

**MOTION:**

**SECOND:**

**RE:           ADOPT AND REFER THE REVISED FY 2018 AND RECOMMENDED FY 2019 VRE  
OPERATING AND CAPITAL BUDGETS TO THE JURISDICTIONS**

**ACTION:**

**WHEREAS**, the Virginia Railway Express (VRE) Master Agreement requires the Northern Virginia Transportation Commission and the Potomac and Rappahannock Transportation Commission (the "Commissions" be presented with a fiscal year budget for their consideration at their respective January meetings prior to the commencement of the subject fiscal year.

**WHEREAS**, the VRE Chief Executive Officer has provided the VRE Operations Board with the FY 2019 Operating and Capital Budget within the guidelines developed in cooperation with the Chief Administrative Officers of the local jurisdictions; and

**WHEREAS**, the FY 2019 budget proposes a three percent (3%) increase in the total jurisdictional subsidy over the FY 2018 contribution level; and

**WHEREAS**, the FY 2019 budget proposes an increase to the amount charged to VRE passengers for Amtrak Step-Up tickets from \$7 to \$8, effective the first week of July 2018, with the start of the FY 2019 budget; and

**WHEREAS**, apart from the Amtrak Step-Up increase described above, the FY 2019 budget proposes no other changes to passenger fares; and

**WHEREAS**, VRE staff recommends a budget based on a service level of 32 daily trains and average daily ridership of 19,000 trips; and

**WHEREAS**, the VRE Operations Board recommends the following action.

ITEM 9-C  
January 4, 2018  
PRTC Regular Meeting  
Res. No. 18-01-\_\_\_\_  
VRE Item 9-A  
Page Two

**NOW, THEREFORE, BE IT RESOLVED** that the Potomac and Rappahannock Transportation Commission does hereby adopt the FY 2019 VRE Operating and Capital Budget in the following amounts and forward this budget to the local jurisdictions for inclusion in their budgets and appropriations in accordance with the Master Agreement:

Operating Budget	\$ 88,522,679
Capital Budget	<u>60,942,515</u>
Total Operating and Capital	\$149,465,194

**BE IT FURTHER RESOLVED** that the Potomac and Rappahannock Transportation Commission adopts the amended FY 2018 Operating and Capital Budget in the following amounts.

Operating Budget	\$ 85,346,443
Capital Budget	<u>64,675,346</u>
Total Operating and Capital	\$150,021,789

**BE IT FURTHER RESOLVED** that the Potomac and Rappahannock Transportation Commission authorizes the Executive Directors of both NVTC and PRTC to submit to the Transportation Planning Board of the National Capital Region and to the Federal Transit Administration or other federal agencies, the appropriate Transit Improvement Program and grant applications for FY 2018 and FY 2019.

**BE IT FURTHER RESOLVED** that the Potomac and Rappahannock Transportation Commission authorizes the Executive Director of NVTC to submit to the Commonwealth the approved budget as part of the FY 2019 state aid grant applications.

