OVERVIEW

→ Action requested: refer budget to Commissions and jurisdictions for review and comment.

→ Purpose of presentation:
  → Highlight major assumptions and issues
  → Solicit Board comments and concerns
BUDGET PROCESS

- “Key Issues” presented in July
- Preliminary budget required by Master Agreement – September
- Involvement by CAO Taskforce & Capital Committee
- Balanced budget presented at December Board meeting
MAJOR ASSUMPTIONS

- 18,000 Average Daily Ridership
  - Reduction from 19,100 ADR in Approved FY2017 Budget
  - 17,767 ADR in FY2016 Ridership

- 3% fare increase

- No jurisdictional subsidy increase proposed

- Service level remains at 34 VRE trains
MAJOR ISSUES

- Operating budget:
  - $4.39M preliminary gap
    - Was $2.8M gap in Sept. 2015
  - Financial Plan projections
  - Revised ridership projections
  - State funding for access fees
MAJOR ISSUES

- Capital budget:
  - State capital funding – FY 2018 and future
    Tier II: 34% in FY17 to 10% in FY20
    Tier III: 17% in FY17 to 0% in FY20
  - Timely funding of mandatory, priority projects:
    - Mid-day storage
    - WUT improvements
    - PTC follow-on costs
OPERATIONS

Operating Budget Changes, Why a gap?

- Revision of Ridership ($2.3M)
- 3% Fare Increase (+$1.1M)
- State Operating Funds (+$1.0M)
- 2% Contingency ($798K)
- Legal Expenses ($200K)
- Project Dev. & Imp. Consulting ($1.09M)
- Facilities Maint., Snow & Custodial ($500K)
- Contractual Costs, Keolis, Amtrak, NS, CSX ($1.65M)
- Increased Step-Up Costs (Amtrak, $240K)

- 50% fare ratio required, preliminary budget is at 49%
Preliminary FY 2018 Source of Funds
$137.2 Million

Current Gap
$4.39M, 3%

Fare Revenue
$38.9M, 28%

Jurisdictional Subsidy
$17.25M, 13%

Federal Operating
$14.46M, 11%

Federal Capital
$27.69M, 20%

State Operating
$16.98M, 12%

State Capital
$16.95M, 12%

Other Sources
$0.5M, 0%
Preliminary FY 2018 Use of Funds
$137.2 Million

- Access Fees & Host Railroad Costs $22.1M (16%)
- Debt Service $6.76M (5%)
- CIP Expenditures $49.1M (36%)
- Project Development & Implementation $2.8M (2%)
- Other Departmental Costs $12.3M (9%)
- Insurance & Contingency $5.6M (4%)
- Fuel & Mechanical Operations $11.0M (8%)
- Train Operations & Maintenance of Equipment $22.1M (16%)
- Facilities Maintenance $5.4M (4%)
OPERATIONS

Closing the Gap

- Evaluate projected ridership & revenue trending
  - Each +100 to ADR equals an additional $213K in Revenue
  - Each +$0.05 change in Average Fare equals an add. $231K in Revenue

- Line-Item review of Departmental Budgets
- Qualifying one-time items, use of Prev. FY Surplus
- Options to defray the rising Step-Up Ticket costs
- Update contractual amounts as cost driver rates become known (CPI, ADR, etc.)
- Evaluate elimination of two deadhead trains
- Ensure we meet the 50% fare ratio required.
CAPITAL PROGRAM OVERVIEW

- Total capital budget FY18 of $49.1M
  - Federal formula funded projects with state and local match $35.5M
  - Capital Reserve Contribution: $3.0M
  - CMAQ/REF projects
    - Broad Run Parking Imp. (CMAQ): $5.3M
    - Brooke Platforms (REF): $2.7M
    - Leeland Road Platforms (REF): $2.7M
CAPITAL PROGRAM CATEGORIES

- Asset Management (SGR)
- Passenger Station Facilities
- Rolling Stock
- Station Parking
- Track and Signal Infrastructure
- Train Maintenance and Storage Facilities (Yards)
- General (includes Capital Reserve)
Capital Program FY 2018 Source of Funds
$49.1M Total CIP

Color of Money

- Federal Formula Funds: $23.5M, 48%
- Federal - CMAQ: $4.2M, 9%
- VRE (Match): $4.4M, 9%
- State - Mass Transit: $10.6M, 21%
- State - REF/IPROC: $5.29M, 11%
- State - CMAQ: $1.05M, 2%
Capital Program FY 2018
Project Spending by Category

- Passenger Station Facilities: $10.3M, 21%
- Asset Management, State of Good Repair: $11.8M, 24%
- Station Parking: $5.2M, 11%
- Capital Reserve: $3.0M, 6%
- Train Maintenance & Storage Facilities: $18.7M, 38%
CAPITAL - STATE FUNDS

- State capital funds
  - Assumes 16% except for mid-day train storage, Washington Union Station and Positive Train Control budgeted at 34%
  - No bond funds for State capital after FY 2019 - cause of % decrease

- Impact of change in state capital funding
  - FY 2018 $1.2M increase to local match needed
  - FY 2019 - FY 2020 would reduce available resources by $11.5M and increase local match by approximately $2.4M
  - Could delay mid-day storage replacement
CAPITAL - FEDERAL FUNDS

- Current federal 5307/5337 estimate is $29.2M
  - $2.1 increase from FY 2017 budget, based on FY 2017 actual

- Mid-day storage, Washington Union Station improvements and Positive Train Control funded at 62% federal and 34% state.

- All other capital projects funded at 80% federal, 16% state and 4% local
PRIORITY PROJECTS – FY18 FEDERAL FORMULA FUNDS

Debt Service - $6.6M

Asset Management/State of Good Repair)
  - Equipment Asset Management Program $4.9M
  - Facilities Asset Management Program $2.8M
  - Positive Train Control $3.6M
  - Security $490K

Train Maintenance and Storage Facilities
  - Mid-day Train Storage $18.7M

Passenger Station Facilities
  - Washington Union Station Improvements $5.0M
FY18 CIP FISCAL CHALLENGES

• Priority projects requires juggling of all of available formula funding

Unfunded projects – FY18 : $13.0M

➢ L’Enfant Station Improvements : $4.03M
➢ Alexandria Station Improvements : $1.2M
➢ Crystal City Station Improvements : $6.69M
➢ Fourth Track Virginia Ave. to L’Enfant : $1.1M
NEXT STEPS

- Refer Preliminary FY 2018 budget to Commissions and jurisdictions
- Review revenue sources, expenditures and incorporate use of one-time funds
- Continue to work with the CAO Budget Task Force and the Capital Committee
- Refine current FY 2017 budget and make recommendations for any adjustments mid-year in December
QUESTIONS?