Northern Virginia Transportation Commission

**NVTC COMMISSION MEETING**

**THURSDAY, DECEMBER 6, 2012**
**MAIN FLOOR CONFERENCE ROOM**
**2300 Wilson Blvd.**
**Arlington, VA 22201**
**8:00 PM**

NOTE: NVTC's Executive Committee meets at **7:00 P.M**. and dinner will be available at that time.

## AGENDA

1. **Minutes of the NVTC Meeting of November 1, 2012.**

   Recommended Action: Approval.

2. **VRE Items.**

   A. Report from the VRE Operations Board and Chief Executive Officer--Information Item.
   B. VRE FY 2012 Audited Financial Statements--Action Item/Resolution #2204.
   C. Status of Audit by the Virginia Auditor of Public Accounts--Information Item.

3. **NVTC's FY 2012 Audit.**

   Representatives of NVTC's independent auditors, PBGH LLP, will be present to answer questions about their audit of NVTC's financial statements. NVTC again achieved a flawless audit.

   Recommended Action: Authorize staff to post the audited financial statements on NVTC's website and provide copies to regulatory agencies, bond holders, jurisdictions and interested members of the public.

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**4. Route 7 Alternatives Analysis Study.**

NVTC staff is managing the study to develop a systems plan for the corridor stretching from Alexandria to Tysons Corner. Consultants will describe their approach and ask for feedback from NVTC's board members as part of outreach to stakeholders.

Discussion Item.

**5. NVTC's and VRE's 2013 State and Federal Legislative Agendas.**

Several members of NVTC's Legislative Committee met on November 26th to develop a NVTC legislative agenda. The VRE Operations Board has recommended a legislative agenda for VRE.

Recommended Action: Approval of legislative agendas for NVTC and VRE.

**6. Regional Transportation Items.**

A. NVTA's TransAction 2040 Plan.
B. Status of DRPT's SJR 297 Report.
C. Status of FY 2013 DRPT Grants.
D. Status of ECTF Report to Northern Virginia General Assembly Delegation.
E. Fairfax County Survey on Revenue Options.
F. Brookings Report on Access to Jobs Via Transit.

Discussion Item.

**7. WMATA Items.**

A. WMATA Board Members' Report.
B. Vital Signs/WMATA Dashboard.
C. FY 2014 Operating and Capital Budget Development.

Information Item.

**8. NVTC Nominating Committee for 2013 Officers.**

Chairman Fisette has appointed NVTC's Executive Committee to serve as the nominating committee for NVTC's 2013 officers. The election of NVTC's officers will occur on January 3, 2013.

Information Item.

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**9. NVTC Financial Items for October, 2012.**

Information Item.

**10. NVTC's Meeting Schedule for 2013.**

VML/VACO's annual local government day during the Virginia General Assembly session will be held on January 31, 2013. Accordingly, NVTC should plan on conducting its February meeting (normally February 7, 2013) on January 31, 2013 in Richmond. Also, due to the July 4th holiday, NVTC's July meeting should be held on July 11, 2013.

Information Item.

**11. Closed Session: Section 2.2-3711.A.1 of the Virginia Code for a personnel item.**

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AGENDA ITEM #1

MINUTES
NVTC COMMISSION MEETING – NOVEMBER 1, 2012
NVTC CONFERENCE ROOM – ARLINGTON, VIRGINIA

The meeting of the Northern Virginia Transportation Commission was called to order by Chairman Fisette at 8:11 P.M.

Members Present
Sharon Bulova
Barbara Comstock
John Cook
James Dyke
Jay Fisette
John Foust
Jeffrey Greenfield
Catherine Hudgins
Mary Hynes
Joe May
Jeffrey McKay
David Ramadan
Thomas Rust
David F. Snyder
Christopher Zimmerman

Members Absent
Richard H. Black
William D. Euille
Mark R. Herring
Ken Reid
Paul Smedberg

Staff Present
Doug Allen (VRE)
Mariela Garcia-Colberg
Rhonda Gilchrest
Claire Gron
Scott Kalkwarf
Steve MacIsaac (VRE)
Mark Roeber (VRE)
Kala Quintana
Rick Taube

Minutes of the October 4, 2012 Meeting

Mrs. Hynes moved, with a second by Delegate Rust, to approve the minutes. The vote in favor was cast by commissioners Bulova, Cook, Dyke, Fisette, Foust, Greenfield, Hudgins, Hynes, May, McKay, Rust, Snyder and Zimmerman.

VRE Items

Report from the VRE Operations Board and Chief Executive Officer. Mrs. Bulova reported that VRE Average Daily Ridership (ADR) for September, 2012 was 19,036, which was up one percent from September, 2011. She also reported that the final phase of the Franconia-Springfield station rehabilitation project is underway and should be completed by November, 2012. Mr. Allen reported that On-Time Performance (OTP) was 99 percent for the Fredericksburg line and 95 percent for the Manassas line during the month of September. Ridership remains strong and there are frequent days of over 20,000 ADR. Mr. Allen thanked the Fairfax Connector and PRTC OmniRide for their interagency support in providing back-up bus service to transport passengers to their destination stations after a fatality on the tracks on October 10th. He also reported that the emergency drill conducted on September 29th went extremely well.

VRE Office Condominium Loan. Mrs. Bulova stated that the VRE Operations Board recommends approval of Resolution #2202, which would authorize VRE's CEO to pay the remaining balance of $300,000 on a loan from SunTrust Bank. She explained that VRE purchased its office condo in 1999 with an initial $900,000 interest-only loan and refinanced with SunTrust in 2002 for a five-year term. A second five-year term was accepted in 2007 ending on November 15, 2012. The remaining $300,000 will be fully paid by using funds from the FY 2013 budget and from the FY 2012 year-end surplus.

Mrs. Bulova moved, with a second by Mr. Cook, to approve the resolution. The vote in favor was cast by commissioners Bulova, Cook, Dyke, Fisette, Foust, Greenfield, Hudgins, Hynes, May, McKay, Rust, Snyder and Zimmerman. (A copy of the resolution is attached.)

Assessment of VRE and PRTC Employee Classifications/Salaries. Mrs. Bulova reported that the VRE Operations Board recommends approval of Resolution #2203, which would authorize VRE's CEO to initiate a competitive procurement for the assessment of employee classifications and salaries, which should be useful in evaluating VRE's budget requests. VRE employees are actually PRTC employees. The costs will be shared between VRE and PRTC.

On a motion by Mrs. Bulova and a second by Mr. Cook, the commission unanimously approved the resolution (copy attached). The vote in favor was cast by commissioners Bulova, Cook, Dyke, Fisette, Foust, Greenfield, Hudgins, Hynes, May, McKay, Rust, Snyder and Zimmerman.

Threatened Reduction in VRE Track Lease Payment by DRPT. Mrs. Bulova stated that Congress has reauthorized federal surface transportation programs in MAP-21 but eliminated the Equity Bonus program that the Virginia General Assembly had designated as the funding source for VRE's track lease payments. Mr. Allen initially wrote DRPT asking that DRPT identify another source of funding since Virginia would not lose funds as a result of this change. DRPT Director Drake has notified VRE staff that "…DRPT no longer has a separate source of funds for track lease payments. These payments will be properly recognized as part of VRE's normal operations and will be considered for funding by the Commonwealth as an expense and funded as operating subsidy." Mrs. Bulova stated that as a result, VRE is facing the loss of $9.6 million for FY 2014.

Delegates Comstock and Ramadan arrived at 8:17 P.M. and 8:19 P.M., respectively.

Chairman Fisette stated that it is his understanding that Virginia is still receiving the same amount of federal funding; it's just not designated as Equity Bonus funds. Mr. Cook explained that Secretary Connaughton has the authority to direct where these funds are allocated. Delegate Rust stated that this change does not impact FY 2013 but goes into effect in FY 2014. Mr. Dyke stated that it his understanding that a commitment has been made by the Commonwealth to make VRE "whole." Chairman Fisette asked if this commitment is in writing or just a verbal commitment. Mr. Cook stated that he believes that the allocation would need to go through the CTB approval process. Delegate May requested a written description of this issue.

Mr. Taube explained that the General Assembly has earmarked the funds in the budget but it specifies the particular source of funding as Equity Bonus funds, which no longer exists. One solution could be to retain the budget language and amend it to be more general using language such as "…from discretionary federal funding this money shall go to VRE."

Governor's Request for Review of VRE Governance Issues. Mrs. Bulova reported that Governor McDonnell has asked Virginia's Auditor of Public Accounts (APA) and Virginia's Inspector General to coordinate a review of governance issues at VRE. Chairman Fisette stated that he has already been contacted by APA and other NVTC Board members may be contacted as well. NVTC has been asked to provide any available documentation regarding the formation of VRE as well as any specific guidance NVTC follows in their oversight of VRE.

DRPT's SJR 297 Report

Mr. Taube reported that DRPT presented its draft final report to the Commonwealth Transportation Board on October 17th. DRPT is now accepting comments on the report. Throughout the lengthy study process, NVTC staff has submitted comments to DRPT and participated actively on a stakeholders group. Because Northern Virginia receives about three-quarters of all statewide transit assistance, any changes to DRPT's methods must be viewed with concern. A draft letter has been prepared for commission discussion.

Mr. McKay moved, with a second by Mr. Snyder, to authorize Chairman Fisette to sign and send the letter to DRPT.

Mr. McKay noted that at the last meeting Mr. Snyder did a good job reminding the commission about the economic impact of transit in Northern Virginia. He asked that this be included in the letter. There were no objections to this friendly amendment. Mr. Dyke suggested that the letter include a specific reference to the local performance standards and to note that they are attached for consideration by DRPT. There were no objections to this friendly amendment.

Mr. Snyder observed that the third paragraph contains a very important point regarding the need for increased transit funding. He suggested either highlighting/underlining the last sentence or making it a stand-alone point. He stated that he is pleased to see that the letter acknowledges that DRPT heard the stakeholders and included in the final report a thorough description of state transit funding needs and highlighted the state's responsibility to help meet those needs. Mr. Snyder asked if NVTC's staff document "Review of DRPT's SJR 297 Report" dated October 25, 2012, should be included as an attachment and/or referenced in the letter. Mr. Taube stated that the staff materials will be sent with the letter, but do not need to be part of the action.

Chairman Fisette stated that he will work with staff to finalize the letter. The commission then voted on the motion and it passed unanimously. The vote in favor was cast by commissioner Bulova, Comstock, Cook, Dyke, Fisette, Foust, Greenfield, Hudgins, Hynes, May, McKay, Ramadan, Rust, Snyder and Zimmerman.

Final Report of the Agency Efficiency and Coordination Task Force

Chairman Fisette stated that the final report has been issued by the Task Force. The report has been unanimously approved by the Task Force and NVRC. The final report makes five recommendations. The first recommendation is that none of the consolidation alternatives be pursued at this time. The Task Force found no cost savings or service delivery improvements that warrant the disruption and cost of a legal consolidation between or among the agencies. However, the Task Force recommends that NVTA immediately co-locate with NVRC and align meeting dates. Better coordination of their activities should result in greater efficiencies in the governance, management and operations of both agencies. Should conditions change that would cause reconsideration of a consolidation, such as NVTA being funded as originally intended, it would need to be determined whether a legal consolidation adds value and is worth the effort and cost. Chairman Fisette explained that NVRC was seen as the logical agency since NVRC and NVTA have identical geographical regions. Also, other planning districts throughout the Commonwealth have some role in transportation.

Chairman Fisette reported that the third recommendation is to consider other measures to streamline operations and improve coordination among the agencies. While many of these suggestions have already been implemented to a limited extent and could be expanded for greater benefit, other suggestions are untried but worthy of consideration. The Task Force's fourth recommendation is that NVTC not be

consolidated into another agency. The final report includes a list of obstacles in abolishing or merging NVTC.

Chairman Fisette stated that the fifth recommendation is to not pursue a Northern Virginia MPO. The Task Force determined that federal law makes it virtually impossible to establish an MPO because TPB already serves in this capacity. In particular, withdrawing from an existing MPO requires approval from the other members (in this case the District of Columbia, Maryland and its suburban Washington jurisdictions), meaning that it is not an action that Virginia can take unilaterally.

In response to a question from Mrs. Bulova, Mr. Allen reported that PRTC approved the Task Force recommendations without any objection at their meeting tonight.

Mr. Snyder moved, with a second by Mr. McKay, to approve the final report of the Northern Virginia Agency Efficiency and Consolidation Task Force.

Delegate May extended an invitation for NVTC to give a brief presentation to the entire Transportation Committee in early December at a Transportation Conference in Tysons Corner. The committee is receptive to hearing arguments from both sides of this issue.

Mr. Snyder underscored the excellent work and effort from Task Force members and staff. The Task Force looked at the issues from a legal standpoint, a programmatic standpoint, and an efficiency standpoint. The recommendations offer some real efficiencies considering these agencies have very different missions and make-ups. Mr. Zimmerman expressed his appreciation. He stated that it is important to lay out all the issues.

The commission then voted on the motion and it passed. The vote in favor was cast by commissioners Bulova, Cook, Dyke, Fisette, Foust, Greenfield, Hudgins, Hynes, McKay, Snyder and Zimmerman. Delegates Comstock, May, Ramadan and Rust abstained.

Legislative Items

Mr. Taube stated that NVTC's Legislative Committee will meet during November to put together a state and federal legislative agenda for 2013. NVTC will be asked to act on those recommendations at the December 6th meeting. Commissioners are invited to raise any potential legislative matters to be considered by the committee. The VRE Operations Board has already recommended a legislative agenda that will be considered by NVC's Legislative Committee and brought forward for action by the full commission on December 6th as well.

Status Report on Implementation of DRPT's New Grant Procedures

Mr. Taube reported that NVTC has established five new bank accounts in which to receive DRPT grant funds as agents for NVTC's five WMATA jurisdictions. All five of the jurisdictions have received approval from their respective boards/councils to execute DRPT's grant agreements and to submit to DRPT notice that NVTC will serve as their agent. DRPT has concurred with the requests of the cities of Fairfax and Falls Church for NVTC to serve as their agent and FY 2013 funds have begun to be released by DRPT for these jurisdictions. Since DRPT changed its requirements for concurring with NVTC's agent status after the Fairfax County Board of Supervisors gave its approval, county staff is deciding how to proceed. Mr. Taube reported that the October 1st WMATA billings were paid in full by all of NVTC's WMATA jurisdictions. This illustrates why it is a good idea to maintain healthy reserves. The next WMATA payments are due January 1, 2013.

WMATA Items

Mrs. Hudgins reported that the close out of the FY 2011 budget noted $29 million in favorable year-to-date expenditures, which was the result of operational savings, increased revenues and reduced expenditures. There is also a $5.8 million positive variance in the current budget. Mrs. Hudgins also gave an overview of the changes being implemented within the MetroAccess program, including improving the eligibility screening process.

Mrs. Hudgins stated that it is important to note that WMATA did not receive a recommendation on Automatic Train Control (ATC) from the National Transportation Safety Board as other agencies did because of the progress WMATA has already made on ATC. The ATC work that is being done by WMATA has become the standard for other agencies.

Mr. McKay stated that at last month's NVTC meeting, WMATA General Manager Sarles discussed the challenges of implementing an eight-car fleet due to platform lengths, train configurations and ATC. Mrs. Hudgins stated that in reality WMATA is approximately 3-4 years away from being able to run eight-car trains for the entire system. The 7000 series railcars are now being manufactured and delivery will begin in 2013. There are also electrical issues that need to be resolved. Mr. Zimmerman observed that the 7000 series railcars are configured in four-car segments so WMATA will be only able to run four-car or eight-car trains with this series.

Regional Transportation Items

Motor Fuels Tax Collection Transition. Mr. Taube reported that NVTC and PRTC staff met in Richmond with several senior officials of the Virginia Department of Taxation (TAX) and the Department of Motor Vehicles (DMV), including TAX Commissioner Burns and DMV Commissioner Holcomb. It was a very productive meeting and both departments are paying attention to the tax collection process. TAX has picked up the

pace of its ongoing audits. It has been verified that under-reported payments are very modest: $265,000 for PRTC and $200,000 for NVTC.

NVTC's Statement to the Commonwealth Transportation Board. On behalf of NVTC, Vice-Chairman McKay has agreed to make a presentation to the CTB on the Six-Year Transportation Program when the hearing is rescheduled.

DRPT's Statewide Transit/TDM Plan Update. On October 8th DRPT and its consultants conducted a public stakeholders meeting to present the financial analysis and resource allocation plan for the update. The final version of the plan is expected to be posted on DRPT's website by mid-November and will be used as input for other state transportation plans, including VTrans 2040.

DRPT's SuperNova Plan. DRPT held the last of four stakeholder meetings related to the SuperNova Transit/TDM Vision Plan on October 23, 2012. The purpose of the meeting was to discuss the draft final report and recommendations. In response to previous stakeholder input, the draft final report now includes recommendations addressing transit storage and maintenance facilities needs for VRE, PRTC and Loudoun County Transit, and core capacity constraints for Metrorail and VRE. A recommendation proposing a SuperNova regional transit governance body has been removed.

Northern Virginia Transportation Alliance's Seminar. On October 10, 2012, the Northern Virginia Transportation Alliance held its eighth annual "What You Need to Know about Transportation in Five Minutes or Less" seminar. VRE's CEO, Doug Allen, was one of seven speakers who provided brief status updates on projects and initiatives at their respective organizations. Common themes throughout the seminar included investing in transportation to support economic growth, establishing sustainable revenue streams and increasing state funding for transportation.

TPB Bus on Shoulder Task Force. At the request of the Transportation Planning Board, MWCOG established a TPB Bus on Shoulder Task Force to identify locations in the region to operate buses on shoulders.

I-66 Inside the Beltway Bus on Shoulder Pilot Program. VDOT established this pilot program in response to feedback obtained through stakeholder interviews conducted during the year-long I-66 Multimodal Inside the Beltway Study, completed in September 2012. VDOT is leading the project, with assistance from MWCOG. FourSquare ITP is the consultant on the project.

NVTC Financial Items for September, 2012

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

Adjournment

Without objection, Chairman Fisette adjourned the meeting at 9:08 P.M.

Approved this 6th day of December, 2012.

_____
Jay Fisette
Chairman

_____
Paul C. Smedberg
Secretary-Treasurer

Northern Virginia Transportation Commission

**RESOLUTION #2202**

**SUBJECT:** VRE Office Condominium Loan.

**WHEREAS:** In June 2002, VRE entered a loan agreement with SunTrust Bank in the amount of $900,000 to refinance the original loan for the VRE office condominium at 1500 King Street, Alexandria, Virginia;

**WHEREAS:** The refinanced loan had a five-year term, at which time the bank reserved the right to renegotiate the terms for an additional loan period or require payment of the outstanding balance;

**WHEREAS:** In November 2007, VRE accepted an additional five-year term, at which time the bank again reserved the right to renegotiate the terms for a final five-year period or require payment of the outstanding balance; and

**WHEREAS:** SunTrust Bank has offered a loan at market rates for the final five-year term but the VRE Operations Board is recommending repaying the loan in full to save interest and closing costs.

**NOW, THEREFORE, BE IT RESOLVED** that the Northern Virginia Transportation Commission authorizes the VRE Chief Executive Officer to repay VRE's loan with SunTrust Bank for the VRE office condominium at 1500 King Street, Alexandria, Virginia in full by November 15, 2012 using $300,000 from FY 2012 surplus and FY 2013 budgeted funds.

Approved this 1st day of November, 2012.

Jay Fisette
Chairman

Paul C. Smedberg
Secretary-Treasurer

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Northern Virginia Transportation Commission

**RESOLUTION #2203**

**SUBJECT:** Assessment of VRE and PRTC Employee Classifications/Salaries.

**WHEREAS:** The adopted PRTC/VRE personnel policy calls for a classification/salary assessment of positions residing in PRTC and VRE once every three years to ensure that positions are appropriately classified;

**WHEREAS:** The last such assessment was done in 2006 (FY 2007), meaning it should have been done in 2009 (FY 2010) but wasn't for austerity reasons;

**WHEREAS:** Assessments of this sort historically have been internal staff efforts without outside consulting assistance;

**WHEREAS:** The VRE Operations Board has expressed a desire for another such assessment to be expedited, with consultant assistance, in light of the extended length of time since the last such assessment; and

**WHEREAS:** The PRTC and VRE adopted purchasing policy requires that consulting assistance be competitively procured, and both the scope and expected cost of this assistance is such that both the Operations Board and Potomac and Rappahannock Transportation Commission must approve the commencement of the procurement.

**NOW, THEREFORE, BE IT RESOLVED** that the Northern Virginia Transportation Commission hereby recommends that the Potomac and Rappahannock Transportation Commission authorize the VRE Chief Executive Officer to initiate a competitive procurement for this purpose, as a collaborative effort by PRTC and VRE management with the cost of the effort being borne equally by PRTC and VRE; and

**BE IT FURTHER RESOLVED THAT** following the completion of the competitive procurement, a recommendation for award should be brought back to the VRE Operations Board and Potomac and Rappahannock Transportation Commission for approval.

Approved this 1st day of November, 2012.

Jay Fisette
Chairman

Paul C. Smedberg
Secretary-Treasurer

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Northern Virginia Transportation Commission

AGENDA ITEM #2

**TO:** Chairman Fisette and NVTC Commissioners

**FROM:** Rick Taube

**DATE:** November 29, 2012

**SUBJECT:** VRE Items

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A. Report from the VRE Operations Board and VRE Chief Executive Officer--Information Item.

B. VRE FY 2012 Audited Financial Statements--Action Item/Resolution #2204.

C. Status of Audit by the Virginia Auditor of Public Accounts—Information Item.

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Item #2A

Report from the VRE Operations Board and VRE Chief Executive

Attached is the CEO report from November, including performance data. Minutes from the October 19, 2012 VRE Operations Board meeting are attached.

VRE Operations Board Chairman Covington has appointed a nominating committee to select 2013 officer nominees. The committee consists of Sharon Bulova, Chris Zimmerman, Maureen Caddigan and Gary Skinner. A newly appointed committee will begin to meet in January, 2013 to consider VRE's capital needs. Members include John Cook, Susan Stimpson, Chris Zimmerman, Fred Howe, John Way and John Jenkins.

# VIRGINIA RAILWAY EXPRESS

# Chief Executive Officer's Report

## Year-to-Date Ridership Review

As of the end of October, it marked the completion of one third of the FY 2013. During those first four months of service VRE made 1,571,244 passenger trips. Overall the numbers remain strong and keep us on a pace that is consistent with last year's annual passenger trips, which was the highest in VRE history. This is a positive given that the commuter benefit was reduced, there has been an increase in telework and certain federal contractors have initiated significant workforce reductions in advance of pending federal budget cuts. For the same time period in FY 2012, VRE made 1,581,269 trips. In the end this equates to about 120 less riders a day in FY 2013.

| QUARTERLY RIDERSHIP OVERVIEW | QUARTERLY RIDERSHIP |
|---|---|
| VRE FY2012 Passenger Totals | 1,571,244 |
| VRE FY2011 Passenger Totals | 1,581,269 |
| PERCENT INCREASE | 0% |

As I pointed out last month, I thought that we had rounded the corner as ridership in August and September of 2012 were slightly above those levels of August and September of 2011. However, in October 2012 we were down from October 2011.

## Monthly System Ridership

As indicated above, ridership for October was slightly down from that of October 2011. The table below shows more clearly the month to month ridership for October, as

| RIDERSHIP MONTH TO MONTH COMPARISON | |
|---|---|
| DESCRIPTION | MONTHLY RIDERSHIP AVERAGE |
| October 2012 | 19,208 |
| October 2011 | 19,561 |
| SERVICE DAYS (CURRENT/PRIOR) | (20/20) |
| PERCENT CHANGE | Less than 1% |

compared to the same period last year. We had 4 days over 20K daily riders, which was half of what we posted in September 2011.

## Monthly Performance Metrics

The month of October was a daunting challenge by any measure. Service was impacted by human tragedy and catastrophic weather conditions. Yet through it all, On Time Performance (OTP) remained very high at 96% for the month.

Through it all, OTP for the month on both lines remained above 90% - the Fredericksburg line operating at 96% and the Manassas line operating at 96%. This now marks the eleventh consecutive month that VRE has had OTP on both lines above 90%. That too is a service record for VRE and one which I am hopeful will continue.

| MONTHLY ON-TIME PERFORMANCE | ON-TIME PERCENTAGE |
|---|---|
| October Fredericksburg OTP Average | 96% |
| October Manassas OTP Average | 96% |
| VRE OCT OVERALL OTP AVERAGE | **96%** |

As I stated prior, the month was a tough one though as VRE suffered our first fatality when a young man stepped in front of one of our trains. It goes without saying that the loss of a life is always a terrible tragedy. Additionally, Hurricane Sandy came through the region and closed the entire metropolitan region down for two days as we "weathered" the storm. Given the challenges faced last month, I believe it is a credit to the staff and our contractors that service remained at such a high level.

| SYSTEMWIDE | AUG 2012 | SEPT 2012 | OCT 2012 |
|---|---|---|---|
| Total delays | 14 | 17 | 24 |
| Average length of delay (mins.) | 14 | 78 | 24 |
| Delays 30 minutes and over | 0 | 6 | 4 |
| Days with heat restrictions/Total days | 0/23 | 0/21 | 0/20 |
| On-Time Performance | 98% | 97% | 96% |
| **FREDERICKSBURG LINE** | | | |
| Total delays | 7 | 3 | 11 |
| Average length of delay (mins.) | 15 | 15 | 20 |
| Delays 30 minutes and over | 0 | 0 | 2 |
| On-Time Performance | 98% | 99% | 961% |
| **MANASSAS LINE** | | | |
| Total delays | 7 | 14 | 13 |
| Average length of delay (mins.) | 12 | 94 | 31 |
| Delays 30 minutes and over | 5 | 6 | 4 |
| On-Time Performance | 89% | 95% | 96% |

# Chief Executive Officer's Report

## Overview of Monthly Citations

As I have done since arriving at VRE, I want to continue sharing with the VRE Operations Board and the Commissions a breakdown of the citations issued on our trains as well as the internal and external handling of those cases. To simplify the data I have separated the monthly it into two distinct categories; VRE action and Court action. This distinction is critical because it sheds light on the fact that many customer issues are routinely handled in-house by VRE staff keeping many from appearing in Court.

For the month of October, VRE issued a total of 138 citations. That is consistent with October 2011 (98 citations) and November 2012 (122 citations). Of those 138, VRE waived 35 of them for our riders. That means that 25.4% of all citations issued during the month were reviewed and waived by VRE.

| VRE ACTIONS | OCCURANCES |
|---|---|
| Waived- Passenger showed proof of a monthly ticket | 35 |
| Waived- Per the request of the issuing conductor | 0 |
| Waived- Due to defective tickets or TVM | 0 |
| **TOTAL** | **35** |

Of the remaining 103 citations, 12 were found not guilty, 11 were dismissed and 12 were continued. This means that 66% of people issued citations were found guilty of violating VRE's fare evasion policy while 22% of the cases were either dismissed or found not guilty and 11% were carried over to the next month. This further illustrates that our conductors are being diligent in continuing to enforce VRE's on-board inspection and fare evasion policies.

| COURT ACTIONS | OCCURRENCES | FINE | COURT COSTS |
|---|---|---|---|
| Prepaid prior to court | 32 | $100 | $81 |
| Guilty | 4 | $100 | $81 |
| Guilty in absentia | 32 | $100 | $116 |
| Not guilty | 12 | $0 | $0 |
| Dismissed | 11 | $0 | $81 |
| Continued to next court date | 12 | $0 | $0 |
| Appealed pending | 0 | $0 | $0 |
| **TOTAL** | **103** | **$6,800** | **$7,519** |

Clearly the upturn in citations from prior months shows that VRE must remain committed to enforcing our fare policy if we are to both eliminate fare evasion as well as capture the maximum level of fare revenue. No question this is a delicate balance but one that we must continue to pursue to ensure our jurisdiction owners that we are following through with their mandate to continue our high level of fare box recovery ratio.

In the end, of course, the ultimate goal is to implement a ticketing system that can help eliminate fare evasion from the equation and allow us to focus on what we really are concerned with – customer service and our riders.

# Chief Executive Officer's Report

## Spotsylvania County Update

On Thursday, November 8th, I attended a meeting called by VRE Ops Board member and Spotsylvania County Supervisor Gary Skinner of all vested parties - VRE, CSX, VDRPT and Spotsylvania County – to Spotsylvania for a face to face sit down to facilitate an open dialogue about the third rail project and how to get agreement from all parties about concurrence of funding, schedule and commitments.

With that as the backdrop, VRE continues moving forward with design efforts for the new station platform and headhouse.

VRE has been meeting and discussing design and engineering with the County since the initial July 31 meeting. At the meeting we set forth a design schedule that is coordinated with the third track and parking lot projects.

From yesterday's meeting, VRE legal counsel will communicate next week with legal counsel for CSX to finalize language of the Force Account Design Agreement. This will be reviewed and signed off by CSX. Additionally, Sirel Mouchantaf, Director of Engineering and Construction, will forward a Statement of Work to CSX and VDRPT for concurrence.

All parties agreed that there should be a Working Group Meeting as soon as possible in order to address engineering and design issues so that VRE can immediate resume the third track project design. As of the writing of this report, that meeting is being arranged and I am hopeful to report to the VRE Operations Board next week the actual meeting date.

I fully anticipate that working together that all parties should be able to sign off on the various project agreements between Spotsylvania County, CSX and VRE by the end of November or the beginning of December.

## Potomac Shores Update

Over the past three weeks, VRE staff and I met twice with the developers of the proposed Potomac Shores community to address ways to make the addition of a VRE station a reality.

# Chief Executive Officer's Report

The first meeting was with Mike Lubeley, partner at Walsh, Colucci, Lubeley, Emrich, and Walsh, and Ed Byrne, Vice President, Project Management, Argent Management, to discuss in greater detail the station and track requirements, as well as potential parking demands for the new station. That meeting was very productive but in the end all parties still had concerns regarding the proposed third track not being funded through the purposed station location.

Given those outstanding concerns, VRE Ops Board member and Prince William County Supervisor Maureen Caddigan called a meeting with Virginia Secretary of Transportation Sean Connaughton, VDRPT Chief Operation Officer Kevin Page, VRE Operations Board Chair Wally Covington, Stan Brown, Senior Vice President, Development, SunCal, Casey Tischer, Vice President, Eastern Region Acquisitions, Mike Lubeley, and myself to address the project.

Secretary Connaughton laid out the parameters of how the money for this project was secured, the limitations of the use of the money and the reasoning for the track work to begin from the south instead of the north at this location. He further stressed his support for the project and the completion of the necessary additional track and tasked Mr. Page to work with the group to come up with some working solutions on how that might be achieved.

The SunCal representative, Mr. Tischer, indicated that his company was finalizing plans for submitting a comprehensive plan amendment and rezoning applications to Prince William County. Mr. Brown and Mr. Tischer both expressed concern that if the burden to make these rail improvements were placed on the developer that they had no assurances that SunCal was in a position to absorb those costs. This is critical because previously SunCal had embraced the idea of a VRE station on the site and that the station would be the linchpin of their town center concept.

The working group will be getting together again soon to continue advancing a strategy that will put a plan forward for addressing the funding of this segment of the project. Special thanks to Supervisor Caddigan and Chairman Covington for their willingness to initiate this dialogue. Further updates will be forthcoming.

# Chief Executive Officer's Report

## Leeland Station Update

As they say, every picture tells a story. Well in this case there are two stories really regarding the newly expanded Leeland Road Station parking lot; (1) it has now been open for slightly over one month and is great addition to the system and the station itself, and (2) it is basically full already.

As you may recall, the project added 196 spaces to the existing parking lot for a total of 845 parking spaces. This made Leeland Road Station the largest station (in terms of parking capacity) on the Fredericksburg line and the third largest in total in the system. This number does not include the gravel overflow parking lot currently being leased by the County.

The proverbial build it and they will come certainly does apply here, but where we go from here we'll have to see as the lease on the gravel lot is due to expire at the end of the year, and currently the County does not plan to pursue renewing that lease.

## Brooke Station Update

The Brooke parking expansion is on course for completion within the coming weeks.

The new parking lot has been paved and striped. Resurfacing of the main lot will begin after the departure of Fredericksburg Line 313 on Friday night, November 9, 2012.

The last major component is electric service to power the new LED lights. Dominion Power has been on site for several days now and the work could be completed at any time. We will also be installing hand rails on the new set of stairs connecting the new and existing lots in the next few weeks.

# Chief Executive Officer's Report

## Lorton Station

The Lorton VRE Station parking lot improvement project is now finally ready to begin. Fairfax County notified VRE that they will begin next Wednesday, November 14, 2012 or Thursday, November 15, 2012 at the far west end of the lot.


The work will be done in phases and will last approximately one month. The project will include paving the entire lot as well as installing new lighting. Once complete the station parking lot will have a new sense and feel to it.

Fairfax County has said they will be putting informative flyers on the cars parked there by the end of this week. Riders can also get information at VRE's website.

## Federal Update

### Sequestration

On Thursday, November 8th, the Greater Washington Board of Trade held a forum which featured Virginia State Senator Richard Saslaw and others on the financial impact of federal sequestration on the local economy. Senator Saslaw touched on how much money and jobs the mandatory budget cuts would take away from Virginia. The Senator, as well as Mayor Gray and Maryland State Senator Miller each expressed doubt the White House or Congress would let the cuts go through. And while no one is certain which course of action the President and Congress will ultimately take, all agreed that doing nothing would mean slashing millions of dollars and tens of thousands of jobs from the region's economy.

