OVERVIEW

Actions requested:

• Refer FY 2020 preliminary budget to Commissions and jurisdictions for review and comment
• Authorize public hearings on proposed FY 2020 fare increase

Key topics:

• Operating revenue and expense assumptions
• Programming of CROC funds
• Look ahead to discussions in October/November
BUDGET PROCESS

➢ “Key Issues” presented in July

➢ 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
FY 2020 PRELIMINARY BUDGET SUMMARY

- Operating budget of $90.6 million including debt service (2.3% increase)

- Funding commitments of $64.7 million toward Capital Improvement Program (CIP)

- 3% average fare increase, no subsidy increase

- Significant changes to state operating and capital funding programs, assumptions may change by December

- Budget does not yet include programming of CROC funds

- Preliminary operating budget gap of $1.9 million
RIDERSHIP AND REVENUE

- 32 daily trains – no change in service level
  - No impact assumed yet from WMATA shutdown in Summer 2019

- Projecting 19,000 Average Daily Ridership
  - Flat relative to FY 2018 actual ridership of 18,974

- Budgeted farebox recovery of 53%

- No change to total jurisdictional subsidy of $17.77 million

- Proposed 3% average fare increase
PROPOSED FY 2020 FARE INCREASE

➢ VRE Tariff prescribes the discounts for multi-ride fares relative to a single-ride fare:

<table>
<thead>
<tr>
<th></th>
<th>10-Ride</th>
<th>5-Day</th>
<th>Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount</td>
<td>8%</td>
<td>20%</td>
<td>34%</td>
</tr>
</tbody>
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➢ Actual multi-ride fares are over-discounted and need to be adjusted

➢ Proposed increase will average 3% or slightly less by:
  • Increasing the base fare and zone increment by 1.5%
  • Applying correct fare discounts to match Tariff

➢ Also moving public hearings from winter to fall for better feedback to Operations Board
ADDITIONAL KEY ASSUMPTIONS

➢ Access agreements:
  • Funded at 84% in FY 2020 and forward – significant for VRE’s fiscal sustainability
  • Renewal of Amtrak five-year agreement mid-2019, still year-to-year with CSX

➢ Reduction in state operating assistance due to legislation changing allocation method, but subject to further discussion

➢ Diesel fuel pricing and usage flat to FY 2019 budget

➢ No additional full-time employees request in preliminary budget, but continuing to assess need for resources
Federal formula funds (5307/5337) projected flat to FY 2019 actual funding of $32.2 million

- Committed to debt service, asset management programs, and key CIP projects such as midday storage and Washington Union Terminal
- Not all funding currently programmed for FY 2020 – evaluating various options

State capital match program will be restructured:

- Focus on SGR (minimum 80% of available funding)
- Projects evaluated based on age/condition and service impact
Maximum state match is 68% in new program; VRE assuming 16% match on debt service and asset management, 34% on midday storage and WUT

Will continue to coordinate with DRPT and update as needed

Budget includes programming of discretionary FY 2020 funds:

- **CMAQ**: Brooke and Leeland Road stations, Quantico parking
- **SmartScale**: Brooke and Quantico stations, Leeland Road parking
- **NVTA**: Final design funding for Crystal City station
LONG-TERM FORECAST

Working with PFM on long-term financial model:

1. Refresh assumptions
2. Explore potential uses of CROC

Operating side of model has been built and populated; continuing to work on capital side

- Operating revenue – assume modest annual growth in ridership, continue alternating 3% increases in fares and jurisdictional subsidy
- Operating expenses – conservative estimates of major cost drivers
COMMUTER RAIL OPERATING AND CAPITAL (CROC) FUND

- $15 million per year, available for operating or capital, can be used as backing for debt issuance
- Proposed agreement between Commissions requires “process and criteria” for evaluating projects to fund with CROC
- Nothing yet programmed for FY 2019 or FY 2020
CROC FUND (cont.)

- **Potential evaluation criteria:**
  - Projects that are not eligible for typical VRE capital funding sources (e.g., NVTA, SmartScale)
  - Projects where a commitment of local funding could ‘unlock’ significant state or federal matching funds
  - Projects that are necessary in order to allow for future capacity expansion
  - Replacement of major existing assets such as railcars
  - Major changes to projects already committed (minor changes handled through capital reserve)
CROC PROGRAMMING

Projected Revenue FY 2019-25

- FY25 $15
- FY24 $15
- FY23 $15
- FY22 $15
- FY21 $15
- FY19 $15
- FY20 $15

$105 million

Potential Uses of CROC Funds

- TBD
- L'Enfant Station & 4th Track

$105 million
CLOSING THE GAP

➢ Evaluate projected ridership & revenue trends

➢ Continue coordination with DRPT regarding operating support

➢ 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
NEXT STEPS

➢ Continue to work with CAO Budget Task Force and Capital Committee

➢ Review revenue sources, expenditures and incorporate any use of one-time funds

➢ Refine current FY 2019 budget and make recommendations for any amendments mid-year in December along with FY 2020 budget