**Votes:**

**Ayes:**

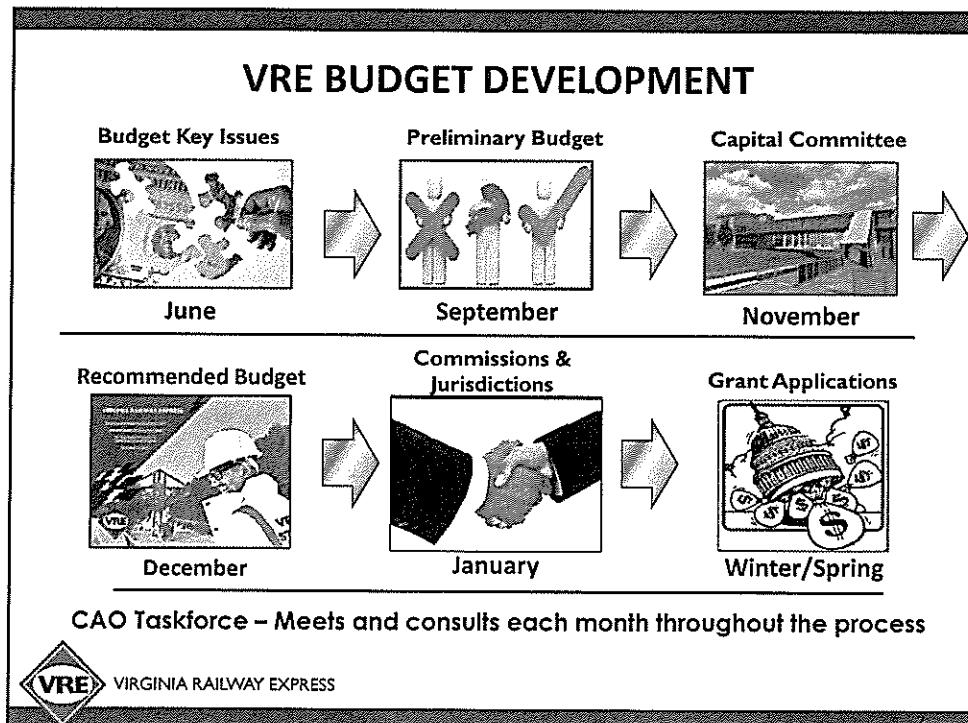
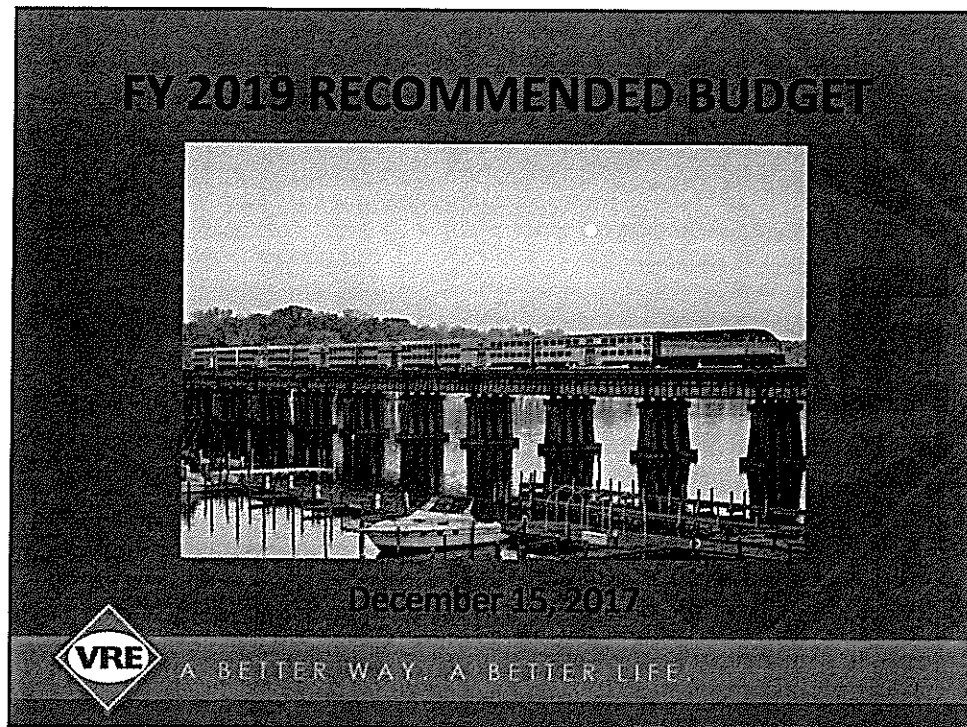
**Nays:**

**Abstain:**

**Absent from Vote:**

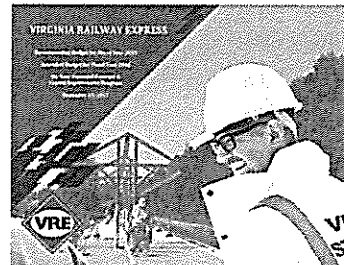
**Alternate Present Not Voting:**

**Absent from Meeting:**



## FY 2019 BUDGET DOCUMENT

- Introduction
- Goals, Assumptions and Financial Principles
- Recommended FY 2019 Budget
- Amended FY 2018 Budget
- Six-Year Financial Forecast FY 2019-FY 2024
- Capital Improvement Program FY 2019-FY 2024
- Appendices & Supplementary Information



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## WHERE ARE WE?