VIRGINIA RAILWAY EXPRESS

# Chief Executive Officer's Report

# Ridership Report

## November

| Date | Manassas AM | Manassas PM | Total Manassas | Actual OTP TD | Fred'burg AM | Fred'burg PM | Fred'burg Total | Actual OTP TD | Total Trips | Actual OTP TD |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 4,525 | 4,665 | 9,191 | 100% | 4,556 | 4,551 | 9,107 | 100% | 18,298 | 100% |
| 2 | 4,755 | 4,393 | 9,148 | 81% | 5,207 | 5,027 | 10,234 | 64% | 19,381 | 73% |
| 3 | 4,785 | 4,801 | 9,586 | 100% | 4,921 | 5,237 | 10,158 | 100% | 19,744 | 100% |
| 4 | 4,891 | 4,943 | 9,834 | 100% | 4,634 | 5,097 | 9,731 | 100% | 19,564 | 100% |
| 5 | 3,647 | 2,955 | 6,602 | 100% | 3,913 | 4,195 | 8,108 | 93% | 14,710 | 97% |
| 6 | | | | | | | | | | |
| 7 | | | | | | | | | | |
| 8 | | | | | | | | | | |
| 9 | 4,663 | 4,823 | 9,486 | 100% | 5,119 | 5,273 | 10,392 | 100% | 19,879 | 100% |
| 10 | 4,814 | 2,963 | 7,776 | 50% | 5,226 | 5,352 | 10,579 | 100% | 18,355 | 73% |
| 11 | 4,629 | 5,173 | 9,801 | 94% | 5,092 | 5,117 | 10,209 | 100% | 20,010 | 97% |
| 12 | 4,022 | 4,359 | 8,381 | 100% | 4,165 | 4,395 | 8,560 | 100% | 16,941 | 100% |
| 13 | | | | | | | | | | |
| 14 | | | | | | | | | | |
| 15 | 4,725 | 4,509 | 9,234 | 100% | 4,766 | 5,226 | 9,991 | 93% | 19,225 | 97% |
| 16 | 4,863 | 4,805 | 9,667 | 100% | 5,237 | 5,429 | 10,665 | 100% | 20,333 | 100% |
| 17 | 4,943 | 4,770 | 9,714 | 100% | 5,119 | 5,467 | 10,587 | 86% | 20,300 | 93% |
| 18 | 4,490 | 4,965 | 9,455 | 100% | 4,815 | 4,853 | 9,668 | 100% | 19,123 | 100% |
| 19 | 4,074 | 3,954 | 8,028 | 100% | 4,218 | 4,396 | 8,614 | 100% | 16,641 | 100% |
| 20 | | | | | | | | | | |
| 21 | | | | | | | | | | |
| 22 | 4,593 | 4,512 | 9,105 | 100% | 5,017 | 5,153 | 10,170 | 100% | 19,275 | 100% |
| 23 | 4,848 | 4,851 | 9,698 | 100% | 5,224 | 5,057 | 10,280 | 93% | 19,979 | 97% |
| 24 | 4,812 | 4,897 | 9,709 | 100% | 4,869 | 5,229 | 10,098 | 93% | 19,807 | 97% |
| 25 | 4,830 | 5,119 | 9,949 | 100% | 4,957 | 5,104 | 10,061 | 100% | 20,010 | 100% |
| 26 | 3,973 | 3,881 | 7,855 | 100% | 4,064 | 4,472 | 8,537 | 100% | 16,391 | 100% |
| 27 | | | | | | | | | | |
| 28 | | | | | | | | | | |
| 29** | | | | 0% | | | | 0% | | 0% |
| 30** | | | | 0% | | | | 0% | | 0% |
| 31 | 4,495 | 4,515 | 9,010 | 94% | 4,844 | 5,160 | 10,004 | 100% | 19,014 | 97% |
| ■ | 91,377 | 89,850 | 181,227 | 87% | 95,961 | 99,790 | 195,751 | 87% | 376,979 | 87% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Amtrak Trains: | 636 | | | Amtrak Trains: | 6,546 | | |
| | Adjusted total: | 181,863 | | | Adjusted Total: | 202,297 | Adjusted Total: | 384,161 |
| | # of Service Days: | 20 | | Total | Trips This Month: | 384,161 | Adjusted Total: | 384,161 |
| | Manassas Daily Avg. Trips: | 9,061 | Adjusted Avg.: | 9093 | Prior Total FY-2013: | 1,187,084 | | |
| | Fred'burg Daily Avg. Trips: | 9,788 | Adjusted Avg.: | 10115 | Total Trips FY-2013: | 1,571,245 | | |
| | Total Avg. Daily Trips: | 18,849 | Adjusted Avg.: | 19,208 | Total Prior Years: | 57,778,565 | | |
| | | | | | Grand Total: | 59,349,810 | | |

Note: Adjusted Averages & Totals include all VRE trips taken on Amtrak trains, but do not include "S" schedule days.
* designates "S" schedule day
** designates scheduled to operate but cancelled service due to Hurricane Sandy (Cancelled trains count as delayed)

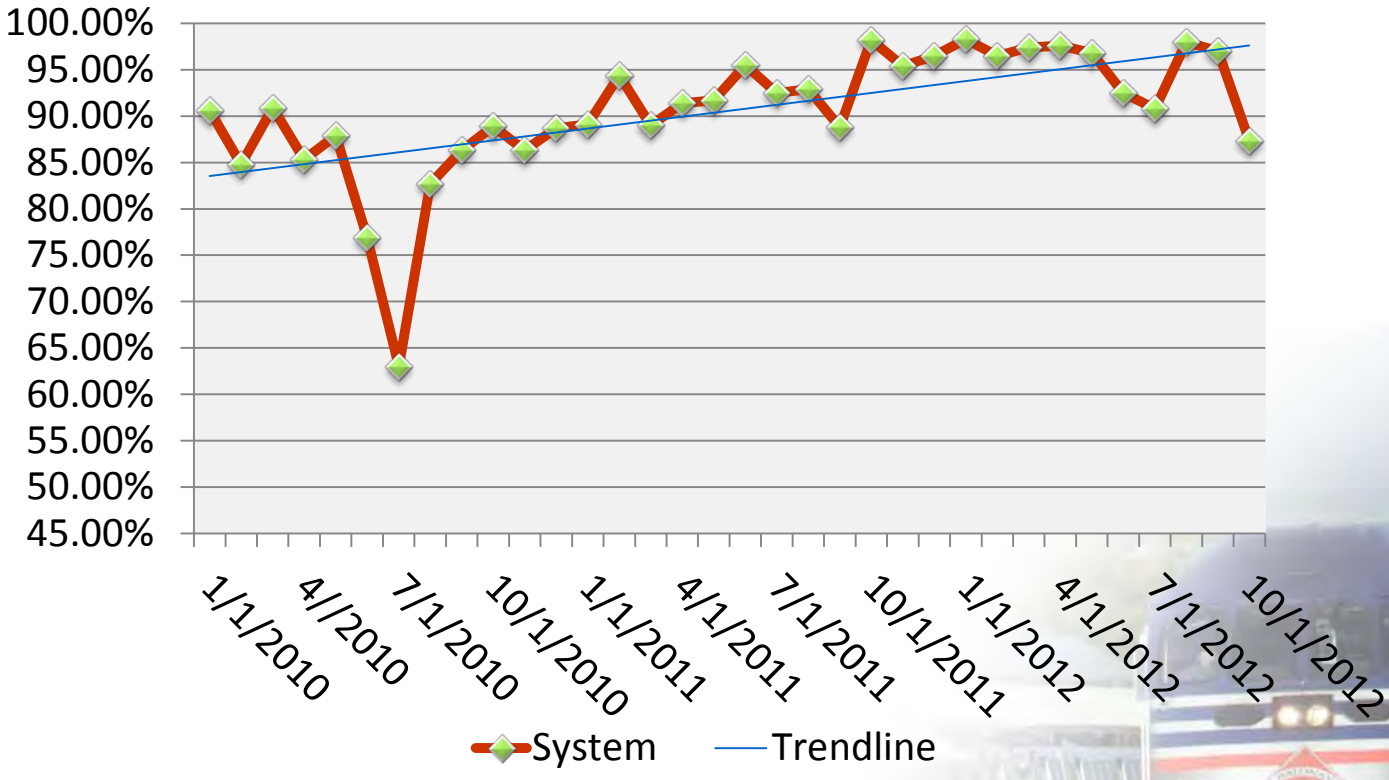
VIRGINIA RAILWAY EXPRESS

Chief Executive Officer's Report

# On-Time Performance

## System Performance

January 2010 – October 2012



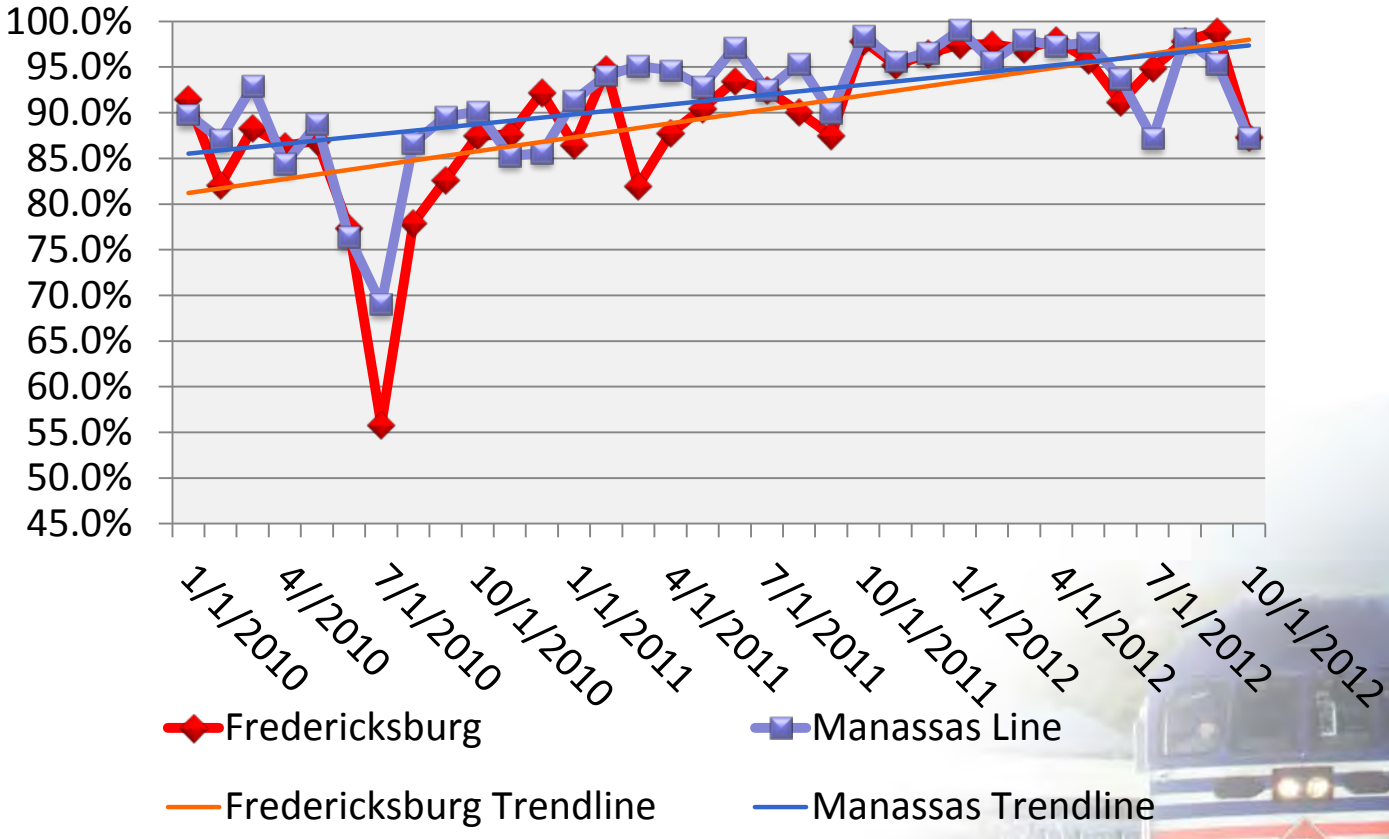

VIRGINIA RAILWAY EXPRESS

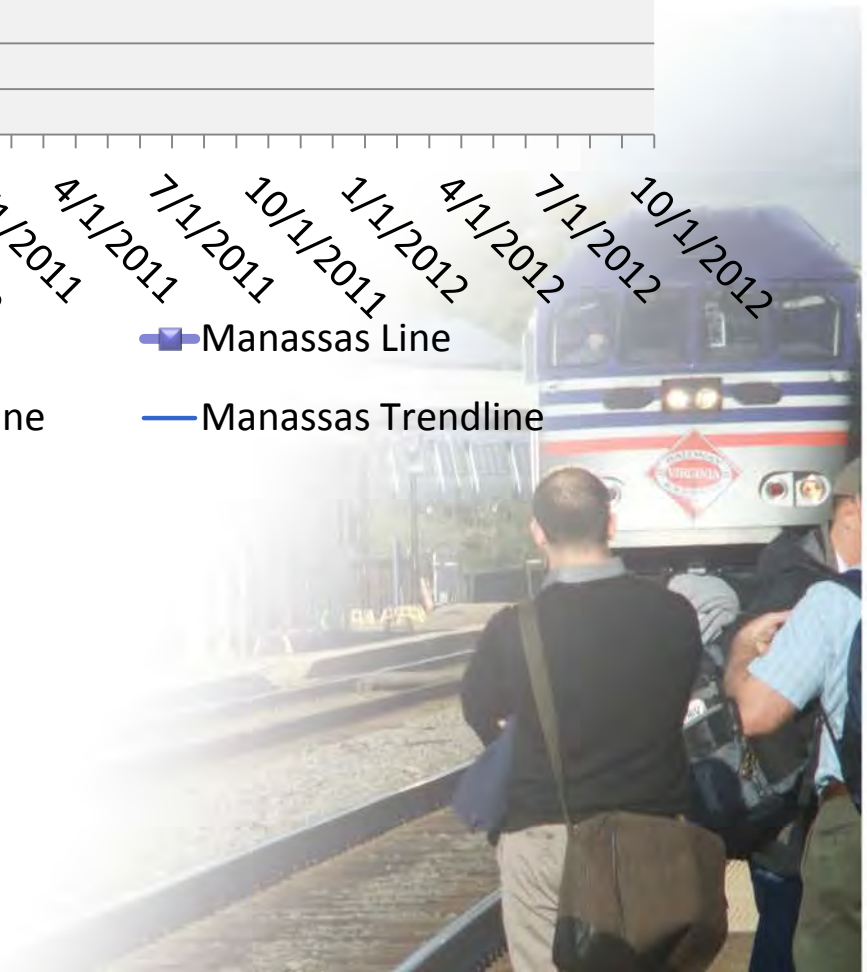
Chief Executive Officer's Report

# On-Time Performance

## Performance By Line

January 2010 – October 2012



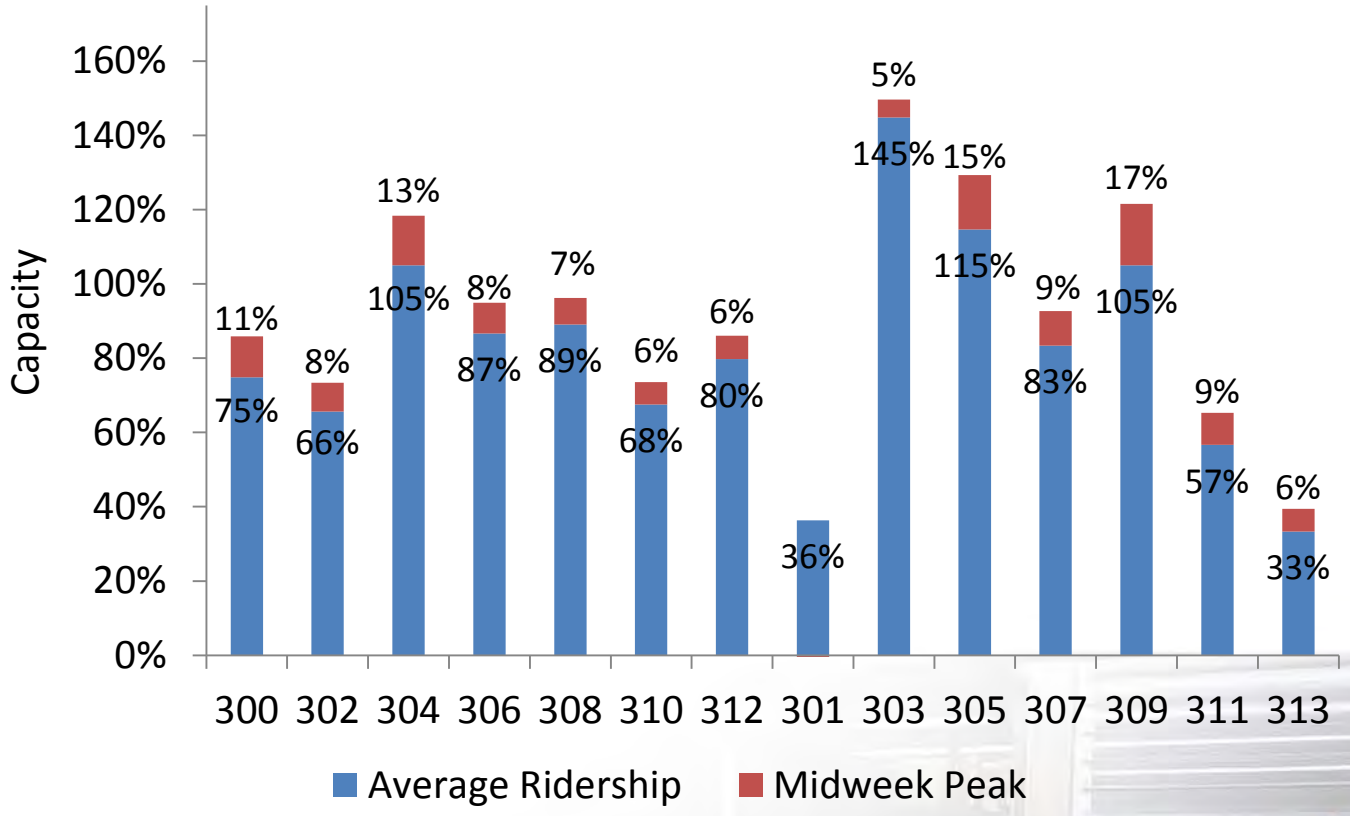
VIRGINIA RAILWAY EXPRESS

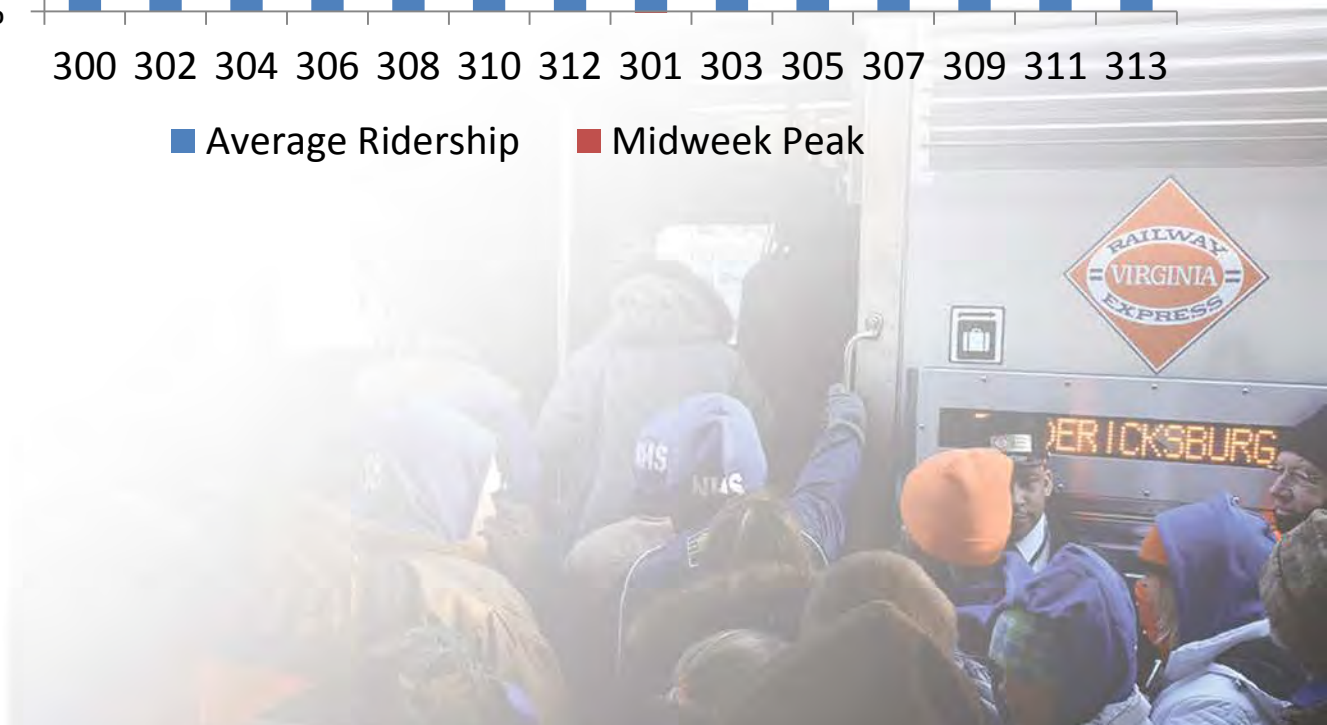
# Chief Executive Officer's Report

## Train Utilization

### Fredericksburg Line

October 2012



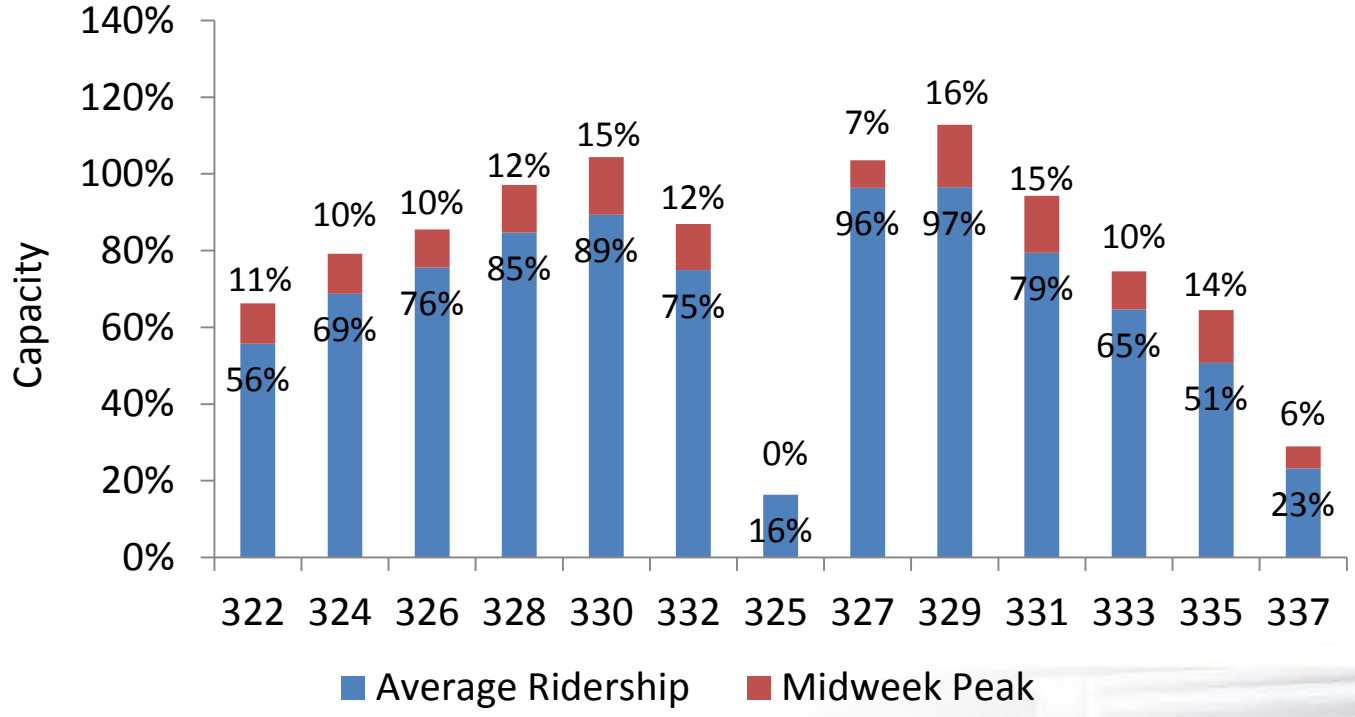
VIRGINIA RAILWAY EXPRESS

# Chief Executive Officer's Report

## Train Utilization

### Manassas Line

October 2012

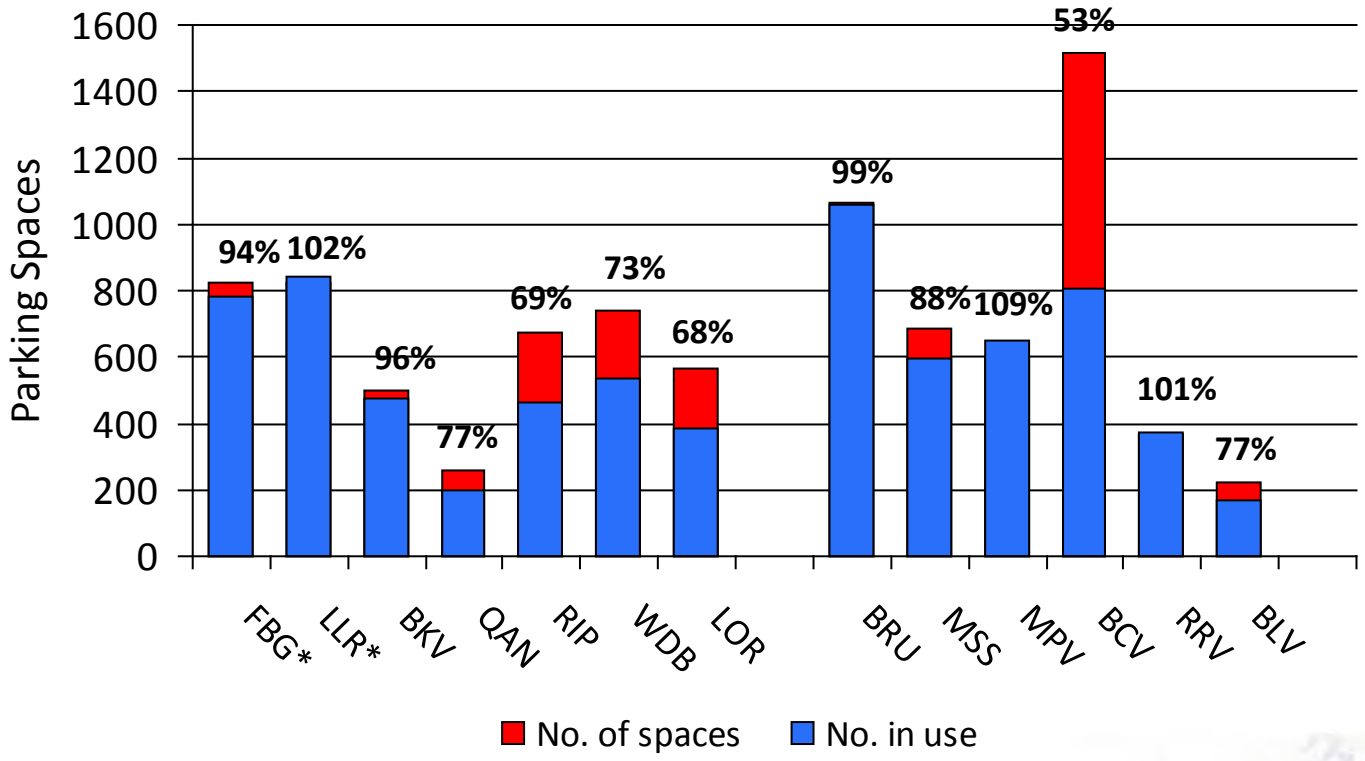



VIRGINIA RAILWAY EXPRESS

Chief Executive Officer's Report

# Parking Utilization

## October 2012



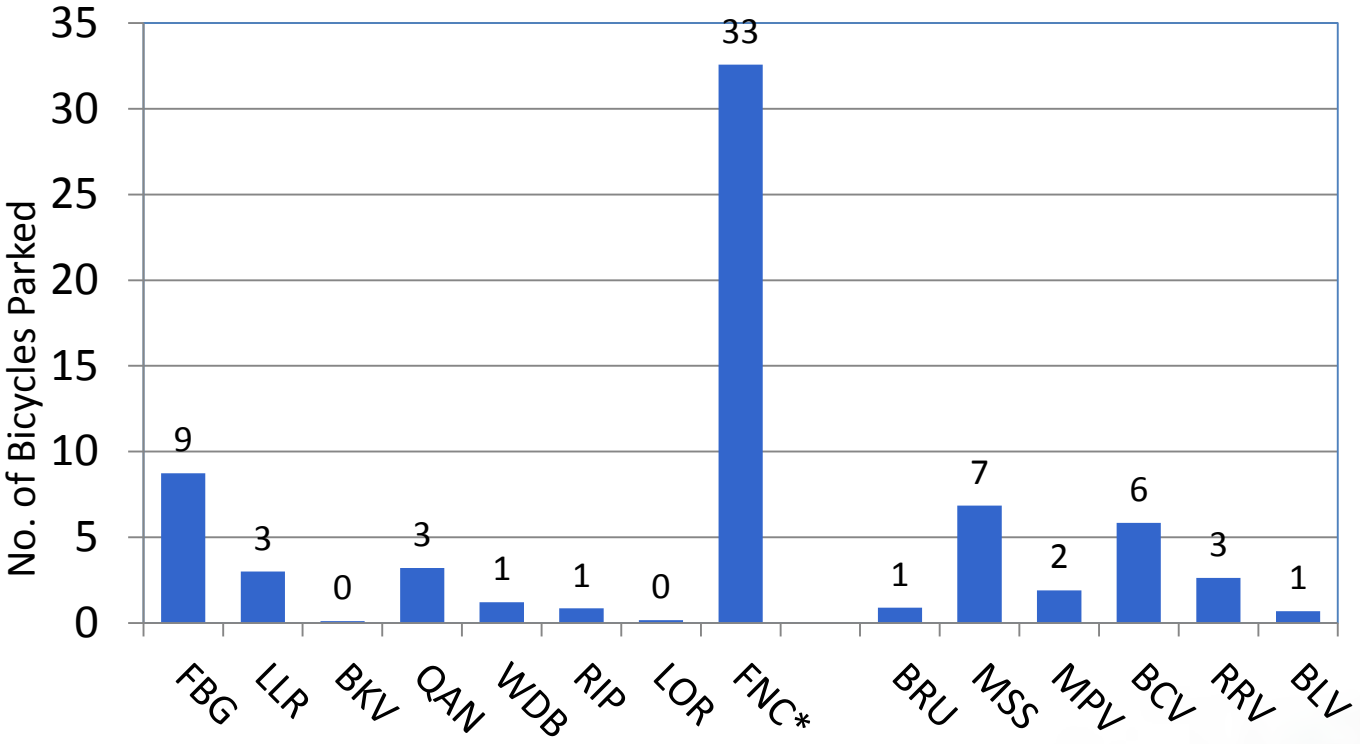

* Denotes stations with overflow parking available that is now being included in final counts.

VIRGINIA RAILWAY EXPRESS

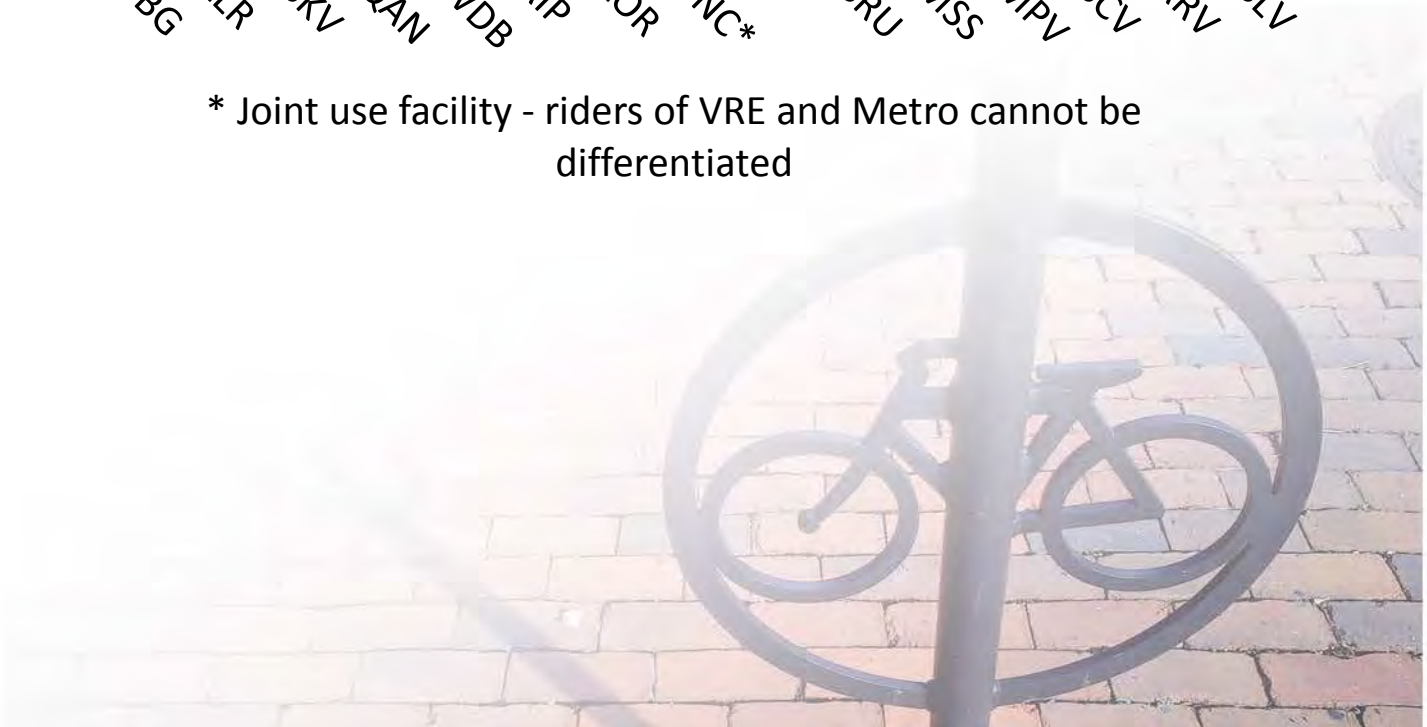
Chief Executive Officer's Report

# Bicycle Counts

## October 2012




* Joint use facility - riders of VRE and Metro cannot be differentiated



# MINUTES

## VRE OPERATIONS BOARD MEETING
## PRTC HEADQUARTERS – PRINCE WILLIAM COUNTY, VIRGINIA
## NOVEMBER 16, 2012



| MEMBERS PRESENT | JURISDICTION |
|---|---|
| Sharon Bulova (NVTC) | Fairfax County |
| Maureen Caddigan (PRTC) | Prince William County |
| John Cook (NVTC) | Fairfax County |
| Wally Covington (PRTC) | Prince William County |
| Frederic Howe (PRTC) | City of Fredericksburg |
| John D. Jenkins (PRTC) | Prince William County |
| Suhas Naddoni (PRTC) | City of Manassas Park |
| Kevin Page | DRPT |
| Gary Skinner (PRTC) | Spotsylvania County |
| Susan Stimpson (PRTC) | Stafford County |
| Jonathan Way (PRTC) | City of Manassas |
| Christopher Zimmerman (NVTC)* | Arlington County |

| MEMBERS ABSENT | JURISDICTION |
|---|---|
| Paul Milde (PRTC) | Stafford County |
| Paul Smedberg (NVTC) | City of Alexandria |

| ALTERNATES PRESENT | JURISDICTION |
|---|---|
| Bob Thomas (PRTC) | Stafford County |

| ALTERNATES ABSENT | JURISDICTION |
|---|---|
| Marc Aveni (PRTC) | City of Manassas |
| Harry Crisp (PRTC) | Stafford County |
| Mark Dudenhefer (PRTC) | Stafford County |
| Brad Ellis (PRTC) | City of Fredericksburg |
| Jay Fisette (NVTC) | Arlington County |
| Frank C. Jones (PRTC) | City of Manassas Park |
| Michael C. May (PRTC) | Prince William County |
| Jeff McKay (NVTC) | Fairfax County |
| Martin E. Nohe (PRTC) | Prince William County |
| Benjamin T. Pitts (PRTC) | Spotsylvania County |

| STAFF AND GENERAL PUBLIC | |
|---|---|
| Doug Allen – VRE | Lezlie Lamb – VRE |
| Gregg Baxter – Keolis | Bob Leibbrandt – Prince William County |
| Donna Boxer – VRE | Steve MacIsaac – VRE counsel |
| Dwight Buraker – PBGH | Betsy Massie – PRTC |
| Michelle Casciax – Prince William Co. | Jennifer Mouchantaf – VRE |
| Rich Dalton – VRE | Sirel Mouchantaf – VRE |
| John Duque – VRE | Dick Peacock – Citizen |
| Mike Garber – PBGH | Lynn Rivers – Arlington County |
| Rhonda Gilchrest – NVTC staff | Mark Roeber – VRE |
| Al Harf – PRTC staff | Mike Schaller – Citizen |
| Chris Henry – VRE | Scott Shenk – Free Lance Star |
| Ann King – VRE | Brett Shorter – VRE |
| Uriah Kiser – Potomac Local.com | Dave Snyder – Citizen |
| Mike Lake – Fairfax County DOT | Rick Taube – NVTC staff |

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

Chairman Covington called the meeting to order at 9:34 A.M. Following the Pledge of Allegiance, roll call was taken.

Approval of the Agenda – 3

Ms. Caddigan moved, with a second by Ms. Bulova, to approve the agenda. The vote in favor was cast by Board Members Bulova, Caddigan, Cook, Covington, Howe, Jenkins, Naddoni, Page, Skinner, Smedberg, Stimpson, Thomas and Way.

Approval of the Minutes of the October 12, 2012 Operations Board Meeting – 4

Ms. Bulova moved approval of the minutes and Ms. Caddigan seconded.

Mr. Page noted that Resolution #8A-10-2012 was approved coming out of Closed Session. He asked for more clarification of the resolution in the minutes based on the discussion. Chairman Covington stated that he has asked staff to begin attaching the resolutions to the minutes and asked Mr. Page if this would satisfy his request. Mr. Page asked that the minutes be amended to follow the current practice of including a header and a general description of the action taken. There were no objections to this friendly amendment.

The Board then voted on the amended motion and it passed. The vote in favor was cast by Board Members Bulova, Caddigan, Cook, Covington, Howe, Jenkins, Naddoni, Page, Skinner, Smedberg, Stimpson, Thomas and Way.

Chairman's Comments – 5

Chairman Covington reported that he has established a Nominating Committee, consisting of Ms. Bulova and Mr. Zimmerman from NVTC and Ms. Caddigan and Mr. Skinner from PRTC. The committee will recommend a slate of officers for approval at the December Operations Board meeting and they will begin their term on January 18, 2013.

Chairman Covington also reported that a capital working group is being formed to discuss capital budget issues. Funding for capital projects is underfunded and it is important not to defer VRE maintenance and/or postpone other important capital projects. He has asked Mr. Cook, Ms. Stimpson, Mr. Zimmerman, Mr. Howe, Mr. Way and Mr. Jenkins to serve as members of this group. The first meeting will be held after the January 18th Operations Board meeting and any other Board Members are welcome to attend.

Chairman Covington reported that the approved funding for the Executive Services Contract with Krauthammer and Associates did not cover all the approved expenses and an additional $14,491 is needed.

Ms. Bulova moved, with a second by Mr. Howe, to approve Resolution #05-11-2012, which would authorize this expenditure. The vote in favor was cast by Board Members Bulova, Caddigan, Cook, Covington, Howe, Jenkins, Naddoni, Page, Skinner, Smedberg, Stimpson, Thomas and Way.

Chairman Covington reported that he provided testimony on behalf of VRE at the CTB public hearing on November 13th where he highlighted the importance of VRE to the region and the state; sought assistance with the track access funding issue; and requested financial support of VRE's critical funding needs.

Chief Executive Officer's Report – 6

Mr. Allen stated that VRE's On-Time Performance (OTP) for the month of October was 96 percent for both lines, even with the major delays caused by a suspicious package on the tracks and a fatality on the Manassas line. OTP to-date for the month of November is 95 percent for both lines. Unfortunately there was another fatality on November 5th in the right-of-way near Cherry Hill on the Fredericksburg line. The medical examiner has not yet issued a ruling on either incident. Mr. Allen thanked PRTC for providing bus service to get VRE passengers to their destination stations when VRE service was interrupted. Keolis crews have gone through an Employee Assistance Program (EAP) due to the trauma of these incidents.

[Mr. Zimmerman arrived at 9:43 A.M.]

Mr. Allen reported that the new Leeland Road parking lot expansion is already at capacity. Unfortunately, the lease for the gravel overflow lot will expire at the end of the year and Stafford County has informed VRE that the lease will not be renewed. The Brooke parking expansion project is expected to open in the next few weeks.

Mr. Allen highlighted several important meetings that VRE staff attended over the last several weeks concerning a potential Potomac Shores station, as well as track and station construction management for the new Spotsylvania station.

Mr. Allen stated that the compensation study is progressing and staff has prepared a draft scope that has been forwarded to PRTC. The data from the Master Agreement survey conducted on October 3rd should be available later this month. A survey was also conducted last week to get a sense of how many existing riders will use the new Spotsylvania station. The survey indicates that 60 percent of those surveyed will switch to that lot, which should open up parking capacity at other stations.

Mr. Allen provided a response to an email from a passenger concerned about a fare summons. Ms. Stimpson stated that this passenger has been riding for 10 years and this was his first offense because he forgot to validate. She expressed her opinion that VRE is punishing "family" and it is a consistent complaint she has heard from riders.

Mr. Howe suggested VRE staff look at a process where longtime riders would be able to provide proof of a history of purchasing 10-trip or monthly passes. Mr. Skinner asked

why a passenger can't be allowed to get off at the next station to validate if they forget to validate. Mr. Allen agreed to come back to the Board at a future meeting to have more dialogue on this issue.

Mr. Way requested an update on the Gainesville/Haymarket extension at a future meeting. Mr. Allen stated that the agreement with Norfolk Southern is in the process of being finalized and then environmental and planning work can begin. Mr. Way asked staff to periodically provide an update on scheduling, major milestones and costs.

VRE Riders' and Public Comment – 7

Mr. Peacock has noticed that there are new VRE signs in the City of Manassas directing riders to the outer parking lots. He also observed that although October ridership was slightly lower compared to the same time last year, VRE shouldn't worry too much. He is encouraged that DRPT Director Drake has assured VRE that funding for the track access fees will be restored. In response to a question from Mr. Peacock, Chairman Covington provided an explanation on the issue. Mr. Peacock stated that it is important to share positive news with the media, including the Keolis mid-term assessment, which shows VRE is saving $1 million. It is also important to convey to the media about the need to restore the track access lease funding.

Authorization to Forward the FY 2012 Audited Financial Statements and Auditor's Report – 8A

Mike Garber of PBGH, VRE's audit firm, reported that he and Mr. Buraker met with the Finance Committee prior to this meeting and gave a more in-depth briefing and answered questions. The audit of VRE's FY 2012 financial statements has been completed and PBGH has issued an unqualified opinion. The opinion letter states that VRE's statements, in all material respects, fairly and accurately present the financial position of the organization. This opinion is the best possible outcome of a financial audit.

In response to Mr. Howe's request for clarification on "no significant issues," Mr. Garber explained that based on professional auditing standards, PBGH found no issues arising from VRE's audit. Mr. Cook stated that as discussed in the Finance Committee meeting, PBGH found no problems with the way VRE is conducting its financial affairs. Mr. Garber responded that this is correct. In response to a question from Mr. Cook, Mr. Garber confirmed that DRPT and the Commonwealth are aware that PBGH is VRE's auditor but no state official contacted him at anytime during this audit. Ms. Stimpson questioned whether this would be appropriate. Mr. Page stated that normally DRPT reviews the completed audit just like the VRE Operations Board does. Mr. Cook stated that as a member of the Operations Board and a representative of the Governor and Secretary of Transportation, if Mr. Page or the Commonwealth had concerns, part of his job is to bring them to the auditor's and/or Operations Board's attention as any member of the Board should do. Mr. Garber stated that PBGH welcomes comments and concerns. PBGH met with management, staff and members of the Finance Committee

prior to beginning the audit. Chairman Covington asked Mr. Garber how many inquiries PBGH received from the Auditors of Public Accounts. Mr. Garber replied none.

Ms. Stimpson noted that Stafford County changes its auditors periodically (every 3-5 years) to provide checks and balances as well as "fresh eyes" to the financial documents. VRE has had the same auditor for eight years. She also expressed her opinion that it is important to not circumvent the Operations Board and go straight to the auditors if there are concerns. She requested the auditors come back to the Board but it took eight months.

