



**NVTC COMMISSION MEETING
THURSDAY, DECEMBER 7, 2006
NVTC CONFERENCE ROOM
8:00 PM**

NOTE: A buffet supper will be available for attendees before the meeting.

AGENDA

1. Minutes of the NVTC Meeting of November 2, 2006.

Recommended Action: Approval.

2. VRE Items.

- A. Report from the VRE Operations Board (with minutes of the meeting of November 17) and from VRE's Chief Executive Officer--Information Item.
- B. VRE FY 2006 Audited Financial Statements--Action Item/Resolution #2042.
- C. VRE 2007 Legislative Agenda--Action Item/Resolution #2043.
- D. MOU with Manassas for Joint Parking Facility--Action Item/Resolution #2044.
- E. MOU with Fredericksburg for ADA Parking—Action Item/Resolution #2045.
- F. Contract for Variable Message Signs--Action Item/Resolution #2046.
- G. Proposed Governance/Formula Master Agreement Changes--Discussion Item.



3. NVTC's Legislative Agenda for 2007.

NVTC's Legislative Committee will recommend an agenda of state and federal legislative actions.

Recommended Action: Approve the NVTC agenda recommended by the Legislative Committee. Authorize a letter of support for U.S. Senate action on a revised dedicated funding bill.

4. Code Orange/Red Free Bus Fare Program.

Additional CMAQ funding has been proposed for NVTC's free bus fare program, as well as funds for on-board surveys to measure effectiveness and funds to promote the program. Program changes would occur in the summer of 2007.

Recommended Action: Authorize staff to expand the program using CMAQ funding approved by NVTA and issue an RFP for the evaluation and survey.

5. Authority to Issue a Request for Proposals for a Hydrogen Fuel Injection Bus Demonstration.

NVTC has a state grant to conduct a demonstration of a new engine technology that has been successful in Canada on over-the-road trucks in saving fuel and reducing emissions.

Recommended Action: Authorize NVTC staff to issue a Request for Proposals with the commission to be asked to authorize the award of contract on January 4, 2007.

6. Authority to Execute a Contract for Senior Transit Travel Training.

In October, 2005 NVTC provided authority to execute a sole source contract with NVTC's Phase I senior mobility consultant for this Phase II project, but WB&A has declined to initiate a sub-contract for this work.

Recommended Action: Authorize NVTC's executive director to execute a contract with the Partnership TMA of Montgomery County, Pennsylvania and issue a notice to proceed.

7. Transportation Incident Response Planning.

On November 28th the region conducted a tabletop test of response plans, including those prepared by NVTC staff in cooperation with Northern Virginia's transit systems. Staff will describe the results and review NVTC's station area plans.

Presentation Item.

8. WMATA Items.

- A. Preliminary Budget for FY 2008.
- B. Regional Bus Conference.
- C. FY 2006 Annual and First Quarter FY 2007 Finance Reports.
- D. New General Manager Selected.
- E. Final Alignment for the Dulles Corridor Metrorail Project.

Discussion Item.

9. Regional Transportation Items.

- A. Status of I-95 HOT/HOV Lanes.
- B. Status of Congestion Pricing Demonstration.
- C. Status of FAMPO Request for Federal Funding.

Information Item.

10. Notice of Public Hearing on NVTC's 2007 Work Program and Meeting Schedule.

NVTC will conduct a public hearing at its business meeting of January 4, 2007 on its proposed 2007 Work Program and Meeting Schedule. A draft is attached that will be posted on NVTC's website for public comment.

Information Item.

11. Notice of Appointment of a Nominating Committee for 2007 NVTC Officers.

Chairman Connolly has appointed the NVTC Executive Committee to serve as a nominating committee. The proposed slate of officers will be reported on NVTC's website and mailed to commission members prior to the NVTC meeting of January 4, 2007.

Information Item.

12. NVTC Financial Reports for October, 2006.

Information Item.



AGENDA ITEM #1

MINUTES

NVTC COMMISSION MEETING – NOVEMBER 2, 2006 NVTC CONFERENCE ROOM – ARLINGTON, VIRGINIA

The meeting of the Northern Virginia Transportation Commission was called to order by Chairman Connolly at 8:10 P.M.

Members Present

Sharon Bulova
Gerald Connolly
Jeannemarie Devolites Davis
William D. Euille
Paul Ferguson
Dana Kauffman
Joe May
Elaine McConnell
Paul Smedberg
David F. Snyder
Matthew Tucker
Mary Margaret Whipple

Members Absent

David Albo
Eugene Delgaudio
Adam Ebbin
Jay Fisette
Catherine M. Hudgins
Thomas Rust
Scott Silverthorne
Christopher Zimmerman

Staff Present

Rhonda Gilchrest
Scott Kalkwarf
Jana Lynott
Adam McGavock
Kala Quintana
Elizabeth Rodgers
Jennifer Straub (VRE)
Richard K. Taube
Dale Zehner (VRE)



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Oath of Office for New NVTC Commissioner

Chairman Connolly administered the oath of office to Matthew Tucker, DRPT's new director. Commissioners welcomed Mr. Tucker to NVTC.

NVTC's FY 2006 Audit

Chairman Connolly reported that NVTC's audit firm, PBGH, Certified Public Accountants, has completed its audit and provided an unqualified (clean) opinion. NVTC's executive committee met with the auditors, Mike Garber and Dwight Buracker, and heard a detailed overview of the audit. Mr. Garber stated that NVTC's financial statements were the "cleanest" PBGH has experienced. Chairman Connolly acknowledged Scott Kalkwarf for his hard work during the audit process.

Presentation on Joint Commission on Technology and Science (JCOTS)

Mr. Taube explained that at the suggestion of Delegate May, NVTC has invited Lisa Wallmeyer, executive director of JCOTS, to make a presentation on the work of her commission. Ms. Wallmeyer explained that JCOTS was created by the General Assembly in 1997 and its emphasis is on energy and technology policy. JCOTS has 12 legislative members, with Delegate May serving as chairman. Delegate Rust also is a committee member. JCOTS considers issues, through the use of advisory committees, and makes recommendations to the General Assembly. Some of the topics of interest are electronic tolling, 5.9 GHz technology and its impact on increasing productivity and capacity of existing transportation systems, traffic congestion management technologies, photo-red programs, driving distractions, modeling and simulation, and teleworking. In response to a question from Chairman Connolly, Ms. Wallmeyer stated that non-legislative members can participate in JCOTS, although no one from the local level has yet applied. She stated that JCOTS is open to input and suggestions from NVTC, since many of the topics are of interest to both commissions.

Mr. Smedberg arrived at 8:20 P.M.

Delegate May stated that JCOTS is using simulation technology to model traffic on Route 1 at Ft. Belvoir to maximize passenger flow. Mr. Snyder observed that the work JCOTS is doing is very important. The city of Falls Church is interested in photo-red programs as well as looking at ways to get travel information (both day-to-day and for emergencies) to the public. He urged JCOTS to coordinate some of their work with the Transportation Planning Board and the Council of Governments. He stated that 50 percent of congestion is caused from non-recurring occurrences, so improvements from new technology can certainly help to solve traffic congestion problems.

In response to a question from Chairman Connolly, Ms. Wallmeyer explained that there are two different legislative efforts concerning telework, including a formal legislative study (HJ 144) vice-chaired by Senator Devolites Davis, focusing on the how-to issues of teleworking. JCOTS is also looking at the infrastructure issues of teleworking. Chairman Connolly stated that NVTC has a keen interest in telework issues.

Mr. Kauffman suggested JCOTS look at the Phase 8 of the mixing bowl project which would link the two HOT lanes projects with new technology. It is important to have the project built and the new technology included.

Minutes of NVTC's Meeting of October 5, 2006

On a motion by Mr. Ferguson and a second by Mrs. Bulova, the commission unanimously approved the minutes. The vote in favor was cast by commissioners Bulova, Connolly, Devolites Davis, Euille, Ferguson, Kauffman, May, McConnell, Smedberg, Snyder, and Tucker.

VRE Items

Report from the VRE Operations Board and VRE Chief Executive Officer. Mrs. Bulova urged commissioners to read the minutes of the October 20, 2006 VRE Operations Board meeting.

Memorandum of Understanding with CSXT for Construction of L'Enfant Storage Track. Mrs. Bulova explained that Resolution #2039 would authorize VRE's CEO to enter into an agreement with CSXT for construction of the L'Enfant storage track in an amount not to exceed \$830,000. VRE has received that amount from the Department of Homeland Security for the project which will allow two VRE trains to be stored there during mid-day. The final agreement will be reviewed by VRE's legal counsel before it is executed.

Mrs. Bulova moved, with a second by Mrs. McConnell, to approve Resolution #2039 (copy attached). The vote in favor was cast by commissioners Bulova, Connolly, Devolites Davis, Euille, Ferguson, Kauffman, May, McConnell, Smedberg, Snyder, and Tucker.

Task Order for General Fleet Maintenance. Mrs. Bulova reported that Resolution #2040 would authorize VRE's CEO to amend a task order with STV, Inc. for general fleet maintenance by \$377,015 for a total value not to exceed \$754,030. Amtrak has further delayed its procurement of a new contractor so VRE must use its own contractor for this work anticipated through the end of December, 2006. Funding is available in the approved FY 2007 VRE budget.

Mrs. Bulova moved, with a second by Mrs. McConnell, to approve Resolution #2040 (copy attached). The vote in favor was cast by commissioners

Bulova, Connolly, Devolites Davis, Euille, Ferguson, Kauffman, May, McConnell, Smedberg, Snyder, and Tucker.

Change to Authority Delegated to the VRE Operations Board. Mrs. Bulova explained that the VRE Operations Board recommends that the commissions authorize the Operations Board to act on items up to \$1 million. Resolution #2041 would accomplish this. Currently, the limit is \$500,000. Mrs. Bulova explained that this change is part of the three-year phased approach adopted by the commissions in December, 2005.

Mrs. Bulova moved to approve Resolution #2041 and Mrs. McConnell seconded the motion.

Chairman Connolly stated that for this to work there needs to be no surprises to the commissions, so it is important that the Operations Board bring issues to the attention of the commissions. NVTC and PRTC are ultimately responsible for VRE as co-owners. Mrs. Bulova stated that the commission will receive monthly updates at NVTC meetings.

The commission then voted on the motion and it passed. The vote in favor was cast by commissioners Bulova, Connolly, Devolites Davis, Euille, Ferguson, Kauffman, May, McConnell, Smedberg, Snyder, and Tucker.

Metro Items

Mr. Kauffman distributed a fact sheet about Metro that provides useful information at the system level and by jurisdiction. He reported that WMATA is beginning its search process for a general manager, since Dan Tangherlini has taken himself out of the running.

2005 Development-Related Ridership Survey. Metro conducted a survey that covered 1,950 people who lived, worked or visited businesses within a half-mile of 13 Metrorail stations (including six in Virginia). These stations were surveyed in 1989 and one purpose of the current study was to observe trends over that decade and a half. Regression results showed that for any distance from a station, trips to/from home attract bigger Metrorail shares than trips to/from places of work. Regressions also illustrated relationships between mode shares by distance from station, time of day and trip purpose. Among the policy issues raised by the study is what type of developments to encourage at suburban stations.

Delay of Dulles Rail Project. DRPT has revealed that its construction schedule has been pushed back by about a year. It should now begin late in 2007 or early 2008. It was reported in the media that DRPT cited the exploration of a Tysons Tunnel alternative for the delay, but some local officials suggested other possible reasons such as administrative issues at DRPT or an unfilled FTA administrator position.

WMATA Governance Task Force. WMATA has provided a draft report to NVTC with a request for comments. Staff prepared a draft letter commenting on the report. There were no objections to sending the letter.

Legislative Items

NVTC's 2007 Legislative Agenda. Mr. Taube reminded commissioners that NVTC's Legislative Committee will convene in November to develop recommendations of the 2007 Legislative Agenda for action by the commission at its December meeting. Commissioners were urged to make suggestions for the Legislative Agenda.

Washington Post Survey on Transportation Taxes. On October 18th the Washington Post published a front page story about its survey showing a large majority of Northern Virginia residents want the state to spend more to fix roads and public transit. More than 75 percent want the opportunity to raise local taxes to do it. According to the survey, compared to the rest of the commonwealth Northern Virginians are much more dissatisfied with the performance of the General Assembly, less satisfied with overall state government performance, rank transportation as a much more important issue, blame Governor Kaine less and the House and Senate more, favor more strongly allowing voters to approve local tax increases for road projects, and prefer increased taxes for all Virginians more and tolls less.

Chairman Connolly reported that the Washington Post will be doing another story in the near future documenting the falling share by the commonwealth for Northern Virginia transportation costs and the rising local burden.

Interim Final Report to FTA on the SmarTrip Farebox Project

Mr. McGavock reported that NVTC staff submitted the interim final report to FTA on the lessons learned so far as the region converts all of its transit systems to SmarTrip fare collection capacity. FTA has asked for drastic changes to the report. Delegate May asked if the changes requested were policy or substantive changes. In response Mr. McGavock stated that FTA only wanted the report to deal with NVTC's responsibilities with the project, and not Cubic's or the other agencies involved. His report detailed some of the problems during the process. Mr. Kauffman stated that the only choice for fare media is through Cubic. Chairman Connolly cautioned that NVTC not be forced into censorship by changing the report. The NVTC Board insists on an honest report. Senator Devolites Davis asked if FTA's response was in writing. Mr. McGavock stated that it was an e-mail message.

In response to a question from Mr. Smedberg, Mr. McGavock stated that there were no major problems during the first days of in-service demonstration in Alexandria, although there are minor issues that need to be addressed.

Senator Whipple arrived at 8:45 P.M.

Status Report on Congestion Mitigation Demonstration

Mr. Taube explained that no significant changes have occurred since staff is awaiting the publication in the Federal Register of the details about a new federal funding program. Staff intends to examine those details when they are released and determine whether it is appropriate to seek authorization from NVTA and/or NVTC to apply for funds. The federal funds would be used to determine the feasibility and practicality of conducting a congestion pricing pilot project in Northern Virginia. Coordination among all interested agencies would be needed to conduct such a feasibility study, especially with TPB's Value Pricing Task Force.

Status Report on Transit on I-95/395 HOV/HOT Lanes

Mr. Taube reported that the commonwealth has signed an interim agreement with Fluor-Transurban. However, transit agencies have expressed concerns about the process and prospects for this public-private sector initiative. Transportation Secretary Pierce Homer asked DRPT Director Tucker to convene a task force of transit systems representatives to work to resolve these issues and develop a transit service plan. The first meeting of that task force is scheduled for November 3rd. Chairman Connolly observed that Fluor-Transurban is having trouble with the Beltway HOT lanes and now need \$150 million from the local governments to make it work. He asked why the region would rush into another HOT lane proposal on I-95/395. Fairfax County is not opposed to the project, but is concerned. Mr. Tucker stated that there are many issues that need to be resolved. It is important to take a step back and look at it as a multi-corridor issue.

Senator DeVolites Davis expressed her opinion that moving forward is a grand idea because those in the General Assembly who are opposed to legislation raising revenues for transportation are using PPTA as a solution. Now that the Beltway project has determined that they are \$150 million short, it shows that it is not the entire solution. It makes a better case in Richmond that privatization is not a panacea without public investment.

Chairman Connolly stated that there is a substantive difference between the Beltway and I-95/395. The Beltway HOT lane project has a clear compelling benefit because it would add capacity and provides additional transit options, without taking anything away from existing facilities. However, I-95/395 is different because it is an existing facility paid for with tax dollars which currently

serves as a busway. It is very important to make sure that the transit component of the HOT lane proposal is preserved and enhanced. That puts a burden on the private entity that is distinctly different than the burden put on the Beltway proposal. He explained that his comments are meant as a caution, not opposition. Mr. Tucker agreed and stated that the project needs to produce a significant benefit and protect the investment already made.

Mr. Kauffman expressed concerns regarding the growth and traffic congestion that could result from the Ft. Belvoir/EPG BRAC recommendations. The proposed square footage of office space is equal to the entire office space in Reston, but in a much smaller area. One exit off the HOT lanes will cork traffic back to Massaponax.

Status Report on FAMPO Transit Formula Funding Issue

Mr. Taube reported that FAMPO has passed resolutions that ask, among other things, for a share of transit formula funding now going to WMATA. Staff of the Transportation Planning Board (TPB) has drafted a proposed response that suggests FAMPO work with TPB to address this allocation issue. This draft has not yet been presented to the TPB for action. Mr. Zimmerman, as chairman of NVT, has written to TPB asking that the TPB letter not be sent and that instead a meeting be convened by TPB staff with the existing designated recipients of funding (primarily WMATA but also Maryland Transit Administration, PRTC and VRE). TPB staff is now in the process of scheduling that meeting. In response to a question from Chairman Connolly, Mr. Taube stated that the meeting will be at the staff level.

Regional Transportation Items

Northern Virginia Tour for Senior State Officials. The tour is scheduled for December 7 and 8, 2006. The purpose of the tour is to provide an overview of public transit operations and funding issues in this region. Commissioners were urged to participate.

U.S. Compared to Northern Virginia Transit Ridership Trends. Northern Virginia's growth is over twice as fast as the national average for all types of transit over the first six months of FY 2006. This conclusion may change somewhat as the remaining two quarters of FY 2006 national data are compiled.

NVTC's Statement at the Commonwealth Transportation Board Hearings. Chairman Connolly reported that he presented NVTC's statement at the CTB hearing. He observed that Secretary Homer was pessimistic about the state of funding and warned that there will be a second round of funding cuts to the six-year secondary road improvement program. Mrs. Bulova asked if anything was said about maintenance. Ms. Quintana stated that it is her understanding that the commonwealth is pulling \$450 million from new construction to maintenance.

Chairman Connolly stated that this is a problem because there will be a continued shift from construction to maintenance and by 2010 there will be no new construction funding and by 2011 the commonwealth will not be able to match federal funds. Senator Devolites Davis noted that the people down state benefit from maintenance money, so when there is no more funding to fill their potholes and pave their roads, they will have a different view about raising revenues. Mr. Euille stated that the “robbing Peter to pay Paul” philosophy is not going to work.

NVTC Financial Items for September, 2006

The financial reports were provided to commissioners and there were no questions.

Recognition of Chairman Connolly’s APTA Award

Mr. Ferguson noted that Chairman Connolly has earned the prestigious Local Distinguished Service Award from the American Public Transportation Association and its 1,500 member transit systems and suppliers.

Commissioners congratulated Chairman Connolly.

Adjournment

Without objection, Chairman Connolly adjourned the meeting at 9:05 P.M.

Approved this 7th day of December, 2006.

Gerald E. Connolly
Chairman

William D. Euille
Secretary-Treasurer

NVTC

Northern Virginia Transportation Commission

RESOLUTION #2039

SUBJECT: MOU with CSXT for Construction of L'Enfant Storage Track.

WHEREAS: VRE received \$830,000 from the Department of Homeland Security for a storage track project adjacent to the L'Enfant station;

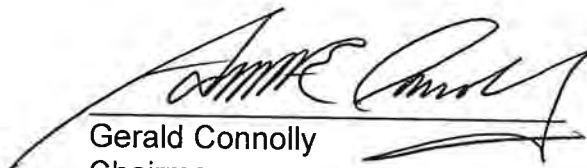
WHEREAS: This project would allow VRE to operate trains from L'Enfant to points south in the event of an emergency, as it would provide storage beyond the First Street tunnel for two train sets; and

WHEREAS: A force account agreement is being negotiated with CSXT for this work.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission authorizes the VRE Chief Executive Officer following legal review to enter into an agreement with CSXT for construction of the L'Enfant storage track project in an amount not to exceed \$830,000.

Approved this 2nd day of November, 2006.


William Euille
Secretary-Treasurer


Gerald Connolly
Chairman



NVTC Northern Virginia Transportation Commission NVTC

RESOLUTION #2040

SUBJECT: Task Order for General Fleet Maintenance.

WHEREAS: VRE, through STV, Inc., currently performs the maintenance, periodic inspections and repairs in the Virginia yards on all of its Gallery cars and other units of VRE's equipment under the MEC IV contract;

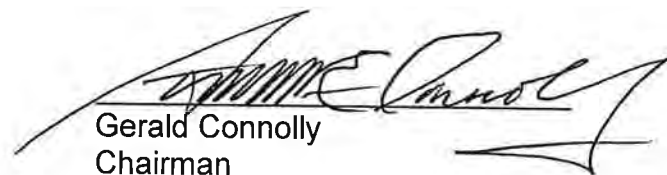
WHEREAS: Amtrak will not be ready to assume those duties through a sub-contractor until some time between November and December 31, 2006; and

WHEREAS: A task order amendment is, therefore, being requested under the MEC IV contract to allow normal maintenance activities to continue without interruption through December 31, 2006.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission authorizes the VRE Chief Executive Officer to amend a task order with STV, Inc. for general fleet maintenance by \$377, 015 for a total task order not to exceed \$754,030.

Approved this 2nd day of November, 2006.


William Euille
Secretary-Treasurer


Gerald Connolly
Chairman



NVTC Northern Virginia Transportation Commission

RESOLUTION #2041

SUBJECT: Change to Authority Delegated to the VRE Operations Board.


WHEREAS: In December, 2005 the commissions approved a delegation of authority plan which streamlined and clarified the oversight of VRE in order to allow the commissions to focus on other policy matters;

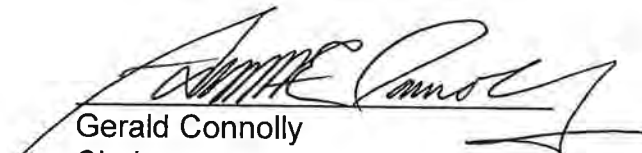
WHEREAS: The plan included a three-year approach to increase authority of the Operations Board; and

WHEREAS: The plan has proven effective and VRE's Operations Board is recommending approval of the second phase of the plan which would increase the financial delegation of authority to the Operations Board from \$500,000 to \$1 million per item.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission approves an increase in the financial delegation to the Operations Board from \$500,000 to \$1 million per item as part of the phased plan adopted in December, 2005.

Approved this 2nd day of November, 2006.


William Euille
Secretary-Treasurer


Gerald Connolly
Chairman





AGENDA ITEM #2

MEMORANDUM

TO: Chairman Connolly and NVTC Commissioners
FROM: Rick Taube
DATE: November 30, 2006
SUBJECT: VRE Items.

- A. Report from the VRE Operations Board and VRE Chief Executive Officer—Information Item.
- B. VRE FY 2006 Audited Financial Statements—Action Item/Resolution #2042.
- C. VRE 2007 Legislative Agenda—Action Item/Resolution #2043.
- D. MOU with Manassas for Joint Parking Facility —Action Item/Resolution #2044.
- E. MOU with Fredericksburg for ADA Parking—Action Item/Resolution #2045.
- F. Contract for Variable Message Signs—Action Item/Resolution #2046.
- G. Proposed Governance/Formula Master Agreement Changes—Discussion Item.



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Report from the VRE Operations Board and VRE Chief Executive Officer.

Minutes are attached from the VRE Operations Board meeting of November 17, 2006. Also attached are ridership and on-time performance reports and articles of interest. Both on-time performance and ridership improved somewhat during October.

In response to a board request, VRE staff provided laminated wallet-sized cards with facts about the investment of public funds in the CSXT Washington-Richmond Corridor. To date, over \$90 million of federal, state and local funding has been spent or committed, including \$27 million to add another track across Quantico Creek.

On December 1st, DRPT is due to report to the General Assembly about its recommendations for the corridor.



**VIRGINIA RAILWAY
EXPRESS**

**OPERATIONS BOARD
MEMBERS**

**MAUREEN CADDIGAN
CHAIRMAN**

**DANA KAUFFMAN
VICE CHAIRMAN**

**DOUG WALDRON
SECRETARY**

**SHARON BULOVA
TREASURER**

HILDA BARG

WALLY COVINGTON

ROBERT GIBBONS

WILLIAM H. GREENUP

JOHN D. JENKINS

ELAINE MCCONNELL

MATT TUCKER

**CHRISTOPHER
ZIMMERMAN**

**DALE ZEHNER
CHIEF EXECUTIVE
OFFICER**

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M I N U T E S

**VRE OPERATIONS BOARD MEETING
PRTC HEADQUARTERS – PRINCE WILLIAM COUNTY, VIRGINIA
NOVEMBER 17, 2006**

MEMBERS PRESENT	JURISDICTION
Sharon Bulova (NVTC)	Fairfax County
Maureen Caddigan (PRTC)	Prince William County
Robert Gibbons (PRTC)	Stafford County
Dana Kauffman (NVTC)	Fairfax County
Elaine McConnell (NVTC)	Fairfax County
Alan Tobias	VDRPT
Doug Waldron (PRTC)	City of Manassas

ALTERNATES PRESENT	JURISDICTION
Hilda Barg (PRTC)	Prince William County
Wally Covington (PRTC)**	Prince William County
John D. Jenkins (PRTC)	Prince William County

ALTERNATES ABSENT	JURISDICTION
William Greenup (PRTC)	VHSRDC
Christopher Zimmerman (NVTC)	Arlington County

STAFF AND GENERAL PUBLIC	
Omar Arouna – VRE	Trinh Lam – VRE
George Billmyer – citizen	Bob Liebbrandt – Prince William County
Donna Boxer – VRE	Ann King – VRE
Steve Crosby – Stafford County	Steve MacIsaac – VRE counsel
Matt Kelly – City of Fredericksburg	April Maguigad – VRE
Mensel Dean – PBGH	Betsy Massie – PRTC staff
Steve Edwards – Supervisor McConnell’s Office	Paul Milde – Stafford County
Mike Garber – PBGH	Lloyd Robinson – FAMPO
Anna Gotthardt – VRE	Mark Roeber – VRE
Al Harf – PRTC staff	Jennifer Straub – VRE
Angela Horan – PW Country Attorney	Rick Taube – NVTC staff
Mike Lake – Fairfax County	Dale Zehner – VRE

** Delineates arrival following the commencement of the Board meeting. Notation of exact arrival time is included in the body of the minutes.

Chairman Caddigan called the meeting to order at 9:35 A.M. Following the Pledge of Allegiance, roll call was taken.

Approval of the Agenda – 3

Ms. Barg moved, with a second by Mr. Jenkins, to approve the agenda. The vote in favor was cast by Board Members Bulova, Caddigan, Gibbons, Kauffman, McConnell, Tobias and Waldron.

Minutes of the October 20, 2006, VRE Operations Board Meeting – 4

Ms. Bulova moved, with a second by Mr. Kauffman, to approve the minutes. The vote in favor to approve the minutes was cast by Board Members Bulova, Caddigan, Gibbons, Kauffman, McConnell and Tobias. Board Members Jenkins and Waldron abstained since they did not attend that meeting.

Chairman's Comments – 5

Chairman Caddigan announced that she and Mr. Zehner had a successful trip to Japan to visit Sumitomo and Nippon Sharyo, VRE's railcar manufacturers. They traveled via the bullet train to Tokyo to visit executives from Sumitomo. They also toured the Nippon Sharyo production plant. She stated that Congressman James Moran personally worked hard to obtain funding for VRE for this railcar purchase. The Board had no objections to Chairman Caddigan sending a letter to Congressman Moran thanking him for his help and support.

[Mr. Covington arrived at 9:40 A.M.]

Mr. Gibbons congratulated Chairman Caddigan and the Marines on the new Marine Corp museum.

Chief Executive Officer's Report – 6

Mr. Zehner announced that final inspection of the first two new Gallery cab cars took place in Milwaukee on November 14th and these two cars will arrive at Broad Run on November 21st. One of the cars will be on display at Union Station for passengers and the general public on December 6th. A ceremony for elected officials is also being planned. More railcars will begin arriving in December, with the last five railcars expected to arrive during the week of January 22, 2007. It is anticipated that the first two cars can be put into revenue service in January.

Mr. Zehner also reported that on-time performance continues to climb, with a systemwide average of 95 percent for November. Ridership is increasing as well. Mr. Zehner also reported that in August the original budget deficit for FY 2007 budget was \$9.4 million). The current deficit is \$5 million to be resolved by cutting projects, a fare increase of two percent and local subsidy increase of \$4.6 million.

VRE Riders' Comments – 7

Mr. Billmyer observed that if VRE ran one or two trains the day after Thanksgiving, it would make many people happy. He gave the Board an overview of his trip to Texas where a new commuter line is opening. He mentioned that freight rail has changed over the past 50 years. When freight first started, there was not much train traffic. With the addition of passenger and commuter rail, the rail lines have become much more crowded and the freight railcars do not want other systems using their tracks.

Consent Agenda – 8

Mr. Kauffman moved, with a second by Mr. Jenkins, to approve the following Consent Agenda:

Resolution #8A-11-2006: Authorization to Issue an IFB for Construction of a Second Platform at the Woodbridge Station.

Resolution # 8B-11-2006: Authorization to Issue an IFB for Air Brake Services.

The vote in favor was cast by Board Members Bulova, Caddigan, Gibbons, Kauffman, McConnell, Tobias and Waldron. Mr. Covington was out of the room at the time of the vote and returned at 10:02 A.M.

Authorization to Forward the FY 2006 Audited Financial Statements and Management Letter – 9A

Chairman Caddigan introduced Mike Garber and Mensel Dean, from PBGH, LLC, VRE's audit firm. PBGH has served as the auditors for both VRE and NVTC for the last several years and for the first time this year they also audited PRTC's financial statements. She stated that the Audit Committee met with the auditors and received a detailed briefing of the audit. Mr. Garber stated that the audit of VRE's FY 2006 financial statements have been completed and they have issued an unqualified opinion. VRE's statements, in all material respects, fairly and accurately present the financial position of the organization. Mr. Garber stated that the net assets of VRE increased over the past year, even with the decrease in ridership. Staff has already responded to some of the issues raised in the management letter and one new policy has already been implemented.

Resolution #9A-11-2006 would authorize the Chief Executive Officer to forward to the Commissions for consideration VRE's financial statements for FY 2006 as audited, as well as the management letter.

Ms. Bulova moved to approve the resolution and Ms. Barg seconded the motion. The vote in favor was cast by Board Members Bulova, Caddigan, Gibbons, Kauffman, McConnell, Tobias and Waldron.

Authorization to Amend the Consent Agenda Policy – 9B

Mr. Zehner explained that suggestions have been made regarding the inclusion of additional action items on the consent agenda, including purchase orders and/or contracts under \$150,000; task orders under \$200,000 that are part of a previously authorized contract, and approval of grant applications. Any Board Member wishing to discuss a consent agenda item may request that the item be removed from the consent agenda and placed on the regular agenda for discussion.

Ms. Bulova moved, with a second by Ms. Barg, to approve Resolution #9B-10-2006, which would amend the consent agenda policy. The vote in favor was cast by Board Members Bulova, Caddigan, Gibbons, Kauffman, McConnell, Tobias and Waldron.

Authorization to Amend Limits of CEO Authority – 9C

Mr. Gibbons moved, with a second by Ms. Barg, to approve Resolution #9C-11-2006, which would approve an increase in the CEO's spending authority from \$30,000 to \$50,000. The vote in favor was cast by Board Members Bulova, Caddigan, Gibbons, Kauffman, McConnell, Tobias and Waldron.

Authorization to Approve the 2006 Legislative Agenda – 9D

Mr. Waldron moved, with a second by Ms. Bulova, to approve Resolution #9D-11-2006, which would forward VRE's 2007 Legislative Agenda to the Commissions for approval.

Ms. Bulova asked Mr. Zehner to give highlights of the Legislative Agenda before the final vote. Mr. Zehner explained that VRE's primary focus continues to be on funding for fleet acquisition, with attention on funding for locomotives. Requests will be made at both the federal and state level for projects listed in priority order and included in the VRE Strategic Plan: acquisition of 20 Tier-II locomotives (\$41 million), parking expansion projects (\$30 million), platform extension/additions (\$20 million) and mid-day storage facility (\$10 million).

Mr. Zehner stated that at the request of Congresswoman Davis, VRE has been working jointly with the Federal Railroad Administration, CSX and Amtrak to adopt a comprehensive plan for systematic corridor improvements along the Fredericksburg line. As the request for projects was specific to improvements that would have an immediate benefit to on-time performance in the Fredericksburg corridor, VRE's list of capital projects was not considered suitable. As such, the following projects (totaling \$20.2 million) will be submitted for consideration in the Omnibus bill: installation of approximately two miles of Automatic Train Control from Arlington, Virginia into Washington, D.C., and construction of several 600 foot long passenger second platforms and canopies and associated pedestrian stairs, bridges and elevators. These improvements would allow VRE to operate trains on both tracks from Alexandria to Woodbridge, as well as Quantico to Fredericksburg. In response to a question from Mr. Gibbons, Mr. Zehner stated that these improvements would help with BRAC issues.

Ms. Bulova stated that later in the agenda the Board will be discussing governance issues and changes to the allocation formula and phase-in strategies for new jurisdictions joining VRE. She asked that the Legislative Agenda include a request asking the General Assembly for funding assistance for the phase-in to soften the financial impact to the jurisdictions. There were no objections to adding this to the Legislative Agenda.

Mr. Gibbons stated that he doesn't see the third rail in the Legislative Agenda as a priority. Mr. Zehner stated that it is included in the memorandum. Chairman Caddigan suggested highlighting it. Mr. Kauffman stated that the third rail is also of interest to CSX. He asked what CSX is willing to commit to continue VRE's support for the corridor. Mr. Tobias stated that VDRPT is finalizing a legislatively mandated report on the third track and will be making recommendations to the General Assembly on December 1st. One of the key focuses is to address these types of governance issues and what is the public and private benefit of a third track.

Mr. Waldron moved Resolution #9D-11-2006, as amended, to include the suggestions made during the discussion. Ms. Bulova seconded the motion. The vote in favor was cast by Board Members Bulova, Caddigan, Gibbons, Kauffman, McConnell, Tobias and Waldron.

Authorization to Issue a Task Order for Design and Limited Construction Support Services for the Board Run Maintenance Facilities Project – 9E

The VRE Operations Board is being asked to authorize the CEO to withdraw a previously authorized task order to Parsons Brinckerhoff for design and limited construction support services for the Broad Run Maintenance Facilities project and issue a task order to DMJM Harris for the same services. This task order is being requested in an amount not to exceed \$697,170, plus a 10 percent contingency of \$69,717, for a total amount not to exceed \$766,887. Resolution #9E-11-2006 would accomplish this.

Although approvals were granted, the task order was not executed pending PB's completion of similar design work at the Crossroad yard. Based on the experience of the Crossroads project, staff is recommending the task order be awarded to DMJM Harris. DMJM Harris has met the more competitive price proposal and staff is satisfied with their task order proposal and schedule.

There was no discussion and Mr. Gibbons moved the resolution. Mr. Covington seconded the motion. The vote in favor was cast by Board Members Bulova, Caddigan, Gibbons, Kauffman, McConnell, Tobias and Waldron.

Authorization to Award a Contract for Variable Message Signs – 9F

Mr. Zehner explained that Resolution #9F-11-2006 would recommend that the Commissions authorize the CEO to enter into a contract with International Display Systems, Inc. for the replacement of Variable Message Signs (VMS) in an amount not to exceed \$1,180,403, plus a contingency of \$177,060, for a total amount not to exceed \$1,357,463. He explained that the existing VMS and audio system located at VRE stations have become obsolete and must be replaced. This project will replace at least 60 signs as well as upgrade the public address and network communications systems.

Mr. Waldron asked how the contingency amount is calculated and whether it is part of a formula or bid process. Mr. Zehner replied that staff determines the contingency based on their view of the situation in terms of risk. It usually is in the range of five to fifteen percent. Ms. Straub further explained that for technology projects, VRE has elected to allow for a higher contingency. The contract is for \$1.18 million and the contractor would have to submit change orders for any additional funds. In response to a question from Mr. Waldron, Mr. Zehner stated that VRE does not have a policy on limiting the contingency amount. Mr. Waldron expressed concern that this contingency seems to be on the high side.

In response to a question from Mr. Kauffman, Mr. Zehner stated that the signs will be bigger and have more space for longer messages that will be easier to read from any part of the platform. Mr. Waldron asked what happens to the existing equipment. Mr. Zehner explained that this equipment is no longer manufactured and replacement parts are unavailable so there is no use for them.

Mr. Kauffman moved, with a second by Mr. Jenkins, to approve Resolution #9F-11-2006. The vote in favor was cast by Board Members Bulova, Caddigan, Gibbons, Kauffman, McConnell, Tobias and Waldron.

Authorization to Amend Parking Lease at Rippon Station – 9G

Resolution #9G-11-2006 would authorize the VRE CEO to extend the current lease agreement with Hazel Land Companies for 320 parking spaces at the Rippon VRE station. The lease extension would be in the amount of \$279,040 for up to two years, and a total lease amount not to exceed \$685,120.

Ms. Barg moved, with a second by Mr. Jenkins, to approve the resolution. The vote in favor was cast by Board Members Bulova, Caddigan, Gibbons, Kauffman, McConnell, Tobias and Waldron.

Authorization to Increase a Purchase Order for Wheel Repair – 9G

Mr. Zehner stated that the VRE Operations Board is being asked to authorize the CEO to increase the authorization limit of a purchase order for wheel repairs with ORX by \$5,000, for a total amount not to exceed \$55,000. In response to a question from Mr. Gibbons, Mr. Zehner explained that numerous wheel sets have been repaired under this purchase order. However, the last batch of wheels sent for repairs required more work and replacement parts than anticipated. It was a result of normal wear and tear, no catastrophic breakdown.

Ms. Bulova moved to approve Resolution #9H-11-2006. Ms. McConnell seconded the motion. The vote in favor was cast by Board Members Bulova, Caddigan, Gibbons, Kauffman, McConnell, Tobias and Waldron.

Authorization to Issue Task Order for Locomotive Top Deck Rebuild Work – 9I

Mr. Gibbons moved, with a second by Mr. Jenkins, to approve Resolution #9I-11-2006, which would authorize the CEO to issue a task order to Transportation Technologies, Inc. (TTI) to perform top deck locomotive rebuild work on two GP-40 locomotives in an amount not to exceed \$420,000, plus a contingency of \$25,000, for a total of \$445,000. The vote in favor was cast by Board Members Bulova, Caddigan, Gibbons, Kauffman, McConnell, Tobias and Waldron.

Authorization to Enter into a MOU with the City of Manassas for the Construction and Operations of a Parking Facility – 9J

The parking facility will be jointly owned and used between the City and VRE. A Memorandum of Understanding (MOU) is required to outline understandings and responsibilities for each party to facilitate the construction of the parking facility, as well as ensure that all applicable grant conditions are met. The MOU also sets forth understandings regarding operations and maintenance. Sixty percent of the parking facility will be paid for and made available to VRE commuters on a first-come first-

served basis. The remaining forty percent of the facility will be paid for by the City and allocated for Old Town parking. Operation and maintenance costs will be split using the same 60/40 ratio. The Operations Board is being asked to recommend that the Commissions authorize the VRE CEO to enter into an agreement with the City of Manassas for the construction and operation of a joint parking facility adjacent to the VRE Manassas Station.

Mr. Waldron moved, with a second by Mr. Gibbons, to approve the resolution. The vote in favor was cast by Board Members Bulova, Caddigan, Gibbons, Kauffman, McConnell, Tobias and Waldron. Mr. Covington abstained because he has real estate near the location to the parking facility.

Authorization to Enter into a MOU with the City of Fredericksburg for a Land Lease for ADA Parking – 9K

The VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to execute a MOU with the City of Fredericksburg for land adjacent to the Fredericksburg VRE station for the construction of improved handicap parking. Resolution #9K-11-2006 would accomplish this. There are currently ten parking spaces just in front of the station available for handicapped passengers. After discussion with the City of Fredericksburg, VRE developed a design for this parcel of land which would expand the number of ADA spaces to 13 spaces. The design for construction has been approved by the City and a MOU must now be executed in order for VRE to lease the City-owned property.

Mr. Gibbins moved, with a second by Mr. Waldron, to approve the resolution. The vote in favor was cast by Board Members Bulova, Caddigan, Gibbons, Kauffman, McConnell, Tobias and Waldron.

Presentation from the Governance Subcommittee – 10A

Mr. Zehner reminded Board members that in February 2006, a presentation was made to the Operations Board regarding VRE's future, including issues such as the fairness of the subsidy allocation formula relative to jurisdictional ridership, attracting potential new members, and management of demand for more trains, stations and line extensions. A subcommittee was appointed and they have been meeting with staff to develop a proposal. The Subcommittee proposes governance structure changes that would expand membership of the Board to include all member jurisdictions with voting proportionate to ridership and subsidy allocation changes, which would have the allocation formula based exclusively on jurisdictions' ridership.

