

**POTOMAC AND RAPPAHANNOCK  
TRANSPORTATION COMMISSION**

**RESOLUTION**

**MOTION:** \_\_\_\_\_

**RESOLUTION NO. 09-07-\_\_\_\_\_  
OFFICIAL COMMISSION MEETING  
JULY 9, 2009**

**SECOND:** \_\_\_\_\_

**RE: APPROVAL OF PRTC'S FY 2011 BUDGET GUIDELINES**

**WHEREAS**, the Potomac and Rappahannock Transportation Commission (PRTC) must develop and adopt an operating and capital budget each year for PRTC; and

**WHEREAS**, the budget presentation process begins with the development of budget guidelines to steer budget formulation; and

**WHEREAS**, FY 2011 budget guidelines have been developed for PRTC that are attached hereto.

**NOW, THEREFORE, BE IT RESOLVED** that the Potomac and Rappahannock Transportation Commission does hereby adopt the FY 2011 budget guidelines attached hereto.

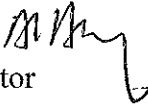


Potomac and Rappahannock  
Transportation Commission

14700 Potomac Mills Road  
Woodbridge, VA 22192

July 9, 2009

TO: Chairman May and Commissioners

FROM: Alfred H. Harf   
Executive Director

RE: PRTC FY 2011 Budget Guidelines

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Recommendation:

Adopt the guidelines recommended by PRTC management for formulating the proposed FY 2011 PRTC budget.

Background:

Each fiscal year the budget preparation process begins with the development and adoption of budget guidelines to ensure that management and the Board are in harmony on the policy matters that will shape the eventual budget. The budget preparation process has been refined in the past few years to better integrate the VRE and PRTC efforts, since there are common sources of funding for the two service providers such that certain policy matters are best decided by considering the two budgets in tandem. That begins with the budget guidelines, which for the second year in a row are being presented in parallel with one another – VRE's proposed FY 2011 budget guidelines were considered and adopted by the VRE Operations Board at the Board's June meeting<sup>1</sup> and PRTC's proposed guidelines are being presented for the PRTC Board's consideration at this month's meeting.

The proposed guidelines are attached, with some of the items described in detail below.

1. Retention of existing bus services but no service expansion. In late fall 2008, fuel prices and projections of fuel tax yields dropped precipitously after a rapid rise just a few months before. The drop was so substantial that it called

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<sup>1</sup> VRE's long-standing practice has been to seek only the VRE Operations Board's approval of its budget guidelines, so the FY 2011 guidelines approved by the VRE Operations Board in June are appended here for information only.

into serious question whether existing services could be sustained beyond FY 2010 and consequently PRTC has been making a major effort to contain its costs generally and its local costs more particularly beginning with the FY 2010 budget. To that end, five percent (5%) of PRTC's bus service hours were cut effective May 11, 2009, and the FY 2010 budget provides for no new services other than a state-funded bus route to Tyson's that is part of the Beltway HOT Lanes project traffic mitigation plan. Even with the 5% service cut and other cost containment efforts, however, fuel tax yield projections for Prince William County produced in tandem with the FY 2010 budget indicated that projected yields would be insufficient to sustain the rest of PRTC's County-sponsored bus service and VRE service through the end of FY 2011, let alone FY 2012 and beyond.

Since that time, the gravity of the budget problem has been eased significantly on account of changed conditions, namely:

- The Federal "stimulus" bill has been enacted, yielding \$3.9 million for PRTC, \$3.0 million of which can be (and will be) used for "capital cost of contracting", lessening PRTC's dependency on its bus sponsoring jurisdictions' 2% motor fuels tax for transit operating expenditures;
- Federal formula and state formula assistance that are sources of funding for PRTC in FY 2010 turned out to be higher than anticipated;
- Fuel prices have increased significantly in the past few months, increasing the fuel tax yield commensurately;
- PRTC's purchase of fuel futures has lessened the cost of fuel PRTC will consume in FY 2010, such that the yearly cost will assuredly be less than the FY 2010 budget assumes; and
- PRTC's bus ridership (as well as passenger revenue) is substantially higher than the FY 2010 budget anticipated.

