

**AGENDA ITEM 9-A**  
**ACTION ITEM**

**TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD**

**FROM: DALE ZEHNER**

**DATE: AUGUST 15, 2008**

**SUBJECT: REFERRAL OF PRELIMINARY FY 2010 VRE OPERATING AND CAPITAL BUDGET TO THE COMMISSIONS & AUTHORIZATION TO SOLICIT COMMENTS FOR FY 2009 MID-YEAR FARE INCREASE**

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**RECOMMENDATION:**

The VRE Operations Board is being asked to authorize the Chief Executive Officer to refer the Preliminary FY 2010 VRE Operating and Capital Budget to the Commissions for their consideration, and that the Commissions, in turn, refer these recommendations to the jurisdictions for their review and comment. Additionally, authorization is requested to solicit comments for a potential FY 2009 mid-year fare increase.

**FISCAL YEAR 2009 BUDGET**

**DISCUSSION:**

The FY 2009 budget projections have changed materially since the budget was adopted, as indicated in previous reports to the Operations Board. Some of the major items that have changed since the budget was approved in December 2007 are as follows:

- Fuel costs are projected to exceed budget by approximately \$3 million, based on the latest estimates.

- The Amtrak labor settlement costs are estimated to be \$1 million. This comprises both the back pay lump sum and the ongoing increased salary costs.
- State funding has exceeded budget projections, based on the state award. Projections currently are estimated to exceed budget by \$2.5 million.
- Because of increased ridership on both train lines, revenues are expected to exceed budget by approximately \$850,000
- Ongoing insurance premium costs are expected to be under budget by \$250,000.
- Locomotive maintenance is exceeding the budget by approximately \$1 million. This is due to the aging locomotive fleet.
- The restoration of reserves will eventually need to be budgeted in order to restore recent depletions.
- The federal 5307, 5309, and 5340 award exceeded budget by \$1.4 million, resulting in required additional match of \$175,000

The net impact of these changes is a **\$1.6 million shortfall** prior to considering any potential fare increase in FY 2009 or any one-time expected revenue increases discussed below. As a result, staff requests authorization to hold public hearings on a mid-year fare increase in the range of 4% to 7%. Assuming a January implementation date, additional funding for each percentage point is estimated at \$100,000.

If a fare increase were implemented, this would also impact the projections for the FY 2010 budget as the base fare would increase, thus increasing the total projected fare revenue in FY 2010. Currently FY 2010 is estimated to have a substantial shortfall. As such, a FY 2009 mid-year fare increase would lessen the shortfall in FY 2009 and provide additional funding in FY 2010 to mitigate the potential shortfall.

In addition to the items described above, two one-time sources of funds will be available in FY 2009: a \$700,000 credit for past insurance premium costs; and \$1.3 million of lower debt service costs as the result of the potential sale of the Kawasaki cars in August 2008. Staff is reviewing options for how these one-time funds should best be used and will incorporate the use of these funds in the mid-year budget amendment. The first use will be to balance the FY 2009 budget, so that no additional subsidy is needed in FY 2009. Other options include:

- Local match for the purchase of additional locomotives
- An increase to the VRE operating reserve, which has been reduced during the last several years due to fuel increases
- An increase to the insurance trust fund balance

- As a carry-over to FY 2010 to defray the cost of the possible transition to a new contract operator

### **FISCAL IMPACT – FY 2009 BUDGET:**

Staff is requesting permission to conduct public hearings for a potential fare increase in January 2009 and will recommend amending the FY 2009 Budget (both costs and revenue) at the December 2008 Operations Board meeting when the FY 2010 recommended Budget is presented.

### **FISCAL YEAR 2010 PRELIMINARY BUDGET**

#### **BACKGROUND:**

In accordance with the VRE Master Agreement, which outlines the process for annual budget approval, the preliminary FY 2010 VRE Operating and Capital Budget is attached for review.

VRE staff met with the CAO Taskforce in June and again in August to discuss jurisdictional budget issues and concerns and to review current VRE projections. From these meetings, VRE staff gained an understanding of the significant budget difficulties that the jurisdictions are facing and their need to reduce expenditures wherever possible. As described below, VRE is projecting several large nondiscretionary expense increases in FY 2010, most notably increased costs for diesel fuel compared to the FY 2009 budget. Nearly 80% of VRE's operating costs are fixed (such as insurance and debt service), or contractually determined (such as track access and Amtrak operating costs), or items such as fuel over which VRE has limited control. As a result, the only options available for substantial cost reductions or additional revenue are fare increases, subsidy increases or major service reductions.