- FY 2019 Recommended Budget
  - Budget is balanced
  - Highest priority capital projects are funded
- Six-Year CIP and Financial Forecast
  - Major impact to VRE (access fees and capital match) if state funding concerns not addressed
  - Focus on project delivery, but also press for long-term dedicated funding and funding for major joint corridor projects



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## FY 2019 KEY BUDGET ASSUMPTIONS

- Service level: 32 daily trains
- Jurisdictional subsidy increase of 3%
- No fare increase (except Amtrak Step-Up)
- Continued moderate fuel costs
- Fare revenue and ridership:

Budget	Fare Revenue	ADR
FY 2019 Recommended	\$42.4M	19,000
FY 2018 Adopted	\$39.8M	18,200
FY 2017 Actual	\$42.3M	18,968



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## KEY ASSUMPTIONS (CONT.)

- Diesel fuel: \$2.50/gallon, total expense of \$4.25 million
- Track access: \$17.87 million, grant funding of 84%
- State operating assistance: \$9.5 million
- Prior year funds of \$990K for one-time expenditures
- Federal formula funds: \$29.1 million in FY 2019



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## JURISDICTIONAL SUBSIDY INCREASE

- 3% jurisdictional subsidy increase - \$517,508 additional contribution
- Why is increase required?
  - Operating expenses and contractual obligations 4.5% higher than FY 2018
  - Potential reduction in State capital funding
  - VRE long-term funding structural issues (operating expenses increasing faster than revenues)
  - Consistent with Financial Plan, FY 2018 Approved Budget and Board Direction



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## FY2019 SUBSIDY BREAKDOWN

Jurisdiction	FY 2017		FY 2018		FY 2019		Change FY17 to FY19		Change FY18 to FY19	
	Subsidy	Percent	Subsidy	Percent	Subsidy	Percent	Net +/-	% Change	Net +/-	% Change
Fairfax County	\$5,160,910	30%	\$6,099,300	35%	\$5,385,794	30%	\$224,884	-4.36%	(\$713,506)	-11.70%
Prince William County	5,968,406	35%	5,363,372	31%	6,183,745	35%	215,339	3.61%	820,373	15.30%
Stafford County	2,647,222	15%	2,344,514	14%	2,475,127	14%	(172,095)	-6.50%	130,613	5.57%
Spotsylvania County	1,382,749	8%	1,520,191	9%	1,632,635	9%	249,886	18.07%	112,444	7.40%
Manassas	749,371	4%	604,586	4%	785,098	4%	36,527	4.87%	181,312	14.90%
Manassas Park	511,777	3%	474,718	3%	511,311	3%	(466)	-0.09%	36,593	7.71%
Fredericksburg	483,524	3%	412,278	2%	436,568	2%	(46,956)	-9.71%	19,290	4.68%
Arlington	205,692	1%	205,692	1%	211,863	1%	6,171	3.00%	6,171	3.00%
Alexandria	140,589	1%	140,589	1%	144,807	1%	4,218	3.00%	4,218	3.00%
	\$17,250,240	100%	\$17,250,240	100%	\$17,767,748	100%	\$517,508	3.00%	\$517,508	3.00%

Jurisdiction	October 2015		October 2016		October 2017		Change Oct 15 to Oct 17		Change Oct. 16 to Oct. 17	
	Riders	Percent	Riders	Percent	Riders	Percent	Net +/-	% Change	Net +/-	% Change
Fairfax County	2,163	22%	2,777	27%	2,122	23%	(41)	-1.90%	(655)	-23.60%
Prince William County	3,095	32%	3,061	29%	2,995	31%	(100)	-3.24%	(66)	-2.15%
Stafford County	1,603	17%	1,610	15%	1,517	16%	(86)	-5.36%	(93)	-5.77%
Spotsylvania County	990	10%	1,183	11%	1,159	12%	169	17.09%	(24)	-2.06%
Manassas	428	4%	418	4%	416	4%	(12)	-2.79%	(2)	-0.41%
Manassas Park	280	3%	294	3%	264	3%	(16)	-5.67%	(30)	-10.15%
Fredericksburg	359	4%	337	3%	359	4%	(0)	-0.09%	22	6.44%
Other	777	8%	778	7%	759	8%	(18)	-2.32%	(19)	-2.44%
	9,695	100%	10,458	100%	9,591	100%	(104)	-1.08%	(867)	-8.29%



