and effects of non-compliance on operations cannot be determined at this time. Further, the nature of all expenditures that will be incurred, and the effect on operating results, have not yet been fully analyzed. Accordingly, the accompanying Consolidated Financial Statements do not reflect the costs of Amtrak becoming fully compliant with the ADA. As of September 30, 2020 and 2019, Amtrak has spent a total of $656.5 million and $552.5 million, respectively, on ADA-related projects. Approximately $103.9 million and $77.5 million of the expenditures were incurred during FY2020 and FY2019, respectively.

Positive Train Control

In 2008, Congress enacted the Rail Safety Improvement Act. The legislation included a mandate that all Class I railroads and each railroad hosting intercity or commuter rail passenger service should have PTC systems installed and operating by December 31, 2015, provided, however, that a Class I railroad is only required to install PTC on routes where there are five million or more gross tons of railroad traffic per year and the presence of either passenger trains or poison by inhalation hazardous materials. PTC is a system of functional requirements for monitoring and controlling train movements and is a type of train protection system. The FRA rules for PTC provide for exceptions to these PTC requirements which are subject to FRA approval. These exceptions are available when the number of passenger trains operated, and the freight traffic volume on rail lines hosting passenger trains, do not exceed certain limits specified in the law.

In October 2015, Congress passed the Surface Transportation Extension Act of 2015, which permits a railroad implementing PTC to request FRA's approval for an "alternative schedule" with a deadline extending beyond December 31, 2018, but no later than December 31, 2020, for full PTC system implementation. Due to the difficulties encountered in the process of testing PTC system implementation with a large number of freight and commuter partners, along with the technical complexities, Amtrak was required to submit an alternative schedule request to the FRA to enable the Company to continue operating while it completed testing of its system and the systems of its hosts and tenants. To be considered "fully implemented" required that all railroads operating across any of Amtrak's PTC-equipped lines be capable of operating under Amtrak's PTC system. Amtrak's alternative schedule request was approved by the FRA and Amtrak is working actively with its host railroad partners to achieve full implementation.

Most of Amtrak's host railroads also applied for alternative schedules and received extension until December 31, 2020. Amtrak is working with federal authorities and with commuter and freight railroads to ensure Amtrak trains are compliant with the PTC systems being installed on host railroads.

Additional funding to fully comply with PTC requirements is necessary and will be requested from various federal and state partners. Compliance with PTC requirements on the host railroads outside of the NEC will result in significant costs to Amtrak. Amtrak is working with the host railroads to determine its contribution to PTC installation and maintenance on host railroad property.

As of September 30, 2020, Amtrak has completed the installation of PTC on all Amtrak owned or controlled tracks which required the installation of PTC. Additionally, of the 19,089 miles of host railroad tracks that Amtrak trains operate over and that require PTC, Amtrak is operating PTC on 19,083 miles of

11. Commitments and Contingencies (continued)

them. The Company expects the remaining host railroad tracks to be fully compliant by the December 31, 2020 deadline.

As of September 30, 2020 and 2019, Amtrak has spent $302.1 million and $265.7 million, respectively, for PTC-related projects on Amtrak owned or controlled rail lines and equipment. Approximately $36.4 million and $42.8 million of the expenditures were incurred during FY2020 and FY2019, respectively.

Certain host railroads over which Amtrak operates its passenger trains have asserted material claims against Amtrak to recover costs of PTC installation. They may also assert future claims to recover from Amtrak certain PTC maintenance costs. The Company is in the process of analyzing the documents provided to date by the host railroads and evaluating whether Amtrak would be responsible for certain of the costs incurred by the host railroads in connection with their implementation of PTC on host railroad owned property. Amtrak is in arbitration for some of the host railroad legal claims regarding PTC.