Because of the unusual difficulties that the FY 2009 and FY 2010 budgets present, staff is recommending a 4% to 7% mid-year fare increase in FY 2009 and a potential additional fare increase in FY 2010. The FY 2010 increase will be developed within the guidelines of the fare indexing policy; a 3% increase has been used in the preliminary budget as a placeholder but could be higher.

#### **DISCUSSION:**

The FY 2010 preliminary budget totals \$87.8 million, of which \$8.6 million is currently unfunded (assuming no increase to local subsidy and no fare increases in FY 2009 or FY 2010). As in the past, VRE will submit a balanced budget to the jurisdictions in November so that it can be evaluated prior to its submission to the Operations Board in December.

The major causes of the current gap between revenue and expenses are outlined in the table below:

**Both revenue and expenses are still under review and these projections are expected to change considerably over the next several months.** The assumptions used in preparing the preliminary draft are as follows:

1. Fare revenue of \$25.3 million assumes a 3% fare increase on July 1, 2009. Ridership is estimated at 16,000 with service at the current level of 30 daily trains. Average daily ridership in FY 2008 was 14,662. FY 2010 fare revenue includes \$1.2 million from a projected 6% mid-year fare increase from FY 2009.
2. Contractually set increases in access fee expenses of 4% for CSX and Norfolk Southern. The Amtrak contract increase is expected to range from 3% to 4% above the FY 2009 level, adjusted to reflect the recent wage settlement.
3. Amtrak's contract expires on June 30, 2010. Should a contractor other than Amtrak be chosen in a competitive solicitation to provide train operations and maintenance service, VRE will experience significant transition costs from Amtrak to a new contractor. Based on initial conversations with other transit agencies which have completed such a transition, we are currently estimating these one-time costs at \$4.8 million. This preliminary budget assumes that all of the mobilization costs associated with a new contract are paid in FY 2010. Staff is reviewing options such as distributing the costs over two fiscal years or amortizing the costs over the life of the contract.
4. State capital match funding at a match rate of 30%. The FY 2009 match rate for the majority of the capital projects was 50%. No concrete projections from the state are currently available. **This projection will continue to be reviewed over the next several months.**
5. State formula funding for operations of \$10.1 million was received in FY 2009. At the present time, \$10 million is budgeted in FY 2010 as a placeholder. **This projection will continue to be reviewed over the next several months.**
6. Fuel expenses of \$7.7 million based on a per gallon cost of \$4.50. Because the increased cost of fuel also results in a substantial increase to the fuel tax revenue that many of the jurisdictions use as the source of

funding for the VRE subsidy, a revised fuel tax projection for the PRTC jurisdictions will be reviewed during the VRE budget process.

7. Continued funding of the VRE capital program, which includes mid-day storage, track lease improvements, rolling stock modifications, Crossroads Yard expansion, and \$3.7 million for locomotive procurement.

<b>FY 2010 Preliminary Budget Major Revenue and Cost Change</b>	
<b>Revenue increases (decreases) from prior year adopted budget:</b>	
Fare Revenue - Additional Ridership FY 2010	1,800,000
Fare Revenue - Fare Increase FY 2010 - 3%	700,000
Fare Revenue - Fare Increase FY 2009 - 6%	1,200,000
Use of Estimated FY 2009 Budget Surplus	1,000,000
State Funding	(450,000)
Total Revenue Change	4,250,000
<b>Expense increases (decreases) from prior year adopted budget:</b>	
Fuel	3,970,000
Amtrak (less access fees)	1,070,000
Operating Reserve	1,830,000
Repairs and Maintenance - Locomotives	1,050,000
Service Provider Mobilization Costs	4,770,000
Yard electricity	230,000
Railcar maintenance (Kawasaki)	(100,000)
Debt Service (local share)	(200,000)
Other Costs	230,000
Total Expenditure Change	12,850,000
<b>Net Increase in Unfunded</b>	<b>8,600,000</b>

Staff continues to explore cost savings. Some of the measures previously enacted are:

- Stricter fare enforcement, which has resulted in increased fare revenue
- Enhanced vendor Metrochek submissions, which improves VRE cash flow
- Installation of wayside power at the VRE yards, which decreases the consumption of diesel fuel
- Cancellation of one round trip train in FY 2006 that provided mid-day service, in response to budgetary issues.
- Installation of a mechanized train washing facility to reduce ongoing operating costs for exterior maintenance
- Review of cell phone plans leading to a reduction in communication costs

- Staff has begun a line item review of all programs and contracts to determine where costs can be reduced
- Other savings to administrative line items, such as reductions in mailing, reduced copy costs and increased electronic communication

Cost savings which staff will be exploring in the future include:

- A moratorium on the use of earmarks if required local match is not available
- Reduction in access costs at Washington Union Terminal
- Installation of air compressors at train yards to further reduce locomotive idling
- Termination of parking leases that are subject to annual appropriation
- Reductions in marketing campaigns
- Reduction in the level of train service

#### **FISCAL IMPACT – FY 2010 BUDGET:**

The current budget shortfall is estimated at \$8.6 million. Additional draft budgets will be formulated during the fall and reviewed with the CAO Budget Task Force resulting in a balanced budget by November 2008.

Attached are the following:

- FY 2010 Source and Use Statement
- Summary FY 2010 Preliminary Budget
- FY 2010 Six Year Financial Plan

**TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD**  
**FROM: DALE ZEHNER**  
**DATE: AUGUST 15, 2008**  
**RE: REFERRAL OF PRELIMINARY FY 2010 VRE OPERATING AND CAPITAL BUDGET TO THE COMMISSIONS & AUTHORIZATION TO SOLICIT COMMENTS FOR FY 2009 MID-YEAR FARE INCREASE**

**RESOLUTION  
9A-08-2008  
OF THE  
VIRGINIA RAILWAY EXPRESS  
BOARD OF DIRECTORS**

**WHEREAS**, the VRE Master Agreement requires that the Commissions be presented with a preliminary fiscal year budget for their consideration at their respective September meetings prior to the commencement of the subject fiscal year; and,

**WHEREAS**, the VRE Chief Executive Officer has provided the VRE Operations Board with the preliminary FY 2010 Operating and Capital Budget; and,

**WHEREAS**, staff recommends a budget built on an average daily ridership of 16,000 average daily riders; and,

**WHEREAS**, subject to the direction provided by the Operations Board, the budget will be updated with additional ridership and cost data and further refined through the CAO Budget Task Force review during the fall of 2008; and,

**WHEREAS**, a review of the FY 2009 budget in conjunction with the FY 2010 preliminary projections indicates the need for a mid-year fare adjustment in the current year.

**NOW, THEREFORE, BE IT RESOLVED THAT**, the VRE Operations Board refers the preliminary FY 2010 VRE Operating and Capital Budget to the Commissions for their consideration; and,

**BE IT FURTHER RESOLVED THAT**, the VRE Operations Board recommends that the budget be forwarded to the jurisdictions for further formal review and comment; and,

**BE IT FURTHER RESOLVED THAT**, VRE staff is directed to consider and address comments by the jurisdictions and to forward a final recommended budget to the VRE Operations Board at the December 2008 meeting for consideration and referral to the Commissions for adoption in January 2009; and,

**BE FURTHER RESOLVED THAT**, the VRE Operations Board authorizes the Chief Executive Officer to solicit comment through public hearings in Washington, DC; Crystal City; Woodbridge, Manassas, Stafford and Fredericksburg related to the proposed fare change.