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## FY 2019 OPERATING EXPENSE GROWTH

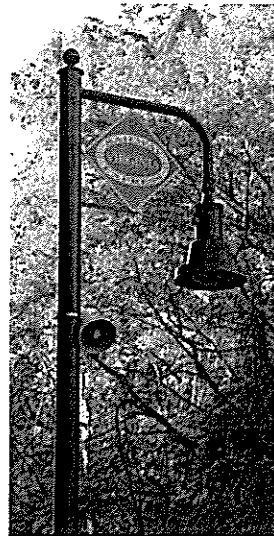
- \$3.5 million net increase (+4.5%) over FY 2018
- Primary ongoing expense increases:
  - Railroad Access Fees (\$1.0M): contractual increases, PTC, station leases
  - Contract Operations/Maintenance (\$1.0M): CPI increases, longer trains, L'Enfant storage, LOU facility operations
  - Finance & HR (\$0.5M): Additional FTE (grants accountant), costs related to higher fare revenue (bank fees, payment card fees)
  - Staff Salary/Benefits (\$0.5M): Includes 3% COLA
- One-time expenses:
  - Mechanical Operations (\$0.5M): PTC startup costs, LOU facility furniture and fixtures
  - Non-Routine Maintenance (\$0.3M): Station painting
  - Consulting (\$0.2M): Project Management and Design Standards manuals



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## CAO TASK FORCE

- Works with VRE Staff throughout the budget development process
- CAO Task Force supports:
  - 3% jurisdictional subsidy increase
  - \$1 increase in Amtrak step-up charge (from \$7 to \$8)
  - One additional FTE in FY2019 (grants accountant)



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### FY 2018 AMENDED BUDGET

- Operating – net increase of \$0.4 million:
  - Increased ridership/fare revenue projection consistent with experience so far
  - Small reduction in state operating assistance
  - Minor expense increases in various areas
- Capital – net increase of \$16 million:
  - SmartScale and REF grants that were not yet committed at this time last year
  - Capital reserve funding to keep projects moving forward



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### FY 2019 CAPITAL BUDGET: \$60.9 MILLION

Category	Amount	Formula (with match)	Discretionary and VRE	Category % of Total
Asset Management	\$5,915	\$5,915	\$0	10%
Replacement/ Enhancement	33,413	29,863	3,550	55%
Capacity Expansion	18,615	0	18,615	31%
Capital Reserve	3,000	0	3,000	5%
<b>TOTAL FY 2019</b>	<b>\$60,943</b>	<b>\$35,778</b>	<b>\$25,165</b>	<b>100%</b>

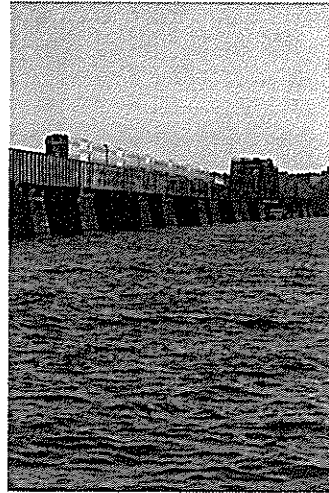
*figures in thousands*

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## FY 2019 FEDERAL FUNDING COMMITMENTS

- Railcar Debt Service
- Security Enhancements
- Facilities and Equipment Asset Management Programs
- Midday Storage (New York Avenue Yard)
- Lifecycle Overhaul and Upgrade Facility (LOU)
- Washington Union Terminal Improvements



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## UPDATE ON WASHINGTON UNION TERMINAL

- Costs shared among Amtrak, MARC, and VRE
- Looking ahead through 2022, have identified both construction and design projects:
  - Construction: North Hangar improvements, Track 22 rehab, concourse modernization, subbasement structural relocation, substation relocation
  - Design: Concourse Part 2, track improvements, master development plan
- VRE share of six-year plan estimated at \$25-\$30 million (before potential credits)



