FY 2019 PRELIMINARY BUDGET

September 15, 2017
OVERVIEW

→ Action requested: refer FY 2019 preliminary budget to Commissions and jurisdictions for review and comment

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

- “Key Issues” presented in June
- Preliminary budget required by Master Agreement in September
- Review and comment by CAO Taskforce and Capital Committee during Fall
- Balanced budget presented at December Board meeting
BUDGET SUMMARY

- FY 2019 preliminary budget of $146.3 million for operations and maintenance, capital improvement program (CIP), and debt service
- 32 daily revenue trains (trains being lengthened this year)
- 3% jurisdictional subsidy increase, no fare increase
- Continuation of current state capital funding in FY 2019 (including track leases), slight decline in state operating assistance
- Preliminary budget gap of $1.6 million
KEY ASSUMPTIONS

- Projecting 18,700 Average Daily Ridership
  - Below FY 2017 actual ridership of 18,968
  - Averaging 18,400 through first two months of FY 2018

- Jurisdictional subsidy of $17.77 million (3% increase from $17.25 million)

- State operating assistance of $9.50 million (down 1.3% based on DRPT guidance)

- Access agreements:
  - Funded at 84% in FY 2019 (50% federal STP and 34% state match)
  - VRE working towards new multi-year agreements with host railroads
KEY ASSUMPTIONS (CONT.)

- Federal formula funding flat to FY 2018 at $29.1 million
- $3 million contribution to capital reserve
- Staffing and resource levels:
  - Evaluating needs for FY 2019 and beyond to manage and deliver expanded capital program
  - Preliminary budget includes one additional full-time employee for grants administration – scope and complexity of grant funding has increased substantially
STATE FUNDING OUTLOOK

- Funding at FY 2018 levels in FY 2019 Preliminary Budget
  - Critical for matching federal funds, midday storage, access fees

- Projected matching rates (from RAB August report)

![Graph showing projected matching rates over time for different tiers: Tier 1 - Rolling Stock, Tier 2 - Infrastructure, Tier 3 - Other.](image)
Preliminary FY 2019 Sources of Funds

$146.3 million

- Fare Revenue: $41.8 million (28%)
- Jurisdictional Subsidy: $17.8 million (12%)
- Federal Operating: $14.2 million (10%)
- State Capital: $27.3 million (19%)
- State Operating: $15.6 million (11%)
- Federal Capital: $27.2 million (19%)
- Current Gap: $1.6 million (1%)
- Other: $0.8 million (0%)

$ in millions
Preliminary FY 2019 Uses of Funds
$146.3 million

- Project Development & Implementation: $2.4 million (2%)
- CIP Expenditures: $57.4 million (39%)
- Access Fees & Host Railroad Costs: $22.6 million (16%)
- Debt Service: $6.8 million (5%)
- Train Operations & Maintenance of Equipment: $22.4 million (15%)
- Facilities Maintenance: $4.4 million (3%)
- Fuel & Mechanical Operations: $10.9 million (7%)
- Other Departmental Costs: $13.6 million (9%)
- Insurance & Contingency: $5.8 million (4%)
- Other Departmental Costs: $13.6 million (9%)

VIRGINIA RAILWAY EXPRESS

$ in millions
Preliminary FY 2019 capital budget of **$57.4 million**
- Increase of $9.0 million over FY 2018 due to SmartScale funding

Federal 5337 (SGR) and 5307 (Urbanized Area) formula funds programmed to support:
- Debt service on rolling stock ($5.3M)
- Equipment and facilities asset management programs ($4.7M)
- Midday storage ($15.3M)
- Washington Union Terminal investments ($3.1M)
- Grant/project management and security enhancements ($0.6M)
VIRGINIA RAILWAY EXPRESS

CAPITAL PROGRAM OVERVIEW (CONT.)

- CMAQ/REF projects:
  - Broad Run Expansion ($4.4M CMAQ)
  - Brooke and Leeland Platforms ($4.9M REF)

- SmartScale projects:
  - Quantico Station ($2.0M)
  - Alexandria Pedestrian Tunnel ($5.3M)
  - Fleet Expansion Coaches ($2.0M)
STATE CAPITAL FUNDING

- Budget assumes 16% state match on federally-funded projects in FY 2019 except midday storage and Washington Union Terminal – both have 34% state match.

- Six-year plan will show Capital Project Revenue bond expiration and decline in state match beginning FY 2020.

- If state match were only 8% and capital plan remained the same, state contribution would decline from $12.1 million to $3.4 million.
COMPARISON TO FY 2018

- Total budget is $12.9 million higher than FY 2018 - operations up $3.9 million, capital up $9.0 million (debt service unchanged)

- Revenue drivers:
  - +$1.9 million in Fare Revenue
  - +$0.5 million in Jurisdictional Subsidy
  - +$9.4 million in Federal/State Capital Subsidy

- Expense drivers:
  - +$1.4 million in Access Fees and host railroad costs
  - +$0.6 million in contractual train operations and maintenance costs
  - +$0.4 million in insurance trust fund contributions and contingency
CLOSING THE GAP

- Evaluate projected ridership & revenue trends
  - Each +100 to ADR generates $220K in revenue
  - Each +$0.05 in average fare generates $230K in revenue

- Update contractual amounts as cost driver rates become known (CPI, AAR, etc.)

- Line item review of departmental budgets

- Identify qualifying one-time items for use of previous FY surplus

- Ensure required 50% farebox ratio is met
RISKS AND NEAR-TERM OUTLOOK

- Watching ridership trends and fuel prices
- Finalizing new multiyear access agreements
- Achieving right balance of resources to deliver CIP
- Completion of midday storage
- Uncertainty over capital funding for WUT
- State funding outlook and impact of regional transit funding decisions (including WMATA)
LONG-TERM OUTLOOK

- SmartScale and I-66 Outside the Beltway funding have filled critical gaps and will help VRE increase capacity

- Long-term trajectory identified in Financial Plan remains the same:
  - Operating expenses projected to grow faster than fare revenues and subsidy
  - Major replacement of rolling stock around 2030 is unfunded
  - Funding for major joint corridor projects in CSXT territory (including Long Bridge) is uncertain
NEXT STEPS

- Refer Preliminary FY 2019 budget to Commissions and jurisdictions
- Review revenue sources, expenditures and incorporate any use of one-time funds
- Continue to work with CAO Budget Task Force and Capital Committee
- Refine current FY 2018 budget and make recommendations for any amendments mid-year in December
THANK YOU

QUESTIONS?