### FY10 Summary Proposed Budget

GL Account	FY08 Operating	FY08 Capital	FY09 Operating	FY09 Capital	FY10 Operating	FY10 Capital
<b>Operating Revenue:</b>						
Fare Revenue	21,334,369		21,490,694		25,295,403	
Miscellaneous Revenue	513,775		151,500		151,500	
Jurisdictional Subsidy	12,836,166	542,988	16,361,818	913,680	16,361,818	913,680
Other Jurisdictional Subsidy			12,480	160,520		
Federal/State Subsidy	26,605,561	6,096,687	27,037,331	7,379,320	26,235,174	9,044,420
Reserve					1,000,000	
Interest Income	210,000		210,000		230,000	
<b>Total Revenue</b>	<b>61,499,871</b>	<b>6,639,675</b>	<b>65,263,823</b>	<b>8,453,520</b>	<b>69,273,895</b>	<b>9,958,100</b>
<b>Operating Expenses:</b>						
Insurance/Reserve/Mobilization	5,174,140		6,266,497		12,740,194	
Executive Mgmt and Planning	928,029		813,938		776,044	
Administration	655,877		673,080		714,497	
Public Affairs	145,411		160,201		169,542	
Marketing	723,723		727,023		735,627	
Customer Service	1,235,417		1,363,842		1,479,030	
Budget and Finance	1,378,527		1,416,652		1,638,181	
Communication and Info Tech	737,370		829,601		880,224	
Construction and Cap Proj	682,779		864,966		742,599	
Facilities Maintenance	2,701,321		2,896,425		2,669,638	
Purch and Contract Admin	246,646		268,206		280,702	
Equipment Operations	8,006,827		6,295,671		11,569,221	
Operations and Safety	699,431		615,174		525,846	
PRTC	175,000		160,000		152,000	
NVTC	75,000		70,000		70,000	
Amtrak	19,175,000		20,420,000		22,080,000	
Norfolk Southern	2,300,000		2,310,000		2,400,000	
CSXT	4,000,000		4,090,000		4,240,000	
<b>Total Operating Expenses</b>	<b>49,040,498</b>	<b>-</b>	<b>50,241,276</b>	<b>-</b>	<b>63,863,345</b>	<b>-</b>
CIP Expenditures		6,639,675		8,453,520		10,402,000
Debt Service	12,459,373		15,022,547		13,582,380	
<b>Total CIP and Other Expenditures</b>	<b>12,459,373</b>	<b>6,639,675</b>	<b>15,022,547</b>	<b>8,453,520</b>	<b>13,582,380</b>	<b>10,402,000</b>
<b>Grand Total Expenses</b>	<b>61,499,871</b>	<b>6,639,675</b>	<b>65,263,823</b>	<b>8,453,520</b>	<b>77,445,725</b>	<b>10,402,000</b>
<b>Unfunded by fund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,171,830)</b>	<b>(443,900)</b>
<b>Total Unfunded</b>		<b>-</b>		<b>-</b>		<b>(8,615,730)</b>

**FY10 VRE - Source and Use Budget Worksheet**

LEVEL OF SERVICE FOR FY 2009    30 trains    16,000 average daily riders

Leases	9,800,000	CSXT	3,160,000
Recapitalization	-	NS	2,400,000
Add'l funding needed	9,800,000	Amtrak	4,240,000
		Total	9,800,000

USES OF FUNDS	SOURCES OF FUNDS											TOTAL
	FARE INCOME	INTEREST	EQUIP RENT AND MISC	LOCAL SUBSIDY	OTHER SOURCES	STATE OPERATING	STATE CAPITAL	STATE SSTP	5307/5309	EARMARK/ OTHER		
Operating Expenses	51,123,150	25,295,403	230,000	151,500	5,230,247	1,000,000	10,000,000	96,000	7,840,000	1,280,000	-	51,123,150
Non-Operating Expenses:												
Operating Reserve/Contingency	5,100,000			5,100,000								5,100,000
Insurance Reserve	2,870,194			2,870,194								2,870,194
Debt Service (1993 & 1998)	6,764,022			4,734,815			2,029,207					6,764,022
Mobilization Costs	4,770,000			4,770,000			0		0			4,770,000
Debt Service (Gallery IV) (11 Cabcars)	1,931,358			270,390			115,881		1,545,086			1,931,358
Debt Svc (Gallery IV-C) (50 rail cars)	900,000			126,000			54,000		720,000			900,000
Office Loan	87,000			87,000								87,000
Other (Bad Debt/Admin)	50,000			50,000								50,000
Debt Svc (Gallery IV-b) (50 rail cars)	1,350,000			945,000			405,000					1,350,000
Debt Svc (Gallery IV-b) (50 rail cars)	2,500,000			350,000			150,000		2,000,000			2,500,000
Non-Operating Summary	26,322,574	0	0	0	19,303,400	0	0	2,754,088	0	4,265,086	0	26,322,574
Total Expenses (Subtotal)	77,445,724	25,295,403	230,000	151,500	24,533,647	1,000,000	10,000,000	2,850,088	7,840,000	5,545,086	0	77,445,724
Capital Projects:												
Facilities infrastructure	550,000			77,000			33,000		440,000			550,000
Broad Run Maintenance	400,000			56,000			24,000		320,000			400,000
Fare Collection Upgrade	300,000			42,000			18,000		240,000			300,000
				0			0		0			0
Rolling stock mods	1,200,000			168,000			72,000		960,000			1,200,000
Capital project contingency	350,000			49,000			21,000		280,000			350,000
Fredericksburg Rail Station	705,000			0			141,000		0	564,000		705,000
Capitalization project	1,000,000			140,000			60,000		800,000			1,000,000
Capital Fleet Expansion - Locomotive	3,727,000			521,780			223,620		2,981,600			3,727,000
Mid-day Storage	1,420,000			198,800			85,200		1,136,000			1,420,000
Capital Needs Assessment	750,000			105,000			45,000		600,000			750,000
Capital Project Summary	10,402,000	0	0	0	1,357,580	0	0	722,820	0	7,757,600	564,000	10,402,000
Earmarks/Capital:												
	0			0	0							0
Earmark Summary	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>87,847,724</b>	<b>25,295,403</b>	<b>230,000</b>	<b>151,500</b>	<b>25,891,228</b>	<b>1,000,000</b>	<b>10,000,000</b>	<b>3,572,908</b>	<b>7,840,000</b>	<b>13,302,686</b>	<b>564,000</b>	<b>87,847,724</b>