Mr. Zehner further explained the proposed structure changes. All seats on the Operations Board would be elected officials, except the DRPT Director. All jurisdictions would have a seat on the Board. Jurisdictions with 15 percent or more of total

systemwide ridership would have two members and two alternates. Jurisdictions with less than 15 percent would have one member and one alternate. Arlington and Alexandria would have one member each with one alternate each. Ridership would be calculated annually following the October ridership survey. Mr. Zehner explained quorum requirements and how voting would work.

In response to a question from Mr. Gibbons, Mr. Zehner stated that all authority resides with the two Commissions so the Operations Board would have to recommend these changes to the Commissions for approval. Ms. Bulova observed that the Commissions have delegated more authority to the Operations Board. Mr. Gibbons stated that governance is a concern. If ridership is a key factor in the subsidy, then governance needs to be stronger at the Operations Board level. In response to a question from Ms. Barg, Mr. Harf stated that he supports the proposal being presented. Mr. MacIsaac reminded Board Members that these changes would require an amendment to the Master Agreement, so all the jurisdictions would have to unanimously approve it.

Mr. Covington stated that he struggles with seeing Manassas Park having a voting member on the proposed Operations Board when there are many more riders coming for the western portion of Prince William County. He sees the two members from Prince William County being Eastern Prince William Supervisors although there are more riders coming from the western part of the county and expressed concern that his constituents won't be fairly represented on the Board. Chairman Caddigan stated that jurisdictions are going to have to put in more money as a result of the subsidy changes and there needs to be some give and take. All members, including Manassas Park should have a voice on the Board under the new structure. Mr. Covington stated that VRE is looking at expansion further into Western Prince William County and there are a lot of VRE riders that come from that part of the county. Mr. Jenkins stated that in fairness to all jurisdictions, if VRE runs through a jurisdiction, that jurisdiction should have some sort of say in what happens. For Manassas Park, they have a huge investment in their rail station. VRE needs to have them working with us. Chairman Caddigan stated that the Prince William County representatives on the Board will have the best interest of all County residents in mind, both from the eastern and western parts of the County. Mr. Covington suggested that every 15 percent of systemwide ridership would get another vote, so when a jurisdiction reaches 30 percent, they would have three members. Ms. Bulova stated the problem with that is that it will create a huge Board, which creates other problems.

Mr. Zehner stated that Manassas Park has 600 parking spaces at its station and there is talk about building another parking facility. The City only has 172 residents that ride VRE. The same situation is happening in Fredericksburg. They are two small cities with two large VRE stations. Many Prince William residents use the Manassas Park station. It needs to be looked at as a regional or global concept.

Ms. Bulova stated that the subcommittee looked at transitioning the Operations Board into an Authority, but it would require legislative changes. This proposal gives some flexibility and could be an interim step to changing into an Authority. Ms. McConnell

expressed her concern that the Southern corridor is going to expand significantly and she can see in the future that Fairfax County would not have 15 percent of the ridership. Mr. Zehner stated that under this proposal Fairfax County would drop to one member, but the County's subsidy would also decrease. Ms. McConnell stated that BRAC could tip the scale and the trains could be full before even getting to Fairfax County. Ms. Bulova stated that express trains could alleviate some of those problems. Mr. Kauffman observed that with the current capacity limits, the third rail will be more important for Fairfax County to be able to provide service to county residents. He recognized that those jurisdictions that have the most riders should have the most say, but it comes with paying more.

Mr. Zehner then reviewed the changes proposed to the subsidy allocation formula. Currently, because the subsidy formula is based of population, significant costs are assigned to Fairfax County (highest population) and Prince William County (highest ridership). Fairfax County is now paying 45 percent of the subsidy allocation with 20 percent of the ridership. The subcommittee looked at three different options, but recommends basing the subsidy allocation on 100 percent ridership. The subcommittee recommends a phasing-in of the changes. Mr. Kelly stated that it is his understanding that the fare credit would be evenly distributed among the jurisdictions and he asked if the Board would consider weighting the non-member ridership to help those jurisdictions that have the greatest impact from non-member ridership. This is a big issue for the City of Fredericksburg. Mr. Gibbons stated that it could be credited at the boarding station. Ms. Bulova suggested that staff "crunch" the numbers and look at the results and how it would affect the budget. Mr. Taube stated that it is important to remember that there is also an impact on the closer in jurisdictions because seats are filled before they can get on the train.

Mr. Zehner stated that the subcommittee also recommends that the subsidy changes be phased in over a four year period. The analysis was done on the FY 2007 budget so that the subsidy proposal would be recalculated with the FY 2008 budget, which currently has an increase in jurisdictional subsidy. The Subcommittee suggested that the Legislative Agenda include a provision to attempt to seek funding to hold jurisdictions harmless during the phase-in transition, which is estimated at just over \$2 million for the first year.

Mr. Gibbons requested a chart showing what authority the Operations Board would have and what authority each Commissions would have. He stated that it is important to have the authority go to who is paying the bill.

Ms. Bulova moved to endorse this proposal in concept and send it to the Commissions and jurisdictions for comment. Mr. Jenkins seconded the motion.

Chairman Caddigan thanked the members of the subcommittee for their hard work. In response to a question from Mr. Gibbons, Ms. Bulova explained that the Commissions will discuss it at their December meetings and then the jurisdictions will have an opportunity to comment. Mr. Taube recommended that given the time constraints, the

Commissions and jurisdictions comments be presented at the December Operations Board meeting. Mr. Maclsaac suggested that the comments should be submitted to VRE. Board members discussed the process. Mr. Taube suggested that the Commissions could act on this proposal at their January meetings when they act on the VRE budget.

[Mr. Covington left the meeting at 11:25 A.M.]

Ms. McConnell expressed her concern that for those jurisdictions who worked so hard for ten years to get VRE started through blood sweat and tears, the thought of down the line eventually having only one representative and a whole corridor who could vote against Fairfax County, is hard to think about. She expressed her wish that there was something that would protect Fairfax County.

Mr. Maclsaac stated that VRE is co-owned by the Commissions so under this proposal the Operations Board will not be a complete governing authority. He reminded the Board that any changes to the Master Agreement will require approval from bond counsel and trustees. Mr. Gibbons stated that the problem is that at the end of the day the power still resides at the Commissions.

[Ms. Barg left the meeting at 11:38 A.M.]

The Board then voted on the motion and it passed. Board Members Bulova, Caddigan, Gibbons, Kauffman, McConnell, Tobias and Waldron.

BRAC Update – 10B

Mr. Zehner stated that based on discussions at the October meeting, VRE is developing a white paper on the impact of proposed BRAC actions at Fort Belvoir and the Marine Corps Base at Quantico. Staff will distribute it to Fairfax, Prince William and Stafford county staff before it goes to the Commissions. Ms. McConnell stated that it is important to continue to work on this issue. Mr. Kelly asked FAMPO to be put on VRE's distribution list.

Adjournment

Without objection, Chairman Caddigan adjourned the meeting at 11:44 A.M.

Approved this ___th day of December 2006.

Maureen Caddigan

Chairman

Doug Waldron
Secretary

CERTIFICATION

This certification hereby acknowledges that the minutes for the November 17, 2006 Virginia Railway Express Operations Board Meeting have been recorded to the best of my ability.

Rhonda Gilchrest

Rhonda Gilchrest



CHIEF EXECUTIVE OFFICER'S REPORT

November 2006

MONTHLY DELAY SUMMARY

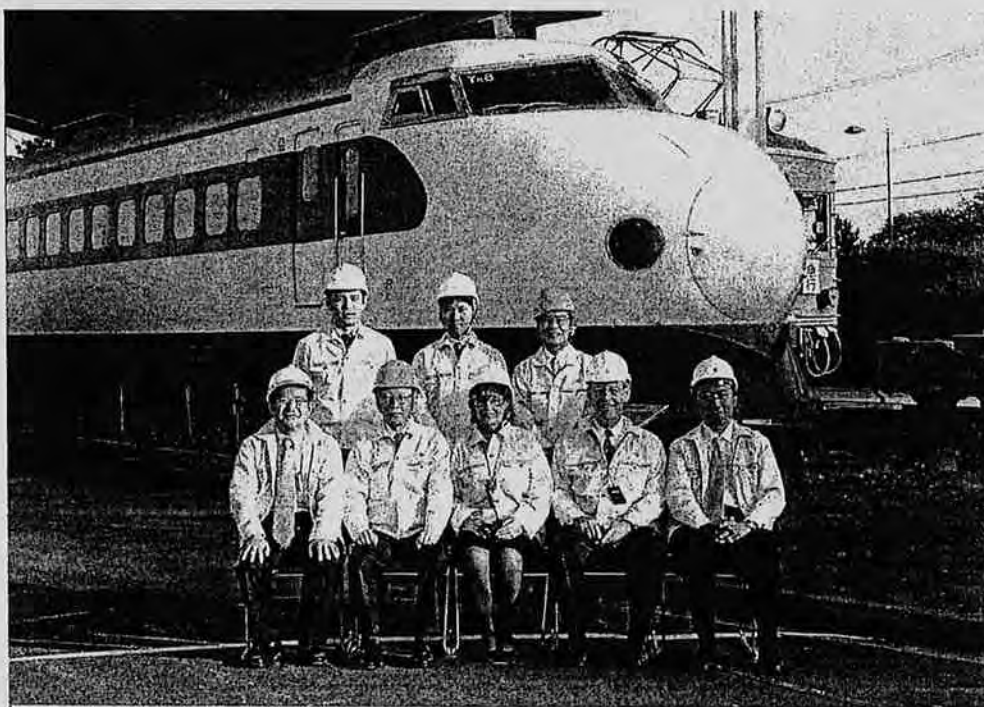
	Jul-06	Aug-06	Sep-06	Oct-06
System wide				
Total delays	287	176	74	65
Average length of delay (mins.)	25.5	16	15.4	16
Number over 30 minutes	78	16	8	8
On-Time Performance	53.9%	73.6%	87.2%	89.3%
Fredericksburg Line				
Total delays	146	130	61	47
Average length of delay (mins.)	28.7	16.4	15.5	16.9
Number over 30 minutes	47	11	7	7
On-Time Performance	47.7%	56.5%	76.5%	82.8%
Manassas Line				
Total delays	141	46	13	18
Average length of delay (mins.)	22	15	15.3	13.7
Number over 30 minutes	31	5	1	1
On-Time Performance	59.4%	87.5%	95.9%	94.6%

On-time performance has improved again this month on the Fredericksburg line while the Manassas line dropped a little over 1%. The total number of delays also decreased again this month from 74 to 65. I continue to work with CSX and Norfolk Southern to improve our on-time performance.

NEW RAIL CARS

Final inspection of the first two new Gallery cab cars took place in Milwaukee on November 14th. These two cars will arrive at Broad Run on November 21, 2006. One of these cars will be on static display at Union Station for passengers and the general public on December 6th. A ceremony for elected officials is also being planned. The next two cars will arrive at Broad Run on December 11th followed by two additional cars on December 19th. The first two cars are expected to enter revenue service in early January. The remaining 5 cars are expected to arrive the week of January 22, 2007.

TRIP TO JAPAN



From October 25th through November 1st, Chairman Caddigan and I had the opportunity to visit Japan to see first hand the progress of the new railcars. We traveled via bullet train at over 180 mph to Tokyo where we visited with executives from Sumitomo, our prime contractor. Chairman Caddigan and I were able to visit the Tokyo rail station during the morning rush where fifteen-car commuter rail trains discharged over 3,000 riders each. The train movements are highly choreographed to ensure two trains do not arrive on an island platform at the same time.

In addition to visiting the Sumitomo offices, we also received a tour of the Nippon Sharyo production plant, which will construct the VRE car bodies. The plant is located in Toyokawa and produces over 500 railcars per year. The production facilities are immaculately clean and produce commuter railcars, high-speed train sets and electric locomotives. Overall, the trip proved that Sumitomo and Nippon Sharyo are prepared to build and manage the production of the VRE railcars on time and on budget.

CSX TIE REPLACEMENT PROJECT

On November 2nd, the CSXT tie gang completed work on the tracks used by VRE. This concludes the 2006 program which brought both main tracks from Washington to Fredericksburg up to standard. No additional CSX tie replacement work is expected for approximately five years.

CAPITAL PROJECTS UPDATE

Quantico Bridge- on October 25th the bridge structure was completed when the last load of concrete was placed, completing the parapet wall. All in-water activities have been completed and barges have been removed from Quantico Creek. From November 6th through November 17th the contractor will begin waterproofing the deck which will be followed by ballast placement and tie and rail installation beginning the first week of December. The cut-in for the third track is currently scheduled for the weeks of February 12th and 19th. Following the cut-in, there will be three additional short phases of trackwork to complete the project in May 2007.

Burke Garage- construction of the project began on October 30th with the eastern area of the lot being blocked off to construct a temporary parking lot. The library lot was opened to commuter parking and Fairfax County began shuttle bus service on October 30th. In January 2007, another portion of the parking lot will be blocked off to allow construction of the garage to begin. At that time, a second parking lot will open for additional shuttle service.

FALL ADVERTISING CAMPAIGN

VRE's fall advertising campaign has come to a close. The campaign included a radio spot that aired on targeted stations and a print ad campaign placed in local newspapers. The campaign began on October 9th and ran for six weeks. Copies of the print ads were also made into posters and are displayed in the center panel at every VRE station.

Judging by the increase in ridership since the start of the campaign, we would deem this campaign a success. We plan to implement a similar campaign in the spring.

VRE CREWS ACHIEVE SAFETY AWARD

For the third time in five years, the Amtrak employees who operate VRE trains and maintain equipment have won the Amtrak's President's Safety Contest. This nationwide competition among Amtrak employees offers awards to the group with the lowest number of injuries based on the number of man-hours worked. The VRE group comprised of train crews (engineers and conductors) and mechanical employees competed against other employees who operate commuter service throughout the country. This award shows that safety is the top priority for both VRE and Amtrak. They were presented their award at a ceremony on October 18th, followed by a luncheon held at Ivy City on November 3rd.

MONTHLY PERFORMANCE MEASURES – October 2006

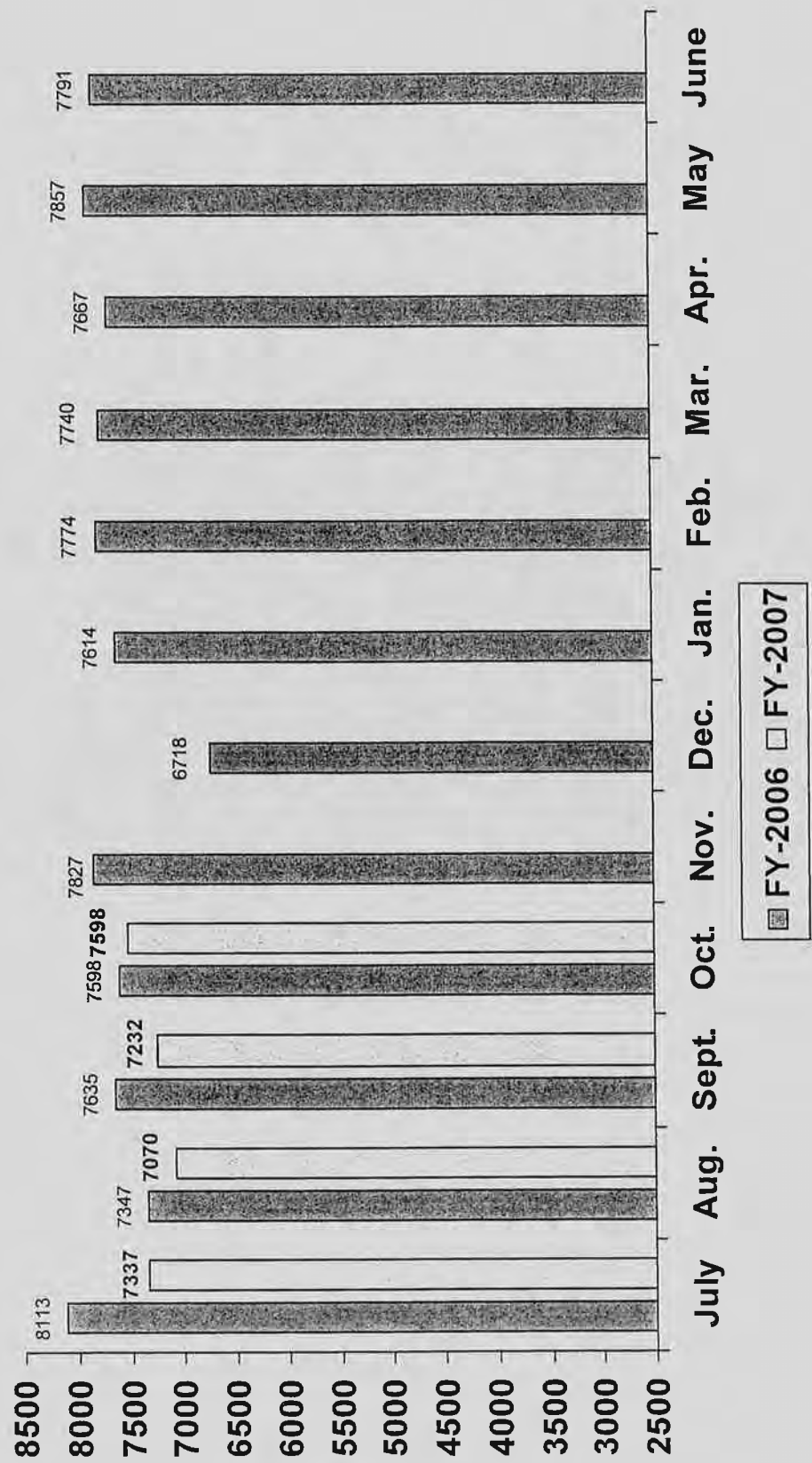
RIDERSHIP OVERVIEW		RIDERSHIP
VRE FY 2007 Passenger Totals (to date)		1,156,320
VRE FY 2006 Passenger Totals (to date)		1,246,983
PERCENTAGE INCREASE		(-7%)

MONTHLY ON-TIME PERFORMANCE	ON-TIME PERCENTAGE
October Fredericksburg OTP Average	82.8%
October Manassas OTP Average	94.6%
VRE OCTOBER OVERALL OTP AVERAGE	89.3%

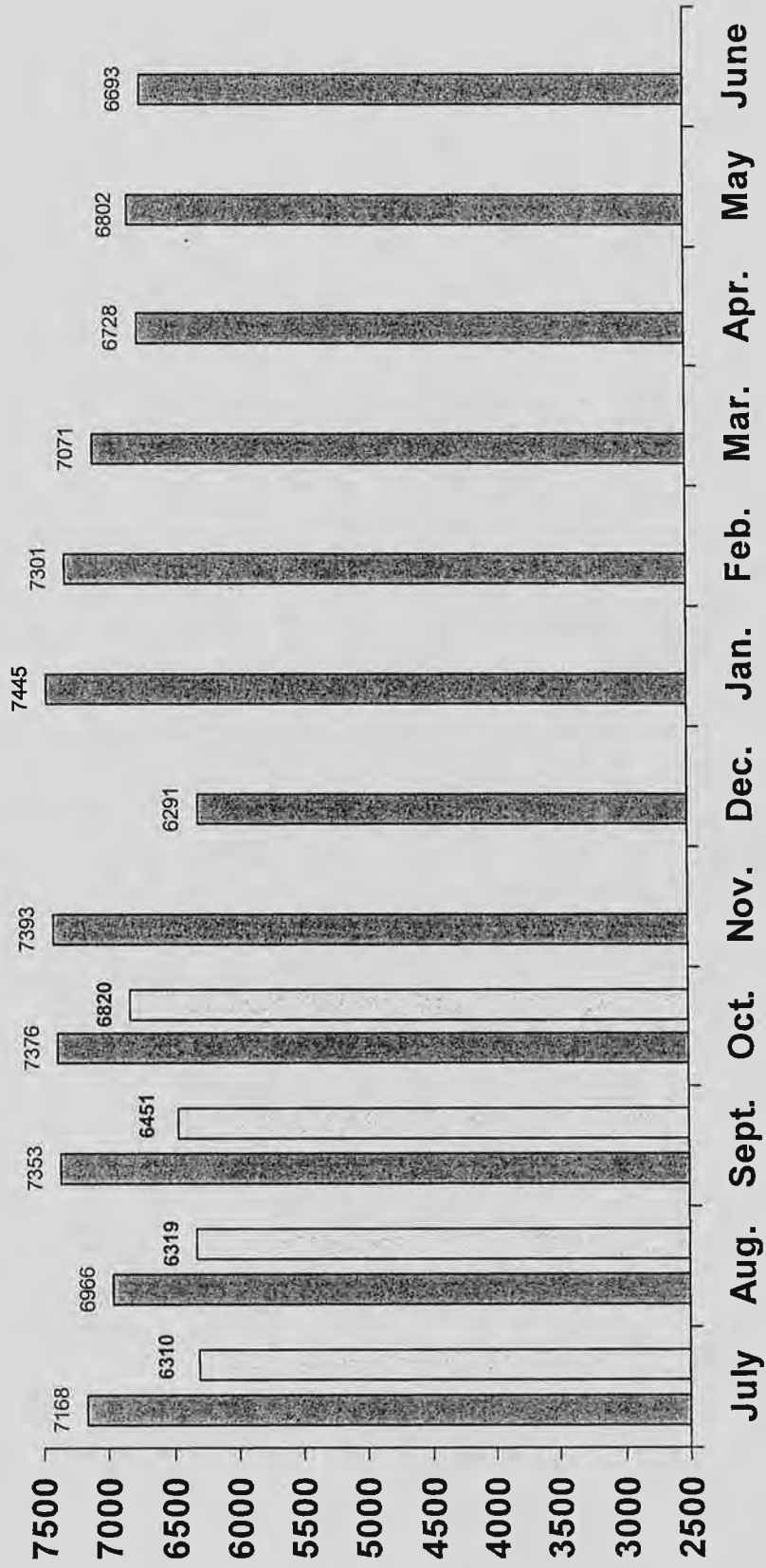
REASON	TOTALS	PERCENT
Signal/Switch Failure	9	14%
Slow Orders	13	20%
M/W	3	5%
Train Interference	19	29%
AMTRAK	7	11%
Freight	6	9%
VRE	6	9%
Mechanical Failure	10	15.5%
Late Turn	0	0%
PAX Handling	4	6%
Weather	0	0%
Crew Related	1	1.5%
Other	6	9%
TOTAL	65	100%

FINANCIAL INDICATORS		SEPTEMBER 2006		
MEASURES		GOAL	ACTUAL	TREND
OPERATING RATIO		55%	60%	↑
BUDGETED FARE REVENUE YTD	\$15,623,558			
ACTUAL FARE REVENUE YTD	\$14,853,468			
CUMULATIVE VARIANCE	(\$770,090)	0	(\$770,090)	↓
PERCENT COLLECTED FY 07 YTD		28.55%	27.14%	↓
BUDGETED EXPENSES	\$54,727,245			
BUDGET EXPENSES YTD	\$14,728,017			
OPERATING EXPENSES YTD	\$13,261,492			
CUMULATIVE VARIANCE	\$1,466,525	0	\$1,466,525	↑
PERCENT COLLECTED FY 07 YTD		26.91%	24.23%	
NET INCOME LOSS	4	0	696,435	↑

VRE Average Daily Ridership Fredericksburg Line

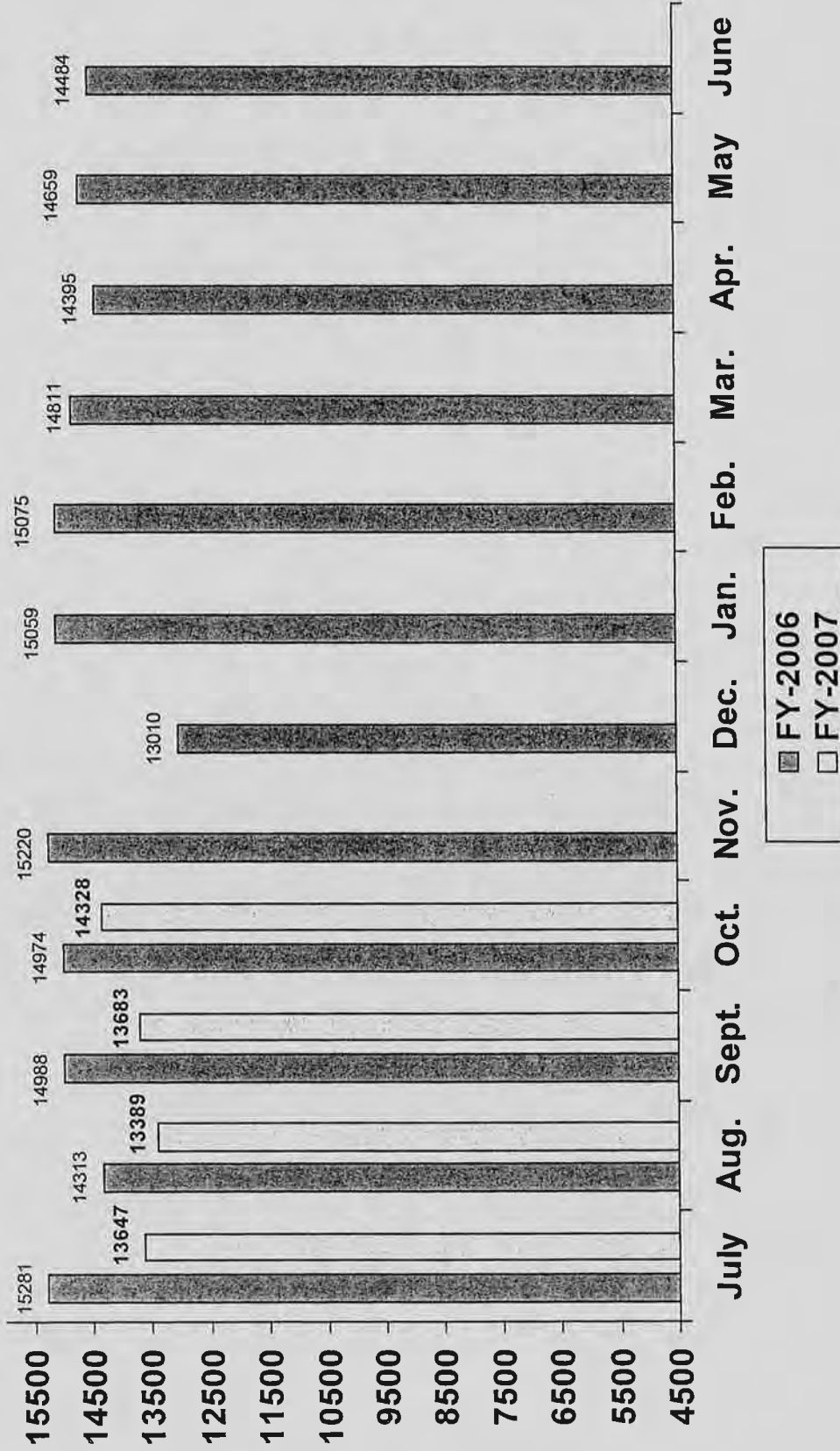


VRE Average Daily Ridership Manassas Line



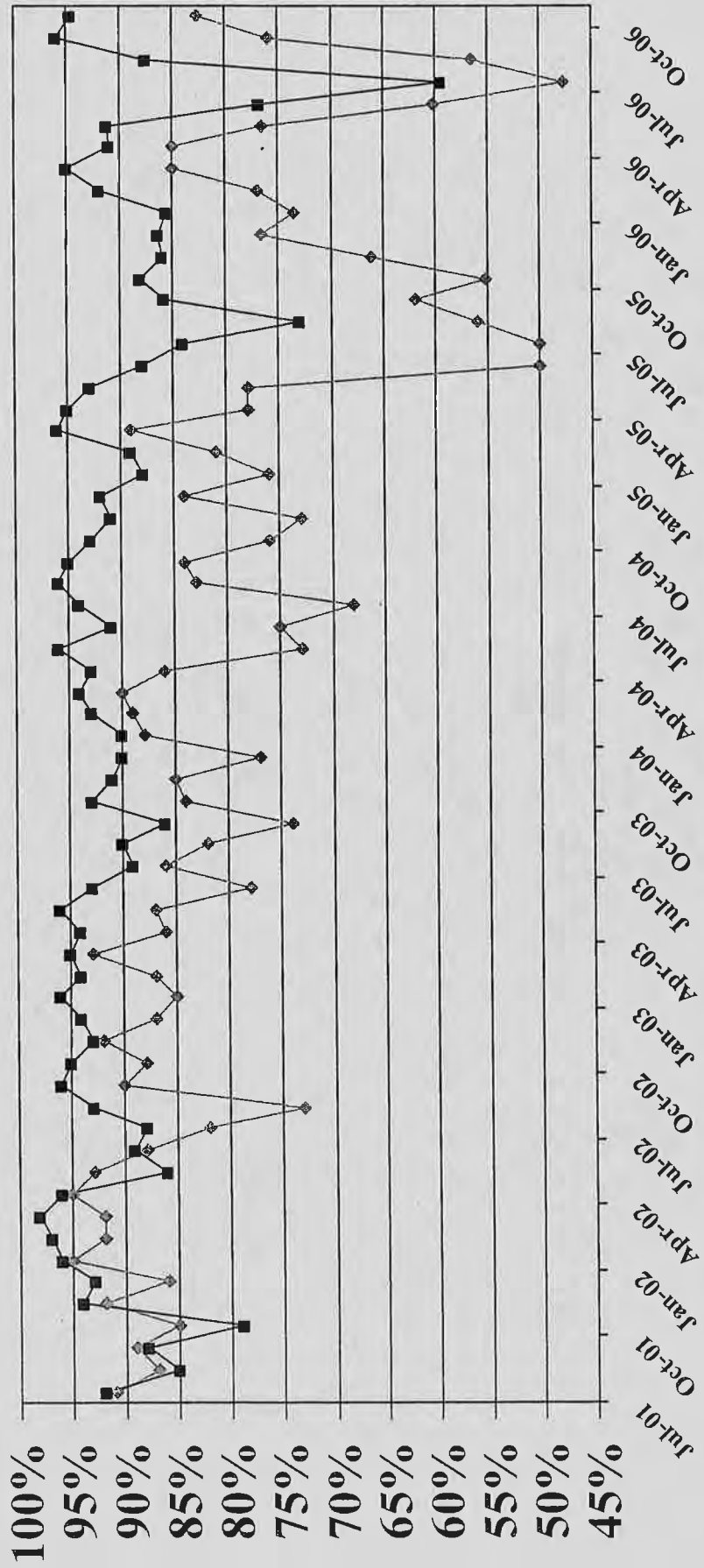
FY-2006 FY-2007

VRE Total Average Daily Ridership



On-Time Performance

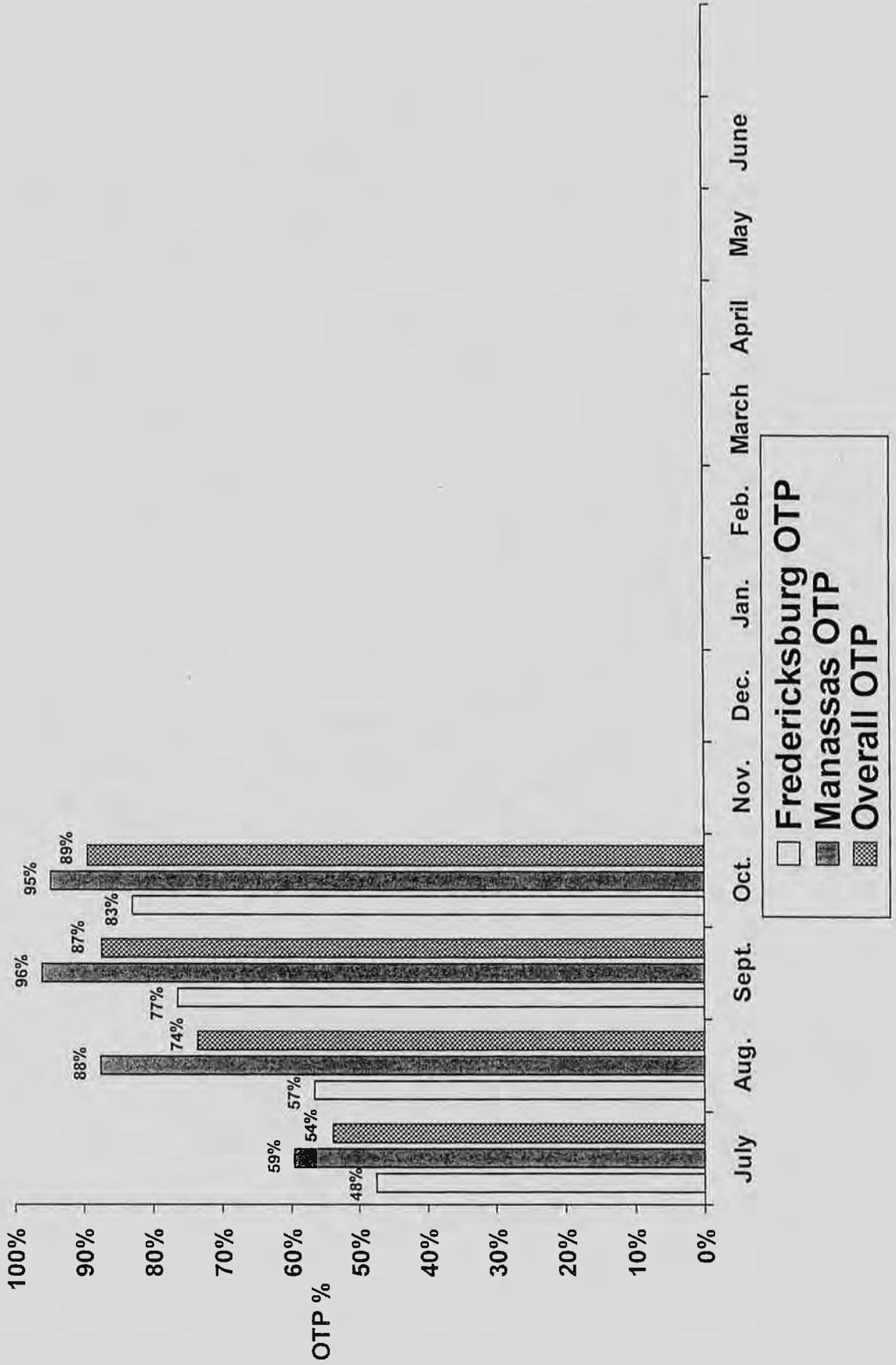
July 2001 – October 2006



◆ Fredericksburg Line ■ Manassas Line

Average On-Time Performance

FY-2007



[Print this Page](#)[Return to story](#)

VRE vote unlikely to change with election

November 4, 2006 12:53 am

By DAN TELVOCK

Spotsylvania is unlikely to join the Virginia Railway Express no matter who wins Tuesday's special election for Courtland District supervisor.

Republican Jerry Logan and Democrat Pat Hannifin are vying for the Courtland District seat currently held by Jerry Marcus. Marcus, who was appointed to the seat when Bob Hagan left to direct the Chamber of Commerce, is not running for the seat.

Logan doesn't support joining VRE; Hannifin does.

For Spotsylvania to become a VRE member, the Board of Supervisors must sign a lifetime contract with the agency and adopt a 2 percent gas tax.

Board Chairman Hap Connors has been a vocal proponent of joining VRE. He said the contract has gone back and forth between the two entities and right now, "we have about as good a contract as we are going to get."

"There are many benefits to VRE, but the problem is we just don't have enough votes to make it happen," he said.

Supervisor Emmitt Marshall said he's never supported VRE.

"It will be very interesting to see what happens in the election in the Courtland District," Marshall said.

Supervisor Chris Yakabouski said the county's portion of the contribution to VRE's operations should come from the General Fund budget, not a 2 percent gas tax.

Hannifin said that although he has concerns about VRE's service and the lifetime terms in the contract--one neither he nor the public has seen--he's still "90 percent sure" he'd cast a vote to join.



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Residents strongly supported a bond package last year for transportation improvements that included \$12 million for a Spotsylvania VRE station.

"The voters did not equivocate and neither will I," Hannifin said. "I support [the transportation bond and VRE membership] now, and I am prepared to follow through now and act accordingly if elected."

Logan, a former supervisor and board chairman, said VRE would have to change the lifetime terms in the contract before he'd support it. The criticism of VRE's delays, trains breaking down en route and its declining membership doesn't help, he added.

"I still don't think the votes are there to join," Logan said. "You're going to need the guys on my side of the aisle to jump on board."

County officials have tried to get the state legislature to loosen restrictions that prohibit a locality from renegeing on a contract once it becomes a member, but they were unsuccessful, Connors said. The local gas tax--money that would be used first for VRE operations and then local transportation projects--isn't negotiable right now, Connors said.

Mark Roeber, VRE's manager of public affairs, said a station built near New Post at Crossroads Industrial Park, where the VRE trains are stored overnight, could become the largest of its 22 stations. Between 880 and 950 Spotsylvania residents use VRE daily, Roeber said, and that number could double with a county station.

A Spotsylvania station "would certainly get cars off the road," he said.

Stephen Dunham, chairman of the board of directors of the Virginia Association of Railway Patrons, said a Spotsylvania station would help the transportation system in this area. He uses VRE to commute from Fredericksburg to Crystal City.

"It would add park-and-ride spaces for rail riders, reduce some of the traffic going to downtown Fredericksburg, give commuters from further south easier access to VRE and make use of the mileage racked up by VRE deadheading between the Fredericksburg station and the layover yard," he wrote in an e-mail.

Logan said Spotsylvania will eventually join VRE, but not in the immediate future, and certainly not until the concerns are addressed.

"I think the pressure to get on board with VRE is going to continue to build," he said.

To reach DAN TELVOCK: 540/374-5438

Email: dtelvock@freelancestar.com

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News

Posted on Fri, Nov. 10, 2006

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Railway leader moving on as consultant

By GORDON DICKSON
STAR-TELEGRAM STAFF WRITER

The leader of the Trinity Railway Express is departing for a new job.

Peter Sklannik, the rail line's chief operating officer, resigned effective Nov. 1 to become a vice president of Wilbur-Smith, a transportation consulting firm.

"I feel good about it. The Trinity Railway Express is running well. I accomplished everything I wanted to do with the TRE," Sklannik said Friday. "I sort of knew this was coming. There's so many opportunities out there that, after awhile, you can't ignore them. I still think my all-time favorite job was working in a movie theater."

Sklannik said he would stay with the Dallas-Fort Worth commuter rail line a couple more weeks to help with the transition.

He also said he didn't yet know what city he would be based in for his new job. Wilbur-Smith, based in Columbia, S.C., has 46 offices nationwide, including Dallas.

TRE is co-owned by the Fort Worth Transportation Authority and Dallas Area Rapid Transit. Sklannik arrived in 2003, after leaving a similar job at the Virginia Railway Express. He previously worked years at the Long Island Rail Road in New York.

In 2005, Sklannik was selected to run a bus transit agency in Tacoma, Wash., but ultimately turned down the job to stay at TRE.

ONLINE: www.trinityrailwayexpress.org

Gordon Dickson, 817-685-3816
gdickson@star-telegram.com

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Cafe in old depot appeals to commuters, residents and Marines

November 12, 2006 12:50 am

STEVE JUNKERSFELD has created the nicest railroad station this side of Washington, and possibly the friendliest anywhere.

Each weekday morning, railroad passengers stream through the door of the Whistlestop Cafe in the Quantico station and line up to buy coffee, juice, pastries and tickets. Steve, the owner, is usually there to greet them, and he knows many of them by name. "To me, this is a social event," he said.



[Steve Junkersfeld, Liz Boyles and Susana Allik greet their customers by name at the busy Whistlestop Cafe in Quantico.](#)
[Click for larger photo and to order reprints](#)

He has six coffee pots, but only one ticket machine, he notes, although there are VRE machines out on the platform. Unlike those machines, however, the cafe accepts Metrocheks and offers the full range of VRE tickets: the standard one-way, five-day, 10-trip and monthly fares, as well as senior and student discounted tickets and monthly Transit Link Cards, good on the Washington Metro rail system.

Steve's manager, Susana Allik, is there, too, along with assistant Liz Boyles. Business is brisk as riders make their purchases and then fill up the tables, chairs and original station benches to await a Virginia Railway Express or Amtrak train heading north. A monitor at the counter displays the map on the VRE Web site showing the position of each train. As one arrives, people stream out to the platform, and then things are quiet for about 15 minutes until passengers begin arriving for the next train.

Steve assists passengers continually, answering questions about Amtrak, Metro and VRE. He was a VRE commuter himself from 1994 to 2000.

This scene happens seven times each weekday morning, and as rush hour winds down, Steve heads off to his day job in Dumfries. But the cafe and the station are open all day, from 5 a.m. to 8 p.m., Monday through Friday.

