



VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

Agenda Item 11-A
Information Item

To: Chair Bohmke and the VRE Operations Board

From: Rich Dalton

Date: July 19, 2024

Re: Fiscal Year 2026 Budget Key Issues

Summary:

Staff will present information to the Operations Board members on key issues for the upcoming Fiscal Year 2026 budget process. Further discussion of these issues will occur at the Finance Committee meeting immediately following the Operations Board meeting.

Background:

The timeline for the approval and adoption of each year's annual operating and capital budget is described in the VRE Master Agreement and is structured to allow sufficient time for consideration and discussion by the Operations Board; public engagement as required on major policy decisions; adoption by the Commissions; and incorporation into the jurisdictions' annual budgets in advance of the start of the fiscal year on July 1. The major milestones for FY 2026 include:

1. **July 2024:** Discussion of Budget Key Issues (no formal action)
2. **September 2024:** Preliminary Budget presented to Operations Board for referral to Commissions
3. **October/November 2024:** Budget updates and discussion as required
4. **December 2024:** Recommended Budget presented to Operations Board for referral to Commissions
5. **January 2025:** Commissions adopt budget and forward to jurisdictions.
6. **Spring 2025:** Individual jurisdictional budget processes and appropriation of VRE subsidy



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Key Issues:

VRE faces a range of important issues in developing the FY 2026 operating and capital budgets. While these issues are interdependent, they can be considered in four primary groups as outlined below. Staff will expand on each of these topics as part of the discussion with the Operations Board.

1. Strategic Policy Decisions (beyond FY 2026)
 - a. Current and future service levels (weekdays and weekends)
 - b. Jurisdictional subsidy contribution
 - c. Overall level of passenger fares
 - d. Ridership recovery and farebox contribution to operating budget
 - e. Outlook for new funding through SJ 28 or other actions

2. Key Expense and Revenue Areas for FY 2026
 - a. Re-procurement of train operations and maintenance services
 - b. Access fees, including potential impact of VPRA-Norfolk Southern transaction
 - c. Growth in insurance premiums (liability, property, terrorism, cybersecurity)
 - d. Outlook for state funding under new dedicated approach
 - e. Volatility of diesel fuel
 - f. Identifying departmental efficiencies

3. Status of Current and Future Capital Projects
 - a. Equipment and facilities asset management
 - b. Station improvements
 - c. Maintenance and storage facilities
 - d. Rolling stock

4. Forecast for Utilization of Federal Pandemic Relief Funds