Mr. Garber explained that there are no professional standard requirements for any type of governmental entity to change auditors. However, PBGH rotates its auditing staff to provide "fresh eyes." In response to a question from Mr. Way, Mr. Garber stated that PBGH has found no issues or concerns with VRE's FY 2012 audit, which includes a clean assessment extending through October 31, 2012.

Ms. Caddigan moved, with a second by Mr. Skinner, to approve Resolution #8A-11-2012, which accepts the FY 2012 Audited Financial Statements and Auditor's Report and authorizes the CEO to forward them to the Commissions for their consideration. The vote in favor was cast by Board Members Bulova, Caddigan, Cook, Covington, Howe, Jenkins, Naddoni, Page, Skinner, Smedberg, Stimpson, Thomas, Way and Zimmerman. (A copy of the resolution is attached.)

Authorization to Issue a Request for Proposals for the Repair and Overhaul of Air Brake Equipment – 8B

Mr. Allen reported that Resolution #8B-11-2012 would authorize him to issue a Request for Proposals for the repair and overhaul of air brake equipment. The contract term for this solicitation is three years, a base year plus two one-year options, with the CEO exercising the option years at his discretion.

Mr. Zimmerman moved, with a second by Ms. Bulova, to approve Resolution #8B-11-2012. The vote in favor was cast by Board Members Bulova, Caddigan, Cook, Covington, Howe, Jenkins, Naddoni, Page, Skinner, Smedberg, Stimpson, Thomas, Way and Zimmerman.

Authorization to Execute a Ticket Sales Agreement with The Convention Store (Commuter Direct) – 8C

Mr. Allen explained that Resolution #8C-11-2012 would authorize him to execute a ticket sales agreement with The Convention Store, Inc., owner and operator of Commuter Direct, The Commuter Store at Crystal City and various smaller outlets including the Springfield Connector Store.

Chairman Covington asked if staff has looked at VRE doing its own on-line ticket sales, which could also help with the fare evasion issue. Mr. Allen responded that staff is looking at mobile ticketing and other programs where VRE could become a direct vendor of its tickets. Mr. Henry provided a summary of some of the issues VRE has

had in the past as well as new initiatives that are being considered, including how to access transit benefits without going through Commuter Direct.

Ms. Bulova moved, with a second by Ms. Stimpson, to approve Resolution #8C-11-2012 (copy attached). The vote in favor was cast by Board Members Bulova, Caddigan, Cook, Covington, Howe, Jenkins, Naddoni, Page, Skinner, Smedberg, Stimpson, Thomas, Way and Zimmerman.

Operations Board Member's Time

Mr. Cook informed the Operations Board that in January 2013, the Fairfax Connector will begin a new bus service from the Burke Centre VRE station to Tysons Corner using the new express lanes. He suggested working with Fairfax County staff to market this service to Manassas riders and promote it as a new destination option for riders. Chairman Covington noted that PRTC currently runs bus service from Woodbridge to Tysons Corner and there may be a way to partner these two systems. Mr. Harf reported that PRTC is seeing some modest growth in this bus service and there should be a dramatic increase in usage when the HOV lanes are converted to HOT lanes on I-95. Mr. Page suggested that Fairfax County explore an interline agreement with VRE to provide a discount or transfer to promote this new bus services.

Mr. Howe reported that he has been interviewed by the Commonwealth's Auditor of Public Accounts regarding VRE. He expressed his deep appreciation and support for the Operations Board, VRE leadership and VRE staff, especially Jennifer Mouchantaf and Sirel Mouchantaf. He has full faith and confidence in VRE's management and staff. He did request timely updates from VRE so he does not hear about important VRE issues first in media reports. Ms. Bulova apologized for having to leave to attend a meeting in Richmond to discuss transportation funding. She expressed her appreciation and agreement with Mr. Howe's comments. She has been a part of VRE since its inception and it has become one of the best transportation networks in Virginia. VRE welcomes scrutiny and she observed that there are always things that can be improved. Chairman Covington observed that VRE could have responded to the Governor more quickly; however the Governor's letter was not written directly to VRE.

[Ms. Bulova left the meeting at 10:34 A.M. and did not return.]
FY 2014 Budget Update – 10A

Ms. Boxer gave a brief presentation regarding capital funding issues and Mr. Shorter gave a presentation on how to close the funding gap in the operating budget. Currently, VRE's budget is unfunded by $5.5 million. This assumes that the $9.6 million in track access funding is restored based on the assurances from DRPT Director Drake. Mr. Page clarified that DRPT has not confirmed complete restoration for FY 2014, although FY 2013 is confirmed.

Mr. Shorter reviewed three options for closing the budget gap. All three options assume that the track lease funding will be restored; a portion of the FY 2012 budget surplus will

be used to fund one-time operating expenses; fuel usage will be reduced as well as other revenue and expenses adjustments. The three scenarios are:

- Defer the proposed 10-car Fredericksburg line train until FY 2014; four percent fare increase
- Defer the proposed 10-car Fredericksburg line train until FY 2014; three percent fare increase; three percent subsidy increase
- Begin the 10-car Fredericksburg line train in January 2014 (current plan); five percent fare increase; five percent subsidy increase

Mr. Howe stated that it is important to have a "Plan B" if the $9.6 million is not restored. The Board then discussed fare increases versus subsidy increases. Mr. Cook expressed his opinion that the market should set the fares. He asked if staff has done any analysis of how ridership would be affected by various levels of fare increases. Mr. Shorter responded that staff has done this type of analysis. For example, a four percent fare increase is expected to yield approximately $900,000 in net revenues. Mr. Skinner and Ms. Caddigan stated that they would favor a fare increase versus a subsidy increase. Mr. Zimmerman cautioned that determining the price for VRE service versus demand is complicated. It is hard to get riders to return once they are gone. For long-term maintenance of ridership, he advocates for relatively predictable fare increases over time. Mr. Thomas noted that as a business owner, who provides transportation benefits to his employees, VRE is a bargain compared to other modes of transportation.

Chairman Covington stated that VRE is still waiting for the results of the Master Agreement survey which determines the jurisdictional subsidy allocations. In response to a question from Chairman Covington, Mr. Page provided information about the impact of the proposed recommendations from the SJR 297 report.

[Mr. Naddoni left the meeting and did not return.]

Mr. Cook asked staff to conduct an analysis of the costs of commuting versus VRE fares in light of the express lanes opening along the I-95 corridor in the next few years. Mr. Howe explained that since Spotsylvania County pulled out of the express lane project, it will be a virtual parking lot south of Stafford if the issue does not get resolved. He expressed concern that VRE trains will continue to fill up and riders from closer in stations will not be able to board the trains. Mr. Cook stated that this is a major concern for Fairfax County.

[Mr. Skinner left the meeting at 11:00 A.M. and did not return.]

In response to a question from Chairman Covington, Mr. Allen stated that this discussion will be useful in helping shape the budget presentation for the next meeting. He did not hear any objections to deferring the 10-car train. Mr. Cook stated that he hopes that nothing he said or did not say was interpreted in support of delaying the train. He suggested that some analysis needs to be done on how all the moving parts interrelate to the budget. Ms. Stimpson stated that VRE should watch ridership numbers over a period of time before assuming ridership is going down. She requested that staff include information about VRE's cash flow and cash reserves for the budget

discussion in order to have a comprehensive picture of VRE's finances. Chairman Covington asked that the results of the Master Agreement survey be provided to Board Member as soon as they become available.

Mr. Page announced that beginning October 1, 2013, the Commonwealth will add another four regional state-controlled trains, which results in five trains running in the I-95 corridor. He suggested VRE discuss with DRPT how to add more seating capacity to the corridor, even if it is during off-peak times. Some kind of step-up fare could be considered. He stated that it is important to look at long-term choices for the corridor.

Chairman Covington expressed the need for urgency to get the track access funding issue resolved. Mr. Page stated that if it can't be resolved now, it will be resolved in the Governor's budget or in the appropriations process. The top priority is to keep VRE whole but the challenge right now is locating all the funds. Chairman Covington stated that there needs to be a strategy to send urgent letters to the senators and delegates who are representing districts along the rail corridor. They will not want to be surprised when their constituents lose VRE train service. Mr. Cook stated that it is important to carefully frame the issue so it is not interpreted as a normal budget issue. VRE cannot survive with a change in funding of this magnitude over a short period of time. As staff discussed at last month's meeting, in order to cover the $9.6 million, VRE would have to increase fares by 28 percent or drastically reduce the number of trains (6 out of 14 on one line).

Mr. Page stated that if the $9.6 million cannot be restored, the track access funding can still run through the state formula as operating expenses, which results in an 18 percent recovery or as capital, which results in 50 percent recovery. There are also some other funding options. The worst case scenario is 18 percent. He asked if VRE has accrued funding available from prior years. Ms. Boxer explained that the $9.6 million is based on receiving the 18 percent. At 50 percent it would still be a $4.7 million shortfall. VRE is running $300 million of equipment funded by FTA which, if taken out of service, would require VRE to repay that amount. These are significant issues with dire consequences if the $9.6 million is not restored. The carryover funds that VRE has would not impact the magnitude of the situation. She agreed with Mr. Howe that VRE needs to have a "Plan B." Chairman Covington asked staff to include information for the budget discussion regarding any funding that has been carried over, both committed and uncommitted. Mr. Taube reminded the Board that if state formula funds are used to restore the track access funding it would be taking assistance away from other Northern Virginia transit systems.

Keolis Mid-Contract Assessment – 10B

Mr. Allen reported that the mid-contract assessment shows that Keolis is meeting the financial expectations of its contract and the quality of service has increased.

Adjournment

Without objection, Chairman Covington adjourned the meeting at 11:25 A.M.

Approved this 21st day of December, 2012.

Wally Covington
Chairman

Susan Stimpson
Secretary

| CERTIFICATION |
| --- |
| This certification hereby acknowledges that the minutes for the November 16, 2012 Virginia Railway Express Operations Board Meeting have been recorded to the best of my ability.<br><br>Rhonda Gilchrest<br>Rhonda Gilchrest |

**TO:** CHAIRMAN COVINGTON AND THE VRE OPERATIONS BOARD
**FROM:** DOUG ALLEN
**DATE:** NOVEMBER 16, 2012
**RE:** AUTHORIZATION TO AMEND THE EXECUTIVE SEARCH SERVICES CONTRACT AUTHORITY

# RESOLUTION
# 05-11-2012
# OF THE
# VIRGINIA RAILWAY EXPRESS
# OPERATIONS BOARD

**WHEREAS**, in March of 2012, the Operations Board authorized a contract with Krauthamer and Associates for executive search services related to the VRE CEO vacancy; and,

**WHEREAS**, the contract was structured such that the search fee was based on 30% of the first year of compensation, including bonus; and,

**WHEREAS**, thirty percent of the actual first year of compensation totals $78,000; and,

**WHEREAS**, that amount, plus expenses of $12,616, exceeds the Operations Board authority by $14,491.

**NOW, THEREFORE, BE IT RESOLVED THAT,** the VRE Operations Board amends the authorization amount for the executive search services contract with Krauthamer and Associates by $14,491, for a total authorization amount not to exceed $90,616.

Approved this 16th day of November, 2012.

Wally Covington
Chairman

Susan Stimpson
Secretary

**TO:** CHAIRMAN COVINGTON AND THE VRE OPERATIONS BOARD
**FROM:** DOUG ALLEN
**DATE:** NOVEMBER 16, 2012
**RE:** AUTHORIZATION TO FORWARD THE FY 2012 AUDITED FINANCIAL STATEMENTS AND AUDITOR'S REPORT

# RESOLUTION
# 8A-11-2012
# OF THE
# VIRGINIA RAILWAY EXPRESS
# OPERATIONS BOARD

**WHEREAS,** the VRE Operations Board, as well as the Northern Virginia Transportation Commission, have contracted for the audit of their respective financial statements; and,

**WHEREAS**, such audits have been conducted by the firm of PBGH, LLC; and,

**WHEREAS**, the aforementioned firm has completed the audit of VRE's FY 2012 financial statements; and,

**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.

**NOW, THEREFORE, BE IT RESOLVED THAT,** the VRE Operations Board accepts the FY 2012 Comprehensive Annual Financial Report (CAFR) and authorizes the Chief Executive Officer to forward to the Commissions for their consideration VRE's audited statements and associated information from the auditors.

Approved this 16th day of November, 2012.

Wally Covington
Chairman

Susan Stimpson
Secretary

**TO:** CHAIRMAN COVINGTON AND THE VRE OPERATIONS BOARD
**FROM:** DOUG ALLEN
**DATE:** NOVEMBER 16, 2012
**RE:** AUTHORIZATION TO ISSUE A REQUEST FOR PROPOSALS FOR THE REPAIR AND OVERHAUL OF AIR BRAKE EQUIPMENT

# RESOLUTION
# 8B-11-2012
# OF THE
# VIRGINIA RAILWAY EXPRESS
# OPERATIONS BOARD

**WHEREAS,** the current contract for the repair and overhaul of VRE's air brake equipment for rolling stock equipment will expire at the end of December 2012; and,

**WHEREAS**, VRE remains in need of air brake equipment repair and overhaul services due primarily to federally required certification testing and unscheduled repairs.

**NOW, THEREFORE, BE IT RESOLVED THAT**, the VRE Operations Board authorizes the Chief Executive Officer to issue a Request for Proposals for the repair and overhaul of air brake equipment.

Approved this 16th day of November, 2012.

Wally Covington
Chairman

Susan Stimpson
Secretary

**TO:** CHAIRMAN COVINGTON AND THE VRE OPERATIONS BOARD
**FROM:** DOUG ALLEN
**DATE:** NOVEMBER 16, 2012
**RE:** AUTHORIZATION TO EXECUTE A TICKET SALES AGREEMENT WITH THE CONVENTION STORE (COMMUTER DIRECT)

# RESOLUTION
# 8C-11-2012
# OF THE
# VIRGINIA RAILWAY EXPRESS
# OPERATIONS BOARD

**WHEREAS,** VRE tickets are sold by a variety of independent vendors under the terms of negotiated sales agreements; and,

**WHEREAS**, the Convention Store, Inc., owner and operator of Commuter Direct, the Commuter Store at Crystal City and various smaller outlets including the Springfield Connector Store, now sells the majority of VRE vendor provided tickets; and,

**WHEREAS,** VRE has negotiated a ticket sales agreement that provides for additional safeguards in terms of the timing of payments and insurance requirements.

**NOW, THEREFORE, BE IT RESOLVED THAT**, the VRE Operations Board authorizes the Chief Executive Officer to execute a ticket sales agreement with The Convention Store, Inc., owner and operator of Commuter Direct, the Commuter Store at Crystal City and various smaller outlets including the Springfield Connector Store.

Approved this 16th day of November, 2012.

Wally Covington
Chairman

Susan Stimpson
Secretary

Item #2B

VRE FY 2012 Audited Financial Statements

The VRE Board recommends approval of Resolution #2204. This resolution authorizes VRE's Chief Executive Officer to release VRE's audited financial statements to interested agencies, firms and members of the public. VRE achieved a clean audit.

Northern Virginia Transportation Commission

**RESOLUTION #2204**

**SUBJECT:** VRE FY 2012 Audited Financial Statements.

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

**WHEREAS:** The audit for FY 2012 has been completed by the firm of PBGH, LLC;

**WHEREAS:** PBGH, LLC has issued an unqualified opinion that VRE's financial statements, in all material respects, fairly and accurately present the financial position of the organization.

**NOW, THEREFORE, BE IT RESOLVED** that the Northern Virginia Transportation Commission accepts the FY 2012 Comprehensive Annual Financial Report (CAFR) and authorizes the VRE Chief Executive Officer to provide VRE's audited financial statements, and associated information to interested groups, firms and members of the public.

Approved this 6th day of December, 2012.

_____
Jay Fisette
Chairman

_____
Paul C. Smedberg
Secretary-Treasurer

AWARD WINNER NVTC APTA 1996

2300 Wilson Boulevard • Suite 620 • Arlington, Virginia 22201
Tel (703) 524-3322 • Fax (703) 524-1756 • TDD (800) 828-1120
E-mail nvtc@nvtdc.org • Website www.thinkoutsidethecar.org

**AGENDA ITEM 8-A**
**ACTION ITEM**

**TO:** **CHAIRMAN COVINGTON AND THE VRE OPERATIONS BOARD**

**FROM:** **DOUG ALLEN**

**DATE:** **NOVEMBER 16, 2012**

**RE:** **AUTHORIZATION TO FORWARD THE FY 2012 AUDITED FINANCIAL STATEMENTS AND AUDITOR'S REPORT**

---

## RECOMMENDATION:

The VRE Operations Board is being asked to accept the FY 2012 Comprehensive Annual Financial Report (CAFR) and to authorize the Chief Executive Officer to forward to the Commissions for their consideration VRE's audited statements and associated information from the auditors.

## BACKGROUND:

The audit of VRE's FY 2012 financial statements has been completed and the auditors have issued an unqualified opinion. Their opinion letter states that VRE's statements, in all material respects, fairly and accurately present the financial position of the organization. This opinion is the best possible outcome of a financial audit.

The FY 2012 audit was conducted by the firm of PBGH, LLC. PBGH has served as the auditors for VRE, PRTC and NVTC for the last several years. A new three year contract for the audit of the VRE and NVTC financial statements was approved in April 2008, with four years of optional renewals.

The audited financial statements and associated reports were forwarded to all members of the Operations Board on November 2, 2012. The auditors met with the Audit and Finance Committee on November 16, 2012, prior to the Operations

Board meeting to review the statements and their opinion.

**FISCAL IMPACT:**

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

**TO:** CHAIRMAN COVINGTON AND THE VRE OPERATIONS BOARD
**FROM:** DOUG ALLEN
**DATE:** NOVEMBER 16, 2012
**RE:** AUTHORIZATION TO FORWARD THE FY 2012 AUDITED FINANCIAL STATEMENTS AND AUDITOR'S REPORT

# RESOLUTION 8A-11-2012 OF THE VIRGINIA RAILWAY EXPRESS OPERATIONS BOARD

**WHEREAS,** the VRE Operations Board, as well as the Northern Virginia Transportation Commission, have contracted for the audit of their respective financial statements; and,

**WHEREAS**, such audits have been conducted by the firm of PBGH, LLC; and,

**WHEREAS**, the aforementioned firm has completed the audit of VRE's FY 2012 financial statements; and,

**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.

**NOW, THEREFORE, BE IT RESOLVED THAT,** the VRE Operations Board accepts the FY 2012 Comprehensive Annual Financial Report (CAFR) and authorizes the Chief Executive Officer to forward to the Commissions for their consideration VRE's audited statements and associated information from the auditors.

Approved this 16th day of November, 2012.

_____
Wally Covington
Chairman

_____
Susan Stimpson
Secretary

# Virginia Railway Express

A commuter rail service jointly owned and operated by the Northern Virginia Transportation Commission and the Potomac and Rappahannock Transportation Commission. Headquartered in Alexandria, Virginia

# Comprehensive Annual Financial Report

For the years ended June 30, 2012 and 2011

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Virginia Railway Express

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

# VIRGINIA RAILWAY EXPRESS

**Comprehensive Annual Financial Report**

**YEARS ENDED JUNE 30, 2012 AND 2011**

Prepared by:

Department of Finance

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# Introductory Section

**VIRGINIA RAILWAY EXPRESS**
1500 King Street, Suite 202
Alexandria, VA 22314
P: (703) 684-1001
F: (703) 684-1313
www.vre.org

October 30, 2012

To the Honorable Operations Board Members and Commissioners
The Virginia Railway Express
The Northern Virginia Transportation Commission
The Potomac and Rappahannock Transportation Commission

We are pleased to present the comprehensive annual financial report for fiscal year ended June 30, 2012 for the Virginia Railway Express (VRE), a commuter rail service jointly owned and operated by the Northern Virginia Transportation Commission (NVTC) and the Potomac and Rappahannock Transportation Commission (PRTC). NVTC and PRTC are political subdivisions of the Commonwealth of Virginia. VRE is not a legal entity and is considered a joint venture of the two Commissions for accounting purposes. As used in this report, VRE refers to those activities that are carried out jointly or individually by NVTC and PRTC to operate the commuter rail activities described below.

The report consists of management's representations concerning the finances of VRE. Consequently, management assumes responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, VRE's management has established a comprehensive internal control framework that is designed to protect VRE's assets from loss, theft, or misuse and to gather sufficient reliable information for the preparation of VRE's financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. The evaluation of costs and benefits requires estimates and judgments by management.

VRE's financial statements have been audited by PBGH, LLP, a firm of licensed certified public accountants, and have earned an unqualified opinion. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) is found immediately following the independent auditor's report. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

## Profile of Virginia Railway Express

VRE provides commuter rail service on two railroad lines originating in Fredericksburg and Manassas, Virginia, and terminating at Union Station, Washington, DC. VRE began operations in 1992 with 16 trains and 1,800 average daily riders. During fiscal year 2012, VRE operated 32 trains and served an average daily ridership of 19,088, based on 250 days.

VRE is managed by the Commissions. Certain functions have been delegated to the VRE Operations Board, consisting of representatives of all contributing and participating jurisdictions and one representative of the Commonwealth of Virginia's Department of Rail and Public Transportation. PRTC is the recipient of federal grants for the rail service and NVTC is the recipient of state grants for the rail service, with certain minor exceptions. All non-contract staff are employees of PRTC.

In accordance with the Master Agreement that created VRE, the Operations Board must prepare and submit a preliminary annual budget to the Commissions and the contributing and participating jurisdictions by September 30 of the preceding fiscal year for review and comment. A final recommended budget is prepared by December 1 for consideration by the Operations Board and the Commissions by February 1, followed by transmittal to the jurisdictions for appropriation. In addition, the Operations Board is required to have an annual audit performed of the financial activities related to the commuter rail service.

## Economic Conditions

### Major Initiatives

During fiscal year 2012, VRE focused on improving systems that would ensure the future health of the rail line and allow for expansion as opportunities and funding become available.

During fiscal years 2009 through 2011, VRE placed orders for the construction of 20 replacement locomotives. The first new locomotive was delivered to VRE in June 2010 and a total of 13 were received and in service by the end of fiscal year 2011. The remaining seven locomotives were delivered during fiscal year 2012. The new locomotives are more fuel efficient and less costly to maintain and have significantly improved service reliability. In addition, a central diagnostic system that monitors and transmits detailed information on the status of the locomotive electronic systems was completed and capitalized. VRE placed an order for the construction of eight Gallery railcars in fiscal year 2012 to replace existing equipment; delivery is expected in fiscal year 2014.

A platform extension at the Broad Run station and a "Kiss & Ride" facility at the Woodbridge station were completed during fiscal year 2012. In addition, the replacement of existing lighting with LED lighting was completed at several locations; this project will continue in fiscal year 2013. During the fiscal year, the construction of a spare parts warehouse at the Crossroads yard was substantially completed, and the construction of additional parking at the Brooke and Leeland stations was in process. The design of a third track near the planned Spotsylvania station began in fiscal year 2012; both the track and the station are scheduled for construction to begin during fiscal year 2013 with completion scheduled in the following year.

Work is currently underway on a Mobile Ticketing option which will enable passengers to purchase VRE fares via their cell phones. The mobile purchases will be able to be validated and presented to the conductors for visual inspection, just as in the current process, though other capabilities may be added as the system fully develops.

### Long-Term Financial Planning

In order to help prioritize future needs and address potential future growth, a Long-Range Strategic Plan was completed in 2004. The plan identified the projected ridership demand through 2025, and the capital and operating expenses necessary to meet the demand. It also examined potential network extensions, their impact on ridership, and the costs of such expansions and provided the technical underpinning for policy and planning decisions in the upcoming years. The cost and timing of the major capital projects included in the plan was updated in fiscal year 2012. Capital project costs and project timing are updated annually, as needed, and are the basis for the annual development of the capital program. The annual budget includes both a multi-year capital program and a six-year forecast of revenue, expenses and funding sources.

A Transit Development Plan (TDP) was prepared in December 2011 and funded by the Virginia Department of Rail and Public Transportation (DRPT) to comply with DRPT requirements for recipients of state transit operating and capital assistance and to assist the agency in preparing inputs to the state Six-Year Improvement Program (SYIP) for transportation. The TDP identifies VRE's anticipated operating and capital needs over the six-year period from fiscal year 2013 to fiscal year 2018 and is consistent with the VRE capital improvement program and six-year forecasts developed through the annual budget process. The plan must be updated annually to reflect current agency operating and capital priorities and costs and to extend the TDP financial plan an additional year to maintain a six-year planning horizon.

**Financial Environment**

The current financial environment has resulted in a conundrum for VRE, as it has for many transit agencies. As the price of fuel has soared, environmental concerns increased, and highways became even more crowded, commuters have been drawn to transit alternatives. For VRE, ridership has been further strengthened by investments in new equipment and excellent on-time performance. As a result, VRE experienced its highest cumulative average daily ridership to date during fiscal year 2012. At the same time, the availability of needed subsidy funds from local, state and federal governments is constrained. As a result, future VRE budgets will continue to reflect a balance between meeting service needs, controlling local subsidy levels and setting fares at a reasonable price.

The focus of the VRE Operations Board and VRE management continues to be the provision of 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 continues to play a vital role in addressing the area's need to improve air quality and reduce congestion. It is estimated that VRE takes the equivalent of over one full lane of traffic off of both Interstate 95 and Interstate 66 during morning and evening rush hour.

## Awards and Acknowledgement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Virginia Railway Express for its comprehensive annual financial report for the fiscal year ended June 30, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report could not have been prepared without the dedicated cooperation of the entire Finance staff. We would also like to thank the VRE Operations Board and the Commissions for their continued support in planning and conducting the financial operations of VRE in a responsible, progressive fashion.

Respectfully submitted,

Doug Allen
Chief Executive Officer

Donna Boxer, CPA
Chief Financial Officer

## DIRECTORY OF PRINCIPAL OFFICIALS AND KEY PERSONNEL

### Operations Board

Officers

| | |
|---|---|
| Chairman | Hon. Wally Covington, Prince William County |
| Vice-Chairman | Hon. Paul Smedberg, City of Alexandria |
| Treasurer | Hon. John Cook, Fairfax County |
| Secretary | Hon. Susan Stimpson, Stafford County |

Members

Hon. Sharon Bulova, Fairfax County
Hon. Maureen Caddigan, Prince William County
Hon. Frederic Howe, City of Fredericksburg
Hon. John Jenkins, Prince William County
Hon. Paul Milde, Stafford County
Hon. Suhas Naddoni, City of Manassas Park
Kevin Page, VDRPT
Hon. Gary Skinner, Spotsylvania County
Hon. Jonathan Way, City of Manassas
Hon. Christopher Zimmerman, Arlington County

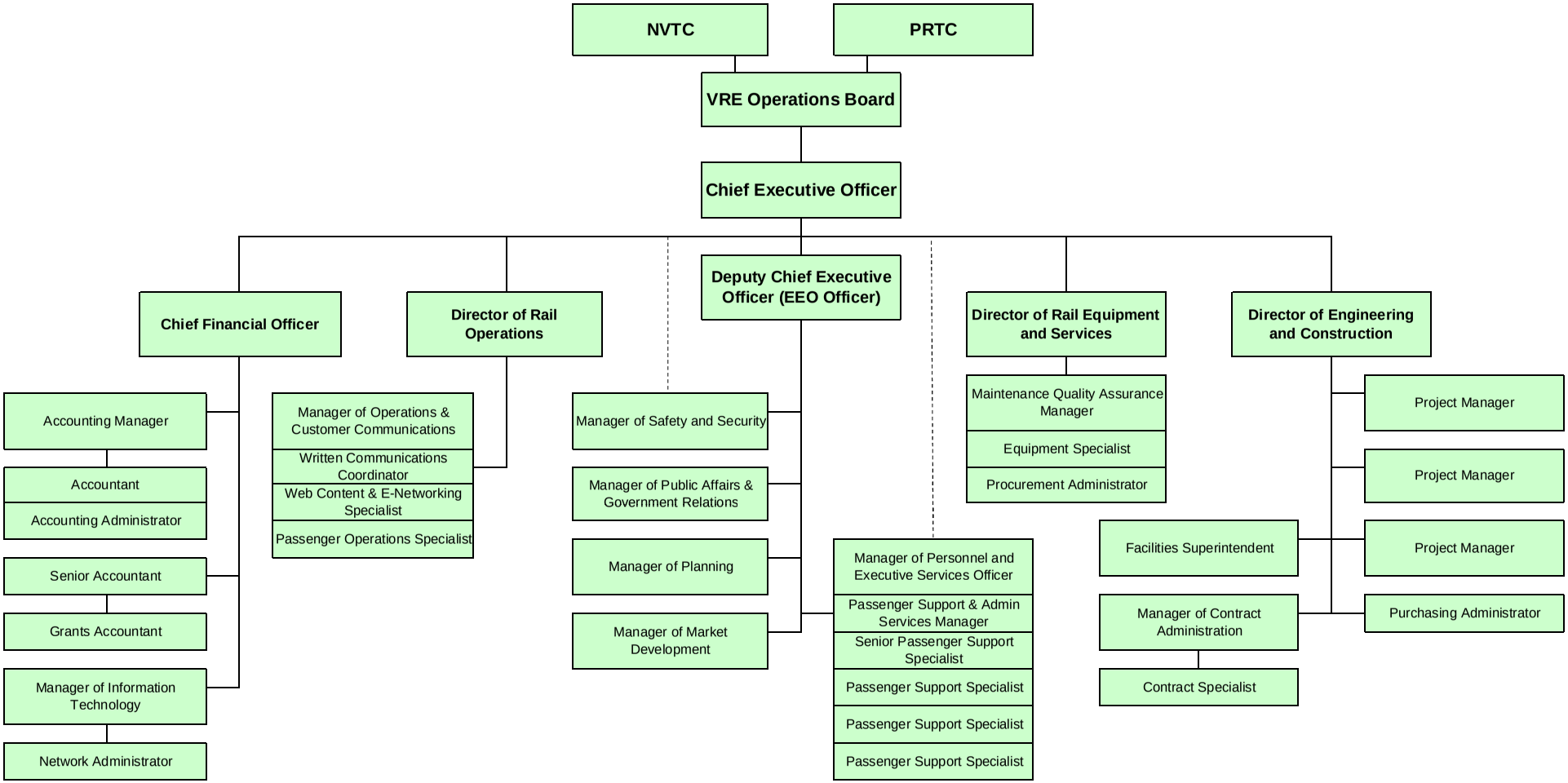
Alternates

Hon. Marc Aveni, City of Manassas
Hon. Bradford Ellis, City of Fredericksburg
Hon. Jay Fisette, Arlington County
Hon. Frank Jones, City of Manassas Park
Hon. Robert Krupicka, City of Alexandria
Hon. Michael May, Prince William County
Hon. Jeff McKay, Fairfax County
Hon. Martin Nohe, Prince William County
Steve Pittard, VDRPT
Hon. Benjamin Pitts, Spotsylvania County
Hon. Bob Thomas, Stafford County

### Management

| | |
|---|---|
| Chief Executive Officer | Doug Allen |
| Deputy Chief Executive Officer | Jennifer Mouchantaf |
| Chief Financial Officer | Donna Boxer, CPA |
| Director, Rail Equipment and Services | Richard Dalton |
| Director, Rail Operations | Chris Henry |
| Director, Engineering and Construction | Sirel Mouchantaf, P.E. |

# Virginia Railway Express
# Organizational Chart
# June 2012




Footnote: Manager of Safety and Security reports to the CEO in matters related to safety and security.
Manager of Personnel reports to the CEO in matters related to EEO.

# Financial Section

PBGH
CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY PARTNERSHIP
www.pbgh.com

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Commission Board Members
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, 2012 and 2011, 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Virginia Railway Express' internal control over financial reporting. Accordingly, we express no such opinion. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Virginia Railway Express as of June 30, 2012 and 2011, and the changes in financial position and cash flows, where applicable, thereof 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 October 30, 2012 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, contracts 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 audits.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information on pages 8-16 and 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on VRE's financial statements. The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. This information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

PBGH, LLP

Harrisonburg, Virginia
October 30, 2012

## 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, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-3 of this report and the financial statements which begin on page 17.

# Financial Operations and Highlights

- Operating revenues increased by 7.6 percent compared to the prior year, from $32,568,192 to $35,025,775. Ridership increased by 5.6 percent from 4,517,366 annual trips to 4,771,987.
- Operating expenses increased by 6.9 percent from $57,628,912 to $61,626,644 as the result of increases to the costs for access fees, maintenance materials for the older rolling stock, ticket sales commissions, diesel fuel and utilities, and VRE's share of the cost of developing a Master Plan for Washington Union Terminal.
- Non-operating revenue and capital grants decreased by 40.1 percent from $96,135,133 to $57,568,098. This decrease reflects the large federal and state grants drawn in fiscal year 2011 for the purchase of locomotives (with either PRTC or NVTC as grantee).
- The operating loss before depreciation was $26,600,869, an increase from the previous year of 6.1 percent. Local, federal and state support is accounted for as non-operating income and is used to offset these losses.
- VRE's total net assets increased by $12,379,083 from $254,899,711 to $267,278,794 primarily as the result of grants and contributions for capital improvements. At the end of the fiscal year, unrestricted net assets were $29,366,104.
- During the fiscal year, capital assets, net of accumulated depreciation and amortization, decreased by 0.3 percent, as the combined result of expenditures on new projects, annual depreciation, and the sale of obsolete rolling stock.

# Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the basic financial statements of the Virginia Railway Express. VRE's basic financial statements also include notes that provide more detail for some of the information in the basic statements.

**Basic Financial Statements.** VRE's statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to an enterprise using the accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred.

VRE's basic financial statements are the Statements of Net Assets; the Statements of Revenues, Expenses and Changes in Net Assets; and the Statements of Cash Flows. Comparative data for the prior fiscal year is provided for all three statements.

The Statements of Net Assets report VRE's net assets, the difference between assets and liabilities. Net assets are one way to measure financial position, but the reader should also consider other indicators, such as the rate of growth of operating subsidies, passenger fare levels, ridership, general economic conditions and the age and condition of capital assets.

The Statements of Revenues, Expenses and Changes in Net Assets report all of the revenues earned and expenses incurred during the reporting periods.

The Statements of Cash Flows provide information on cash receipts and cash payments during the reporting periods.

The basic financial statements can be found on pages 17-20 of this report.

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 21-39 of this report.

## Financial Analysis

## Statements of Net Assets

As noted earlier, net assets may serve over time as an indicator of financial strength, although other indicators should be considered as well. A condensed summary of VRE's net assets at June 30, 2012, 2011, and 2010 is shown below:

### Condensed Statements of Net Assets

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| ASSETS: | | | |
| Current and other assets | $ 55,352,025 | $ 55,530,425 | $ 52,448,311 |
| Capital assets, net | 321,380,255 | 322,205,246 | 280,924,816 |
| **Total assets** | 376,732,280 | 377,735,671 | 333,373,127 |
| LIABILITIES: | | | |
| Current portion of long-term debt | 8,866,830 | 8,378,899 | 7,816,356 |
| Other current liabilities | 8,219,368 | 15,119,555 | 17,571,445 |
| Non-current liabilities | 92,367,288 | 99,337,506 | 106,374,996 |
| **Total liabilities** | 109,453,486 | 122,835,960 | 131,762,797 |
| NET ASSETS: | | | |
| Invested in capital assets, net of related debt | 220,396,390 | 213,710,235 | 165,407,433 |
| Restricted | 17,516,300 | 16,912,457 | 15,526,729 |
| Unrestricted | 29,366,104 | 24,277,019 | 20,676,168 |
| **Total net assets** | $ 267,278,794 | $ 254,899,711 | $ 201,610,330 |

**Current Year**

Net assets increased by approximately $12.4 million, or 4.9 percent during the current fiscal year, due mainly to capital contributions that were used to fund rolling stock and facilities improvements.

The largest portion of VRE's net assets, $220.4 million or 82.5 percent, represents its investment in capital assets (e.g., land, buildings, improvements, rolling stock, equipment and software), 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. The resources required to repay this debt must be provided annually from operations and federal (with PRTC as grantee), state and local support since it is unlikely that the capital assets themselves will be liquidated to pay liabilities.

A portion of VRE's net assets, $17.5 million or nearly 6.6 percent represents resources that are restricted for the liability insurance plan, debt service, and the purchase of replacement rolling stock.

Capital assets, net of accumulated depreciation and amortization, decreased approximately $.82 million or 0.3 percent as the result of a combination of lower expenditures on new projects, annual depreciation, and the sale of obsolete rolling stock.

Current liabilities decreased approximately $6.4 million or 27.3 percent as the result of a decrease to accrued expenses and contract retainage at year end, associated primarily with the completion of the locomotive replacement project.

Noncurrent liabilities decreased approximately $7.0 million or 7.0 percent because of scheduled bond and note repayments during the year.

Restricted net assets increased approximately $.6 million or 3.6 percent.

**Prior Year**

Net assets increased by approximately $53.3 million, or 26.4 percent during the current fiscal year, due mainly to capital contributions that were used to fund rolling stock and facilities improvements.

The largest portion of VRE's net assets, $213.7 million or 83.8 percent, represents its investment in capital assets (e.g., land, buildings, improvements, rolling stock, equipment and software), less the related indebtedness outstanding used to acquire those capital assets.

A portion of VRE's net assets, $16.9 million or 6.6 percent represents resources that are restricted for the liability insurance plan, debt service, and the purchase of replacement rolling stock.

Capital assets, net of accumulated depreciation and amortization, increased approximately $41.3 million or 14.7 percent as the result of rolling stock and facilities additions.

Current liabilities decreased approximately $1.9 million or 7.4 percent as the result of a decrease to accrued expense related to a $1.5 million payment to Amtrak for VRE's share of a retroactive wage settlement and accrued payments for the purchase of rolling stock combined with an increase to contract retainage.

Noncurrent liabilities decreased approximately $7.0 million or 6.6 percent because of scheduled bond and note repayments during the year.

Restricted net assets increased approximately $1.4 million or 8.9 percent.

## Statements of Revenues, Expenses and Changes in Net Assets

The following financial information was derived from the Statements of Revenues, Expenses and Changes in Net Assets and reflects how VRE's net assets changed during the current and two prior fiscal years.