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### FY 2019-FY 2024 CIP

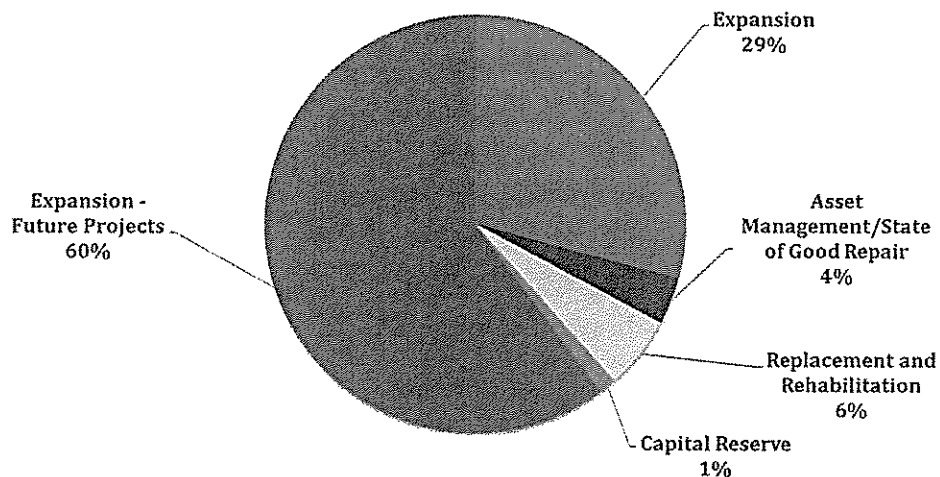
		Funding Status				
CIP Category	Total Project Costs	Life to Date (incl. FY18)	FY 2019 and Future			Total Project Funding
			Committed	Unfunded (I-66 OTB)	Unfunded	
Active	\$915.0	\$190.3	\$465.1	\$128.5	\$131.2	\$915.0
Future	\$1,384.8	\$0.3	\$0.7		\$1,383.8	\$1,384.8
TOTAL CIP	\$2,299.8	\$190.6	\$465.8	\$128.5	\$1,515.0	\$2,299.8

*figures in millions*



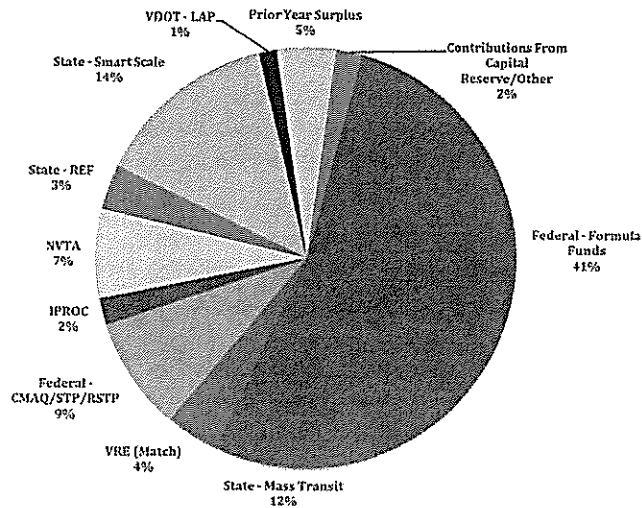
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### FY 2019 - FY 2024 \$2.3 BILLION CIP BY PROJECT TYPE



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## FY 2019 - FY 2024 CIP \$656M COMMITTED FUNDING SOURCES



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## FUNDING CHALLENGES

- If not addressed, state fiscal cliff will impact key capital projects like midday storage and matching of federal formula grants
- Impact will also be felt in operations as funding for track access fee reimbursement declines substantially



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### FUNDING CHALLENGES (CONT.)

- Relative to baseline state matching funding (34% for facilities, 16% otherwise), VRE faces loss of \$30 million over six-year period for CIP projects if state match falls to 8%
- If access fee support falls from 84% to 50% over six-year period, VRE faces loss of additional \$19 million



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### HOW WOULD VRE RESPOND?

- VRE's current financial practices are strong:
  - Annual contributions to capital reserve
  - Operating reserve at 3 months of expenses
  - Regular, moderate increases in fares and subsidy
- If fiscal cliff is not addressed, VRE could "muddle through" for a year or two:
  - Redirect current capital reserve contribution
  - Draw on existing reserves
  - Utilize federal formula funding for eligible preventive maintenance (PM) expenses



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### HOW WOULD VRE RESPOND? (CONT.)