The cafe's been open for more than a year now, since September 2005. For decades, what is now a handsome brick station was a boarded-up eyesore. Prince William County helped renovate the station, but VRE had a difficult time finding a vendor to operate the station. Steve submitted the only proposal and got a one-year renewable contract and the last available VRE ticket machine. "I think we're going to be here for the long haul," he said.

After two months of work, the Whistlestop Cafe was ready for business. "I wanted the operation to look

very professional," he said, and it does. It has clean restrooms and broadband Wi-Fi Internet service, as well as historical exhibits about the railroad, the town of Quantico and the U.S. Marines. (An unrelated but neighborly tenant in one end of the building is the Prince William Model Railroad Club, which has an open house the first Saturday of each month from 11 a.m. to 4 p.m.)

Steve planned the cafe service to appeal to commuters, local residents and Marines from the base that surrounds the town. The cafe "opened with no reputation," said Steve, and he's "never done a tremendous amount of advertising," relying instead on word of mouth. And there's that blinking coffee sign in the window seen by hundreds of rail riders.

Business has grown steadily, and Steve has added menu items such as espresso and, in warm weather, soft-serve ice cream.

People ask whether the cafe is a franchise; it's not, but Steve takes it as a compliment. "They like us, like our service."

He's hosted a few special events: the model railroad club's Christmas party and a few Saturday evening parties. The Virginia Association of Railway Patrons is having its annual meeting there on March 3.

To Steve Junkersfeld, the Whistlestop Cafe in the Quantico station is an accomplishment, a hobby, something he loves. "If I pay the salaries, pay the bills but don't make a nickel, I'm happy," he said. And as he greets the passengers, answers questions and chats with people, he looks happy.

STEVE DUNHAM of Spotsylvania County commutes on Virginia Railway Express to Arlington. He chairs the board of directors of the Virginia Association of Railway Patrons. Write him c/o Commuter Crossroads, The Free Lance-Star, 616 Amelia St., Fredericksburg, Va. 22401, or e-mail Email: literalman@aol.com.

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VRE FY 2006 Audited Financial Statements.

The VRE Operations Board recommends approval of Resolution #2042. This resolution authorizes VRE's CEO to provide the audited financial statements to a distribution list of regulatory agencies, bondholders and others. VRE's auditors, PBGH LLP (which also audits NVTC and PRTC) has provided an unqualified (clean) opinion. The audit firm also provided a management letter (attached).



RESOLUTION #2042

SUBJECT: VRE FY 2006 Audited Financial Statements.

WHEREAS: The VRE Operations Board has contracted for the audit of its financial statements;

WHEREAS: Such an audit for FY 2006 has been conducted by the firm of PBGH, LLP;

WHEREAS: The auditors have issued an unqualified opinion that VRE's statements, in all material respects, fairly and accurately present the financial position of the organization; and

WHEREAS: A management letter has been produced by the auditors describing its recommendations.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission authorizes the VRE Chief Executive Officer to provide copies of VRE's financial statements for FY 2006 as audited to a distribution list of regulatory agencies, bondholders and others.

Approved this 7th day of December, 2006.

Gerald Connolly
Chairman

William Euille
Secretary-Treasurer





Virginia Railway Express Operations Board

1500 King Street • Suite 202 • Alexandria, Virginia 22314-2730 • (703) 684-1001 • FAX (703) 684-1313
Web Site: <http://www.vre.org> • E-Mail: gotrains@vre.org

AGENDA ITEM 9-A ACTION ITEM

TO: CHAIRMAN CADDIGAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: NOVEMBER 17, 2006

**RE: AUTHORIZATION TO FORWARD THE FY 2006 AUDITED
FINANCIAL STATEMENTS AND MANAGEMENT LETTER**

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the Chief Executive Officer to forward to the Commissions for consideration VRE's financial statements for FY 2006 as audited, as well as the management letter.

BACKGROUND:

The audit of VRE's FY 2006 financial statements has been completed and the auditors have issued an unqualified opinion. Their report finds that VRE's statements, in all material respects, fairly and accurately present the financial position of the organization.

The FY 2006 audit was conducted by the firm of PBGH, LLC. PBGH has served as the auditors for both VRE and NVTC for the last several years and for the first time this year they also audited PRTC's financial statements. VRE received a management letter, which is a typical practice for this accounting firm. Both the audited financial statements and the management letter will be made available at the Operations Board meeting.

FISCAL IMPACT:

There is no financial impact to the VRE Operating Budget from the presentation of these audited financial statements.

To the Honorable Commission Board Members
The Northern Virginia Transportation Commission
The Potomac and Rappahannock Transportation Commission

In connection with our audit of the financial statements of Virginia Railway Express (VRE) for the year ended June 30, 2006, we have the following comments and suggestions for your consideration.

Tracking Vehicle Usage

During our audit of credit card disbursements, it was noted that gas purchases for the use of the two VRE vehicles were being made throughout the course of the year with no comparison to miles traveled. We recommend that VRE implement a policy to track the use of its vehicles by employees and make comparisons to the amount of gas being purchased associated with the usage of the vehicles. We also recommend that VRE begin using a mileage log to track the use of its vehicles. This log book should be kept in each vehicle and should reflect the beginning and ending mileage for each trip vehicles are used by employees, and dates in which gas purchases are made. The log books should be reviewed by management and analytically compared to miles traveled to the amount of gas purchased. By implementing this procedure, it could help mitigate the potential abuse of funds associated with the use of VRE vehicles.

Capital Asset Records

VRE continues to maintain its property and equipment records and related depreciation on Excel spreadsheets. During the course of the year, management completed all but a small portion of the work of identifying the individual items that property and equipment are comprised of and they continue moving towards maintaining detailed records for all classes of assets in the capital asset software that has been purchased. We encourage management to continue working towards establishing this subsidiary ledger that specifically identifies individual assets and will automatically calculate depreciation expense and gains and losses when assets are disposed of.

Tuition Reimbursement

It was noted that prior to January 2006, VRE would often prepay tuition expenses for employees enrolled in educational and training courses, but subsequent to that date, the policy was clarified and employees were to provide their department director and personnel administrator an outline of the educational program they intend to pursue, along with estimated costs of tuition and books for the course. Then, at the completion of the course, employees were to submit a completed check request with an attached transcript from the institution before reimbursement could be made. An employee could also be paid at the start of the course with proper approval and documentation. We recommended to management that if payments in advance of completing the course are going to be made, that the check be written to the institution and not the individual. A revision to the policy was implemented immediately by management upon our recommendation.

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions

The objective of the Statement is to improve the faithfulness of representations and usefulness of information included in the financial reports regarding other postemployment benefits (OPEB). OPEB refers to post employment benefits other than pension benefits and includes 1) postemployment healthcare benefits and 2) other types of postemployment benefits if provided separately from a pension plan.

This statement will help measure the cost of OPEB during the periods when employees render their services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations. This liability for future expenses to VRE will need to be assessed and is required to be recorded as a liability in the Statement of Net Assets. Depending on the number of employees and possible participants, an actuary may need to be hired to assist VRE with calculating this liability. VRE has until the 2008-2009 fiscal year to implement this standard and calculate its liability. Since payroll and benefits are handled by PRTC, this assessment may need to be done jointly with them.

Status of Previous Management Advice

During the course of our audit, it was noted that management had implemented all of our recommendations in our letter dated October 28, 2005.

This report is intended solely for the information and use of management, members, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

If you have any questions concerning any of these items, or if we can be of further assistance, please contact us. We thank you for the opportunity to conduct your audit for the year ended June 30, 2006 and express our appreciation to everyone for their cooperation during this engagement.

PBGH, LLP

Harrisonburg, Virginia
September 1, 2006

Virginia Railway Express

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005



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VIRGINIA RAILWAY EXPRESS

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2006 AND 2005



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Introductory Section





Virginia Railway Express

A Transportation Partnership

November 17, 2006

To the Honorable Commission Board Members
The Northern Virginia Transportation Commission
The Potomac and Rappahannock Transportation Commission

I am pleased to present the Virginia Railway Express' (VRE) audited financial statements for fiscal year ended June 30, 2006. This report conforms to accounting principles generally accepted in the United States of America (GAAP) and provides full disclosure of VRE's financial position and operations for fiscal year 2006. The information provided in this report assists the VRE Operations Board, Commissions and other officials in making management decisions and provides all interested parties with comprehensive financial data in a format that will enable them to gain a true understanding of VRE's financial affairs.

This report is presented in three sections. The introductory section includes this transmittal letter and a list of VRE Operations Board members and key VRE staff. The financial section includes the independent auditors' report, an analysis of the financial operations of VRE during the year, the financial statements, and the footnotes to the financial statements. The compliance section contains the independent auditors' report on compliance and other matters and internal controls in accordance with *Government Auditing Standards*, and OMB Circular A-133 and related schedules to comply with the requirements of a Single Audit.

Fiscal Year 2006 Operations

The effect of VRE's rapid growth during its 14-year history was apparent during fiscal year 2006. As trains, stations and the railroad infrastructure reached capacity, VRE's ridership growth moderated, and the average daily ridership of 14,667 was a decrease of 2.96 percent compared to the previous year. Major railroad infrastructure projects designed to increase reliability, safety and capacity in the long run, resulted in a significant decline in VRE's on time performance (OTP) in the short run and ridership was impacted as a result. VRE management, in conjunction with the freight railroads who own and maintain the track on which VRE operates, has implemented appropriate strategies to improve OTP as well as continue needed track improvements. The results of these efforts have been seen in recent months as ridership is returning to previous levels.

During fiscal year 2006, VRE focused on improving systems that would ensure the future health of the rail line. Approval for financing the largest fleet purchase in VRE's history occurred during the fiscal year. These cars will allow VRE to replace aging and leased equipment as well as make improvements to capacity. The next step in fleet improvements, as described more fully below, will be the purchase of new locomotives. Also during the fiscal year, work proceeded on VRE's largest track project, the construction of an additional railroad bridge across Quantico Creek at a cost in excess of \$26 million. Scheduled for completion during fiscal year 2007, the additional track will relieve one of the more difficult bottlenecks in the system.

In order to help prioritize future needs and address potential future growth, a Long-Range Strategic Plan was completed in 2004. The plan identifies the projected ridership demand through 2025, and the capital and operating expenses necessary to meet the demand. It also examines potential network extensions, their impacts on ridership, and the costs of such expansions. The Strategic Plan provides the technical underpinning for policy and planning decisions in the upcoming years.

Equipment

Many of our peak period trains continue to be at or above capacity. At the end of fiscal year 2005, VRE signed a contract for the purchase of 11 new bi-level Gallery cab cars to go into service by January 2007, with an option to purchase 50 more bi-level Gallery cars to address short-term demand and replace aging cars. The initial 11 cab cars were in construction during fiscal year 2006 and financing for the remaining 50 cars was approved. The contract for the 50-car option was signed in July 2006, with delivery planned to begin in December 2007. Also during the fiscal year, the last 13 of the re-qualified used Gallery cars procured from Chicago Metra were placed in service, bringing VRE's Gallery fleet at year end to 45 active and five ready reserve cars. In addition, VRE has initiated a program to overhaul the head-end power (HEP) units and top decks of the locomotive fleet; four units have been completed. These overhauls are a short-term, cost-effective fix to help improve the reliability of VRE's trains. As a longer-term measure, we are beginning to identify funding for the purchase of new, higher horsepower, Tier II locomotives with greater HEP capacities so that we will be able to operate longer train consists, reduce locomotive emissions, and reduce equipment-related service delays.

Station Parking and Platforms

Many of VRE's station parking lots were at or above capacity in 2006, and two major parking garage projects are underway to address this constraint. A parking facility in Manassas is currently in design, and in July 2006 a groundbreaking ceremony was held for a \$28.8 million parking project at the Burke Centre VRE station. The Burke Centre project is estimated to open in 2008 and will add 1,290 garage spaces and 225 surface parking spaces. For Fredericksburg line passengers, a study was completed during 2006 that analyzed options for either surface or structured parking at both the Leeland and Brooke stations. Funding is currently being assembled to implement the recommendations of this study. Finally, a station access study was completed that looked at ways to improve passenger access to the stations through options such as carpooling, biking or walking. The first phase of improvements, including additional bike facilities, will be implemented in fiscal year 2007. Also to address larger passenger loads, a platform extension at the Manassas Park station was completed in December 2005. This 305-foot platform extension also included a canopy to provide additional shelter for passengers waiting for the train.

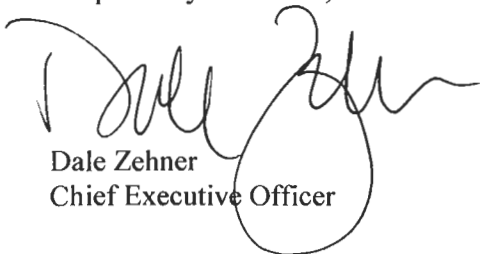
Critical Needs

Despite all the improvements described above, we are still stretched to the limits of our capacity. The Strategic Plan calls for an annual capital investment of significantly more than the current capital program of \$25 million per year. Even if additional funding were received, VRE will struggle to meet the demand for commuter rail service in the I-66 and I-95/395 corridors. Additional bi-level coaches, over and above the current purchases; new, cleaner, high powered locomotives; additional parking spaces; additional mid-day storage; and maintenance facilities at the outlying yards will also be necessary to maintain existing service as the railroad matures, as well as provide increased capacity to meet demand.

Summary

The focus of the VRE Operations Board and VRE management continues to be providing safe, reliable commuter rail service to the citizens of Northern Virginia. With the Washington, DC metropolitan area designated as an ozone non-attainment area, public transit will play an increasingly vital role in addressing the area's need to improve air quality and reduce congestion. VRE currently takes the equivalent of one full lane of traffic off of both Interstate 95 and Interstate 66 each morning and evening rush hour. Without continued capital investment, VRE will not be able to continue to offer the high-quality, cost effective service that we have provided for the past 14 years.

Respectfully submitted,



Dale Zehner
Chief Executive Officer

DIRECTORY OF PRINCIPAL OFFICIALS AND KEY PERSONNEL

Operations Board

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Deputy Chief Executive Officer	Jennifer Straub
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Director, Construction and Facilities	Sirel Mouchantaf, P.E.
Superintendent Operations, Safety, and Security	David Snyder
Director, Rail Equipment & Services	Dennis Larson



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INDEPENDENT AUDITORS' REPORT

To the Commissioners
The Northern Virginia Transportation Commission
The Potomac and Rappahannock Transportation Commission

We have audited the accompanying financial statements of the Virginia Railway Express, a joint venture of the Northern Virginia Transportation Commission and the Potomac and Rappahannock Transportation Commission, as of and for the years ended June 30, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the Virginia Railway Express' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Virginia Railway Express as of June 30, 2006 and 2005 and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2006 on our consideration of the Virginia Railway Express' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 7 through 13 is not a required part of the financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Virginia Railway Express' financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying introductory section as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. This information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on it.

PBGH, LLP

Harrisonburg, Virginia
September 1, 2006

Financial Section





MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the Virginia Railway Express' activities and performance provides the reader with an introduction and overview of the financial statements of the Virginia Railway Express (VRE) for the fiscal year ended June 30, 2006. Following this MD&A are the basic financial statements of the VRE, together with the notes that are essential to understanding the data contained in the financial statements.

Railway Activities and Highlights

After a seven-year trend of year-to-year increases, fiscal year 2006 ridership was slightly below the level of ridership for the prior year. This decrease was the result of a significant decline in the system's on time performance (OTP) because of railroad infrastructure improvement work that disrupted service and a larger than normal number of weather related delays.

	2006	2005
Ridership	3,637,043	3,763,740
% Increase (Decrease)	(3.4%)	5.7%

VRE management, in conjunction with the freight railroads who own and maintain the rail lines on which VRE operates, has implemented both short and long-term strategies to enhance on time performance. The underlying factors that have fueled VRE's growth in the past, population growth in the areas served by VRE and traffic congestion on Interstates 95 and 66, two major arterial roadways, coupled with railroad capacity improvements, are expected to lead to increased ridership in the future.

Financial Operations and Highlights

VRE was able to achieve positive financial results for the fiscal year, as follows:

- Operating revenues increased by 1.6 percent from \$19,573,535 to \$19,895,953.
- Operating expenses, excluding depreciation, increased by 4.1 percent from \$40,961,058 to \$42,657,540. The major elements of this change are as follows:
 - Diesel fuel costs increased by 31% to \$3.1 million, an expenditure increase of \$736,022 over the prior year. Increasing fuel costs will continue to be an issue in future years.
 - There are contractually set escalators in the contract with Amtrak (the contract operator) and the track access fees paid to CSX Transportation and Norfolk Southern. Access fee and contract operations and maintenance costs increased by \$1.1 million or 5.2%; this amount includes \$500,000 for the lease of additional mid-day storage space at Washington Union Terminal.
 - Repair and maintenance costs increased by slightly more than \$481,000 or 15%, primarily as the result of increased station maintenance costs. Equipment lease costs and marketing costs decreased from the prior year.

The net result of the above was an operating loss, before depreciation, of \$22,761,587. This represents an increase from the previous year of 6.4 percent. Depreciation increased from \$6,699,409 to \$8,217,233, which reflects the completion of various capital projects. The operating loss before non-operating revenues and expenses increased from a loss of \$28,086,932 to a loss of \$30,978,820. Local, federal and state support is accounted for as non-operating income and is used to offset these losses.

Non-operating revenue increased by 28 percent from \$32,655,500 to \$42,279,580. The components of this increase were: an increase in federal grants of \$5.6 million for debt service, track access costs and specific capital projects; an increase in state grants of \$3.5 million for operating expenses and debt service; and an increase in jurisdictional contributions of \$.5 million.

At the end of fiscal year 2006, VRE recognized \$20,000,000 of deferred revenue from the Commonwealth of Virginia for the purchase of 50 additional railcars. The contract for the purchase of these railcars was signed early in fiscal year 2007. The cars will be delivered in fiscal year 2008 and will be funded with a combination of loan and grant funds.

Summary of Operations

The change in net assets for fiscal year 2006 was \$9,934,229 as compared to \$927,640 for fiscal year 2005.

	2006	2005
Operating revenues	\$ 19,895,953	\$ 19,573,535
Operating expenses	42,657,540	40,961,058
Operating loss before depreciation	(22,761,587)	(21,387,523)
Depreciation	(8,217,233)	(6,699,409)
Operating loss	(30,978,820)	(28,086,932)
Non-operating revenue, net	42,279,580	32,655,500
Special item – loss on disposal of assets	(1,366,531)	(3,640,928)
	\$ 9,934,229	\$ 927,640

Financial Position Summary

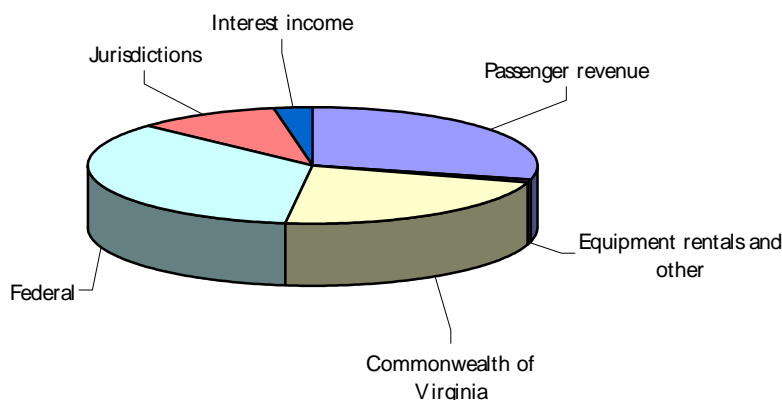
A condensed summary of VRE's net assets at June 30, 2006, as compared to June 30, 2005 is shown below:

	2006	2005
ASSETS:		
Current and other assets	\$ 81,065,102	\$ 62,854,627
Capital assets, net	135,482,041	129,503,622
Total assets	216,547,143	192,358,249
 LIABILITIES:		
Current portion of long term debt	6,550,118	6,305,727
Other current liabilities	32,446,091	12,088,075
Non-current liabilities	82,933,317	89,281,059
Total liabilities	121,929,526	107,674,861
 NET ASSETS:		
Invested in capital assets, net of related debt	67,535,067	55,182,924
Restricted	17,226,881	20,038,608
Unrestricted	9,855,669	9,461,856
Total net assets	\$ 94,617,617	\$ 84,683,388

Net assets may serve over time as a useful indicator of VRE's financial position. The largest portion of VRE's net assets each year represents its investment in capital assets (e.g., land, buildings, improvements, rolling stock and other equipment), less the related indebtedness outstanding used to acquire those capital assets. VRE uses these assets to provide services to its riders; consequently, these assets are not available for future spending. VRE's investment in its capital assets is reported net of accumulated depreciation and net of related debt. The resources required to repay this debt must be provided annually from operations and federal, state and local support since it is unlikely that the capital assets themselves will be liquidated to pay liabilities.

Revenues

The following chart shows the major sources of revenues for the year ended June 30, 2006:

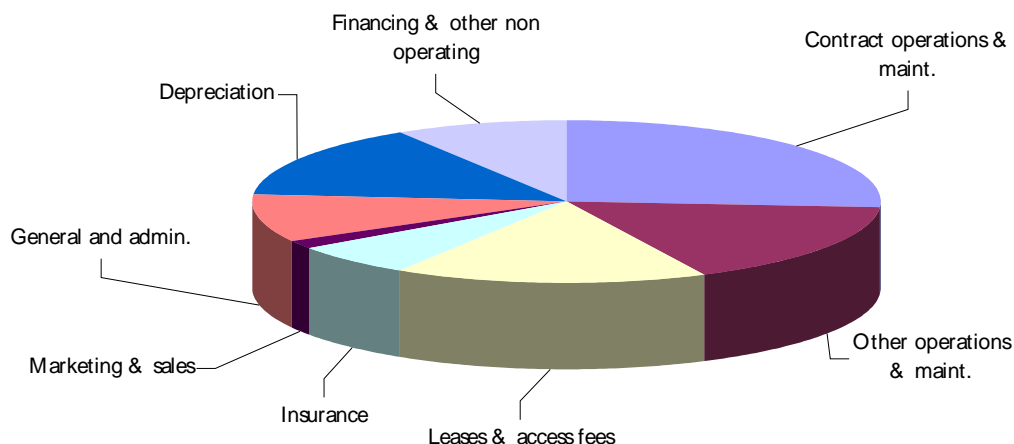


A summary of revenues for the year ended June 30, 2006, and the amount and percentage change in relation to prior year amounts is as follows:

	2006 Amount	Percent of total	Increase (decrease) from 2005	Percent increase (decrease)
Operating revenues:				
Passenger revenue	\$ 19,453,436	28.98%	\$ 1,274	-
Equipment rentals and other	442,517	0.66%	321,144	265.59%
Total operating revenues	19,895,953	29.64%	322,418	1.65%
Non-operating revenues:				
Subsidies and grants:				
Commonwealth of Virginia	14,907,204	22.21%	3,516,036	30.87%
Federal	23,518,164	35.03%	5,569,365	31.03%
Jurisdictional contributions	6,878,061	10.25%	525,062	8.26%
In-kind and other local contributions	-	0.00%	(266,148)	(100.00%)
Interest income	1,929,594	2.87%	976,030	102.37%
Total non-operating revenues	47,233,023	70.36%	10,320,345	27.96%
Total revenues	\$ 67,128,976	100.00%	\$ 10,642,763	18.84%

Expenses

The following chart shows the major cost centers of expenses for the year ended June 30, 2006:



A summary of expenses for the year ended June 30, 2006, and the amount and percentage of change in relation to prior year amounts is as follows:

	2006 Amount	Percent of total	Increase (decrease) from 2005	Percent increase (decrease)
Operating expenses:				
Contract operations and maintenance	\$ 14,619,521	25.56%	\$ 475,107	3.36%
Other operations and maintenance	9,304,325	16.27%	1,376,218	17.36%
Property leases and access fees	8,986,974	15.71%	217,108	2.48%
Insurance	3,521,858	6.16%	(11,645)	(0.33%)
Marketing and sales	1,005,348	1.76%	(297,179)	(22.82%)
General and administrative	5,219,514	9.13%	(63,126)	(1.19%)
Total operating expenses	42,657,540	74.59%	1,696,483	4.14%
Other expenses:				
Depreciation	8,217,233	14.37%	1,517,824	22.66%
Interest, financing costs and other	4,953,443	8.66%	696,265	16.36%
Total other expenses	13,170,676	23.03%	2,214,089	20.21%
Loss on disposal of assets	1,366,531	2.38%	(2,274,397)	(62.47%)
Total expenses	\$ 57,194,747	100.00%	\$ 1,636,175	2.95%

Financial Statements

VRE's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). VRE is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets with a cost of over \$5,000 are capitalized and, except for land, are depreciated over their estimated useful lives. Certain cash and investment funds are restricted for debt service, capital expenditures or insurance purposes. See note 1 of the financial statements for a summary of VRE's significant accounting policies.

Capital Acquisitions and Construction Activities

During fiscal year 2006, VRE expended \$15,600,057 for capital activities. Completed projects totaling \$21,154,691 were closed from construction in progress to their respective capital accounts and an additional \$1,176,137 was charged directly to the capital accounts. The completed projects were in the following categories and amounts:

Project	Amount
Rolling stock	\$ 3,892,943
Facilities	17,081,397
Equipment	746,272
Equity in local properties	246,430
Office furniture and equipment	363,786
	<u>\$ 22,330,828</u>

The major completed projects were: Re-qualification of 13 Gallery cars (\$3,313,608); overhaul of Gallery trucks and rebuilding of locomotives (\$579,336); renovation of Washington Union terminal (\$11,271,958); Manassas Park platform extension (\$1,241,731); power installation and re-grading at Broad Run and Crossroads yards (\$1,235,803); various projects at Ivy City yard (\$462,135); and the construction of additional parking at Manassas Park and Broad Run (\$1,052,688).

Property and equipment are capitalized at cost of acquisition. Acquisitions are funded using a variety of financing techniques, including Federal grants with matching funds from the Commonwealth and from local subsidies. Additional information on VRE's capital assets and commitments can be found in notes 3 and 10 to the financial statements.

Debt Administration

At June 30, 2006, VRE had total debt outstanding of \$90,767,224. The debt for VRE is issued under the name of the Northern Virginia Transportation Commission (NVTC). VRE revenues back the bonds and VRE is responsible for making debt service payments. A financial guaranty bond guarantees payment of each bond series. The note payable is secured by VRE's office condominium, and the capital leases are secured by the related equipment.

	2006	2005
Revenue bonds	\$ 64,530,000	\$ 69,540,000
Capital leases	25,577,224	26,752,951
Note payable	660,000	720,000
Total	\$ 90,767,224	\$ 97,012,951

VRE has access to a line of credit of up to \$1 million with SunTrust Bank; the line was not exercised during 2006. For further information, please refer to note 7 in the financial statements.

Economic Factors and Next Year's Budget

Population growth in Northern Virginia, especially in the outer suburbs, continues to remain robust. In combination with the congestion on major highways and on-going highway construction projects, this growth will continue to increase demand for VRE service. The constraining factors to VRE growth are station parking, availability of seats and not sustaining an on-time train service.

As the result of increases to fuel costs, access fees, equipment maintenance costs and contributions to the insurance trust fund, the fiscal year 2007 budget included an increase to both fare rates and local subsidy contributions. A fare restructuring went into effect on July 1, 2006 that increased fare revenues by 6 percent. In addition, the local subsidy contribution to the VRE operations was increased by \$1,924,701 to a total of \$8,802,762.

Request for Information

This financial report is designed to provide a general overview of VRE's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, Virginia Railway Express, 1500 King Street, Alexandria, Virginia 22314-2730 or by email to dboxer@vre.org.

Respectfully submitted,



Donna J. Boxer, CPA
Director of Finance

VIRGINIA RAILWAY EXPRESS

STATEMENTS OF NET ASSETS

June 30, 2006 and 2005

ASSETS	2006	2005
Current Assets:		
Cash and cash equivalents	\$ 6,974,333	\$ 6,253,268
Accounts receivable:		
Federal grants	2,639,847	2,629,236
Commonwealth of Virginia grants	1,094,012	2,079,947
Trade receivables, net of allowance for doubtful accounts	2,542,348	2,616,522
Other receivables	3,923,656	3,689,860
Inventory	2,361,863	1,910,706
Prepaid expenses	545,149	618,258
Restricted cash, cash equivalents, and investments	60,047,130	42,004,404
Total current assets	80,128,338	61,802,201
Noncurrent Assets:		
Deferred bond and lease costs, net	936,764	1,052,426
Capital assets:		
Rolling stock	65,846,762	61,953,818
Vehicles	45,550	45,550
Facilities	58,494,479	41,416,189
Track and signal improvements	27,628,930	27,628,930
Equipment	5,608,372	4,862,101
Construction in progress	23,319,672	31,451,741
Equity in local properties	5,244,798	4,998,368
Office furniture and equipment	2,636,253	2,272,467
	188,824,816	174,629,164
Less accumulated depreciation	(53,342,775)	(45,125,542)
Total capital assets, net	135,482,041	129,503,622
Total noncurrent assets	136,418,805	130,556,048
Total assets	\$ 216,547,143	\$ 192,358,249

LIABILITIES AND NET ASSETS	2006	2005
Current Liabilities:		
Accounts payable	\$ 6,054,671	\$ 4,496,684
Payable to Commissions	882,278	598,222
Compensated absences	199,909	218,277
Accrued expenses	2,038,916	3,058,852
Accrued interest	1,899,386	2,029,157
Deferred revenue	20,464,351	1,233,226
Contract retainage	906,580	513,657
Note payable	60,000	60,000
Current portion of capital lease obligations	1,235,118	1,235,727
Current portion of long-term debt	5,255,000	5,010,000
Total current liabilities	38,996,209	18,393,802
Noncurrent Liabilities:		
Capital lease obligations	24,342,106	25,577,224
Note payable	600,000	660,000
Bonds payable, net	57,991,211	63,043,835
Total noncurrent liabilities	82,933,317	89,281,059
Total liabilities	121,929,526	107,674,861
Net Assets:		
Invested in capital assets, net of related debt	67,535,067	55,182,924
Restricted for liability insurance plan	10,204,517	12,439,017
Restricted for debt service and capital lease	7,008,351	6,873,135
Restricted grants or contributions	14,013	726,456
Unrestricted assets	9,855,669	9,461,856
Total net assets	94,617,617	84,683,388
Total liabilities and net assets	\$ 216,547,143	\$ 192,358,249

VIRGINIA RAILWAY EXPRESS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS Years Ended June 30, 2006 and 2005

	2006	2005
Operating Revenues:		
Passenger revenue	\$ 19,453,436	\$ 19,452,162
Equipment rentals and other	442,517	121,373
Total operating revenues	19,895,953	19,573,535
Operating Expenses:		
Contract operations and maintenance	14,619,521	14,144,414
Other operations and maintenance	9,304,325	7,928,107
Property leases and access fees	8,986,974	8,769,866
Insurance	3,521,858	3,533,503
Marketing and sales	1,005,348	1,302,527
General and administrative	5,219,514	5,282,641
Total operating expenses	42,657,540	40,961,058
Operating loss before depreciation	(22,761,587)	(21,387,523)
Depreciation	(8,217,233)	(6,699,409)
Operating loss	(30,978,820)	(28,086,932)
Nonoperating Revenues (Expenses):		
Subsidies:		
Commonwealth of Virginia grants	13,137,477	7,613,022
Federal grants	10,721,335	8,124,763
Jurisdictional operating contributions	6,878,061	6,352,999
Capital grants and assistance:		
Commonwealth of Virginia grants	1,769,727	3,778,146
Federal grants	12,796,829	9,824,036
In-kind and other local contributions	-	266,148
Interest income:		
Operating funds	367,292	214,888
Insurance trust	721,919	688,816
Other restricted funds	840,383	49,860
Interest, amortization and other nonoperating expenses, net	(4,953,443)	(4,257,178)
Total nonoperating revenues, net	42,279,580	32,655,500
Loss on disposal of assets	(1,366,531)	(3,640,928)
Change in net assets	9,934,229	927,640
Net Assets, beginning	84,683,388	83,755,748
Net Assets, ending	\$ 94,617,617	\$ 84,683,388

VIRGINIA RAILWAY EXPRESS

STATEMENTS OF CASH FLOWS Years Ended June 30, 2006 and 2005

	2006	2005
Cash Flows From Operating Activities:		
Receipts from customers	\$ 19,727,708	\$ 19,098,403
Payments to suppliers	(39,361,587)	(35,937,065)
Payments to employees	(2,870,261)	(2,928,889)
Net cash used in operating activities	(22,504,140)	(19,767,551)
Cash Flows From Noncapital Financing Activities:		
Governmental subsidies	30,448,991	21,637,064
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(15,169,261)	(17,603,938)
Capitalized debt issuance costs	-	(252,500)
Capital grants and assistance	35,103,306	13,985,832
Proceeds from sale of capital assets	-	9,610,000
Principal borrowed on capital lease	-	25,100,000
Principal paid on capital lease obligations	(1,175,727)	(365,987)
Principal paid on note	(60,000)	(60,000)
Principal paid on bonds and note	(5,010,000)	(4,775,000)
Interest paid on capital lease obligation	(1,217,690)	(298,190)
Interest paid on bonds and note	(3,547,486)	(3,574,813)
Net cash provided by capital and related financing activities	8,923,142	21,765,404
Cash Flows From Investing Activities:		
Interest received on investments	1,895,798	903,703
Increase in cash and cash equivalents	18,763,791	24,538,620
Cash and Cash Equivalents, beginning	48,257,672	23,719,052
Cash and Cash Equivalents, ending	\$ 67,021,463	\$ 48,257,672
Operating loss		
	\$ (30,978,820)	\$ (28,086,932)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	8,217,233	6,699,409
Increase in:		
Accounts receivable	(125,826)	(333,790)
Advances and deposits	-	(250)
Decrease (increase) in:		
Inventory	(451,157)	119,264
Prepaid expenses	73,109	149,667
Accounts payable and accrued expenses	803,740	1,826,423
Increase (decrease) in deferred ticket sales	(42,419)	(141,342)
Net cash used in operating activities	\$ (22,504,140)	\$ (19,767,551)
Schedule of Noncash Capital Activities		
Capital assets acquired through accounts payable	\$ 430,796	\$ 495,188

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Virginia Railway Express (“VRE”) is a joint venture of the Northern Virginia Transportation Commission (“NVTC”) and the Potomac and Rappahannock Transportation Commission (“PRTC”). Pursuant to a Master Agreement signed in 1989, NVTC and PRTC (“the Commissions”) jointly own and operate VRE. VRE provides commuter rail service on two railroad lines originating in Fredericksburg and Manassas, Virginia and terminating at Union Station, Washington, D.C. The service uses existing tracks of the CSX Transportation Corporation (“CSX”), and the Norfolk Southern Railway Company, under respective operating access agreements. Trains are operated and maintained pursuant to a Purchase of Services Agreement between Amtrak and the Commissions.

VRE is managed by the Commissions. Certain functions have been delegated to the VRE Operations Board, consisting of three commissioners appointed from each of NVTC and PRTC and one representative of the Commonwealth of Virginia’s Department of Rail and Public Transportation. The system is not currently configured for fare revenues alone to produce positive net income. In addition to fares, the project is financed with proceeds from the Commuter Rail Revenue Bonds, Federal and Commonwealth of Virginia grants and jurisdictional contributions based on a population/ridership formula that are supplemented by voluntary donations from contributing jurisdictions. Grants and contributions fund both operations and capital projects. Participating jurisdictions include the counties of Fairfax, Prince William, and Stafford; and the cities of Manassas, Manassas Park and Fredericksburg, Virginia. Contributing jurisdictions include Arlington County and the City of Alexandria, Virginia.

Measurement Focus, Basis of Accounting

VRE prepares its financial statements using the accrual basis of accounting. The activities of VRE are similar to those of proprietary funds of local jurisdictions. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, VRE has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (“FASB”) pronouncements and Accounting Principles Board (“APB”) opinions unless those pronouncements conflict with or contradict GASB pronouncements.

Revenue Recognition: Intergovernmental revenues, consisting primarily of Federal and Commonwealth of Virginia grants, designated for payment of specific expenses, are recognized at the time that the expenses are incurred. Capital grants and assistance are recognized as additions are made to capital assets and operating resources are included in the Statements of Revenues and Expenses and Changes in Net Assets when expended. VRE records monetary and in-kind contributions as it assesses matching obligations to the jurisdictions or other construction partners. Any excess of revenues or expenses at year end are recorded as deferred revenue or accounts receivable, respectively. Passenger revenues received in advance are deferred until earned.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and Investments: VRE considers all highly liquid investments with maturities of three months or less to be cash equivalents. Investments in U.S. government securities and commercial paper are carried at fair value based on quoted market prices. The investment in the Local Government Investment Pool (LGIP, a 2a7-like pool) is reported at the Pool's share price.

Restricted Cash and Cash Equivalents: Restricted cash, cash equivalents and investments of \$60,047,130 and \$42,004,404 at June 30, 2006 and 2005, respectively, are comprised of funds related to bond compliance requirements, the Liability Insurance Plan and proceeds from the lease purchase of the Gallery IV-A railcars that had not been fully disbursed as of June 30, 2006. Also included in restricted cash is grant proceeds received from the Commonwealth of Virginia.

Allowance for Uncollectible Accounts: VRE calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. The allowance was \$97,147 at June 30, 2006 and \$91,409 at June 30, 2005.

Inventory: VRE has purchased an inventory of spare parts for rolling stock that is maintained and managed by Amtrak pursuant to its maintenance responsibilities under the Purchase of Services Agreement with the Commissions. Inventory is stated at cost, which approximates market, and is valued using the first-in-first-out method. In addition, VRE has established an inventory of parts for rolling stock at its own warehouse located at Broad Run.

Capital Assets: For constructed assets, all costs necessary to bring assets to the condition and location necessary for the intended use are capitalized. Asset costs include allocation of certain common construction costs, based on the relationship of associated direct costs. Assets constructed directly by jurisdictions in satisfaction of system financial responsibilities have been capitalized at the estimated fair market value as of the date of donation.

When assets are substantially complete and ready for use, these costs are transferred from construction in progress to property and equipment and depreciated. Major improvements and replacements of property are capitalized. Maintenance, repairs and minor improvements and replacements are expensed.

Costs of improvements to track and signal facilities owned by the railroads have been capitalized in recognition of the increased efficiency afforded VRE operations over their useful lives. The Commissions retain a residual interest in these assets such that net salvage value will be reimbursed by the railroads upon cessation of commuter rail service. Similarly, shared investments in jurisdictional facilities ("equity in local properties") recognize the right of access for commuter rail patrons granted to the Commissions.

VRE capitalizes assets that have an initial cost of \$5,000 or more per unit and a useable life of two or more years.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Provision for depreciation has been calculated using the group depreciation method. Under this method homogeneous groups of assets with similar useful lives are grouped together and depreciation is applied to the entire group. The estimated useful lives of the assets are as follows:

Rolling stock	8-40 years
Vehicles	5 years
Facilities	30-40 years
Track and signal improvements	30 years
Equipment	5 years
Equity in local properties	35 years
Office furniture and equipment	3-10 years

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2006.

Compensated Absences: VRE employees are granted vacation leave based on length of employment. Employees with less than ten years of service may carry over a total of 225 hours of leave from year to year, while those with more than ten years may carry over 300 hours. Excess leave may convert to sick leave or may be paid out with the approval of the Chief Executive Officer. Employees may accumulate sick leave without limitation. Employees who separate in good standing after five or more years of service will be paid out for 25 percent of their sick leave credit in excess of 450 hours. Certain employees may accumulate compensatory leave for overtime worked. Compensated absences are accrued when incurred.

Long-Term Obligations: Bond premiums, discounts, and deferred losses, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Reclassification: Certain prior year information is reclassified to conform to current year presentation.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash, Cash Equivalents and Investments

Deposits: All cash of VRE is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. If any member bank fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. With the ability to make additional assessments, the multiple bank collateral pool functions similarly to depository insurance. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act. At June 30, 2006 the book balance of VRE's deposits with banks was \$2,790,892; these funds are swept into a U.S. Government Securities money market fund at the end of each business day.

Investments: State statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

The VRE Operations Board has adopted a formal investment policy. The policy specifies eligible and ineligible investments; diversification requirements; maximum length of time for various types of investments; and the process for purchasing securities.

