Agenda Item 8-B
Action Item

To: Chairman Smedberg and the VRE Operations Board

From: Doug Allen

Date: December 20, 2013

Re: Referral of the Revised FY 2014 and Recommended FY 2015 VRE Operating and Capital Budgets to the Commissions and Localities

Recommendation:

The VRE Operations Board is being asked to adopt the revised FY 2014 VRE Operating and Capital Budget and the recommended FY 2015 VRE Operating and Capital Budget, and refer them to the Commissions for their consideration and subsequent referral to the jurisdictions for their formal review and adoption.

Background:

In accordance with the VRE Master Agreement, which outlines the process for annual budget approval, the preliminary FY 2015 VRE Operating and Capital Budget was initially prepared for review at the August VRE Operations Board meeting, and subsequently considered at the September meeting. Since that time, it has been discussed at numerous meetings of the Operations Board, the Capital Committee and the CAO Task Force. The CAO Task Force met on December 12th to present their final recommendations and discuss VRE responses to those recommendations.

Discussion:

The FY 2015 budget totals $128 million. The major assumptions are as follows:

- Jurisdictional subsidy of $16,428,800; no increase compared to the FY 2014 level
• No fare increase and a projected average daily ridership of 19,200 passengers, which results in a total of $36.6M in fare revenue
• Addition of a Fredericksburg line train in October 2014
• Opening of the Spotsylvania station and 1,500 car parking facility in October 2014
• Federal 5307 and 5337 (State of Good Repair) funding equal to the amount received in FY 2014
• Tiered capital matching funds from the State of the non-federal share for new projects
• State operating funds of $10.3 million, which is equivalent to the FY 2014 funding level
• Fuel estimated at $3.50/gallon for a total cost of $5.9 million, including the additional Fredericksburg line train
• Grant funding from all sources for track access costs at 82%; similar to the level provided in FY 2014
• Addition of two FTE employees to the equipment operations department to replace consultants currently overseeing contract employees at VRE maintenance facilities – proposal is cost neutral.

The multi-year CIP includes both **programmed** and **unprogrammed** projects. The **programmed** projects include those that are funded through federal formula grants received annually by VRE; through already allocated funds from other programs, such as CMAQ or NVTA; or through other expected sources. The **unprogrammed** projects are those that are pending a discretionary allocation by a funding authority or for which a funding source has not yet been identified.

The programmed capital projects for FY 2015, including required local match, are outlined below. Funding sources are FTA formula funds, unless otherwise indicated.

• Positive train control (PTC) - $2.0M (final phase)
• Rolling stock – Non-NVTA - $11.0M (state and local funding only)
• Rolling stock – system funds $2.2M
• Maintenance facility – $17.1M
• Equipment storage - $5.3M
• Alexandria station/platform - $.4M
• Project development - $2.0M (capital reserve)
• Capital reserve contribution - $3.0 (local funds only)
• Facilities infrastructure - $1.0M
• Lorton platform improvements - $2.0M (CMAQ)
• Rippon platform improvements - $350k (CMAQ)

The unprogrammed capital projects for FY 2015 include the proposed submission to NVTA for FY 2014 unallocated funds and FY 2015 and FY 2016 funds.

• Slaters Lane crossover and signals: $7.0M
- Rippon platform expansion: $15.0M
- Manassas Park station parking expansion: $19.0M
- Crystal City platform expansion study: $2.0M
- Franconia Springfield platform expansion: $5.0M

The FY 2015 budget exceeds the prior year budget by $36.2M. Material expenditure line item changes are noted below; adjustments are in comparison to the FY 2014 adopted budget.

- Capital costs increased by $36.5M, primarily as the result of additional 5337 (State of Good Repair) federal funding
- Equipment maintenance increased by $1.2M to reflect the addition of the Fredericksburg line train leased equipment and fuel
- Keolis contract costs are budgeted at a net increase of $1.2M to reflect a 3.5% increase in accordance with the contract requirements plus costs for the Fredericksburg line train
- Access fee costs increased by $1.2M to reflect an estimated increase to the AAR index for the first quarter of calendar 2012 for Amtrak, the contractual increase of 4% for CSX and NS, and the additional Fredericksburg line train
- Debt service costs decreased by $6.9M to reflect the retirement of the 1998 bonds. Bonds were funded with state and local match, with no federal participation.
- In the event the Operations Board chooses to rebid the operations and maintenance contract prior to the optional renewal date of July 1, 2015, $2M is included for mobilization funding. This cost is funded with one-time funds from the prior year surplus.

The budget also includes a six-year financial forecast for the period FY 2014 through FY 2020. A six-year forecast was prepared that includes no fare increase in FY 2015 and a 5% fare increase in FY 2016, FY 2018 and FY 2020.