- Sustained decline in access fee funding could force reduction in service – risk of “death spiral” if riders seek other options
- Must utilize federal formula funding for debt service and asset management (safety and state of good repair) before all else
- Discretionary funding for expansion (NVT, SmartScale, REF, I-66 OTB) cannot be repurposed – projects could be halted, but would not solve core funding issue



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### NEXT STEPS

#### Actions Requested Today:

- Adoption of Operating and Capital Budget
- Refer budget to Commissions and Jurisdictions
- Authorize submission of funding applications

#### Future Activities:

- Monitoring of State funding and allocation issues
- Pursuit of additional funding through State Legislature



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**THANK YOU**



**QUESTIONS?**



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OPERATIONS BOARD

**Agenda Item 9-A**  
**Action Item**

**To: Chairman Smedberg and the VRE Operations Board**

**From: Doug Allen**

**Date: December 15, 2017**

**Re: Referral of the Amended FY 2018 and Recommended FY 2019  
VRE Operating and Capital Budgets to the Commissions and  
Localities**

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**Recommendation:**

The VRE Operations Board is asked to adopt the revised FY 2018 VRE Operating and Capital Budget and the recommended FY 2019 VRE Operating and Capital budget and refer them to the Commissions for their consideration and subsequent referral to the jurisdictions for their formal review and adoption; and to recommend the Commissions authorize the Executive Directors of NVTC and PRTC to take the necessary actions to apply for federal and state grant funding.

**Summary:**

Following the presentation of the preliminary FY 2019 budget in September and the budget update in November, staff is presenting the recommended FY 2019 operating and capital budget for adoption and referral. The recommended budget is balanced, with no funding gap and all projected uses of funding in FY 2019 supported by reasonably expected sources of funding. The FY 2019 budget includes a 3% increase in total jurisdictional subsidy and no increase in passenger fares, except for a \$1 increase in the cost of an Amtrak Step-Up ticket.

**Background:**

In accordance with the VRE Master Agreement, which outlines the process for annual budget approval, the preliminary FY 2019 VRE Operating and Capital Budget was prepared for review at the September VRE Operations Board meeting. Since that time, it has been discussed at subsequent meetings of the Operations Board, the Chief Administrative Officers' (CAO) Taskforce, and the Capital Committee, which reviewed the



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capital program in November. The CAO Taskforce met on December 7 to present their final recommendations and discuss VRE responses to those recommendations.

### **Discussion:**

The recommended FY 2019 Operating and Capital Budget totals \$149.5 million. The budget includes no increase in passenger fares (except for a \$1 increase in the Amtrak Step-Up ticket) and projected average daily ridership of 19,000 passengers, which results in projected annual fare revenue of \$42.4 million. The budget also includes a 3% increase in total jurisdictional subsidy from \$17,250,240 in FY 2018 to \$17,767,748 in FY 2019.

The recommended FY 2019 operating budget of \$88.5 million (which includes \$6.7 million in debt-related expenses) represents an increase of \$3.5 million or 4.2% over the FY 2018 operating budget. This expense growth is primarily the result of contractual cost increases in the access fees VRE pays to Amtrak, CSX, and Norfolk Southern, as well as increases for contracted train operations and maintenance services. Other major assumptions in FY 2019, and significant changes compared to the prior fiscal year, are provided in the FY 2019 Recommended Budget document.

In accordance with the Master Agreement, VRE conducts an annual passenger survey to determine the jurisdiction of residence of its riders. The results of this survey are used to allocate the local jurisdiction subsidy. The recommended FY 2019 subsidy by individual jurisdiction, which incorporates data from the passenger survey conducted on October 4, 2017, is provided in Attachment A, which also includes prior year subsidy and ridership data for comparison. As the attachment demonstrates, the allocation for FY 2018 was impacted by WMATA's SafeTrack program, which resulted in a temporary increase in the number of VRE riders from Fairfax County. Following the completion of SafeTrack, the allocation of subsidy by jurisdiction is back in line with FY 2017 (i.e., pre-SafeTrack) results.