FY09 subsidy unfunded    17,275,500    (8,615,728)

Federal Reimbursement rate	80%
State Match Reimb rate MTF Cap	30%
State Match Reimb rate MT Cap	30%
State Earmark Match rate	52%

Calculated Operating Reserve:    33%    16,870,640

Soft Capital Projects	Program	Funding	Federal Amt	State Amt
Debt Service Gallery IV	1,931,000	5307/5309	1,544,800	115,860
Access lease funding	9,800,000	SSTP	7,840,000	-
Debt Service Gallery IV C	900,000	5307/5309	720,000	54,000
50 Railcars	2,500,000	5307/5309	2,000,000	150,000
50 Railcars		5307/5309	-	405,000
Locomotive Lease	200,000	5307/5309	160,000	12,000
Rippon Lease	140,000	5307/5309	112,000	8,400
Project Management	375,000	5307/5309	300,000	22,500
Project Management	308,000	5307/5309	246,400	18,480
Scheidt/Bachman	123,000	5307/5309	98,400	7,380
	-		-	-
Construction Management	300,000	5307/5309	240,000	18,000
Security enhancements	110,000	5307/5309	88,000	6,600
Debt Service (1993 & 1998)			-	2,029,207
Fredericksburg P. Leases	44,000	5307/5309	35,200	2,640
Subtotal	16,731,000			2,850,067
Capital Projects/Earmarks	10,402,000		8,321,600	722,820
Federal Cap Program	27,133,000		21,706,400	3,572,887

**FY10 Base Budget Six Year Financial Forecast**

Description	FY09	FY10	FY11	FY12	FY13	FY14	FY15	Comments
<b>Number of Trains</b>	30	30	32	32	34	34	34	
Manassas Line	16	16	16	16	18	18	18	
Fredericksburg Line	14	14	16	16	16	16	16	
<b>Average Daily Ridership</b>	14,700	16,000	17,600	17,965	18,680	19,030	19,340	
<b>Average Fare Price</b>	5.87	6.32	6.32	6.32	6.32	6.32	6.32	No increase after FY10
<b>Potential Operating Ratio</b>	61%	61%	60%	59%	56%	55%	54%	

**Use of Funds for Operations**

<b>Net Operating Expenses</b>	13,414,779	16,473,150	18,120,465	18,496,259	19,232,403	19,592,753	19,911,920	Based on annual revenue increase
<b>Reserves (Operating/Insurance/Mobilization)</b>	6,266,497	12,740,194	6,092,115	5,003,445	6,255,566	5,402,529	5,495,000	Insurance payments per schedule
<b>Amtrak (4)</b>	17,850,000	17,140,000	18,851,600	19,255,664	21,107,052	21,601,334	22,465,388	
<b>Fuel (3)</b>	3,740,000	7,710,000	9,211,125	10,132,238	12,028,913	13,231,804	14,554,984	
<b>Track Lease Expense (2)</b>	8,970,000	9,800,000	10,749,455	11,179,433	12,229,553	12,718,735	13,227,484	
<b>Debt Service</b>	14,972,546	13,532,380	13,563,975	13,706,826	13,705,288	13,705,013	13,705,688	
<b>Other (Bad Debt/Admin)</b>	50,000	50,000	50,000	50,000	50,000	50,000	50,000	
<b>Total Operating Costs</b>	65,263,822	77,445,724	76,638,735	77,823,864	84,608,774	86,302,168	89,410,464	