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Operating revenues: | | | |
| Passenger revenue | $ 34,721,591 | $ 32,368,123 | $ 30,019,730 |
| Equipment rentals and other | 304,184 | 200,069 | 247,375 |
| **Total operating revenues** | 35,025,775 | 32,568,192 | 30,267,105 |
| Non-operating revenues and capital grants: | | | |
| Subsidies and grants: | | | |
| Commonwealth of Virginia | 14,739,474 | 20,313,115 | 24,093,271 |
| Federal – with PRTC as grantee | 27,178,191 | 56,293,414 | 29,988,091 |
| Federal – NVTC and other | - | 3,308,513 | 377,371 |
| Jurisdictional contributions | 15,943,917 | 16,070,307 | 16,376,968 |
| In-kind and local contributions | 46,924 | 406,331 | 680,631 |
| Interest income | 17,974 | 15,059 | 89,643 |
| Loss on disposal of assets | (358,382) | (271,606) | (393,419) |
| **Total non-operating revenues and capital grants** | 57,568,098 | 96,135,133 | 71,212,556 |
| **Total revenues** | 92,593,873 | 128,703,325 | 101,479,661 |
| Operating expenses: | | | |
| Contract operations and maintenance | 21,093,606 | 21,405,930 | 20,291,361 |
| Other operations and maintenance | 14,594,826 | 12,949,155 | 12,055,009 |
| Property leases and access fees | 13,123,367 | 11,756,531 | 9,482,367 |
| Insurance | 3,491,620 | 4,049,906 | 3,864,366 |
| Marketing and sales | 2,211,354 | 1,502,434 | 1,259,048 |
| General and administrative | 7,111,871 | 5,964,956 | 5,642,360 |
| **Total operating expenses** | 61,626,644 | 57,628,912 | 52,594,511 |
| Other expenses: | | | |
| Depreciation and amortization | 13,373,129 | 12,218,203 | 11,337,406 |
| Interest, financing costs and other | 5,215,017 | 5,566,829 | 5,682,935 |
| **Total other expenses** | 18,588,146 | 17,785,032 | 17,020,341 |
| **Total expenses** | 80,214,790 | 75,413,944 | 69,614,852 |
| **Change in net assets** | 12,379,083 | 53,289,381 | 31,864,809 |
| Net assets - beginning of year | 254,899,711 | 201,610,330 | 169,745,521 |
| Net assets - end of year | $ 267,278,794 | $ 254,899,711 | $ 201,610,330 |

**Revenues**

**Current Year**

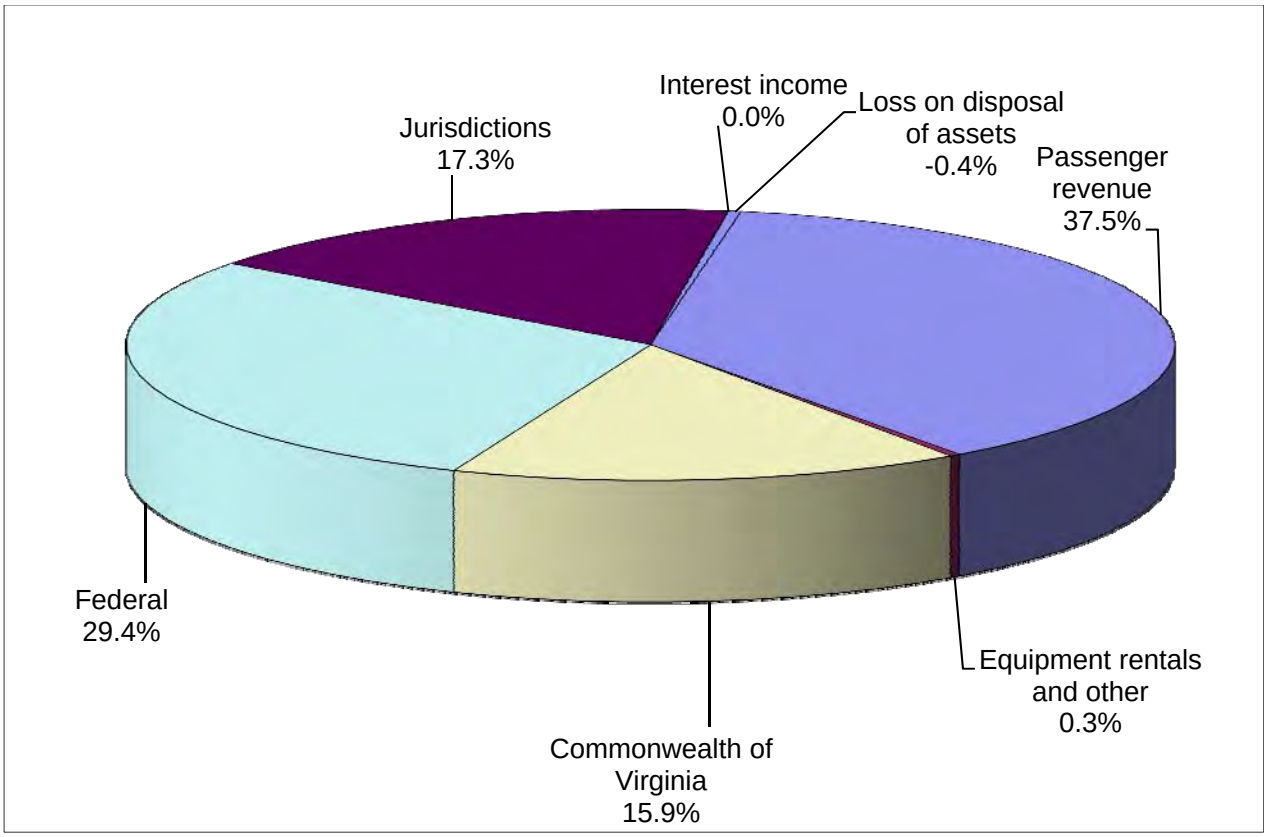
Total revenues for the current fiscal year decreased approximately $36.1 million or 28.1 percent. Operating revenues totaled $35.0 million, an increase of 7.6 percent from the prior year.

Passenger revenue increased approximately $2.4 million or 7.3 percent as the result of an increase in ridership.

| | June 30, | | |
|---|---|---|---|
| | 2012 | 2011 | 2010 |
| Ridership | 4,771,987 | 4,517,366 | 4,033,230 |
| % Increase | 5.6% | 12% | 4.6% |

Subsidies and capital grants decreased approximately $38.0 million or 47.6 percent; this decrease is attributed to large grants for the purchase of locomotives in the prior fiscal year. Jurisdictional subsidies decreased approximately $.1 million or 0.8 percent.

The following chart shows the major sources of revenues for the year ended June 30, 2012:



**Prior Year**

Total revenues for the current fiscal year increased approximately $27.1 million or 26.6 percent. Operating revenues totaled $32.6 million, an increase of 7.6 percent from the prior year.

Passenger revenue increased approximately $2.3 million or 7.8 percent as the result of an increase in ridership.

Subsidies and capital grants increased approximately $25.5 million or 46.7 percent; this increase reflects the grants for the purchase of locomotives. Jurisdictional subsidies decreased approximately $.3 million or 1.9 percent. In addition, VRE received $.4 million of in-kind and local contributions.

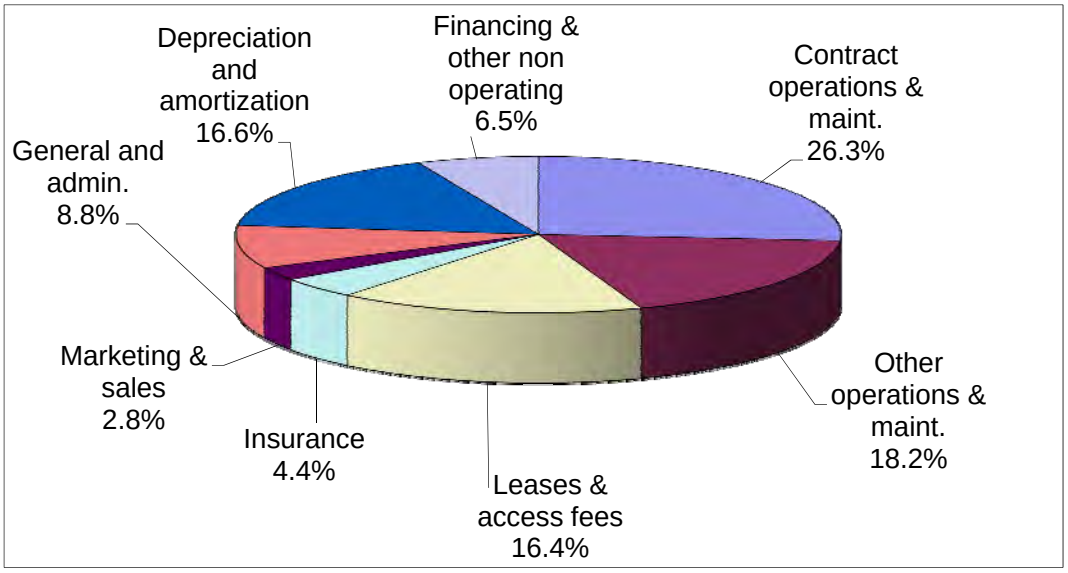
**Expenses**

**Current Year**

Total operating and other expenses, including depreciation and amortization, increased approximately $4.8 million or 6.4 percent. Operating expenses increased by $4 million or 6.9 percent. Total operating expenses were approximately $61.6 million compared to approximately $57.6 million for the prior fiscal year.

Property lease and access fee costs increased by approximately $1.4 million or 11.6 percent as the result of regular contractual increases, a revised contract with CSX and additional service added at the end of fiscal year 2011. Other operations and maintenance costs increased by $1.6 million or 12.7 percent because of an increase to fuel and utilities costs of $.68 million and an increase to rolling stock repair and maintenance costs of approximately $1 million for materials and specialized repairs related to the older rolling stock and newer equipment no longer covered under warranty. Marketing and sales costs increased by $.71 million or 47.2 percent as the result of higher ticket sales commission costs and additional targeted media advertising. General and administrative costs increased by $1.1 million or 19.2 percent, reflecting VRE's share of the cost of a Master Plan for Washington Union Terminal of $.86 million and higher salary and benefit costs of $.2 million. Insurance costs decreased by $.56 million or 13.8 percent as the result of a premium credit from prior years. Depreciation and amortization increased by approximately $1.2 million or 9.5 percent and net interest and financing costs decreased by $.35 million or 6.3 percent.

The following chart shows the major expense categories for the year ended June 30, 2012:



**Prior Year**

Total operating and other expenses, including depreciation and amortization, increased approximately $5.8 million or 8.3 percent. Operating expenses increased by $5 million or 9.6 percent. Total operating expenses were approximately $57.6 million compared to approximately $52.6 million for the prior fiscal year.

Property leases and access fees increased by approximately $2.3 million or 24.0 percent as the result of regular contractual increases and a new contract with Amtrak for access to Union Station. Contracted operation and maintenance costs increased by approximately $1.1 million or 5.5 percent because of the inclusion in the new contract of certain liability insurance costs and warehouse and facilities services and additional costs for maintenance of the older locomotives. Diesel fuel and utility costs combined were higher than the amounts for the prior year by approximately $1 million or 22.2 percent, primarily as the result of substantial increases to the price of diesel fuel and the use of stand-by power for idling locomotives. Ticket sales expense increased by $.12 million or 14.5 percent as the result of higher ticket sales, insurance costs increased by $.19 million or 4.8 percent and professional services increased by $.21 million or 43.4% for several grant funded studies and construction oversight. Depreciation and amortization increased by approximately $.88 million or 7.8 percent and net interest and financing costs decreased by $.11 million or 2 percent.

## Capital Assets and Debt Administration

### Capital Assets

VRE's investment in capital assets as of June 30, 2012 amounts to $321 million (net of accumulated depreciation and amortization). This investment in capital assets includes rolling stock, stations and platforms, track and signal improvements, office facilities, equipment and software, and equity in local property. Acquisitions are funded using a variety of financing techniques, including loans and grants from various government agencies and other local sources.

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Rolling stock | $ 232,917,506 | $ 218,390,607 | $ 175,852,176 |
| Vehicles | 99,832 | 99,832 | 74,162 |
| Facilities | 94,688,877 | 92,335,553 | 78,099,155 |
| Track and signal improvements | 52,684,367 | 52,684,367 | 52,151,000 |
| Equipment and software | 8,739,939 | 8,393,438 | 8,776,321 |
| Construction in progress | 12,849,876 | 31,683,346 | 42,817,578 |
| Equity in local properties | 5,244,798 | 5,244,798 | 5,244,798 |
| Furniture, equipment and software | 5,409,010 | 3,760,116 | 3,724,664 |
| | 412,634,205 | 412,592,057 | 366,739,854 |
| Less accumulated depreciation and amortization | (91,253,950) | (90,386,811) | (85,815,038) |
| **Total capital assets, net** | $ 321,380,255 | $ 322,205,246 | $ 280,924,816 |

**Current Year**

During fiscal year 2012, net investment in capital assets decreased approximately $.82 million or 0.3 percent, as the result of the sale of older rolling stock combined with lower amounts of new project construction. Completed projects totaling approximately $31.7 million were closed from construction in progress to their respective capital accounts and an additional $.33 million was charged directly to the capital accounts. Seven older locomotives and ten older railcars were sold during the year for a combined net loss on sale in the amount of approximately $255,000.

The major completed projects were: the manufacture of seven new locomotives ($27.6 million); completion of the CDS computer system for communication with the new locomotives ($1.6 million); construction of an extension to the platform at the Broad Run station ($.89 million); construction of a "Kiss & Ride" facility at the Woodbridge station ($.6 million); and a number of station, parking and yard lighting projects at various stations ($.79 million). The major additions to construction in progress during the fiscal year were for the construction of the Crossroads warehouse, the construction of additional parking at the Brooke and Leeland stations, and lighting improvement projects at various stations.

Additional information on VRE's capital assets and contractual commitments can be found in Notes 3 and 10 to the financial statements.

**Prior Year**

During fiscal year 2011, net investment in capital assets increased approximately $41.3 million or 14.7 percent. Completed projects totaling approximately $65 million were closed from construction in progress to their respective capital accounts and an additional $.19 million was charged directly to the capital accounts.

The major completed projects were: manufacture of 13 new locomotives ($50.8 million); construction of a second platform and pedestrian overpass at the Woodbridge station ($6.1 million); Fredericksburg station viaduct and platform rehabilitation ($2.2 million); and the construction of a maintenance facility at the Broad Run yard ($5.8 million). Seven older locomotives were sold during the year for a combined net loss on sale in the amount of approximately $270,000. The major additions to construction in progress during the fiscal year were for the acquisition of new locomotives, and improvements to the stations and yards.

**Debt Administration**

At June 30, 2012, VRE had total debt outstanding of $101,166,421. The revenue bond debt is issued under the name of the Northern Virginia Transportation Commission (NVTC). The bonds are secured by a pledge of VRE revenue and a debt service insurance policy guarantees payment of each bond series.

The Northern Virginia Transportation Commission (NVTC) and the Potomac and Rappahannock Transportation Commission (PRTC) are co-lessees of the capital lease for rolling stock, which is secured by the related equipment. The note payable for VRE's office condominium was issued by NVTC and is secured by the real estate. The promissory note with the Federal Railroad Administration for the purchase of 60 Gallery railcars was issued by NVTC, but both NVTC and PRTC are signatories. The note is secured by the revenues of VRE and the rolling stock.

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Revenue bonds | $ 18,685,000 | $ 24,295,000 | $ 29,490,000 |
| Capital leases | 18,751,762 | 19,786,652 | 20,775,627 |
| Notes payable (includes RRIF) | 63,729,659 | 63,685,611 | 64,189,851 |
| **Total** | $ 101,166,421 | $ 107,767,263 | $ 114,455,478 |

VRE has access to a line of credit of up to $1 million with SunTrust Bank; the line was not utilized during 2012. For further information, please refer to Notes 7 and 8 of 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's service. The constraining factors to VRE growth are station parking, availability of seats, storage capacity, and the availability of subsidy funds.

A fare increase of 3% was implemented at the beginning of fiscal year 2013. The local subsidy for fiscal year 2013 was increased by $484,882 to a total of $16,428,799, with full financial participation by Spotsylvania County. The level of state funding for transportation continues to be volatile and the level of federal formula funding may be more variable than it has been in the past.

## 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 Chief Financial Officer, Virginia Railway Express, 1500 King Street, Alexandria, Virginia 22314-2730 or by e-mail to dboxer@vre.org.

**VIRGINIA RAILWAY EXPRESS**

**STATEMENTS OF NET ASSETS**
**June 30, 2012 and 2011**

| ASSETS | 2012 | 2011 |
|---|---|---|
| Current Assets: | | |
| Cash and cash equivalents | **$ 6,149,443** | $ 9,921,706 |
| Accounts receivable: | | |
| Due from PRTC - funded by FTA | **20,453,692** | 14,533,706 |
| Federal grants - other | **-** | 121,412 |
| Commonwealth of Virginia grants | **3,631,920** | 3,640,249 |
| Trade receivables, net of allowance for doubtful accounts | **1,374,764** | 3,689,528 |
| Other receivables | **98,728** | 237,667 |
| Inventory | **4,272,638** | 4,715,458 |
| Prepaid expenses and other | **484,544** | 465,647 |
| Restricted cash, cash equivalents and investments | **17,555,259** | 16,808,248 |
| **Total current assets** | **54,020,988** | 54,133,621 |
| Noncurrent Assets: | | |
| Deferred bond and lease costs, net | **1,331,037** | 1,396,804 |
| Capital assets: | | |
| Rolling stock | **232,917,506** | 218,390,607 |
| Vehicles | **99,832** | 99,832 |
| Facilities | **94,688,877** | 92,335,553 |
| Track and signal improvements | **52,684,367** | 52,684,367 |
| Equipment and software | **8,739,939** | 8,393,438 |
| Construction in progress | **12,849,876** | 31,683,346 |
| Equity in local properties | **5,244,798** | 5,244,798 |
| Furniture, equipment and software | **5,409,010** | 3,760,116 |
| | **412,634,205** | 412,592,057 |
| Less accumulated depreciation and amortization | **(91,253,950)** | (90,386,811) |
| **Total capital assets, net** | **321,380,255** | 322,205,246 |
| **Total noncurrent assets** | **322,711,292** | 323,602,050 |
| **Total assets** | **$ 376,732,280** | $ 377,735,671 |

See Notes to Financial Statements.

| LIABILITIES AND NET ASSETS | 2012 | 2011 |
|---|---|---|
| Current Liabilities: | | |
| Accounts payable | **$ 2,714,790** | $ 2,675,346 |
| Accounts payable – rolling stock | **-** | 1,092,856 |
| Payable to Commissions | **589,210** | 847,743 |
| Compensated absences | **29,909** | 2,757 |
| Accrued expenses | **2,563,735** | 4,610,277 |
| Accrued interest | **767,834** | 926,658 |
| Unearned revenue | **1,389,077** | 1,293,177 |
| Contract retainage | **164,813** | 3,670,741 |
| Current portion of bonds payable | **5,910,000** | 5,610,000 |
| Current portion of capital lease obligations | **1,082,937** | 1,034,890 |
| Current portion of notes payable | **1,873,893** | 1,734,009 |
| **Total current liabilities** | **17,086,198** | 23,498,454 |
| Noncurrent Liabilities: | | |
| Bonds payable, net | **12,592,444** | 18,319,892 |
| Capital lease obligations | **17,668,825** | 18,751,762 |
| Notes payable | **61,855,766** | 61,951,602 |
| Compensated absences | **250,253** | 314,250 |
| **Total noncurrent liabilities** | **92,367,288** | 99,337,506 |
| **Total liabilities** | **109,453,486** | 122,835,960 |
| Net Assets: | | |
| Invested in capital assets, net of related debt | **220,396,390** | 213,710,235 |
| Restricted for liability insurance plan | **10,156,492** | 10,052,968 |
| Restricted for debt service and capital lease | **6,408,466** | 6,259,239 |
| Restricted grants or contributions | **951,342** | 600,250 |
| Unrestricted assets | **29,366,104** | 24,277,019 |
| **Total net assets** | **267,278,794** | 254,899,711 |
| **Total liabilities and net assets** | **$ 376,732,280** | $ 377,735,671 |

**VIRGINIA RAILWAY EXPRESS**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**
**Years Ended June 30, 2012 and 2011**

| | 2012 | 2011 |
|---|---|---|
| Operating Revenues: | | |
| Passenger revenue | **$ 34,721,591** | $ 32,368,123 |
| Equipment rentals and other | **304,184** | 200,069 |
| **Total operating revenues** | **35,025,775** | 32,568,192 |
| Operating Expenses: | | |
| Contract operations and maintenance | **21,093,606** | 21,405,930 |
| Other operations and maintenance | **14,594,826** | 12,949,155 |
| Property leases and access fees | **13,123,367** | 11,756,531 |
| Insurance | **3,491,620** | 4,049,906 |
| Marketing and sales | **2,211,354** | 1,502,434 |
| General and administrative | **7,111,871** | 5,964,956 |
| **Total operating expenses** | **61,626,644** | 57,628,912 |
| **Operating loss before depreciation and amortization** | **(26,600,869)** | (25,060,720) |
| Depreciation and amortization | **(13,373,129)** | (12,218,203) |
| **Operating loss** | **(39,973,998)** | (37,278,923) |
| Nonoperating Revenues (Expenses): | | |
| Subsidies: | | |
| Commonwealth of Virginia grants | **12,711,602** | 12,806,509 |
| Federal grants – with PRTC as grantee | **17,181,121** | 16,157,284 |
| Jurisdictional contributions | **15,943,917** | 16,070,307 |
| Interest income: | | |
| Operating funds | **16,813** | 14,675 |
| Other restricted funds | **1,161** | 384 |
| Loss on disposal of assets | **(358,382)** | (271,606) |
| Interest, amortization and other nonoperating expenses, net | **(5,215,017)** | (5,566,829) |
| **Total nonoperating revenues, net** | **40,281,215** | 39,210,724 |
| Capital grants and assistance: | | |
| Commonwealth of Virginia grants | **2,027,872** | 7,506,606 |
| Federal grants – with PRTC as grantee | **9,997,070** | 40,136,130 |
| Federal grants – NVTC and other | **-** | 3,308,513 |
| Other local contributions | **46,924** | 406,331 |
| **Total capital grants and assistance** | **12,071,866** | 51,357,580 |
| **Change in net assets** | **12,379,083** | 53,289,381 |
| Net Assets, beginning | **254,899,711** | 201,610,330 |
| Net Assets, ending | $ **267,278,794** | $ 254,899,711 |

See Notes to Financial Statements.

**VIRGINIA RAILWAY EXPRESS**

**STATEMENTS OF CASH FLOWS**
**Years Ended June 30, 2012 and 2011**

| | | **2012** | | 2011 |
|---|---|---|---|---|
| Cash Flows From Operating Activities: | | | | |
| Receipts from customers | **$** | **37,418,130** | $ | 33,206,301 |
| Payments to suppliers | | **(57,114,663)** | | (58,124,897) |
| Payments to employees | | **(4,646,027)** | | (3,759,123) |
| **Net cash used in operating activities** | | **(24,342,560)** | | (28,677,719) |
| Cash Flows From Noncapital Financing Activities: | | | | |
| Governmental subsidies | | **37,855,195** | | 46,219,491 |
| Cash Flows From Capital and Related Financing Activities: | | | | |
| Acquisition and construction of capital assets | | **(17,757,841)** | | (51,928,553) |
| Capital grants and assistance | | **14,257,114** | | 48,635,100 |
| Proceeds from sale of capital assets | | **507,555** | | 150,000 |
| Principal paid on capital lease obligations | | **(1,034,890)** | | (988,975) |
| Principal paid on notes | | **(1,770,591)** | | (1,654,016) |
| Principal paid on bonds | | **(5,610,000)** | | (5,195,000) |
| Interest paid on capital lease obligation | | **(896,467)** | | (942,382) |
| Interest paid on bonds and notes | | **(4,250,764)** | | (4,525,203) |
| **Net cash used in capital and related financing activities** | | **(16,555,884)** | | (16,449,029) |
| Cash Flows From Investing Activities: | | | | |
| Interest received on investments | | **17,997** | | 15,054 |
| **Increase (decrease) in cash and cash equivalents** | | **(3,025,252)** | | 1,107,797 |
| Cash and Cash Equivalents, beginning | | **26,729,954** | | 25,622,157 |
| Cash and Cash Equivalents, ending | **$** | **23,704,702** | $ | 26,729,954 |
| Reconciliation of Operating Loss to Net Cash Used In Operating Activities: | | | | |
| Operating loss | **$** | **(39,973,998)** | $ | (37,278,923) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | | | |
| Depreciation and amortization | | **13,373,129** | | 12,218,203 |
| Loss on disposal of assets | | **166,624** | | 34,505 |
| (Increase) decrease in: | | | | |
| Accounts receivable | | **2,314,764** | | 346,492 |
| Other receivables | | **(3,064)** | | 55,297 |
| Inventory | | **332,350** | | (1,269,878) |
| Prepaid expenses and other | | **(18,897)** | | 306,675 |
| Increase (decrease) in: | | | | |
| Accounts payable and accrued expenses | | **(614,123)** | | (3,326,410) |
| Unearned revenue | | **80,655** | | 236,320 |
| **Net cash used in operating activities** | **$** | **(24,342,560)** | $ | (28,677,719) |
| Schedule of Noncash Capital Activities: | | | | |
| Capital assets acquired through accounts payable | **$** | **1,174,609** | $ | 1,609,739 |
| Capital assets acquired through notes payable | | **1,814,639** | | 1,149,776 |
| Capital assets acquired through accrued liabilities | | **551,460** | | 2,875,831 |
| Capital assets acquired through in-kind contributions | | **13,177** | | 197,367 |
| | **$** | **3,553,885** | $ | 5,832,713 |

See Notes to Financial Statements.

## Note 1. Summary of Significant Accounting Policies

### Reporting Entity

The Virginia Railway Express (VRE) is accounted for as 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, one originating in Fredericksburg and one originating in Manassas, Virginia, and both 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 an agreement between the Commissions and Keolis Rail Services Virginia, LLC and Amtrak provides the Commissions with access to storage at Union Station and other services.

Assets for VRE operations have been purchased in the name of the Commissions and funded primarily by grants, loans or other financing arrangements for which one or both Commissions have served as grantee, issuer, borrower, or in other related capacities. In order to present a full and accurate picture of VRE operations and in accordance with the Master Agreement and related Appendices that established VRE, all financial transactions related to the commuter rail program are combined in this report. In addition, an allocation of the VRE assets, liabilities and operations are reflected in the financial reports of the Commissions based on asset ownership, named entity on debt instruments, and sources of funding.

VRE is managed by the Commissions. Certain functions have been delegated to the VRE Operations Board, which consists of representatives of all contributing and participating jurisdictions 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 operating income. In addition to fares, the project is financed with proceeds from the Commuter Rail Revenue Bonds, a federal loan, a lease financing, Federal (with PRTC as grantee) and Commonwealth of Virginia grants, and jurisdictional contributions apportioned through a formula based on ridership, 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, Spotsylvania and Stafford; and the cities of Manassas, Manassas Park and Fredericksburg, Virginia. Contributing jurisdictions include Arlington County and the City of Alexandria, Virginia. In February 2010 the VRE Master Agreement was amended to include Spotsylvania County as a participating jurisdiction. Spotsylvania County's share of the VRE annual subsidy from February 2010 through the middle of fiscal year 2012 has been deferred until 60 days after the beginning of fiscal year 2013.

In July 2007, the Commissions adopted amendments to the VRE Master Agreement that expanded the Operations Board to include all member jurisdictions and provided for board representation proportionate to system ridership, and weighted voting proportionate to jurisdictional subsidy. In addition, the amendments apportioned jurisdictional subsidies on system ridership only, rather than the former 90 percent system ridership and 10 percent population formula. The amendment to the subsidy formula was phased in over four years, beginning in fiscal year 2008. The amendments also allowed for greater autonomy for the Operations Board, with progressively more decisions made by the Board without referral to PRTC and NVTC.

## Note 1. Summary of Significant Accounting Policies (Continued)

### 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 issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. VRE has elected not to follow subsequent private-sector guidance.

***Revenues and expenses*:** VRE distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses are those that result from providing services in connection with VRE's principal ongoing operation. The principal operating revenues of VRE are charges to customers which result in passenger revenues. Passenger revenues are recorded as revenue at the time services are performed. Cash received for services in advance is deferred until earned.

Operating revenues and expenses also include all revenues and expenses not associated with capital and related financing, noncapital financing, subsidies, or investing activities.

***Revenue recognition*:** Intergovernmental revenues, consisting primarily of Federal (with PRTC as grantee) and Commonwealth of Virginia (with NVTC as grantee) 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 other contributions are included in the Statements of Revenues, 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 grant revenues or expenses at year end are recorded as unearned revenue or accounts receivable, respectively.

***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 or Pool), a 2a7-like pool, is reported at the Pool's share price.

***Restricted cash and cash equivalents*:** Restricted cash, cash equivalents and investments of $17,555,259 and $16,808,248 at June 30, 2012 and 2011, respectively, are comprised of funds related to bond compliance requirements, the balance in the Liability Insurance Plan, proceeds from the sale of rolling stock and a small liability claims account.

***Allowance for uncollectible accounts*:** VRE calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. The allowance was $174,000 at June 30, 2012 and $324,000 at June 30, 2011.

***Inventory*:** VRE has purchased an inventory of spare parts for rolling stock that is maintained and managed at the Commission's warehouse located at Broad Run. VRE has constructed a warehouse at the Crossroads yard and the spare parts inventory will be moved to that location at the beginning of fiscal year 2013. Inventory is stated at cost, which approximates market, and is valued using the first-in-first-out method.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting (Continued)**

***Prepaid expenses:*** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements using the consumption method.

***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 or amortized. Major improvements and replacements of property are capitalized. Maintenance, repairs and minor improvements and replacements are expensed.

Costs of improvements to track, stations 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, with the exception of software purchases, which are only capitalized if the initial cost is $15,000 or more.

Interest is capitalized on qualifying construction in progress projects until they have reached the point of substantial completion. For those projects financed with tax-exempt debt, the amount of capitalized interest equals the difference between the interest cost associated with the borrowing to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized using the straight-line method over the useful life of the asset.

Depreciation and amortization of all exhaustible equipment, buildings and intangibles is charged as an expense against operations using the straight-line method over the following estimated useful lives:

| | |
|---|---|
| Rolling stock | 8-30 years |
| Vehicles | 5 years |
| Facilities | 30-40 years |
| Track and signal improvements | 30 years |
| Equipment and software | 5 years |
| Equity in local properties | 35 years |
| Furniture, equipment and software | 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, 2012.

## Note 1. Summary of Significant Accounting Policies (Continued)

### Measurement Focus, Basis of Accounting (Continued)

***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 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.

***Estimates and assumptions*:** 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.

## Note 2. Cash, Cash Equivalents and Investments

Deposits. Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et., seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments. 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 goal of the policy is to minimize risk and to ensure the availability of cash to meet VRE's expenditures, while generating revenue from the use of funds which might otherwise remain idle. The primary objectives of VRE's investment activities, in priority order, are: safety, liquidity and yield. The policy specifies eligible and ineligible investments; diversification requirements; maximum length of time for various types of investments; and the process for purchasing securities.

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

***Credit risk:*** The investment policy specifies credit quality for certain types of investments, as described below, in accordance with the *Code of Virginia*, and the policy specifies the qualifications for institutions providing depository and investment services. In addition, the Chief Financial Officer must conduct a quarterly review of the condition of each authorized financial institution and broker/dealer.

| Investment | Credit Quality |
|---|---|
| Savings account or CD's of any bank or savings and loan association within the Commonwealth of Virginia | Bank or savings and loan association must be a "qualified public depository" |
| Bankers' acceptances | Institution must be "prime quality" as determined by one or more recognized rating services |
| Commercial paper | Must be "prime quality" as rated by two of the following: Moody's (prime 1): S&P (A-1); Fitch (F-1); Duff and Phelps (D-1) |
| Corporate notes | Must be "high quality" as defined by ratings of at least AA by S&P and Aa by Moody's |
| Negotiable certificates of deposit and negotiable bank deposit notes | Must have ratings of at least A-1 by S&P and P-1 by Moody's for short term instruments and AA by S&P and Aa by Moody's for long term instruments. |

***Custodial credit risk:*** For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, VRE may not recover its 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 percent 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, 2012, the book balance of VRE's deposits with banks was $609,512.

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

***Interest rate risk:*** In accordance with its investment policy, VRE manages its exposure to declines in fair values by limiting the maturity of various investment vehicles, as indicated in the chart below.

***Concentration of credit risk:*** VRE's investment policy provides limitations on the percentage of the portfolio that can be invested in each type of security, as indicated in the following chart.

The limitations provided in the investment policy for maximum maturity and percentage of the portfolio for each category of investment are as follows:

| Investment | Length of Maturity | Percent Allowed |
|---|---|---|
| Bonds, notes, and other evidence of indebtedness of the United States | 60 months or less | 100% |
| Bonds, notes, and other evidence of indebtedness of the Commonwealth of Virginia | 60 months or less | 100% |
| Bonds, notes, and other evidence of indebtedness of any county, city, town, district, authority or other 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 | 60% |
| Repurchase agreements | 24 months or less | 20% |
| Bankers' acceptances | 24 months or less | 10% |
| Prime Quality Commercial Paper (no more than 5% from one issuer) | 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% |
| Negotiable CD's and negotiable bank deposit notes | 24 months or less | 25% |

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

At June 30, 2012, VRE had investments of $6,529,932 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 Treasury 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 & Poor's.

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, 2012, VRE had $10,156,492 invested in the Insurance Trust. Beginning with fiscal year 2011, any earnings on these investments are retained by the Commonwealth of Virginia.

Accumulated bond interest and principal payments in the amount of $6,408,466 at June 30, 2012 were held by the bond trustee, U.S. Bank, in U.S. Treasury money market accounts. Investments in U. S. Treasury money market accounts at U.S. Bank have been assigned a "AAAm" rating by Standard & Poor's.

As of June 30, 2012, the carrying values and maturity of VRE's investments were as follows:

| Investment Type | Fair Value | Maturities Less than 1 Year |
|---|---|---|
| LGIP | $ 6,529,932 | $ 6,529,932 |
| Insurance trust fund – pooled funds | 10,156,492 | 10,156,492 |
| Money market funds – U. S. Treasuries | 6,408,466 | 6,408,466 |
| Total investments | $ 23,094,890 | $ 23,094,890 |

During fiscal year 2012 Standard & Poor's downgraded the credit quality of the debt of the United States to AA+ which affects the assets held by the LGIP and the money market funds at U.S. Bank. The rating assigned to all of these funds by Standard & Poor's has remained at AAAm. Fitch Ratings and Moody's Investors Services have affirmed their AAA rating for the United States but with a Negative outlook.

## Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

| | Beginning Balance | Increases | (Deletions) Reclassifications | Ending Balance |
|---|---|---|---|---|
| Capital assets not being depreciated or amortized: | | | | |
| Construction in progress | $ 31,683,346 | $ 12,989,614 | $ (31,823,084) | $ 12,849,876 |
| Capital assets being depreciated or amortized: | | | | |
| Rolling stock | 218,390,607 | - | 14,526,899 | 232,917,506 |
| Vehicles | 99,832 | - | - | 99,832 |
| Facilities | 92,335,553 | - | 2,353,324 | 94,688,877 |
| Track and signal improvements | 52,684,367 | - | - | 52,684,367 |
| Equipment and software | 8,393,438 | 291,613 | 54,888 | 8,739,939 |
| Equity in local properties | 5,244,798 | - | - | 5,244,798 |
| Furniture, equipment and software | 3,760,116 | 39,001 | 1,609,893 | 5,409,010 |
| **Total capital assets being depreciated or amortized** | 380,908,711 | 330,614 | 18,545,004 | 399,784,329 |
| Less accumulated depreciation or amortization for: | | | | |
| Rolling stock | 42,755,780 | 7,949,551 | (12,505,990) | 38,199,341 |
| Vehicles | 51,126 | 15,001 | - | 66,127 |
| Facilities | 20,878,476 | 2,661,309 | - | 23,539,785 |
| Track and signal improvements | 14,275,092 | 1,791,703 | - | 16,066,795 |
| Equipment and software | 7,309,949 | 471,131 | - | 7,781,080 |
| Equity in local properties | 2,647,350 | 149,852 | - | 2,797,202 |
| Furniture, equipment and software | 2,469,038 | 334,582 | - | 2,803,620 |
| **Total accumulated depreciation or amortization** | 90,386,811 | 13,373,129 | (12,505,990) | 91,253,950 |
| **Total capital assets being depreciated or amortized, net** | 290,521,900 | (13,042,515) | 31,050,994 | 308,530,379 |
| **Totals** | $ 322,205,246 | $ (52,901) | $ (772,090) | $ 321,380,255 |

## Note 3. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2011 was as follows:

| | Beginning Balance | Increases | (Deletions) Reclassifications | Ending Balance |
|---|---|---|---|---|
| Capital assets not being depreciated or amortized: | | | | |
| Construction in progress | $ 42,817,578 | $ 53,913,536 | $ (65,047,768) | $ 31,683,346 |
| Capital assets being depreciated or amortized: | | | | |
| Rolling stock | 175,852,176 | - | 42,538,431 | 218,390,607 |
| Vehicles | 74,162 | 25,670 | - | 99,832 |
| Facilities | 78,099,155 | - | 14,236,398 | 92,335,553 |
| Track and signal improvements | 52,151,000 | - | 533,367 | 52,684,367 |
| Equipment and software | 8,776,321 | 130,086 | (512,969) | 8,393,438 |
| Equity in local properties | 5,244,798 | - | - | 5,244,798 |
| Furniture, equipment and software | 3,724,664 | 35,452 | - | 3,760,116 |
| **Total capital assets being depreciated or amortized** | 323,922,276 | 191,208 | 56,795,227 | 380,908,711 |
| Less accumulated depreciation or amortization for: | | | | |
| Rolling stock | 43,268,482 | 7,106,819 | (7,619,521) | 42,755,780 |
| Vehicles | 46,981 | 4,145 | - | 51,126 |
| Facilities | 18,510,178 | 2,368,298 | - | 20,878,476 |
| Track and signal improvements | 12,456,787 | 1,818,305 | - | 14,275,092 |
| Equipment and software | 6,800,044 | 536,814 | (26,909) | 7,309,949 |
| Equity in local properties | 2,497,499 | 149,851 | - | 2,647,350 |
| Furniture, equipment and software | 2,235,067 | 233,971 | - | 2,469,038 |
| **Total accumulated depreciation or amortization** | 85,815,038 | 12,218,203 | (7,646,430) | 90,386,811 |
| **Total capital assets being depreciated or amortized, net** | 238,107,238 | (12,026,995) | 64,441,657 | 290,521,900 |
| **Totals** | $ 280,924,816 | $ 41,886,541 | $ (606,111) | $ 322,205,246 |

## Note 4. Related Party Transactions

VRE reimburses the Commissions for expenditures made on behalf of VRE. During 2012 and 2011, these payments included $4,350,169 and $4,142,917 of salary-related costs and $5,457 and $4,925 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 $70,000 and $70,018 to NVTC and $88,700 and $78,254 to PRTC during 2012 and 2011, 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 $8,684 and $9,577 in 2012 and 2011, respectively. Amounts payable to NVTC and PRTC were $12,794 and $576,416 at June 30, 2012 and $12,314 and $835,429, respectively, at June 30, 2011.

## 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 participating employers are automatically covered by VRS upon employment through PRTC. Benefits vest after five years of service credit. Members earn one month of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit to their plan.

VRS administers two defined benefit plans for VRE (PRTC) employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 percent. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00 percent; under Plan 2, the COLA cannot exceed 6.00 percent. During years of no inflation or deflation, the COLA is 0.00 percent. The 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 which includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at http://www.varetire.org/Pdf/Publications/2011-Annual-Report.pdf or by writing to the system's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

## Note 5. Defined Benefit Pension Plan (Continued)

### B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00 percent of their compensation toward their retirement. All or part of the 5.00 percent member contribution may be assumed by the employer. 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 the fiscal year ended June 30, 2012 was 10.92 percent of annual covered payroll, inclusive of the 5.00 percent member contribution, and VRE also contributed 0.28 percent for group life insurance.

### C. Annual Pension Cost

For fiscal year 2012, VRE's annual pension cost of $334,169 was equal to the VRE's required and actual contributions.