These favorable developments have lessened the pressure on Prince William County's fuel tax fund balance as a source of transit assistance – current projections indicate that the County's fund balance will not be fully depleted until FY 2013 (assuming no bus service expansion and VRE service expansion limited to two trains

in FY 2012), or some two years later than the projections done in conjunction with the FY 2010 budget. Positive as this is, however, the prospect of a “fuel tax fund balance” deficit beginning FY 2013 is reason for continuing austerity-mindedness in the preparation of the FY 2011 budget, meaning again assuming no bus service expansion.

While the discussion so far has dwelled on the effects fuel price declines had on Prince William County (because Prince William County is PRTC’s principal bus service sponsor), Prince William County is not alone in being concerned about the sustainability of its fuel tax resources. Similar concerns have been expressed by Stafford County and the City of Fredericksburg, because both of those member jurisdictions rely on their respective fuel tax resources to fund a variety of qualifying transportation investments in addition to their shares of the VRE local subsidy. For them, the issue is the fuel tax yield vs. the VRE subsidy, and they have both communicated a resolve to limit the VRE subsidy so it does not consume a disproportionate share of their fuel tax yields. VRE management acknowledges this concern in the FY 2011 budget principles that the VRE Operations Board just adopted, calling for the FY 2011 local subsidy in the aggregate to be less than the FY 2010 local subsidy. Because there is widespread concern about the scarcity of local funding for transportation, PRTC management believes it is incumbent on PRTC to actively seek funding relief, encompassing a quest for increased federal and state funding as well as a supplemental source of local funding, so this is the subject of a separate budget principle appearing later in this item.

While the assumption of no new bus services in FY 2011 and beyond is a necessary one for the reasons described, it is important at the same time to sustain the quality of existing bus services. To that end, PRTC management proposes to incorporate a modest “revenue hours contingency allowance” in FY 2011 – fourteen (14) daily hours -- to remedy chronic overcrowding when and if it materializes. This long-standing practice has served PRTC well. The allowance has been lowered to the level budgeted in FY 2009 in light of the financial constraints described here. Hours would be budgeted on a contingency basis in the out-years as well, each allowance building on the prior year number.

2. Bus fares. Last year the Commission adopted a fare indexing policy intended to serve as a guideline for proposing prospective fare increases. The adopted policy calls for fare increase-related revenue targets to be developed for the Commission’s consideration based on increases in the Baltimore/Washington D.C urban wage

earners index (which is the index used for increasing the revenue hour rate payable to First Transit) and fuel price increases, weighted 85% and 15%, respectively. The adopted policy is intended as a guide to the Commission, such that the Commission can decide whether or not a fare increase proposal designed to yield the calculated revenue target should be developed. The adopted policy also calls for management to identify whether there are any extenuating circumstances that the Commission should consider in assessing the advisability of an increase.

Accordingly, management applied the indexing policy formula to see whether it suggests the need for adopting a "fare increase-related revenue target". Because inflation is as low as it is at the present time and because fuel prices are expected to be lower than they were in the base year applicable to this year's calculation, the indexing policy formula suggests that no fare increase is advisable for FY 2011. Nor are there any extenuating circumstances that would suggest a different course – if anything, the extenuating circumstances (e.g., a high unemployment rate and continuing recession) argue for the same conclusion. Accordingly, no fare increase in FY 2011 is proposed.

3. Quest for additional funding source(s). As described previously, PRTC's member governments' dependency on a single source of local funding for transit coupled with the drop in fuel prices in the fall of 2008 heightened anxiety about the adequacy of local funding for existing transit services, let alone expanded transit services over time. The level of available federal and state assistance for transit bears directly on this situation, inasmuch as member local governments have been called upon to compensate for federal and state funding shortfalls in the past. Given the scarcity of local funding, however, member local governments are increasingly hard-pressed to compensate for federal / state funding shortfalls – indeed, it could be said that this is no longer possible. Consequently, it is incumbent on management in cooperation with the PRTC member governments and the area legislative delegation (both at the federal and state levels) to actively seek funding solutions, be it increased federal assistance for transit, increased state assistance for transit, a new local funding source for transit, or more likely some combination of all three. The importance of this is such that it warrants incorporation as an explicit FY 2011 budget principle, allowing for continued staff efforts in this area (since the efforts need to commence sooner than FY 2011).

This quest is timely now for a variety of reasons. First, the existing federal authorization (SAFETEA-LU) is set to expire as of September 30, 2009, prompting Congressional activity that is already underway. While enactment of a new authorization is not likely before calendar year 2010 at the earliest because of the press of other Congressional business, PRTC and its member governments' legislative liaisons will need to be diligent about tracking Congressional developments and being timely about participation in the legislative process.

