To: Chairman Milde and the VRE Operations Board  
From: Doug Allen  
Date: January 17, 2014  
Re: Purchase of Expansion Rail Cars  

Recommendation:  
The VRE Operations Board is being asked to approve a revised funding plan for the purchase of 14 expansion rail cars and to refer the plan to the Commissions for their consideration and subsequent referral to the jurisdictions to include as part of their adoption of the VRE Operating and Capital Budget.  

Background:  
In December 2013, the Operations Board adopted the revised FY 2014 VRE Operating and Capital Budget and the recommended FY 2015 VRE Operating and Capital Budget, and referred them to the Commissions for their consideration and subsequent referral to the jurisdictions for their formal review and adoption. The FY 2014 and FY 2015 budgets, as forwarded, included funding for the purchase of 14 railcars, as summarized and described below.  

<table>
<thead>
<tr>
<th>Budget year</th>
<th>Per car</th>
<th># Cars</th>
<th>TOTAL</th>
<th>NVTA</th>
<th>Outside NVTA</th>
<th>System Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amended FY14</td>
<td>$2.4M</td>
<td>9</td>
<td>$21.73M</td>
<td>$19.80M</td>
<td>0</td>
<td>$1.94M</td>
</tr>
<tr>
<td>Proposed FY15</td>
<td>$2.6M</td>
<td>5</td>
<td>$13.13M</td>
<td>0</td>
<td>$10.96M</td>
<td>$2.16M</td>
</tr>
<tr>
<td>TOTAL</td>
<td>14</td>
<td>14</td>
<td>$34.86</td>
<td>$19.8M</td>
<td>$10.96M</td>
<td>$4.10M</td>
</tr>
</tbody>
</table>

State capital funding: $7.45M  
Match required: $3.51M
The original funding plan assumed the purchase would take place in two stages:

- In FY 2014, nine rail cars would be purchased primarily with funding from NVTA supplemented with federal formula funds and an associated VRE match. (Because the federal funds became available after the beginning of the fiscal year, no state match was requested for the FY 2014 purchase.) The intention was for this order to be placed once the NVTA issued their bonds, anticipated sometime in the spring.

- In FY 2015, the remaining five cars would be purchased using a state capital grant with the match provided by the VRE jurisdictions outside of NVTA. Supplemental system funds would also be used, in this instance FY 2015 federal formula funds, with associated state and VRE match.

This funding plan was based on a number of assumptions that had been raised on a preliminary basis prior to the adoption of the budget but which had not been finalized. First, that NVTA and the NVTA jurisdictions agreed that if the non-NVTA jurisdictions funded their proportionate share of the capacity created by the railcars, then the 14 rail cars could be deployed throughout the VRE system over the useful life of the cars. Second, that the jurisdictions outside of NVTA would be able to identify the necessary local funds to match a state capital grant. Third, that the use of a state capital grant as part of the proportional share for the non-NVTA funds would be acceptable to the VRE jurisdictions who were also members of NVTA.

Recently, staff determined that it is not certain that all of the above assumptions are true. While the proportional share approach described above may be acceptable to NVTA and the NVTA jurisdictions, more work with NVTA will be required before a definitive answer can be obtained, which would significantly delay this purchase. In the absence of an agreement on the proportional share approach, the resulting restriction on the use of the rail cars within the NVTA jurisdictions would be detrimental to the operation of the VRE system as a whole, since operational flexibility and the most efficient use of our limited resources is necessary to ensure that VRE can continue to adapt to the exigencies of a commuter rail system. Further, while significant progress has been made on the achievement of the second assumption, it is not certain that the third assumption regarding the use of a state capital grant is acceptable to all VRE jurisdictions.

As a result, staff has developed an alternate funding plan for the purchase of the 14 needed rail cars, as described below. Attachment 1 summarizes the sources of funding for Funding Plan B, compared to the original funding plan included in the budget approved by the Operations Board in December. Staff considered other options, including using NVTA funding for a lesser number of rail cars, but ultimately decided that the restricted usage for even a small number of cars was problematic.
**Funding Plan B** is based on the purchase of five rail cars in FY 2015 and nine in FY 2016, all with a combination of state capital, federal formula and VRE funds.