Three-Year Trend Information for VRE

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| June 30, 2010 | $ 365,253 | 100% | $ - |
| June 30, 2011 | 334,135 | 100% | - |
| June 30, 2012 | 334,169 | 100% | - |

The fiscal year 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50 percent, (b) projected salary increases ranging from 3.75 percent to 5.60 percent per year for general government employees and 3.50 percent to 4.75 percent for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50 percent per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50 percent. The actuarial value of the PRTC's assets is equal to the modified market value of 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. PRTC's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

## Note 5. Defined Benefit Pension Plan (Continued)

### D. Funded Status and Funding Process

As of June 30, 2011, the most recent actuarial valuation date, the plan was 84.66 percent funded. The actuarial accrued liability for benefits was $9,730,413 and the actuarial value of assets was $8,237,980, resulting in an unfunded actuarial accrued liability (UAAL) of $1,492,433. The covered payroll (annual payroll of active employees of the plan) was $5,751,116 and the ratio of the UAAL to the covered payroll was 25.95 percent. The only other postemployment benefits offered by VRE are COBRA payments, which have been determined to be immaterial to the financial statements.

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

## Note 6. Operating Leases and Agreements

Operating Access Agreements with the CSX and Norfolk Southern railroads 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 tracks for commuter rail service. For the years ended June 30, 2012 and 2011, annual track usage fees totaled approximately $7,645,000 and $6,210,000, respectively, and facility and other identified costs totaled approximately $450,000 and $454,000, respectively. Fiscal year 2012 costs reflect an additional train on the Manassas line and the terms of a new contract with CSX that went into effect on July 1, 2011.

Under the former Purchase of Services Agreement dated March 1, 1998 Amtrak operated and maintained the VRE service and rolling stock, and permitted the Commissions to use its terminal, station, and equipment maintenance facilities at Union Station, Washington, D.C. The provisions of the 1998 agreement for maintenance of equipment, access to Union Station, and train operations terminated on June 25, June 28 and July 9, 2010, respectively.

The new agreement between Amtrak and the Commissions for access to and storage of equipment at Union Station and mid-day maintenance, electrical power and other services became effective on June 28, 2010. For the years ended June 30, 2012 and 2011, costs for these services totaled approximately $9,185,000 and $8,759,000, respectively. Cost adjustments will be made in future years to reflect changes to various published costs indices and the number of trains that have access to and are stored and serviced at the terminal.

During fiscal year 2010, the Commissions entered into a contract with Keolis Rail Services Virginia, LLC for train operations and maintenance for a five year period beginning June 25, 2010. The cost of train operations and maintenance for the years ended June 30, 2012 and 2011 totaled approximately $17,474,000 and $18,151,000, respectively. Costs are based on an annual budget prepared in advance. Costs in future years will be adjusted for service additions or deletions and annual changes to the Consumer Price Index.

VRE entered into a series of operating leases with Titan Transit for locomotives. For the years ended June 30, 2012 and 2011, lease costs totaled approximately $74,000 and $202,600, respectively. Two of these leases terminated in the first quarter of fiscal year 2012 and the final lease terminated in the fourth quarter of the fiscal year.

## Note 7. Long-Term Debt Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2012:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Revenue Bonds | $ 24,295,000 | $ - | $ (5,610,000) | $ 18,685,000 | $ 5,910,000 |
| Capital Leases | 19,786,652 | - | (1,034,890) | 18,751,762 | 1,082,937 |
| Notes Payable | 63,685,611 | 1,814,639 | (1,770,591) | 63,729,659 | 1,873,893 |
| | 107,767,263 | 1,814,639 | (8,415,481) | 101,166,421 | 8,866,830 |
| Compensated Absences | 317,007 | 231,601 | (268,446) | 280,162 | 29,909 |
| | $ 108,084,270 | $ 2,046,240 | $ (8,683,927) | $ 101,446,583 | $ 8,896,739 |

Revenue Bonds:

| | |
|---|---|
| $31,700,000 Commuter Rail Revenue Refunding Bonds, series 1998; due in annual maturities of $5,910,000 to $6,555,000 through July 1, 2014, plus semi-annual interest at 5.25% to 5.375%. | $ 18,685,000 |
| Plus (less) unamortized: | |
| Deferred loss | (235,664) |
| Premiums | 53,108 |
| Total bonded debt, net | $ 18,502,444 |

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

| Years Ending June 30, | Principal | Interest | Total Required |
|---|---|---|---|
| 2013 | $ 5,910,000 | $ 841,794 | $ 6,751,794 |
| 2014 | 6,220,000 | 519,494 | 6,739,494 |
| 2015 | 6,555,000 | 176,166 | 6,731,166 |
| | $ 18,685,000 | $ 1,537,454 | $ 20,222,454 |

**Note 7. Long-Term Debt Obligations (Continued)**

Deferred bonds, lease and notes cost, 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 costs, approximating $78,200 and $76,700, are included in interest expense in 2012 and 2011, respectively. Federal arbitrage regulations apply to VRE's revenue bonds and the Gallery IV capitalized lease.

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 bonds also require the maintenance of an operating reserve equivalent to one-third (33.3 percent) of annual budgeted operating expenses. As of June 30, 2012 and 2011, VRE designated $36,464,980 and $37,325,284 respectively, of its cash, inventory and receivables as this operating reserve. The reserves represented 62.17 percent and 64.90 percent of budgeted operating expenses for June 30, 2012 and 2011, 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, 2012 and 2011, are as follows:

| | 2012 | 2011 |
|---|---|---|
| Bond Interest Fund | $ 498,466 | $ 649,234 |
| Bond Principal Fund | 5,910,000 | 5,610,005 |
| Total held by Trustee | $ 6,408,466 | $ 6,259,239 |

Capitalized Lease - Gallery IV (11 cars)

| | |
|---|---|
| $25,100,000 capitalized lease obligation; $965,679 due semi-annually, interest at 4.59%, maturing in 2025, collateralized with Gallery IV railcars with a carrying value of $21,932,339. | $ 18,751,762 |

Future minimum lease payments as of June 30, 2012 are as follows:

| Years Ending June 30, | Amount |
|---|---|
| 2013 | $ 1,931,357 |
| 2014 | 1,931,357 |
| 2015 | 1,931,357 |
| 2016 | 1,931,357 |
| 2017 | 1,931,357 |
| 2018-2022 | 9,656,785 |
| 2023-2025 | 5,794,071 |
| Total minimum lease payments | 25,107,641 |
| Lease amount representing interest | 6,355,879 |
| Present value of lease payments | $ 18,751,762 |

## Note 7. Long-Term Debt Obligations (Continued)

Note Payable – Gallery IV (60 cars)

In fiscal year 2008, VRE entered into an agreement with the Federal Railroad Administration for a loan of up to $72.5 million to purchase 50 Gallery railcars; in fiscal year 2009 the terms were amended to include ten additional Gallery railcars. A series of sixteen promissory notes were originally authorized and during fiscal year 2012 the balance on the individual notes were combined into a consolidated note. The note is secured by the revenues of VRE and the railcars. The carrying value of the railcars was $97,776,432 at June 30, 2012.

| | |
|---|---|
| $63,844,842 Promissory Note; due in quarterly maturities of $440,368 to $1,195,258 through March 2033, plus quarterly interest at 4.74% | $ 63,409,659 |

Mandatory debt service requirements are as follows:

| Years Ending June 30, | Principal | Interest | Total Required |
|---|---|---|---|
| 2013 | $ 1,813,893 | $ 2,969,620 | $ 4,783,513 |
| 2014 | 1,897,186 | 2,886,327 | 4,783,513 |
| 2015 | 1,988,724 | 2,794,789 | 4,783,513 |
| 2016 | 2,080,914 | 2,702,599 | 4,783,513 |
| 2017 | 2,188,783 | 2,594,730 | 4,783,513 |
| 2018-2022 | 12,613,047 | 11,304,515 | 23,917,562 |
| 2023-2027 | 15,964,023 | 7,953,539 | 23,917,562 |
| 2028-2032 | 20,204,782 | 3,712,780 | 23,917,562 |
| 2033 | 4,658,307 | 125,207 | 4,783,514 |
| | $ 63,409,659 | $ 37,044,106 | $ 100,453,765 |

Note Payable – VRE Offices:

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 carried a repayment schedule of 15 years, with the terms of the note subject to revision June 2007. In November 2007 a new note was signed in the amount of $600,000 at 4.31 percent interest with a 10 year amortization and a balloon payment after five years. Principal of $5,000 plus interest is payable monthly. The note is secured by the office condominium. The balance outstanding was $320,000 and $380,000 for the years ended June 30, 2012 and 2011, respectively.

## 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 years ended June 30, 2012 and 2011. The line of credit is in NVTC's name and they are obligated for any outstanding balance.

## Note 9. Liability Insurance Plan

VRE is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters. 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 and for liability and property damage. 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. Settled claims have not exceeded commercial coverage during any of the past three fiscal years. The liability for incurred but not reported claims was approximately $240,000 at June 30, 2012 and $307,000 at June 30, 2011.

The Division of Risk Management manages the Insurance Trust Fund pursuant to provisions of the Insurance Plan. Since November 2011, 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 was invested in a portfolio managed by external financial consultants. Activity in the Insurance Trust Fund for the years ended June 30, 2012 and 2011 was as follows:

| | 2012 | 2011 |
|---|---|---|
| Beginning balance, July 1 | $ 10,052,968 | $ 9,511,797 |
| Contribution to reserves | 3,619,260 | 4,525,000 |
| Insurance premiums paid | (3,459,693) | (3,711,476) |
| Claims mitigation costs and losses incurred | (3,558) | (190,585) |
| Actuarial and administrative charges | (52,485) | (81,768) |
| Ending balance, June 30 | $ 10,156,492 | $ 10,052,968 |

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, 2012, 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 (with PRTC as grantee) and Commonwealth of Virginia grants and local funds 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, 2012:

| | | |
|---|---|---|
| Stations and parking lots | $ | 4,235,066 |
| Rolling Stock | | 22,226,007 |
| Maintenance and layover yards | | 653,327 |
| Track and signal improvements | | 611,459 |
| Other administrative | | 302,331 |
| **Total** | $ | 28,028,190 |

VRE has received proceeds from several federal (with PRTC as grantee) and state grant programs. In the event of an audit of these grants, certain costs may be questioned as not being appropriate expenses 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.

The federal grant agreements control the use and disposal of property acquired with federal grant funds. If property is removed from service prior to the end of its useful life, the grant recipient may be required to return to the grantor agency the federal assistance expended on that property. In addition, permission of the grantor agency is required if property is disposed of prior to the end of its useful life or at any time for an amount in excess of $5,000. At the end of fiscal year 2012, VRE was holding the proceeds of the sale of older equipment in the amount of $951,342 in a restricted account, to be used for the purchase of replacement rolling stock. Once collected, the proceeds will be used for the purchase of replacement rolling stock.

The Master Agreement for the use of Commonwealth of Virginia Transportation Funds control the use and disposal of property acquired with state grant funds. If any project equipment are not used for the purpose for which they were purchased for the duration of their useful lives, the Commonwealth has the option of requiring the grantee to relinquish title to the project equipment or remit an amount equal to the proportional share of the fair market value based upon the ratio of participation by the state. For facilities, the Commonwealth requires an amount equal to the proportional share of fair market value based upon the ratio of participation by the state to be remitted.

## Note 11. Pending GASB Statements

At June 30, 2012, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by VRE. The statements which might impact VRE are as follows:

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Statement No. 62 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. Statement No. 63 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. Statement No. 65 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 66, *Technical Corrections – 2012*, will improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Statement No. 66 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, will improve financial reporting by state and local government pension plans. Statement No. 67 will be effective for fiscal years beginning after June 15, 2013.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Statement No. 68 will be effective for fiscal years beginning after June 15, 2014.

## Note 12. Subsequent Events

VRE entered into contracts at various times from April 2012 through June 2012 to purchase fuel at set prices for delivery in July 2012 through June 2013. The fuel will be used in the normal course of operations and is not being purchased for resale. The total commitment is for 1,008,000 gallons of fuel at a cost of approximately $3.1 million.

On September 6, 2012 the Commissions authorized the sale of two GP-40 locomotives to Goodloe Leasing LLC for a total amount of $140,000 and the Purchase Agreement was signed the following day. In addition, locomotive spare parts for the GP-40 and other older locomotives were sold to Goodloe Leasing in July 2012 for $100,000.

# Required Supplementary Information

**VIRGINIA RAILWAY EXPRESS**

**SCHEDULE OF FUNDING PROGRESS**

Virginia Retirement System

The information below is derived from the actuarial valuation report for the Potomac & Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for VRE.

| Valuation as of June 30, | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio Assets as % of AAL | Annual Covered Payroll | UAAL as a % of Covered Payroll |
|---|---|---|---|---|---|---|
| 2011 | $ 8,237,980 | $ 9,730,413 | $ 1,492,433 | 84.66% | $ 5,751,116 | 25.95% |
| 2010 | 7,503,689 | 8,539,776 | 1,036,087 | 87.87% | 5,733,383 | 18.07% |
| 2009 | 6,809,891 | 6,996,387 | 186,496 | 97.33% | 5,743,627 | 3.25% |

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# Statistical Section

# STATISTICAL SECTION

This portion of Virginia Railway Express' Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the entity's overall financial health. Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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**VIRGINIA RAILWAY EXPRESS**

**SCHEDULE OF CHANGE IN NET ASSETS**
**Last Ten Fiscal Years**
**(Unaudited)**

| | June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2012** | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Operating Revenues: | | | | | | | | | | |
| Passenger revenue | **$ 34,721,591** | $ 32,368,123 | $ 30,019,730 | $ 25,909,794 | $ 21,688,092 | $ 19,685,561 | $ 19,453,436 | $ 19,452,162 | $ 16,929,629 | $ 15,048,262 |
| Equipment rentals and other | **304,184** | 200,069 | 247,375 | 124,926 | 133,242 | 206,558 | 442,517 | 121,373 | 188,256 | 292,086 |
| **Total operating revenues** | **35,025,775** | 32,568,192 | 30,267,105 | 26,034,720 | 21,821,334 | 19,892,119 | 19,895,953 | 19,573,535 | 17,117,885 | 15,340,348 |
| Nonoperating Revenues: | | | | | | | | | | |
| Commonwealth of Virginia grants | **12,711,602** | 12,806,509 | 13,153,781 | 13,482,816 | 10,795,443 | 12,269,884 | 13,137,477 | 7,613,022 | 7,453,276 | 5,002,085 |
| Federal grants - with PRTC as grantee | **17,181,121** | 16,157,284 | 14,525,795 | 12,784,123 | 12,522,868 | 12,741,069 | 10,721,335 | 8,124,763 | 6,226,445 | 7,168,236 |
| Jurisdictional contributions | **15,943,917** | 16,070,307 | 16,376,968 | 17,275,500 | 13,379,155 | 8,802,762 | 6,878,061 | 6,352,999 | 6,352,890 | 5,752,890 |
| Capital Grants and Assistance: | | | | | | | | | | |
| Commonwealth of Virginia grants | **2,027,872** | 7,506,606 | 10,939,490 | 12,228,446 | 14,959,850 | 9,455,655 | 1,769,727 | 3,778,146 | 4,238,109 | 6,150,235 |
| Federal grants - with PRTC as grantee | **9,997,070** | 40,136,130 | 15,437,312 | 14,648,460 | 18,259,459 | 399,283 | 550,890 | | | |
| Federal grants - NVTC and other | **-** | 3,308,513 | 402,355 | 53,738 | 939,088 | 10,363,653 | 12,245,939 | 9,824,036 | 6,689,765 | 8,597,822 |
| Pass-through to Fairfax County | **-** | - | - | (4,456,818) | - | - | - | - | - | - |
| In-kind and other local contributions | **46,924** | 406,331 | 680,631 | 1,903,284 | 925,338 | - | - | 266,148 | 3,143,319 | 457,149 |
| Interest income: | | | | | | | | | | |
| Operating funds | **16,813** | 14,675 | 23,893 | 129,620 | 399,553 | 850,490 | 367,292 | 214,888 | 44,390 | 87,809 |
| Insurance trust | **-** | - | 65,164 | 241,003 | 400,204 | 329,252 | 721,919 | 688,816 | 837,583 | 1,171,667 |
| Other restricted funds | **1,161** | 384 | 586 | 36,232 | 535,093 | 41,038 | 840,383 | 49,860 | - | - |
| Insurance proceeds | **-** | - | - | - | 262,676 | - | - | - | - | - |
| Loss on sale of assets | **(358,382)** | (271,606) | (393,419) | - | - | - | - | - | - | - |
| **Total nonoperating revenues** | **57,568,098** | 96,135,133 | 71,212,556 | 68,326,404 | 73,378,727 | 55,253,086 | 47,233,023 | 36,912,678 | 34,985,777 | 34,387,893 |
| **Total revenues** | **92,593,873** | 128,703,325 | 101,479,661 | 94,361,124 | 95,200,061 | 75,145,205 | 67,128,976 | 56,486,213 | 52,103,662 | 49,728,241 |
| Operating Expenses: | | | | | | | | | | |
| Contract operations and maintenance | **21,093,606** | 21,405,930 | 20,291,361 | 18,694,757 | 17,433,267 | 16,982,189 | 14,619,521 | 14,144,414 | 14,212,476 | 13,095,504 |
| Other operations and maintenance | **14,594,826** | 12,949,155 | 12,055,009 | 12,575,004 | 11,562,892 | 10,130,233 | 9,304,325 | 7,928,107 | 5,466,313 | 4,741,041 |
| Property leases and access fees | **13,123,367** | 11,756,531 | 9,482,367 | 8,686,385 | 8,279,505 | 8,636,947 | 8,986,974 | 8,769,866 | 8,163,632 | 7,307,905 |
| Insurance | **3,491,620** | 4,049,906 | 3,864,366 | 3,866,438 | 4,099,475 | 5,169,441 | 3,521,858 | 3,533,503 | 3,275,081 | 2,429,993 |
| Marketing and sales | **2,211,354** | 1,502,434 | 1,259,048 | 1,477,554 | 1,537,243 | 1,161,206 | 1,005,348 | 1,302,527 | 1,279,549 | 1,482,131 |
| General and administrative | **7,111,871** | 5,964,956 | 5,642,360 | 5,492,566 | 5,151,117 | 5,164,332 | 5,219,514 | 5,282,641 | 5,041,238 | 5,462,768 |
| Depreciation and amortization | **13,373,129** | 12,218,203 | 11,337,406 | 10,445,041 | 10,640,098 | 9,875,593 | 8,217,233 | 6,699,409 | 6,595,698 | 5,837,560 |
| **Total operating expenses** | **74,999,773** | 69,847,115 | 63,931,917 | 61,237,745 | 58,703,597 | 57,119,941 | 50,874,773 | 47,660,467 | 44,033,987 | 40,356,902 |
| Nonoperating (Revenues) Expenses: | | | | | | | | | | |
| Interest and amortization | **5,215,017** | 5,566,829 | 5,682,935 | 6,014,243 | 4,525,279 | 2,748,084 | 4,953,443 | 4,257,178 | 4,323,776 | 3,960,846 |
| (Gain) loss on sale of assets | **-** | - | - | (4,218,641) | 3,176,932 | 291,306 | 1,366,531 | 3,640,928 | - | - |
| **Total nonoperating expenses, net** | **5,215,017** | 5,566,829 | 5,682,935 | 1,795,602 | 7,702,211 | 3,039,390 | 6,319,974 | 7,898,106 | 4,323,776 | 3,960,846 |
| **Total expenses** | **80,214,790** | 75,413,944 | 69,614,852 | 63,033,347 | 66,405,808 | 60,159,331 | 57,194,747 | 55,558,573 | 48,357,763 | 44,317,748 |
| **Change in net assets** | **$ 12,379,083** | $ 53,289,381 | $ 31,864,809 | $ 31,327,777 | $ 28,794,253 | $ 14,985,874 | $ 9,934,229 | $ 927,640 | $ 3,745,899 | $ 5,410,493 |

Note: Years after fiscal year 2010 reflect change in classification of *Gain (loss) on sale of assets.*

Source: VRE's Audited Financial Statements.

## VIRGINIA RAILWAY EXPRESS

## SCHEDULE OF COMPONENTS OF NET ASSETS
**Last Ten Fiscal Years**
**(Unaudited)**

| | June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2012** | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Invested in capital assets, net of related debt | **$ 220,396,390** | $ 213,710,235 | $ 165,407,433 | $ 144,566,529 | $ 114,677,949 | $ 87,827,971 | $ 68,818,859 | $ 56,669,086 | $ 60,040,916 | $ 51,892,652 |
| Restricted for liability insurance plan | **10,156,492** | 10,052,968 | 9,511,797 | 8,229,082 | 7,470,123 | 6,524,971 | 10,204,517 | 12,439,017 | 15,290,158 | 17,648,836 |
| Restricted for debt service and capital lease | **6,408,466** | 6,259,239 | 5,980,313 | 5,850,112 | 7,287,789 | 7,213,804 | 7,008,351 | 6,873,135 | 6,856,446 | 6,749,784 |
| Restricted grants or contributions | **951,342** | 600,250 | 34,619 | 194,193 | 1,269,313 | 785,173 | 14,013 | 726,456 | - | - |
| Unrestricted assets | **29,366,104** | 24,277,019 | 20,676,168 | 10,905,605 | 7,712,570 | 7,251,572 | 8,571,877 | 7,975,694 | 1,568,228 | 3,718,577 |
| **Total Net Assets** | **$ 267,278,794** | $ 254,899,711 | $ 201,610,330 | $ 169,745,521 | $ 138,417,744 | $ 109,603,491 | $ 94,617,617 | $ 84,683,388 | $ 83,755,748 | $ 80,009,849 |

Note: Method of reporting was revised for fiscsal year 2011.

Source: VRE's Audited Financial Statements.

## VIRGINIA RAILWAY EXPRESS

## SCHEDULE OF OUTSTANDING DEBT
**Last Ten Fiscal Years**
**(Unaudited)**

| | June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2012** | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Revenue Bonds: | | | | | | | | | | |
| $37,625,000 Commuter Rail Revenue Bond, Series 1993 | **$ -** | $ - | $ 5,065,000 | $ 9,875,000 | $ 14,450,000 | $ 18,800,000 | $ 22,945,000 | $ 26,895,000 | $ 30,660,000 | $ 34,250,000 |
| $23,000,000 Commuter Rail Revenue Bond, Series 1997 | - | - | - | - | 14,635,000 | 15,690,000 | 16,690,000 | 17,645,000 | 18,555,000 | 19,430,000 |
| $31,700,000 Commuter Rail Revenue Bond, Series 1998 | **18,685,000** | 24,295,000 | 24,425,000 | 24,550,000 | 24,670,000 | 24,785,000 | 24,895,000 | 25,000,000 | 25,100,000 | 25,195,000 |
| Capital Leases: | | | | | | | | | | |
| $271,804 Capitalized Lease Obligation | - | - | - | - | - | 164,600 | - | - | - | - |
| $2,717,409 Capitalized Lease Obligation | - | - | - | - | 420,665 | 855,119 | 1,265,433 | 1,652,951 | 2,018,938 | 2,364,591 |
| $25,100,000 Capitalized Lease Obligation | **18,751,762** | 19,786,652 | 20,775,627 | 21,720,726 | 22,623,892 | 23,486,988 | 24,311,791 | 25,100,000 | - | - |
| $2,400,000 Capitalized Lease Obligation | - | - | - | - | - | - | - | - | - | 262,222 |
| $297,691 Capitalized Lease Obligation | - | - | - | - | - | - | - | - | - | 55,882 |
| $746,282 Capitalized Lease Obligation | - | - | - | - | - | - | - | - | - | 94,961 |
| Notes Payable: | | | | | | | | | | |
| $900,000 SunTrust Bank | **320,000** | 380,000 | 440,000 | 500,000 | 560,000 | 605,000 | 660,000 | 720,000 | 780,000 | 840,000 |
| $68,953,914 FRA Notes (#1-#16) | **63,409,659** | 63,305,611 | 63,749,851 | 56,122,937 | 26,970,555 | - | - | - | - | - |
| Outstanding as of June 30 | **$ 101,166,421** | $ 107,767,263 | $ 114,455,478 | $ 112,768,663 | $ 104,330,112 | $ 84,386,707 | $ 90,767,224 | $ 97,012,951 | $ 77,113,938 | $ 82,492,656 |
| Debt per Capita: | | | | | | | | | | |
| Outstanding as of June 30 | **$ 101,166,421** | $ 107,767,263 | $ 114,455,478 | $ 112,768,663 | $ 104,330,112 | $ 84,386,707 | $ 90,767,224 | $ 97,012,951 | $ 77,113,938 | $ 82,492,656 |
| Total Participating Jurisdictional Population | **N/A** | N/A | 2,023,830 | 1,995,849 | 1,960,044 | 1,937,448 | 1,918,081 | 1,892,119 | 1,861,699 | 1,832,927 |
| Debt per Capita | **N/A** | N/A | $ 56.55 | $ 56.50 | $ 53.23 | $ 43.56 | $ 47.32 | $ 51.27 | $ 41.42 | $ 45.01 |
| Outstanding Debt as a Percentage of Personal Income: | | | | | | | | | | |
| Outstanding as of June 30 | **$ 101,166,421** | $ 107,767,263 | $ 114,455,478 | $ 112,768,663 | $ 104,330,112 | $ 84,386,707 | $ 90,767,224 | $ 97,012,951 | $ 77,113,938 | $ 82,492,656 |
| Total Personal Income | **N/A** | N/A | 124,897,777,000 | 124,360,586,000 | 123,988,659,000 | 116,875,312,000 | 110,566,169,000 | 104,448,462,000 | 90,565,400,000 | 86,905,018,000 |
| Total Outstanding Debt as a Percentage of Personal Income | **N/A** | N/A | 0.09% | 0.09% | 0.08% | 0.07% | 0.08% | 0.09% | 0.09% | 0.09% |

Sources:

(1) Fairfax County fiscal year 2011 Comprehensive Annual Financial Report, Statistical Section, Table 4.0, page 257
(2) Prince William County fiscal year 2011 Comprehensive Annual Financial Report, Statistical Section, Table 16, page 175
(3) City of Manassas fiscal year 2011 Comprehensive Annual Financial Report, Statistical Section, Table XIII, page 120
(4) City of Manassas Park fiscal year 2011 Comprehensive Annual Financial Report, Statistical Section, Table 14, page 124
(5) Stafford County fiscsl year 2011 Comprehensive Annual Financial Report, Statistical Section, Table S-14; page 111
(6) City of Fredericksburg fiscal year 2011 Comprehensive Annual Financial Report, Statistical Section, Table 14, page 132
(7) City of Alexandria fiscal year 2011 Comprehensive Annual Financial Report, Statistical Section, Tables XI & XIV, pages 132 & 134
(8) Arlington County fiscal year 2011 Comprehensive Annual Financial Report, Statistical Section, Table K, page 183

**VIRGINIA RAILWAY EXPRESS**

**SCHEDULE OF JURISDICTIONAL CONTRIBUTIONS**
**Last Ten Fiscal Years**
**(Unaudited)**

| | June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2012** | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Fairfax County | **$ 4,876,961** | $ 4,906,693 | $ 4,995,535 | $ 5,507,805 | $ 4,700,508 | $ 3,935,736 | $ 3,159,643 | $ 2,963,820 | $ 2,972,946 | $ 2,607,621 |
| City of Fredericksburg | **420,566** | 405,980 | 508,503 | 482,764 | 330,713 | 111,115 | 73,827 | 57,544 | 68,276 | 79,191 |
| City of Manassas | **817,993** | 871,611 | 883,443 | 938,897 | 655,077 | 428,436 | 276,306 | 270,924 | 270,494 | 286,196 |
| City of Manassas Park | **566,504** | 544,763 | 537,496 | 567,082 | 359,574 | 183,686 | 179,422 | 149,758 | 129,178 | 127,728 |
| Prince William County | **5,859,007** | 6,384,660 | 6,173,028 | 6,511,839 | 4,624,876 | 2,961,241 | 2,236,676 | 2,061,006 | 1,956,546 | 1,878,919 |
| Stafford County | **2,505,805** | 2,634,002 | 2,971,727 | 2,974,507 | 2,429,735 | 917,147 | 699,424 | 609,222 | 726,297 | 554,900 |
| Spotsylvania County | **577,020** | - | - | - | - | - | - | - | - | - |
| City of Alexandria | **129,944** | 130,974 | 124,737 | 118,797 | 113,140 | 107,752 | 102,621 | 97,734 | 93,080 | 88,648 |
| Arlington County | **190,117** | 191,624 | 182,499 | 173,809 | 165,532 | 157,649 | 150,142 | 142,992 | 136,183 | 129,687 |
| **Total contributions** | **$ 15,943,917** | $ 16,070,307 | $ 16,376,968 | $ 17,275,500 | $ 13,379,155 | $ 8,802,762 | $ 6,878,061 | $ 6,353,000 | $ 6,353,000 | $ 5,752,890 |

Source: VRE's Department of Finance.

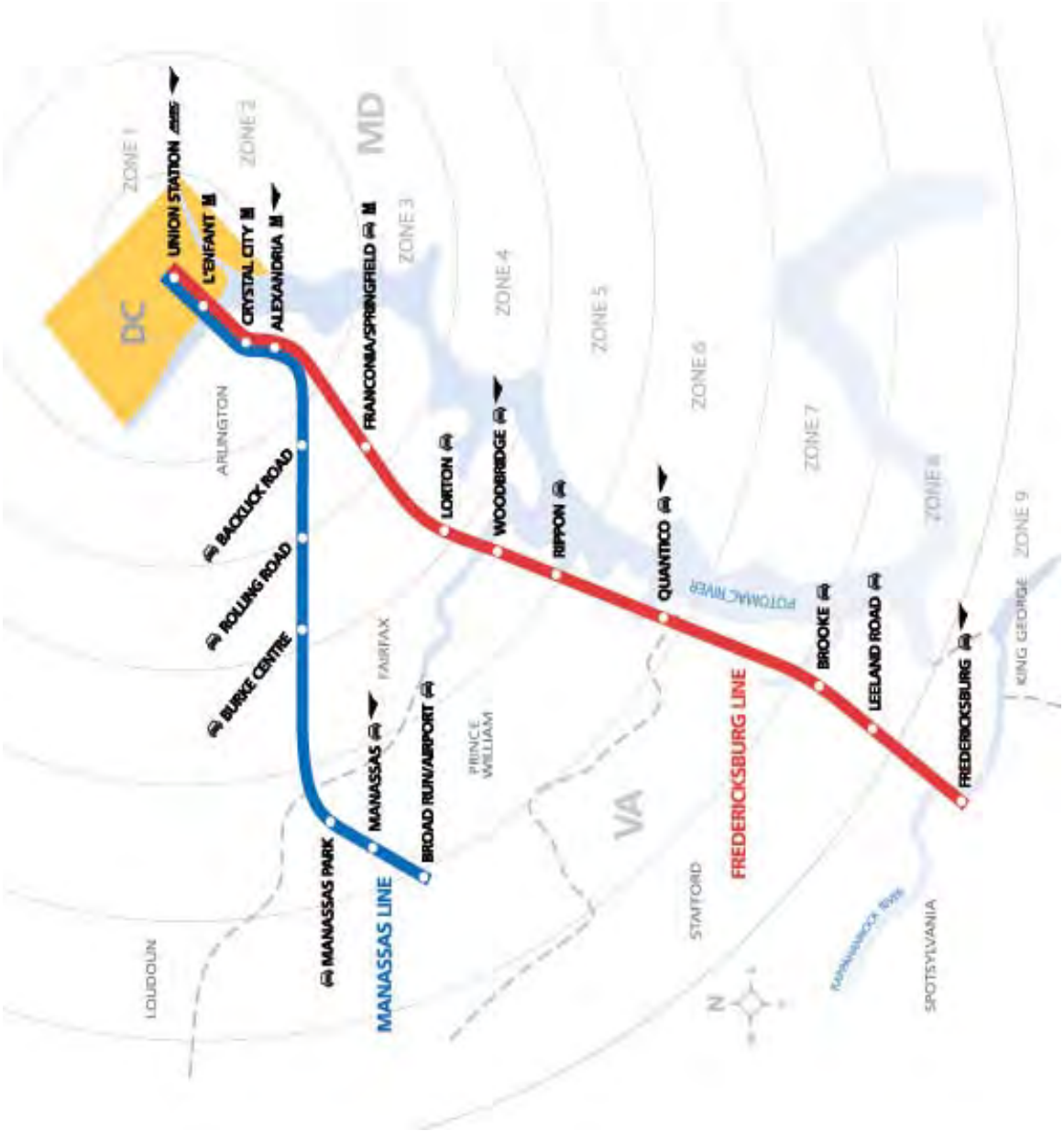
## VIRGINIA RAILWAY EXPRESS

## SCHEDULE OF MISCELLANEOUS STATISTICS
**Last Ten Fiscal Years**
**(Unaudited)**

| | June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2012** | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Rolling Stock (Owned or Leased) | | | | | | | | | | |
| Locomotives | **22** | 25 | 20 | 21 | 18 | 19 | 20 | 20 | 19 | 19 |
| Railcars | **91** | 101 | 95 | 91 | 89 | 90 | 90 | 90 | 90 | 86 |
| **Total rolling stock** | **113** | 126 | 115 | 112 | 107 | 109 | 110 | 110 | 109 | 105 |
| Stations | **18** | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| Parking Spaces | **8,824** | 8,824 | 8,691 | 8,505 | 7,227 | 7,284 | 7,273 | 7,273 | 7,009 | 6,354 |
| Employees | **37** | 37 | 37 | 37 | 37 | 36 | 36 | 34 | 32 | 28 |
| Ridership and Fare Revenue Data (1): | | | | | | | | | | |
| Total Ridership | **4,771,987** | 4,517,366 | 4,033,230 | 3,857,646 | 3,628,563 | 3,453,561 | 3,637,043 | 3,763,740 | 3,562,299 | 3,296,272 |
| Average Daily Ridership | **19,088** | 18,377 | 16,673 | 15,754 | 14,662 | 13,982 | 14,667 | 15,238 | 14,720 | 13,291 |
| Average Fare per Trip | **$ 7.28** | $ 7.17 | $ 7.44 | $ 6.66 | $ 5.98 | $ 5.70 | $ 5.40 | $ 5.17 | $ 4.76 | $ 4.64 |

(1) The methodology for calculating passenger trips was changed during fiscal year 2011 and fiscal year 2012 to more accurately reflect boardings and detrainings prior to the inner city stations. This increased total ridership and decreased average fare per trip. The methodology for calculating Average Daily Ridership (ADR) was changed in fiscal year 2012 to count days with limited train service ("S" schedule). This resulted in a lower ADR than would have been calculated under the prior method.