Second, the scarcity of state funding for transportation is a gubernatorial campaign issue, with both candidates discussing the importance of increased state transportation funding. So here again there is a need for diligence and timely participation as the situation develops.

Third and finally, there is a need to assess possible additional source(s) of local funding for transportation because there is too much at stake to rely simply on a federal and/or state solution. Real discussion and analysis of prospective sources of local funds needs to be done in preparation for the upcoming session of the General Assembly, designed to dovetail with what might happen transportation funding-wise at the federal and state levels more generally.

4. Bus purchases – replacements/expansions. Management proposes to incorporate funding for bus purchases as required to replace retirement-age buses in the active fleet, including buses now in the contingency fleet that can be expected to be moved into the active fleet to remedy overcrowding in FY 2011 or sooner.
5. Bus mid-life overhauls. In another bow to financial reality, PRTC's FY 2010 budget and accompanying five year plan deferred mid-life bus overhauls intended to keep the fleet in a state of good repair from FY 2010 to FY 2014. While a deferral of this sort is contrary to long-standing practice that has also served PRTC and its customers well, necessity dictates that we stay this course unless there is a break-through financially, be it in the form of a substantial increase in federal funding, a substantial increase in state funding, or otherwise. The deferral amounts to five (5) buses from FY 2010 to FY 2012; fourteen (14) buses from FY 2011 to FY 2013; eight (8) from FY 2012 to FY 2014; ten (10) from FY 2013 to FY 2015; and ten (10) from FY 2014 to FY 2016.

6. Additional resources to keep the PRTC Transit Center in a state of good repair. The Transit Center is now more than ten years old and its preventative maintenance demands have grown. To fully assess what is required and define a schedule for both preventative maintenance and life-expired replacement investments, PRTC contracted with a "facility maintenance / management" consultant (i.e., Studio J) two years ago, and the consultant's completed report was the subject of a presentation to the Commission in February 2009. As management did in relation to services and bus overhauls, improvements called for by that report were also deferred until FY 2012, as was the addition of one FTE to manage the ongoing repairs. Management also proposes to stay this course in preparing the FY 2011 budget, budgeting for deferred repairs and the additional FTE in the out-years consistent with the deferral strategy mapped out during the course of the FY 2010 budgeting process.
7. Equipping the Transit Center with a more sophisticated security system. This was a project planned for FY 2009, based on the assumption that a Department of Homeland Security (DHS) grant would be awarded for it. Despite encouraging indications that the grant would be awarded, in the end it was not and DHS's rankings of candidate projects strongly suggests that DHS discretionary grant funding is unlikely going forward. Nonetheless, the reasons for wanting to replace the existing Transit Center security system remain compelling, and thus management proposes to incorporate this project in the FY 2011 budget as a conventional state capital grant project (requiring local match) rather than hoping against hope for a DHS grant.
8. Real-time passenger information (RTPI). PRTC's consultant (MACRO) has just completed a plan for this and other technology investments to guide the organization's technology investments over time. The plan will be presented to the Commission in September (because time for presentations at the July meeting is already spoken for by several presentations pledged earlier), setting the stage for Board adoption of the plan and programming of recommended investments in priority order. The plan references the investments already budgeted in FY 2009 or previously that are in some stage of implementation (i.e., new radio / phone communications system for the buses and surveillance cameras for selected buses), and calls for the next investment to be a more sophisticated automated vehicle location (AVL) capability than what currently exists, which is essential for eventually imparting real-time information to customers about anticipated arrival times. While this more sophisticated AVL capability desirably would be budgeted in FY 2011, financial realities dictate otherwise, so management proposes that this too be out-years instead, with the AVL system and stop announcements in FY 2013 and RTPI in FY 2014.

Chairman May and Commissioners

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9. Westerly bus maintenance facility. As previously discussed with the Commission, it is incumbent on PRTC to expedite the plans for the westerly maintenance facility because the existing facility is for all practical purposes maxed out. Funding for environmental analysis and design of this facility is already in-hand (as is funding for land acquisition), and the Commission will soon be asked to authorize the start of a procurement for comparative site evaluation, environmental analysis, and preliminary design. That work will commence before the end of FY 2010 and end in FY 2011, setting the stage for final design and construction in ensuing years as funds permit. In the FY 2010 budget/accompanying five year plan, construction was shown in FY 2013 and FY2014, assuming debt financing. Management will assess whether it would be advisable and possible for construction funding to be shown on a “pay-as-you-go” basis if federal discretionary funding that Congressman Wittman has agreed to seek as FY 2010 and reauthorization discretionary earmarks is forthcoming or retain the debt financing assumption.