**Sources of Funds For Operations**

			10.00%	2.07%	3.98%	1.87%	1.63%	Annual ridership increase
<b>Fare Revenue</b>	21,490,692	25,295,403	27,824,943	28,401,995	29,532,383	30,085,720	30,575,818	
<b>Interest Income</b>	210,000	230,000	230,000	230,000	230,000	230,000	230,000	
<b>Other Income</b>	151,500	151,500	151,500	151,500	151,500	151,500	151,500	
<b>Other Revenue</b>	173,000	1,000,000						
<b>State Operating Grant</b>	9,200,000	10,000,000	10,300,000	10,609,000	10,927,270	11,255,088	11,592,741	Based on 3% rate increase
<b>State Capital Grant</b>	3,924,677	2,850,088	2,763,568	2,806,422	2,805,961	2,805,878	2,806,081	
<b>Federal Grants:</b>								
Access Lease Funding - SSTP	7,176,000	7,840,000	8,599,564	8,943,546	9,783,642	10,174,988	10,581,988	Based on 80% of track lease
Federal Operating Funds (Debt service & loans)	5,421,454	4,265,086	4,265,086	4,265,086	4,265,086	4,265,086	4,265,086	
Other Federal Revenues	1,315,200	1,280,000	1,344,000	1,411,200	1,481,760	1,555,848	1,633,640	Increased base cost 5% per year
<b>Total Operating Revenues</b>	49,062,523	52,912,077	55,478,661	56,818,749	59,177,602	60,524,108	61,836,854	
<b>Surplus/(Deficit) for Operations</b>	(16,201,299)	(24,533,647)	(21,160,074)	(21,005,115)	(25,431,172)	(25,778,060)	(27,573,610)	
<b>Local Subsidy</b>	17,275,499	17,275,499	17,275,499	17,275,499	17,275,499	17,275,499	17,275,499	
<b>Net subsidy available for capital match</b>	1,074,200	(7,258,148)	(3,884,575)	(3,729,616)	(8,155,673)	(8,502,561)	(10,298,111)	

**Use of Funds for Capital Program (1)**

<b>Capital Cost Base Program</b>	8,453,520	10,402,000	10,610,040	10,822,241	11,038,686	11,259,459	11,484,649	Increased base cost 2% per year
<b>Total Capital Program Costs</b>	8,453,520	10,402,000	10,610,040	10,822,241	11,038,686	11,259,459	11,484,649	

**Sources of Funds for Capital Program**

<b>Federal Grants:</b>	80%	80%	80%	80%	80%	80%	80%	
<b>Federal funding - 80% of base program</b>	6,634,400	8,321,600	8,488,032	8,657,793	8,830,948	9,007,567	9,187,719	
<b>Matching Funds</b>								
<b>State Capital Grants - non-federal costs</b>	744,920	722,820	624,120	511,800	516,360	529,020	533,460	
Net local subsidy available for capital match	1,074,200	(7,258,148)	(3,884,575)	(3,729,616)	(8,155,673)	(8,502,561)	(10,298,111)	
<b>Total Sources of Funding for Capital Program</b>	8,453,520	1,786,272	5,227,577	5,439,977	1,191,636	1,034,027	(576,932)	

**Add'l funds required to fund Operations and Capital:**

<b>Additional required for operations/base program</b>	0	8,615,728	5,382,463	5,382,264	9,847,050	10,225,432	12,061,581	
<b>Cumulative Total to Fully Fund Ops and Cap</b>	0	8,615,728	13,998,191	19,380,455	29,227,505	39,452,937	51,514,518	

(1) Note: "Capital Program" does not include leases, debt service, administrative costs and other operating costs.

(2) Increase based on 4% per year + add'l track lease costs per train per line

(3) Increase based on additional trains + 10%

(4) Increase based on 4% (AAR) plus additional engineers/train crew + one-time costs of \$350k in FY11-FY13

Operating

Capital