Source: VRE staff


DC
MD
VA
ZONE 1
ZONE 2
ZONE 3
ZONE 4
ZONE 5
ZONE 6
ZONE 7
ZONE 8
ZONE 9
UNION STATION
L'ENFANT
CRYSTAL CITY
ALEXANDRIA
FRANCONIA/SPRINGFIELD
LORTON
WOODBRIDGE
RIPPON
QUANTICO
BROOKE
LEELAND ROAD
FREDERICKSBURG
ARLINGTON
BACKLICK ROAD
ROLLING ROAD
BURKE CENTRE
MANASSAS PARK
MANASSAS
BROAD RUN/AIRPORT
MANASSAS LINE
FREDERICKSBURG LINE
POTOMAC RIVER
LOUDOUN
FAIRFAX
PRINCE WILLIAM
STAFFORD
SPOTSYLVANIA
KING GEORGE
N

**VIRGINIA RAILWAY EXPRESS**

**PRINCIPAL EMPLOYERS OF PARTICIPATING JURISDICTIONS**
**Current Year and Nine Years Ago**
**(Unaudited)**

| | 2011 | | | 2002 | | |
|---|---|---|---|---|---|---|
| Employers | Rank | Employees | Percentage of Total Jurisdictional Employment | Rank | Employees | Percentage of Total Jurisdictional Employment |
| Federal Government (1) (2) | 1 | 56,712 | N/A | 1 | 43,345 | N/A |
| Fairfax County Public Schools (1) | 2 | 22,939 | N/A | 2 | 20,510 | N/A |
| Fairfax County Government (1) | 3 | 11,871 | N/A | 3 | 11,385 | N/A |
| Arlington County Government (2) | 4 | 10,504 | N/A | 4 | 9,203 | N/A |
| Booz Allen Hamilton (1) | 5 | 7,000-10,000 | N/A | 7 | 4,000-5,000 | N/A |
| Inova Health System (1) | 5 | 7,000-10,000 | N/A | 5 | 9,000-10,000 | N/A |
| Science Applications International Corporation (1) | 7 | 4,000-6,999 | N/A | 6 | 5,000-6,000 | N/A |
| Federal Home Loan Mortgage (1) | 7 | 4,000-6,999 | N/A | - | - | - |
| Northrop Grumman (1) | 7 | 4,000-6,999 | N/A | 8 | 3,000-4,000 | N/A |
| George Mason University (1) | 7 | 4,000-6,999 | N/A | 8 | 3,000-4,000 | N/A |
| Lockheed Martin Corportion (1) | - | - | - | 8 | 3,000-4,000 | N/A |
| Raytheon Company (1) | - | - | - | 8 | 3,000-4,000 | N/A |

Sources:

(1) and (2) extracted and combined from the following sources:

(1) Fairfax County fiscal year 2011 Comprehensive Annual Financial Report, Statistical Section, Table 4.2, page 258
(2) Arlington County fiscal year 2011 Comprehensive Annual Financial Report, Statistical Section, Table L, page 184

**VIRGINIA RAILWAY EXPRESS**

## DEMOGRAPHICS AND ECONOMIC STATISTICS OF PARTICIPATING JURISDICTIONS

**Fiscal Years 2002 to 2012**

**(Unaudited)**

| | Fairfax County (1) | Prince William County (2) | City of Manassas (3) | City of Manassas Park (4) | Stafford County (5) | City of Fredericksburg (6) | City of Alexandria (7) | Arlington County (8) |
|---|---|---|---|---|---|---|---|---|
| **2012 (all categories)** | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| **2011** | | | | | | | | |
| Population | N/A | 406,110 | 37,821 | 14,387 | 128,961 | 24,286 | 141,287 | 210,280 |
| Personal Income (in thousands) | N/A | N/A | N/A | $455,635 | $5,370,464 | $953,517 | $10,627,334 | $15,707,916 |
| Per Capita Personal Income | N/A | N/A | N/A | $31,670 | $41,644 | $39,262 | N/A | $74,700 |
| Unemployment Rate | N/A | 5.3% | 6.9% | 5.2% | 5.2% | 10.3% | 4.8% | 3.9% |
| **2010** | | | | | | | | |
| Population | 1,081,726 | 389,001 | 35,648 | 12,042 | 128,961 | 24,286 | 139,966 | 212,200 |
| Personal Income (in thousands) | $72,577,324 | $20,051,058 | N/A | $391,776 | $5,265,160 | $953,517 | $10,441,443 | $15,217,499 |
| Per Capita Personal Income | $67,094 | $42,901 | N/A | $32,534 | $40,828 | $39,262 | N/A | $71,713 |
| Unemployment Rate | 4.9% | 5.8% | 7.4% | 5.8% | 5.7% | 9.6% | 4.8% | 4.3% |
| **2009** | | | | | | | | |
| Population | 1,074,227 | 374,776 | 35,883 | 11,410 | 122,800 | 23,353 | 144,100 | 209,300 |
| Personal Income (in thousands) | $74,380,758 | $18,745,817 | N/A | $382,695 | $4,915,316 | $916,885 | $10,178,071 | $14,841,044 |
| Per Capita Personal Income | $69,241 | $43,827 | N/A | $33,540 | $40,027 | $39,262 | $70,846 | $70,908 |
| Unemployment Rate | 4.8% | 5.9% | 6.4% | 6.5% | 5.4% | 9.2% | 2.8% | 4.7% |
| **2008** | | | | | | | | |
| Population | 1,050,315 | 368,016 | 36,666 | 11,533 | 121,736 | 22,899 | 140,879 | 208,000 |
| Personal Income (in thousands) | $74,385,409 | $18,244,144 | $918,930 | $394,715 | $4,897,196 | $904,259 | $10,204,006 | $14,040,000 |
| Per Capita Personal Income | $70,822 | $44,265 | $25,054 | $34,225 | $40,228 | $39,489 | $72,220 | $67,500 |
| Unemployment Rate | 3.4% | 3.4% | 4.8% | 3.2% | 3.4% | 5.7% | 2.9% | 2.6% |
| **2007** | | | | | | | | |
| Population | 1,041,507 | 359,174 | 38,066 | 11,527 | 120,723 | 22,651 | 139,000 | 204,800 |
| Personal income (in thousands) | $70,500,650 | $17,200,916 | $904,067 | $390,604 | $4,497,535 | $869,209 | $9,507,531 | $13,004,800 |
| Per capita personal income | $67,691 | $42,267 | $23,750 | $33,886 | $37,255 | $38,374 | $70,632 | $63,500 |
| Unemployment rate | 2.2% | 2.6% | 2.7% | 2.4% | 2.6% | 4.1% | 2.2% | 2.3% |
| **2006** | | | | | | | | |
| Population | 1,037,311 | 350,612 | 38,066 | 11,652 | 120,170 | 22,044 | 138,000 | 200,226 |
| Personal income (in thousands) | $67,111,947 | $16,088,936 | $922,642 | $380,385 | $4,291,511 | $802,997 | $8,835,057 | $12,132,694 |
| Per capita personal income | $64,698 | $40,238 | $24,238 | $32,645 | $35,712 | $36,427 | $65,141 | $60,595 |
| Unemployment rate | 2.2% | 2.6% | 2.9% | 2.3% | 2.4% | 4.0% | 2.6% | 2.3% |
| **2005** | | | | | | | | |
| Population | 1,033,646 | 337,439 | 37,000 | 11,369 | 117,674 | 21,724 | 135,000 | 198,267 |
| Personal income (in thousands) | $63,917,568 | $15,012,664 | $909,336 | $361,406 | $4,021,156 | $749,630 | $7,776,966 | $11,699,736 |
| Per capita personal income | $61,837 | $38,120 | $24,577 | $31,789 | $34,172 | $34,507 | $61,147 | $59,010 |
| Unemployment rate | 2.5% | 3.0% | 2.8% | 2.1% | 2.7% | 4.8% | 3.1% | 2.5% |
| **2004** | | | | | | | | |
| Population | 1,022,298 | 323,377 | 36,500 | 10,930 | 114,513 | 21,342 | 134,000 | 198,739 |
| Personal income (in thousands) | $58,830,183 | $13,723,915 | $849,793 | $343,776 | $3,687,891 | $690,264 | $7,435,257 | $11,497,250 |
| Per capita personal income | $57,547 | $35,963 | $23,282 | $31,453 | $32,205 | $32,343 | $58,365 | $57,851 |
| Unemployment rate | 2.7% | 3.1% | 3.1% | 2.0% | 2.8% | 5.1% | 3.2% | 2.6% |

| | Fairfax County (1) | Prince William County (2) | City of Manassas (3) | City of Manassas Park (4) | Stafford County (5) | City of Fredericksburg (6) | City of Alexandria (7) | Arlington County (8) |
|---|---|---|---|---|---|---|---|---|
| **2003** | | | | | | | | |
| Population | 1,012,090 | 311,749 | 36,300 | 10,881 | 109,341 | 20,641 | 135,000 | 196,925 |
| Personal income (in thousands) | $54,771,275 | $12,399,884 | $843,820 | $321,394 | $3,320,030 | $636,568 | $7,165,859 | $11,106,570 |
| Per capita personal income | $54,117 | $33,636 | $23,246 | $29,537 | $30,364 | $30,840 | $53,711 | $56,400 |
| Unemployment rate | 3.1% | 3.9% | 3.5% | 1.8% | 3.1% | 5.4% | 2.9% | 2.3% |
| **2002** | | | | | | | | |
| Population | 1,004,435 | 298,843 | 35,900 | 10,662 | 104,232 | 20,381 | 129,938 | 193,754 |
| Personal income (in thousands) | $52,744,891 | $11,616,846 | $805,706 | $305,128 | $3,123,208 | $614,222 | $7,009,871 | $10,685,146 |
| Per capita personal income | $52,512 | $32,563 | $22,443 | $28,618 | $29,964 | $30,137 | $52,344 | $55,148 |
| Unemployment rate | 3.4% | 3.6% | 4.3% | 2.7% | 3.0% | 5.9% | 3.8% | 2.7% |

Sources:

(1) Fairfax County fiscal year 2011 Comprehensive Annual Financial Report, Statistical Section, Table 4.0, page 257
(2) Prince William County fiscal year 2011 Comprehensive Annual Financial Report, Statistical Section, Table 16, page 175
(3) City of Manassas fiscal year 2011 Comprehensive Annual Financial Report, Statistical Section, Table XIII, page 120
(4) City of Manassas Park fiscal year 2011 Comprehensive Annual Financial Report, Statistical Section, Table 14, page 124
(5) Stafford County fiscal year 2011 Comprehensive Annual Financial Report, Statistical Section, Table S-14; page 111
(6) City of Fredericksburg fiscal year 2011 Comprehensive Annual Financial Report, Statistical Section, Table 14, page 132
(7) City of Alexandria fiscal year 2011 Comprehensive Annual Financial Report, Statistical Section, Tables XI & XIV, pages 132 & 134
(8) Arlington County fiscal year 2011 Comprehensive Annual Financial Report, Statistical Section, Table K, page 183

N/A = Not Available

# Compliance Section

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A LIMITED LIABILITY PARTNERSHIP
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**INDEPENDENT AUDITOR'S 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 financial statements of the Virginia Railway Express, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 30, 2012. 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

Management of Virginia Railway Express is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Virginia Railway Express' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Virginia Railway Express' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Virginia Railway Express' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Virginia Railway Express' financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, 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
October 30, 2012

Item #2C

Status of Audit by the Virginia Auditor of Public Accounts

Several board members and staff of VRE, NVTC and PRTC are being interviewed by APA staff. The attached letter was sent to Governor McDonnell by VRE Chairman Covington regarding this audit.

**VIRGINIA RAILWAY EXPRESS**
1500 King Street, Suite 202
Alexandria, VA 22314
P: (703) 684-1001
F: (703) 684-1313
www.vre.org

November 15, 2012

The Honorable Robert F. McDonnell
Governor, Commonwealth of Virginia
Patrick Henry Building
1111 East Broad Street
Richmond, VA 23219

Dear Governor McDonnell:

I am writing to you as Chairman of the Virginia Railway Express (VRE) Operations Board, regarding your recent letter to Walter Kucharski, Auditor of Public Accounts, and Michael Morehart, Inspector General of Virginia.

Let me start out by saying the VRE Operations Board, as a collective body of elected local officials who are all members of either NVTC or PRTC, very much embraces and supports the notion of public accountability, just as you do. Seamless transparency and full accountability are the hallmarks that have made VRE a respected and recognized leader in our community and in the transportation sector.

Since its inception, VRE, through its owners, NTVC and PRTC, has openly worked with every Governor to ensure that both the interest of its citizens and our riders remains the primary focus of our daily operation. So when you sought review of the governance of VRE we welcomed that review because once again it will only help educate all how VRE came to be, the legal hurdles that were overcome to start service, and the underlying partnerships that are in place to help operate our service.

In your correspondence you cite eight specific allegations as examples of internal controls which you believed compromised the management of VRE. Those allegations, as you stated, were focused primarily on two employees, both of whom were the subject of an anonymous email first directed to the VRE Operations Board nearly a year ago. I want to assure you that the VRE Operations Board took those unsubstantiated allegations seriously and conducted an examination as well as a forensic audit to make sure that all aspects were addressed. Additionally, VRE welcomed a request from state auditors from VDRPT to also examine the issue. In the end, we are confident the findings will confirm the conclusion VRE management has already reached that the allegations asserted are without merit.

The VRE Operations Board remains committed to working with your office, as well as the Auditor of Public Accounts and the Inspector General to review governance of VRE. I am sure that collaboratively we will work together to explore ways to improve VRE's service to the people of Virginia.

I am hopeful that the Commonwealth, as a contributor to VRE's success over many years, will continue to work in concert with the VRE Operations Board and the parent commissions to address any remaining concerns there may be. I am confident that together we can invest the needed time, energy and resources in such a way as to substantially improve the service we provide to the people of the Commonwealth of Virginia.

Thank you for your consideration.

Respectfully submitted,

Wally Covington
Chairman
Virginia Railway Operations Board

CC:
The Honorable William Howell
The Honorable Joseph May
The Honorable Tim Hugo
The Honorable Kirkland Cox
The Honorable Mark Sickles
The Honorable David Toscano
The Honorable Charles Colgan
The Honorable Richard Saslaw
The Honorable Walter Stosch
The Honorable Stephen Newman
The Honorable Linda Puller

AGENDA ITEM #3

**TO:** Chairman Fisette and NVTC Commissioners

**FROM:** Rick Taube and Scott Kalkwarf

**DATE:** November 29, 2012

**SUBJECT:** NVTC's FY 2012 Audit

---

Representatives from NVTC's audit firm, PBGH LLP will be present to describe the results of their annual audit for FY 2012. They again issued an unqualified (clean) opinion that NVTC's financial statements, in all material respects, fairly and accurately present the financial position of the organization. A clean report was also issued on the internal control of NVTC's financial reporting, compliance and other matters. A management letter was provided for the purpose of notifying management of new GASB pronouncements which may impact NVTC. There were no internal control or other findings included in the letter.

After discussion, the commission is asked to accept the audit report and to authorize staff to provide copies of the audited financial statements to the mailing list of interested agencies and firms, and release the information to the public.

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Tel (703) 524-3322 • Fax (703) 524-1756
Email nvtc@nvtdc.org • www.thinkoutsidethecar.org

# NORTHERN VIRGINIA
# TRANSPORTATION COMMISSION

## Financial and Compliance Reports
## Year Ended June 30, 2012

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**
**Table of Contents**

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# INDEPENDENT AUDITOR'S REPORT

To the Honorable Commission Board Members
Northern Virginia Transportation Commission
Arlington, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Northern Virginia Transportation Commission (Commission) as of and for the year ended June 30, 2012, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 *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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Commission as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year 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 November 22, 2012 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3–13) and required supplementary information (page 52) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic 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 Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying schedules listed in the table of contents as supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. 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 basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements by us or other auditors, and accordingly, we do not express an opinion or provide any assurance on it.

PBGH, LLP

Harrisonburg, Virginia
November 22, 2012

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## REQUIRED SUPPLEMENTARY INFORMATION

## YEAR ENDED JUNE 30, 2012

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of Northern Virginia Transportation Commission's (NVTC) financial performance provides an overview of NVTC's financial activities for the fiscal year that ended June 30, 2012. Please read it in conjunction with the accompanying financial statements which follow this section.

## FINANCIAL HIGHLIGHTS

### Highlights for Government-wide Financial Statements

The government-wide financial statements report information about the NVTC reporting entity as a whole using the economic resources measurement focus and accrual basis of accounting.

- NVTC's assets exceeded liabilities by $87.3 million on a government-wide basis as of June 30, 2012. Of this total, $87.1 million is related to business-type activities with the remaining balance related to governmental activities.

- For the fiscal year, grants, contributions and other revenue net of transfers of NVTC's governmental activities amounted to $183.0 million. Expenses were approximately equal to revenue.

- For the fiscal year, revenues and transfers of NVTC's business-type activities were $42.2 million. Expenses amounted to $35.7 million.

### Highlights for Fund Financial Statements

The fund financial statements provide detailed information about NVTC's funds using the current financial resources measurement focus and modified accrual basis of accounting.

- NVTC's governmental funds reported an increase in fund balance of $20,095 for fiscal year 2012, compared to an increase of $70,745 for fiscal year 2011. The governmental funds balance as of June 30, 2012 totaled $365,357 compared with $345,262 at the end of the previous fiscal year.

- During the fiscal year, the proprietary fund net assets increased by $6.5 million, from $80.6 million to $87.1 million.

- NVTC's fiduciary fund reported a decrease of $3.0 million in net assets held in trust for member jurisdictions, from $134.0 million to $131.0 million.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented include all of the activities which are part of the NVTC reporting entity using the integrated approach as prescribed by the Governmental Accounting Standards Board (GASB).

The government-wide financial statements present the financial picture of NVTC's governmental and business-type activities from the economic resources measurement focus using the accrual basis of accounting. Excluded from these statements are the activities of the jurisdiction trust funds, which are considered fiduciary funds and, therefore, not part of the primary government.

The fund financial statements include a set of statements for each of the three categories of funds – governmental, proprietary and fiduciary. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The proprietary fund and the fiduciary fund are prepared using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements. Reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach.

### Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities, with the governmental activities and business-type activities shown separately. The Statement of Net Assets presents the assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities shows in broad terms how the net assets changed during the fiscal year.

Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the NVTC reporting entity is improving or declining. Net assets are one way to measure financial position, but the reader should also consider other indicators, such as for the business-type activities, the rate of growth of operating subsidies, passenger fare levels, ridership, general economic conditions and the age and condition of capital assets.

Revenue is classified as program or general revenues. Program revenues are further classified as charges for services, operating grants and contributions, and capital grants and contributions. Expenses are reported by functions and programs. Transfers between the governmental activities and business-type activities are reported under the general revenues section.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The funds of the NVTC reporting entity are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds**. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year.

NVTC maintains two governmental funds: the General Fund and the Special Revenue Fund. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for each of these funds. The General Fund includes the administrative, planning and project activities of NVTC. The Special Revenue Fund reports the intergovernmental revenue received by NVTC and allocated to the member jurisdictions by a formula maintained by NVTC. Once the allocation is determined, the funds are remitted to the fiduciary fund. The two statements included for the governmental funds are the Balance Sheet, and the Statement of Revenues, Expenditures and Changes in Fund Balances.

**Proprietary Fund.** The proprietary fund is used to account for NVTC's share of the Virginia Railway Express (VRE) joint venture. The fund is used to account for the same functions reported as business-type activities in the government-wide financial statements. The three statements included for the proprietary fund are the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows.

**Fiduciary Fund**. The Fiduciary Fund is used to account for resources held by NVTC for the benefit and restricted use of the programs of other governments. Additions to the fiduciary fund consist of revenue remitted from the Special Revenue Fund and investment income. Deductions from the fiduciary fund are disbursements directed by the individual member jurisdictions for restricted purposes. The accounting methods used for the fiduciary fund are much like that used for proprietary funds. The two statements included for the fiduciary fund are the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets.

## Notes to the Basic Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Required Supplementary Information

Additional information that is required by accounting principles generally accepted in the United States to be presented as a supplement to the basic financial statements.

## Supplementary Information

Additional information is presented as a supplement to the basic financial statements. Although not required to be presented and not part of the basic financial statements, the schedules are included to provide additional information of interest to certain financial statement users.

## FINANCIAL ANALYSIS OF THE NVTC REPORTING ENTITY AS A WHOLE

### Statement of Net Assets

The following table presents a summary of the Statement of Net Assets for the NVTC reporting entity as of June 30, 2012 and 2011:

**Summary of Net Assets**
**As of June 30,**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Assets: | | | | | | |
| Current and other assets | $ 16,220,793 | $ 16,073,312 | $ 21,706,729 | $ 24,108,555 | $ 37,927,522 | $ 40,181,867 |
| Capital assets | 52,771 | 61,080 | 160,690,129 | 161,102,623 | 160,742,900 | 161,163,703 |
| Total assets | 16,273,564 | 16,134,392 | 182,396,858 | 185,211,178 | 198,670,422 | 201,345,570 |
| Liabilities: | | | | | | |
| Current and other liabilities | 15,975,751 | 15,836,458 | 11,935,463 | 14,888,752 | 27,911,214 | 30,725,210 |
| Long-term liabilities | 82,923 | 89,138 | 83,380,398 | 89,773,230 | 83,463,321 | 89,862,368 |
| Total liabilities | 16,058,674 | 15,925,596 | 95,315,861 | 104,661,982 | 111,374,535 | 120,587,578 |
| Net assets: | | | | | | |
| Invested in capital assets, net | 52,771 | 61,080 | 69,082,144 | 61,211,996 | 69,134,915 | 61,273,076 |
| Restricted | - | - | 11,962,383 | 11,585,848 | 11,962,383 | 11,585,848 |
| Unrestricted | 162,119 | 147,716 | 6,036,470 | 7,751,352 | 6,198,589 | 7,899,068 |
| Total net assets | $ 214,890 | $ 208,796 | $ 87,080,997 | $ 80,549,196 | $ 87,295,887 | $ 80,757,992 |

As noted earlier, net assets may serve as a useful indicator of a government's financial position. As shown above, total assets exceeded liabilities by $87.3 million, an increase of $6.5 million over the previous fiscal year. The largest portion of net assets, $69.1 million or 79.2 percent, represents the investment in capital assets (e.g., land, building, improvements, rolling stock, equipment and software), less the related indebtedness outstanding used to acquire those capital assets. These assets are used to provide service to riders; consequently, these assets are not available for future spending. The investment in capital assets is reported net of accumulated depreciation and amortization and net of related debt. The resources required to repay this debt must be provided annual from operations and federal, state and local support since it is unlikely that the capital assets themselves will be liquidated to pay liabilities.

A portion of the net assets, $12.0 million or 13.7 percent represents resources that are restricted for the commuter rail liability insurance plan, debt service, and the purchase of replacement rolling stock.

Current assets consist primarily of grant revenue and motor vehicle fuel sales tax due from the Commonwealth of Virginia for governmental activities, and restricted and non-restricted cash, cash equivalents, and investments for the business-type activities. As of June 30, 2012, approximately $19.4 million was due from the Commonwealth of Virginia, of which $7.8 million is for motor vehicle fuel sales tax, and $11.6 million for grant revenue. This is a $0.2 million increase from the previous fiscal year, of which motor fuel sales tax receivables decreased $1.3 million or 14.4 percent, and grant revenue increased $1.5 million or 14.0 percent. The $1.3 million in the receivable for motor vehicle fuel sales tax is due primarily to a decrease in motor fuel revenue due to lower gasoline prices between periods. The $1.5 million increase in the receivable for grant revenue is due primarily to an increase in the final operating assistance due, and an increase in the number of jurisdiction capital grants invoiced near the end of the fiscal year. As of June 30, 2012, $3.6 million of the amount due from the Commonwealth was for the commuter rail service, $15.8 million was for the jurisdiction transit function of NVTC, and $63,489 was for general and administrative and projects. Cash, cash equivalents and investments decreased approximately 6.9%, and totaled $14.7 million, of which all but $343,582 was for the business-type activities of the commuter rail service.

Net assets of the jurisdiction trust fund are not reported in the entity-wide statement of net assets, as they are considered fiduciary funds and are held in trust for the NVTC member jurisdictions restricted use.

## Statement of Changes in Net Assets

The following table shows the revenues and expenses and the change in net assets of the NVTC reporting entity for the fiscal years ended June 30, 2012 and 2011:

**Summary of Changes in Net Assets**
**For the Fiscal Years Ended June 30,**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | $ - | $ - | $ 13,684,760 | $ 13,043,303 | $ 13,684,760 | $ 13,043,303 |
| Operating grants and contributions | 135,165,537 | 102,853,466 | 5,197,022 | 5,229,291 | 140,362,559 | 108,082,757 |
| Capital grants and contributions | - | - | 8,612,708 | 21,786,052 | 8,612,708 | 21,786,052 |
| General revenues | | | | | | |
| Intergovernmental | | | | | | |
| Commuter rail | 14,739,474 | 23,379,749 | - | - | 14,739,474 | 23,379,749 |
| Motor vehicle fuel sales tax | 47,848,439 | 43,812,756 | - | - | 47,848,439 | 43,812,756 |
| Interest | 526 | 856 | 7,150 | 6,069 | 7,676 | 6,925 |
| Other | 451 | 8,316 | - | - | 451 | 8,316 |
| Transfers | (14,739,474) | (23,379,749) | 14,739,474 | 23,379,749 | - | - |
| Total revenues | 183,014,953 | 146,675,394 | 42,241,114 | 63,444,464 | 225,256,067 | 210,119,858 |
| Expenses: | | | | | | |
| General and administration | 2,097,561 | 2,332,225 | - | - | 2,097,561 | 2,332,225 |
| Jurisdiction transit | 180,911,298 | 144,306,294 | - | - | 180,911,298 | 144,306,294 |
| Commuter rail | - | - | 35,709,313 | 34,419,198 | 35,709,313 | 34,419,198 |
| Total expenses | 183,008,859 | 146,638,519 | 35,709,313 | 34,419,198 | 218,718,172 | 181,057,717 |
| Increase in net assets | 6,094 | 36,875 | 6,531,801 | 29,025,266 | 6,537,895 | 29,062,141 |
| Beginning net assets | 208,796 | 171,921 | 80,549,196 | 51,523,930 | 80,757,992 | 51,695,851 |
| Ending net assets | $ 214,890 | $ 208,796 | $ 87,080,997 | $ 80,549,196 | $ 87,299,887 | $ 80,757,992 |

For the fiscal year ended June 30, 2012, revenues totaled $225.3 million, compared to $210.1 million in the preceding year, an increase of $15.1 million or 7.2 percent. Expenses increased $37.7 million or 20.8%. A discussion of the key components of these changes is included in the funds analysis.

## FINANCIAL ANALYSIS OF THE REPORTING ENTITY'S FUNDS

### Governmental Funds

**General Fund.** The General Fund reports the project, planning and administrative activities of NVTC. The unreserved fund balance represents the net resources available for spending at the end of the fiscal year.

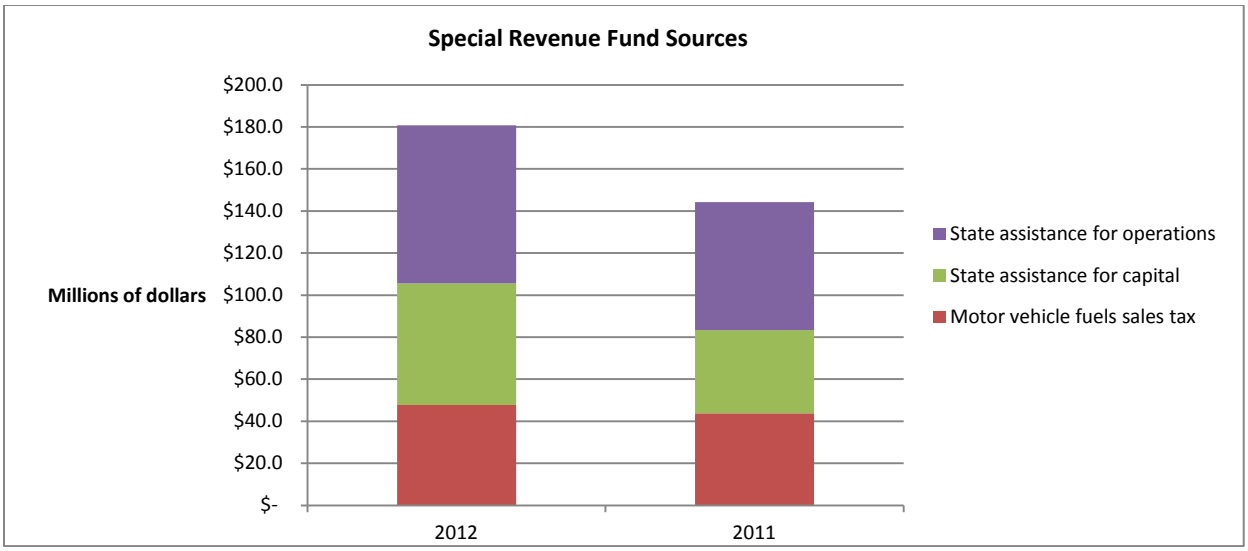
NVTC adopts an annual operating budget for the planning and administrative activities of the General Fund for the purpose of determining the annual contributions from the member jurisdictions required to fund these activities. In addition, the various projects included in the General Fund have individual budgets. While certain administrative expenditures such as payroll and payroll related expenses are part of the annual operating budget, they may be included in project costs if they were incurred directly for a project. Since non-administrative project expenditures are generally fully funded from sources other than those for the planning and administrative activities, the unreserved fund balance is mainly the result of the planning and administrative activities of the General Fund.

As of June 30, 2012 the General Fund had a total fund balance of $365,357 of which $38,569 was nonspendable and $326,788 was unassigned. The fund balance increased $20,095 or 5.8 percent from the preceding year due to a favorable budget variance, offset by a budgeted drawdown of surplus funds.

During fiscal year 2012, NVTC's regional projects incurred a total of $1,122,405 in direct costs. Five of these projects were funded with state and federal sources totaling $986,968. The $135,437 in other funding sources includes local contributions from NVTC, which consists primarily of payroll and payroll related costs.

**Special Revenue Fund.** The special revenue fund reports intergovernmental revenue for the jurisdictions' transit programs, including local bus systems and the operating and capital subsidies of the Washington Metropolitan Area Transit Authority ("WMATA"). The intergovernmental revenue includes state operating assistance, state capital assistance, and the motor vehicle fuel sales tax. As the revenue is recognized by the Special Revenue Fund, it is allocated using the Subsidy Allocation Model formula ("SAM"). This formula, which is defined and established by NVTC board resolution and the *Code of Virginia*, is maintained and updated annually by NVTC. After the revenue has been allocated by the SAM and each jurisdiction's share has been identified, the funds are remitted to the Jurisdiction Trust Fund for the restricted use by the member jurisdictions individually to support the programs of their respective locality.

Intergovernmental revenues increased approximately $36.6 million or 25.4 percent from the previous fiscal year. A comparison of the revenue by type between fiscal years follows:




State assistance for operations is revenue from the state FTM/Admin formula assistance program. Operating assistance increased approximately $14.3 million, or 23.5% from the previous fiscal year. This increase is due to 19.4 percent increase in state-wide operating assistance available, offset in part by a decrease in funding eligibility as compared to the state-wide total. The FTM/Admin assistance program is funded at the statutory fixed rate of 73.5% of projected Mass Transit Trust Fund revenue. Since fiscal year 2009, the FTM/Admin program receives directly a portion of the state recordation tax to help fund the operating program.

State assistance for capital expenditures recognized by the special revenue fund during fiscal year 2012 increased $18.2 million or 46.0 percent from the previous fiscal year. This increase is primarily the result of a greater amount of eligible expenses invoiced during the fiscal year, combined with various state participation rates for different classes of assets and fluctuating rates from year to year. State assistance for capital expenditures during the fiscal year includes revenue from the Mass Transit Trust Fund, the Mass Transit Capital program, and directly from the Transportation Trust Fund. The state-wide capital program is funded at the statutory fixed rate of 25% of projected Mass Transit Trust Fund revenues. The fiscal year 2012 program allocated an additional $55.3 million from the Mass Transit Capital program for state-wide needs.

Effective January 1, 2010, the Motor Vehicle Fuel Sales tax is levied on distributors of gasoline and diesel fuel for deliveries within NVTC's jurisdictions at the rate of 2.1% price per gallon. Prior to this, the tax was levied on the retail sales at the rate of 2%. The Department of Taxation, the state agency responsible for administering the tax, has not determined the impact on revenue collections with the change in the tax. However, NVTC's analysis indicates it is most likely not significant. Motor Vehicle Fuel Sales tax revenue increased by $4.0 million or 9.1 percent from the previous fiscal year. This increase is consistent with the national average price increase for all grades of gasoline over the same period, as calculated from U.S. DOE weekly price data. Overall demand, the price elasticity impacting demand, grade mix, and taxpayer compliance are some of the other factors that affect revenue collections.

## Proprietary Fund

The proprietary fund captures NVTC's portion of the financial activity of the joint venture Virginia Railway Express (VRE) commuter rail service. Assets owned by NVTC and the Potomac and Rappahannock Transportation Commission (PRTC) for the VRE operations have been funded by a variety of sources including federal assistance with PRTC as grantee, Commonwealth of Virginia assistance with NVTC-VRE as grantee, local contributions, and various loans and other financing arrangements for which one or both Commissions have served as issuer, borrower, or in other related capacities. For financial statement reporting purposes, assets, liabilities and operations are assigned and allocated to NVTC and PRTC based on asset ownership, named entity on debt instruments, and sources of funding.

NVTC's share of operating revenue increased about $0.6 million or 4.9%, while operating expenses increased $1.0 million or 4.3%. Capital contributions and transfers decreased $21.8 million or 48.3 percent, due to a significant investment in capital assets during the previous year.

In order to present a full and accurate picture of VRE operations, all financial transaction related to the commuter rail program reported separately in the financial statements of NVTC and PRTC are combined in a separate set of financial statements. These audited financial statements can be obtained from the Director of Finance and Administration of NVTC at 2300 Wilson Blvd., Suite 620, Arlington, VA 22201.

## Fiduciary Fund

The fiduciary fund is a private purpose trust fund, which is titled the Jurisdiction Trust Fund.

**Jurisdiction Trust Fund.** The Jurisdiction Trust Fund holds the assets that were remitted from the special revenue fund and are accounted for on an individual jurisdiction basis. These funds are invested primarily in the Virginia Local Government Investment Pool, and are available for disbursement for restricted purposes by instructions of the member jurisdictions. The change in the fund balance from year to year is dependent upon the remittances from the special revenue fund, investment income and the amount each member jurisdiction instructs NVTC to disburse from the Fund.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

The details of capital assets as of June 30, 2012 and 2011 are as follows:

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Rolling stock | $ - | $ - | $ 116,458,753 | $ 109,195,303 | $ 116,458,753 | $ 109,195,303 |
| Vehicles | - | - | 49,916 | 49,916 | 49,916 | 49,916 |
| Facilities | - | - | 47,344,439 | 46,167,777 | 47,344,439 | 46,167,777 |
| Track and signal improvements | - | - | 26,342,184 | 26,342,184 | 26,342,184 | 26,342,184 |
| Equipment and software | - | - | 4,369,970 | 4,196,719 | 4,369,970 | 4,196,719 |
| Construction in progress | - | - | 6,424,938 | 15,841,673 | 6,424,938 | 15,841,673 |
| Equity in local properties | - | - | 2,622,399 | 2,622,399 | 2,622,399 | 2,622,399 |
| Furniture, equipment and software | 90,969 | 88,443 | 2,704,505 | 1,880,058 | 2,795,474 | 1,968,501 |
| | 90,969 | 88,443 | 206,317,104 | 206,296,029 | 206,408,073 | 206,384,472 |
| Less accumulated depreciation and amortization | 38,198 | 27,363 | 45,626,975 | 45,193,406 | 45,665,173 | 45,220,769 |
| **Total capital assets, net** | $ 52,771 | $ 61,080 | $ 160,690,129 | $ 161,102,623 | $ 160,742,900 | $ 161,163,703 |

NVTC's investment in capital assets as of June 30, 2012 amounted to $160.7 million (net of accumulated depreciation and amortization) which represents decrease of $0.4 million or .003 percent over last year. Completed projects totaling approximately $15.9 million were closed from construction in progress to their respective capital accounts and an additional $0.2 million was charged directly to the capital accounts.

The major completed projects were: the manufacture of seven new locomotives; completion of the CDS computer system for communication with the new locomotives; construction of an extension to the platform at the Broad Run station; construction of a "Kiss & Ride" facility at the Woodbridge station; and a number of station, parking and yard lighting projects at various stations. The major additions to construction in progress during the fiscal year were for the construction of the Crossroads warehouse, the construction of additional parking at the Brooke and Leeland stations, and lighting improvement projects at various stations.

### Debt Administration

At June 30, 2012, the commissions had total debt outstanding of $101.0 million for the VRE commuter rail service, of which $91.8 million is reported by NVTC. The revenue bond debt is issued under the name of the NVTC. The bonds are secured by a pledge of VRE operations revenue. A debt service insurance policy guarantees payment of each bond series.

The NVTC and PRTC are co-lessees of the capital lease for rolling stock, which is secured by the related equipment. The note payable for VRE's office condominium was issued by NVTC and is secured by the real estate. The promissory note with the Federal Railroad Administration for the purchase of 60 Gallery railcars is issued by NVTC, but both NVTC and PRTC are signatories. The note is secured by the revenues of VRE operations and the rolling stock.

| | 2012 | 2011 |
|---|---|---|
| Revenue bonds | $ 18,685,000 | $ 24,295,000 |
| Capital leases | 9,375,881 | 9,983,326 |
| Notes payable (includes RRIF) | 63,729,659 | 63,685,611 |
| **Total** | $ 91,790,540 | $ 97,963,937 |

VRE operations has available a revolving line of credit in the name of NVTC of up to $1 million with SunTrust Bank; the line was not utilized during 2012.

**Economic Factors and Next Year's Budget**

State assistance recognized by the Special Revenue fund will decrease significantly from the revenue recognized in fiscal year 2012 due to the Commonwealth of Virginia's decision to contract directly with the NVTC member jurisdictions for fiscal year 2013 operating and capital assistance. However, NVTC will remain an agent for the receipt, investment and disbursement of this funding, and such activity will continue to be recognized by the Jurisdiction Trust Fund.

The U.S. Energy Information Administration forecasts a 1% decrease in the average price of gasoline nationwide for fiscal year 2013. If that forecast holds true for the NVTC region, and the historical relationship between gas prices and motor vehicle fuel sales tax collections continue, a similar percentage decrease in gas tax revenue for the Special Revenue fund would be realized.

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's service. The constraining factors to VRE growth are station parking, availability of seats, storage capacity, and the availability of subsidy funds.