### **Six-Year Financial Forecast**

The FY 2019 budget document also includes a six-year financial forecast for the period FY 2019 through 2024. The forecast assumes the continuation of biennial 3% fare increases (in FY 2020, 2022, and 2024) and biennial 3% local subsidy increases (in FY 2019, 2021 and 2023). The forecast assumes modest capacity enhancements through lengthening of some existing trains, but no change in overall service level beyond the current 32 daily trains. The primary issue in the six-year financial forecast is the projected decline (absent any legislative action) in future State funding for capital projects and reimbursement of access fees.

### **Capital Budget and CIP**

The multi-year CIP includes both funded and unfunded projects. The funded projects include those that are funded through federal formula grants or State Mass Transit funds



received annually by VRE; through already allocated funds from other programs, such as CMAQ or NVTa; or through other expected sources. The unfunded or partially funded projects are those that are pending a discretionary allocation by a funding authority or for which a funding source has not yet been identified.

In July 2017, VRE's *Manassas Line Capacity Expansion and Real-Time Traveler Information Project* was recommended to receive approximately \$128 million in funding from the I-66 Outside the Beltway (OTB) concessionaire payment. However, the I-66 OTB project reached financial close later than expected, and the Commonwealth Transportation Board (CTB) will not meet until January 2018 to give its final approval on the projects to be funded through the concessionaire payment. Therefore, this \$128 million cannot yet be shown as a committed funding source in the FY 2019 – 2024 CIP, and those projects are currently shown as partially or totally unfunded. However, VRE staff remain confident the CTB will recommend the Manassas Line project for funding and expect to return to the Operations Board in the future with those projects showing committed I-66 OTB funding.

The FY 2019-2024 CIP illustrates the capital funding challenges facing VRE in the coming years, since currently identified funding falls short of the system's capital needs. Projects included in the CIP are prioritized with an emphasis on passenger safety, regulatory requirements, and maintaining current equipment and facilities in a state of good repair. However, the shortfall makes it difficult for VRE to adequately reinvest to maintain the system's reliability and safety, while also making enhancements, adding capacity to serve new ridership demands and adhering to commitments to participate in the expansion of the railroad infrastructure.

The total cost of all the projects in the FY 2019-2024 CIP is approximately \$2.3 billion. Of this total, \$191 million has already been expended in prior years (or is expected to be expended in FY 2018), \$466 million is available from committed or reasonably expected funding sources, and \$1.64 billion is currently unfunded (including I-66 OTB funds). The table below separates the CIP into two categories – those which are already underway or are likely to be substantially underway within the six-year timeframe, and future projects whose initiation and completion is more uncertain. The latter category includes unfunded major joint corridor projects such as Long Bridge and Occoquan Third Track.

CIP Category	Total Project Costs	Funding Status				
		Life to Date (including FY18)	FY2019 and Future			Total Project Funding
			Committed	Unfunded (I-66 OTB)	Unfunded	
Active Six-Year Projects	\$915,080,604	\$190,252,773	\$465,134,864	\$128,496,000	\$131,196,967	\$915,080,604
Future Projects	1,384,760,459	300,000	650,000		1,383,810,459	1,384,760,459
<b>TOTAL CIP</b>	<b>\$2,299,841,063</b>	<b>\$190,552,773</b>	<b>\$465,784,864</b>	<b>\$128,496,000</b>	<b>\$1,515,007,426</b>	<b>\$2,299,841,063</b>

Total programmed capital funding of \$60.9 million in the FY 2019 recommended budget is distributed across the following investment categories and funding types as follows, where Formula includes federal formula funds with the associated state and local match and Discretionary includes all other regional, state, or federal funds distributed through a competitive or other non-formula-based process, as well as VRE funding.

Category	Amount	Formula (with match)	Discretionary/ VRE	Category % of Total
Asset Management	\$5,915	\$5,915	\$0	10%
Replacement/Enhancement	33,413	29,863	3,550	55%
Capacity Expansion	18,615	0	18,615	31%
Capital Reserve	3,000	0	3,000	5%
<b>TOTAL CIP</b>	<b>\$60,943</b>	<b>\$35,778</b>	<b>\$25,165</b>	<b>100%</b>

*figures in thousands*

The programmed funding in the FY 2019 recommended capital budget is approximately \$12.5 million higher than the approved FY 2018 budget, which is primarily the result of new funding available through the SmartScale program for Quantico Station improvements, the Alexandria Pedestrian Tunnel, and Fleet Expansion Coaches. SmartScale funding for these projects is also being included in the FY 2018 amended budget, as described below.