In order to assist the Operations Board review, the following information is attached:

- A comparison of projected fuel tax revenue compared to the VRE subsidy amount for FY 2014 and FY 2015
- Actual operating and capital reserve levels at the end of FY 2013 and as projected for FY 2014 and FY 2015
The projected FY 2015 jurisdictional subsidy is as follows:

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>FY 2014 Subsidy</th>
<th>FY 2015 Projected</th>
<th>Net Inc/(Dec)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prince William County</td>
<td>5,748,203</td>
<td>5,485,333</td>
<td>(262,870)</td>
<td>$-4.6%</td>
</tr>
<tr>
<td>Fairfax County</td>
<td>$4,747,684</td>
<td>$4,852,953</td>
<td>105,269</td>
<td>2.2%</td>
</tr>
<tr>
<td>Stafford County</td>
<td>2,529,281</td>
<td>2,689,391</td>
<td>160,110</td>
<td>6.3%</td>
</tr>
<tr>
<td>Spotsylvania County</td>
<td>1,313,600</td>
<td>1,401,382</td>
<td>87,782</td>
<td>6.7%</td>
</tr>
<tr>
<td>Manassas</td>
<td>757,804</td>
<td>686,944</td>
<td>(70,860)</td>
<td>-9.4%</td>
</tr>
<tr>
<td>Manassas Park</td>
<td>574,709</td>
<td>401,762</td>
<td>(172,947)</td>
<td>-30.1%</td>
</tr>
<tr>
<td>Fredericksburg</td>
<td>427,728</td>
<td>581,244</td>
<td>153,516</td>
<td>35.9%</td>
</tr>
<tr>
<td>Alexandria</td>
<td>133,894</td>
<td>133,894</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Arlington</td>
<td>195,897</td>
<td>195,897</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total Subsidy</strong></td>
<td><strong>$16,428,800</strong></td>
<td><strong>$16,428,800</strong></td>
<td><strong>-$</strong></td>
<td><strong>0.0%</strong></td>
</tr>
</tbody>
</table>

**FY 2014 Amended Budget**

The FY 2014 budget has been revised to reflect current projections for revenue and expenses. The major changes are as follows:

- Additional state operating funds in the amount of $3.3M
- Additional state access fee funding in the amount of $238k
- Capital projects increased by $18.8M due to additional federal funding; primarily 5337 (State of Good Repair) funds. Projects include:
  - Replacement railcars: $8.1M
  - Expansion railcars: $1.9M
  - Equipment storage: $3.4M
  - Maintenance facility: $5.4M
- Capital projects increased by $30.5M due to NVTA funding for the following projects:
  - Expansion railcars: $19.8M
  - Lorton – second platform: $7.9M
  - Alexandria pedestrian tunnel: $1.3M
  - Gainesville-Haymarket study: $1.5M
- Operating costs were increased by a net amount of $712k, including the following:
  - Rolling Stock repairs and maintenance increased by $600k for carryover enhancement projects from FY 2013
  - Planning consulting costs were increased by $138k for carryover projects from FY 2013
  - Safety and Security costs increased by $45k for Broad Run station foliage removal in accordance with the recommendation of the Threat and Vulnerability Assessment
- $1.23M was contributed to the capital reserve
Virginia Railway Express
Operations Board

Resolution
8B-12-2013

Referral of the Revised FY 2014 and Recommended
FY 2015 VRE Operating and Capital Budgets
to the Commissions and Localities

WHEREAS, the VRE Master Agreement requires that the Commissions be presented with a fiscal year budget for their consideration at their respective January 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 FY 2015 Operating and Capital Budget within the guidelines developed in concert with the jurisdictional chief administrative officers; and,

WHEREAS, VRE staff recommends a budget built on an average daily ridership of 19,200 and 34 trains.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board does hereby recommend that the Commissions adopt the revised FY 2014 and recommended FY 2015 VRE Operating and Capital Budgets and forward the FY 2015 budget to the local jurisdictions for inclusion in their budgets and appropriations in accordance with the Master Agreement; and,

BE IT FURTHER RESOLVED THAT, the VRE Operations Board recommends that the Commissions authorize the Executive Directors of both PRTC and NVTC to submit to the Transportation Planning Board of the National Capital Region and to the Federal Transit Administration or other federal agencies, the appropriate Transit Improvement Program and grant applications for FY 2014 and FY 2015; and,

BE IT FURTHER RESOLVED THAT, the VRE Operations Board recommends that the Commissions authorize the Executive Director of NVTC to submit to the Commonwealth the approved budget as part of the FY 2015 state aid grant applications; and,

BE IT FURTHER RESOLVED THAT, the VRE Operations Board recommends that the Commissions authorize the Chief Executive Officer of VRE to submit appropriate projects to the Northern Virginia Transportation Authority or other funding authorities on behalf of the Commissions.
Approved this 20th day of December 2013.

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Paul Smedberg
Chairman

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John Cook
Secretary