For VRE operations, a fare increase of 3% was implemented at the beginning of fiscal year 2013. The total local subsidy for fiscal year 2013 was increased by $484,882 to a total of $16,428,799, with full participation by Spotsylvania County. The level of state funding for transportation continues to be volatile and the level of federal formula funding may be considerably more variable than it has been in the past.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of NVTC's finances for all those interested. If you have any questions about this report or need additional financial information, contact the Director of Finance and Administration, Northern Virginia Transportation Commission, 2300 Wilson Boulevard, Suite 620, Arlington, Virginia 22201, or by email to scott@nvtdc.org.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## BASIC FINANCIAL STATEMENTS

## YEAR ENDED JUNE 30, 2012

## NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## STATEMENT OF NET ASSETS
**June 30, 2012**

| ASSETS | Primary Government: Governmental Activities | Primary Government: Business-type Activities | Total Primary Government |
|---|---|---|---|
| Cash and cash equivalents | $ 343,582 | $ 2,402,621 | $ 2,746,203 |
| Due from other governments: | | | |
| Commonwealth of Virginia | 19,451,278 | - | 19,451,278 |
| Federal | 6,290 | - | 6,290 |
| Trade accounts receivable, net | - | 537,128 | 537,128 |
| Other receivables | 200 | 67,197 | 67,397 |
| Inventory | - | 1,669,343 | 1,669,343 |
| Deposits and prepaid items | 38,569 | 189,314 | 227,883 |
| Restricted cash, cash equivalents and investments | - | 11,981,863 | 11,981,863 |
| Internal balances | (3,619,126) | 3,619,126 | - |
| Deferred bond and lease costs, net | - | 1,240,137 | 1,240,137 |
| Capital assets: | | | |
| Rolling stock | - | 116,458,753 | 116,458,753 |
| Vehicles | - | 49,916 | 49,916 |
| Facilities | - | 47,344,439 | 47,344,439 |
| Track and signal improvements | - | 26,342,184 | 26,342,184 |
| Equipment and software | - | 4,369,970 | 4,369,970 |
| Construction in progress | - | 6,424,938 | 6,424,938 |
| Equity in local properties | - | 2,622,399 | 2,622,399 |
| Office equipment, furniture and software | 90,969 | 2,704,505 | 2,795,474 |
| Less accumulated depreciation and amortization | (38,198) | (45,626,975) | (45,665,173) |
| Total assets | 16,273,564 | 182,396,858 | 198,670,422 |

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## STATEMENT OF NET ASSETS
**June 30, 2012**

| | Primary Government | | Total |
|---|---|---|---|
| **LIABILITIES** | **Governmental Activities** | **Business-type Activities** | **Primary Government** |
| Accounts payable | $ 73,770 | $ 1,189,062 | $ 1,262,832 |
| Accrued expenses | 25,797 | 1,088,117 | 1,113,914 |
| Accrued interest | - | 696,109 | 696,109 |
| Due to fiduciary fund | 15,755,869 | - | 15,755,869 |
| Deferred revenue | - | 542,720 | 542,720 |
| Lease liability | 96,540 | - | 96,540 |
| Contract retainage | - | 82,407 | 82,407 |
| Noncurrent liabilities: | | | |
| Due within on year: | | | |
| Compensated absences | 23,775 | 11,686 | 35,461 |
| Notes payable | - | 1,873,893 | 1,873,893 |
| Capital lease obligation | - | 541,469 | 541,469 |
| Bonds payable, net | - | 5,910,000 | 5,910,000 |
| Due in more than on year: | | | |
| Compensated absences | 82,923 | 97,775 | 180,698 |
| Notes payable | - | 61,855,766 | 61,855,766 |
| Capital lease obligation | - | 8,834,413 | 8,834,413 |
| Bonds payable, net | - | 12,592,444 | 12,592,444 |
| Total liabilities | 16,058,674 | 95,315,861 | 111,374,535 |
| **NET ASSETS** | | | |
| Invested in capital assets, net of related debt | 52,771 | 69,082,144 | 69,134,915 |
| Restricted for liability insurance plan | - | 5,078,246 | 5,078,246 |
| Restricted for debt service and capital lease | - | 6,408,466 | 6,408,466 |
| Restricted grants or contributions | - | 475,671 | 475,671 |
| Unrestricted | 162,119 | 6,036,470 | 6,198,589 |
| Total net assets | $ 214,890 | $ 87,080,997 | $ 87,295,887 |

*The accompanying notes are an integral part of the financial statements.*

## NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## STATEMENT OF ACTIVITIES
**Year Ended June 30, 2012**

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|---|---|---|---|---|---|---|
| **Functions / Programs** | **Expenses** | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total Primary Government |
| **Primary government:** | | | | | | | |
| Governmental activities: | | | | | | | |
| General and administration | $ 2,097,561 | $ - | $ 2,101,651 | $ - | $ 4,090 | $ - | $ 4,090 |
| Jurisdiction transit | 180,911,298 | - | 133,063,886 | - | (47,847,412) | - | (47,847,412) |
| Total governmental activities | 183,008,859 | - | 135,165,537 | - | (47,843,322) | - | (47,843,322) |
| Business-type activities: | | | | | | | |
| Commuter rail | 35,709,313 | 13,684,760 | 5,197,022 | 8,612,708 | - | (8,214,823) | (8,214,823) |
| Total business-type activities | 35,709,313 | 13,684,760 | 5,197,022 | 8,612,708 | - | (8,214,823) | (8,214,823) |
| Total primary government | $ 218,718,172 | $ 13,684,760 | $ 140,362,559 | $ 8,612,708 | (47,843,322) | (8,214,823) | (56,058,145) |
| **General revenues:** | | | | | | | |
| Intergovernmental revenue - commuter rail | | | | | 14,739,474 | - | 14,739,474 |
| Intergovernmental revenue - motor vehicle fuel sales tax | | | | | 47,848,439 | - | 47,848,439 |
| Interest income | | | | | 526 | 7,150 | 7,676 |
| Other | | | | | 451 | - | 451 |
| Transfers | | | | | (14,739,474) | 14,739,474 | - |
| Total general revenues | | | | | 47,849,416 | 14,746,624 | 62,596,040 |
| **Change in net assets** | | | | | 6,094 | 6,531,801 | 6,537,895 |
| Net assets, beginning of year | | | | | 208,796 | 80,549,196 | 80,757,992 |
| Net assets, end of year | | | | | $ 214,890 | $ 87,080,997 | $ 87,295,887 |

*The accompanying notes are an integral part of the financial statements.*

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## BALANCE SHEET
## GOVERNMENTAL FUNDS
**June 30, 2012**

| | Major Funds | | |
|---|---|---|---|
| | General Fund | Special Revenue Fund | Total Governmental Funds |
| **ASSETS** | | | |
| Cash and cash equivalents | $ 343,582 | $ - | $ 343,582 |
| Due from other governments: | | | |
| Commonwealth of Virginia | 3,695,409 | 15,755,869 | 19,451,278 |
| Federal | 6,290 | - | 6,290 |
| Due from proprietary fund | 12,794 | - | 12,794 |
| Other receivables | 200 | - | 200 |
| Deposits and prepaid items | 38,569 | - | 38,569 |
| Total assets | $ 4,096,844 | $ 15,755,869 | $ 19,852,713 |
| **LIABILITIES** | | | |
| Accounts payable | $ 72,786 | $ - | $ 72,786 |
| Accrued salaries | 26,781 | - | 26,781 |
| Due to proprietery fund | 3,631,920 | - | 3,631,920 |
| Due to fiduciary fund | - | 15,755,869 | 15,755,869 |
| Total liabilities | 3,731,487 | 15,755,869 | 19,487,356 |
| **FUND BALANCES** | | | |
| Nonspendable | | | |
| Deposits and prepaid items | 38,569 | - | 38,569 |
| Unassigned | 326,788 | - | 326,788 |
| Total fund balance | 365,357 | - | 365,357 |
| Total liabilities and fund balance | $ 4,096,844 | $ 15,755,869 | $ 19,852,713 |

Reconciliation of fund balance on the Balance Sheet for the governmental funds to the net assets of the governmental activities on the Statement of Net Assets:

| | |
|---|---|
| Fund balances - governmental funds | $ 365,357 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $90,969 and the accumulated depreciation and amortization is $38,198. | 52,771 |
| Lease liability only recognized in the government-wide financial statements. | (96,540) |
| Compensated absences are liabilities not due and payable in the current period and, therefore, are not reported in the governmental funds. | (106,698) |
| Net assets - governmental activities | $ 214,890 |

*The accompanying notes are an integral part of the financial statements.*

## NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
## GOVERNMENTAL FUNDS
**Year Ended June 30, 2012**

| | Major Funds | | |
|---|---|---|---|
| | General Fund | Special Revenue Fund | Total Governmental Funds |
| Revenues: | | | |
| Intergovernmental revenues: | | | |
| Grants and contributions: | | | |
| Commonwealth of Virginia | $ 15,976,513 | $ 133,063,886 | $ 149,040,399 |
| Local jurisdictions | 291,315 | - | 291,315 |
| Federal | 503,297 | - | 503,297 |
| Motor vehicle fuel sales tax | 1,027 | 47,847,412 | 47,848,439 |
| Project chargebacks | 70,000 | - | 70,000 |
| Interest income | 526 | - | 526 |
| Other income | 451 | - | 451 |
| Total revenues | 16,843,129 | 180,911,298 | 197,754,427 |
| Expenditures: | | | |
| Current: | | | |
| General and administration | 958,628 | - | 958,628 |
| Project costs | 1,122,405 | - | 1,122,405 |
| Payments to fiduciary fund | - | 180,911,298 | 180,911,298 |
| Capital outlay | 2,527 | - | 2,527 |
| Total expenditures | 2,083,560 | 180,911,298 | 182,994,858 |
| Other financing uses: | | | |
| Transfer out | (14,739,474) | - | (14,739,474) |
| **Change in fund balances** | 20,095 | - | 20,095 |
| Fund balances, beginning of year | 345,262 | - | 345,262 |
| Fund balances, end of year | $ 365,357 | $ - | $ 365,357 |

| | |
|---|---|
| Change in fund balances - total governmental funds | $ 20,095 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. | |
| Add - capital outlay | 2,526 |
| Deduct - depreciation and amortization expense | (10,835) |
| Amortization of lease liability is only recognized in the government-wide financial statements. | (16,737) |
| The change in compensated absences included in the expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | 11,045 |
| Change in net assets of governmental activities | $ 6,094 |

*The accompanying notes are an integral part of the financial statements.*

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## STATEMENT OF NET ASSETS
## PROPRIETARY FUND
**June 30, 2012**

**ASSETS**

| | | |
|---|---|---|
| Current Assets: | | |
| Cash and cash equivalents | $ | 2,402,621 |
| Accounts receivable: | | |
| Due from general fund | | 3,631,920 |
| Trade receivables, net of allowance for doubtful accounts | | 537,128 |
| Other receivables | | 67,197 |
| Inventory | | 1,669,343 |
| Deposits and prepaid items | | 189,314 |
| Restricted cash, cash equivalents and investments | | 11,981,863 |
| **Total current assets** | | 20,479,386 |
| Noncurrent Assets: | | |
| Deferred bond and lease costs, net | | 1,240,137 |
| Capital assets: | | |
| Rolling stock | | 116,458,753 |
| Vehicles | | 49,916 |
| Facilities | | 47,344,439 |
| Track and signal improvements | | 26,342,184 |
| Equipment and software | | 4,369,970 |
| Construction in progress | | 6,424,938 |
| Equity in local properties | | 2,622,399 |
| Furniture, equipment and software | | 2,704,505 |
| | | 206,317,104 |
| Less accumulated depreciation and amortization | | (45,626,975) |
| **Total capital assets, net** | | 160,690,129 |
| **Total noncurrent assets** | | 161,930,266 |
| **Total assets** | $ | 182,409,652 |

*The accompanying notes are an integral part of the financial statements.*

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## STATEMENT OF NET ASSETS
## PROPRIETARY FUND
**June 30, 2012**

**LIABILITIES AND NET ASSETS**

| | | |
|---|---|---|
| Current Liabilities: | | |
| Accounts payable | $ | 1,189,062 |
| Due to general fund | | 12,794 |
| Compensated absences | | 11,686 |
| Accrued expenses | | 1,088,117 |
| Accrued interest | | 696,109 |
| Deferred revenue | | 542,720 |
| Contract retainage | | 82,407 |
| Notes payable | | 1,873,893 |
| Current portion of capital lease obligations | | 541,469 |
| Current portion of bonds payable | | 5,910,000 |
| **Total current liabilities** | | 11,948,257 |
| Noncurrent Liabilities: | | |
| Capital lease obligations | | 8,834,413 |
| Notes payable | | 61,855,766 |
| Bonds payable, net | | 12,592,444 |
| Compensated absences | | 97,775 |
| **Total noncurrent liabilities** | | 83,380,398 |
| **Total liabilities** | | 95,328,655 |
| Net Assets: | | |
| Invested in capital assets, net of related debt | | 69,082,144 |
| Restricted for liability insurance plan | | 5,078,246 |
| Restricted for debt service and capital lease | | 6,408,466 |
| Restricted grants or contributions | | 475,671 |
| Unrestricted | | 6,036,470 |
| **Total net assets** | | 87,080,997 |
| **Total liabilities and net assets** | $ | 182,409,652 |

*The accompanying notes are an integral part of the financial statements.*

## NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
## PROPRIETARY FUND
**Year Ended June 30, 2012**

| | |
|---|---|
| Operating Revenues: | |
| Passenger revenue | $ 13,565,914 |
| Equipment rentals and other | 118,846 |
| Total operating revenues | 13,684,760 |
| Operating Expenses: | |
| Contract operations and maintenance | 8,241,386 |
| Other operations and maintenance | 5,702,278 |
| Property leases and access fees | 5,127,371 |
| Insurance | 1,364,195 |
| Marketing and sales | 863,988 |
| General and administrative | 2,778,647 |
| Total operating expenses | 24,077,865 |
| Operating loss before depreciation and amortization | (10,393,105) |
| Depreciation and amortization | (6,686,565) |
| Operating loss | (17,079,670) |
| Nonoperating Revenues (Expenses): | |
| Subsidies: | |
| Jurisdictional contributions | 5,197,022 |
| Interest income: | |
| Operating funds | 6,569 |
| Other restricted funds | 581 |
| Loss on disposal of asset | (179,191) |
| Interest, amortization and other nonoperating expenses, net | (4,765,692) |
| Total nonoperating revenues, net | 259,289 |
| Loss before capital contributions and transfers | (16,820,381) |
| Capital contributions and transfers: | |
| Other local contributions | 33,747 |
| Contribution from PRTC | 8,578,961 |
| Transfers in | 14,739,474 |
| Total capital contributions and transfers | 23,352,182 |
| Change in net assets | 6,531,801 |
| Net assets, beginning | 80,549,196 |
| Net assets, ending | $ 87,080,997 |

*The accompanying notes are an integral part of the financial statements.*

## NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## STATEMENT OF CASH FLOWS
## PROPRIETARY FUND
**Year Ended June 30, 2012**

| | |
|---|---|
| Cash Flows From Operating Activities: | |
| Receipts from customers | $ 14,619,466 |
| Payments to suppliers | (22,308,846) |
| Payments to employees | (1,714,030) |
| Net cash used in operating activities | (9,403,410) |
| | |
| Cash Flows From Noncapital Financing Activities: | |
| Governmental subsidies | 17,291,748 |
| | |
| Cash Flows From Capital and Related Financing Activities: | |
| Acquisition and construction of capital assets | (8,878,921) |
| Capital grants and assistance | 2,653,078 |
| Proceeds from sale of capital assets | 253,778 |
| Principal paid on capital lease obligations | (517,445) |
| Principal paid on notes | (1,770,591) |
| Principal paid on bonds | (5,610,000) |
| Interest paid on capital lease obligation | (448,234) |
| Interest paid on bonds and notes | (4,250,764) |
| Contribution from PRTC | 9,550,904 |
| Net cash used in capital and related financing activities | (9,018,195) |
| | |
| Cash Flows From Investing Activities: | |
| Interest received on investments | 7,032 |
| | |
| Decrease in cash and cash equivalents | (1,122,825) |
| | |
| Cash and Cash Equivalents, beginning | 15,507,309 |
| Cash and Cash Equivalents, ending | $ 14,384,484 |
| | |
| Reconciliation of Operating Loss to Net Cash Used In Operating Activities: | |
| Operating loss | $ (17,079,670) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Depreciation and amortization | 6,686,565 |
| Loss on disposal of assets | 65,101 |
| (Increase) decrease in: | |
| Accounts receivable | 904,391 |
| Other receivables | (1,197) |
| Inventory | 129,851 |
| Prepaid expenses and other | (7,382) |
| Increase (decrease) in: | |
| Accounts payable and accrued expenses | (132,582) |
| Unearned revenue | 31,513 |
| Net cash used in operating activities | $ (9,403,410) |
| | |
| Schedule of Noncash Capital Activities | |
| Capital assets acquired through accounts payable | $ 587,305 |
| Capital assets acquired through notes payable | 1,814,639 |
| Capital assets acquired through accrued liabilities | 275,730 |
| Capital assets acquired through in-kind contributions | 6,589 |
| | $ 2,684,263 |

*The accompanying notes are an integral part of the financial statements.*

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## STATEMENT OF FIDUCIARY NET ASSETS
## FIDUCIARY FUND
**June 30, 2012**

| | Jurisdiction Trust Fund |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 115,155,441 |
| Due from special revenue fund - Commonwealth of Virginia grants | 7,920,010 |
| Due from special revenue fund - Motor vehicle fuel sales tax | 7,835,859 |
| Total assets | 130,911,310 |
| **NET ASSETS** | |
| Net assets held in trust for member jurisdictions | $ 130,911,310 |

*The accompanying notes are an integral part of the financial statements.*

## NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
## FIDUCIARY FUND
**Year Ended June 30, 2012**

| | Jurisdiction Trust Fund |
|---|---|
| Additions: | |
| Contributions from government | $ 180,911,298 |
| Investment income | 178,152 |
| Total additions | 181,089,450 |
| Deductions: | |
| Funds disbursed to WMATA: | |
| Capital improvement program | 6,526,040 |
| Project development | 619,000 |
| Metrorail operating | 34,504,714 |
| Metrobus operating | 57,782,816 |
| MetroAccess operating | 13,784,239 |
| Metro debt service | 7,463,505 |
| Other funds disbursed: | |
| Other capital disbursements | 35,621,234 |
| Other operating disbursements | 27,836,406 |
| Total deductions | 184,137,954 |
| Change in net assets | (3,048,504) |
| Net assets held in trust for member jurisdictions | |
| Beginning of year | 133,959,814 |
| End of year | $ 130,911,310 |

*The accompanying notes are an integral part of the financial statements.*

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED JUNE 30, 2012

## Note 1. Summary of Significant Accounting Policies

The financial statements of the Northern Virginia Transportation Commission (“NVTC”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (“FASB”) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

### A. Reporting Entity

The Northern Virginia Transportation District (the "District") was created by the 1964 Acts of Assembly of the Commonwealth of Virginia, Chapter 630, to assume the powers and purposes of transportation districts under the Act. The transportation district comprises the cities of Alexandria, Fairfax, and Falls Church, and the counties of Arlington, Fairfax and Loudoun, and has all the powers granted transportation districts in the Act. The Act was created for the purpose of developing transportation systems necessary to the orderly growth and development of urban areas of the Commonwealth of Virginia for the safety, comfort, and convenience of its citizens and for the economical utilization of public funds. The District has no taxing power, although a tax imposed by the Virginia General Assembly is collected within the District's boundaries for its benefit. The Northern Virginia Transportation Commission is the governing body of the District, and was created pursuant to the Authorizing Legislation to manage and control the functions, affairs, and property of the District.

The NVTC and Potomac and Rappahannock Transportation Commission (PRTC) reporting entities each include a portion of the financial activity of the joint venture Virginia Railway Express (VRE) commuter rail service. Pursuant to a Master Agreement signed in 1989, NVTC and PRTC jointly (as the "Commissions") own and operate VRE. Assets for VRE operations have been purchased in the name of the Commissions and funded primarily by grants, loans or other financing arrangements for which one or both Commissions have served as grantee, issuer, borrower, or in other related capacities. 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 track of the CSX Transportation Corporation ("CSX"), and the Norfolk Southern Railway Company, under respective operating access agreements. Trains are operated and maintained pursuant to an agreement between the Commissions and Keolis Rail Services Virginia, LLC, and Amtrak provides the Commissions with access to and storage and other services at Union Station.

## Note 1. Summary of Significant Accounting Policies (Continued)

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of NVTC. Governmental activities, which are supported by intergovernmental revenues, are reported separately from the business-type activities of the VRE joint venture, which rely to a significant extent on charges for services.

The government-wide Statement of Activities is designed to report the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who use services provided by a given function, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

The government-wide Statement of Net Assets reports net assets as restricted when externally imposed constraints on those net assets are in effect. Internally imposed designations of resources are not presented as restricted net assets.

Separate fund financial statements are provided for governmental funds, proprietary fund, and fiduciary fund. The governmental funds are reported on a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances (fund equity). The proprietary fund is reported on a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows. The fiduciary fund is reported on a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. The fiduciary fund is not included in the government-wide statements. Eliminations have been made to minimize the double counting of internal activities.

### C. Measurement Focus and Basis of Accounting

**Government-wide Financial Statements –** Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues, consisting primarily of Federal and Commonwealth of Virginia grants, designated for payment of specific expenditures, are recognized at the time the expenditures are incurred. Any excess of revenues or expenditures at year-end are recorded as deferred revenue or accounts receivable, respectively. Derived tax revenues are recognized when the underlying transactions have occurred.

**Governmental Fund Financial Statements –** The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, NVTC considers revenues to be available if they are collected within 90 days after year end. Revenues from grants that are expenditure based are recognized if the expenditure has been made and invoiced to the grant. Expenditures are recorded when a liability is incurred, as under the full accrual method of accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

**Proprietary Fund –** The financial statements of the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses are those that result from providing services in connection with the principal ongoing operation. The principal operating revenues are charges to customers which result in passenger revenues. Passenger revenues are recorded as revenue at the time services are performed. Cash received for services in advance is deferred until earned. Operating revenues and expenses also include all revenues and expenses not associated with capital and related financing, noncapital financing, subsidies, or investing activities. Intergovernmental revenues, consisting primarily of 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 other contributions are included in the Statements of Revenues, Expenses and Changes in Net Assets when expended. Monetary and in-kind contributions are recorded as matching obligations to the jurisdictions or other construction partners as assessed. Any excess of grant revenues or expenses at year end are recorded as unearned revenue or accounts receivable, respectively.

NVTC reports the following major enterprise fund:

Commuter Rail Service Fund

The Commuter Rail Service Fund accounts for NVTC's portion of operation and maintenance costs for commuter rail service, financed by charges for services and operating and capital received from the Commonwealth of Virginia.

**Fiduciary Fund –** The financial statements of the fiduciary fund are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

**D. Budgeting**

Although not statutorily required, NVTC adopts an annual operating budget for the planning and administrative activities of the General Fund. The budgeting process enables NVTC to determine the annual contributions required from the member jurisdictions directly and from Commonwealth of Virginia assistance to fund its planning and administrative activities. Accumulated fund balances in excess of anticipated minimum operating cash requirements are used as a revenue source in subsequent budgets.

**E. Other Significant Accounting Policies**

1. Cash and investments

   Cash equivalents include all highly liquid investments with maturities of three months or less. 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 or Pool), a 2a7-like pool, is reported at the Pool's share price.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Other Significant Accounting Policies (Continued)**

2. Restricted cash and cash equivalents

Restricted cash, cash equivalents, and investments as reported in the Statement of Net Assets are comprised of funds related to bond compliance requirements, the balance in the Liability Insurance Plan, proceeds from the sale of rolling stock, and a small liability claims account.

Restricted cash and cash equivalents as reported by the Trust fund are funds restricted for use by the member jurisdictions for certain transit purposes.

3. Allowance for uncollectible accounts

The allowance for uncollectible accounts is calculated by using historical collection data and specific account analysis. The allowance was $174,000 at June 30, 2012.

4. Inventory

An inventory of spare parts for rolling stock has been purchased and is maintained and managed at the Commissions' warehouse located at Broad Run. A warehouse was constructed at the Crossroads yard and the spare parts inventory will be moved to that location at the beginning of fiscal year 2013. Inventory is stated at cost, which approximates market, and is valued using the first-in-first-out method.

5. Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements using the consumption method.

6. 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 or amortized. Major improvements and replacements of property are capitalized. Maintenance, repairs and minor improvements and replacements are expensed.

Costs of improvements to track, stations 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.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Other Significant Accounting Policies (Continued)**

6. Capital assets (Continued)

Interest is capitalized on qualifying construction in progress projects until they have reached the point of substantial completion. For those projects financed with tax-exempt debt, the amount of capitalized interest equals the difference between the interest cost associated with the borrowing to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized using the straight-line method over the useful life of the asset.

Depreciation and amortization of all exhaustible equipment, buildings and intangibles is charged as an expense against operations using the straight-line method over the following estimated useful lives:

| | |
|---|---|
| Rolling stock | 8-30 years |
| Vehicles | 5 years |
| Facilities | 30-40 years |
| Track and signal improvements | 30 years |
| Equipment and software | 5 years |
| Equity in local properties | 35 years |
| Furniture, equipment and software | 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, 2012.

7. Compensated absences

Vacation leave for NVTC employees is granted to all full and part-time employees and is earned based upon the length of employment. Employees with zero through 9 years of service may carryover a maximum of 240 hours of accumulated leave while employees with 10 to 15 complete years of service may carryover a maximum of 320 hours of leave. For greater than 15 years, the maximum carryover is 360 hours of leave. The allowed accumulated leave earned, yet not paid has been recorded as a liability since the leave vests and an obligation to make payment exists if an employee terminates. The Executive Director may authorize the conversion of excess vacation leave to sick leave.

Sick leave for NVTC employees may also be accumulated. After five years of service, NVTC employees are eligible to receive 25% of their accumulated sick leave at the then current wage rate for hours in excess of 450, without limit. Employees hired prior to January 3, 2008 have the option of receiving a payment for 25% of accrued hours of sick leave with a maximum of $5,000. The calculation producing the largest amount for each eligible employee has been recorded as a liability. In prior years, the General Fund was responsible for paying the liability for compensated absences for general government employees.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Other Significant Accounting Policies (Continued)**

7. Compensated absences (Continued)

The employees of the VRE joint venture are paid through PRTC and are subject to PRTC's leave policies. 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.

VRE employees may accumulate sick leave without limitation. Employees who separate in good standing after five or more years of service will be paid 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.

8. 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.

9. Fund equity

In the fund financial statements, the governmental fund reports classifications of fund balance as follows:

*Nonspendable fund balance* – amounts that are not in a spendable form or are required to be maintained intact (such as prepaid items, inventory, and the principal of a permanent fund that is legally or contractually required to be maintained intact).

*Unassigned fund balance* – residual balance of the General Fund that has not been restricted, committed, or assigned to specific purposes within the General Fund.

NVTC will consider the use of restricted, committed, or assigned funds prior to the use of unassigned fund balance.

10. Indirect expenditure allocation

Employee benefits are allocated to projects based on direct labor charges. Overhead and other indirect costs are not charged to NVTC projects.

## Note 1. Summary of Significant Accounting Policies (Continued)

### E. Other Significant Accounting Policies (Continued)

11. Net assets

Net assets represent the difference between assets and liabilities. The caption net assets "invested in capital assets, net of related debt" consists of capital assets, net of accumulated depreciation and amortization, reduced by retainage and the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by NVTC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NVTC first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

12. Estimates and assumptions

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

## Note 2. Deposits and Investments

At June 30, 2012, cash, cash equivalents, and investments consisted of the following, at cost which approximates fair value:

| | Governmental Activities | Business-type Activities | Fiduciary Fund | Total |
|---|---|---|---|---|
| Cash | $ 194,602 | $ 1,089,707 | $ - | $ 1,284,309 |
| LGIP | 148,980 | 1,312,914 | - | 1,461,894 |
| | 343,582 | 2,402,621 | - | 2,746,203 |
| Restricted: | | | | |
| LGIP | - | 495,151 | 115,155,441 | 115,650,592 |
| Insurance trust fund – pooled funds | - | 5,078,246 | - | 5,078,246 |
| Money market funds – U.S. Treasuries | - | 6,408,466 | - | 6,408,466 |
| | - | 11,981,863 | 115,155,441 | 127,137,304 |
| **Total** | $ 343,582 | $ 14,384,484 | $ 115,155,441 | $ 129,883,507 |

Maturities of all investments are less than one year.

## Note 2. Deposits and Investments (Continued)

### Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

### Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or its 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).

As of June 30, 2012, the reporting entity had investments of $117,112,486 in the LGIP for governmental activities, business-type activities, and the fiduciary fund. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *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 their 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 & Poor's.

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, 2012, a total of $10,156,492 was invested in the Insurance Trust, of which $5,078,246 is included in the NVTC reporting entity. Beginning with fiscal year 2011, any earnings on these investments are retained by the Commonwealth of Virginia.

Accumulated bond interest and principal payments in the amount of $6,408,466 at June 30, 2012 were held by the bond trustee, U.S. Bank, in U.S. Treasury money market accounts. Investments in U. S. Treasury money market accounts at U.S. Bank have been assigned a "AAAm" rating by Standard & Poor's.

**Note 2. Deposits and Investments (Continued)**

NVTC's investment authority and permitted instruments are contained in resolutions approved by the NVTC Board. NVTC's investment policy objectives are to generate revenue while balancing risk and ensuring the availability of cash to meet the Commission's and the jurisdictions' expenditure requirements. The objectives are prioritized in the following order: safety, liquidity, and return on investments. Allowable investments are restricted to instruments permitted by the *Code of Virginia*, with maximum percentages of the portfolio permitted in each of the following instruments:

LGIP
U. S. Treasury Obligations
Certificates of Deposit
Bankers' Acceptances
Repurchase Agreements
Commercial Paper

The VRE Operations Board has adopted a formal investment policy. The goal of the policy is to minimize risk and to ensure the availability of cash to meet VRE's expenditures, while generating revenue from the use of funds which might otherwise remain idle. The primary objectives of VRE's investment activities, in priority order, are: safety, liquidity and yield. The policy specifies eligible and ineligible investments; diversification requirements; maximum length of time for various types of investments; and the process for purchasing securities.

**Credit risk**

The investment policy specifies credit quality for certain types of investments, in accordance with the *Code of Virginia*, and the policy specifies the qualifications for institutions providing depository and investment services.

**Custodial credit risk**

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, deposits may not be recovered. All cash of the reporting entity 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 percent 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.

**Interest rate risk**

In accordance with its investment policy, VRE manages its exposure to declines in fair values by limiting the maturity of various investment vehicles, as indicated in the chart below.

## Note 2. Deposits and Investments (Continued)

### Concentration of credit risk

VRE's investment policy provides limitations on the percentage of the portfolio that can be invested in each type of security, as indicated in the following chart.

The limitations provided in the investment policy for maximum maturity and percentage of the portfolio for each category of investment are as follows:

| Investment | Length of Maturity | Percent Allowed |
|---|---|---|
| Bonds, notes, and other evidence of indebtedness of the United States | 60 months or less | 100% |
| Bonds, notes, and other evidence of indebtedness of the Commonwealth of Virginia | 60 months or less | 100% |
| Bonds, notes, and other evidence of indebtedness of any county, city, town, district, or authority | 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 | 60% |
| Repurchase agreements | 24 months or less | 20% |
| Bankers' acceptances | 24 months or less | 10% |
| Prime Quality Commercial Paper (no more than 5% from one issuer) | 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% |
| Negotiable CD's and negotiable bank deposit notes | 24 months or less | 25% |

## Note 3. Due From Other Governments

At June 30, 2012, due from other governments consisted of the following:

| | Project and Administrative | Jurisdiction Transit | Total |
|---|---|---|---|
| Due from Commonwealth of Virginia: | | | |
| Motor fuel sales tax | $ 310 | $ 7,835,859 | $ 7,836,169 |
| Grants | 3,695,099 | 7,920,010 | 11,615,109 |
| | 3,695,409 | 15,755,869 | 19,451,278 |
| Due from Federal Transit Administration: | | | |
| Grants | 6,290 | - | 6,290 |
| | $ 3,701,699 | $ 15,755,869 | $ 19,457,568 |

Amounts due from the Commonwealth for the Project and Administrative activities include $3,631,920 for commuter rail and $63,179 for other projects.

## Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

| | Beginning Balance | Increases | Reclassifications (Decreases) | Ending Balance |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Capital assets being depreciated or amortized: | | | | |
| Furniture, equipment and software | $ 88,443 | $ 2,526 | $ - | $ 90,969 |
| **Total accumulated depreciation or amortization** | 27,363 | 10,835 | - | 38,198 |
| **Governmental activities capital assets, net** | $ 61,080 | $ (8,309) | $ - | $ 52,771 |
| **Business-type activities:** | | | | |
| Capital assets not being depreciated or amortized: | | | | |
| Construction in progress | $ 15,841,673 | $ 6,494,807 | $ (15,911,542) | $ 6,424,938 |
| Capital assets being depreciated or amortized: | | | | |
| Rolling stock | 109,195,30 | - | 7,263,450 | 116,458,753 |
| Vehicles | 49,916 | - | - | 49,916 |
| Facilities | 46,167,777 | - | 1,176,662 | 47,344,439 |
| Track and signal improvements | 26,342,184 | - | - | 26,342,184 |
| Equipment and software | 4,196,719 | 145,806 | 27,444 | 4,369,970 |
| Equity in local properties | 2,622,399 | - | - | 2,622,399 |
| Furniture, equipment and software | 1,880,058 | 19,501 | 804,947 | 2,704,505 |
| **Total capital assets being depreciated or amortized** | 190,454,356 | 165,307 | 9,272,503 | 199,892,166 |
| Less accumulated depreciation or amortization for: | | | | |
| Rolling stock | 21,377,889 | 3,974,776 | (6,252,996) | 19,099,669 |
| Vehicles | 25,564 | 7,500 | - | 33,064 |
| Facilities | 10,439,238 | 1,330,654 | - | 11,769,892 |
| Track and signal improvements | 7,137,546 | 895,852 | - | 8,033,398 |
| Equipment and software | 3,654,974 | 235,566 | - | 3,890,540 |
| Equity in local properties | 1,323,675 | 74,926 | - | 1,398,601 |
| Furniture, equipment and software | 1,234,520 | 167,291 | - | 1,401,811 |
| **Total accumulated depreciation or amortization** | 45,193,406 | 6,686,565 | (6,252,996) | 45,626,975 |
| **Total capital assets being depreciated or amortized, net** | 145,260,950 | (6,521,258) | 15,525,499 | 154,265,191 |
| **Business-type activities capital assets, net** | $ 161,102,623 | $ (26,451) | $ (386,043) | $ 160,690,129 |

**Note 4. Capital Assets (Continued)**

Depreciation and amortization expenses for the year ended June 30, 2012 charged to the functions of the primary government are as follows:

| | Governmental Activities | Business-type Activities |
|---|---|---|
| **Primary Government:** | | |
| General and administration | $ 10,835 | $ - |
| Commuter rail | - | 6,686,565 |

**Note 5. Joint Venture – Virginia Railway Express**

The NVTC reporting entity and the PRTC reporting entity contain their respective shares of the financial activity of the VRE joint venture. In order to present a full and accurate picture of VRE operations, all financial transactions related to the commuter rail program are combined in a separate set of financial statements. These audited financial statements can be obtained from the Director of Finance and Administration of NVTC at 2300 Wilson Blvd., Suite 620, Arlington, VA 22201.

Assets owned by the Commissions for the VRE operations have been funded by a variety of sources including federal assistance with PRTC as grantee, Commonwealth of Virginia assistance with NVTC-VRE as grantee, local contributions, and various loans and other financing arrangements for which one or both Commissions have served as issuer, borrower, or in other related capacities.

The federal grant agreements control the use and disposal of property acquired with federal grant funds. If property is removed from service prior to the end of its useful life, the grant recipient may be required to return to the grantor agency the federal assistance expended on that property. In addition, permission of the grantor agency is required if property is disposed of prior to the end of its useful life or at any time for an amount in excess of $5,000.

The Master Agreement for the use of Commonwealth of Virginia Transportation Funds control the use and disposal of property acquired with state grant funds. If any project equipment are not used for the purpose for which they were purchased for the duration of their useful lives, the Commonwealth has the option of requiring the grantee to relinquish title to the project equipment or remit an amount equal to the proportional share of the fair market value based upon the ratio of participation by the state. For facilities, the Commonwealth requires an amount equal to the proportional share of fair market value based upon the ratio of participation by the state be remitted.

Pursuant to a Master Agreement signed in 1989, NVTC and PRTC jointly (as the "Commissions") 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 track of the CSX Transportation Corporation ("CSX"), and the Norfolk Southern Railway Company, under respective operating access agreements.

**Note 5. Joint Venture – Virginia Railway Express (Continued)**

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 Bond issues, lease financing, Federal and Commonwealth of Virginia grants, and local jurisdictional contributions based on a population/ridership formula that is 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, Spotsylvania, and Stafford; and the cities of Manassas, Manassas Park, and Fredericksburg, Virginia. Contributing jurisdictions include Arlington County and the City of Alexandria, Virginia. In February 2011 the VRE Master Agreement was amended to include Spotsylvania County as a participating jurisdiction. Spotsylvania County's share of the VRE annual subsidy from February 2011 through the middle of fiscal year 2012 has been deferred until 60 days after the beginning of fiscal year 2013.

In July 2007, the Commissions adopted amendments to the VRE Master Agreement that expanded the Operations Board to include all member jurisdictions and provided for board representation proportionate to system ridership, and weighted voting proportionate to jurisdictional subsidy. In addition, the amendments apportioned jurisdictional subsidies on system ridership only, rather than the then current 90% system ridership and 10% population formula. The amendment to the subsidy formula is being phased in over four years, beginning in fiscal year 2008. The amendments also allowed for greater autonomy for the Operations Board, with progressively more decisions made by the Board without referral to PRTC and NVTC.

## Note 5. Joint Venture – Virginia Railway Express (Continued)

Financial information from VRE's fiscal year 2012 audited financial statements is shown below.

**VIRGINIA RAILWAY EXPRESS**
**STATEMENT OF NET ASSETS**
**June 30, 2012**

| | |
|---|---|
| **ASSETS** | |
| Current Assets | |
| Cash and cash equivalents | $ 6,149,443 |
| Accounts receivable: | |
| Due from PRTC – funded by FTA | 20,453,692 |
| Commonwealth of Virginia grants | 3,631,920 |
| Trade and other, net of allowance | 1,473,492 |
| Inventory | 4,272,638 |
| Prepaid expenses and other | 484,544 |
| Restricted cash, cash equivalent, and investments | 17,555,259 |
| **Total current assets** | 54,020,988 |
| Noncurrent Assets | |
| Deferred bond and lease costs, net | 1,331,037 |
| Capital assets (net of $91,253,950 accumulated depreciation and amortization) | 321,380,255 |
| **Total noncurrent assets** | 322,711,292 |
| **Total assets** | $ 376,732,280 |
| **LIABILITIES AND NET ASSETS** | |
| Current Liabilities | |
| Accounts payable and accrued liabilities | $ 6,665,478 |
| Unearned revenue | 1,389,077 |
| Contract retainage | 164,813 |
| Current portion of: | |
| Capital lease obligations | 1,082,937 |
| Long-term debt | 5,910,000 |
| Notes payable | 1,873,893 |
| **Total current liabilities** | 17,086,198 |
| Noncurrent Liabilities | |
| Capital lease obligations | 17,668,825 |
| Notes payable | 61,855,766 |
| Bonds payable, net | 12,592,444 |
| Compensated absences | 250,253 |
| **Total noncurrent liabilities** | 92,367,288 |
| **Total liabilities** | 109,453,486 |
| Net Assets | |
| Invested in capital assets, net of related debt | 220,396,390 |
| Restricted for liability insurance plan | 10,156,492 |
| Restricted for debt service and capital lease | 6,408,466 |
| Restricted grants or contributions | 951,342 |
| Unrestricted assets | 29,366,104 |
| **Total net assets** | 267,278,794 |
| **Total liabilities and net assets** | $ 376,732,280 |

**Note 5. Joint Venture – Virginia Railway Express (Continued)**

**VIRGINIA RAILWAY EXPRESS**
**STATEMENT OF REVENUES, EXPENSES AND**
**CHANGES IN NET ASSETS**
**Year Ended June 30, 2012**

| | |
|---|---|
| Operating revenues | $ 35,025,775 |
| Operating expenses | 61,626,644 |
| **Operating loss before depreciation and amortization** | (26,600,869) |
| Depreciation and amortization | (13,373,129) |
| **Operating loss** | (39,973,998) |
| Nonoperating revenues (expenses): | |
| Subsidies: | |
| Commonwealth of Virginia grants | 12,711,602 |
| Federal grants – with PRTC as grantee | 17,181,121 |
| Jurisdictional contributions | 15,943,917 |
| Interest income: | |
| Operating funds | 16,813 |
| Other restricted funds | 1,161 |
| Loss on disposal of assets | (358,382) |
| Interest, amortization and other nonoperating expenses, net | (5,215,017) |
| **Total nonoperating revenues, net** | 40,281,215 |
| Capital grants and assistance: | |
| Commonwealth of Virginia grants | 2,027,872 |
| Federal grants – with PRTC as grantee | 9,997,070 |
| Other local contributions | 46,924 |
| **Total capital grants and assistance** | 12,071,866 |
| **Change in net assets** | 12,379,083 |
| Net assets, beginning | 254,899,711 |
| Net assets, ending | $ 267,278,794 |

## Note 6. Intergovernmental Revenues, Commonwealth of Virginia

NVTC applies for and receives state operating and capital assistance for its WMATA Compact members' annual commitments to WMATA, those jurisdictions' local transit systems, and the general and administrative expenses of NVTC. NVTC allocates this revenue among the jurisdictions based on NVTC's Subsidy Allocation Model (SAM), and holds the funds in trust for the jurisdictions' transit use. Before the funding is allocated, NVTC's SAM resolution states that amounts are to be applied to WMATA debt service, certain NVTC projects, and a portion of the general and administrative budget of NVTC. The amount used for NVTC's general and administrative expenses is determined each year by NVTC's approved budget.

NVTC also applies for and receives state operating and capital assistance for the Virginia Railway Express commuter rail service.

## Note 7. Pension Plans

Employees of the reporting entity are covered under three separate plans. The NVTC Pension Trust covers eligible employees of the Governmental activities of NVTC, while the Virginia Retirement System covers the eligible employees of the Business-type activities of the VRE joint venture under two plans.

### NVTC – Target Benefit Plan

NVTC contributes to the Northern Virginia Transportation Commission Pension Trust (the "Plan"), a single employer public employees' retirement system, contributory target benefit pension plan covering substantially all employees. Under the terms of the Plan, the normal retirement date is the July 1st closest to the participant's 65th birthday. Early retirement may be elected if the participant has attained age 55 with ten years of continuous service. Employees vest in the employer's contributions at the rate of 20% for each year of service until fully vested.

The plan is funded in amounts determined by an actuarial consultant. Employer contributions for the year ended June 30, 2012 totaled $53,744 (11.3% of covered payroll). Required employee contributions for the year ended June 30, 2012 totaled $9,129 (1.9% of covered payroll). Since 1994, participants have been required to contribute 2.0% of covered salary, not to exceed 50% of the aggregate gross annual contribution for benefits. NVTC contributes the balance of the cost of the Plan. NVTC's payroll for employees covered by the plan for the year ended June 30, 2012 was approximately $475,500.

### VRE – Defined Benefit 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 VRE employees are automatically covered by VRS upon employment through PRTC. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRE service as credit in their plan.

**Note 7. Pension Plans (Continued)**

**VRE – Defined Benefit Plan (Continued)**

**A. Plan Description (Continued)**

VRS administers two defined benefit plans for VRE (PRTC) employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.

- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for VRE (PRTC) members is 1.70 percent. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00 percent; under Plan 2, the COLA cannot exceed 6 percent. During years of no inflation or deflation, the COLA is 0.00 percent. The 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 which includes financial statements and required supplementary information for VRS. A copy of that report may be obtained from their website at http://www.varetire.org/Pdf/Publications/2011-Annual-Report.pdf or obtained by writing to the system's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 7. Pension Plans (Continued)**

**VRE – Defined Benefit Plan (Continued)**

**B. Funding Policy**

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00 percent of their compensation toward their retirement. All or part of the 5.00 percent member contribution may be assumed by the employer. 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 the fiscal year ended June 30, 2012 was 10.92 percent of annual covered payroll, *inclusive of the 5.00 percent member contribution, and VRE also contributed 0.28 percent for group life insurance.*

**C. Annual Pension Cost**

For fiscal year 2012, VRE's annual pension cost of $334,169 was equal to the VRE's required and actual contributions. The share included in the NVTC reporting entity equals $130,562.