Fiscal Impact:

Not applicable

Attachment: As stated

## ATTACHMENT

### Potomac and Rappahannock Transportation Commission FY 2011 Budget Guidelines

#### 1. Bus Service Guidelines

- Retain existing bus service, allowing for no service expansion.
- Incorporate a contingency allowance of fourteen daily revenue hours to avert overcrowding (continuing to use the same service guidelines the Commission has sanctioned every year since the 2001 Board retreat) and sustain on-time performance of both commuter and local bus routes.

#### 2. Financial Planning/Management Guidelines

- Budget for the 14 daily revenue hours needed for contingency purposes as described in (1); approximately \$350,000).
- Budget for success – assume for budgeting purposes that First Transit earns the maximum possible incentive payments allowed by the PRTC – First Transit contract.
- Use of “futures” contracts purchased through supplier and/or “swaps” when and if PRTC management (in consultation with PRTC’s diesel fuel price risk management consultant) concludes that this is advisable to manage risk and minimize the cost of required diesel fuel purchases.
- No fare increase being proposed for FY 2011, reflecting the outcome of calculations employing the fare indexing policy.
- As in past years, provide for a fully funded incentive program for PRTC employees, featuring a maximum potential pay-out of \$110,000 for tangible, performance-based gains (including, as prior incentive programs have, a financially self-supporting “favorable passenger revenue-related” incentive).
- Budget for deferred preventative maintenance and one additional FTE in the out-years for the PRTC Transit Center in accordance with the facility management plan and the deferred maintenance strategy.
- Seek additional federal, state, and local funding solutions.

### 3. Capital Investment Pursuits

- Purchase OmniRide buses to accommodate ambient ridership growth on existing routes.
- Defer mid-life bus overhauls not funded by prior year budgets as detailed in the accompanying staff report, unless there is a break-through in funding sources.
- Confine PRTC's bus shelter program to only the expense level reimbursed by 1% of federal 5307 formula funding in order to satisfy the FTA dictate that 1% be devoted to "transportation enhancement" types of projects.
- Complete pre-construction work on the westerly maintenance facility and proceed with land acquisition. Retain construction funding for the westerly maintenance facility in the five-year plan, whether pay-as-you-go or debt financed, depending on success of funding pursuits.
- Incorporate high technology enhancements to improve communications, operations, and provide real-time information to bus-riding customers in out-years, in accordance with the proposed technology plan that the Commission will be asked to adopt in September 2009 as an expression of the Commission's aspirations.
- Procure a new security system for the PRTC Transit Center.

**AGENDA ITEM 9-E**  
**ACTION ITEM**

**TO: CHAIRMAN ZIMMERMAN AND THE VRE OPERATIONS BOARD**

**FROM: DALE ZEHNER**

**DATE: JUNE 19, 2009**

**RE: FY 2011 BUDGET GUIDELINES AND CONSIDERATIONS**

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**RECOMMENDATION:**

The VRE Operations Board is being asked to direct staff in the development of the FY 2011 budget options for train operations and capital projects.

**BACKGROUND:**

VRE has adopted a financial planning process that provides for early consideration of budget issues and assumptions. Each year, VRE meets with the member jurisdictions' Chief Administrative Officers (CAO) and Commission and jurisdictional staff to develop budget guidelines and examine the preliminary budget. An independent CAO recommendation is provided to the Operations Board and Commissions in conjunction with the final budget submission at the December Operations Board meeting.

As part of the budget process, the jurisdictional CAO Budget Task Force met on June 16, 2009 to review various budget issues, including the cost of fuel, insurance, the service provider contract, the fleet management plan, ridership projections, fuel tax projections, and subsidy. The goal is to permit the Budget Task Force to focus on material issues early in the budget process.