VRE's investment policy establishes the maximum percentages of the portfolio permitted in each of the following instruments:

	Length	Percent
Bonds, notes, and other evidence of indebtedness of the Commonwealth of Virginia and the United States	60 months or less	100%
Bonds, notes, and other evidence of indebtedness of any public body of the Commonwealth of Virginia	36 months or less	100%
Bonds and notes of FNMA and FHLB	36 months or less	75%
Savings accounts or CD's of any bank or savings and loan association within the Commonwealth of Virginia	12 months or less	20%
Money market mutual funds	13 months or less	20%
Repurchase agreements	24 months or less	20%
Bankers' acceptances	24 months or less	10%

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash, Cash Equivalents and Investments (Continued)

	Length	Percent
Prime Quality Commercial Paper	270 days or less	35%
High Quality Corporate Notes	24 months or less	50%
Certificates representing ownership in treasury bond principal	24 months or less	50%
LGIP	N/A	100%
SNAP	N/A	N/A
Negotiable CD's and negotiable bank deposit notes	24 months or less	25%

At June 30, 2006, VRE had investments of \$24,196,918 in the LGIP. The LGIP is a professionally managed money market fund that invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at the Board's regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share. The LGIP has been assigned an "AAAm" rating by Standard & Poors.

The Commonwealth of Virginia Department of Treasury manages the VRE Insurance Trust. State statutes govern the portion of assets invested in the Commonwealth's pooled accounts, while the remainder is invested by an external portfolio manager. At June 30, 2006, VRE had \$10,204,517 invested in the Insurance Trust.

Unexpended lease proceeds for the purchase of additional railcars in the recorded amount at June 30, 2006 of \$22,820,250 were invested in U.S. Treasury money market accounts with SunTrust Bank. Accumulated bond interest and principal payments in the amount of \$7,008,351 at June 30, 2006 were held by the bond trustee, SunTrust Bank, in U.S. Treasury money market accounts. Investments in U. S. Treasury money market accounts held with SunTrust Bank have been assigned an "AAAm" rating by Standard & Poors.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash, Cash Equivalents and Investments (Continued)

As of June 30, 2006, the carrying values and maturity of VRE's investments were as follows:

Investment Type	Fair Value		Maturities Less than 1 Year
LGIP	\$	24,196,918	\$ 24,196,918
Insurance trust fund		10,204,517	10,204,517
Money market funds		29,828,601	29,828,601
Total investments	\$	64,230,036	\$ 64,230,036

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	(Deletions) Reclassifications	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 31,451,741	\$ 14,617,393	\$ (22,749,462)	\$ 23,319,672
Capital assets being depreciated:				
Rolling stock	61,953,818	318,033	3,574,911	65,846,762
Vehicles	45,550	-	-	45,550
Facilities	41,416,189	83,465	16,994,825	58,494,479
Track and signal improvements	27,628,930	-	-	27,628,930
Equipment	4,862,101	253,740	492,531	5,608,372
Equity in local properties	4,998,368	-	246,430	5,244,798
Office furniture and equipment	2,272,467	327,426	36,360	2,636,253
Total capital assets being depreciated	143,177,423	982,664	21,345,057	165,505,144
Less accumulated depreciation for:				
Rolling stock	24,378,877	4,896,474	-	29,275,351
Vehicles	6,864	11,377	-	18,241
Facilities	10,040,509	1,360,410	-	11,400,919
Track and signal improvements	4,989,296	920,955	-	5,910,251
Equipment	3,199,772	722,266	-	3,922,038
Equity in local properties	1,751,763	146,331	-	1,898,094
Office furniture and equipment	758,461	159,420	-	917,881
Total accumulated depreciation	45,125,542	8,217,233	-	53,342,775
Total capital assets being depreciated, net	98,051,881	(7,234,569)	21,345,057	112,162,369
Totals	\$ 129,503,622	\$ 7,382,824	\$ (1,404,405)	\$ 135,482,041

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	(Deletions) Reclassifications	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 21,221,222	\$ 17,878,084	\$ (7,647,565)	\$ 31,451,741
Capital assets being depreciated:				
Rolling stock	82,669,253	-	(20,715,435)	61,953,818
Vehicles	22,882	22,668	-	45,550
Facilities	37,208,822	3,106	4,204,261	41,416,189
Track and signal improvements	27,628,930	-	-	27,628,930
Equipment	4,676,483	185,618	-	4,862,101
Equity in local properties	4,998,368	-	-	4,998,368
Office furniture and equipment	2,262,817	9,650	-	2,272,467
Total capital assets being depreciated	159,467,555	221,042	(16,511,174)	143,177,423
Less accumulated depreciation for:				
Rolling stock	27,119,918	4,179,215	(6,920,256)	24,378,877
Vehicles	2,288	4,576	-	6,864
Facilities	9,160,225	880,284	-	10,040,509
Track and signal improvements	4,121,334	867,962	-	4,989,296
Equipment	2,597,455	602,317	-	3,199,772
Equity in local properties	1,675,770	75,993	-	1,751,763
Office furniture and equipment	669,399	89,062	-	758,461
Total accumulated depreciation	45,346,389	6,699,409	(6,920,256)	45,125,542
Total capital assets being depreciated, net	114,121,166	(6,478,367)	(9,590,918)	98,051,881
Totals	\$ 135,342,388	\$ 11,399,717	\$ (17,238,483)	\$ 129,503,622

Note 4. Related Parties Transactions

VRE reimburses the Commissions for expenditures made on behalf of VRE. During 2006 and 2005, these payments included \$3,132,516 and \$2,842,657 of salary-related costs and \$343 and \$8,762 of administrative costs, respectively, which are functionally classified with similar payments made directly to vendors and contractors. In addition, VRE pays the Commissions for direct labor and associated indirect costs incurred for services rendered under budgeted activities for VRE. These staff support payments totaled \$80,000 and \$90,000 to NVTC and \$145,107 and \$161,753 to PRTC during 2006 and 2005, respectively.

VRE also contracts with PRTC for connecting bus service to selected stations on an as needed basis. PRTC bus service costs amounted to approximately \$17,858 and \$1,173 in 2006 and 2005, respectively. Amounts payable to NVTC and PRTC were \$14,438 and \$867,840 at June 30, 2006 and \$16,269 and \$581,952 at June 30 2005.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Defined Benefit Pension Plan

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of VRE participate in the VRS through PRTC. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service or at age 50 with at least 30 years of service, if elected by the employer, payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. AFC is defined as the highest consecutive 36 months of reported compensation. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost of living increases limited to 5 percent per year beginning in their second year of retirement. VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that included financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/2005AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5 percent of their annual salary to the VRS. VRE has assumed this 5 percent member contribution. In addition, VRE is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees.

VRE's contribution rate for fiscal year 2006 was 11.5% of annual covered payroll, inclusive of the 5 percent member contribution.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost

For fiscal year 2006, VRE's annual pension cost of \$275,340 was equal to VRE's required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) eight percent investment rate of return (b) projected salary increases ranging from four percent to seven percent per year, and (c) three percent per year cost of living adjustments. Both (a) and (b) included an inflation component of 3 percent. The actuarial value of PRTC's assets is equal to the modified market value of the assets (VRE's assets are not separated from PRTC's). This method uses techniques that smooth the effects of short term volatility in the market value of assets over a five year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

To obtain more information pertaining to three-year trend information and a Schedule of Funding Progress for PRTC and VRE, a request should be sent to PRTC, 14700 Potomac Mills Road, Woodbridge, VA, 22192.

VRE's payroll for the employees covered by the VRS for the years ended June 30, 2006 and 2005 was \$2,394,250 and \$2,207,029, respectively.

Note 6. Operating Leases and Agreements

Operating Access Agreements with the CSX and Norfolk Southern provide the Commissions the right to use tracks owned by the railroads in the provision of commuter rail passenger service. These agreements require the Commissions to pay the railroads a monthly base fee and to reimburse the railroads for any incremental cost incurred by the railroads as a result of providing commuter rail service. During 2006 and 2005, annual track usage fees totaled approximately \$5,189,660 and \$5,116,536 respectively, and facility and other identified costs totaled \$422,322 and \$423,207, respectively.

Under the Purchase of Services Agreement, Amtrak operates and maintains the VRE service and rolling stock, and permits the Commissions to use its terminal, station, and equipment maintenance facilities at Union Station, Washington, D.C. Actual costs of these services, which are based on annual budgets prepared in advance by Amtrak, amounted to \$16,459,485 in 2006 and \$15,670,663 in 2005. During July 2006, an amended agreement was signed that extended the agreement until July 1, 2010, effective July 1, 2006.

VRE has entered into a series of operating leases with Sound Transit for bi-level rail cars and locomotives. At June 30, 2006, eight rail cars had been returned to Sound Transit, leaving ten rail cars and two locomotives still under lease. The current monthly lease amount for the remaining cars is \$92,267. The remaining leases are subject to termination upon 120 days notice.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2006:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue Bonds	\$ 69,540,000	\$ -	\$ (5,010,000)	\$ 64,530,000	\$ 5,255,000
Capital Leases	26,752,951	-	(1,175,727)	25,577,224	1,235,118
Note Payable	720,000	-	(60,000)	660,000	60,000
	97,012,951	-	(6,245,727)	90,767,224	6,550,118
Compensated Absences	218,277	-	(18,368)	199,909	199,909
	<u>\$ 97,231,228</u>	<u>\$ -</u>	<u>\$ (6,264,095)</u>	<u>\$ 90,967,133</u>	<u>\$ 6,750,027</u>

Revenue Bonds:

\$37,625,000 Commuter Rail Revenue Refunding Bonds, series 1993; due in annual maturities of \$4,145,000 to \$5,065,000 through July 2010, plus semi-annual interest at 4.9% to 5.25%	\$ 22,945,000
\$23,000,000 Commuter Rail Revenue Bonds, series 1997; due in annual maturities of \$1,000,000 to \$2,115,000 through July 2017, plus semi-annual interest at 4.7% to 6.0%	16,690,000
\$31,700,000 Commuter Rail Revenue Refunding Bonds, series 1998; due in annual maturities of \$110,000 to \$6,555,000 through July 1, 2014, plus semi-annual interest at 4.3% to 5.375%	<u>24,895,000</u>
	64,530,000
Plus (less) unamortized:	
Deferred loss	(1,649,630)
Discount	(124,393)
Premiums	<u>490,234</u>
Total bonded debt, net	<u><u>\$ 63,246,211</u></u>

The 1993, 1997 and 1998 Series Bonds are payable from a pledge of revenues attributable to VRE, including government grants, local jurisdictional contributions and passenger revenue. A financial guaranty bond guarantees payments of each bond series. Mandatory debt service requirements consist of the following:

Years Ended June 30,	Principal	Interest	Total Required
2007	\$ 5,255,000	\$ 3,296,729	\$ 8,551,729
2008	5,520,000	3,027,016	8,547,016
2009	5,795,000	2,731,522	8,526,522
2010	6,105,000	2,411,369	8,516,369
2011	6,435,000	2,073,792	8,508,792
2012-2016	31,295,000	4,822,619	36,117,619
2017-2018	4,125,000	225,585	4,350,585
	<u>\$ 64,530,000</u>	<u>\$ 18,588,632</u>	<u>\$ 83,118,632</u>

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt Obligations (Continued)

Deferred bond and lease costs, consisting of issuance costs and insurance premiums are shown net of accumulated amortization. These costs are amortized on a straight-line basis over the life of the debt. Amortization of deferred bond and lease costs, approximating \$67,000 and \$60,000, is included in interest expense in 2006 and 2005, respectively.

The Indentures of Trust for the 1997 Commuter Rail Revenue Bonds required VRE to maintain a debt service reserve. During fiscal year 2000, VRE purchased a surety in substitution of the debt service reserve fund, releasing the proceeds from the reserve. The Indentures of Trust for the 1997 issue also require the maintenance of an operating reserve equivalent to one-third (33.3%) of annual budgeted operating expenses. As of June 30, 2006 and 2005, VRE designated \$26,544,436 and \$26,052,674 respectively, of its cash, the restricted bond interest and principal funds, inventory and receivables as this operating reserve. The reserves represented 71.21% and 73.9% of budgeted operating expenses for June 30, 2006 and 2005, respectively.

Funds are invested by the Trustee pursuant to the Indentures of Trust and are classified as restricted. Funds held by the Trustee as of June 30, 2006 and 2005, are as follows:

	2006	2005
Bond Interest Fund	\$ 1,730,071	\$ 1,848,451
Bond Principal Fund	5,278,280	5,024,684
Total Held by Trustee	<u>\$ 7,008,351</u>	<u>\$ 6,873,135</u>

Capitalized Lease - Fare Collection

\$2,717,409 capitalized lease obligation; \$39,347 due monthly, interest at 5.73%, maturing in 2009, collateralized with a fare collection system with a carrying value of \$1,037,250 \$ 1,265,433

Future minimum lease payments as of June 30, 2006 are as follows:

Years Ended June 30,	Amount
2007	\$ 472,160
2008	472,160
2009	<u>432,813</u>
Total minimum lease payments	1,377,133
Lease amount representing interest	<u>111,700</u>
Present value of lease payments	<u>\$ 1,265,433</u>

Capitalized Lease - Gallery IV

\$25,100,000 capitalized lease obligation; \$965,679 due semi-annually, interest at 4.59%, maturing in 2025, collateralized with Gallery IV railcars. \$ 24,311,791

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt Obligations (Continued)

Future minimum lease payments as of June 30, 2006 are as follows:

Years Ended June 30,	Amount
2007	\$ 1,931,357
2008	1,931,357
2009	1,931,357
2010	1,931,357
2011	1,931,357
2012-2016	9,656,785
2017-2021	9,656,785
2022-2025	<u>7,725,428</u>
Total minimum lease payments	36,695,783
Lease amount representing interest	<u>12,383,992</u>
Present value of lease payments	<u>\$ 24,311,791</u>

Note Payable:

In June 2002, VRE entered into a borrowing with SunTrust Bank in the amount of \$900,000 to refinance a previous borrowing used to purchase the VRE offices. This note carries a repayment schedule of 15 years, with the terms of the note subject to revision June 2007. The current note is secured by the office condominium and bears interest at 68% of the one-month LIBOR plus 47 basis points. Principal of \$5,000 plus interest is payable monthly. The interest rate at June 30, 2006 was 3.96%.

Note 8. Short-Term Debt

VRE uses a revolving line of credit to finance certain grant-funded capital projects prior to the receipt of reimbursements from the granting agencies. The revolving line of credit was not used during the year ended June 30, 2006.

Note 9. Liability Insurance Plan

The Virginia Department of Treasury, Division of Risk Management has established the terms of VRE's Commuter Rail Operations Liability Plan (the Insurance Plan). The Insurance Plan consists of a combination of self-insurance reserves and purchased insurance in amounts actuarially determined to meet the indemnification requirements of the Operating Access Agreements and the Purchase of Services Agreement. The Commissions indemnify each of the railroads in an amount up to \$250,000,000 for any claims against persons or property associated with commuter rail operations.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 9. Liability Insurance Plan (Continued)

The Division of Risk Management manages the Insurance Trust Fund pursuant to provisions of the Insurance Plan. Since November 2005, all plan assets have been invested in the Department of Treasury common pool. Prior to that time, approximately one-half of plan assets were invested in the common pool, and the remainder were invested in a portfolio managed by external financial consultants. Activity in the Insurance Trust Fund for the years ended June 30, 2006 and 2005 was as follows:

	2006	2005
Beginning Balance, July 1	\$ 12,439,017	\$ 15,290,158
Contribution to reserves	500,000	-
Insurance premiums paid	(3,509,438)	(3,412,960)
Claims mitigation costs and losses incurred	(41,300)	-
Investment income	721,919	688,816
Actuarial and administrative charges	94,319	(126,997)
Ending Balance, June 30	<u>\$ 10,204,517</u>	<u>\$ 12,439,017</u>

An actuarial study is performed annually to determine the adequacy of the Insurance Trust Fund for the risk retained and to determine the required contribution to reserves.

Note 10. Contingencies and Contractual Commitments

At June 30, 2006, there were disputes between VRE and certain vendors. The amounts of any settlements, should they occur, are not determinable at this time. However, such amounts are not expected to be material in relation to the recorded amounts.

The Commissions have outstanding commitments for construction of facilities and equipment. A combination of Federal and Commonwealth of Virginia grants will be used to finance these capital projects. The following is a summary of the more significant contractual commitments, net of expenditures incurred as of June 30, 2006:

Station and parking lots	\$ 343,171
Railcars	22,551,139
Maintenance and layover yards	332,671
Track and signal improvements	9,290,669
Other administrative	<u>216,477</u>
TOTAL	<u><u>\$ 32,734,127</u></u>

VRE has received proceeds from several federal and state grant programs. In the event of an audit of these grants certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such findings may result in the refund of grant monies to the grantor agencies. Based on VRE's policies and past experience, management believes that no refunds would be due in the case of an audit and accordingly no provision has been made in the accompanying financial statements for the refund of grant monies.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 11. Pending GASB Statements

At June 30, 2006, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Commissions. The statements which might impact the Commissions are as follows:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and required supplemental information. Statement No. 45 will be effective for periods beginning after December 15, 2008.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, establishes criteria that governments will use to ascertain whether the proceeds received collateralized by future collections of receivables or revenues should be reported as revenues or as a liability. This Statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. Statement No. 48 will be effective for periods beginning after December 15, 2006.

Compliance Section



VIRGINIA RAILWAY EXPRESS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006**

Federal Grantor/ Program Title	Federal CFDA Number	Expenditures
DEPARTMENT OF HOMELAND SECURITY		
<u>Direct payments:</u>		
Urban Areas Security Initiative	97.008	\$ <u>550,890</u>
Total Department of Homeland Security		\$ <u>550,890</u>

VIRGINIA RAILWAY EXPRESS

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of VRE and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the “Schedule of Expenditures of Federal Awards.”

Major Programs – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for VRE were determined using a risk-based approach in accordance with OMB Circular A-133.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the accompanying schedule.



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Michael A. Garber
Donald W. Knotts

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Commission Board Members
The Northern Virginia Transportation Commission
The Potomac and Rappahannock Transportation Commission

We have audited the basic financial statements of the Virginia Railway Express as of and for the year ended June 30, 2006, and have issued our report thereon dated September 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Virginia Railway Express' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our **opinion** on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily **disclose** all matters in the internal control over financial reporting that might be material weaknesses. A **material weakness** is a reportable condition in which the design or operation of one or more of the **internal control components** does not reduce to a relatively low level the risk that misstatements caused **by error or fraud in** amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Virginia Railway Express' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions and specifications was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Commissioners, the Auditor of Public Accounts, and other Federal and state agencies and is not intended to be and should not be used by anyone other than those specified parties.

PBGH, LLP

Harrisonburg, Virginia
September 1, 2006



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Commission Board Members
The Northern Virginia Transportation Commission
The Potomac and Rappahannock Transportation Commission

Compliance

We have audited the compliance of the Virginia Railway Express, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, that are applicable to its major Federal program for the year ended June 30, 2006. Virginia Railway Express' major Federal program is identified in the Summary of Independent Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major Federal program is the responsibility of Virginia Railway Express' management. Our responsibility is to express an opinion on Virginia Railway Express' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, specifications, and circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Virginia Railway Express' compliance with those requirements, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Virginia Railway Express' compliance with those requirements.

In our opinion, Virginia Railway Express complied, in all material respects, with the requirements referred to above that are applicable to its major Federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Virginia Railway Express is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Virginia Railway Express' internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Commissioners, management, the Auditor of Public Accounts and other Federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

PBGH, LLP

Harrisonburg, Virginia
September 1, 2006

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006**

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified	_____ Yes	<input checked="" type="checkbox"/> No
Reportable conditions identified that are not considered to be material weaknesses	_____ Yes	<input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted	_____ Yes	<input checked="" type="checkbox"/> No

Federal awards

Internal control over major programs:

Material weaknesses identified	_____ Yes	<input checked="" type="checkbox"/> No
Reportable conditions identified that are not considered to be material weaknesses	_____ Yes	<input checked="" type="checkbox"/> None Reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ Yes	<input checked="" type="checkbox"/> No
--	-----------	--

Identification of major programs:

CFDA Number	Name of Federal Program
97.008	Urban Areas Security Initiative

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?	_____ Yes	<input checked="" type="checkbox"/> No
--	-----------	--

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006**

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

A. Reportable Conditions in Internal Control

None Reported

B. Compliance Findings

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

VRE 2007 Legislative Agenda.

The VRE Operations Board recommends approval of Resolution #2043. This resolution authorizes VRE staff to pursue the state and federal legislative positions described in the attached document. VRE would be authorized to do this in coordination with the local jurisdictions and commissions.



RESOLUTION #2043

SUBJECT: VRE 2007 Legislative Agenda.

WHEREAS: VRE is an essential part of traffic mitigation for the Northern Virginia and Metropolitan Washington region;

WHEREAS: The VRE Strategic Plan has identified certain critical needs for VRE if it is to provide reliable service and meet projected ridership growth;

WHEREAS: The capital cost associated with these needs can be met through obtaining additional discretionary federal and state capital funding;

WHEREAS: The VRE Operations Board has recommended a detailed agenda of state and federal legislative actions; and

WHEREAS: VRE also intends to advocate positions with Congress and the Virginia General Assembly that are supportive of the transportation needs of VRE and the Northern Virginia region.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission authorizes the VRE Chief Executive Officer to actively pursue the VRE 2007 Legislative Agenda, in coordination with the local jurisdictional and commission staffs.

Approved this 7th day of December, 2006.

Gerald Connolly
Chairman

William Euille
Secretary-Treasurer



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AGENDA ITEM 9-D
ACTION ITEM

TO: CHAIRMAN CADDIGAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: NOVEMBER 17, 2006

RE: AUTHORIZATION TO APPROVE THE 2006 LEGISLATIVE AGENDA

RECOMMENDATION:

The Operations Board is being asked to forward VRE's 2007 Legislative Agenda to the Commissions for approval.

BACKGROUND:

Since 2001, VRE has sought discretionary funding for capital projects that address critical needs within the VRE system. These funds supplement federal formula funding received from the Federal Transit Administration as well as state capital and operating funding. Based on a review of the prior federal and state legislative sessions, VRE staff is recommending the following projects and positions for the 2007 Legislative Agenda.

CAPITAL REQUESTS

Priority Projects

Similar to last year, VRE's primary focus continues to be on fleet acquisition. This year, attention will be funding for locomotives. Requests will be made at both the federal and state level for the following projects, listed in priority order, and included in the VRE Strategic Plan:

- Acquisition of 20 Tier-II Locomotives - \$41 million

- Parking Expansion Projects (requests to be made with jurisdictions) - \$30 million
- Platform Extensions/Additions - \$20 million
- Mid-day Storage Facility - \$10 million

It should also be noted that as the goal last year was to secure \$15 million from the General Assembly for railcar funding, the session ended without this funding. VRE has since received notification that we received \$13.7 million of reprogrammed federal surface transportation funds for this project. This leaves a balance of \$1.3 million that VRE will continue to request from the state.

State Funding Issues

- Third Rail and Gainesville-Haymarket – continue to support requests for commuter rail service to Gainesville-Haymarket and adding capacity on the Fredericksburg line through the construction of a third main line
- request the allocation of approximately \$2 million in funding to hold VRE jurisdictions harmless assuming the recommended subsidy allocation amendment is approved for the FY 2008 budget
- advocate the continuing state funding of rail access fees
- encourage the Commonwealth to meet the statutory goal of funding 95 percent of eligible transit capital and operating costs from the Mass Transit Fund
- encourage a requirement for public/private partnerships with freight railroads that will link state investment and private railroad cooperation

Homeland Security

Each year, the Department of Homeland Security (DHS) allocates a National Capital Region grant to WMATA, VDRPT, VRE and MTA. The allocation this fiscal year is \$12 million and VRE is expected to receive \$1.4 million. Due to limitations on the eligibility of projects, VRE's aforementioned list of capital projects cannot be considered. As such, the proposed project list includes, but is not limited, to continued funding for the bomb detection dog program and yard security supplements.

Corridor Improvements

At the request of Congresswoman Davis, VRE has been working jointly with the Federal Railroad Administration, CSX and Amtrak to adopt a comprehensive plan for systematic corridor improvements along the Fredericksburg line. Again, as the request for projects was specific to improvements that would have an immediate benefit to on-time performance in the Fredericksburg corridor, VRE's aforementioned list of capital projects was not considered suitable. As such, the

following projects will be submitted for consideration in the Omnibus bill. The estimated cost to implement these projects is \$20.2 million.

- Installation of approximately two miles of Automated Train Control from Arlington, VA into Washington, DC. This area is currently the only portion of the Washington to Richmond corridor without this technology.
- Construction of several 600 foot long passenger second platforms and canopies as well as associated pedestrian stairs, bridges, and elevators. Locations include Lorton, Rippon, Brooke and Leeland. These platforms would provide VRE additional flexibility and capacity by permitting passenger operations on both main lines.

POLICY ISSUES

Insurance Issues

On the federal level, VRE will continue to advocate for the amendment of Title 49, United States Code, to cap liability insurance for commuter rail operations. CSX and NS continue to request liability insurance of \$500 million per incident as an element of the new access agreement. VRE will promote adding a liability cap of \$200 million for commuter rail to the federal language.

On the state level, the intent is to amend Title 56, Virginia Code to cap liability insurance for commuter rail operations at \$200 million as well as exempt them from railroad requested terrorism insurance coverage. Without this legislation, VRE faces an additional \$700K in additional annual insurance costs.

Finally, due to rapidly increasing insurance costs, VRE has been unable to fully maintain the Insurance Trust Fund to the level desired by the Virginia Division of Risk Management. Annual premiums alone have risen from \$1.5 million to just under \$4 million per year. The result is a decrease in the Insurance Trust Fund balance to \$6.1 million by end of FY 2007. VRE will pursue a one-time request for assistance from the General Assembly to replenish the Insurance Trust Fund above the \$10 million threshold as requested by the Virginia Division of Risk Management.

FISCAL IMPACT:

There is no funding requirement necessary to implement the FY 2007 VRE Legislative Program. Based on the success of federal and/or state appropriations, some local match may be required in the future.

MOU with Manassas for Joint Parking Facility.

The VRE Operations Board recommends approval of Resolution #2044. This resolution authorizes VRE's CAO to enter into a memorandum of understanding with the city of Manassas for construction and operation of a 520-space joint parking facility adjacent to VRE's Manassas station. Sixty percent of capital, operating and maintenance costs will be paid for by VRE and the same share of parking spaces will be available for VRE customers. VRE's legal counsel must approve the final agreement before it is executed.

Contracts for construction of the \$7 million parking expansion will require separate action in the future.



RESOLUTION #2044

SUBJECT: MOU with Manassas for Joint Parking Facility.

WHEREAS: VRE and the city of Manassas have assembled over \$7 million for a parking expansion project at the Manassas VRE station;

WHEREAS: Manassas and VRE opted to combine two parking facility projects into one garage which will hold 520 parking spaces;

WHEREAS: The facility will be jointly owned and used;

WHEREAS: A Memorandum of Understanding (MOU) is required to outline understandings and responsibilities for each party to facilitate the construction, operation and maintenance of the parking facility, as well as ensure that all applicable grant conditions are met;

WHEREAS: Sixty percent of the parking facility will be paid for by VRE and made available for VRE commuters on a first-come, first served basis; and

WHEREAS: The remaining 40 percent of the facility will be paid for by Manassas and allocated for Old Town parking.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission authorizes the VRE Chief Executive Officer to enter into an agreement with Manassas for the construction and operation of a joint parking facility adjacent to the VRE Manassas station; the agreement will be executed only after approval by VRE's legal counsel.

Approved this 7th day of December, 2006.

Gerald Connolly
Chairman

William Euille
Secretary-Treasurer



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Virginia Railway Express Operations Board

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AGENDA ITEM 9-J ACTION ITEM

TO: CHAIRMAN CADDIGAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: NOVEMBER 17, 2006

**RE: AUTHORIZATION TO ENTER INTO A MOU WITH THE CITY OF
MANASSAS FOR THE CONSTRUCTION AND OPERATION OF
A PARKING FACILITY**

RECOMMENDATION:

The VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to enter into an agreement with the City of Manassas for the construction and operation of a joint parking facility adjacent to the VRE Manassas station.

BACKGROUND:

Over the last several years, VRE and the City of Manassas have worked to assemble over \$7 million for a parking expansion project at the Manassas VRE station. During this time, Manassas also considered adding a second parking facility within the Old Town area of Manassas for business and municipal activities. After much consideration, the City and VRE opted to combine the two parking facility projects into one garage which will hold 520 parking spaces. Property acquisition for this facility was completed in September and tenant relocation is ongoing. Final design is underway and is expected to be complete by the end of the year.

As the facility will be jointly owned and used, a Memorandum of Understanding (MOU) is required to outline understandings and responsibilities for each party to facilitate the construction of the parking facility, as well as ensure that all applicable grant conditions are met. The MOU also details the understandings

regarding operations and maintenance. Sixty-percent of the parking facility will be paid for and made available for VRE commuters on a first-come first-served basis. The remaining forty-percent of the facility will be paid for by the City and allocated for Old Town parking. Parking for Old Town uses will also be allowed in the evenings and on weekends when VRE is not in operation. Operation and maintenance costs will be split using the same 60/40 ratio.

VRE will continue to provide project management during construction as well as manage the grant process. The City is contributing all required local match needed for the grants. With the exception of snow removal, maintenance will be provided by VRE, during VRE service days. The MOU will be executed once it has been approved by VRE's legal counsel.

FISCAL IMPACT:

While there is no explicit financial impact regarding the execution of this MOU, future action items will be brought before the Operations Board for the award of a construction contract as well as future maintenance responsibilities.

MOU with Fredericksburg for ADA Parking.

The VRE Operations Board recommends approval of Resolution #2045. This resolution authorizes VRE's CEO to execute a memorandum of understanding to add parking to accommodate disabled persons near VRE's Fredericksburg station. This action would implement Federal Transit Administration recommendations for complying with the Americans with Disabilities Act. VRE's legal counsel has approved the agreement.

Costs of completed the project are expected to remain within the spending authority of VRE's CEO (\$50,000).



RESOLUTION #2045

SUBJECT: MOU with Fredericksburg for ADA Parking.

WHEREAS: Parking improvements are needed near VRE's Fredericksburg station to accommodate persons with disabilities in order to implement FTA recommendations for complying with the Americans with Disabilities Act;

WHEREAS: VRE has designed three new spaces for construction on land owned by the city;

WHEREAS: The design has been approved by the city and a MOU is needed to give VRE authority to construct the spaces and continue to use the parcel of land next to the VRE station for the life of the improvements; and

WHEREAS: VRE's legal counsel has approved this agreement.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission authorizes the VRE Chief Executive Officer to execute a memorandum of understanding with Fredericksburg to provide additional parking near VRE's Fredericksburg station to accommodate persons with disabilities in order to comply with the Americans with Disabilities Act.

Approved this 7th day of December, 2006.

Gerald Connolly
Chairman

William Euille
Secretary-Treasurer





Virginia Railway Express Operations Board

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AGENDA ITEM 9-K ACTION ITEM

TO: CHAIRMAN CADDIGAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: NOVEMBER 17, 2006

**RE: AUTHORIZATION TO ENTER INTO A MOU WITH THE CITY OF
FREDERICKSBURG FOR A LAND LEASE FOR ADA PARKING**

RECOMMENDATION:

The VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to execute a Memorandum of Understanding (MOU) with the City of Fredericksburg for land adjacent to the Fredericksburg VRE station for the construction of improved handicap parking.

BACKGROUND:

In February of 2006, the Federal Transit Administration (FTA) performed an assessment of VRE facilities related to compliance with the Americans with Disabilities Act (ADA). One of the recommendations from this assessment was the consolidation of ADA parking at the Fredericksburg station. VRE currently has eight separate parking facilities serving that station. While these facilities each independently comply with ADA requirements for reserved parking, some of them are a distance from the station and are, therefore, not serving passengers as best they could.

There are currently ten parking spaces just in front of the station available for handicapped passengers. After discussions with the City of Fredericksburg, VRE developed a design for this parcel of land which would expand the number of ADA spaces to thirteen. The design for construction has been approved by the City and a MOU must now be executed in order for VRE to lease the City owned property on which the improvements will be made as well as continue to use the parcel for the life of the improvement.

The MOU has been approved by the legal counsel from both VRE and the City of Fredericksburg. While the solicitation for quotes is still underway, the cost estimate is estimated to be within the CEO's authority, so no additional Operations Board action will be needed. Once a notice to proceed is given, work is expected to take one week.

FISCAL IMPACT:

Funds for the project are included in VRE's Capital Improvement Program (CIP) as part of the enhancement line item. This line item is an annual FTA requirement to fund projects that enhance public transportation service, including those for persons with disabilities. Funding is available from the FY 2006 federal grant. The local match is provided using state and local funds.

Contract for Variable Message Signs.

The VRE Operations Board recommends approval of Resolution #2046. This resolution authorizes VRE's Chief Executive Officer to contract with International Display Systems, Inc. for replacement of VRE's variable message signs at a cost not to exceed \$1,180,403, plus a \$177,060 contingency. Funding is available from the federal departments of Transportation and Homeland Security. The new system will feature larger displays and more loud speakers.



RESOLUTION #2046

SUBJECT: Contract for Variable Message Signs.

WHEREAS: VRE must replace the existing variable message sign system;

WHEREAS: The replacement program will also address upgrades to the PA and network communications system; and

WHEREAS: A competitive procurement was completed.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission authorizes the VRE Chief Executive Officer to enter into a contract with International Display Systems, Inc. for the replacement of VRE variable message signs in an amount not to exceed \$1,180,403, plus a contingency of \$177,060, for a total amount not to exceed \$1,357,463.

Approved this 7th day of December, 2006.

Gerald Connolly
Chairman

William Euille
Secretary-Treasurer



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AGENDA ITEM 9-F ACTION ITEM

TO: CHAIRMAN CADDIGAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: NOVEMBER 17, 2006

RE: AUTHORIZATION TO AWARD A CONTRACT FOR VARIABLE MESSAGE SIGNS

RECOMMENDATION:

The VRE Operations Board is recommending that the Commissions authorize the Chief Executive Officer to enter into a contract with International Display Systems, Inc. for the replacement of Variable Message Signs (VMS) in an amount not to exceed \$1,180,403, plus a contingency of \$177,060, for a total amount not to exceed \$1,357,463.

BACKGROUND:

The existing variable message signs and audio system located at VRE's stations have become obsolete and must be replaced. While the manufacturer will continue to support the signs for the next several months, a replacement program has been initiated to prevent an interruption in service. This replacement program will not only replace signs at the stations but also include upgrades to the public address (PA) and network communications systems.

At the March 17, 2006 meeting, the Operations Board authorized issuance of a solicitation for this system. On September 11, 2006 one proposal was received and has been evaluated. The evaluation process has rendered a successful proposer and negotiations have been completed.

The contract work shall include final design, manufacturing, installation and testing of the VMS system. A total of sixty signs will be installed and will include not only replacement of existing infrastructure, but also the addition of new signs in locations such as Union Station. Work is expected to begin in December and take approximately ten months to complete.

FISCAL IMPACT:

Funding for the project is included in VRE's Capital Improvement Program (CIP) as part of the Variable Message Sign project. Funding is made up of FY02, FY 03 and FY 04 federal grants and a FY06 Department of Homeland Security grant. Where required, the local match is provided for using state and local funds.

Proposed Governance/Formula Master Agreement Changes.

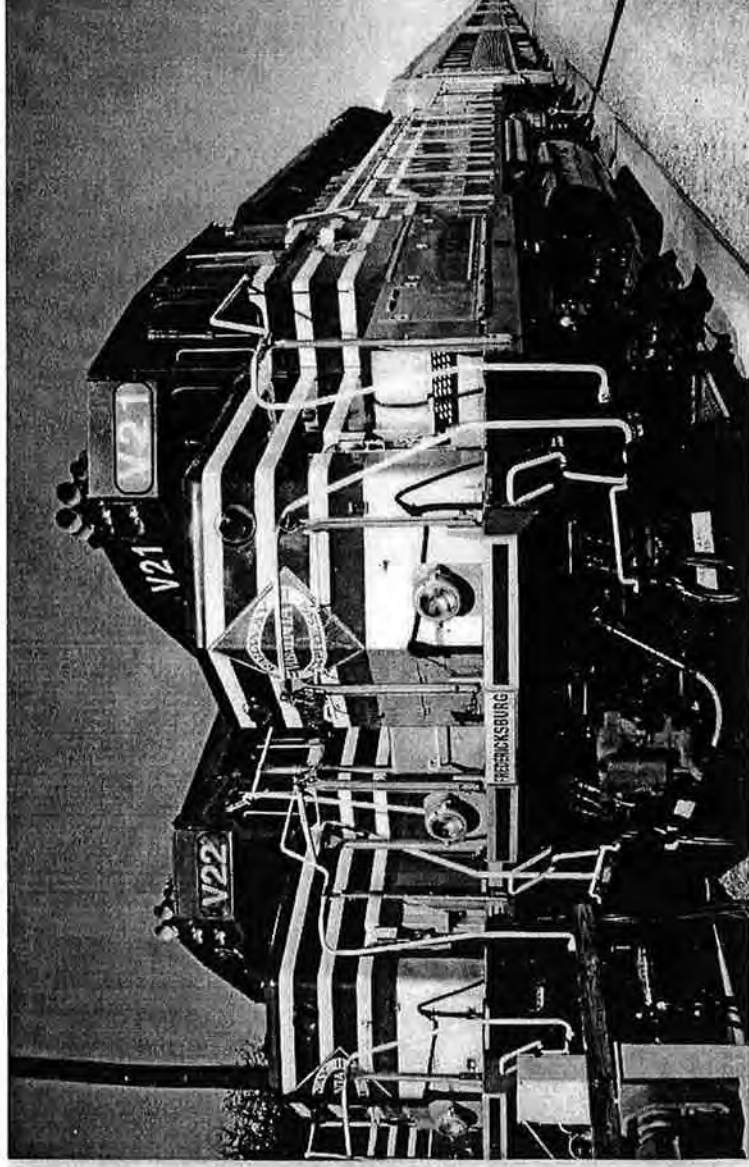
A task force of VRE Operations Board members and local/commission staff has recommended a set of changes to the Master Agreement. Membership on the VRE Operations Board would be altered with two votes for jurisdictions with at least 15 percent of ridership and one vote for all others. The subsidy allocation would change over four years to eliminate the current population component and be based strictly on ridership. The attached PowerPoint summarizes the changes.

The VRE Board considered the recommendations and endorsed them in concept to be sent to the jurisdictions and commissions for review and comment. The VRE Board is expected to consider the comments at its December 15th meeting and, if agreement is reached, to forward the proposal for action by the commissions on January 4, 2007. That would allow these changes to be considered together with action on VRE's FY 2008 budget. To implement any changes to the Master Agreement, each of the signatory local governments and commissions would have to agree.

During discussion of the proposal at the Operations Board, while there was widespread support, some members raised issues for further discussion:

- 1) The commission voting structure remains the same and the commissions theoretically might override actions of the revamped Operations Board, although the current delegation policy limits commission involvement to items greater than \$1 million.
- 2) Should revenues from unaffiliated riders be allocated to end of the line jurisdictions to mitigate impacts instead of being shared by all?
- 3) Prince William County, with over 30% of the ridership, would only have two votes and might not allocate one to represent the western portion of the county.
- 4) As the system grows, Fairfax County might find itself dropping below 15% of ridership and having only one vote despite its significant start up investment in the system.

