

AGENDA ITEM 8-A
ACTION ITEM

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: FEBRUARY 15, 2008

**RE: AUTHORIZATION TO RELEASE DRAFT FARE INDEXING POLICY
FOR PUBLIC COMMENT**

RECOMMENDATION:

The VRE Operations Board is being asked to release a draft fare indexing policy for discussion at upcoming public hearings.

BACKGROUND:

At the December and January Operations Board meetings, discussions took place on fare indexing, during which time the Operations Board requested that a policy be developed and included in the upcoming public hearings.

Following discussion at the public hearings, staff will return to the Board with a summary of comments, information as to the pros and cons of adopting the policy and how this would be applied during the FY 2010 budget process.

In the interim, a 3% fare increase is being considered for FY 2009 and would become effective June 30, 2008. A report on public comments will be made to the Operations Board in April 2008.

Proposed Plan

As discussed, future fare increases would be based on the Six-Year Plan that is required by the Master Agreement and provided as part of the annual budget process. The fare increase would be adjusted year-to-year as part of the budget process. The

six-year plan takes into consideration service and ridership levels, capital requirements, federal and state funding levels, and anticipated increases in various cost components. As such, it provides a comprehensive snap-shot of future funding needs and estimates the future fare revenue necessary to achieve financial stability.

Based on these discussions, VRE recommends the following approach to fare indexing:

1. As part of the annual budget process, develop a calculation of the average annual increase needed in fare and subsidy funds over a six year period, beginning in FY 2010.
2. Provide information on historical increases to relevant standard indices including the Association of American Railroads (AAR) QMPW Index and the Bureau of Labor Statistics (BLS) Consumer Price Index – All Urban Consumers, U.S. Transportation only and U.S. All Items.
3. If a fare increase for the proposed budget year is recommended, it will be within the general range of the Six-Year Plan average annual increase, with the following considerations:
 - a. The impact of fare increases on ridership and total fare revenue
 - b. The pros and cons of annual vs. biannual fare increases
 - c. The extent to which year to year variability can be managed by adjusting annual subsidy levels
 - d. Other special circumstances

FISCAL IMPACT:

There is no fiscal impact associated with adopting the policy. Any fiscal impact regarding a fare increase would be discussed as part of the annual budget process.

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RESOLUTION
8A-02-2008
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, at the December and January Operations Board meetings, discussions took place on fare indexing, during which the Operations Board requested that a policy be developed and included in the upcoming public hearings; and,

WHEREAS, fare increases will be based on the Six-Year Plan that is required by the Master Agreement and provided as part of the annual budget process; and,

WHEREAS, the proposed policy will be discussed at the upcoming public hearings.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board releases the following draft fare indexing policy for discussion at upcoming public hearings:

1. As part of the annual budget process, develop a calculation of the average annual increase needed in fare and subsidy funds over a six year period, beginning in FY 2010.
2. Provide information on historical increases to relevant standard indices including the Association of American Railroads (AAR) QMPW Index and the Bureau of Labor Statistics (BLS) Consumer Price Index – All Urban Consumers, U.S. Transportation only and U.S. All Items.
3. If a fare increase for the proposed budget year is recommended, it will be within the general range of the Six-Year Plan average annual increase, with the following considerations:
 - e. The impact of fare increases on ridership and total fare revenue
 - f. The pros and cons of annual vs. biannual fare increases
 - g. The extent to which year to year variability can be managed by adjusting annual subsidy levels
 - h. Other special circumstances