**REVISIONS TO FY 2010 BUDGET**

Each year, revisions to the current year budget are presented to the Operations Board in December, along with the recommendations for the next budget year. The following items are expected to be reflected in the revised FY 2010 Budget:

- **Higher than anticipated state revenue:** In December 2008, the State estimated that they would fund their portion of the match to the federal capital program at **17%** in FY 2010 and VRE's budget was adjusted accordingly. In May, the State published their draft Six-Year Improvement Program, with FY 2010 average funding of **78%**, which is expected to result in additional funding to VRE of nearly **\$3.3** million, net of a \$400,000 decrease to operating funds.
- **Diesel fuel costs:** The adopted budget was based on diesel fuel costs of \$2.65 per gallon for 1.76 million gallons. Because of fuel hedging activities we have locked into pricing for about 37% of our usage and are now projecting an average price of \$2.20, including an estimate of costs for the unhedged fuel purchases. If accurate, this would result in fuel costs of approximately \$500,000 less than the amount budgeted.
- **Insurance premium costs:** Insurance premium costs for FY 2009 are slightly lower than budgeted, although this will be balanced by less than anticipated earnings in the Trust Fund for FY 2009 and FY 2010.
- **Fare revenue:** Budgeted fare revenue of \$26.9 million appears to be reasonable based on current ridership. However, the impact on ridership of the 6% fare increase in July will have to be evaluated after the increase goes into effect.
- **Amtrak retroactive payments:** In January 2008, Amtrak agreed to a settlement with their employee groups that included retroactive payments for the period 2002 to April 2008. VRE is responsible for payments made to Amtrak employees assigned to VRE service during that period. VRE has been given estimates of this cost and we have set aside \$2 million for this purpose, but the final invoice may differ from the estimates.

The FY 2010 revised budget will also include a variety of proposals for the use of expected additional funds, including: the removal of one-time funding for ongoing operating costs that was included in the FY 2010 budget as the result of anticipated State grant decreases that have now been reversed; the restoration of the balances in the operating reserve and the insurance trust fund; and additional funding for locomotives.

The City of Fredericksburg passed a resolution on April 28, 2009, requesting that "the Operations Board of the Virginia Railway Express make every effort to prepare a budget based on level local support from the City in FY 2011; and...that should the result of operations lead to a budget surplus in FY 2010...the Operations Board of the Virginia Railway Express prepare a plan for the use of the proceeds that includes a reasonable rebate, or future discount, to the local jurisdictions."

### **FY 2011 BUDGET GUIDELINES**

**GUIDELINE #1:** VRE staff will take all reasonable measures to continue to grow the ridership and improve the overall service to the riders. Measures to be reviewed include service levels, fares, train schedules, service amenities, and contracted services which bear on the ridership experience.

**GUIDELINE #2:** VRE staff will strive to ensure that the total individual member's jurisdictional subsidy for FY 2011 will be the same or less than the FY 2010 total subsidy. FY 2010 is the fourth and final year of the phasing in of the governance changes, so subsidy may increase for individual jurisdictions (with the exception of Fairfax County) due to the shift from population/ridership towards 100% ridership, even if the total subsidy is reduced.

**GUIDELINE #3:** The replacement of aging locomotives will be a priority for the use of capital grant funds and additional funding sources will be actively pursued. Nine new locomotives have been ordered and will arrive during FY 2011. Funding has been identified for an additional three units. The new locomotives will be cost and energy efficient and more reliable than the current fleet.

**GUIDELINE #4:** VRE staff will work to maintain fares at the FY 2010 level or, if unavoidable, limit the fare increase to one per fiscal year. The recent history of three fare increases between July 2008 and July 2009 cannot be repeated in FY 2011.

**GUIDELINE #5:** Fuel hedging strategies will be used to provide greater predictably in budgeting for diesel fuel costs.

**GUIDELINE #6:** Funding will be provided to restore the insurance trust fund balance to \$10 million, the level required by the Virginia Division of Risk Management, by FY 2012.

**GUIDELINE #7:** Funding will be provided over a multi-year period to restore VRE's level of working capital to a minimum of \$8.5 million, the level at the end of FY 2005, before several years of unexpected mid-year variability in revenue and expense amounts depleted these reserves. This level is necessary so that VRE can meet its obligations during the course of the year and to make orderly accommodation for significant shortfalls.

#### **OTHER FY 2011 BUDGET ISSUES AND ASSUMPTIONS**

- **Amtrak Contract:** Our contract with Amtrak for operating the trains and maintaining the fleet expires at the end of FY 2010. The RFP for the next contract period has been issued and responses will be received in time for cost implications to be reflected in the FY 2011 budget. We are completing construction at both outlying yards so that all maintenance can be performed there. VRE staff should have a better idea of the total contract and transition costs before final budget adoption in December, but early versions of the budget will continue to budget conservatively.
- **State Funding:** As indicated above, state funding varies considerably from year to year. Moreover, projections vary considerably between the time that the VRE budget is prepared and when the grant funds are awarded. VRE staff will continue to work closely with DRPT staff to develop estimates.