Virginia Railway Express Proposed Changes to Governance Structure and Subsidy Formula





Background

- In February, a presentation was made to the Operations Board regarding VRE's future, including:
 - Fairness of the subsidy allocation formula relative to jurisdictional ridership
 - Attracting potential new members
 - Management of demand for more trains, stations and line extensions



Subcommittee Appointed

- Subcommittee met 4 times and staff working group met 7 times over six months
- Objectives were to develop:
 - List of problems to solve and mechanisms to address the problems
 - Potential options for change
 - Analysis and evaluation of options



Subcommittee Proposal

- Change Master Agreement with regard to:
 - Governance Structure
 - Subsidy Allocation
- Governance Structure Changes
 - Expand membership of Operations Board to include all member jurisdictions with voting proportionate to ridership
- Subsidy Allocation Changes
 - Change allocation formula to be based exclusively on jurisdictions' ridership



Ridership and Jurisdictions

<u>PRTC</u>	<u>NVTC</u>	<u>Non Residents</u>
3 Ops Board Seats	3 Ops Board Seats	
4,288 riders	1,449 riders	1,513 riders
\$4,602K subsidy	\$4,201K subsidy	\$0 subsidy
<ul style="list-style-type: none">▪ PWC▪ Stafford▪ Manassas▪ City of Fredericksburg▪ City of Manassas Park	<ul style="list-style-type: none">▪ Fairfax▪ Arlington▪ Alexandria	

Non-residents make up 20% of ridership and pay no subsidy



Governance Structure

Subcommittee Proposal - Structure

- All seats on Operations Board to be elected officials, except DRPT Director.
- All jurisdictions to have seat on Operations Board
 - Jurisdictions with 15% or more of total systemwide ridership = 2 members, 2 alternates
 - Jurisdictions with less than 15% of total systemwide ridership = 1 member, 1 alternate
 - Arlington and Alexandria = 1 member, 1 alternate each
 - Director of DRPT = 1 member
- Ridership calculated annually in October survey



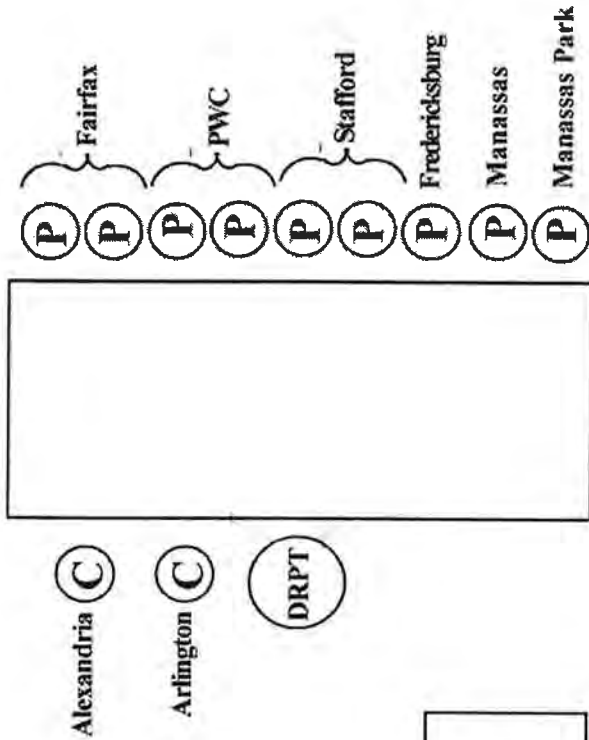
Subcommittee Proposal - Voting

Quorum:

Majority of voting members from participating jurisdictions = 5 of 9

Majority of participating jurisdictions = 4 of 6

P = Participating
C = Contributing
DRPT = Director of DRPT





Subsidy Allocation Formula



Current Subsidy Formula

- Assigns significant costs to Fairfax (highest population) and PWC (highest ridership)
- Jurisdictions credited with fare revenue from their riders' fares
- Net result: 10% population component drives large subsidy allocation to Fairfax County (45% of subsidy allocation – 20% of ridership)



FY 2007 Subsidy vs. Ridership

Jurisdiction	Daily Riders	Percent	Subsidy	Percent	Difference
Fairfax County	1,449	20.0%	\$3,935,735	44.7%	24.7%
Fredericksburg	210	2.9%	\$111,115	1.3%	-1.6%
Manassas	389	5.4%	\$428,436	4.9%	-0.5%
Manassas Park	172	2.4%	\$183,686	2.1%	-0.3%
Prince William County	2,306	31.8%	\$2,961,241	33.6%	1.8%
Stafford County	1,212	16.7%	\$917,147	10.4%	-6.3%
Spotsylvania	815	11.2%	\$0	0.0%	-11.2%
Fauquier	258	3.6%	\$0	0.0%	-3.6%
All Others	440	6.1%	\$0	0.0%	-6.1%
Alexandria	0	0	\$107,752	1.2%	1.2%
Arlington	0	0	\$157,649	1.8%	1.8%
Total	7,250	100.0%	\$8,802,761	100.0%	

Subsidy Options



- Considered options including:
 1. Formula based on net costs using 95% ridership and 5% population
 2. Formula based on net costs using 100% ridership
 3. Formula based on 100% ridership with jurisdictions credited with fare revenue



Comparison of Subsidy Options

Jurisdiction	Current FY 2007 Subsidy	Net Costs by 95% Ridership and 5% Population	Net Costs by 100% Ridership	100% Ridership with Revenue Credited to Jurisdictions
Fairfax	\$3,935,735	\$2,328,378	\$2,156,378	\$2,823,611
Fredericksburg	\$111,115	\$302,299	\$312,040	\$174,099
Manassas	\$428,436	\$560,434	\$579,110	\$549,207
Manassas Park	\$183,686	\$247,077	\$256,456	\$244,326
Prince William	\$2,961,241	\$3,354,203	\$3,430,161	\$3,452,365
Stafford	\$917,147	\$1,744,969	\$1,803,215	\$1,293,752
Alexandria	\$107,752	\$107,752	\$107,752	\$107,752
Arlington	\$157,649	\$157,649	\$157,649	\$157,649
Total	\$8,802,761	\$8,802,761	\$8,802,761	\$8,802,761

Recommendation and Phasing

100% Ridership with Fare Revenue Credited



Jurisdiction	Current FY 2007 Subsidy	Year 1	Year 2	Year 3	Year 4
Fairfax	\$3,935,735	\$3,657,704	\$3,379,673	\$3,101,642	\$2,823,611
Fredericksburg	\$111,115	\$126,861	\$142,607	\$158,353	\$174,099
Manassas	\$428,436	\$458,629	\$488,821	\$519,014	\$549,207
Manassas Park	\$183,686	\$198,846	\$214,006	\$229,166	\$244,326
Prince William	\$2,961,241	\$3,084,022	\$3,206,803	\$3,329,584	\$3,452,365
Stafford	\$917,147	\$1,011,298	\$1,105,450	\$1,199,601	\$1,293,752
Alexandria	\$107,752	\$107,752	\$107,752	\$107,752	\$107,752
Arlington	\$157,649	\$157,649	\$157,649	\$157,649	\$157,649
Total	\$8,802,761	\$8,802,761	\$8,802,761	\$8,802,761	\$8,802,761



Next Steps

- Present information to Commissions in December
- Recalculate subsidy proposal with FY 2008 budget and ridership – currently unavailable
- Consider a provision in Legislative Agenda to attempt to hold jurisdictions harmless during transition – estimated at just over \$2 million for the first year.
- Work with jurisdictions to gain consensus and rewrite Master Agreement (MA) over the winter.
- Obtain signatures on revised MA from Commissions and local jurisdictions.
- Changes proposed to go into effect on May 1 when jurisdictions adopt FY 2008 budget.



MEMORANDUM

TO: Chairman Connolly and NVTC Commissioners
FROM: Rick Taube
DATE: November 30, 2006
SUBJECT: NVTC's Legislative Agenda for 2007.

NVTC's Legislative Agenda

The commission is asked to approve the attached agenda recommended by NVTC's Legislative Committee for 2007.

On November 29, 2006, NVTC's Legislative Committee conferred by teleconference to review a draft Legislative Agenda for state and federal actions in 2007. Chairman Connolly chairs that committee and additional members participating on the call included Bill Euille, Paul Ferguson and Dave Snyder. NVTC's MAC group has also reviewed a draft of the agenda, which is compatible with the positions of NVTA and VRE.

Status of Metro Dedicated Funding

The attached revision of HR 3496 has been considered by a U.S. Senate Committee. It is a redraft of Rep. Davis's earlier bill that passed the House. The new version clears up some (but not all) of local concerns with the original bill. For example, it clarifies that not all non-federal Metro assistance must be dedicated. Instead, only the funds to match new federal monies must be dedicated. One concern remaining is the need to enact amendments to the WMATA Compact. A "perfect" version of the bill without that requirement is being shared with staff of Rep. Davis and others. If the Senate acts, either on HR 3496 on its own or as a rider to an appropriations bill, it is hoped the "perfect" bill will be adopted.

The Greater Washington Board of Trade has implemented an energetic campaign to remove the hold placed on the bill by Senator Sessions and gain favorable action in the Senate before the end of this session. A letter is attached



to NVTC's congressional delegation restating the commission's enthusiastic support for a bill to provide dedicated federal funding for Metro to be enacted at this session. The commission is asked to authorize Chairman Connolly to send the letter.

Articles of Interest

Attached are several articles of interest.

December 7, 2006

DRAFT LETTER

To: NVTC's Congressional Delegation:

At NVTC's meeting of December 7, 2006, the commission authorized me to contact you to reiterate our strong support for H.R. 3496, a bill authored by Representative Tom Davis to provide \$1.5 billion in federal funding for the Washington Metropolitan Area Transit Authority over a 10-year period. As you undoubtedly know, the bill passed the House and is ready for consideration by the full Senate.

We urge you to do all in your power to achieve passage of the Davis bill during this session of Congress. This could occur through separate action on H.R. 3496 or through attaching its provisions as a rider to an appropriations bill. We believe the very hard work on the part of Rep. Davis and the entire Northern Virginia delegation should be rewarded with passage during this session, rather than starting over from the beginning in the House next year. Immediate passage would also help to achieve a dedicated Virginia funding source from the Virginia General Assembly in early 2007.

If possible, our preference is a federal bill that does not require amendments to the WMATA Compact, since that could delay the receipt of needed funds for two years or more.

We are appreciative of your earlier efforts on behalf of this measure and are urging you to continue your diligent work now that success is near. If you have any questions about our strong recommendation, please feel free to contact me.

Sincerely,

Gerald Connolly
Chairman



NVTC 2007 LEGISLATIVE AGENDA

DRAFT: November 30, 2006



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A three-page listing of NVTC's legislative proposals is provided as Attachment 1.

INTRODUCTION

The Crisis in Transit Funding.

NVTC joins the Virginia Municipal League, Virginia Association of Counties, Virginia Transit Association, Northern Virginia Transportation Authority, and many individual jurisdictions in calling upon the Governor and the General Assembly to make transportation the primary focus of the 2007 session of the General Assembly and to significantly increase transportation funding. Given the failure of the General Assembly to increase transportation revenues significantly since 1986 and the consequent decline in transportation funding, the commonwealth is experiencing disinvestment in its transportation infrastructure. Absent a major infusion of new and sustained investment in transportation NVTC fears a congestion and mobility crisis that will strangle economic growth and profoundly and negatively affect the quality of life of all Virginians.

Moving people (rather than vehicles) efficiently and safely should be the primary objective of the commonwealth's transportation policies and programs. State and regional studies show that transit investments must double to maintain the ability of our current transit systems to move people efficiently and safely.

The Commonwealth is Failing to Meet its Own Funding Mandates.

Currently local sources pay two-thirds of transit costs while the commonwealth pays only 20 percent. Despite the 95 percent statutory target for state transit formula assistance, the commonwealth provides a declining share. For FY 2007, the commonwealth was only able to provide a dismal 22% match for capital projects. NVTC received a million dollars less from the state than in the previous year despite much greater eligible expenses for new railcars and buses to try to keep up with soaring demand. The consequence is a greatly increased burden on local property taxpayers and transit customers. Since FY 2001, in Northern Virginia local general funds devoted to transit have grown by two thirds. NVTC's five jurisdictions supporting WMATA now pay 10 times more per capita from local sources for transit than any other transportation district in the entire commonwealth. More help is needed now from the commonwealth.

More Transit Funding Means Improved Service, Less Congestion, Better Air Quality, Fuel Savings, More Jobs and Enhanced Quality of Life.

If NVTC's legislative proposals are enacted and the commonwealth meets its own 95% transit funding statutory target in FY 2008 and each succeeding year, this region's transit systems will accomplish such improvements as 90 additional Metro railcars to almost double the percentage of 8-car trains and postpone for several years the unmanageable congestion that Metro would otherwise experience. The Fairfax Connector would add new Richmond Highway

Corridor transit centers with parking (\$27 million), new buses (\$27 million) and new bus service (\$18 million annual operating costs) as well as expanded park and ride facilities for Metro, VRE and the Fairfax Connector (\$113 million), among others. Alexandria's DASH would acquire 20 buses, increase service, provide real-time transit information to riders and boost ridership by 20%. Arlington's ART would add up to 50,000 riders a day with streetcars through Columbia Pike, Crystal City and Potomac Yard together with a new station entrance at Ballston Metrorail and technological innovations in customer service. Loudoun County Transit could expand reverse commute service between West Falls Church Metrorail and eastern Loudoun job centers with seven new buses to boost ridership. VRE could purchase new locomotives (\$40 million), operate more trains and build improved stations in order to reverse its recent ridership decline and resume its strong growth experienced over the previous decade.

Transit already provides the equivalent of 12 to 15 peak freeway lanes in Northern Virginia's most congested commuting corridors. NVTC estimates returns of about \$1,000 per person per year in congestion and fuel savings plus job creation and improved air quality. The rate of return on the commonwealth's investment in Metrorail is almost 20 percent annually measured in increased state tax revenues. If the commonwealth would meet its own 95 percent matching obligation, these returns on investments in transit would be even stronger.

The Public Understands the Need for More Transit Funding and is Willing to Pay More.

Northern Virginia's residents recognize the need to identify more transportation funding resources. In polling for Transaction 2030 (the region's transportation plan), more than 85% would pay more to expand public transportation services and relieve crowding on Metro and VRE.

The Washington Post (October 18, 2006) reported the results of another survey showing only five percent of Northern Virginia respondents believe it is not important for the state to increase the amount it spends on transportation (and only eight percent of statewide respondents). Over three-quarters of Northern Virginia respondents favor allowing voters to approve local tax increases to do so. Large percentages also favor statewide tax increases and user fees. In this poll, 70% of the Northern Virginia and statewide respondents believed that the General Assembly was entirely or equally responsible for the failure to provide adequate funding.

STATE LEGISLATIVE ACTIONS

State Legislative Actions Required to Increase and Safeguard Funding

State Funding:

1. NVTC calls upon the General Assembly to provide significant increases in statewide transportation funding from stable, reliable and permanent sources to meet current transit needs and provide for the growth identified in VTrans 2025 and Transaction 2030 (statewide and Northern Virginia transportation plans, respectively). Northern Virginia has a major portion of statewide transit ridership and provides a very significant share of the commonwealth's financial resources. This region should receive its fair share.
2. NVTC urges the General Assembly to meet the commonwealth's statutory goal of funding 95 percent of eligible transit capital and operating costs (net of fares and federal assistance) from the Mass Transit Fund (MTF). For FY 2007 alone, this would have required about \$230 million annually statewide in new funds to build, operate and maintain the limited transit projects and constrained transit systems included in the CTB's six-year program. The target is almost triple the current level of state funding from the MTF.
3. NVTC asks that after meeting the commonwealth's 95% target for formula assistance, proposals to increase other statewide transportation revenues should ensure that transit receives at least its current share (e.g., transit now receives 14.7 percent of the Mass Transit Fund and NVTC and VRE typically receive about 70 percent of that amount). Meeting Virginia's 95% transit formula assistance target and ensuring a fair share for transit of additional state revenues together will have the effect of elevating the commonwealth's emphasis on maintaining and replacing transit infrastructure to match the priority already placed on highway maintenance.
4. The Governor and General Assembly should dedicate the lion's share of \$339 million in the mid-biennium budget adjustments (the "caboose" bill) for public transit projects using the current MTF allocation shares (NVTC and VRE would receive 70%).
5. The General Assembly should use state bonds as a tool to help resolve the transportation funding crisis. The commonwealth's self-imposed debt ceiling is much more conservative than many local governments in Virginia that also have earned the top bond rating. State tax revenues resulting from the economic growth created by investments in public transit will help to cover debt service. Such bonds are not a substitute for new revenues, however, and debt service cannot be funded with one-time state budget surpluses or at the expense of state education and health responsibilities.

6. NVTC does not favor any changes in DRPT's transit formula allocation formulas beyond additional funding, or in already stringent state audit requirements for these funds. The current process ensures accountability and directs funds to where the need is greatest. Local governments now fund a large share of transit costs and carefully monitor performance.
7. NVTC favors securing the funds in the Transportation Trust Fund by adopting a constitutional amendment to prevent diversion of transportation funds to other uses.

Regional Funding:

1. NVTC urges the Virginia General Assembly to provide for a steady and predictable stream of revenue to secure new federal funds for WMATA.

The Blue Ribbon Panel on Metro Funding has called for dedicated funding for WMATA. Representative Tom Davis III has introduced a bill to provide \$1.5 billion in federal funding over 10 years but it must be matched from dedicated state/local sources. The bill passed the US House of Representatives but failed to be adopted by the U.S. Senate. Rep. Davis is expected to reintroduce his bill at the start of the next congressional session. The District of Columbia has already acted to provide the required matching funds and Maryland is actively studying the issue.

Local surveys show that a sales tax increase is the preferred source.

Absent such action by the General Assembly to designate a dedicated statewide or regional transportation funding source, then NVTC calls upon the General Assembly to increase the state sales and use tax by a quarter-cent in NVTC's five jurisdictions supporting Metro. This action should be subject to an affirmative vote by local governing bodies representing at least 90 percent of the population of the five jurisdictions supporting Metro in which the tax will be levied. Once these local actions have been taken and the tax is in effect, the legislation should state that the tax can only be eliminated by action of the local governing bodies representing at least 90 percent of the population of those five jurisdictions.

It is essential that the proceeds of the quarter-cent tax should be returned to NVTC (or NVTA) to be held in trust for Metro subsidy payments entirely on a point-of-sale basis. The commonwealth should be required to maintain its level of funding effort to this region to ensure that the new tax results in a net increase in available funding. Funds received by NVTC or NVTA from the new tax in excess of Metro's need might be available to reduce the future burden on local property taxes. All such taxes should stay in Northern Virginia.

2. NVTC favors an increase in NVTC's existing two percent motor fuels user fee to four percent with the proviso that local property tax rates must be reduced from their current levels by the amount of this tax in the year that the increased gas tax rate goes into effect. This same requirement was imposed in the original legislation implementing the two percent tax in FY 1981.

The Virginia Senate has approved in several sessions an increase in NVTC's existing two percent motor fuels tax to four percent. The Virginia House of Delegates has not agreed. NVTC's gas tax proceeds are dedicated to Metro (except in Loudoun County which doesn't contribute to Metro) and, if increased, would help local governments meet their existing Metro obligations while the proposed new dedicated sales tax to match new federal funds would cover unfunded shortfalls.

3. NVTC also favors initiatives for additional regional sources of transportation funding provided all the proceeds stay in Northern Virginia and they do not require local governments exclusively to impose the taxes while the state is absolved of its primary responsibility to fund transportation. Such regional funding initiatives should be part of a package that includes increased statewide transportation revenues.

Other State Legislative Actions

1. NVTC favors requirements that would provide access to sources of state funding for freight railroads only if the private railroads provide matching funds, allow access for public passenger rail service on reasonable terms and agree to complete projects entrusted to them on time and on budget.
2. NVTC calls for a new state program to fully indemnify against terrorism-related claims, in order to assist VRE, its freight rail partners and all Virginia bus systems.
3. NVTC supports legislative action that will safeguard the effectiveness of HOV lanes serving this region. More funding to the State Police for better enforcement, including the use of new technologies (such as photo enforcement and infra-red detection of occupants), appears to be a key to maintaining free-flowing traffic in these important lanes. Any legislation designed to benefit HOT lane projects should ensure that transit and ridesharing interests on existing HOV facilities are protected.
4. NVTC recommends that the General Assembly should enact further legislation supporting telework, including establishing a Telework Council. The commonwealth should also expand programs of free and discounted transit passes for its own employees to build on success in Northern Virginia and take full advantage of federal tax incentives.

5. NVTC favors strengthening the multi-modal office under the Secretary of Transportation and appointing employees from that office to represent the commonwealth on Metropolitan Planning Organizations to achieve a better balance in planning and programming among modes. DRPT should be retained as an independent department as the transition occurs to a true multi-modal approach.
6. NVTC suggests that the Public-Private Transportation Act should be evaluated to identify changes to create a more transparent process in which local governments and citizens have greater access to information and opportunities to influence decision-making by the commonwealth. NVTC believes such changes would serve to protect the interests of public transit systems. NVTC opposes efforts to provide General Assembly review and/or approval of each project.
7. NVTC calls on the General Assembly to allow boards and commissions the option of paying other persons the same per diem as the boards/commissions are required to pay the General Assembly members. For state-created boards and commissions on which members of the General Assembly serve with other persons who are not members of the General Assembly, current law requires unequal per diem payments. This should be changed.
8. NVTC favors the proposed takeover of the Dulles Rail Project by the Metropolitan Washington Airports Authority. This will ensure that all toll revenues from the Dulles Toll Road will stay in this region to be used for constructing and managing the rail project. MWAA should consult throughout the process with all affected local governments.

FEDERAL LEGISLATIVE ACTIONS

1. NVTC supports the objective of providing \$1.5 billion in federal funding for WMATA to be matched by dedicated state/local funding, as contained in HR 3496, the bill introduced by Representative Davis. Also, SAFETEA-LU failed to provide \$160 million needed to fully fund the Metro Matters program. Congress should restore those funds. Federal funding of public transit is an obvious and effective means to reduce Greenhouse gas emissions.
2. NVTC requests that VRE should receive earmarks of at least \$50 million to support its top priority of acquiring additional locomotives and to support improvements in its capital facilities.
3. NVTC calls on the National Surface Transportation Policy and Revenue Study Commission to recommend to Congress measures to prevent the imminent insolvency of the Highway Trust Fund and to protect the Mass Transit Trust Fund, such as increased and indexed motor fuel taxes, innovative financing incentives and guaranteed authorizations for transit.

4. NVTC supports significant increases in security funding for local and regional transportation agencies in the Metropolitan Washington area.
5. NVTC supports bills that would raise the monthly Metrocheck benefit levels to match those of parking (increasing with inflation to \$200). This region's Metrocheck program provides a strong incentive to use transit with tax-free, employer-provided transit benefits currently available up to \$105 per month.
6. NVTC supports federal restructuring and funding of Amtrak that will create a financially healthy enterprise. Any such restructuring should guarantee access to Amtrak facilities for commuter rail systems (especially Union Station for VRE) and maintain the ability of Amtrak to serve as a contract commuter rail operator at local option. NVTC does not favor plans that would require increased state funding for Amtrak to meet federal mandates.
7. NVTC favors federal legislation that would broaden the cap on commuter rail liability at a level no greater than \$200 million per occurrence. The current \$200 million cap applies only to rail passengers. Many freight railroads providing access to commuter rail systems are now demanding \$500 million in insurance. This change in the federal cap would protect public transit systems providing commuter rail service from the expense of unnecessary and excessive levels of insurance and in some cases allow access to freight facilities where it is now denied.
8. NVTC believes that substantial additional federal funding is needed to improve transportation capacity in the Ft. Belvoir/Engineering Proving Ground area to cope with the effects of the BRAC recommendations that will soon force tens of thousands of new commuters onto an inadequate road and public transit network. Specifically the U.S. Army should complete the Fairfax County Parkway segment to improve access.
9. NVTC calls on Congress and the President to require all federal agencies considering relocating federal workplaces to consult with local and regional bodies regarding land use and transportation consequences and to incorporate their recommendations into federal decision-making.

ATTACHMENT 1: NVTC 2007 LEGISLATIVE AGENDA

State Funding

NVTC calls upon the General Assembly to:

1. Increase stable, reliable and permanent state funding for transit.
2. Meet the commonwealth's statutory goal of funding 95% of eligible transit costs from the Mass Transit Fund. For FY 2007 alone, this would have required an additional \$230 million (the goal is triple the current level).
3. Ensure transit receives at least 14.7% of any new transportation revenues (transit's current share of the TTF). Meeting the 95% state transit formula assistance target and ensuring a fair share of new state transportation revenues for transit will have the effect of elevating the state priority placed on transit maintenance to match that placed on highway maintenance.
4. Dedicate most or all of \$339 million in the "caboose" bill to transit using the current MTF allocation shares (NVTC and VRE would receive 70%).
5. Use state bonded indebtedness as a tool to help resolve the transportation funding crisis with new sources of revenue for debt service.
6. Maintain DRPT's existing transit allocation formulas and audit requirements since they ensure accountability and direct funds to where the need is greatest.
7. Secure the TTF by adopting a constitutional amendment to prevent diversion of funds.

Regional Funding

NVTC asks the General Assembly to:

1. Provide for a dedicated funding source for WMATA to secure \$1.5 billion of new federal funds. Absent a new statewide or regional transportation funding source, then dedicate to WMATA an increase in the state sales and use tax of a quarter-cent, subject to an affirmative vote by local governing bodies representing at least 90% of the population of the five jurisdictions supporting Metro in which the tax will be levied. Once the tax is in effect, the legislation should state that the tax can only be eliminated by action of local governing bodies representing at least 90% of the population of those five jurisdictions. Funds will be held in trust by NVTC or NVT. The commonwealth should be required to maintain its own level of transit funding effort.
2. Increase NVTC's 2% motor fuels tax to 4% to pay for existing Metro obligations (the new dedicated sales tax would pay for currently unfunded obligations). As was the case in the 1980 2% legislation, provide a reduction in the property tax rate in the first year.

3. Adopt other regional transportation funding initiatives if all the proceeds stay in Northern Virginia and they do not absolve the state of its primary responsibility for transportation.

Other State Actions

NVTC favors legislative and administrative actions to:

1. Provide access to funding for freight railroads only if they provide matching funds, allow access to public passenger rail service on reasonable terms and agree to complete projects on time and on budget.
2. Develop a new state program to fully indemnify transit systems against terrorism-related claims.
3. Safeguard the effectiveness of HOV lanes through improved enforcement and protect transit and ridesharing interests in any HOT lane legislation.
4. Support telework including establishing a Telework Council.
5. Strengthen the multi-modal office under the Secretary of Transportation and retain DRPT as the transition occurs to a true multi-modal approach.
6. Examine changes in the Public-Private Transportation Act to create a more transparent process with greater local government and citizen involvement in decision-making.
7. Allow the option of paying the same per diems to all members of state-created boards and commissions as General Assembly members receive who serve on those bodies, in order to ensure equal treatment.
8. Turn over the Dulles Rail Project to the Metropolitan Washington Airports Authority to ensure that all Dulles Toll Road tolls remain in this region to pay for completion of the project. MWAA should be required to consult with affected local governments throughout the process.

Federal

NVTC asks Congress and the President to:

1. Provide \$1.5 billion for WMATA's unfunded capital needs over and above Metro Matters, to be matched by non-federal dedicated sources. Also restore \$160 million not provided in SAFETEA-LU for the Metro Matters program. This will help combat Greenhouse Gas emissions.
2. Provide at least \$50 million for VRE locomotives and other capital needs.

3. Prevent the imminent insolvency of the Highway Trust Fund and protect the Mass Transit Fund with increased and indexed motor fuel taxes, incentives for innovative financing and guaranteed authorizations for transit.
4. Increase security funding for local and regional transportation agencies in this region.
5. Raise the tax-free transit benefits (Metrochek) to match that available for parking (up to \$200 monthly).
6. Preserve access to Amtrak facilities by commuter rail systems such as VRE if Amtrak is restructured. Do not require increased state funding.
7. Broaden the cap on commuter rail liability at a level no greater than \$200 million per occurrence.
8. Provide new funding to mitigate traffic congestion at Fort Belvoir/EPG resulting from the BRAC recommendations and require that the U.S. Army complete the segment of the Fairfax County Parkway that provides access.
9. Require federal agencies considering relocating workplaces to consult with local and regional governing bodies regarding land use and transportation consequences and to incorporate their recommendations into federal decision-making.

AMENDMENT NO.

Calendar No.

Purpose: To propose a substitute.

IN THE SENATE OF THE UNITED STATES—109th Cong., 2d Sess.**H. R. 3496**

To amend the National Capital Transportation Act of 1969 to authorize additional Federal contributions for maintaining and improving the transit system of the Washington Metropolitan Area Transit Authority, and for other purposes.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by

Viz:

1 Strike all after the enacting clause and insert the fol-
2 lowing:

3 **SECTION 1. SHORT TITLE; FINDINGS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “National Capital Transportation Amendments Act of
6 2006”.

7 (b) **FINDINGS.**—Congress finds as follows:

8 (1) Metro, the public transit system of the
9 Washington metropolitan area, is essential for the

1 continued and effective performance of the functions
2 of the Federal Government, and for the orderly
3 movement of people during major events and times
4 of regional or national emergency.

5 (2) On 3 occasions, Congress has authorized
6 appropriations for the construction and capital im-
7 provement needs of the Metrorail system.

8 (3) Additional funding is required to protect
9 these previous Federal investments and ensure the
10 continued functionality and viability of the original
11 103-mile Metrorail system.

12 **SEC. 2. FEDERAL CONTRIBUTION FOR CAPITAL PROJECTS**
13 **FOR WASHINGTON METROPOLITAN AREA**
14 **TRANSIT SYSTEM.**

15 The National Capital Transportation Act of 1969
16 (sec. 9–1111.01 et seq., D.C. Official Code) is amended
17 by adding at the end the following new section:

18 “AUTHORIZATION OF ADDITIONAL FEDERAL CONTRIBU-
19 TION FOR CAPITAL AND PREVENTIVE MAINTENANCE
20 PROJECTS

21 “SEC. 18. (a) AUTHORIZATION.—Subject to the sue-
22 ceeding provisions of this section, the Secretary of Trans-
23 portation is authorized to make grants to the Transit Au-
24 thority, in addition to the contributions authorized under
25 sections 3, 14, and 17, for the purpose of financing in
26 part the capital and preventive maintenance projects in-

1 cluded in the Capital Improvement Program approved by
2 the Board of Directors of the Transit Authority.

3 “(b) USE OF FUNDS.—The Federal grants made pur-
4 suant to the authorization under this section shall be sub-
5 ject to the following limitations and conditions:

6 “(1) The work for which such Federal grants
7 are authorized shall be subject to the provisions of
8 the Compact (consistent with the amendments to the
9 Compact described in subsection (d)).

10 “(2) Each such Federal grant shall be for 50
11 percent of the net project cost of the project in-
12 volved, and shall be provided in cash from sources
13 other than Federal funds or revenues from the oper-
14 ation of public mass transportation systems. Con-
15 sistent with the terms of the amendment to the
16 Compact described in subsection (d)(1), any funds
17 so provided shall be solely from undistributed cash
18 surpluses, replacement or depreciation funds or re-
19 serves available in cash, or new capital.

20 “(c) APPLICABILITY OF REQUIREMENTS FOR MASS
21 TRANSPORTATION CAPITAL PROJECTS RECEIVING FUNDS
22 UNDER FEDERAL TRANSPORTATION LAW.—Except as
23 specifically provided in this section, the use of any
24 amounts appropriated pursuant to the authorization under
25 this section shall be subject to the requirements applicable

1 to capital projects for which funds are provided under
2 chapter 53 of title 49, United States Code, except to the
3 extent that the Secretary of Transportation determines
4 that the requirements are inconsistent with the purposes
5 of this section.

6 “(d) AMENDMENTS TO COMPACT.—No amounts may
7 be provided to the Transit Authority pursuant to the au-
8 thorization under this section until the Transit Authority
9 notifies the Secretary of Transportation that each of the
10 following amendments to the Compact (and any further
11 amendments which may be required to implement such
12 amendments) have taken effect:

13 “(1)(A) An amendment requiring that all pay-
14 ments by the local signatory governments for the
15 Transit Authority for the purpose of matching any
16 Federal funds appropriated in any given year au-
17 thorized under subsection (a) for the cost of oper-
18 ating and maintaining the adopted regional system
19 are made from amounts derived from dedicated
20 funding sources.

21 “(B) For purposes of this paragraph, the term
22 ‘dedicated funding source’ means any source of
23 funding which is earmarked or required under State
24 or local law to be used to match Federal appropria-

1 tions authorized under this Act for payments to the
2 Transit Authority.

3 “(2) An amendment establishing the Office of
4 the Inspector General of the Transit Authority in
5 accordance with section 3 of the National Capital
6 Transportation Amendments Act of 2006.

7 “(3) An amendment expanding the Board of
8 Directors of the Transit Authority to include 4 addi-
9 tional Directors appointed by the Administrator of
10 General Services, of whom 2 shall be nonvoting and
11 2 shall be voting, and requiring one of the voting
12 members so appointed to be a regular passenger and
13 customer of the bus or rail service of the Transit
14 Authority.

15 “(e) AMOUNT.—There are authorized to be appro-
16 priated to the Secretary of Transportation for grants
17 under this section an aggregate amount not to exceed
18 \$1,500,000,000 to be available in increments over 10 fis-
19 cal years beginning in fiscal year 2008, or until expended.

20 “(f) AVAILABILITY.—Amounts appropriated pursu-
21 ant to the authorization under this section—

22 “(1) shall remain available until expended; and

23 “(2) shall be in addition to, and not in lieu of,
24 amounts available to the Transit Authority under

1 chapter 53 of title 49, United States Code, or any
2 other provision of law.”.

3 **SEC. 3. WASHINGTON METROPOLITAN AREA TRANSIT AU-**
4 **THORITY INSPECTOR GENERAL.**

5 (a) **ESTABLISHMENT OF OFFICE.—**

6 (1) **IN GENERAL.—**The Washington Metropoli-
7 tan Area Transit Authority (hereafter referred to as
8 the “Transit Authority”) shall establish in the Tran-
9 sit Authority the Office of the Inspector General
10 (hereafter in this section referred to as the “Of-
11 fice”), headed by the Inspector General of the Tran-
12 sit Authority (hereafter in this section referred to as
13 the “Inspector General”).

14 (2) **DEFINITION.—**In paragraph (1), the
15 “Washington Metropolitan Area Transit Authority”
16 means the Authority established under Article III of
17 the Washington Metropolitan Area Transit Author-
18 ity Compact (Public Law 89–774).

19 (b) **INSPECTOR GENERAL.—**

20 (1) **APPOINTMENT.—**The Inspector General
21 shall be appointed by the vote of a majority of the
22 Board of Directors of the Transit Authority, and
23 shall be appointed without regard to political affili-
24 ation and solely on the basis of integrity and dem-
25 onstrated ability in accounting, auditing, financial

1 analysis, law, management analysis, public adminis-
2 tration, or investigations, as well as familiarity or
3 experience with the operation of transit systems.

4 (2) TERM OF SERVICE.—The Inspector General
5 shall serve for a term of 5 years, and an individual
6 serving as Inspector General may be reappointed for
7 not more than 2 additional terms.

8 (3) REMOVAL.—The Inspector General may be
9 removed from office prior to the expiration of his
10 term only by the unanimous vote of all of the mem-
11 bers of the Board of Directors of the Transit Au-
12 thority, and the Board shall communicate the rea-
13 sons for any such removal to the Governor of Mary-
14 land, the Governor of Virginia, the Mayor of the
15 District of Columbia, the chair of the Committee on
16 Government Reform of the House of Representa-
17 tives, and the chair of the Committee on Homeland
18 Security and Governmental Affairs of the Senate.

19 (c) DUTIES.—

20 (1) APPLICABILITY OF DUTIES OF INSPECTOR
21 GENERAL OF EXECUTIVE BRANCH ESTABLISH-
22 MENT.—The Inspector General shall carry out the
23 same duties and responsibilities with respect to the
24 Transit Authority as an Inspector General of an es-
25 tablishment carries out with respect to an establish-

1 ment under section 4 of the Inspector General Act
2 of 1978 (5 U.S.C. App. 4), under the same terms
3 and conditions which apply under such section.

4 (2) CONDUCTING ANNUAL AUDIT OF FINANCIAL
5 STATEMENTS.—The Inspector General shall be re-
6 sponsible for conducting the annual audit of the fi-
7 nancial accounts of the Transit Authority, either di-
8 rectly or by contract with an independent external
9 auditor selected by the Inspector General.

10 (3) REPORTS.—

11 (A) SEMIANNUAL REPORTS TO TRANSIT
12 AUTHORITY.—The Inspector General shall pre-
13 pare and submit semiannual reports summa-
14 rizing the activities of the Office in the same
15 manner, and in accordance with the same dead-
16 lines, terms, and conditions, as an Inspector
17 General of an establishment under section 5 of
18 the Inspector General Act of 1978 (5 U.S.C.
19 App. 5). For purposes of applying section 5 of
20 such Act to the Inspector General, the Board of
21 Directors of the Transit Authority shall be con-
22 sidered the head of the establishment, except
23 that the Inspector General shall transmit to the
24 General Manager of the Transit Authority a

1 copy of any report submitted to the Board pur-
2 suant to this paragraph.

3 (B) ANNUAL REPORTS TO LOCAL SIGNA-
4 TORY GOVERNMENTS AND CONGRESS.—Not
5 later than January 15 of each year, the Inspec-
6 tor General shall prepare and submit a report
7 summarizing the activities of the Office during
8 the previous year, and shall submit such reports
9 to the Governor of Maryland, the Governor of
10 Virginia, the Mayor of the District of Columbia,
11 the chair of the Committee on Government Re-
12 form of the House of Representatives, and the
13 chair of the Committee on Homeland Security
14 and Governmental Affairs of the Senate.

15 (4) INVESTIGATIONS OF COMPLAINTS OF EM-
16 PLOYEES AND MEMBERS.—

17 (A) AUTHORITY.—The Inspector General
18 may receive and investigate complaints or infor-
19 mation from an employee or member of the
20 Transit Authority concerning the possible exist-
21 ence of an activity constituting a violation of
22 law, rules, or regulations, or mismanagement,
23 gross waste of funds, abuse of authority, or a
24 substantial and specific danger to the public
25 health and safety.

1 (B) NONDISCLOSURE.—The Inspector
2 General shall not, after receipt of a complaint
3 or information from an employee or member,
4 disclose the identity of the employee or member
5 without the consent of the employee or member,
6 unless the Inspector General determines such
7 disclosure is unavoidable during the course of
8 the investigation.

9 (C) PROHIBITING RETALIATION.—An em-
10 ployee or member of the Transit Authority who
11 has authority to take, direct others to take, rec-
12 ommend, or approve any personnel action, shall
13 not, with respect to such authority, take or
14 threaten to take any action against any em-
15 ployee or member as a reprisal for making a
16 complaint or disclosing information to the In-
17 spector General, unless the complaint was made
18 or the information disclosed with the knowledge
19 that it was false or with willful disregard for its
20 truth or falsity.

21 (5) INDEPENDENCE IN CARRYING OUT DU-
22 TIES.—Neither the Board of Directors of the Tran-
23 sit Authority, the General Manager of the Transit
24 Authority, nor any other member or employee of the
25 Transit Authority may prevent or prohibit the In-

1 spector General from carrying out any of the duties
2 or responsibilities assigned to the Inspector General
3 under this section.

4 (d) POWERS.—

5 (1) IN GENERAL.—The Inspector General may
6 exercise the same authorities with respect to the
7 Transit Authority as an Inspector General of an es-
8 tablishment may exercise with respect to an estab-
9 lishment under section 6(a) of the Inspector General
10 Act of 1978 (5 U.S.C. App. 6(a)), other than para-
11 graphs (7), (8), and (9) of such section.

12 (2) STAFF.—

13 (A) ASSISTANT INSPECTOR GENERALS AND
14 OTHER STAFF.—The Inspector General shall
15 appoint and fix the pay of—

16 (i) an Assistant Inspector General for
17 Audits, who shall be responsible for coordi-
18 nating the activities of the Inspector Gen-
19 eral relating to audits;

20 (ii) an Assistant Inspector General for
21 Investigations, who shall be responsible for
22 coordinating the activities of the Inspector
23 General relating to investigations; and

24 (iii) such other personnel as the In-
25 spector General considers appropriate.

1 (B) INDEPENDENCE IN APPOINTING
2 STAFF.—No individual may carry out any of
3 the duties or responsibilities of the Office unless
4 the individual is appointed by the Inspector
5 General, or provides services procured by the
6 Inspector General, pursuant to this paragraph.
7 Nothing in this subparagraph may be construed
8 to prohibit the Inspector General from entering
9 into a contract or other arrangement for the
10 provision of services under this section.

11 (C) APPLICABILITY OF TRANSIT SYSTEM
12 PERSONNEL RULES.—None of the regulations
13 governing the appointment and pay of employ-
14 ees of the Transit System shall apply with re-
15 spect to the appointment and compensation of
16 the personnel of the Office, except to the extent
17 agreed to by the Inspector General. Nothing in
18 the previous sentence may be construed to af-
19 fect subparagraphs (A) through (B).

20 (3) EQUIPMENT AND SUPPLIES.—The General
21 Manager of the Transit Authority shall provide the
22 Office with appropriate and adequate office space,
23 together with such equipment, supplies, and commu-
24 nications facilities and services as may be necessary
25 for the operation of the Office, and shall provide

1 necessary maintenance services for such office space
2 and the equipment and facilities located therein.

3 (e) TRANSFER OF FUNCTIONS.—To the extent that
4 any office or entity in the Transit Authority prior to the
5 appointment of the first Inspector General under this sec-
6 tion carried out any of the duties and responsibilities as-
7 signed to the Inspector General under this section, the
8 functions of such office or entity shall be transferred to
9 the Office upon the appointment of the first Inspector
10 General under this section.