As of September 30, 2020 and 2019, Amtrak accrued its best estimate of the liability associated with PTC installation and maintenance on host railroad track for amounts determined to be both probable and reasonably estimable. The portion of the liability that Amtrak expects to pay in the next twelve months was recorded within "Accrued expenses and other current liabilities", and the remaining portion was recorded within "Other liabilities" in the Consolidated Balance Sheets. Amtrak anticipates that additional accruals, which may be material, could be recorded in the future once the Company completes its analysis of submitted claims and its negotiations with the host railroads. It is possible that Amtrak may incur additional material liability in excess of the amount recognized to date, but such amounts cannot be estimated at this time. Accruals for amounts to be paid to these host railroads will be reflected in the periods in which such liability becomes probable and estimable. Amtrak believes that it may be able to recover some of the amounts to be paid to the host railroads from the state agencies for which Amtrak provides service. Amtrak only records the state reimbursement when it is agreed upon between Amtrak and the state.

12. Environmental Matters

The Company is subject to extensive and complex federal and state environmental laws and regulations regarding environmental issues. As a result of its operations and acquired properties, Amtrak is from time to time involved in administrative and judicial proceedings and administrative inquiries related to environmental matters. Amtrak's policy is to accrue estimated liabilities and capitalize such remediation costs if they extend the life, increase the capacity, or improve the safety or efficiency of the property; mitigate or prevent environmental contamination that has not occurred but may result from future operations; are incurred in preparing the property for sale; or are incurred on property acquired with existing environmental conditions, and to expense other remediation costs. The liability is periodically adjusted based on Amtrak's present estimate of the costs it will incur related to these sites and/or actual expenditures made. Some of the Company's real estate properties may have the presence of environmentally regulated wastes or materials. If these properties undergo excavations or major renovations or are demolished, certain environmental regulations that are in place may specify the manner in which the wastes or materials must be assessed, handled, and disposed. The Company has identified a number of locations for which excavations and major renovations are planned and liabilities have been

12. Environmental Matters (continued)

recorded. In the future, the Company may plan other excavations, demolitions, major renovations, or other construction activities that affect similar wastes or materials.

At some locations, although a potential liability exists for the removal or remediation of environmentally regulated materials, sufficient information is not available currently to estimate the liability, as the range of time over which the Company may settle these obligations is unknown or the cost of remediation cannot be reasonably estimated at this time. Although the Company believes it has appropriately recorded current and long-term reserves for known and estimable future environmental costs, it could incur significant costs that exceed reserves or require unanticipated cash expenditures.

As of September 30, 2020 and 2019, the environmental reserve was $178.1 million and $141.1 million, respectively. These reserves for estimated future environmental costs are undiscounted and include future costs for remediation and restoration of sites as well as any significant ongoing monitoring costs. The current portion of the reserve was $9.1 million and $12.5 million as of September 30, 2020 and 2019, respectively, and is reported in “Accrued expenses and other current liabilities” in the Consolidated Balance Sheets. The balance of the reserve as of both September 30, 2020 and 2019 is reported as “Environmental reserve” in the Consolidated Balance Sheets. Costs related to estimated future capital expenditures for environmental remediation were $154.3 million and $117.1 million as of September 30, 2020 and 2019, respectively, and are included in “Right-of-way and other properties” in the Consolidated Balance Sheets.

The amounts included in environmental reserves in the Consolidated Balance Sheets reflect only Amtrak’s estimate of its portion of the gross liability. The ultimate liability for environmental remediation is difficult to determine with certainty due to, among other factors, the number of potentially responsible parties, site-specific cost sharing arrangements, the degree and types of contamination, potentially unidentified contamination, developing remediation technology, and evolving statutory and regulatory standards related to environmental matters. In addition, for certain known sites, the ultimate liability cannot be estimated until the results of the remedial investigation phase are known.

Amtrak’s management and legal counsel believe that additional future remedial actions for known environmental matters will not have a material adverse effect on the Company’s results of operations or financial condition and that its environmental reserves are adequate to fund remedial actions to comply with present laws and regulations.