- **The FY 2015 subsidy amount would not change and no additional contribution would be needed from any jurisdictions.** All 14 rail cars could be deployed as needed throughout the system.
- The purchase of the five cars in FY 2015 and the nine cars in FY 2016 would rely on 68% state funding, with the remaining 32% from a combination of federal formula funds and VRE funds.
- The only substantive alteration to the FY 2015 budget is a reduction to the allocation for project development by $452k, from $2M to $1.548M, and the reallocation of these capital reserve funds to the railcar purchase.
- This funding plan assumes that the state funding percentage for rolling stock will be 68% in future years and that sufficient federal or other funds can be identified in FY 2016. The current CIP has approximately $28M in project costs for accommodating VRE’s mid-day and overnight storage requirements over the three year period from FY 2016 to FY 2018, with additional funding beyond that period. This is a long-term project and staff believes that a reallocation of funding in the early years would be manageable. In addition, other federal funding alternatives will be considered as additional project information becomes available.
- Other options for the purchase of the remaining nine cars in FY 2016 would be explored during the next budget cycle, including the following:
  - The issuance of long term debt, in combination with the financing of other capital needs.
  - A future application to NVTA if an appropriate methodology for the use of the funds can be identified that is acceptable to all parties.

**Fiscal Impact:**

The revised funding plan relies more heavily on state capital funding, VRE federal formula funds and VRE system revenue, as summarized in Attachment 1.
### Purchase of Expansion Rail Cars

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Budget FY 14 - FY15</th>
<th>Plan B FY 14 - FY16</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal formula funds -5307</td>
<td>3,278,400</td>
<td>9,895,000</td>
<td>6,616,600</td>
</tr>
<tr>
<td>State Mass Transit funds</td>
<td>7,808,200</td>
<td>24,990,000</td>
<td>17,181,800</td>
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<tr>
<td>NVTA regional funds</td>
<td>19,800,000</td>
<td>-</td>
<td>(19,800,000)</td>
</tr>
<tr>
<td>Jurisdictional funds</td>
<td>3,508,800</td>
<td>-</td>
<td>(3,508,800)</td>
</tr>
<tr>
<td>VRE - subsidy match/cap res</td>
<td>467,600</td>
<td>1,865,000</td>
<td>1,397,400</td>
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<tr>
<td>TOTAL</td>
<td>34,863,000</td>
<td>36,750,000</td>
<td>1,887,000</td>
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</tbody>
</table>

**NOTES:**

- Total costs are expected to increase by $1.9M because of the later purchase of the cars.
- VRE funds are a combination of the routine match to federal funds and a contribution from the capital reserve of $452K and $614K in FY 14 and FY 15, respectively.

*Attachment 1*
Virginia Railway Express
Operations Board

Resolution
10B-01-2014

Purchase of Expansion Rail Cars

WHEREAS, in December 2013, the Operations Board adopted the revised FY 2014 VRE Operating and Capital Budget and the recommended FY 2015 VRE Operating and Capital Budget, and referred them to the Commissions for their consideration and subsequent referral to the jurisdictions for their formal review and adoption; and,

WHEREAS, the FY 2014 and FY 2015 budgets, as forwarded, included a funding plan for the purchase of 14 railcars; and,

WHEREAS, VRE recently learned that the use of NVTA funds and the use of state capital grant funds as components of that purchase presents issues the resolution of which could significantly delay procurement or efficient use of the rail cars; and,

WHEREAS, staff has presented a revised funding plan that would allow for the most expeditious purchase and deployment of all rail cars.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board approves a revised funding plan for the purchase of 14 expansion rail cars as described in the agenda item presented to the Operations Board on January 17th, 2014; and,

BE IT FURTHER RESOLVED THAT, the VRE Operations Board does hereby recommend that the Commissions approve the revised funding plan and forward the plan to the local jurisdictions for inclusion in their budgets and appropriations in accordance with procedures contained in the VRE Master Agreement; 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 revised rail car funding plan as part of the FY 2015 state aid grant applications.

Approved this 17th day of January 2014

__________________________________________
Paul Milde
Chairman

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Gary Skinner
Secretary