11 **SEC. 4. STUDY AND REPORT BY COMPTROLLER GENERAL.**

12 (a) STUDY.—The Comptroller General shall conduct
13 a study on the use of the funds provided under section
14 18 of the National Capital Transportation Act of 1969
15 (as added by this Act).

16 (b) REPORT.—Not later than 3 years after the date
17 of the enactment of this Act, the Comptroller General shall
18 submit a report to the Committee on Government Reform
19 of the House of Representatives and the Committee on
20 Homeland Security and Governmental Affairs of the Sen-
21 ate on the study conducted under subsection (a).



NVTC

Northern Virginia Transportation Commission

November 3, 2006

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Vice Chairman

Hon. David F. Snyder

Secretary/Treasurer

Hon. William D. Euille

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**Virginia Department of Rail
and Public Transportation**

Matthew O. Tucker

Virginia General Assembly

Sen. Jeannemarie Devolites Davis

Sen. Mary Margaret Whipple

Del. David B. Albo

Del. Adam P. Ebbin

Del. Joe T. May

Del. Thomas D. Rust

Executive Director

Richard K. Taube

The Honorable Timothy Kaine
Governor
Commonwealth of Virginia
Patrick Henry Building, Third Floor
P.O. Box 1472
Richmond, VA 23218

Dear Governor Kaine:

For Northern Virginia's traffic-plagued commuters there is some good news: Ridership on our region's public transit systems is very strong, rising seven percent in the past year. Our residents recognize the many benefits of our interconnected public transit network, not the least of which is the billion dollar annual reduction in congestion costs (time, fuel) reported by the Texas Transportation Institute. These savings result from investments in public transit in the Metropolitan Washington area.

I believe that you are now considering budget amendments for the upcoming 2007 General Assembly session. I urge you to provide the lion's share of \$339 million for needed public transit investments. These funds will provide vital support in our fight against traffic congestion, poor air quality and dependence on foreign oil.

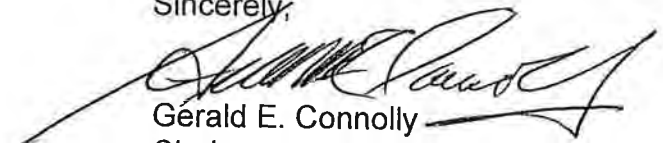
As you may be aware, Northern Virginia's public transit systems receive about three-quarters of state transit formula assistance. This is appropriate because of our strong ridership and efficient transit systems. Therefore, we ask that you designate at least three-quarters of any additional transit funds for Northern Virginia. We have transit projects already listed in the Constrained Long Range Plan that would provide immediate benefits here with positive economic consequences for the entire commonwealth. These projects are part of our Transaction 2030 plan.

Your Northern Virginia constituents will recognize and appreciate such a budget amendment as a wise investment on your part in their quality of life.

Making this additional one-time investment in transit in no way diminishes the need for us all to maintain maximum effort to achieve ongoing increased dedicated sources of funding for transit, especially for our Metro system. As you have pointed out, this will be difficult to achieve in the 2007 session, which makes our requested amendment even more essential.

I would be pleased to talk with you in greater detail about this request. In the meantime, I wish you all the best.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerald E. Connolly", written over a horizontal line.

Gerald E. Connolly
Chairman

<http://www.dailypress.com/news/opinion/dp-82562sy0nov18,0,6523639.story?coll=dp-opinion-editorials>

A better way?

Perhaps, when the General Assembly returns, it won't stay so long

November 18 2006

A shorter short session?

That's the idea being advanced by Republican state Sen. John Chichester, chairman of the Senate Finance Committee. He would have the General Assembly get in and out of Richmond in 30 days in 2007.

Three extended, overtime sessions in three years - including a marathon 246-day session this year that produced a new two-year budget but no remedy for Virginia's transportation mess - has inspired Chichester to think differently.

"What's happened is, two out of the last three years we've gone deep into the year for these sessions, special sessions that have gone on and on. There's a significant burnout in staff, I can tell that," Chichester told the Fredericksburg Free-Lance Star. "I don't like to see that among employees, because of us."

Virginia works off the legislative structure established in the early 1970s, when the state constitution was last overhauled. Having long endured the fiction of biannual sessions (a special session was nearly always called in the "off" year), legislative leaders opted for a new form - and that hasn't been honored, either.

It was supposed to work this way: A "long" 60-day session would be held to prepare the state's two-year budget. Major bills would be introduced at the same time.

The following year, legislators would return to Richmond for a "short" 30-day session, during which the budget would be adjusted as needed and legislation carried over from the "long" session would be approved or rejected.

In order for that scheme to work, however, legislators would have to exercise self-restraint during the 30-day session. They couldn't just dump the same number of bills into the hopper as during the 60-day session.

Guess what? Right, no restraint. The short session was extended nearly every time, with an undifferentiated and growing number of bills introduced every year.

Then Republicans got into power a few years ago and, because Senate and House GOP leaders see the world differently, the situation became markedly worse. Agreements on revenue and spending - the essence of the budget process - became more problematic and legislative sessions soon stretched longer and longer.

This year's session was a pip, pushed right up to the edge of not having a state budget approved at all because of disagreement over raising new money for roads. A subsequent, special session on transportation in September flopped altogether.

How would a 30-day session improve matters? Chichester acknowledges that legislators would again be called upon to discipline their lawmaking urges and not submit so many new bills. But the prospect of that, let's face it, is not good.

In fact, it's difficult to imagine that Chichester's proposal has the legs to get anywhere.

But is the conversation worth having, nevertheless? Absolutely.

For instance, more than 20 years ago, a bipartisan commission was formed to examine the legislative process generally, with an eye to seeing how other states handle this business and figure out where improvements could be made.

Some modest but useful reforms came out of that effort. Would it be worth trying again? Yes, particularly since the House installed some reforms of its own last year - all in the cause of "efficiency" - that remain controversial at best.

It might also be worth remembering that during the 1901-02 state constitutional convention, a proposal was submitted to limit the General Assembly to quadrennial sessions. That's right. The lawmakers would show up in Richmond only once every four years.

That idea died (only by a narrow margin) and was hardly an endorsement of representative government. But it did express a frustration with the lawmaking status quo - a frustration that Chichester recognizes - and the General Assembly in the present moment would be wise to pay attention and seek more inspiring methods.

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Transportation Woes Loom Over State Budget

By Dusty Smith

(Created Thursday, November 16, 2006 9:35 AM EST)

State budget workers delivered a fiscal picture to the House Appropriations Committee during a retreat this week that may look bright in the near term, but presents problems in the long term if transportation needs are not addressed, according to a delegate who attended.

While there's about a \$600 million surplus currently, estimates suggest the money will dry up in FY 2008 if the General Assembly does not adjust its sources of revenue.

"Not only dry up based on present revenues, they're projecting a \$100 million shortfall," said Del. Joe T. May (R-33), who is a member of the appropriations committee. He said there are a variety of reasons for the projected shortfall, including mandated spending requirements that are not backed by cash. "We know that there are some federally mandated spending issues, for example."

The focus of next year's General Assembly session will be transportation, May said, because that's a significant key to keeping the revenue picture growing. And part of the discussion will inevitably center on a growing debate about whether localities should pick up more of the transportation responsibility.

May said there generally were two fronts in the battle to push transportation responsibility to localities: one in the assembly in which localities may be given the opportunity to take control of some roads instead of the Virginia Department of Transportation; and another growing out of frustration with the lack of state funding locally in the form of local road bond referendums.

Arlington and Henrico counties currently perform their own road construction and maintenance, and receive their share of state transportation funding directly.

May said those localities are "taking the state money, rather than filtering it through VDOT, and doing it themselves."

Meanwhile, voters in counties such as Loudoun, Fairfax and Prince William have agreed to use general obligation bonds to pay for roads with local tax dollars paying the debt service. Loudoun voters this month agreed to fund \$51 million in transportation projects.

Having localities play a bigger role in transportation is more common in other states. Jennifer Gavin, a spokeswoman for the American Association of State Highway and Transportation Officials, said Virginia was among the few states that pay for virtually all transportation construction and maintenance. In many states, Gavin said, only the main arteries and interstates are covered by the state.

"I believe it is a fair thing to say that Virginia is in an extreme minority in that they basically are in charge of all the roads in their state boundaries, whereas in most states, the local roads—that is to say the county and municipal roads—are the province of the local government," she said. "They raise their own money and basically maintain their own roads."

"Virginia is definitely unique in terms of the extent to which state government is responsible for the entire transportation network," said Bob Chase, president of the Northern Virginia Transportation Alliance.

However, he warned that no one should think that a shift in transportation responsibility to localities would relieve the need for new money. He said there certainly could be savings achieved through greater efficiencies, but that those savings cannot make up for the current shortfall in needs.

"In concept, transferring some responsibility to localities for construction makes sense, but only if accompanied by significant new state and local revenue," Chase said. "You can't pretend you can solve this problem without new money and by transferring responsibility to someone else. Someone has to pay

for this."

He said that the federal government points to the state to take more responsibility for transportation, while the state points to localities; meanwhile, the localities are pressing for more state and federal money.

May said transportation "has to remain our focus" in next year's General Assembly because a poor transportation network could impact business in Northern Virginia, which, according to the appropriation committee's report, is by far the biggest revenue generator in the state.

"If you drive the companies off because you can't get your employees to work, can't get your customers in, and, if you're in manufacturing you can't deliver your product ... it can hurt the whole state," he said. "We run some risk of driving them off when we don't address transportation in Northern Virginia."

That, in turn, negatively impacts revenue, he said.

Hampton Roads has similar concerns, he said. About 35 percent of the jobs in Virginia are in Northern Virginia, while about 21 percent are in Hampton Roads. Richmond has 17 percent of the jobs, while the rest of the state combined totals 28 percent.

May said because of the extreme transportation needs in Northern Virginia and Hampton Roads, the two regions face potential business losses and "are joined at the hip" in an attempt to have the state address the situation. But that's still not enough votes to win battles for new revenue or revamped transportation distribution formulas. Those votes may not come until after the next redistricting, when May predicts Northern Virginia may gain as many as three Senate seats and more in the House of Delegates.

As for next year's legislative session, May said Delegates Tom Rust (R-86) and David Albo (R-42) plan to propose a bill similar to one that failed twice this year in which Northern Virginia and Hampton Roads would be able to raise fees and taxes regionally and dedicate that revenue to regional transportation needs. May said the fees and taxes that will be targeted would not be known until after the governor presents his budget, at which point lawmakers will have a better understanding of their options.

Reader Comments

The following are comments from the readers. In no way do they represent the view of Leesburg Today.

Total Comments: 0

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Gen. Assembly Keeps Us Stuck in Traffic
November 16, 2006

To the Editor:

Recently I ran over to a hardware store about six miles away to purchase some paint. It took me 35 minutes to get to the store.

We all have similar stories, yet the Virginia General Assembly packed its bags and went home after only three days of special session in which they operated with full speed to dismantle any hopes of a transportation solution for 2006. There was no agreement to support the matching Federal funds for Metro, no Metro rail cars, no widening of I-66 inside the Beltway; the list of lost opportunities is long. This despite the heroic efforts of our Del. Tom Rust and Del. Dave Albo, who put together a legislative proposal that would have raised \$400 million for Northern Virginia transportation. This initiative, in my opinion, was the essence of compromise and would be a great start to fix our traffic woes.



What was so frustrating was many Northern Virginia delegates voted against the bill based on political affiliation, despite the bill being bipartisan. It is also clear to me that these same delegates cannot garner support from their fellow delegates to pass a statewide transportation bill.

Why? Because most delegates outside of Northern Virginia are unlikely to vote for any bill that will provide \$400 million a year dedicated to Northern Virginia for transportation. This would take away money for their communities. No individual wants increased taxes or fees; however, it is apparent that if we do not find a solution soon, the economy in Northern Virginia is at risk.

Along with many other Northern Virginians, I testified before the Finance Committee during this very brief session. I spoke on how this affects businesses as well as how it affects me personally. I shared my and others' frustration with being stuck in traffic for hours, missing important events in our children's lives, and ultimately lessening our quality of life.

It is deeply disappointing that we cannot get the state to recognize our deepening crisis and take actions appropriate to assistance. But we cannot give up. I challenge each of you to do something on behalf of a fix on transportation.

Write a letter to Speaker Howell. Check how your delegate and senator voted on transportation. If they did not support the fix, ask them why. Share your information with others. Perhaps change your vote. Ask the people in local governments for their suggestions. Explain that we don't want politics; we want action. Invite people who understand the issues to speak before local organizations, such as Rotary, HOA's, and PTSA, etc. Call the Chamber if you need information. We have to do this together, one step at a time, and it's time to take the journey.

Justin J. Exner
First Financial Mortgage Service, LLC

True Conservatives Should Back Metro Funding

Now that Congress has returned to business in Washington after an exhaustive election cycle, a critical issue facing our region awaits immediate action from the Senate — dedicated federal funding for the Metro transit system.

It is an issue of pressing concern to citizens of all political stripes, including conservatives such as myself.

As independent analysis makes clear, the benefits of investing in high-quality public transit are irrefutable:

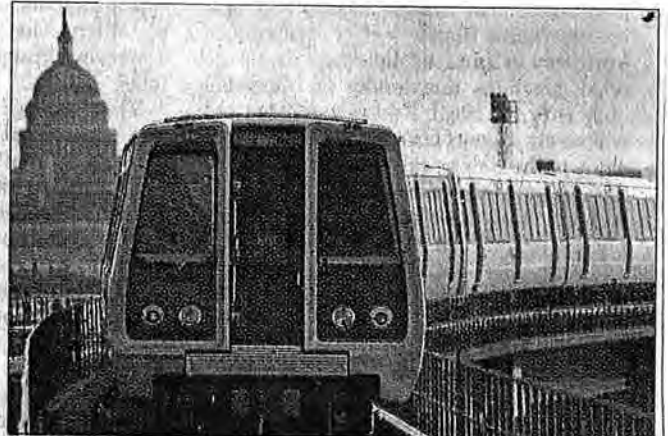
■ First and foremost, rail transit benefits everyone — including non-riders — by reducing traffic congestion. According to an analysis conducted by the Federal Transit Administration, non-riders benefit more than twice as much, in terms of time saved from traffic congestion, as the people who are utilizing transit.

As we all know, commuters in the Washington area face some of the longest, most congested commutes in the nation. So even if you never set foot on a Metro train, you reap the benefit of time saved on your daily commute.

■ Second, transit significantly aids in resource conservation. True conservatives are conservationists who are committed to passing on clean water, breathable air and other natural resources to future generations.

As a 2002 study by the American Public Transportation Association states, "increased use of transit offers the most effective strategy available for reducing energy consumption and improving the environment without imposing new taxes." That fact should be music to any conservative's ear.

Transit also greatly aids our communities by raising property values. In every major metropolitan region with a rail transit system, including Washington, transit has helped to increase residential property values. According to the Urban Land Institute, Metro is responsible for at least \$25 billion in economic devel-



BY SUSAN WALSH — ASSOCIATED PRESS

A bill to provide dedicated federal funding for Metro, sponsored by Rep. Thomas M. Davis III (R-Va.), has passed the House. The results of Tuesday's election seem unlikely to affect the bill adversely.

opment. All of that value — and you don't even have to use the transit system to reap the financial benefits.

■ Finally, the special relationship between Metro and the federal government requires that the government come to the table as a full partner to help Metro meet growing demand. Dedicated federal funding, to be matched by an equal investment from local and state governments, is critical to ensuring that the Washington Metro can meet the surging demand for a reliable, efficient transit system.

Quite simply, dedicating federal and local funds for transit is both smart and responsible public policy.

True conservatives should be lining up to support this measure, and the public should be ready to hold leaders in Congress accountable if they fail to meet the challenge before them.

— Paul M. Weyrich

Fairfax

The writer is chief executive officer of the Free Congress Foundation, a conservative think tank.

■ Close to Home welcomes pieces on the local community. Submissions must be exclusive to The Post and should be sent to Close to Home, The Washing

Legislators Warned That Surplus Fueled By N.Va. Growth May Be Short-Lived

By TIM CRAIG
Washington Post Staff Writer

Northern Virginia continues to solidify its status as the economic engine of the state, but a weakening housing market could mean leaner times for lawmakers in Richmond, according to a report presented yesterday to the House of Delegates.

The report, by the House Appropriations Committee staff, estimates that the state will have \$600 million in additional funds to spend this year and next, but lawmakers should spend it wisely because the surplus might not last long, said Robert P. Vaughn, the committee's staff director.

Vaughn noted that part of the surplus might have to be used to plug a \$100 million hole in the fiscal 2008 budget that is a result of the lawmakers' decision to repeal Virginia's estate tax.

"Before you begin to spend any of this money, look at where your '08 budget is," he said.

But the state's economy remains strong overall because, as the report to the Appropriations Committee says, "it's all about Northern Virginia."

The region's wealth has become part of a bitter feud in Richmond over how to pay for transportation. Many lawmakers in Northern Virginia say the area is not getting its fair share of money needed to pay for

See ECONOMY, B5, Col. 5

Economic Indicators

\$862

Statewide average weekly salary for employees in "professional and business services"

\$1,569

Northern Virginia average weekly salary for employees in "professional and business services"

78,000

Jobs added in Virginia last year

54 percent

Share of state's job growth that occurred in Northern Virginia in past three years

15 percent

Expected decline in recordation taxes because of cooling housing market

Legislators Are Warned That Surplus May Not Last

ECONOMY, From B1

new highways and rail lines. The Northern Virginia Transportation Authority issued a plan identifying more than \$17 billion in highway and transit needs — a figure that would require the state to spend nearly \$700 million annually over the next 25 years.

In September, the House and Senate ended a special session without agreeing how to raise revenue for transportation, which has been a priority of Gov. Timothy M. Kaine (D).

The committee's report also focused on the state's economy. Virginia added 78,000 jobs last year, more than half of which were in Northern Virginia. For the past three years, 54 percent of the job growth has been in Northern Virginia, where employment growth has not fallen below 3 percent since 2003, according to the report.

Northern Virginia now accounts for 35 percent of all jobs in the state, compared with 21 percent for Hampton Roads and 17 percent for Richmond, the report said.

Northern Virginia's growth, which has generated higher than expected sales and corporate tax revenue, was driven by a surge in federal spending after the Sept. 11, 2001, terrorist attacks.

Employees in Northern Virginia also are well paid compared with those elsewhere in the state. The statewide average weekly salary for employees in "professional and business services" is \$862, but in Northern Virginia it is \$1,569 a week, according to the report.

The report says the region's economy is expected to remain strong, which should ensure a steady flow of revenue to Richmond. But it includes a few warning signs of a slowdown, most notably in federal spending on procurement contracts.

Federal procurement spending jumped 19 percent in 2004, according to the report, but just 3 percent last year.

"It's easy to get lulled into a false sense of security," Vaughn said.

Even so, budget analysts say the strength of the economy should help insulate state revenue from the effects of a cooling housing market. When the market was hot, the state earned more revenue from recordation, corporate and sales taxes.

Since 2000, recordation taxes paid to the state from housing sales jumped 260 percent, and that revenue accounted for 20 percent of budget growth over the past six years.

With housing sales declining, budget analysts are expecting a 15 percent decline in recordation tax revenue this year, a loss of about \$70 million.

The housing market is expected to worsen for at least the next year, analysts said.

"It is not likely we reached the bottom of the market," said Anne E. Oman, a House fiscal analyst.

But Christine Chmura, president of Chmura Economics and Analytics of Richmond, told lawmakers that the housing slump probably won't drive the region into a recession because housing prices remain high and other segments of the economy continue to perform well.

She said housing prices in Northern Virginia are overvalued, by about 39 percent, but she doubts they will fall by that much because the job supply remains plentiful.

Washington Post (11/14/06) @ B-1



AGENDA ITEM #4

MEMORANDUM

TO: Chairman Connolly and NVTC Commissioners
FROM: Rick Taube and Elizabeth Rodgers
DATE: November 30, 2006
SUBJECT: Code Orange/Red Free Bus Fare Program.

Recommended Action

NVTC manages a program of free bus fares on forecast Code Red air quality days using CMAQ funds. It is proposed to expand the program to include forecast Code Orange days as well as forecast Code Red days. NVTC has available about \$1.4 million in carryover funds for summer of 2007, plus \$1.1 million of CMAQ funds approved by the NVTA on November 9, 2006. Of the new funds, \$50,000 would go for an evaluation of the effectiveness of the program and \$80,000 for promoting the project.

The commission is asked to authorize NVTC staff to:

- 1) Utilize \$1.1 million of new CMAQ funding (advanced from the FY 2008 program).**
- 2) Combine these new funds with \$1.4 million remaining unspent from previous NVTC CMAQ grants.**
- 3) Broaden the existing eligibility for the program to reimburse free bus fares on days forecast by MWCOG to be Code Orange as well as Code Red, beginning in summer of 2007.**
- 4) Revise the administrative agreements with participating bus systems to reflect the changes;**
- 5) Secure TIP amendments from TPB and contract amendments from DRPT, as required.**
- 6) Issue a Request for Proposals for a consulting firm to conduct onboard bus passenger surveys and perform an evaluation of the program's effectiveness in accomplishing improved air quality.**



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- 7) **Develop a marketing plan to promote the expanded program and measure the effectiveness of promotional techniques.**
- 8) **Return to NVTA's Interim Technical Committee by early September, 2007 with an interim report and to the commission by November 1, 2007 with a final evaluation report and recommendations for the future of the program.**

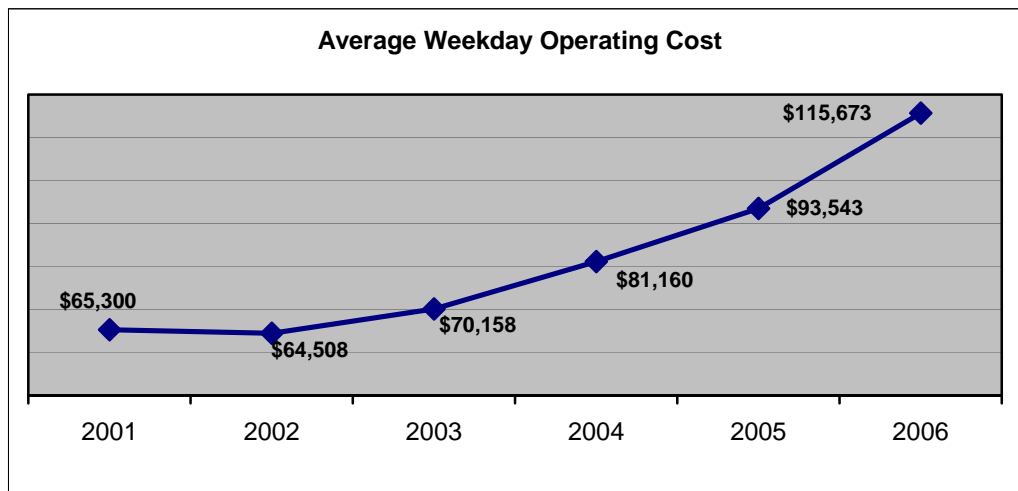
Please refer to the attached project schedule to see the sequence of proposed activities.

Background

MWCOG now uses a different standard to forecast Ozone Alerts/Air Quality Action Days. Previously it used a 1-hour range >125 parts per billion for a Code Red designation. Now it uses an 8-hour range of >105ppb. Further, it now regards 8-hour Code Orange levels (>85ppb) as grounds for alerts.

From calendar year 2001 through 2005, the numbers of 8-hour Code Red days have been modest (ranging from 0 in 2005 to 9 in 2002). But Code Orange 8-hour days are often more frequent (ranging from 4 in 2003 and 2004 to 27 in 2002).

Under the current program, on forecast Code Red days, participating transit operators cover their fareboxes with red bags and seek reimbursement from NVTC based on average ridership on the same day of the week for the three previous weeks. The cost per day of reimbursing free bus fares on forecast Code Red days is trending up sharply from 2001 through 2006 as follows:



The amount of federal CMAQ grant funds spent by NVTC to reimburse transit operators for free bus fares on forecast Code Red days since the start of the program in FY 1999 is \$1.8 million. With \$3.2 million in total grant funds provided over several years, currently \$1.4 million in CMAQ funding is available to continue the program. In addition, NVTA has approved another \$1.1 million in order to expand the program to include forecast Code Orange days as well as to promote and evaluate the program. Thus, about \$2.4 million is available for the summer of 2007 to reimburse transit systems for free bus fares.

Of concern is the fact that this amount would cover about 20 forecast Code Orange/Red days. If there are more than 20 forecast days in 2007, the program may have to be temporarily discontinued if an emergency source of funds was not located. Also, since funds have been advanced from FY 2008, there may be little or no remaining funds for summer of 2008. Presumably if the proposed evaluation concluded that the program was cost effective, more CMAQ funds could be advanced for 2008 from the 2009 CMAQ program using unallocated funds or money reprogrammed from other projects.

Alternatives Considered

Before recommending expansion to include forecast Code Orange days, staff considered several different approaches. Among the possible alternatives given a limited budget and an abundance of Code Orange days under MWCOG's new approach:

1. End the program and return the unspent funds.
2. Continue the program applied to 8-hour Code Red days.
3. Ask MWCOG to provide forecasts of 1-hour Code Red days (the old standard).
4. Ask MWCOG to provide forecasts of 8-hour Code Orange days at a higher threshold (say 95ppb) that would produce a number of anticipated exceedances that would fit within the available annual budget (6-10 days per season).
5. Spend available funds each year on forecast Code Orange days on a first-come, first-served basis until the budget is exhausted.
6. Spend available funds each year on Code Orange days but reduce fares to, say, 25-cents rather than free to allow the available budget to stretch across all such days.
7. Use the available funds for another transit purpose, such as reduced fares on selected new routes everyday during the summer that could be promoted with air quality-related themes.
8. Seek sufficient new funds to cover all forecast Code Orange/Red days but promote the program and measure its success to permit informed decisions about using the program in subsequent years.

Alternative 8 was recommended by staff.

Evaluating Program Effectiveness

NVTC previously retained a group of consulting firms led by BMI-SG (now VHB) to evaluate the effectiveness of free bus fares on forecast Code Red Days. The consultants reported to NVTC in December, 2003 based on analysis that included a telephone survey and review of reported ridership and revenue on forecast Code Red days since program inception. Unfortunately the lack of subsequent forecast Code Red days prevented these consultants from conducting their on-board passenger surveys and the contract was closed by mutual agreement without the analysis being completed. Accordingly, NVTC is now asked to authorize staff to issue a new RFP to complete the on-board passenger surveys and program analysis. Up to \$50,000 of CMAQ funds would be reserved for that purpose.

In the 2003 report, the consultants showed over the life of the program, fewer persons traveled by transit on forecast Code Red days than on comparable days without bad air alerts. However, this was attributed largely to inaccurate passenger counting by transit operators on Code Red days, and recent years did show increased ridership with better counting techniques. Costs per added rider for 2003 had dropped to \$3.42.

For 2003, the costs for removing each combined ton of volatile organic compounds (VOC) and oxides of nitrogen (NO_x) achieved from this program was \$197,000 per ton. The average for MWCOC's Commuter Connections control measures for that year was \$4, 900 per combined ton. But using national weighting techniques (with NO_x valued at four times VOC), the free bus fares program cost dropped to \$72,000 per ton, and this program fell in the top third of effectiveness among 139 strategies applied across the U.S.

Regarding awareness of the program, based on a telephone survey only half of respondents knew about the free bus fare program. Only 16% had used or considered using free buses on Code Red days, and of those only 24% (4% overall) reported free fares as the reason for this decision. Only 14% of commuters altered their behavior in any way on Code Red days.

While these results are inconclusive, they do suggest that the cost effectiveness of the program was steadily improving and that overall awareness needs to be improved. Accordingly, the RFP for a consultant to perform further analysis and on-board surveying may include some or all of the following elements in its scope of work:

- 1) Baseline data on clean air days.
- 2) Comparisons of the use of buses on forecast Code Orange versus Code Red days.
- 3) Comparisons by type of bus service (feeder to Metrorail vs. line-haul).
- 4) Seasonal changes (early June vs. late August).
- 5) Learning behavior (isolated events vs. many consecutive forecast days).

- 6) Awareness of program and willingness to ride arrayed by demographic and geographic variables.
- 7) Impacts on air quality.
- 8) Impacts on long-term transit use.
- 9) Effectiveness of ongoing promotional efforts.

Promoting the Program

With a budget of up to \$80,000, NVTC staff will cooperate with Clean Air Partners and the local transit systems to devise an effective program to increase awareness of the public. Ads will be placed in cost-effective media (radio) and on buses. The emphasis will be informing and motivating the public to ride free buses to save money, help reduce congestion, clean the air during the immediate crisis and prevent such air quality emergencies in the future. In association with NVTC's survey and evaluation consultants the effectiveness of these promotional techniques will also be measured to the extent possible.

Another use of these funds will be to promote the program among bus drivers to be certain they are accurately counting passengers. This will contribute to a more meaningful program evaluation.

Summary

As listed above, NVTC is asked to act to authorize staff to take the necessary administrative actions to expand the existing program to include forecast Code Orange days, including issuing immediately a RFP for on-board bus passenger surveys. These actions will culminate by November, 2007 in a final report evaluating the program's effectiveness and recommendations for the future of the program.

ATTACHMENT 1

FREE BUS FARES ON FORECAST CODE ORANGE/RED OZONE ALERT DAYS

PROPOSED PROJECT SCHEDULE

<u>Activity</u>	<u>Date</u>
1. NVTA approval of FY 2008 CMAQ allocation.	Nov. 9, 2006
2. MAC review and formation of technical subcommittee to guide consultant work.	Nov. 21, 2006
3. NVTC approval of program and RFP for program analysis/survey.	Dec. 7, 2006
4. RFP issued. TIP and DRPT amendments initiated (as required).	Dec. 8, 2006
5. Contract award by NVTC.	Feb. 1, 2007
6. Notice to proceed.	Feb. 8, 2007
7. MAC review of proposed marketing plan and consultant's survey plan.	Feb. 20, 2007
8. NVTC sends administrative agreements to participating transit systems.	April 2, 2007
9. Marketing plan initiated.	April 2, 2007
10. Survey team trained and ready for on-board passenger surveys.	May 1, 2007
11. Signed administrative agreements due back to NVTC.	May 1, 2007
12. Draft consultant report reviewed by MAC and shared with NVTA's Interim Technical Committee.	September 18, 2007
13. Final report reviewed by MAC and future program recommendations made to NVTC/NVTA	October 16, 2007
14. Approval of final report by NVTC and recommendations on future funding and promotion made to NVTA for FY 2009 CMAQ program consultant contract closed.	November 1, 2007
15. NVTA adopts FY 2009 CMAQ program.	November 8, 2007



AGENDA ITEM #5

MEMORANDUM

TO: Chairman Connolly and NVTC Commissioners

FROM: Adam McGavock

DATE: November 30, 2006

SUBJECT: Authority to Issue a Request for Proposals for a Hydrogen Fuel Injection Bus Demonstration.

The commission is asked to authorize release of the Request for Proposals. Up to \$86,600 is available in a state grant for this project. It is anticipated that staff will return the commission on January 4, 2007 for authority to award the contract.

The scope of work is attached for your information. As can be seen the hydrogen fuel injection system will be placed in service on four CUE buses in the city of Fairfax and potential fuel savings and emissions reductions will be measured and reported over the next nine months. The final report is expected to be completed in January, 2008.



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**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
REQUEST FOR PROPOSALS**

Project Description: **Hydrogen Fuel Injection Demonstration**

Request No. RFP # 07-03
Contact: Adam McGavock
Tel: (703) 524-3322
Fax: (703) 524-1756
Email: adam@nvtdc.org

Issue Date: **December 8, 2006**

Written Questions Due: **December 15, 2006**

Proposal Due Date/Time: **December 28, 2006 @ 2:00 PM EST**

DESCRIPTION OF WORK: This contract will provide on a firm fixed price basis, all parts, labor, and associated materials necessary to equip four City of Fairfax CUE buses with retrofitted Hydrogen Fuel Injection systems, and to provide all necessary technical support and assistance to the City of Fairfax CUE Bus system throughout the course of the scheduled nine-month demonstration period. At the conclusion of the demonstration period, City of Fairfax CUE Bus system will retain full ownership of the HFI equipment, including all standard warranties and conditions.

OPTIONAL PRE-PROPOSAL CONFERENCE: An optional pre-proposal conference will be conducted at NVTC on December 18 at 2:00 PM EDT. Attendance is not required. The purpose of this conference is to allow potential Offerors an opportunity to ask questions and receive answers about this solicitation. You are encouraged to submit written questions to be discussed at the conference in advance to Adam McGavock at NVTC to help ensure more complete answers. Questions also may be presented orally or in writing at the meeting. Directions to the NVTC office are available on NVTC's web site at <http://www.thinkoutsidethecar.org>. If the Offeror does attend the pre-proposal conference, he or she should bring a copy of the RFP. Any changes resulting from this conference will be issued in a written addendum to the solicitation. Offerors should contact NVTC to place their name on the project distribution list to be assured of receiving any addenda.

ORAL PRESENTATIONS: Oral presentations with top-ranked firms are tentatively scheduled to be held on January 3, 2007 at NVTC. NVTC reserves the right to dispense with oral presentations.

TYPE OF CONTRACT AND DOLLAR LIMIT: Firm Fixed Price. The contract associated with RFP #07-03 will be paid for with NVTC's state grant. The final price of the contract will be determined following a review of proposals and contract negotiations.

TERM OF CONTRACT: The term of this contract will be 12 months from the date of execution.

NOTICE OF AWARD: Notice of contract award(s) made as a result of this solicitation is expected to be January 5, 2007, following action by NVTC's board.

Section B

Scope of Work

Background

The Northern Virginia Transportation Commission, using funds provided by the Virginia Department of Rail and Public Transportation, seeks to demonstrate the performance and applicability of Hydrogen Fuel Injection technology in a transit setting. Hydrogen Fuel Injection (HFI) is typically retrofitted to a diesel engine with a kit. Once installed, the HFI module uses a small amount of electricity from the engine alternator to catalyze tiny amounts of hydrogen from a tank of distilled water, which is stored in the engine compartment. This hydrogen is immediately pumped into the diesel engine's combustion chamber, where it combines with diesel fuel. Because hydrogen has a higher flash point than diesel fuel, the hydrogen does not start to burn before the diesel fuel combusts, and thus the timing of the combustion cycle is not affected. Hydrogen also burns at a higher temperature than diesel fuel, which leads to cleaner and more efficient combustion. HFI technology has earned widespread acceptance in the over the road trucking industry, where it has been proven to improve fuel economy and reduce emissions. NVTC staff has been unable to find any example of HFI technology being applied in the transit environment, in the United States. NVTC has received grant funding from the Virginia Department of Rail and Public Transportation for the purpose of purchasing, installing, demonstrating, and evaluating the performance of HFI on transit buses in Northern Virginia. The CUE bus system, serving the City of Fairfax, has agreed to serve as the "test bed" system for this demonstration.

Project Tasks

The project involves the purchase, installation, demonstration and evaluation of HFI systems/kits on four of the 30-foot Gillig Phantom buses operated by the City of Fairfax CUE bus system. These buses employ Cummins diesel engines.

The selected Offeror will perform an on-site installation of four HFI systems at the CUE bus facility in Fairfax. The HFI kit will first be installed on **one** demonstrator bus, which will be observed for one month. At that time, if the first bus is running satisfactorily, HFI kits will be installed on the remaining three demonstrator buses. The Offeror will need to coordinate the planning of this installation with the Fairfax CUE staff, and provide an installation plan to be approved by NVTC and CUE staff. All parts, materials, and labor will be the responsibility of the selected Offeror.

Once the HFI systems are installed, there will be a nine-month demonstration period, during which the fuel usage and maintenance requirements for each of the four demonstration vehicles will be closely monitored by NVTC and CUE staff.

At some point during or immediately after the demonstration, one of the four demonstration buses will undergo a regimen of emissions testing under the direction of Scott Wayne at the West Virginia Research Center for Alternative Fuels, Engines, and Emissions

(CAFEE). This testing will occur either at the West Virginia University campus, or at a mobile laboratory operated by CAFEE, depending on the timing and availability of the testing facilities.

At the conclusion of the demonstration, NVTC staff will produce a final report on the demonstration, with a discussion of the performance of the HFI system in all areas, and recommendations for the possibility of future transit deployments.

Tasks and Deliverables

- **Task 1: Purchase and Install HFI system on four buses** – Selected Offeror will be responsible for all aspects of installation of Hydrogen Fuel Injection systems on four City of Fairfax CUE buses. *[The contractor is solely responsible for this activity.]*

- **Task 2: Monitor performance during demonstration period**– CUE and NVTC staff will monitor the fuel efficiency and maintenance requirements of the four HFI demonstrator buses during the nine-month demonstration period. Selected Offeror will be responsible for responding to questions and inquiries in a timely manner, and ensuring that warranty provisions are honored. Selected Offeror will also provide assistance and technical support with troubleshooting problems and optimizing performance.

- **Task 3: Emissions testing at the WVU CAFEE laboratory**– One demonstrator bus will undergo a full regimen of emissions testing under the direction of Scott Wayne of the CAFEE laboratory, to determine if the performance of the HFI system meets the specifications for performance stated in the proposal. This testing will take place in Morgantown, at the West Virginia University facility, or at a mobile testing facility in Washington, DC. *[The contractor is not responsible for this activity.]*

- **Task 4: Final demonstration report** – At the conclusion of the demonstration period, NVTC staff will prepare a final project evaluation report which will examine all areas of the performance of the HFI system during the demonstration, and make recommendations for possible future deployments. *[The contractor is not responsible for this deliverable.]*

-

Project Schedule:

This contract will be awarded January 5th, 2007, and the demonstration period will last from no later than March of 2007 through January of 2008 (or at least nine months). Prior to the issuance of notice to proceed, NVTC and the contractor will reach agreement on any modifications to the project schedule and milestones included in the proposal.



MEMORANDUM

TO: Chairman Connolly and NVTC Commissioners
FROM: Jana Lynott
DATE: November 30, 2006
SUBJECT: Authority to Execute a Contract for Senior Transit Training.

The commission is asked to authorize its executive director to sign a contract with the Partnership TMA of Montgomery County, Pennsylvania to provide group and individual instruction to 50-60 seniors on how to use public buses and trains in Northern Virginia. Authority is also requested to issue the notice to proceed upon receipt of insurance certifications and other requirements. The contract amount will not exceed \$85,000 and will be paid for with NVTC's \$150,000 VDOT/NVRC pilot planning grant for Phase II of the commission's Senior Mobility Project.

Background

The commission had previously authorized staff to award a contract to the Phase I vendor, WB&A Market Research, to retain such a consultant. WB&A has now declined due to insurance concerns. WB&A will still evaluate the effectiveness of the senior travel training program. In addition, WB&A's subconsultant, the KFH Group, will conduct a survey of travel training programs around the country. NVTC signed a contract with WB&A for this additional work in August, 2006.

Group training will take place in January and February, 2007 in five Northern Virginia locations:

- Alexandria
- Arlington/Falls Church
- Fairfax County/city of Fairfax
- Loudoun County
- Prince William County



Each of the 50-60 seniors will be invited to participate in two individual training sessions. We estimate that approximately 30 seniors will be interested in continuing with individual training. Following the completion of individual training sessions in June, 2007, WB&A will conduct a telephone survey of participants to ascertain whether these seniors continue to use public transportation three- and six-months later. A full report to the commission is tentatively scheduled for January, 2008.



AGENDA ITEM #7

MEMORANDUM

TO: Chairman Connolly and NVTC Commissioners
FROM: Jana Lynott
DATE: November 30, 2006
SUBJECT: Transportation Incident Response Planning.

On November 28th the region conducted a table top test of response plans, including those prepared by NVTC staff in cooperation with Northern Virginia's transit systems. Staff will describe the results and review the status of NVTC's Metro station area emergency response plans.



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MEMORANDUM

TO: Chairman Connolly and NVTC Commissioners
FROM: Rick Taube
DATE: November 30, 2006
SUBJECT: Metro Items.

A. Preliminary Budget for FY 2008.

The Budget Committee is expected to receive the staff proposal on December 7th. Staff will provide excerpts for your information.

B. Regional Bus Conference.

The program is scheduled for November 30th in Bethesda. An agenda is attached for your information. The program features General Sessions with speakers on national best practices as well as concurrent workshops on regional issues. Chris Zimmerman will lead the conference wrap up and call to action. Highlights will be shared with the Commission.

C. FY 2006 Annual and First Quarter FY 2007 Finance Reports.

As shown in the two, one-page attachments, for the entire FY 2006 Metro ended \$3 million under budget with record ridership and revenue growth. Combined ridership system wide was up 12 million from the previous year. This resulted in \$580 million in revenue, which was \$38 million over budget. Higher fuel and bus maintenance costs resulted in costs being \$35 million over budget.