13. Postretirement Employee Benefits

Amtrak has a qualified non-contributory defined benefit retirement plan (the Retirement Income Plan) whose assets are held in trust covering certain nonunion employees and certain union employees who at one time held nonunion positions. Effective June 30, 2015, the Retirement Income Plan was closed to new entrants and frozen for future benefit accruals. Amtrak provides medical benefits to its qualifying retirees and life insurance to some retirees in limited circumstances under its postretirement benefits program. The headcount reductions implemented in FY2020 in response to the impacts of COVID-19 (see Note 1) resulted in a curtailment of the Company's postretirement benefits program offered to nonunion employees. This resulted in a $3.2 million increase in projected benefit obligation.

13. Postretirement Employee Benefits (continued)

Obligations and Funded Status

The liability of the Company's pension benefits under its Retirement Income Plan as well as other postretirement benefits plans as of September 30, 2020 and 2019 are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2020	**2019**	**2020**	**2019**
Reconciliation of projected benefit obligation:				
Obligation at October 1	**$ 499,061**	$ 437,928	**$ 632,733**	$ 605,981
Service cost	**—**	—	**13,106**	11,643
Interest cost	**15,558**	18,276	**18,864**	24,658
Actuarial loss (gain)	**40,956**	68,320	**(27,266)**	39,841
Employee contributions	**—**	—	**1,864**	2,174
Benefit payments	**(26,022)**	(25,463)	**(46,407)**	(51,564)
Other	**—**	—	**3,158**	—
Obligation at September 30	**$ 529,553**	$ 499,061	**$ 596,052**	$ 632,733
Reconciliation of fair value of plan assets:				
Plan assets at October 1	**$ 447,554**	$ 418,245	**$ —**	$ —
Actual return on plan assets	**43,309**	56,800	**—**	—
Employer contributions	**—**	—	**44,543**	49,390
Participant contributions	**—**	—	**1,864**	2,174
Medicare Part D subsidy	**—**	—	**50**	42
Benefit payments, net	**(28,972)**	(27,491)	**(46,457)**	(51,606)
Plan assets at September 30	**$ 461,891**	$ 447,554	**$ —**	$ —
Funded status:				
Accumulated benefit obligation at September 30	**$ (529,553)**	$ (499,061)	**$ (596,052)**	$ (632,733)
Projected benefit obligation at September 30	**(529,553)**	(499,061)	**(596,052)**	(632,733)
Fair value of plan assets	**461,891**	447,554	**—**	—
Net unfunded status of the plan	**$ (67,662)**	$ (51,507)	**$ (596,052)**	$ (632,733)
Net liability recognized in Consolidated Balance Sheets	**$ (67,662)**	$ (51,507)	**$ (596,052)**	$ (632,733)

13. Postretirement Employee Benefits (continued)

Pension and other postretirement benefit amounts recorded in the Consolidated Balance Sheets as of September 30, 2020 and 2019 are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2020	**2019**	**2020**	**2019**
Accrued expenses and other current liabilities	**$ 22**	$ 22	**$ 49,981**	$ 49,427
Postretirement employee benefits obligation	**67,640**	51,485	**546,071**	583,306
Net amount recognized	**$ 67,662**	$ 51,507	**$ 596,052**	$ 632,733

Pension and other postretirement benefit amounts recognized in accumulated other comprehensive loss in FY2020 and FY2019 are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2020	**2019**	**2020**	**2019**
Net actuarial loss	**$ 160,937**	$ 141,654	**$ 98,622**	$ 139,275
Prior service cost	**—**	—	**(9,939)**	(33,445)
Net amount recognized	**$ 160,937**	$ 141,654	**$ 88,683**	$ 105,830

Components of Net Periodic Benefit Cost

The following table provides the components of net periodic benefit cost for the plans for FY2020 and FY2019 (in thousands):