- Number of Trains. The FY 2010 Six Year Financial Forecast calls for no change to service levels in FY 2011 and a gradual increase from 30 daily trains to 34 daily trains over the period ending in FY 2015. A review of the costs and expected fare revenue of adding trains will be made during the budget process. Service additions will be difficult without a material and consistent increase in state funding.
- Cost Recovery Ratio. The budget forecast needs to ensure the cost recovery ratio remains in the 50% to 60% range.
- 2% Motor Fuels Tax: VRE staff is aware of jurisdictional concerns with fuels tax revenue projections and the ability to continue to support current VRE and PRTC expenses. Prince William County, in particular, has indicated that in the future all VRE and PRTC contributions must come from their 2% motor fuels tax receipts. The current projections for fuels tax revenue are \$10 million less than the combined PRTC and VRE subsidies on an annual basis, once the County's current surplus from prior years has been spent.

#### **NEXT STEPS:**

- Continue discussing FY 2011 budgeting scenarios with the CAO Budget Task Force.
- Present preliminary budget forecasts to the Operations Board in August 2010.
- Begin review of all FY 2011 revenue and cost assumptions in September 2010 with CAO Budget Task Force.

#### **FISCAL IMPACT:**

There is no fiscal impact related to the development of the FY 2011 budget.

**TO: CHAIRMAN ZIMMERMAN AND THE VRE OPERATIONS BOARD**  
**FROM: DALE ZEHNER**  
**DATE: JUNE 19, 2009**  
**RE: FY 2011 BUDGET GUIDELINES AND CONSIDERATIONS**

**RESOLUTION**  
**9E-06-2009**  
**OF THE**  
**VIRGINIA RAILWAY EXPRESS**  
**OPERATIONS BOARD**

**WHEREAS**, effective financial planning for the Virginia Railway Express is based on budget development with guidelines approved by the VRE Operations Board; and,

**WHEREAS**, the VRE Operations Board has directed that the development of each annual budget involve consultation and cooperation with the Chief Administrative Officers of VRE's participating and contributing jurisdictions; and,

**NOW, THEREFORE, BE IT RESOLVED THAT**, the VRE Operations Board directs staff to develop budget options for the FY 2011 operating and capital budget in accordance with the following guidelines:

**GUIDELINE #1:** VRE staff will take all reasonable measures to continue to grow the ridership and improve the overall service to the riders. Measures to be reviewed include service levels, fares, train schedules, service amenities, and contracted services which bear on the ridership experience.

**GUIDELINE #2:** VRE staff will strive to ensure that the total individual member's jurisdictional subsidy for FY 2011 will be the same or less than the FY 2010 total subsidy. FY 2010 is the fourth and final year of the phasing in of the governance changes, so subsidy may increase for individual jurisdictions (with the exception of Fairfax County) due to the shift from population/ridership towards 100% ridership, even if the total subsidy is reduced.

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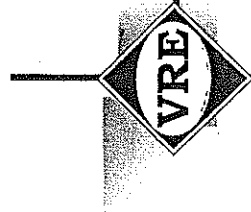
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**GUIDELINE #7:** Funding will be provided over a multi-year period to restore VRE's level of working capital to a minimum of \$8.5 million, the level at the end of FY 2005, before several years of unexpected mid-year variability in revenue and expense amounts depleted these reserves. This level is necessary so that VRE can meet its obligations during the course of the year and to make orderly accommodation for significant shortfalls.



# FY 2011 Budget Guidelines

*June 19, 2009*



## Topics

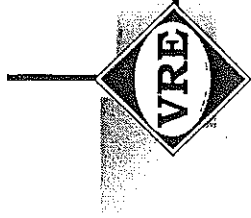
- Status of FY 2010 Budget
- Discussion of FY 2011 Budget guidelines
- Issues and assumptions affecting FY 2011 budget
- Next steps



# FY 2010 Budget – Update

Potential changes include:

- State revenues - \$3.3M higher than expected
- Diesel fuel costs and hedging - \$500K less
- Insurance costs – no change
- Ridership and fare revenue – will evaluate after 6% increase on July 1st
- Amtrak retroactive payments – waiting for final invoice - \$2M set aside to date, could be higher by \$300K