### **FY 2018 Amended Budget**

Proposed amendments to the FY 2018 budget reflect updated projections for year-end revenue and expenses after four months of actual results. The net impact of all changes to the operating budget is an increase in total operating expenses of approximately \$365,000. This increase is offset by higher projected passenger fare revenues, and there is no change to the approved FY 2018 local subsidy. Detailed information on the changes is provided in the FY 2019 Recommended Budget document, which includes the FY 2018 Amended Budget.

The FY 2018 Amended Budget includes additional state capital funding from the Rail Enhancement Fund (REF) and the SmartScale program, as well as Board-authorized funding from VRE's capital reserve and from the sale of the Woodbridge Kiss-and-Ride property. The Amended Budget also incorporates a small reduction in the federally-funded security enhancement project from \$105,000 to \$101,010 (which includes associated reductions in required state and local match). These capital funding amendments are summarized in the table below:

<b>Project</b>	<b>Funding Source</b>	<b>Amendment Amount Increase / (Decrease)</b>
<i><b>FUNDING INCREASES</b></i>		
Quantico Station Improvements	SmartScale	\$1,899,745
Alexandria Pedestrian Tunnel	SmartScale	7,853,000
Fleet Expansion Coaches	SmartScale	2,000,000
L'Enfant Station Improvements	REF	1,113,000
Fourth Track VA to LE	REF	1,113,000
Crystal City Station Improvements	REF	707,000
Crystal City Station Improvements	Capital Reserve	303,000
Broad Run Expansion	Capital Reserve	750,000
EMV Compliance (Fare Collection System)	Capital Reserve (property sale)	518,000
<i><b>FUNDING REDUCTIONS</b></i>		
Security Enhancements	Federal (incl state/local match)	(3,990)
<b>TOTAL FY 2018 CAPITAL AMENDMENT</b>		<b>\$16,252,755</b>

**Virginia Railway Express  
Operations Board**

**Resolution  
9A-12-2017**

**Referral of the Amended FY 2018 and Recommended FY 2019 VRE  
Operating and Capital Budgets to the Commissions and Localities**

**WHEREAS**, the VRE Master Agreement requires the Commissions be presented with a fiscal year budget for their consideration at their respective January meetings prior to the commencement of the subject fiscal year; and,

**WHEREAS**, the VRE Chief Executive Officer has provided the VRE Operations Board with the FY 2019 Operating and Capital Budget within the guidelines developed in cooperation with the chief administrative officers of the local jurisdictions; and,

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**WHEREAS**, apart from the Amtrak Step-Up increase described above, the FY 2019 budget proposes no other changes to passenger fares; and,

**WHEREAS**, VRE staff recommends a budget based on a service level of 32 daily trains and average daily ridership of 19,000 trips;

**NOW, THEREFORE, BE IT RESOLVED THAT**, the VRE Operations Board does hereby recommend the Commissions adopt the FY 2019 VRE Operating and Capital Budget in the following amounts and forward this budget to the local jurisdictions for inclusion in their budgets and appropriations in accordance with the Master Agreement; and,

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**Resolution 9A-12-2017 continued**

**BE IT FURTHER RESOLVED THAT**, the VRE Operations Board does hereby recommend the Commissions adopt the amended FY 2018 Operating and Capital Budget in the following amounts; and,

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**BE IT FURTHER RESOLVED THAT**, the VRE Operations Board does hereby recommend the Commissions authorize the Executive Director of NVTC to submit to the Commonwealth the approved budget as part of the FY 2019 state aid grant applications.

~~**BE IT FURTHER RESOLVED THAT, the VRE Operations Board does hereby recommend the Commissions authorize the Chief Executive Officer of VRE to submit appropriate projects to the Northern Virginia Transportation Authority or other funding authorities on behalf of the Commissions.**~~

Approved this 15<sup>th</sup> day of December 2017

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Paul Smedberg  
Chairman

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Katie Cristol  
Secretary