For the first quarter of FY 2007, although Metro was under budget by \$2 million, Metrorail ridership growth was flat compared to budgeted growth of three percent. Metrobus ridership was growing at an annual rate of two percent, or one percent above budget.



D. New General Manager Selected.

As was widely reported, the Metro Board has selected John Catoe to be WMATA's next General Manager. He is a native of D.C. and has been serving as second in command at the Los Angeles MTA. He has particularly strong experience in bus operations and has pledged to continue customer service as Metro's top priority.

E. Final Alignment for the Dulles Corridor Metrorail Project.

The Federal Transit Administration has approved the amended Record of Decision for the project. That signifies the end of the planning process and identifies the final project alignment for the 23-mile project, including the aerial portion through Tysons Corner. See the attached media release for more details.



The 2006 Bus Conference **Charting A Common Route**

November 30, 2006 ■ 8 a.m. - 4 p.m.
Marriott Bethesda North Hotel
and Conference Center

Program **Regional Bus Conference** **November 30, 2006**

8:00-8:45 a.m.

Registration and Continental Breakfast

- **Bus Exhibit**

8:45 - 9:30 a.m.

Welcoming Remarks
Jack Requa, WMATA Interim General Manager
Doug Duncan, Montgomery County Executive

Opening Remarks and Setting the Framework
"Improving Bus Customer Service through Regional Integration"

- **Gladys Mack, WMATA Board Chair**
- **Chris Zimmerman, WMATA Board Second Vice-Chair**

9:30-10:15 a.m.

General Session (1)
"National Best Practices"
Gordon Linton, WMATA Board Member, Moderator

Speakers:

- **1 - Traffic Management**
- **2 - Bus Stops**
Maribeth Feke, Greater Cleveland Regional Transit Authority, Cleveland, OH
- **3 - Service Integration**
Michael Bolton, PACE Suburban Bus Service, Arlington Heights, IL
- **4 - Fare Policy**
Heather Ferguson, Chicago Transit Authority, Chicago, IL

- 10:15-10:30 a.m.** **Break**

 - **Jurisdictional Showcases**

- 10:30 a.m. - noon** **Concurrent Workshops**

 - **Michelle Pourciau, District of Columbia, Moderator**
Traffic Management
 - **Art Holmes, Montgomery County, Moderator**
Bus Stops (invited)
 - **Kathy Ichter, Fairfax County, Moderator**
Service Integration
 - **Chuck Woodruff, WMATA**
Fare Policy

- Noon -1:15 p.m.** **Luncheon**
"Providing Outstanding Customer Service"

Introduction of Keynote Speaker
Charles Deegan, WMATA Board Vice-Chair

Keynote Speaker
Southwest Airlines Representative

- 1:15 p.m.-1:30 p.m.** **Break**

- 1:30 p.m-3:00 p.m.** **General Session (2) Chris Zimmerman, Moderator**

 - **Reports/Recommendations from Workshops**
 - **1 - Traffic Management, Michelle Pourciau**
 - **2 - Bus Stops, Art Holmes**
 - **3 - Service Integration, Kathy Ichter**
 - **4 - Fare Policy, Chuck Woodruff**

 - **WMATA Board Members Roundtable**

- 3:00 p.m. - 4:00 p.m.** **Conference Wrap-up and Call to Action**
Chris Zimmerman, WMATA Board
Second Vice-Chair



Executive Summary

First quarter financial results for FY07 show Metro to be under budget by \$2 million, or two percent. Expenditures this quarter have under run the budget by almost \$5 million which has temporarily more than compensated for revenues being \$3 million short of the budget.

Ridership and Revenue

Metro rail ridership growth has almost stopped. Total ridership this quarter is only four tenths of one percent higher than the same period last year. The budget was based on a predicted growth rate of more than three percent for this period of the fiscal year. Staff is continuing to analyze potential causes for this drop off in growth, which is occurring mostly in the non-rush hour periods. Early results possibly trace to lower ridership to Nationals games during baseball season, an incredible drop in gasoline prices and lower weekend ridership when rail delays have been advertised because of planned track work.

Metrobus ridership growth is continuing, and actually growing faster than budget. Bus ridership is up more than two percent compared to the first quarter of last year, and it is almost more than one percent higher than budgeted.

Operating Expenses

Labor costs for the first quarter are virtually on budget. Savings from a relatively high number of vacancies are offsetting overtime expenses being incurred to maintain minimum staffing. Fringes are currently over budget and are likely to continue that way due to the shortfall in funding for workers comp claims and for higher than expected pension contributions. Services expenses are currently under budget but are expected to up to budget during the year. Supplies expense is on budget. Energy costs for diesel and train power are over budget. Diesel cost pressure is being mitigated with swap contracts; however, electricity costs are likely to go significantly over budget this year as Pepco deregulation occurs.

Fiscal 2007 1st Quarter				
	Actual	Budget	Variance	
			Favorable/(Unfavorable)	
Revenue	\$158	\$161	(\$3)	-2%
Expense	273	278	5	2%
Subsidy	\$115	\$117	\$2	2%
\$ Millions				

Executive Summary

Fiscal 2006 ended \$3 million under budget with record ridership and revenue growth. At the December Budget Committee meeting staff will be forwarding an Action Item seeking to add this \$3 million to the existing operating reserve.

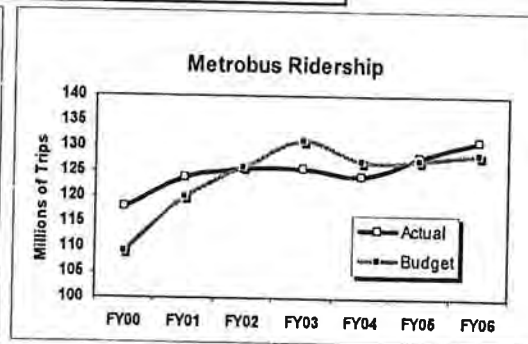
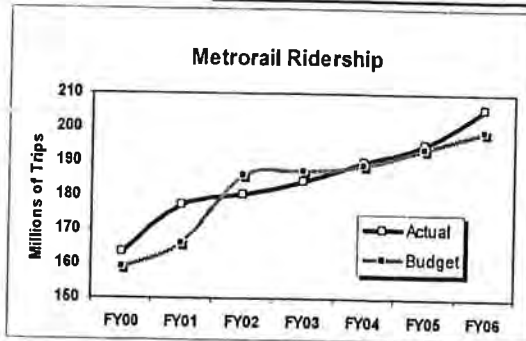
Ridership and Revenue

Metrorail, Metrobus and MetroAccess carried almost 12 million more customers compared to last year. Many ridership records were set during the year and by June, Metrorail was carrying nearly 750,000 customer each weekday. Total revenue of almost \$580 million exceeded the budget by approximately \$38 million, or 6 percent.

Operating Expenses

There were challenges throughout the year causing some costs to come in higher than expected. Examples included rapidly escalating energy costs and higher costs for maintaining an aging bus fleet. The combined impact of these pressures grew the operating expenses about 3 percent higher than budget.

Fiscal 2006 Year End				
	Actual	Budget	Variance	
	\$ Millions		Favorable/(Unfavorable)	
Revenue	\$ 617	\$ 579	\$ 38	6%
Expense	1,049	1,014	(35)	-3%
Subsidy	\$ 432	\$ 435	\$ 3	1%



Year End Financial Closing

At year end close there were a number of required, one-time-only accounting entries that had not been forecast, including: a catch up expense in June to get the paratransit contractor billings current, an inventory adjustment to reconcile bench stock, labor costs incurred this year on work budgeted in FY05 and P&T carryover items. The external auditors have completed their review of the fiscal 2006 books and issued a clean opinion on these results.

[Send to Printer](#)[<< Back to Article](#)**EXAMINER**.COM**LOCAL**

Steve Eldridge: Cronyism and Tangherlini

Steve Eldridge, The Examiner

Nov 6, 2006 5:00 AM (3 hrs ago)

Current rank: # 55 of 5,485 articles

WASHINGTON - Metro's now-departed Interim General Manager Dan Tangherlini is certainly going to get a fair number of accolades as he closes the door behind him and several of them are actually appropriate. The question is going to be how many Metro staffers will be offered positions in the D.C. government under Tangherlini. When he was given the job of interim general manager last February Tangherlini offered jobs to a number of friends and employees from the District. Many of those jobs were very high paying for which the staffers didn't have to go through the usually hiring process — they were simply appointees. In fact, several of those appointees make salaries more than \$100,000 and are within the top 25 salaries in the entire 10,000-person work force. Interestingly, the head of the Human Resources department, a Tangherlini appointee who didn't have to go through the usual application process, makes \$154,000 a year. That's about \$9,000 more than the chief of Metro Transit Police Department makes.

These appointments and the salaries attached to them have, according to sources inside Metro headquarters, created a great deal of ill-will. The manager of one key department who was brought in by Tangherlini has no experience in the field, is being paid well above \$100,000 and is basically being trained to do his job by the staff who have been there for years.

Now that Hess is gone, staffers tell me that for all of the talk about Tangherlini's meetings with the rank and file that very little came of them.

He listened but didn't act on their suggestions or requests which included things as small as a desire to change the type of shirts worn by operators. According to others Tangherlini didn't enjoy meeting with the senior-level staff and, in fact, only had two meetings with the group one when he was given the job and the other to announce his departure.

The concern now is whether or not Metro's staff will be cherry-picked to join Tangherlini at his new office. Obviously if he takes some of those high-priced employees with him, it might balance out.

Questions, comments, random musings? Write to [Steve@ SprawlandCrawl.com](mailto:Steve@SprawlandCrawl.com).

Examiner



FOR IMMEDIATE RELEASE
November 20, 2006

Contact: Marcia McAllister
(703) 288-7100
marcia.mcallister@dullesmetro.com

Alignment Finalized for Dulles Corridor Metrorail Project

Richmond, VA., November 20, 2006 – The Federal Transit Administration has approved the amended Record of Decision (ROD) for the Dulles Corridor Metrorail Project, signifying the completion of the planning process and finalizing the project alignment for the entire 23-mile project, including an aerial portion through Tysons Corner.

“This is a major step for this critical transportation project in Northern Virginia,” said Sam Carnaggio, Project Director. “It brings Phase 1 of the project closer to receiving Federal Transit Administration approval to enter final design and locks in our schedule to advance Phase 1 into construction by fall 2007.”

The Final Environmental Impact Statement for the project was completed in December 2004 and included a review of the environmental and transportation impacts of project construction and operations. In March 2005, the FTA issued a Record of Decision. However, subsequent design modifications including the alignment in the Route 7 Corridor, led to an Environmental Assessment and the amended Record of Decision.

“This project cannot be built without federal funding and the risk of losing federal funding increases every day with escalation, changes in commodity prices, and increasing competition for scarce federal dollars,” stated DRPT Director Matthew Tucker. “After 45 years of planning, the time to put a shovel in the ground is now.”

“Dulles rail is the single most important transportation project in the region,” said Fairfax County Board of Supervisors Chairman Gerald E. Connolly. “It will provide more than 91,000 passenger trips daily and transform development patterns in the corridor.”

The project has already completed the preliminary engineering for Phase 1 and is now moving forward to secure FTA approval to enter Final Design in spring 2007.

About the Dulles Corridor Metrorail Project:

This extension of Metrorail in Northern Virginia will be built in two phases. Phase 1 includes 11 miles from near the East Falls Church Metro Station to Wiehle Avenue on the eastern edge of Reston. Phase 2 will run from Wiehle Avenue west through Reston, Herndon, Dulles International Airport and eastern Loudoun County. Phase 1 is currently scheduled to open in 2012, with Phase 2 to open in 2015. This schedule is subject to federal funding and approvals.

(more)

About DRPT

The Virginia Department of Rail and Public Transportation facilitate the movement of people and goods throughout Virginia. Through rail, public transportation and commuter services, DRPT focuses on congestion relief, economic development and mobility. DRPT's mission is to plan, establish, maintain, improve and promote public transportation services, passenger rail and freight rail transportation systems and transportation demand management strategies that provide efficient mobility and transportation choices to the citizens and businesses of the Commonwealth. For more information, visit www.drpt.virginia.gov.

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MEMORANDUM

TO: Chairman Connolly and NVTC Commissioners
FROM: Rick Taube
DATE: November 30, 2006
SUBJECT: Regional Transportation Items.

A. Status of I-95 HOT/HOV Lanes.

The transit task force chaired by DRPT Director Matt Tucker met at NVTC on November 3rd. The next meeting was set for November 28th but was bumped back to December 6, 2006. Staff will summarize any new developments.

B. Status of Congestion Pricing Demonstration.

Because of a requirement for congressional review, the anticipated release of program details in the Federal Register has been delayed for another two weeks. Staff will reconvene to consider next steps soon after the notice appears.

C. Status of FAMPO Request for Federal Funding.

In response to a request from NVTA, Ron Kirby of TPB intends to convene a meeting of designated recipients of federal formula assistance to learn of their reactions to the FAMPO proposal to divert some existing funds. The meeting has not yet occurred.





AGENDA ITEM #10

MEMORANDUM

TO: Chairman Connolly and NVTC Commissioners

FROM: Rick Taube

DATE: November 30, 2006

SUBJECT: Notice of Public Hearing on NVTC's 2007 Work Program and Meeting Schedule.

At its meeting on January 4, 2007, NVTC will conduct a public hearing on its proposed 2007 Work Program and Meeting Schedule. A draft is attached for your information that has been reviewed by local staff and is posted on NVTC's website. The draft contains 70 specific activities organized by seven goals.

While the draft will be discussed in detail at the next meeting, commissioners should feel free to offer comments to staff at any time.



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NVTC'S 2007 GOALS, OBJECTIVES AND WORKPROGRAM

--DRAFT: November 2, 2006--



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2007 NVTC MEETING SCHEDULE

[Meetings at 8:00 P.M.]

<u>MONTH</u>	<u>DATE</u>	<u>AGENDA</u>
January	4	Elect officers. Select WMATA and VRE Board members, VTA representatives and NVTC Legislative Committee members. Conduct a public hearing and approve 2007 goals, schedule and workprogram. Approve FY 2008 VRE budget. Discuss draft NVTC FY 2008 budget. Award contract for the hydrogen fuel injection bus demonstration.
February	1*	Approve FY 2008 NVTC budget. Review progress on state and federal legislative agenda. Approve NVTC and VRE state grant applications. Authorize RFP for Alexandria ITS demonstration.
March	1	Review progress on state and federal legislative agenda. Review progress on WMATA budget for FY 2008. Award contract for Alexandria ITS demonstration.
April	5	Review quarterly progress on NVTC's workprogram.
May	3	Approve comments on WMATA FY 2008 budget.
June	7	Focus on VRE performance.
July	5	Review mid-year progress on NVTC workprogram. Approve DRPT contracts for NVTC and VRE FY 2008 grants.
August		No meeting.
September	6	Forward preliminary NVTC FY 2009 budget to local jurisdictions.
October	4	Review quarterly progress on NVTC's workprogram. Approve CTB pre-allocation testimony.
November	1	Approve FY 2007 NVTC and VRE audits. VRE delegation of authority.
December	6	Select NVTC Nominating Committee for 2008 officers. Approve legislative agenda for 2008. Review progress on 2007 workprogram and release draft 2008 workprogram for public review and comment.

*February meeting in the General Assembly building in Richmond starting at 5:30p.m.

NVTC EXECUTIVE COMMITTEE
2007 MEETING SCHEDULE

[All meetings 7:00 - 8:00 P.M. prior to NVTC meetings in small conference room.]

<u>MONTH</u>	<u>DATE</u>	<u>SUBJECT</u>
January	4	Legislative items.
February	1	No meeting.
March	1	Review General Assembly session.
April	5	Review quarterly progress on workprogram.
May	3	Review NVTC policies on topical transit issues.
June	7	Examine VRE performance.
July	5	Mid-year review of progress on workplan.
August		No meeting.
September	6	Preliminary NVTC FY 2009 budget. Executive director performance review.
October	4	Review quarterly progress on workprogram.
November	1	FY 2007 NVTC and VRE audits. VRE delegation of authority.
December	6	Select NVTC Nominating Committee for 2008 officers. Consider 2008 legislative agenda. Review progress on 2007 workprogram and preview 2008 workprogram.

NVTC MANAGEMENT ADVISORY COMMITTEE
2007 MEETING SCHEDULE

[All meetings begin at NVTC at 1:30 P.M. on the third Tuesday of each month. At each meeting the agenda and suggested material for the upcoming NVTC board meeting are reviewed.]

<u>MONTH</u>	<u>DATE</u>	<u>SUBJECT</u>
January	16	FY 2008 state grant application; NVTC administrative budget for FY 2008; NVTC legislative agenda.
February	20	Progress on legislative agenda.
March	20	Review of legislative accomplishments; WMATA FY 2008 budget issues.
April	17	Detailed examination of VRE delegation of authority.
May	21	Review progress on NVTC's workprogram.
June	19	Mid-year progress review on NVTC workprogram; authorize funding of scope of work for NTD data collection; authorize funding of scope of work for e-schedules maintenance and promotion.
July	17	No meeting.
August	21	NVTC preliminary administrative budget for FY 2009.
September	18	Review draft CTB pre-allocation testimony.
October	16	VRE delegation of authority; NVTC audit for FY 2007.
November	20	Draft NVTC legislative agenda for 2008; first draft 2008 NVTC work program.
December	18	Proposed 2008 workprogram; VRE and NVTC budgets for FY 2009.

NVTC MISSION STATEMENT

To serve the public by providing a forum for elected officials to achieve an effective regional transportation network. Focusing primarily on transit, NVTC will develop strategies, identify funding sources, advocate for additional funding, prioritize allocations, oversee transit systems such as VRE and WMATA, and pursue new transit programs. NVTC will work to improve mobility, reduce traffic congestion, protect the environment and stimulate the regional economy by increasing transit and ridesharing use.

GOALS AND ACTIONS FOR 2006

1. DEVELOP POLICY AND ADVOCATE FAVORABLE LEGISLATION

Goal: Devise and implement legislative strategies based on sound policy analysis to increase transit ridership, obtain adequate funding, and coordinate priorities with members and other agencies.

Actions:

1. With the support of local staff, identify transit issues that require policy decisions and assemble data and perform policy analyses to facilitate those decisions (e.g. fare integration, development of new technology, service expansion, customer safety and system security). Work with local legislative liaisons to develop strategies for improved transit funding and to educate General Assembly members about Northern Virginia's transit needs. Develop tools such as GIS maps of General Assembly districts to illustrate transit service availability and funding needs.
2. Adopt a state and federal legislative agenda and work with local jurisdictions, Virginia Transit Association (VTA) and other groups, as appropriate, to implement the agenda and the supporting NVTC policies. Work with delegations in Richmond and in Washington D.C. as needed to promote NVTC's approved agendas. Conduct NVTC's February meeting on Local Government Day at the General Assembly in Richmond. Obtain reduced rate for on-line legislative monitoring service and share access with member jurisdictions. Provide legislative alerts to commissioners and local staff during the session. Focus on transit funding.
3. Participate on the American Public Transportation Association's (APTA) legislative and commuter rail committees to define and implement a federal legislative strategy as part of a broad, nationwide pro-transit coalition. Provide special assistance to areas contemplating new commuter rail service. Focus on improved public access to freight rail facilities.
4. Participate on VTA's executive, legislative and ad hoc committees to help define and implement an effective state legislative strategy for the transit industry and strengthen VTA as an organization and keep it responsive to Northern Virginia's concerns. Co-chair VTA events such as the Transit Day rally in Richmond and chair VTA's Legislative Committee and assist transit systems in special legislative promotions.
5. Prepare written testimony and appear at the CTB's annual pre-allocation hearings on public transit funding priorities and at the Transportation Planning Board (TPB) and other hearings as appropriate. Advocate NVTC's policies including balanced transportation and stable and reliable funding.

2. SEEK AND ADVOCATE FUNDING

Goal: Identify and implement cooperative strategies with member governments to gain additional transit revenues and work to obtain adequate, dedicated, stable and reliable financial support from the federal government and the commonwealth and the private sector.

Actions:

1. Through NVTC's Management Advisory Committee, coordinate with WMATA and local transit systems potential regional CMAQ and RSTP transit project applications to be submitted to the Northern Virginia Transportation Authority (NVTA) by NVTC each year. Apply for funds and prepare air quality analyses at the request of NVTC's jurisdictions (e.g. Air Quality Code Orange/Red free bus fares).
2. Produce financial projections and analyze alternative funding mechanisms to bridge the growing gap between transit operating and capital needs versus available financial resources. Actively participate in regional and statewide efforts to define public transit needs and identify funding sources, such as corridor studies, TPB's vision plan and constrained financial plan update, VTrans 2025 and related studies such as the regional transportation funding adequacy report, and Northern Virginia's 2030 transportation plan update. Analyze funding proposals produced by those studies and identify policy issues for consideration by the commission. Maintain a PowerPoint presentation on "The Case for Increased Funding of Public Transportation in Northern Virginia" to help educate elected officials, the media and the public.
3. Identify and seek to implement stable, reliable, permanent and dedicated funding sources for operating and capital expenses for WMATA, VRE and local transit systems. Help coordinate regional efforts and prepare analysis tools, brochures and editorials to promote such funding. Safeguard the current sources of transit funding available to NVTC's local governments.
4. Organize improved information sharing between local governments and the Virginia Department of Taxation and more effective auditing to facilitate efficient collection of NVTC's two percent motor fuels tax and increased knowledge of taxpayer responsibility on the part of gas station owners. Provide office space for an administrative employee of the Department to assist in monitoring compliance. Employ database and spreadsheet models to identify unanticipated deviations for particular stations and jurisdictions. Monitor the required reconciliation of motor fuels tax collections by jurisdiction. Brief NVTC's MAC group regularly on processes, issues, and solutions.
5. Serve as the central point of contact for Northern Virginia transit system financial information. Periodically update NVTC's guidebook on sources of funding for transit projects. Identify and obtain funding for new transit projects that are recommended by NVTC's jurisdictions.

3. COORDINATE TRANSIT SERVICE

Goal: Work with all public and private transit providers to coordinate all transit service within Northern Virginia, with emphasis on understandable fares, convenient schedules, proper information, good customer service, efficient performance and access by disabled persons. Help to clarify roles of respective agencies and governments to avoid overlaps or gaps in jurisdiction. Work to improve the safe and orderly movement of people and goods, primarily by encouraging greater use of integrated public transit and ridesharing systems. Involve the public in identifying problems and solutions. Use NVTC's management advisory committee as a forum to work out cooperative solutions and keep local governments fully informed. Emphasize better bicycle and pedestrian access to transit facilities and services.

Actions:

1. Work with local governments to coordinate collection and dissemination of performance data for FTA's National Transit Database reports. Collect performance data and maintain a shared database that uses NTD and other sources. Manage consultants to continue NTD data collection for all of Northern Virginia's transit systems and oversee collective funding of this work that brings at least \$5 million annually of federal revenues to this region.
2. In cooperation with the Virginia Department of Rail and Public Transportation (DRPT), implement the detailed workprogram for NVTC's grant-funded project to install compatible fare collection systems for WMATA, VRE, and local bus systems, using SmarTrip technology. Manage \$5 million local transit system procurement of SmarTrip-compatible fareboxes from WMATA's contract with Cubic/GFI, new contracts for additional fareboxes and a separate contract for technical consulting on fare collection issues. Expend federal grant funds by the deadline and report to FTA on a detailed evaluation of the project and lessons for other grantees.
3. Manage a related contract with DRPT for SmarTrip point-of-sale devices for Loudoun County.
4. Assist Northern Virginia's transit systems in planning for the success of the regional SmarTrip customer service center/clearinghouse.
5. Manage the region's ongoing CMAQ-funded program to provide free bus fares during forecast Air Quality Code Orange/Red Ozone alerts. Expand the program to include forecast Code Orange days. Conduct a consultant study of the effectiveness of the program including on-board passenger surveys.
6. Continue an ongoing project to provide free electronic transit schedules to persons using personal digital assistants and pocket computers. Ensure that transit schedules are kept current, work to expand to the entire metropolitan region and report regularly on performance. Develop an annual operational and promotional budget for funding by the local jurisdictions and manage the agreed

upon marketing campaign, including interior bus and bus shelter display ads and website promotions.

7. Support regional pedestrian safety initiatives and encourage bicycle and pedestrian use. Publicize and seek to expand "bike on rail" opportunities, especially on VRE in its new railcar procurement. Encourage all agencies to incorporate bike and pedestrian access at major transit centers and transfer locations. Assist VDOT in ensuring that the recommendations from its Northern Virginia Regional Bikeway and Trail Network study that focus on connections to transit are implemented. Support initiatives of such groups as the National Center for Bicycling and Walking and its Walkable Communities Workshops.
8. Assist NVTC jurisdictions, employers and transit operators in responding to job access and reverse commute opportunities by identifying funding and specific projects to demonstrate innovations.
9. Serve on regional task forces examining options for improved transit, such as WMATA's Regional Mobility Panel and the Pike Transit initiative.
10. Assist Northern Virginia's transit systems in monitoring progress on 511 traveler information telephone systems.
11. Utilize regional bus stop and route network databases to analyze opportunities for transit service improvements, using GIS and other tools.
12. Serve on MWCOG's Human Service Transportation Task Force and emphasize coordination with public transit services.

4. MANAGE GRANTS, CONTRACTS AND TRUST FUNDS

Goal: Facilitate the fair and equitable allocation of costs among governments, persons using transportation services and facilities and others who benefit. Manage grants fairly and effectively, according to state and federal laws and NVTC's policies. Invest trust fund assets prudently to maximize returns consistent with safety.

Actions:

1. Use NVTC's subsidy allocation model to incorporate the most recent WMATA and local budget information on transit costs, revenues and subsidies. Using NVTC's adopted allocation formula, determine each local government's share of NVTC assistance. Use their percentages to apportion shares of local contributions to NVTC's administrative budget. Maintain detailed spreadsheets to calculate NVTC's formula. Provide early estimates each year to assist local governments in budget planning.
2. Prepare and submit NVTC and VRE state grant applications (approximately \$200 million) due in February, 2007, using DRPT's automated OLGA system.
3. Manage state grants to prepare proper billings, obtain timely reimbursements and file quarterly progress reports. Reprogram funds as needed, in consultation with NVTC's Management Advisory Committee, to be certain grant funds are spent on eligible projects within the state time limits. Work with grantor agencies to achieve the maximum feasible flexibility in using the funds in order to meet expiration deadlines with no loss of funds.
4. Prepare timely and accurate quarterly cash flow forecasts of transit assistance sources and uses for NVTC's local jurisdictions. Assist local jurisdictions in spending promptly the proceeds of state bond issues.
5. Prepare financial reports for NVTC's annual audit. Manage a multi-year audit services contract. Accomplish an unqualified auditors' opinion and provide to the appropriate regulatory agencies. Anticipate concerns of outside auditors and work to alleviate in advance any such concerns. Develop and implement appropriate responses to any concerns of auditors contained in management letters.
6. Maintain up-to-date compilations of state and federal grant regulations. Ensure staff is adequately trained in grant and project management and alerted to any changes in regulations. Maintain current procurement documents to facilitate prompt release of authorized requests for proposals and invitations for bids.
7. Promote NVTC as an effective grant-management agency to assist NVTC's jurisdictions. Approach other agencies to have NVTC apply for and manage such grants as CMAQ/ RSTP and TEIF.

8. Apply for federal funds on behalf of Alexandria for demonstrations of new bus technologies made possible with citywide wi-fi access. Procure consulting assistance and manage the project for the city.
9. Apply for federal fund on behalf of Fairfax County for bus facility and service improvements in the Route 1 corridor. Work with Fairfax County's project manager to ensure timely compliance with all federal grant regulations.
10. Work with Alexandria and Arlington to determine if NVTC should apply for federal funds for BRT service improvements in the Crystal City/Potomac Yard corridor and for subsequent citywide transit improvements in Alexandria. If it is mutually agreed to proceed, seek authorization to execute administrative agreements with those jurisdictions. The agreements would specify the respective management responsibilities of all the parties and the timing of the future grant applications that NVTC will be called upon to submit.
11. As procurement officers, manage grant reimbursals for the consultant contract for the NVTA 2030 update of Northern Virginia's Transportation Plan, close out the contract upon completion of the extended scope of work and assist the Interim Technical Committee in managing follow up work tasks, as requested. Focus on public outreach and promotion of the updated plan.
12. Recognizing the aging population, manage grant-funded research on Senior Mobility trends in this region, tied to recommendations for transit systems to take advantage of these evolving markets. Manage consulting contracts for Phase 2 involving senior travel training. Continue to publicize the results of the Phase 1 study in conferences and seminars (e.g. AARP). Work with the transit systems to test and implement the recommendations. Complete multi-variate regression analyses to test hypotheses for TRB publication.
13. To facilitate NVTC management accountability, accomplish performance-based budgeting. The proposed FY 2008 budget incorporates 12 performance measures for NVTC's administrative and financial management functions as well as eight measures for the planning, project management, public outreach and legislative functions.
14. Manage a consulting contract to develop and test low-cost software to use cell-phones mounted on buses to locate vehicles and allow customers to receive real-time arrival information. Provide the results for use at smaller transit systems around the commonwealth.
15. Manage a grant-funded contract to equip four city of Fairfax CUE buses with hydrogen fuel injection systems to demonstrate for at least 9 months the air quality and fuel efficiency benefits compared to costs.

5. PROVIDE OVERSIGHT FOR WMATA AND VRE

Goal: Exercise leadership on issues pertaining to oversight of the WMATA and VRE systems, particularly budget and finance, to reduce costs and control the growth of local subsidies and fares while improving service quality. Effectively manage ongoing transit services for which NVTC is responsible and develop efficient management structures that facilitate regional cooperation and support.

Actions:

1. In January, appoint Virginia's two principal and two alternate members of the WMATA Board of Directors. Provide staff support to WMATA Board members. As needed, facilitate caucuses of Virginia's Board members and their staffs to develop consensus positions prior to committee and board meetings. Keep NVTC commissioners informed of pending WMATA Board decisions of regional significance.
2. Monitor the development of WMATA's budget. Provide recommendations to local jurisdictions and the WMATA Board, as appropriate.
3. Participate actively on WMATA's Jurisdictional Coordinating Committee.
4. Work with NVTC's MAC group to monitor WMATA's MetroAccess, focusing on cost sharing and performance issues.
5. Assist local and state officials in obtaining dedicated funding for WMATA in order to qualify for \$1.5 billion of proposed federal funding.
6. As co-owner of VRE (with assets of \$217 million, outstanding debt issued by NVTC of \$83 million and annual operating/capital budgets of over \$60 million) appoint NVTC's three principals and one alternate member of the VRE Operations Board, maintain close communications with PRTC and VRE staff, coordinate presentation of action items to the VRE Board and commissions, and monitor ongoing operations for consistency with the Master Agreement and approved budgets, customer service quality and NVTC jurisdictions' interests.
7. Support the VRE team as it negotiates with DRPT, CSXT, Norfolk Southern and Amtrak to agree on multi-year access and operations contracts and to clarify and accomplish rail service priorities in the Richmond-Washington, DC corridor.
8. Support annual VRE customer service surveys each spring and ridership surveys each October, by reviewing the design of the survey, providing on-board survey personnel, and processing results, including zip code verification.

9. As agreed with VRE management, assist in implementation of VRE projects as well as in the implementation of the VRE strategic plan and other initiatives. Focus on policy analysis (e.g. cost and service neutrality for new VRE entrants). Serve on a Task Force recommending revised subsidy allocation formulas and governance structures and work to obtain agreement from all Master Agreement signatories to implement the recommended changes.
10. With NVTC's consulting resources, assist VRE in determining the best means to integrate with the regional SmarTrip fare collection system.

6. SUPPORT COORDINATED REGIONAL EFFORTS

Goal: Support coordinated regional efforts to improve air quality, conserve energy, boost the economy, respond to emergencies and integrate land use and transportation. Pursue new transit opportunities and actively support telework.

Actions:

1. Seek opportunities to act on NVTC's policy of preserving future transit rights-of-way (e.g. on I-66) and WMATA's and VRE's policies promoting transit-oriented development.
2. Monitor the implementation by VDOT and the Virginia State Police of revised and improved policies for notifying and consulting with transit systems when lifting HOV restrictions during traffic emergencies. Support enhanced enforcement on all HOV facilities and utilize VDOT's promised real-time database to analyze performance and recommend solutions.
3. Participate in planning, preliminary engineering and environmental analysis for transit in the Dulles Corridor and other locations such as the Capital Beltway and I-95/395 as requested by WMATA, VDOT, DRPT and/or local jurisdictions. For example, at VDOT's request represent transit's interests on a subcommittee of the Operations Committee for the I-95 Beltway HOT lanes project. NVTC is also a core project partner on VDOT/ FHWA's Integrated Corridor Management Initiative for I-66/50/29 (in Phase 1 a concept of operations is being developed). NVTC is also a stakeholder in the ongoing EIS review for the 14th Street Bridge project.
4. Advocate coordination of the transit, vanpool and ridesharing components of planning studies by MWCOG, VDOT, DRPT, NVTA and others, and provide data if applicable.
5. Assist NVTC commissioners who are members of NVTA, TPB, and other regional groups and provide data, responses, NVTC meeting summaries and recommendations to these organizations as appropriate.
6. Work to establish NVTC as the chief advocate of Intelligent Transportation Systems (ITS) investments for transit, not by competing for scarce funding but by conducting low-cost demonstrations, evaluating the results, and more actively encouraging all of NVTC's transit providers to adopt similar technologies. Examples include: web-based automated bus stop information signs; on-board bus stop enunciators; passenger counters; automated maintenance devices; and alternative fuel technologies. Promote joint procurements for uniformity and cost savings. Help educate board members and the public. Utilize NVTC's web-based ITS performance methodology and link to similar methods made available by USDOT. Complete evaluation reports on lessons learned from demonstrations of new technology for grant-funding agencies and other interested parties.

7. Develop information from research on this and other regions to help NVRTA, WMATA and other transit organizations define lower-cost strategies for meeting congestion challenges in the short term using such mechanisms as exclusive transit lanes, bus rapid transit, priority lanes, queue jumping, jitneys, route-deviation transit, and real-time information devices. Publicize the results and work to achieve public acceptance. Work with the local jurisdictions to initiate appropriate demonstrations of these mechanisms.
8. From various published forecasts, plans and corridor studies, assemble mode split and other data to provide a convenient source of comprehensive transit market performance data. Use the data to encourage efficient transit management, expanded transit ridership and greater public awareness. Use newly available statistically significant traffic counts by MWCOC/TPB of persons traveling in Northern Virginia's major corridors in both peak flow and reverse commute directions. Advocate continued and expanded funding for these corridor traffic counts. Make this information available in user-friendly formats on NVTC's website. Follow up on the successful screenline count on I-66 at Glebe Road with a new count on I-395 in cooperation with VDOT, TPB and local transit systems. Work to expand the counts and mode share calculations to screenlines in corridors outside the Beltway.
9. Actively promote telework initiatives and encourage the commonwealth to take the lead with its own employees and the private sector.
10. Assist transit systems, VDOT, DRPT, TPB, MWCOC and others in developing and testing coordinated regional emergency response plans. Focus on developing a unified transit position to facilitate these plans. Conclude a series of transit emergency response planning workshops to focus on key station areas in Northern Virginia. Considerations include bus re-routing, traffic signalization, signs, and communications. Provide written summaries to assist transit operators and MWCOC in its regionwide program. Develop a strategy to ensure testing and implementation by WMATA and implement the strategy in cooperation with Northern Virginia's transit systems. Monitor MWCOC's RESF 1 process for responses to severe emergencies and assist in developing MWCOC's Regional Transportation Coordination Plan for incidents of less severity.
11. Examine public-private HOT lane proposals for the Beltway, I-95 and elsewhere and work to ensure adequate transit access and the use of toll revenues to help support transit operations. Actively participate on the new DRPT Transit Task Force to articulate transit concerns and resolve any issues.
12. Assist area transit agencies and local governments in resolving an effort by the Fredericksburg Area MPO to divert some federal transit formula assistance away from WMATA. NVTC opposes this diversion.

13. Assist area transit agencies and local governments in preparing for the expected disruptions due to the Base Realignment and Closure Commission's recommendations to shift tens of thousands of new jobs to Ft. Belvoir/Engineering Proving Ground.
14. Lead a regional examination of how to respond to a new USDOT Congestion Pricing Initiative with possible demonstration sites in Northern Virginia. Coordinate with transit systems, local governments and TPB's Value Pricing Task Force. Describe the process as an invited speaker at the Transportation Research Board's annual meeting in January, 2007.
15. Monitor MWCOG groups seeking to integrate transportation and land use, including the Regional Mobility and Accessibility Scenario Study (RMAS).
16. Assist other MWCOG groups working for cleaner air, including MWAQC and Clean Air Partners.

7. DELIVER PUBLIC INFORMATION, MARKETING AND CUSTOMER SERVICE

Goal: Reach out to transit customers and the general public, listen to customer concerns and implement improvements to boost regional transit ridership.

Actions:

1. Serve as the central point of contact for the news media, interest groups and the general public for transit issues in Northern Virginia, making referrals to other transit agencies and local governments when appropriate. Initiate contacts with media representatives via calls and visits. Provide NVTC's reports, analyses and policies with easy to understand explanations of their content and significance. Help transit systems prepare to respond effectively to media and other public inquiries during emergencies and at other times by sponsoring seminars on best practices. Establish media opportunities for NVTC board members to promote NVTC's mission.
2. Provide the following resources to the public utilizing enhanced graphics and GIS-mapping:
 - a. Maintain and improve NVTC's website, to focus on informing the public about opportunities to be involved in regional transit and ridesharing planning;
 - b. Distribute NVTC's brochure, reports and agendas to encourage more public involvement, again emphasizing easy-to-use web-based applications;
 - c. Publish electronically an annual NVTC Handbook to provide a detailed description of the commission's history, mission and accomplishments, including the commission's workprogram, policies and by-laws;
 - d. Link to other regional transit databases to provide information about regional transit services to better inform the public;
 - e. Maintain a transit system performance database;
 - f. Staff transit information booths at fairs and other public events;
 - g. Prepare NVTC faxed/e-mailed alerts to persons wishing to be kept informed on some or all transit issues in Northern Virginia, with direct links to NVTC's website;
 - h. Distribute periodic "transit nuggets" with information about transit's success in a catchy format that can be posted on web-sites and used by transit advocates in educating the public;
 - i. Provide draft letters on NVTC's website for the use of citizens wishing to support NVTC's legislative and policy positions. Provide links to other groups supporting these positions; and

- j. Continue distribution of NVTC's monthly meeting materials primarily via NVTC's website with e-mailed notices.
 - k. Provide timely material for "blog sites" on relevant topics.
3. Survey WMATA, VRE and local jurisdictions to compile innovative marketing activities, host coordination meetings, facilitate transit topics for the Marketing and Outreach Specialists Consortium and the Northern Virginia Public Information Officers and report at least annually to the commission and jurisdictions. Cooperate with DRPT in establishing an annual statewide conference for Virginia transit communicators to share insights.
 4. Continue technical support for transit stores and Transportation Management Associations (e.g., serve on Boards of Directors and consultant selection committees). Assist with logo design, marketing, consultant selection, performance evaluation, fare collection, web design and customer service issues.
 5. Look for opportunities to partner in order to stage events that will promote the effectiveness of transit and ridesharing and the need for additional transit funding.
 6. Conduct periodic tours of transit systems and transit-oriented development for legislators and senior state officials, with the cooperation of NVTC's transit systems and local legislative liaisons.
 7. Monitor website performance with monthly and quarterly compilations of user statistics.



Northern Virginia Transportation Commission

Thinking Outside the Car Since 1964

NVTC'S 2007 GOALS, OBJECTIVES WORKPROGRAM AND MEETING SCHEDULE

WHAT'S NEW FOR 2007?



MEETING SCHEDULE



- First Thursday of each month.
- No meeting in August.
- February 1st meeting in Richmond on Local Government Day at 5:30 p.m. in General Assembly Building.



NVTC MISSION



To serve the public by providing a forum for elected officials to achieve an effective regional transportation network. Focusing primarily on transit, NVTC will develop strategies, identify funding sources, advocate for additional funding, prioritize allocations, oversee transit systems such as VRE and WMATA, and pursue new transit programs. NVTC will work to improve mobility, reduce traffic congestion, protect the environment and stimulate the regional economy by increasing transit and ridesharing use.