## FY 2010 Budget – Variance

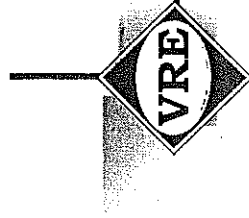
Budget will be revised in December:

- Reversal of changes made to accommodate sudden DECREASE in state funding - \$650K
- Restoration of balance in insurance fund – will reduce need in FY 2011
- Restoration of working capital level
- Explore other one-time uses



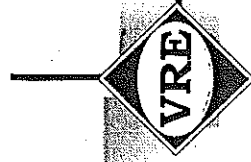
## FY 2011 - Volatility Remains

- Ridership changes could materially impact the revenue stream
- Recent increase in diesel fuel prices
- Insurance contributions continue to strain cash flow until \$10M trust fund balance is met
- State funding has been difficult to forecast



# FY 2011 Budget Guidelines

1. Continue focus on increased ridership and overall service
2. Decrease total jurisdictional subsidy from the FY 2010 levels
  - Last year of governance may increase some individual jurisdiction's subsidy
3. Replace aging locomotives
4. Maintain current fares at FY 2010 levels
  - If fare increase necessary, limit to one per fiscal year



## FY 2011 Budget Guidelines

5. Utilize fuel hedging strategies to provide greater cost predictability and stability
6. Restore insurance trust fund to \$10M by FY 2012
7. Restore level of working capital, which has diminished in recent fiscal years



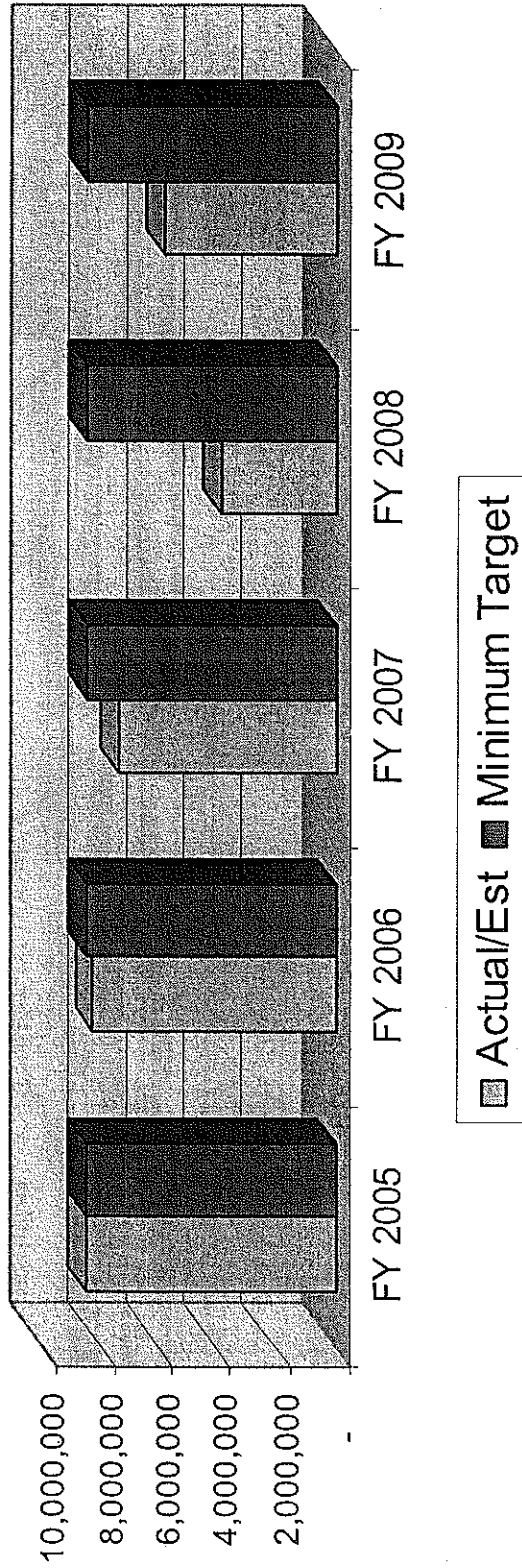
## Issues and Assumptions

- State funding levels tend to be volatile
- 2% Motor Fuels Tax – concern by several PRTC jurisdictions of subsidy exceeding fuel tax
- Cost Recovery Ratio (50% - 60%)
- Number of Trains in Six Year Plan
  - No change for FY 2011 (30 trains)
- Amtrak Contract expires June 30, 2010

