

Response to Questions on the FY 2009 Advertised Budget Plan

Request By: Chairman Connolly

Question: Describe the recent VRE budget negotiations and the impact on the County and General Fund requirements.

Response: The FY 2009 Advertised Budget Plan includes a projected County subsidy of \$5,687,663 for VRE. This amount is consistent with the FY 2009 budget recommendation of the VRE's Chief Administrative Officers (CAO) Task Force, and it assumes no receipt of NVRTA regional transportation funds (which had been anticipated, prior to the 2/29/08 Virginia Supreme Court ruling, to be available under HB 3202) to offset VRE capital and operating costs. The Board of Supervisors endorsed the CAO initial budget recommendation on December 3, 2007.

The FY 2009 VRE budget subsidy reflects the second-year of implementation of a phased-in change in the allocation formula to eliminate the weight allocated to population and to emphasize ridership. Changing from the original formula of 10 percent weight for population to the current phase-in formula of only 5 percent weight for population results in a FY 2009 savings of approximately \$660,000 to Fairfax County. As the phase-in occurs in subsequent years, the allocation formula will be based 100 percent on ridership.

On December 21, 2007, the VRE Operations Board approved two versions of the FY 2009 budget, one "base" option assuming no HB 3202 funds, and another option including HB 3202 funding support. The base option provided for total VRE operating and capital expenditures of \$73.7 million and local subsidy support of \$17.3 million, including \$5,507,805 from Fairfax County. It assumed the continuation of the 30-train operation; a fare increase of 3 percent; and additional funding of \$4.5 million to cover additional debt service for a 50 railcar purchase, increased payments to Amtrak, increased locomotive maintenance and fuel increases, the replacement of one-time federal funds used to cover operating costs in the prior year, and increased insurance payments. The alternative, HB 3202-budget option, applied new NVRTA transportation funds and required a lower subsidy from all local jurisdictions, including \$5,112,956 from Fairfax County. VRE forwarded its two approved budget options to the Northern Virginia Transportation Commission (NVTC), which subsequently approved both budget options on January 3, 2008. Public hearings on fare increases were held from February 20 through March 13, 2008.

On February 29, 2008 the Virginia Supreme Court ruled that the General Assembly's delegation of taxing authority to NVRTA was unconstitutional. The VRE Operating Board took no further action on its budget at its March 21 meeting; however, if the General Assembly does not meet in special session this spring to replace the funding that would have been generated by NVRTA taxes and fees, it is unlikely that VRE's HB 3202 budget option would be implemented. However, the projected \$5.69 million currently included in the FY 2009 County Transit budget for VRE is sufficient to meet the NVTC-approved VRE higher local subsidy base budget requirement of \$5.51 million. At this time, it is not recommended that the County budget be reduced by \$179,858 to match the current NVTC-approved base option, since VRE has projected a \$1.2 million FY 2009 shortfall in its fuel budget and has not yet determined how it will close that gap.