GOALS AND OBJECTIVES



- 1. Develop policy and advocate favorable legislation:** Increase transit ridership, obtain adequate funding and coordinate priorities.
- 2. Seek and advocate funding:** Stable and reliable transit funding from federal, state and private sources.
- 3. Coordinate transit service:** Understandable fares, convenient schedules, good customer service, efficient performance.
- 4. Manage grants, contracts and trust funds:** Allocate costs equitably, ensure compliance and invest safely and effectively.
- 5. Provide oversight for WMATA and VRE:** Reduce costs and control local subsidy growth, improve service quality, facilitate regional cooperation.
- 6. Support coordinated regional efforts:** Improve air quality, conserve energy, integrate land use and transportation, promote telework.
- 7. Deliver public information, marketing and customer service:** Inform transit customers, taxpayers, elected officials and the media, identify NVTC as the primary "data agency" for transit in Northern Virginia.



WORKPROGRAM ACTIONS



70 specific activities organized by goal.

New for 2007:

- Demonstration of hydrogen fuel injection transit diesel engines for air quality and fuel savings (final report due January, 2008).
- Phase 2 of senior mobility project to test recommended transit travel training strategies (training complete by July, 2007).
- Extend NVTC administrative budget performance objectives to entire organization for FY 2008 (currently in place for financial activities).
- Represent transit's interests in development of HOT lane proposals, BRAC-related congestion relief and possible USDOT congestion pricing demonstrations.



WORKPROGRAM ACTIONS



New for 2007:

- With COG/TPB and VDOT extend screen line traffic counts to corridors outside the Beltway to determine transit mode shares.
- Manage a consulting contract to develop, test and demonstrate software to use mobile phone technology to locate transit vehicles and allow customers to receive real-time arrival information. Provide the results for use by smaller transit systems (final report due December, 2007).
- Expand free bus fares to forecast Code Orange Air Quality Alert days and evaluate effectiveness.
- Manage new federal grant applications for Alexandria, Arlington and Fairfax County (\$2.5 million).



WORKPROGRAM ACTIONS



Major emphasis in 2007:

- Continue to advocate legislative proposals for dedicated funding for Metro as well as increased statewide transit assistance. Use GIS mapping tools and other techniques to educate legislators, media and the public.
- Agree on and implement a new VRE subsidy allocation formula and governance structure.
- Complete installation of SmarTrip fareboxes for all of Northern Virginia's local bus systems.



WORKPROGRAM ACTIONS



Ongoing significant activities in 2007:

- Submit state grant applications with over \$200 million of eligible reimbursable expenses.
- Manage \$120-150 million of trust fund revenues.
- Oversee \$217 million of co-owned VRE assets.
- Conduct tours of Northern Virginia transit facilities for legislators and senior state officials to demonstrate need for funding.



WORKPROGRAM ACTIONS



Ongoing significant activities in 2007:

- Employ database and spreadsheet models to ensure accurate allocation by the Virginia Department of Taxation of NVTC's two percent gas tax revenues (about \$35 million annually).
- Collect NTD transit system data to capture at least \$5 million annually of additional federal transit formula assistance.
- Update and promote electronic transit schedules.
- Complete emergency response plans for remaining key Metrorail stations and ensure WMATA's implementation.



AGENDA ITEM #11

MEMORANDUM

TO: Chairman Connolly and NVTC Commissioners

FROM: Rick Taube

DATE: November 30, 2006

SUBJECT: Notice of Appointment of a Nominating Committee for 2007 NVTC Officers.

Chairman Connolly is expected to appoint the NVTC Executive Committee to serve as a nominating committee. The proposed slate of officers will be reported on NVTC's website and mailed to commission members prior to the NVTC meeting of January 4, 2007 at which the election of officers will occur.



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AGENDA ITEM #12

MEMORANDUM

TO: Chairman Connolly and NVTC Commissioners
FROM: Scott Kalkwarf and Colethia Quarles
DATE: November 30, 2006
SUBJECT: NVTC Financial Reports for October, 2006.

NVTC's financial reports for October, 2006 are attached for your information. At its November 21st meeting, NVTC's MAC group carefully reviewed NVTC's procedures for monitoring compliance with state motor fuels tax regulations and ensuring accurate reporting of revenues.



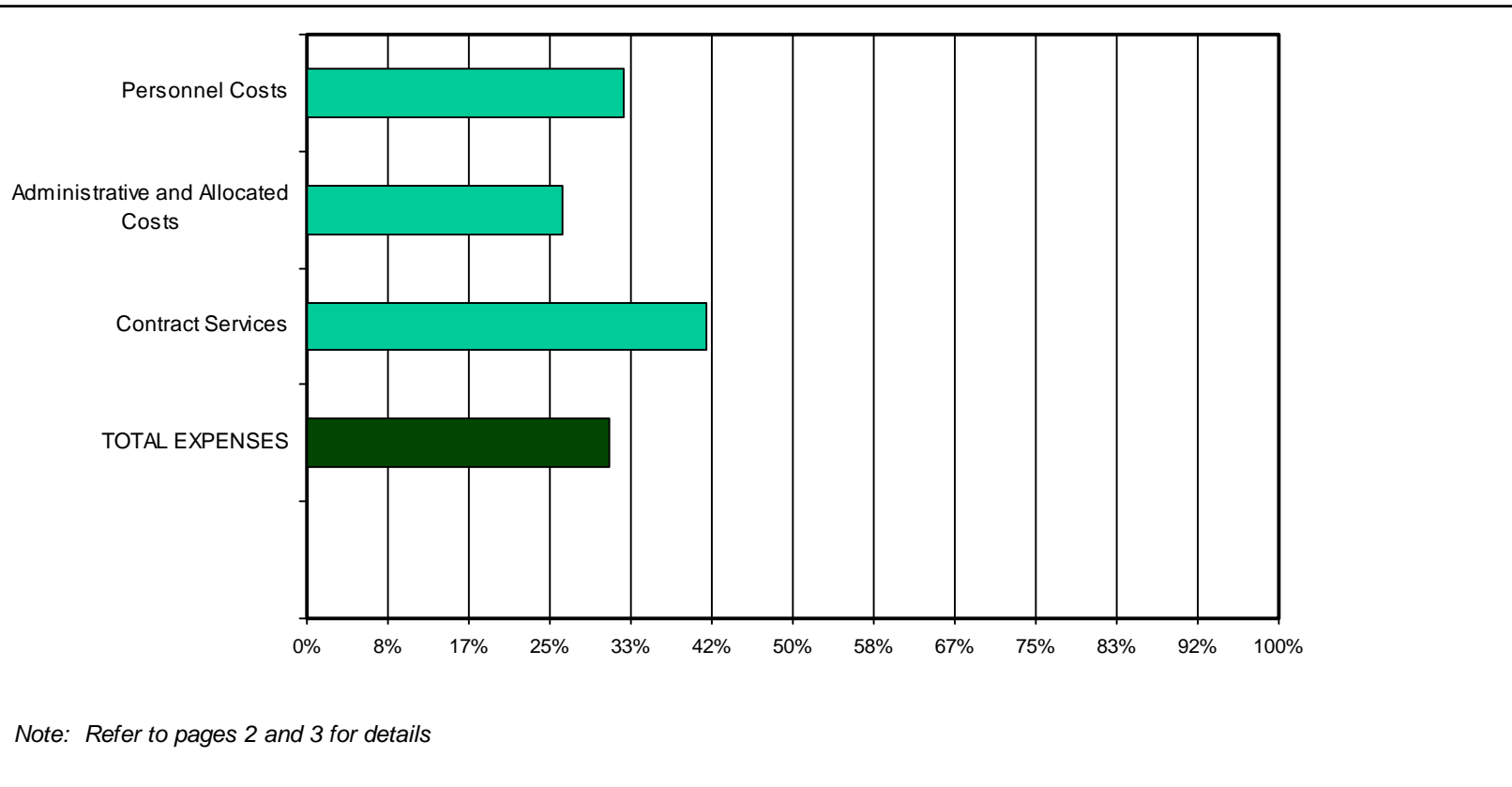
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Northern Virginia Transportation Commission

Financial Reports

October, 2006

Percentage of FY 2007 NVTC Administrative Budget Used
October, 2006
(Target 33.33% or less)



NORTHERN VIRGINIA TRANSPORTATION COMMISSION
G&A BUDGET VARIANCE REPORT
October, 2006

	<u>Current Month</u>	<u>Year To Date</u>	<u>Annual Budget</u>	<u>Balance Available</u>	<u>Balance %</u>
<u>Personnel Costs</u>					
Salaries	\$ 72,459.29	\$ 217,755.08	\$ 649,150.00	\$ 431,394.92	66.5%
Temporary Employee Services	-	-	1,000.00	1,000.00	100.0%
Total Personnel Costs	72,459.29	217,755.08	650,150.00	432,394.92	66.5%
<u>Benefits</u>					
Employer's Contributions:					
FICA	3,223.51	14,698.75	45,700.00	31,001.25	67.8%
Group Health Insurance	5,165.29	16,135.04	70,500.00	54,364.96	77.1%
Retirement	6,384.04	18,056.29	49,500.00	31,443.71	63.5%
Workmans & Unemployment Compensation	102.00	1,092.00	4,250.00	3,158.00	74.3%
Life Insurance	273.72	1,129.33	3,500.00	2,370.67	67.7%
Long Term Disability Insurance	273.88	1,097.16	4,400.00	3,302.84	75.1%
Total Benefit Costs	15,422.44	52,208.57	177,850.00	125,641.43	70.6%
<u>Administrative Costs</u>					
Commissioners Per Diem	1,600.00	3,600.00	21,700.00	18,100.00	83.4%
<i>Rents:</i>					
Office Rent	13,992.20	57,590.40	174,400.00	116,809.60	67.0%
Parking	630.00	3,900.00	11,500.00	7,600.00	66.1%
<i>Insurance:</i>					
Public Official Bonds	203.00	603.00	4,900.00	4,297.00	87.7%
Liability and Property	-	400.00	3,200.00	2,800.00	87.5%
Liability and Property	203.00	203.00	1,700.00	1,497.00	88.1%
<i>Travel:</i>					
Conference Registration	2,451.68	4,424.44	22,950.00	18,525.56	80.7%
Conference Travel	-	1,315.00	2,000.00	685.00	34.3%
Local Meetings & Related Expenses	1,914.54	2,201.64	5,000.00	2,798.36	56.0%
Training & Professional Development	473.61	844.27	12,200.00	11,355.73	93.1%
Training & Professional Development	63.53	63.53	3,750.00	3,686.47	98.3%
<i>Communication:</i>					
Postage	668.78	3,094.93	10,600.00	7,505.07	70.8%
Telephone - LD	48.09	838.96	4,600.00	3,761.04	81.8%
Telephone - Local	156.38	416.17	1,300.00	883.83	68.0%
Telephone - Local	464.31	1,839.80	4,700.00	2,860.20	60.9%
<i>Publications & Supplies</i>					
Office Supplies	991.89	3,961.77	29,800.00	25,838.23	86.7%
Duplication	196.27	535.99	4,300.00	3,764.01	87.5%
Public Information	795.62	3,425.78	15,500.00	12,074.22	77.9%
Public Information	-	-	10,000.00	10,000.00	100.0%

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
G&A BUDGET VARIANCE REPORT
October, 2006

	<u>Current Month</u>	<u>Year To Date</u>	<u>Annual Budget</u>	<u>Balance Available</u>	<u>Balance %</u>
<i>Operations:</i>	1,215.01	1,998.50	23,800.00	21,801.50	91.6%
Furniture and Equipment	-	-	7,800.00	7,800.00	100.0%
Repairs and Maintenance	723.64	935.71	1,000.00	64.29	6.4%
Computers	491.37	1,062.79	15,000.00	13,937.21	92.9%
<i>Other General and Administrative</i>	316.20	2,271.88	6,400.00	4,128.12	64.5%
Subscriptions	-	-	400.00	400.00	100.0%
Memberships	-	1,343.00	1,400.00	57.00	4.1%
Fees and Miscellaneous	316.20	928.88	2,800.00	1,871.12	66.8%
Advertising (Personnel/Procurement)	-	-	1,800.00	1,800.00	100.0%
40th Anniversary	-	-	-	-	0
Total Administrative Costs	<u>21,438.76</u>	<u>77,544.92</u>	<u>294,550.00</u>	<u>217,005.08</u>	<u>73.7%</u>
	<u>Contracting Services</u>				
Auditing	7,500.00	7,500.00	16,200.00	8,700.00	53.7%
Consultants - Technical	-	-	1,000.00	1,000.00	100.0%
Legal	-	-	1,000.00	1,000.00	100.0%
Total Contract Services	<u>7,500.00</u>	<u>7,500.00</u>	<u>18,200.00</u>	<u>10,700.00</u>	<u>58.8%</u>
 Total Gross G&A Expenses	<u>\$ 116,820.49</u>	<u>\$ 355,008.57</u>	<u>\$ 1,140,750.00</u>	<u>\$ 785,741.43</u>	<u>68.9%</u>

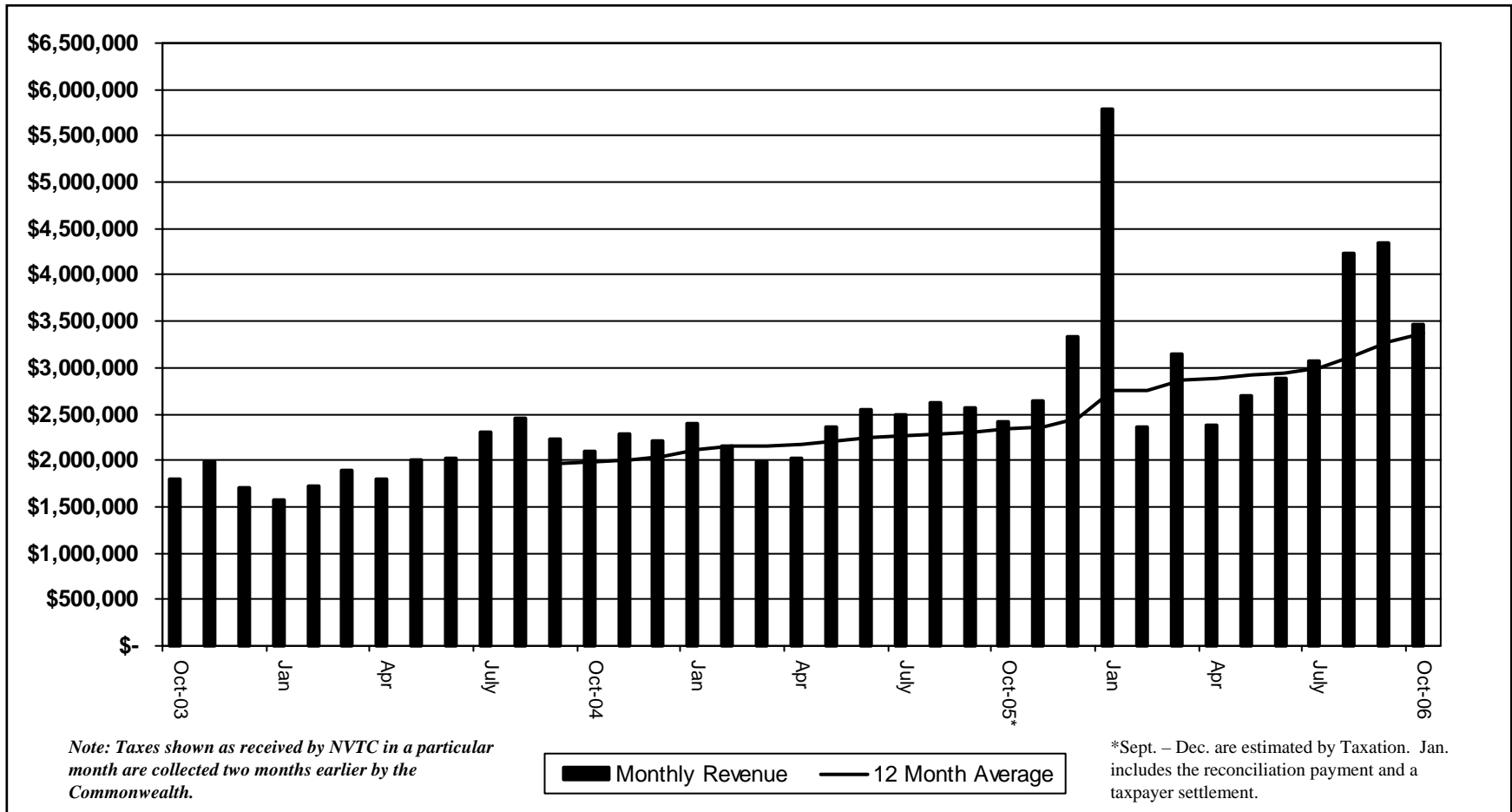
**NVTC
RECEIPTS and DISBURSEMENTS
October 2006**

<u>Date</u>	<u>Payer/ Payee</u>	<u>Purpose</u>	<u>Wachovia (Checking)</u>	<u>Wachovia (Savings)</u>	<u>VA LGIP</u>	
					<u>G&A / Project</u>	<u>Trusts</u>
RECEIPTS						
2	DRPT	Capital grant receipt				\$ 472,720.00
3	Arlington County	G&A contribution		16,522.75		
3	DRPT	Capital grant receipt				248,346.00
5	DRPT	SmarTrip grant receipt			1,261.00	
10	Loudoun County	G&A contribution			4,018.25	
13	City of Alexandria	G&A contribution		10,602.00		
13	Staff	Expense reimbursement		1.56		
17	Dept of Taxation	Motor Vehicle Fuels Sales tax				3,341,384.00
17	DRPT	FTM/Admin grant receipt				4,934,301.00
17	DRPT	Code Red grant receipt			88,285.00	
18	Dept of Taxation	Motor Vehicle Fuels Sales tax				117,000.00
25	DRPT	Capital grant receipt				2,595,308.00
26	VRE	Staff support		8,349.31		
26	DRPT	SmarTrip grant receipt			12,181.00	
26	Staff	Expense reimbursement		24.91		
30	NVRC	TransAction grant receipt		39,998.61		
31	Banks	October		1,094.30	4,324.23	339,940.77
			<u>-</u>	<u>76,593.44</u>	<u>110,069.48</u>	<u>12,048,999.77</u>
DISBURSEMENTS						
1-31	Various	NVTC project and administration	(126,150.98)			
2	WMATA	Bus operating				(9,522,659.00)
2	WMATA	Paratransit operating				(1,341,161.00)
2	WMATA	Rail operating				(7,158,122.00)
2	WMATA	Metro Matters capital				(2,641,432.00)
2	WMATA	Beyond Metro Matters capital				(172,963.00)
2	WMATA	Debt service				(1,853,125.00)
2	WMATA	Rail capital - VTA				(240,281.00)
2	WMATA	Other operating				(106,889.29)
10	Loudoun County	Other operating				(4,018.25)
17	City of Alexandria	Code Red costs incurred			(7,912.00)	
17	Loudoun County	Code Red costs incurred			(12,949.00)	
17	PRTC	Code Red costs incurred			(27,834.00)	
17	Fairfax County	Code Red costs incurred			(39,590.00)	
18	Vollmer & Assoc.	Bus Data project	(11,129.99)			
31	Wachovia Bank	October service fees	(46.34)			
			<u>(137,327.31)</u>	<u>-</u>	<u>(88,285.00)</u>	<u>(23,040,650.54)</u>
TRANSFERS						
12	Transfer	From savings to checking	61,000.00	(61,000.00)		
12	Transfer	From LGIP to LGIP (Bus Data project)			11,129.99	(11,129.99)
18	Transfer	From savings to checking	30,000.00	(30,000.00)		
26	Transfer	From LGIP to checking	40,000.00		(40,000.00)	
			<u>131,000.00</u>	<u>(91,000.00)</u>	<u>(28,870.01)</u>	<u>(11,129.99)</u>
NET INCREASE (DECREASE) FOR MONTH			<u>\$ (6,327.31)</u>	<u>\$ (14,406.56)</u>	<u>\$ (7,085.53)</u>	<u>\$ (11,002,780.76)</u>

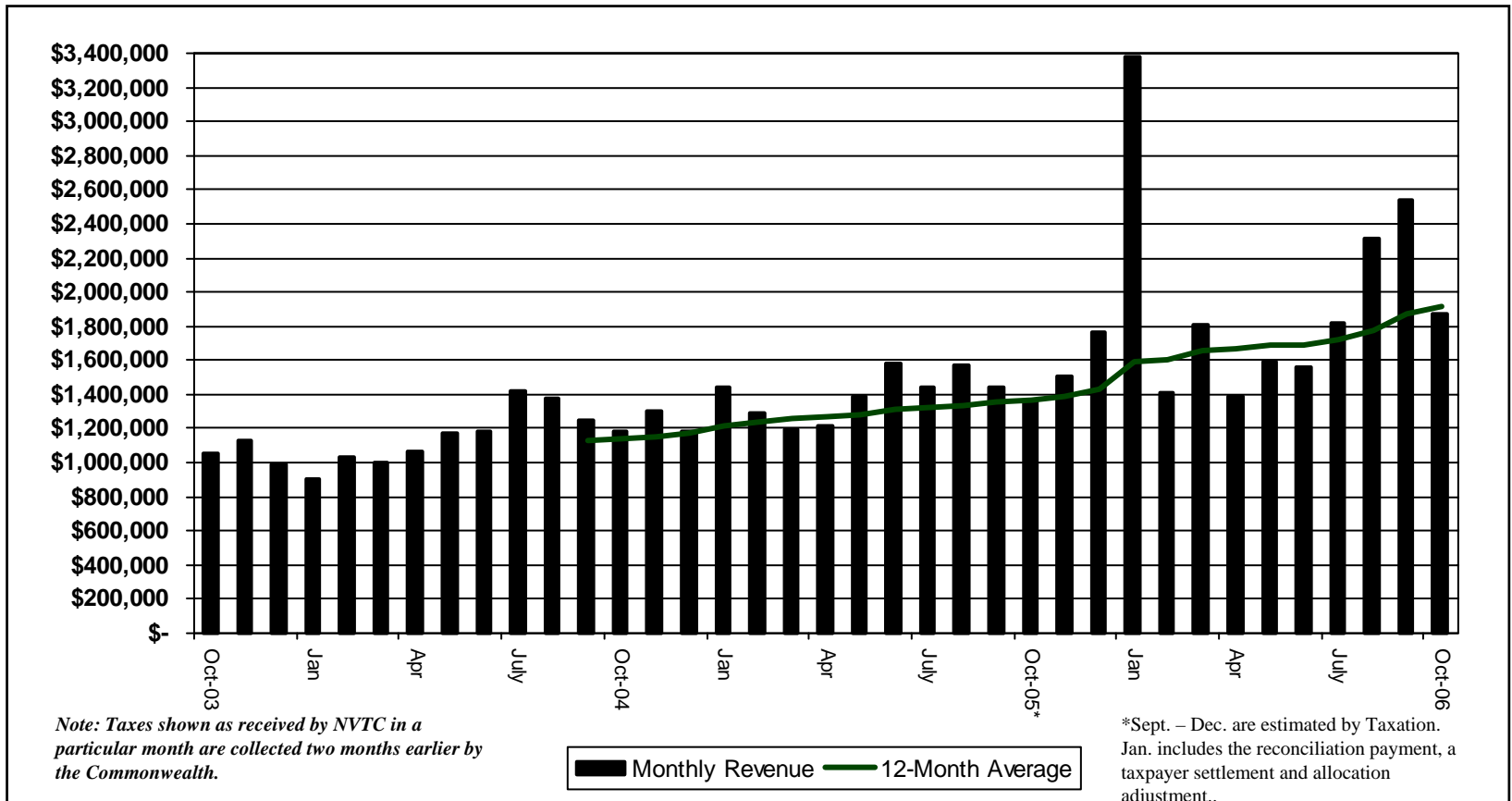
**NVTC
INVESTMENT REPORT
October 2006**

<u>Type</u>	<u>Rate</u>	<u>Balance 9/30/2006</u>	<u>Increase (Decrease)</u>	<u>Balance 10/31/2006</u>	<u>NVTC G&A/Project</u>	<u>Jurisdictions Trust Fund</u>	<u>Loudoun Trust Fund</u>
<u>Cash Deposits</u>							
Wachovia: NVTC Checking	N/A	\$ 29,793.67	\$ (6,327.31)	\$ 23,466.36	\$ 23,466.36	\$ -	\$ -
Wachovia: NVTC Savings	4.70%	298,212.52	(14,406.56)	283,805.96	283,805.96	-	-
<u>Investments - State Pool</u>							
Nations Bank - LGIP	5.26%	94,020,223.18	(11,009,866.29)	83,010,356.89	952,648.25	52,738,479.80	29,319,228.84
		<u>\$ 94,348,229.37</u>	<u>\$ (11,037,685.69)</u>	<u>\$ 83,317,629.21</u>	<u>\$ 1,259,920.57</u>	<u>\$ 52,738,479.80</u>	<u>\$ 29,319,228.84</u>

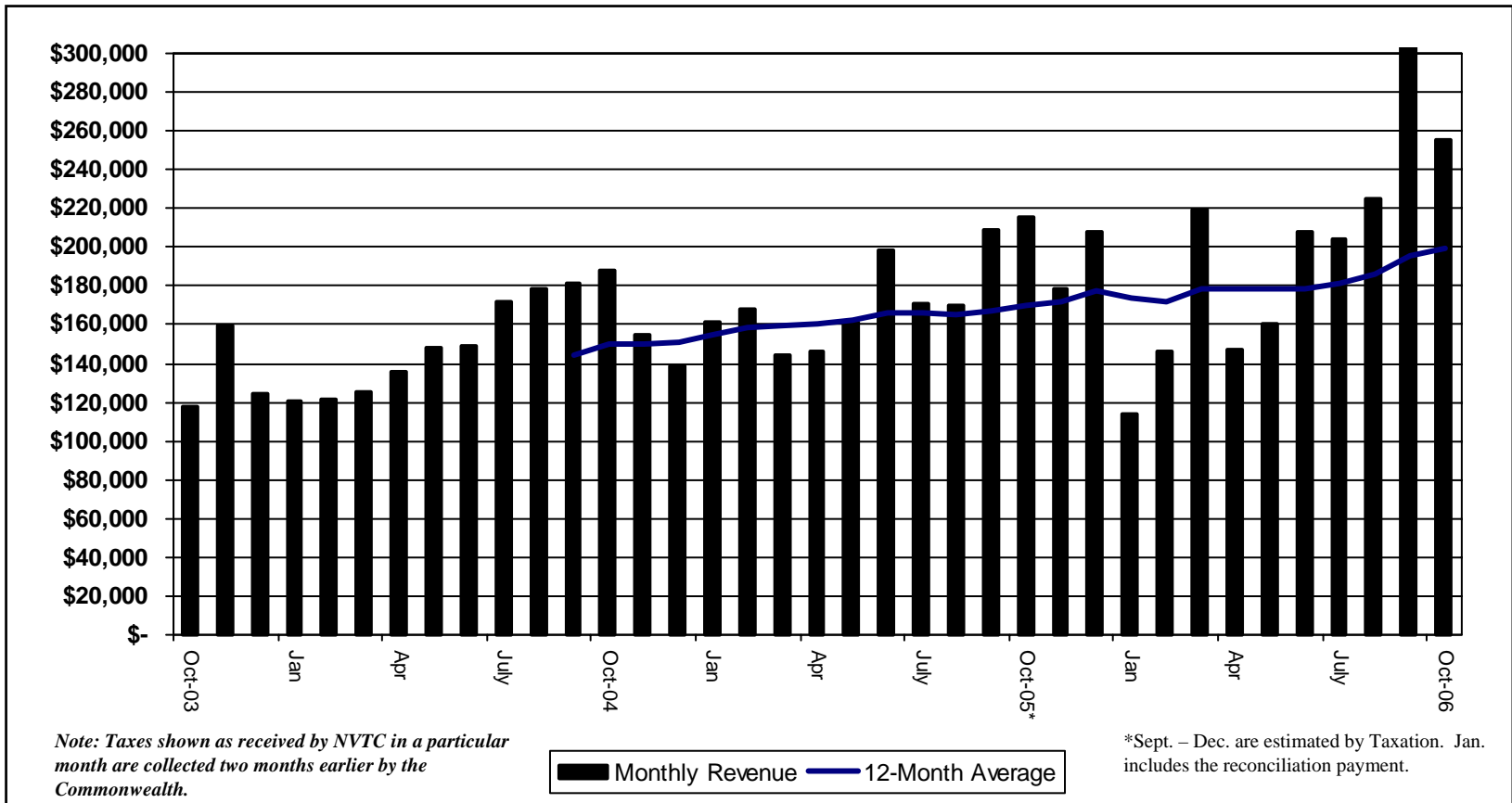
NVTC MONTHLY GAS TAX REVENUE ALL JURISDICTIONS FISCAL YEARS 2004-2007



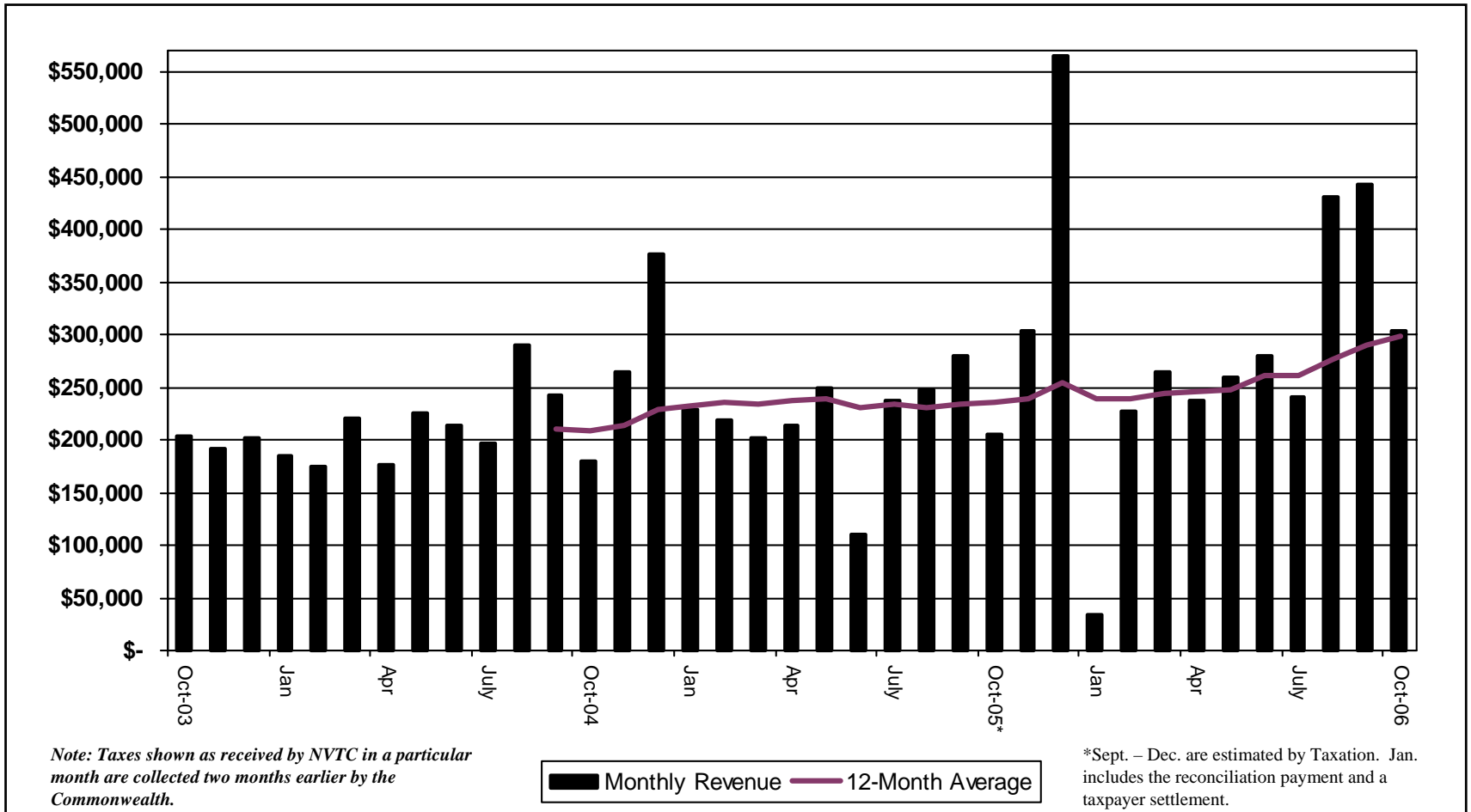
NVTC MONTHLY GAS TAX REVENUE FAIRFAX COUNTY FISCAL YEARS 2004-2007



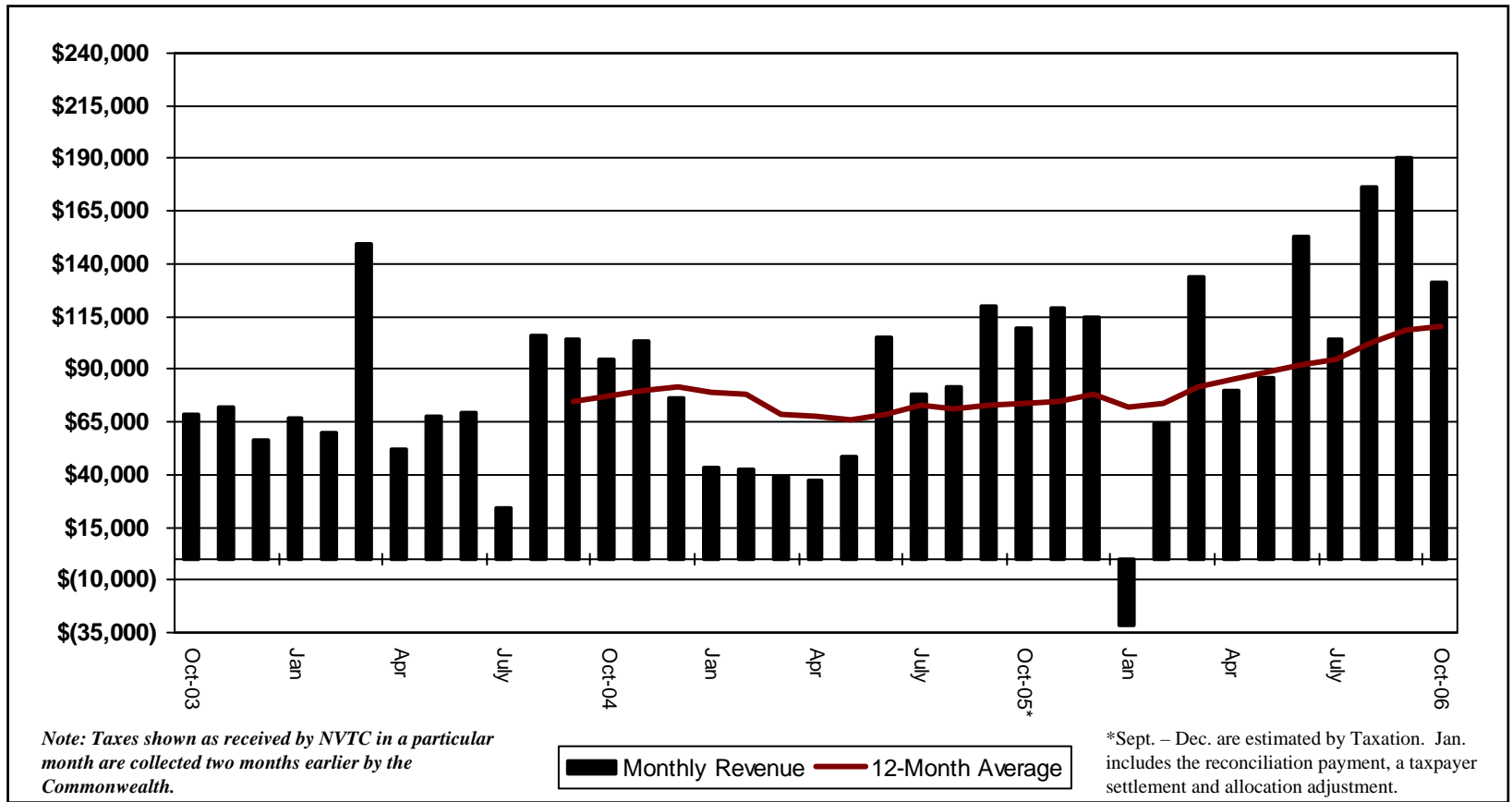
NVTC MONTHLY GAS TAX REVENUE CITY OF ALEXANDRIA FISCAL YEARS 2004-2007



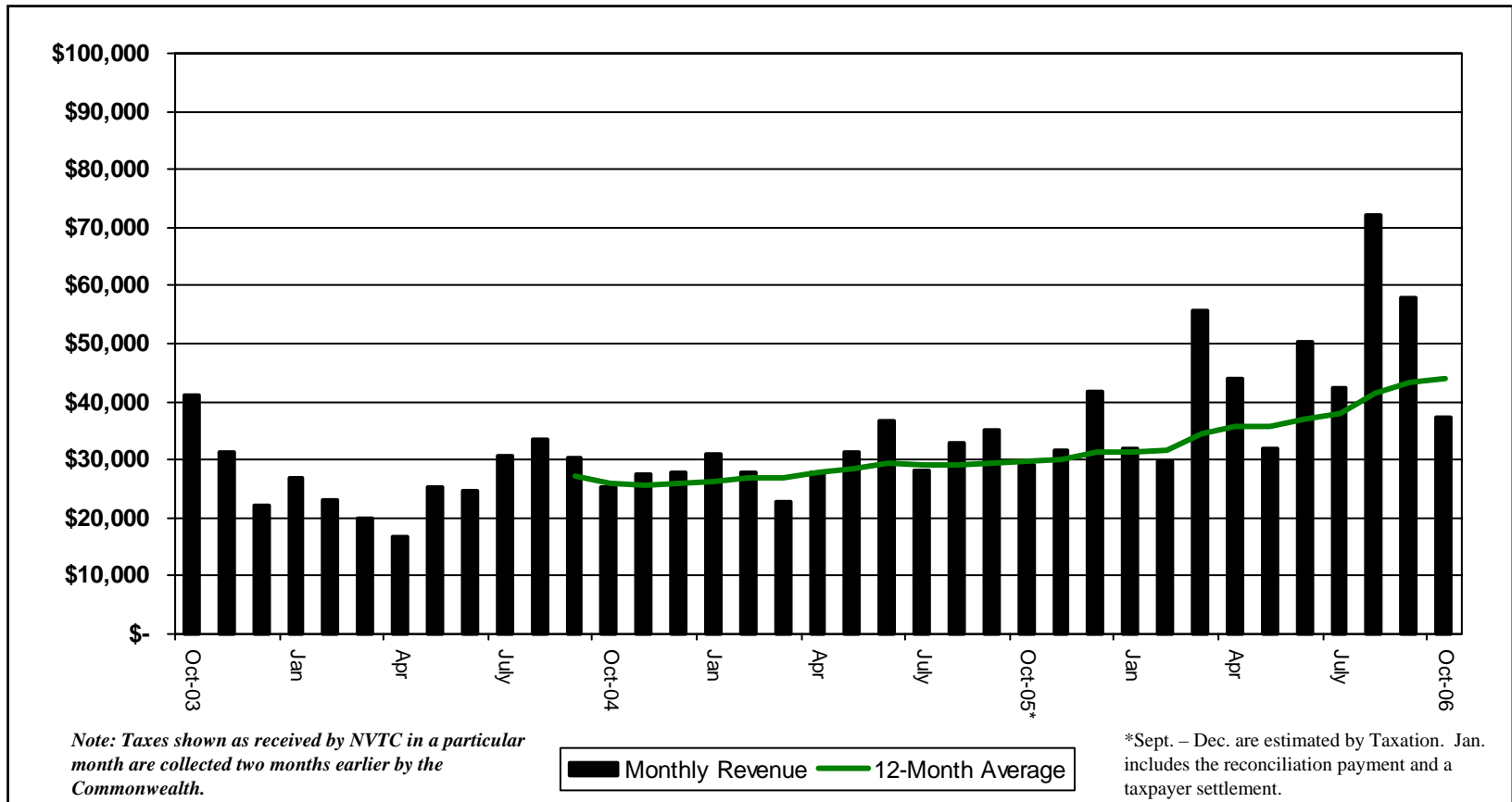
NVTC MONTHLY GAS TAX REVENUE ARLINGTON COUNTY FISCAL YEARS 2004-2007



NVTC MONTHLY GAS TAX REVENUE CITY OF FAIRFAX FISCAL YEARS 2004-2007



NVTC MONTHLY GAS TAX REVENUE CITY OF FALLS CHURCH FISCAL YEARS 2004-2007



NVTC MONTHLY GAS TAX REVENUE LOUDOUN COUNTY FISCAL YEARS 2004-2007