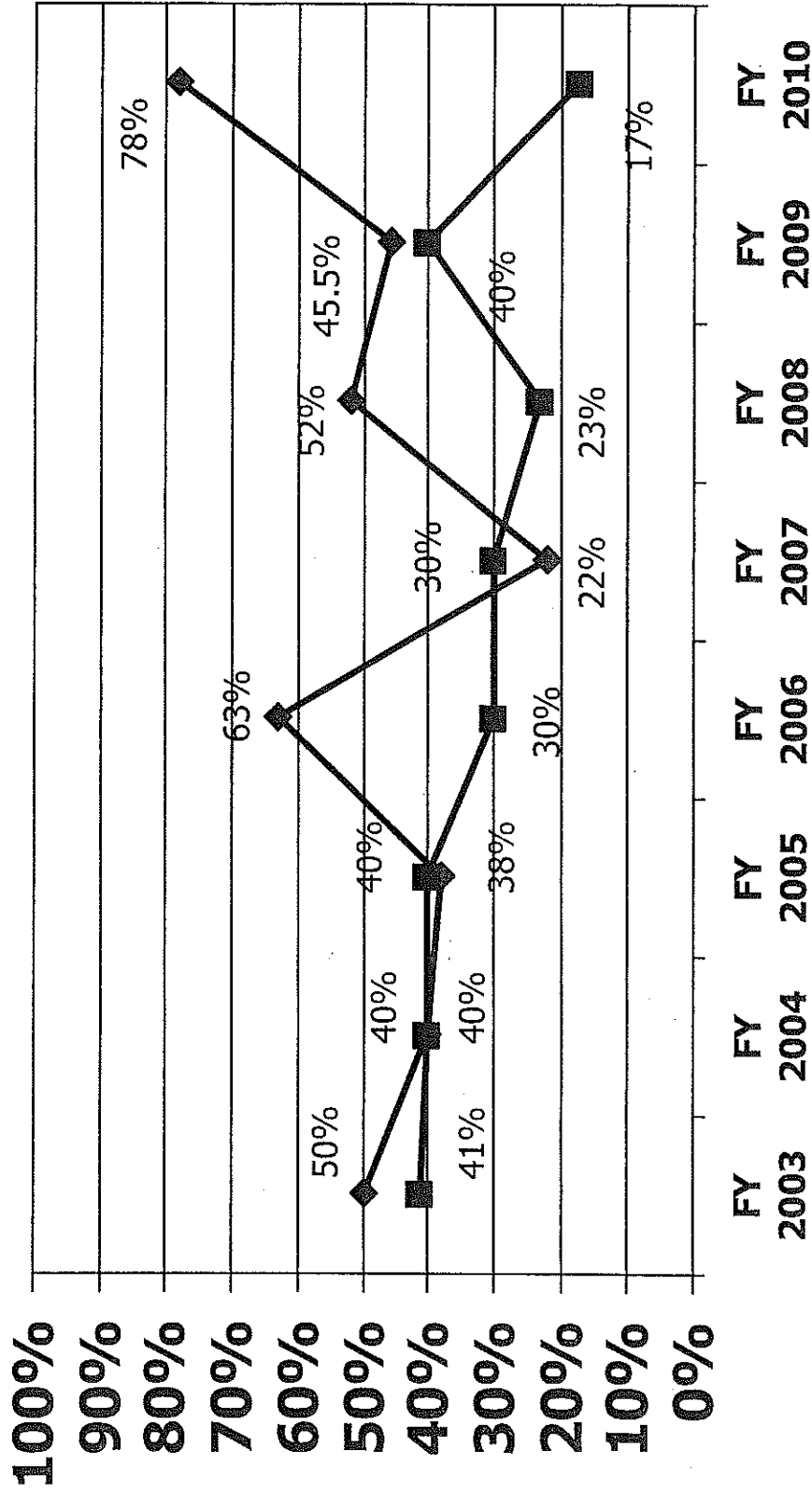
# Working Capital



## Working Capital Level



# State Funding - VDRPT Capital Funding Percentage



◆ VDRPT Capital Match %    ■ VRE Budgeted %



## Next Steps

- Continue working on budget scenarios with CAO Taskforce
- Present preliminary budget forecast to the Operations Board by August 2009
- Review all revenues and cost assumptions with the CAO Taskforce in September 2009