	Pension Benefits		Other Benefits	
	2020	**2019**	**2020**	**2019**
Service cost	**$ —**	$ —	**$ 13,106**	$ 11,643
Interest cost	**15,558**	18,276	**18,864**	24,658
Expected return on plan assets	**(25,924)**	(24,284)	**—**	—
AOCI reclassification adjustment:				
Amortization of prior service credit	**—**	—	**(21,857)**	(40,431)
Amortization of actuarial loss	**4,079**	2,759	**13,387**	11,228
Other expenses	**3,181**	1,330	**—**	—
Other	**—**	—	**1,509**	—
Net periodic benefit (income) cost	**$ (3,106)**	$ (1,919)	**$ 25,009**	$ 7,098

Service cost is recorded in “Salaries, wages, and benefits” on the Consolidated Statements of Operations. All other components of net periodic benefit costs are recorded in “Other income, net” on the Consolidated Statements of Operations.

During FY2020, the Retirement Income Plan incurred a net actuarial loss of $41.0 million, consisting primarily of a $30.1 million loss due to a decrease in the discount rate because of decreases in the corporate bond rates in FY2020 and a $15.2 million loss due to changes in the mortality table and longevity improvement scale, partially offset by a $4.3 million net gain due to changes in other

13. Postretirement Employee Benefits (continued)

demographic assumptions (e.g. retirement rates, withdrawal rates, optional payment forms, etc.) and experience. During FY2019, the Retirement Income Plan incurred a net actuarial loss of $68.3 million, consisting primarily of a $58.2 million loss due to a decrease in the discount rate because of decreases in the corporate bond rates in FY2019 and a $16.1 million loss due to actual versus expected plan experience for retirement, mortality, and turnover, partially offset by a $5.7 million gain due to use of an updated mortality table and due to a change in mortality rates that reflect lower future longevity improvements.

During FY2020, the other postretirement benefits plans incurred a combined net actuarial gain of $27.3 million, consisting primarily of a $40.0 million gain due to change in trend rates and elimination of excise tax, a $24.3 million gain due to change in participation rates, and a $17.9 million gain due to change in spouse coverage percentages, partially offset by a $30.0 million loss due to a decrease in the discount rate because of decreases in corporate bond rates in FY2020, a $13.5 million loss due to changes in the mortality table and longevity improvement scale, and a $10.7 million net loss due to changes in other demographic assumptions (e.g. retirement rates, withdrawal rates) and actual versus expected plan experience for claims, retirement, mortality, and turnover. During FY2019, the other postretirement benefits plans incurred a combined net actuarial loss of $39.8 million, consisting primarily of a $66.7 million loss due to a decrease in the discount rate because of decreases in corporate bond rates in FY2019 and a $2.9 million loss due to actual versus expected plan experience for retirement, mortality, and turnover, partially offset by a $17.8 million gain due to lower FY2019 medical expenses, an $8.0 million gain due to use of an updated mortality table and due to a change in mortality rates that reflect lower future longevity improvements, and a $2.0 million gain due to a favorable change in the health care cost trend.

Plan Assets

The Company's pension plan asset allocation at September 30, 2020 and 2019, and initial target allocation for FY2021, are as follows:

	Plan Assets		
	2021	2020	2019
Fixed income debt securities	70.0 %	**63.7 %**	67.4 %
Domestic equity fund	15.3	**16.4**	15.1
International equity fund	7.6	**7.5**	7.5
Diversified fixed income fund	7.1	**7.2**	7.1
Money market fund	—	**3.9**	2.5
Other [1]	—	**1.3**	0.4
Total	100.0 %	**100.0 %**	100.0 %

