To: Chairman Skinner and the VRE Operations Board
From: Doug Allen
Date: January 15, 2016
Re: Financial Plan Recap

In February 2015, VRE staff and our consultants, PFM, began work on the development of a long-term Financial Plan to correspond to the adopted System Plan 2040. The purpose of this effort was to create a financial forecast of the varying operational and service profiles that VRE might pursue, ranging from maintaining the existing system to the implementation of system improvements and expansion initiatives. A detailed long term strategic planning model was developed and the results presented to the Operations Board in July and September 2015.

The key conclusions from the financial forecasting effort, as presented at the September 2015 meeting, are summarized below:

- Regardless of the service profile:
  - Operating expenses will escalate and additional revenue will be needed for VRE to be financially balanced over the long term.
  - A significant level of capital investment is required that cannot be handled with currently identified capital funding sources.
  - NVTA funding has created an imbalance among the VRE jurisdictions in the ability to identify funding sources for VRE related capital needs.
- Raising fares to close the financial gap is not a viable solution on its own.
- Higher ridership associated with enhanced service levels could defray some of the future operating and capital costs.
VRE needs additional dedicated revenue beyond the sources which exist today, even to maintain the status quo.

At the September meeting, Board members asked a number of questions about the details of the financial forecast, including the relationships between riders, revenue and net cost and how they compared across scenarios.

At the January meeting, VRE staff and PFM will recap the analysis performed with a focus on the two scenarios that will be developed further; respond to some of the specific questions raised by the Board in September; and discuss next steps in the preparation of full financial plans for the Natural Growth and System Plan 2040 service profiles.