# VRE Long Range Service Plan & Financial Analysis Review

## July 28, 2016

# 2016 Acts of Assembly
# House Bill 30

The CTB shall review the LRP and financial analysis of VRE:

- The long-term financial viability
- Their ability to maintain appropriately costed-services
- VRE's impact on traffic volumes on the I-66/95/395 CoSS

Deadline – November 15,2016

# Analysis

**Analyze:**

- Estimating methodology
- Long-term service costs
- Assumptions on funding resources

**Compare:**

- Compatibility with other Plans
- Compatibility with Stakeholder Input
- Service assumptions and state priorities

**Report:**

- Draft Reports and Presentation for Rail Committee
- Final Report for CTB

# Analysis

**Analyze:**

- **Estimating methodology**
  - Long-term service costs
  - Assumptions on funding resources

1. Ridership represents the benefits of the service
2. Ridership forecasts serve as the basis for estimating those future benefits *and* costs

# Analysis

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1. Ridership forecasting:
   a) Methodology
   b) Results

# Analysis

Analyze:

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1. Ridership forecasting:
   a) Methodology
   – Preliminary estimates used MWCOG model
   – Regional model not well calibrated for commuter rail (VRE & MARC)
   – Alternative approach used
     - Population & employment forecast
     - Similar mode split and response to service changes

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1. Ridership forecasting:
   b) Results
      - Growth from the following areas
        – Natural growth attributable to demographic and land use growth
        – Increased frequency (20-minute and 15-minute headway service)
        – Skip-stop service
        – Gainesville-Haymarket extension service
        – Reverse peak service
        – Off-peak hourly service
        – Weekend service

| | 2013 | Phase 1 (2014-2020) | Phase 2 & 3 (2031-2040) |
|---|---|---|---|
| Total weekday ridership | 19,000 | 25,000 | Up to 50,000 |
| Incremental ridership | - | 6,000 | 18,000 |

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1. Ridership forecasting:
   b) Results

| | 2013 | Phase 1 (2014-2020) | Phase 2 & 3 (2031-2040) |
|---|---|---|---|
| Total weekday ridership | 19,000 | 25,000 | Up to 50,000 |
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- Phase 1 growth is consistent with historical patterns
- Phase 2/3 growth will draw from attracting different travel markets
- Both depend upon
  - Population and employment growth currently forecasted for the region
  - Planned capital and service improvements to be implemented
- At projected 2040 ridership levels, the service would provide the equivalent of approximately 100 freeway lane miles

# Claims & Verifications

## Demand Increase 2020 & 2040

- Verify Travel Demand Model, Pop. and Emp. Projections ✓

## VRE Highway Equivalency

- Compare to projected volumes on 66/95/395 ✓

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2. Cost estimates:

   a) Modeled for the 2040 Plan and additional modeling is part of VRE's current Strategic Financial Forecasting effort.

   b) Prepared for long term forecasting/planning purposes and not for short term budgeting.

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2. Cost estimates:

   c) The 2040 plan uses a fully allocated cost model.

   d) Strategic Financial Forecast builds upon this.

   e) Methodology is typical in the industry and appropriate for long range planning where the goal is to compare scenarios against a baseline cost.

# Analysis

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2. Cost estimates:

    f) Forecasted future cost estimates are derived from escalating the base year via

- Historic costs/growth
- Contractual levels
- General inflation/CPI
- Industry sources such as AAR
- Capital costs per VRE Planning estimates

    g) 2040 showed more aggressive growth than Strategic Financial Forecasting effort.

    h) Methodology and sources appear reasonable.

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3. Funding/Revenue estimates:
   a) Analysis focuses on Strategic Financial Forecasting effort
   b) Assumptions
      - Federal and state sources flat or decreasing
      - Fare increase 3%, biennially (previously 5%)
      - Local subsidy @ 3% biennially (down from 5%)
      - Ridership per VRE forecasts (see discussion above)

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4.  <u>VRE's Findings</u>
    a) Forecast produced for several scenarios
       - Range from base scenarios to full implementation of 2040 plan
       - Include scenario that examines additional fare increases

    b) All scenarios
       - Characterized by operating expenses that grow faster than current revenue sources
       - Require significant levels of capital investment

# Schedule

- Present Study Approach and *Preliminary Findings*

**July**

**August**

- Provide written *Draft Recommendations*

- Revise *Draft based on Feedback*
- Present *Draft Final Report*

**September**

**October**

- *Final Report and Presentation*

- Format and Furnish to General Assembly by 11/15/16

**November**