1 Other consisted of cash, receivables and payables related to unsettled transactions.

13. Postretirement Employee Benefits (continued)

The long-term objective for assets held by the Retirement Income Plan is to generate investment returns that, in combination with funding contributions from the Company, provide adequate assets to meet all current and future benefit obligations of the Retirement Income Plan. The Retirement Income Plan seeks to maintain or reduce investment risk levels unless the funded status increases significantly, with the ultimate goal to be in a position to defease the pension liability. Over the long term, it is anticipated that asset-liability management strategy will be the key determinant of the returns generated by the pension assets and the associated volatility of returns and funded status. In particular, the level of the "return-seeking portfolio" (which includes domestic and international equity, global investment grade bonds, high yield bonds, bank loans, and emerging market debt) and the structure of the long-term fixed income portfolio (primarily longer duration investment grade fixed income securities denominated in U.S. dollars) are the key elements of the asset-liability strategy for the pension investment program. The Retirement Income Plan's asset allocation strategy is primarily based on the Retirement Income Plan's current funded status. The Retirement Income Plan's return requirements and risk tolerance will change over time. As a result of the Retirement Income Plan's asset allocation strategies, there are no significant concentrations of risk within the portfolio of investments.

Following is a description of the valuation techniques and inputs used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Level 1 Investments

Domestic Equity Fund

This investment category consists of the Vanguard Total Stock Market Index Fund which is made up of U.S. equity securities and seeks to closely track the performance of the Center for Research in Security Prices U.S. Total Market Index. This fund is considered a gauge of small-, mid-, and large-cap growth and value stocks regularly traded on the New York Stock Exchange and NASDAQ.

International Equity Fund

This investment category consists of the Vanguard FTSE All-World ex-US Index Fund which includes stocks of companies located in developed and emerging markets around the world. The fund seeks to track the performance of a benchmark index that measures the investment return of stocks of companies located in developed and emerging markets around the world, excluding the United States. The fund is actively traded and the quoted price for this fund is readily available.

Diversified Fixed Income Fund

This investment category consists of the PIMCO Diversified Income Fund which includes investment grade corporate, high yield and emerging market fixed income securities in its portfolio composition. This fund actively manages a portfolio that invests across a broad universe of fixed income instruments in the global credit markets. The fund is actively traded and the quoted price for this fund is readily available.

13. Postretirement Employee Benefits (continued)

Money Market Fund

Money market funds generally transact subscription and redemption activity at a $1.00 stable net asset value (NAV). Investments in money market funds can be redeemed on a daily basis. Amtrak's investment in money market fund consists of the JPMorgan 100% U.S. Treasury Securities Money Market Fund. The fund's NAV is published regularly and the fair value is deemed readily determinable.

Level 2 Investments

Fixed Income Debt Securities

This investment category consists of corporate bonds, government bonds, municipal bonds, and U.S. government securities. These investments are valued using prices provided by independent pricing services based on compilation of primarily observable market information or broker quotes in a non-active market.

The following tables present the fair values of the Company's pension investments by level within the fair value hierarchy (as described in Note 9) as of September 30, 2020 and 2019 (in thousands):

	Total	Level 1	Level 2
September 30, 2020			
Fixed income debt securities:			
Corporate bonds	$ 256,203	$ —	$ 256,203
Government bonds	17,956	—	17,956
Municipal bonds	16,048	—	16,048
U.S. government securities	4,176	—	4,176
Total fixed income debt securities	294,383	—	294,383
Domestic equity fund	75,714	75,714	—
International equity fund	34,800	34,800	—
Diversified fixed income fund	33,028	33,028	—
Money market fund	17,788	17,788	—
Total investments, at fair value	$ 455,713	$ 161,330	$ 294,383
Other[1]	6,178		
Total plan assets	$ 461,891		

[1] Other primarily consisted of cash, receivables, and payables related to unsettled transactions.

13. Postretirement Employee Benefits (continued)

	Total	Level 1	Level 2
September 30, 2019			
Fixed income debt securities:			
Corporate bonds	$ 263,926	$ —	$ 263,926
Government bonds	15,789	—	15,789
Municipal bonds	19,424	—	19,424
U.S. government securities	2,376	—	2,376
Total fixed income debt securities	301,515	—	301,515
Domestic equity fund	67,583	67,583	—
International equity fund	33,415	33,415	—
Diversified fixed income fund	31,911	31,911	—
Money market fund	11,128	11,128	—
Total investments, at fair value	$ 445,552	$ 144,037	$ 301,515
Other[1]	2,002		
Total plan assets	$ 447,554		

[1] Other primarily consisted of cash, receivables, and payables related to unsettled transactions.

Rate of Return

Several factors are considered in developing the estimate for the long-term expected rate of return on plan assets. These include historical rates of return over the past three-, five- and ten-year periods as well as projected long-term rates of return obtained from pension investment consultants.

In the short-term, there may be fluctuations of positive and negative yields year over year, but over the long-term, the return based on current asset allocation is expected to be approximately 5.25%.

13. Postretirement Employee Benefits (continued)

Estimated Future Benefit Payments

Based upon the assumptions used to measure the pension and other postretirement benefit obligations as of September 30, 2020, including other postretirement benefits attributable to estimated future employee service, Amtrak expects that pension benefits and other postretirement benefits to be paid over the next ten years will be as follows (in thousands):

	Pension Benefits	Other Benefits
Year ending September 30,		
2021	$ 31,375	$ 49,981
2022	30,027	45,080
2023	29,390	41,327
2024	29,477	39,332
2025	29,424	38,636
2026-2030	144,801	181,089

Contributions

In FY2021, Amtrak does not expect to contribute to the Retirement Income Plan and expects to contribute $50.0 million towards other postretirement benefits.

Assumptions

Weighted-average assumptions used to determine benefit obligations as of September 30, 2020 and 2019 are as follows:

	Pension Benefits		Other Benefits	
	2020	**2019**	**2020**	**2019**
Discount rate	**2.71 %**	3.21 %	**2.49-2.68 %**	3.07-3.13 %

Weighted-average assumptions used to determine net periodic benefit cost for the years ended September 30, 2020 and 2019 are as follows:

	Pension Benefits		Other Benefits	
	2020	**2019**	**2020**	**2019**
Discount rate	**3.21 %**	4.30 %	**3.07-3.13 %**	4.25 %
Expected long-term rate of return	**6.00 %**	6.00 %	**N/A**	N/A

Assumed health care cost trend rates are as follows:

	September 30,	
	2020	**2019**
Health care cost trend rate assumed for next year	**6.41-6.91 %**	6.75-7.38 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**5.00 %**	5.00 %
Year that the rate reaches the ultimate trend rate	**2026**	2026

13. Postretirement Employee Benefits (continued)

Prescription Drug Benefits

On December 8, 2003, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the Medicare Act) was signed into law. The Medicare Act introduced a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Amtrak elected to record an estimate of the effects of the Medicare Act in accounting for its postretirement benefit plans and provide disclosures required by ASC Topic 715, *Compensation - Retirement Benefits*. Amtrak's accumulated pension benefit obligation for its other benefits is reduced by $0.3 million and $0.6 million for FY2020 and FY2019, respectively, for this prescription drug benefit.

401(k) Savings Plans

Amtrak provides a 401(k) savings plan for nonunion employees. Under the plan, Amtrak matches a portion of employee contributions up to seven percent of the participant's salary, subject to applicable limitations. During FY2020, as one of the steps taken by the Company to maximize liquidity in light of the uncertainty surrounding the impact of COVID-19, the Company temporarily suspended employer matching contributions under the plan. Employer matching contributions were resumed in October 2020. Amtrak's expenses under this plan were $12.2 million and $20.6 million for FY2020 and FY2019, respectively.

Additionally, Amtrak provides a 401(k) savings plan for union employees. Amtrak does not match any portion of the employee contributions under this plan.

14. Subsequent Events

The Company has evaluated subsequent events through December 17, 2020, which is the date the financial statements are available to be issued, and concluded that there were no additional subsequent events requiring disclosure.

Amtrak
1 Massachusetts Avenue, NW
Washington, D.C. 20001
Amtrak.com