Three-Year Trend Information for VRE

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| June 30, 2010 | $ 365,253 | 100.0% | $ - |
| June 30, 2011 | 334,185 | 100.0% | - |
| June 30, 2012 | 334,169 | 100.0% | - |

The fiscal year 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50 percent, (b) projected salary increases ranging from 3.75 percent to 5.60 percent per year for general government employees and 3.50 percent to 4.75 percent for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50 percent per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50 percent. The actuarial value of the PRTC's assets is equal to the modified market value of 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. PRTC's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

## Note 7. Pension Plans (Continued)

### VRE – Defined Benefit Plan (Continued)

### D. Funded Status and Funding Process

As of June 30, 2011, the most recent actuarial valuation date, the plan was 84.66 percent funded. The actuarial accrued liability for benefits was $9,730,413 and the actuarial value of assets was $8,237,980, resulting in an unfunded actuarial accrued liability (UAAL) of $1,492,433. The covered payroll (annual payroll of active employees of the plan) was $5,751,116 and the ratio of the UAAL to the covered payroll was 25.95 percent. The only other postemployment benefits offered by VRE are COBRA payments, which have been determined to be immaterial to the financial statements.

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

## Note 8. Operating Leases and Agreements

### Governmental activities

NVTC leases office space under a 125-month agreement which commenced on January 1, 2011 and expires May 31, 2021. The lease provides for 3% annual increases in base rent over the term of the lease, and the pass through of a proportionate share of the annual increases in common building expenses. The lease contains a provision for the abatement of the first five months of rent. For the government-wide financial statements, the cumulative minimum rent for the entire lease is amortized on a straight-line basis over the lease term, with an equal amount of rent expense recognized each month. Rent expense for Governmental Activities as reported in the government wide financial statements totals $189,506 ($172,770 paid plus $16,737 additional amortization).

NVTC entered into a 5-year office equipment lease and maintenance agreement, both of which expire December 31, 2015. Minimum monthly payments under these agreements equal $459 per month, with payments totaling $5,509 for the year ended June 30, 2012.

As of June 30, 2012, the minimum long-term lease commitments were as shown below:

| Fiscal Year | Amount |
|---|---|
| 2013 | $ 181,579 |
| 2014 | 186,860 |
| 2015 | 192,307 |
| 2016 | 195,166 |
| 2017 | 198,191 |
| 2018 - 2021 | 835,127 |
| Total | $ 1,789,230 |

## Note 8. Operating Leases and Agreements (Continued)

### Business-type activities

Operating Access Agreements with the CSX and Norfolk Southern railroads 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 tracks for commuter rail service. For the year ended June 30, 2012, annual track usage fees totaled approximately $7,645,000, of which $2,986,943 is recognized by the NVTC reporting entity, and facility and other identified costs totaled approximately $450,000, of which $175,817 is recognized by the NVTC reporting entity.

Under the former Purchase of Services Agreement dated March 1, 1998 Amtrak operated and maintained the VRE service and rolling stock, and permitted the Commissions to use its terminal, station, and equipment maintenance facilities at Union Station, Washington, D.C.

The new agreement between Amtrak and the Commissions for access to and storage of equipment at Union Station and mid-day maintenance, electrical power and other services became effective on June 28, 2010. Actual cost for the year ended June 30, 2012 was approximately $9,185,000, of which $3,588,629 was recognized by the NVTC reporting entity. Costs in future years will be adjusted based on changes to various published costs indices and the number of trains that have access to and are stored and serviced at the terminal.

During fiscal year 2010, the Commissions entered into a contract with Keolis Rail Services Virginia, LLC for train operations and maintenance for a five year period beginning June 25, 2010. The actual cost of train operations and maintenance for the year ended June 30, 2012, based on an annual budget prepared in advance, was approximately $17,474,000, of which $6,827,187 is recognized by the NVTC reporting entity. Costs in future years will be adjusted for service additions or deletions and annual changes to the Consumer Price Index.

VRE has entered into a series of operating leases with Titan Transit for locomotives. For the year ended June 30, 2012, lease costs totaled approximately $74,000, of which $28,912 is recognized by the NVTC reporting entity. Two of these leases terminated in the first quarter of fiscal year 2012 and the final lease terminated in the fourth quarter of the fiscal year.

## Note 9. Long-Term Debt Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2012:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Primary Government:** | | | | | |
| Governmental Activities | | | | | |
| Compensated absences | $ 117,743 | $ 61,126 | $ 72,171 | $ 106,698 | $ 23,775 |
| **Total governmental activities** | 117,743 | 61,126 | 72,171 | 106,698 | 23,775 |
| Business-type activities | | | | | |
| Revenue bonds | 24,295,000 | - | (5,610,000) | 18,685,000 | 5,910,000 |
| Capital leases | 9,893,326 | - | (517,445) | 9,375,881 | 541,469 |
| Notes payable | 63,685,611 | 1,814,639 | (1,770,591) | 63,729,659 | 1,873,893 |
| | 97,873,937 | 1,814,639 | 7,898,036 | 91,790,540 | 8,325,362 |
| Compensated absences | 126,959 | 90,488 | 107,986 | 109,461 | 11,686 |
| **Total business-type activities** | 98,000,896 | 1,905,127 | 8,006,022 | 91,900,001 | 8,337,048 |
| **Total Primary Government** | $ 98,118,639 | $ 1,966,253 | $ 8,078,193 | $ 92,006,699 | $ 8,360,823 |

### Revenue Bonds

| | |
|---|---|
| $31,700,000 Commuter Rail Revenue Refunding Bonds in the name of NVTC, series 1998; due in annual maturities of $5,910,000 to $6,555,000 through July 1, 2014, plus semi-annual interest at 5.25% to 5.375%. | $ 18,685,000 |
| Plus (less) unamortized: | |
| Deferred loss | (235,664) |
| Premiums | 53,108 |
| **Total bonded debt, net** | $ 18,502,444 |

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

| Years Ending June 30, | Principal | Interest | Total Required |
|---|---|---|---|
| 2013 | $ 5,910,000 | $ 841,794 | $ 6,751,794 |
| 2014 | 6,220,000 | 519,494 | 6,739,494 |
| 2015 | 6,555,000 | 176,166 | 6,731,166 |
| | $ 18,685,000 | $ 1,537,454 | $ 20,222,454 |

## Note 9. Long-Term Debt Obligations (Continued)

Deferred bonds, lease and notes cost, 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 costs, approximating $78,200, is included in interest expense. Federal arbitrage regulations apply to the revenue bonds and the Gallery IV capitalized lease.

The Indentures of Trust for the 1997 Commuter Rail Revenue Bonds required that a debt service reserve be maintained. During fiscal year 2000, a surety in substitution of the debt service reserve fund was purchased, releasing the proceeds from the reserve. The Indentures of Trust for the bonds also require the maintenance of an operating reserve equivalent to one-third (33.3 percent) of annual budgeted operating expenses. As of June 30, 2012, $36,464,980 of the VRE cash, inventory and receivables comprise this operating reserve. The reserves represent 62.17 percent of budgeted operating expenses for June 30, 2012.

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, 2012, are as follows:

| | |
|---|---|
| Bond Interest Fund | $ 498,466 |
| Bond Principal Fund | 5,910,000 |
| Total held by Trustee | $ 6,408,466 |

**Capitalized Lease - Gallery IV (11 cars)**

| | Total | NVTC Reporting Entity |
|---|---|---|
| $25,100,000 capitalized lease obligation (NVTC reporting entity, $12,550,000); $965,679 due semi-annually (NVTC reporting entity, $482,840), interest at 4.59%, maturing in 2025, collateralized with Gallery IV railcars with a carrying value of $21,932,339 (NVTC reporting entity, $10,966,170) | $ 18,751,762 | $ 9,375,881 |

Future minimum lease payments as of June 30, 2012 are as follows:

| Years Ending June 30, | Total | NVTC Reporting Entity |
|---|---|---|
| 2013 | $ 1,931,357 | $ 965,679 |
| 2014 | 1,931,357 | 965,679 |
| 2015 | 1,931,357 | 965,679 |
| 2016 | 1,931,357 | 965,679 |
| 2017 | 1,931,357 | 965,679 |
| 2018-2022 | 9,656,785 | 4,828,391 |
| 2023-2025 | 5,794,071 | 2,897,035 |
| Total minimum lease payments | 25,107,641 | 12,553,821 |
| Lease amount representing interest | 6,355,879 | 3,177,940 |
| Present value of lease payments | $ 18,751,762 | $ 9,375,881 |

## Note 9. Long-Term Debt Obligations (Continued)

### Notes Payable – Gallery IV (60 cars)

In fiscal year 2008, an agreement in the name of NVTC was entered into with the Federal Railroad Administration for a loan of up to $72.5 million to purchase 50 Gallery railcars; in fiscal year 2009 the terms were amended to include ten additional Gallery railcars. A series of sixteen promissory notes were originally authorized and during fiscal year 2012 the balance of the individual notes were combined into a consolidated note. The note is secured by the revenues of VRE and the railcars. The carrying value of the railcars was $97,776,432 at June 30, 2012.

| | |
|---|---|
| $63,844,842 Promissory Note; due in quarterly maturities of $440,368 to $1,195,258 through March 2033, plus quarterly interest at 4.74% | $ 63,409,659 |

Mandatory debt service requirements for the note consists of the following:

| Years Ended June 30, | Principal | Interest | Total Required |
|---|---|---|---|
| 2013 | $ 1,813,893 | $ 2,969,620 | $ 4,783,513 |
| 2014 | 1,897,186 | 2,886,327 | 4,783,513 |
| 2015 | 1,988,724 | 2,794,789 | 4,783,513 |
| 2016 | 2,080,914 | 2,702,599 | 4,783,513 |
| 2017 | 2,188,783 | 2,594,730 | 4,783,513 |
| 2018-2022 | 12,613,047 | 11,304,515 | 23,917,562 |
| 2023-2027 | 15,964,023 | 7,953,539 | 23,917,562 |
| 2028-2032 | 20,204,782 | 3,712,780 | 23,917,562 |
| 2033 | 4,658,307 | 125,207 | 4,783,514 |
| | $ 63,409,659 | $ 37,044,106 | $ 100,453,765 |

### Note Payable – VRE Offices

In June 2002, a borrowing was entered into in the name of NVTC with SunTrust Bank in the amount of $900,000 to refinance a previous borrowing used to purchase the VRE offices. This note carried a repayment schedule of 15 years, with the terms of the note subject to revision June 2007. In November 2007 a new note was signed in the amount of $600,000 at 4.31 percent interest with a 10 year amortization and a balloon payment after five years. Principal of $5,000 plus interest is payable monthly. The note is secured by the office condominium. The balance outstanding was $320,000 for the year ended June 30, 2012.

## Note 10. Short-Term Debt

VRE operations uses a revolving line of credit in the name of NVTC 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, 2012.

## Note 11. Risk Management and Liability Insurance Plan

NVTC and the VRE commuter rail operation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters. Commercial insurance is purchased to address these risks, including workers' compensation and employee health and accidental insurance. 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 and for liability and property damage. 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. Settled claims have not exceeded commercial coverage during any of the past three fiscal years. The liability for incurred but not reported claims was approximately $240,000 at June 30, 2012, of which $120,000 was included in the NVTC reporting entity.

The Division of Risk Management manages the Insurance Trust Fund pursuant to provisions of the Insurance Plan. Since November 2006, 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 was invested in a portfolio managed by external financial consultants. Activity in the Insurance Trust Fund for the years ended June 30, 2012 was as follows:

| | Total | NVTC Reporting Entity |
|---|---|---|
| Beginning balance, July 1 | $ 10,052,968 | $ 5,026,484 |
| Contribution to reserves | 3,619,260 | 1,809,630 |
| Insurance premiums paid | (3,459,693) | (1,729,847) |
| Claims mitigation costs and losses incurred | (3,558) | (1,779) |
| Actuarial and administrative charges | (52,485) | (26,242) |
| Ending balance, June 30 | $ 10,156,492 | $ 5,078,246 |

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 12. Significant Commitments and Contingencies

NVTC and the VRE joint venture have 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 the reporting entities policies and past experience, managements believe 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.

**Note 12. Significant Commitments and Contingencies (Continued)**

**Governmental activities**

A combination of Federal and Commonwealth of Virginia Grants and local funds are available to finance substantially all of the NVTC contracted services for the projects. Significant NVTC contracts include a sufficiency of funding clause in the event funding becomes unavailable.

All project expenditures are expensed as incurred, including expenditures for tangible assets, as the equipment becomes the property of the transit systems upon completion of the contract.

**Business-type activities**

At June 30, 2012, 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 (with PRTC as grantee) and Commonwealth of Virginia grants (with NVTC-VRE as grantee) and local funds 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, 2012:

| | |
|---|---|
| Stations and parking lots | $ 4,235,066 |
| Rolling stock | 22,226,007 |
| Maintenance and layover yards | 653,327 |
| Track and signal improvements | 611,459 |
| Other administrative | 302,331 |
| **Total** | $ 28,028,190 |

The federal grant agreements control the use and disposal of property acquired with federal grant funds. If property is removed from service prior to the end of its useful life, the grant recipient may be required to return to the grantor agency the federal assistance expended on that property. In addition, permission of the grantor agency is required if property is disposed of prior to the end of its useful life or at any time for an amount in excess of $5,000. At the end of fiscal year 2012, VRE was holding the proceeds of the sale of older equipment in the amount of $951,342 in a restricted account, to be used for the purchase of replacement rolling stock, of which $475,671 is included in the NVTC reporting entity. Once collected, the proceeds will be used for the purchase of replacement rolling stock.

The Master Agreement for the use of Commonwealth of Virginia Transportation Funds control the use and disposal of property acquired with state grant funds. If any project equipment or facilities are not used for the purpose for which they were purchased for the duration of their useful lives, the Commonwealth has the option of requiring the grantee to relinquish title to the project equipment or remit an amount equal to the proportional share of the fair market value based upon the ratio of participation by the state.

**Note 13. Pending GASB Statements**

At June 30, 2012, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the NVTC reporting entity. The statements which might impact NVTC are as follows:

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Statement No. 62 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. Statement No. 63 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. Statement No. 65 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 66, *Technical Corrections – 2012,* will improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Statement No. 66 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25,* will improve financial reporting by state and local government pension plans. Statement No. 67 will be effective for fiscal years beginning after June 15, 2013.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Statement No. 68 will be effective for fiscal years beginning after June 15, 2014.

Management has not yet determined the effect these statements will have on its financial statements.

## Note 14. Subsequent Events

The Commissions entered into contracts at various times from April 2012 through June 2012 to purchase fuel at set prices for delivery in July 2012 through June 2013. The fuel will be used in the normal course of operations and is not being purchased for resale. The total commitment is for 1,008,000 gallons of fuel at a cost of approximately $3.1 million.

On September 6, 2012 the Commissions authorized the sale of two GP-40 locomotives to Goodloe Leasing LLC for a total amount of $140,000 and the Purchase Agreement was signed the following day. In addition, locomotive spare parts for the GP-40 and other older locomotives were sold to Goodloe Leasing in July 2012 for $100,000.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## REQUIRED SUPPLEMENTARY INFORMATION

## YEAR ENDED JUNE 30, 2012

## NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## SCHEDULE OF FUNDING PROGRESS

### Virginia Retirement System

The information below is derived from the actuarial valuation report for the Potomac & Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for the VRE joint venture.

| Valuation as of June 30, | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio Assets as % of AAL | Annual Covered Payroll | UAAL as a % of Covered Payroll |
|---|---|---|---|---|---|---|
| 2011 | $ 8,237,980 | $ 9,730,413 | $ 1,492,433 | 84.66% | $ 5,751,116 | 25.95% |
| 2010 | 7,503,689 | 8,539,776 | 1,036,087 | 87.87% | 5,733,383 | 18.07% |
| 2009 | 6,809,891 | 6,996,387 | 186,496 | 97.33% | 5,743,627 | 3.25% |

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## SUPPLEMENTARY INFORMATION

## YEAR ENDED JUNE 30, 2012

## NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## SUPPLEMENTARY INFORMATION
## SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS BY JURISDICTION
## JURISDICTION TRUST FUND
**Year Ended June 30, 2012**

| | City of Alexandria | Arlington County | City of Fairfax | Fairfax County | City of Falls Church | Loudoun County | Totals |
|---|---|---|---|---|---|---|---|
| Additions: | | | | | | | |
| Contributions from government: | | | | | | | |
| Commonwealth of Virginia | $ 18,135,188 | $ 31,714,266 | $ 1,951,131 | $ 80,276,015 | $ 987,286 | $ - | $ 133,063,886 |
| Motor Vehicle Fuel Sales Tax | 2,901,310 | 4,307,835 | 1,190,543 | 27,703,540 | 1,202,981 | 10,541,203 | 47,847,412 |
| Interest income | 8,407 | 41,462 | 2,070 | 100,561 | 940 | 24,712 | 178,152 |
| Total additions | 21,044,905 | 36,063,563 | 3,143,744 | 108,080,116 | 2,191,207 | 10,565,915 | 181,089,450 |
| Deductions: | | | | | | | |
| Funds disbursed to WMATA: | | | | | | | |
| Capital improvement program | - | 4,706,408 | 416,648 | 1,087,250 | 315,734 | - | 6,526,040 |
| Project development | 33,250 | 261,000 | 6,000 | 312,750 | 6,000 | - | 619,000 |
| Metrorail operating | 6,641,303 | 6,897,187 | 531,141 | 20,108,790 | 326,293 | - | 34,504,714 |
| Metrobus operating | 9,741,338 | 5,978,456 | 635,253 | 40,075,615 | 1,352,154 | - | 57,782,816 |
| MetroAccess operating | 1,118,794 | - | 329,837 | 12,231,072 | 104,536 | - | 13,784,239 |
| Metro debt service | 1,417,907 | 2,739,447 | 46,687 | 3,168,029 | 91,435 | - | 7,463,505 |
| Other funds disbursed: | | | | | | | |
| Other capital disbursements | - | 16,007,588 | 39,289 | 14,000,000 | - | 5,574,357 | 35,621,234 |
| Other operating disbursements | - | 3,328,569 | 826,107 | 18,201,878 | - | 5,479,852 | 27,836,406 |
| Total deductions | 18,952,592 | 39,918,655 | 2,830,962 | 109,185,384 | 2,196,152 | 11,054,209 | 184,137,954 |
| Change in net assets | 2,092,313 | (3,855,092) | 312,782 | (1,105,268) | (4,945) | (488,294) | (3,048,504) |
| Net assets held in trust for member jurisdictions | | | | | | | |
| Beginning of year | 8,162,089 | 34,960,544 | 1,647,888 | 72,339,051 | 721,126 | 16,129,116 | 133,959,814 |
| End of year | $ 10,254,402 | $ 31,105,452 | $ 1,960,670 | $ 71,233,783 | $ 716,181 | $ 15,640,822 | $ 130,911,310 |

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## SUPPLEMENTARY INFORMATION
## SCHEDULE OF GENERAL, ADMINISTRATIVE AND PROJECT EXPENDITURES
## GENERAL FUND
**Year Ended June 30, 2012**

| | Total | General and Administrative | Projects |
|---|---|---|---|
| Expenditures: | | | |
| Advertising | $ 986 | $ 986 | $ - |
| Capital purchases | 2,526 | 2,526 | - |
| Commissioners' per diem | 12,350 | 12,350 | - |
| Computer | 2,438 | 890 | 1,548 |
| Conference registration and training | 250 | 250 | - |
| Copier duplicating | 7,067 | 7,067 | - |
| Disability insurance | 2,819 | 2,373 | 446 |
| Employee group insurance | 66,375 | 55,877 | 10,498 |
| Employee retirement | 55,109 | 46,393 | 8,716 |
| Employer payroll taxes | 46,860 | 39,448 | 7,412 |
| Leave - annual, holiday, and sick | 117,088 | 98,569 | 18,519 |
| Legal and auditing | 35,515 | 35,515 | - |
| Memberships and subscriptions | 1,301 | 1,301 | - |
| Miscellaneous | 3,996 | 3,996 | - |
| Office supplies | 2,602 | 2,602 | - |
| Office rent | 173,628 | 173,628 | - |
| Insurance and liability bonds | 5,978 | 5,978 | - |
| Parking and Metrochek | 9,446 | 9,446 | - |
| Postage and shipping | 2,882 | 2,882 | - |
| Project consultants and other project costs | 972,365 | - | 972,365 |
| Public information | 15,031 | 424 | 14,607 |
| Salaries and wages | 536,857 | 448,563 | 88,294 |
| Telephone and data | 5,128 | 5,128 | - |
| Travel and meetings | 4,963 | 4,963 | - |
| Total expenditures | $ 2,083,560 | $ 961,155 | $ 1,122,405 |

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## SUPPLEMENTARY INFORMATION
## SCHEDULE OF PROJECT REVENUES AND EXPENDITURES
## GENERAL FUND
**Year Ended June 30, 2012**

| | Jurisdiction Grants & Projects | ITS | Marketing | Bus Data Collection | Vanpools | TransAction 2040 Update | Route 7 | Totals |
|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | |
| Federal | $ 444,376 | $ - | $ - | $ - | $ 58,921 | $ - | $ - | $ 503,297 |
| Commonwealth of Virginia | 13,302 | - | 14,607 | 122,843 | 14,730 | 318,189 | - | 483,671 |
| NVTC match | 1 | 1,324 | 125,614 | 641 | 2,379 | 765 | 4,713 | 135,437 |
| Total revenue | $ 457,679 | $ 1,324 | $ 140,221 | $ 123,484 | $ 76,030 | $ 318,954 | $ 4,713 | $ 1,122,405 |
| Expenditures: | | | | | | | | |
| Salaries and wages | $ - | $ 873 | $ 81,819 | $ 423 | $ 1,568 | $ 503 | $ 3,108 | $ 88,294 |
| Fringe benefits | - | 451 | 42,247 | 218 | 810 | 260 | 1,605 | 45,591 |
| Computer | - | - | 1,548 | - | - | - | - | 1,548 |
| Consultants | - | - | - | 122,843 | 73,652 | 318,191 | - | 514,686 |
| Costs incurred | 457,679 | - | - | - | - | - | - | 457,679 |
| Public information | - | - | 14,607 | - | - | - | - | 14,607 |
| Total expenditures | $ 457,679 | $ 1,324 | $ 140,221 | $ 123,484 | $ 76,030 | $ 318,954 | $ 4,713 | $ 1,122,405 |

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## SUPPLEMENTARY INFORMATION
## SCHEDULE OF PROJECT REVENUES AND EXPENDITURES
## GENERAL FUND
**Project Costs to Date - Active Projects**

**Period Ended June 30, 2012**

| | Jurisdiction Grants & Projects | ITS | Marketing | Bus Data Collection | Vanpools | TransAction 2040 Update | Route 7 | Totals |
|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | |
| Federal | $ 1,144,046 | $ 264,511 | $ - | $ 113,067 | $ 160,000 | $ - | $ - | $ 1,681,624 |
| Commonwealth of Virginia | 193,418 | 29,390 | 302,996 | 1,675,569 | 39,999 | 421,669 | - | 2,663,041 |
| Local | 5,000 | 1,259 | 13,500 | 50,000 | - | - | - | 69,759 |
| NVTC match | 71,103 | 24,605 | 1,050,523 | 47,854 | 23,763 | 14,305 | 4,713 | 1,236,866 |
| Total revenue | $ 1,413,567 | $ 319,765 | $ 1,367,019 | $ 1,886,490 | $ 223,762 | $ 435,974 | $ 4,713 | $ 5,651,290 |
| Expenditures: | | | | | | | | |
| Capital outlays | $ - | $ - | $ 17,556 | $ - | $ - | $ - | $ - | $ 17,556 |
| Salaries and wages | 47,718 | 16,041 | 768,600 | 42,449 | 15,498 | 9,377 | 3,108 | 902,791 |
| Fringe benefits | 22,963 | 8,567 | 367,685 | 18,295 | 8,264 | 4,820 | 1,605 | 432,199 |
| Advertising | 306 | - | 354 | 852 | - | - | - | 1,512 |
| Computer | - | - | 16,556 | - | - | - | - | 16,556 |
| Consultants | 442,735 | 295,157 | - | 1,823,589 | 200,000 | 421,671 | - | 3,183,152 |
| Dues and memberships | - | - | 770 | - | - | - | - | 770 |
| Postage | - | - | - | 874 | - | - | - | 874 |
| Telephone | 108 | - | 909 | 21 | - | - | - | 1,038 |
| Office supplies | - | - | 187 | - | - | - | - | 187 |
| Travel | - | - | 3,310 | 350 | - | - | - | 3,660 |
| Parking and metrochek | 8 | - | 577 | 60 | - | 106 | - | 751 |
| Public information | - | - | 177,713 | - | - | - | - | 177,713 |
| Events | - | - | 12,802 | - | - | - | - | 12,802 |
| Costs incurred | 899,729 | - | - | - | - | - | - | 899,729 |
| Total expenditures | $ 1,413,567 | $ 319,765 | $ 1,367,019 | $ 1,886,490 | $ 223,762 | $ 435,974 | $ 4,713 | $ 5,651,290 |

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## SUPPLEMENTARY INFORMATION
## SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS
**Year Ended June 30, 2012**

| Grant | Contract Date | Grant Number | Grant Award | Accrued (Deferred) Revenue 6/30/2011 | Cash Received | Revenue Recognized | Expenditures | Accrued (Deferred) Revenue 6/30/2012 | Cumulative Expenditures |
|---|---|---|---|---|---|---|---|---|---|
| **Northern Virginia Transportation Commission** | | | | | | | | | |
| **Virginia Department of Rail and Public Transportation (DRPT)** | | | | | | | | | |
| Capital: | | | | | | | | | |
| Fiscal Year 2012 | 10/18/2011 | 73012-48 | $ 754,380 | $ - | $ 570,953 | $ 570,953 | $ 570,953 | $ - | $ 570,953 |
| Fiscal Year 2012 | 10/18/2011 | 73012-49 | 17,926,808 | - | 8,981,360 | 8,981,360 | 8,981,360 | - | 8,981,360 |
| Fiscal Year 2012 | 10/18/2011 | 73012-50 | 2,262,400 | - | 926,489 | 2,005,790 | 2,005,790 | 1,079,301 | 2,005,790 |
| Fiscal Year 2012 | 10/18/2011 | 73012-51 | 4,001,649 | - | 4,001,649 | 4,001,649 | 4,001,649 | - | 4,001,649 |
| Fiscal Year 2012 | 10/18/2011 | 73012-52 | 28,590 | - | 27,470 | 27,470 | 27,470 | - | 27,470 |
| Fiscal Year 2012 | 10/18/2011 | 73012-53 | 5,766,728 | - | 5,118,425 | 5,118,425 | 5,118,425 | - | 5,118,425 |
| Fiscal Year 2012 | 10/18/2011 | 73012-54 | 445,500 | - | 427,545 | 427,545 | 427,545 | - | 427,545 |
| Fiscal Year 2012 | 10/18/2011 | 73012-56 | 495,000 | - | 495,000 | 495,000 | 495,000 | - | 495,000 |
| Fiscal Year 2012 | 10/18/2011 | 73012-57 | 75,000 | - | - | - | - | - | - |
| Fiscal Year 2012 | 10/18/2011 | 73012-58 | 50,000 | - | 14,566 | 14,566 | 14,566 | - | 14,566 |
| Fiscal Year 2012 | 10/18/2011 | 73012-59 | 1,500,000 | - | - | - | - | - | - |
| Fiscal Year 2012 | 10/18/2011 | 73012-60 | 250,000 | - | - | - | - | - | - |
| Fiscal Year 2012 | 10/18/2011 | 73012-61 | 1,350,000 | - | - | - | - | - | - |
| Fiscal Year 2012 | 10/18/2011 | 73012-62 | 16,875 | - | - | - | - | - | - |
| Fiscal Year 2012 | 10/18/2011 | 73012-63 | 20,000 | - | 19,645 | 19,645 | 19,645 | - | 19,645 |
| Fiscal Year 2012 | 10/18/2011 | 73012-64 | 262,000 | - | - | - | - | - | - |
| Fiscal Year 2012 | 10/18/2011 | 73012-65 | 750,000 | - | - | - | - | - | - |
| Fiscal Year 2012 | 10/18/2011 | 73012-66 | 1,250,000 | - | - | - | - | - | - |
| Fiscal Year 2012 | 10/18/2011 | 73012-67 | 750,000 | - | - | - | - | - | - |
| Fiscal Year 2012 | 10/18/2011 | 73012-68 | 100,000 | - | - | - | - | - | - |
| Fiscal Year 2012 | 10/18/2011 | 73012-69 | 150,000 | - | - | - | - | - | - |
| Fiscal Year 2012 | 10/18/2011 | 73012-70 | 5,000,000 | - | 5,000,000 | 5,000,000 | 5,000,000 | - | 5,000,000 |
| Fiscal Year 2012 | 10/18/2011 | 73012-71 | 6,000,000 | - | 4,852,942 | 4,852,942 | 4,852,942 | - | 4,852,942 |
| Fiscal Year 2012 | 10/18/2011 | 73012-72 | 225,000 | - | - | - | - | - | - |
| Fiscal Year 2012 | 10/18/2011 | 73012-73 | 25,000 | - | 25,000 | 25,000 | 25,000 | - | 25,000 |
| Fiscal Year 2012 | 10/18/2011 | 73012-74 | 525,000 | - | - | - | - | - | - |
| Fiscal Year 2012 | 10/18/2011 | 73012-75 | 500,000 | - | - | - | - | - | - |
| Fiscal Year 2012 | 10/18/2011 | 73012-76 | 350,000 | - | 58,917 | 58,917 | 58,917 | - | 58,917 |
| Fiscal Year 2012 | 10/18/2011 | 73012-77 | 100,000 | - | - | - | - | - | - |
| Fiscal Year 2012 | 10/18/2011 | 73012-78 | 150,000 | - | - | 147,333 | 147,333 | 147,333 | 147,333 |
| Fiscal Year 2011 | 8/4/2011 | 72510-17 | 915,893 | - | - | - | - | - | - |
| Fiscal Year 2011 | 10/5/2010 | 72511-04 | 100,000 | - | - | - | - | - | - |
| Fiscal Year 2011 | 10/5/2010 | 73011-29 | 53,000 | - | 6,155 | 6,155 | 6,155 | - | 6,155 |
| Fiscal Year 2011 | 10/5/2010 | 73011-30 | 249,524 | - | - | - | - | - | - |
| Fiscal Year 2011 | 10/5/2010 | 73011-31 | 344,500 | - | - | - | - | - | - |
| Fiscal Year 2011 | 10/5/2010 | 73011-32 | 362,361 | - | 184,343 | 184,343 | 184,343 | - | 184,343 |

## NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## SUPPLEMENTARY INFORMATION
## SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)
**Year Ended June 30, 2012**

| Grant | Contract Date | Grant Number | Grant Award | Accrued (Deferred) Revenue 6/30/2011 | Cash Received | Revenue Recognized | Expenditures | Accrued (Deferred) Revenue 6/30/2012 | Cumulative Expenditures |
|---|---|---|---|---|---|---|---|---|---|
| **Northern Virginia Transportation Commission (continued)** | | | | | | | | | |
| **Virginia Department of Rail and Public Transportation (DRPT) (continued)** | | | | | | | | | |
| Capital (continued): | | | | | | | | | |
| Fiscal Year 2011 | 10/5/2010 | 73011-34 | $ 530,000 | $ - | $ 125,326 | $ 128,481 | $ 128,481 | $ 3,155 | $ 128,481 |
| Fiscal Year 2011 | 10/5/2010 | 73011-35 | 74,200 | - | - | - | - | - | - |
| Fiscal Year 2011 | 10/5/2010 | 73011-38 | 66,250 | - | 13,102 | 13,102 | 13,102 | - | 13,102 |
| Fiscal Year 2011 | 10/5/2010 | 73011-39 | 651,900 | - | 464,996 | 464,996 | 464,996 | - | 464,996 |
| Fiscal Year 2011 | 10/5/2010 | 73011-40 | 795,000 | - | 25,530 | 25,530 | 25,530 | - | 253,284 |
| Fiscal Year 2011 | 10/5/2010 | 73011-42 | 2,544,000 | - | 2,544,000 | 2,544,000 | 2,544,000 | - | 2,544,000 |
| Fiscal Year 2011 | 10/5/2010 | 73011-43 | 2,120,000 | 636,560 | 2,120,000 | 1,483,440 | 1,483,440 | - | 2,120,000 |
| Fiscal Year 2011 | 10/5/2010 | 73011-44 | 689,000 | - | - | - | - | - | - |
| Fiscal Year 2011 | 10/5/2010 | 73011-45 | 106,000 | - | 106,000 | 106,000 | 106,000 | - | 106,000 |
| Fiscal Year 2011 | 10/5/2010 | 73011-46 | 336,550 | - | - | 127,485 | 127,485 | 127,485 | 127,485 |
| Fiscal Year 2011 | 10/5/2010 | 73011-47 | 132,500 | - | - | - | - | - | - |
| Fiscal Year 2011 | 10/5/2010 | 73011-48 | 530,000 | - | - | - | - | - | 15,274 |
| Fiscal Year 2011 | 10/5/2010 | 73011-49 | 212,000 | - | - | - | - | - | - |
| Fiscal Year 2011 | 10/5/2010 | 73011-50 | 265,000 | - | - | - | - | - | - |
| Fiscal Year 2011 | 10/5/2010 | 73011-51 | 185,500 | - | 142,151 | 142,151 | 142,151 | - | 175,170 |
| Fiscal Year 2011 | 10/5/2010 | 73011-53 | 530,000 | - | - | - | - | - | - |
| Fiscal Year 2011 | 10/5/2010 | 73011-61 | 30,280 | - | 1,100 | 1,100 | 1,100 | - | 30,280 |
| Fiscal Year 2011 | 10/5/2010 | 73011-62 | 5,685,112 | - | 232,166 | 232,166 | 232,166 | - | 5,685,112 |
| Fiscal Year 2011 | 10/5/2010 | 73011-63 | 437,250 | - | 17,621 | 17,621 | 17,621 | - | 437,250 |
| Fiscal Year 2011 | 10/5/2010 | 73011-65 | 2,463,424 | - | 1,091,246 | 1,091,246 | 1,091,246 | - | 2,463,424 |
| Fiscal Year 2011 | 10/5/2010 | 73011-66 | 14,288,470 | - | 7,954,853 | 7,954,853 | 7,954,853 | - | 14,288,470 |
| Fiscal Year 2010 | 12/28/2010 | 72510-18 | 221,540 | - | - | - | - | - | - |
| Fiscal Year 2010 | 2/2/2011 | 72510-25 | 133,250 | - | - | - | - | - | - |
| Fiscal Year 2010 | 8/18/2010 | 72510-57 | 60,000 | - | - | - | - | - | 27,317 |
| Fiscal Year 2010 | 7/2/2009 | 73010-25 | 3,384,000 | - | 332,100 | 332,100 | 332,100 | - | 3,384,000 |
| Fiscal Year 2010 | 7/2/2009 | 73010-26 | 792,000 | - | 137,246 | 137,246 | 137,246 | - | 415,701 |
| Fiscal Year 2010 | 7/2/2009 | 73010-27 | 320,000 | - | 6,165 | 6,165 | 6,165 | - | 77,936 |
| Fiscal Year 2010 | 7/2/2009 | 73010-29 | 3,600,000 | - | 1,798,661 | 1,798,661 | 1,798,661 | - | 1,798,661 |
| Fiscal Year 2010 | 7/2/2009 | 73010-30 | 40,000 | - | 40,000 | 40,000 | 40,000 | - | 40,000 |
| Fiscal Year 2010 | 7/2/2009 | 73010-31 | 80,000 | - | 80,000 | 80,000 | 80,000 | - | 80,000 |
| Fiscal Year 2010 | 7/2/2009 | 73010-32 | 996,000 | - | 996,000 | 996,000 | 996,000 | - | 996,000 |
| Fiscal Year 2010 | 7/2/2009 | 73010-33 | 812,000 | - | - | - | - | - | - |
| Fiscal Year 2010 | 7/2/2009 | 73010-34 | 54,400 | - | 48,734 | 48,734 | 48,734 | - | 48,734 |
| Fiscal Year 2010 | 7/2/2009 | 73010-36 | 800,000 | - | 128,000 | 128,000 | 128,000 | - | 312,960 |
| Fiscal Year 2010 | 7/2/2009 | 73110-10 | 2,387,837 | - | 672,740 | 672,740 | 672,740 | - | 2,387,837 |
| Fiscal Year 2010 | 7/2/2009 | 72509-21 | 156,270 | - | - | - | - | - | - |

## NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## SUPPLEMENTARY INFORMATION
## SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)
**Year Ended June 30, 2012**

| Grant | Contract Date | Grant Number | Grant Award | Accrued (Deferred) Revenue 6/30/2011 | Cash Received | Revenue Recognized | Expenditures | Accrued (Deferred) Revenue 6/30/2012 | Cumulative Expenditures |
|---|---|---|---|---|---|---|---|---|---|
| **Northern Virginia Transportation Commission (continued)** | | | | | | | | | |
| **Virginia Department of Rail and Public Transportation (DRPT) (continued)** | | | | | | | | | |
| Capital (continued): | | | | | | | | | |
| Fiscal Year 2010 | 7/2/2009 | 72509-22 | $ 190,190 | $ - | $ - | $ - | $ - | $ - | $ - |
| Fiscal Year 2009 | 7/1/2008 | 73009-37 | 160,000 | - | 1,603 | 1,603 | 1,603 | - | 1,603 |
| Fiscal Year 2009 | 7/1/2008 | 73009-38 | 160,000 | - | 17,363 | 17,363 | 17,363 | - | 87,380 |
| Fiscal Year 2009 | 7/1/2008 | 73009-40 | 400,000 | - | 73,419 | 73,419 | 73,419 | - | 307,332 |
| Fiscal Year 2009 | 7/1/2008 | 73009-42 | 6,084,800 | - | 6,084,800 | 6,084,800 | 6,084,800 | - | 6,084,800 |
| Fiscal Year 2009 | 7/1/2008 | 73009-44 | 4,626,150 | - | - | - | - | - | - |
| Fiscal Year 2009 | 7/1/2008 | 73009-45 | 160,000 | - | 10,552 | 10,552 | 10,552 | - | 30,237 |
| Fiscal Year 2009 | 7/1/2008 | 73009-46 | 863,168 | - | - | - | - | - | - |
| Fiscal Year 2009 | 7/1/2008 | 73009-47 | 100,000 | - | 99,840 | 99,840 | 99,840 | - | 99,840 |
| Fiscal Year 2009 | 7/1/2008 | 73009-55 | 58,800 | 57,302 | 58,800 | 1,498 | 1,498 | - | 58,800 |
| Fiscal Year 2009 | 7/1/2008 | 73009-57 | 416,325 | 315,507 | 315,507 | - | - | - | 328,985 |
| Fiscal Year 2009 | 7/1/2008 | 73009-58 | 120,000 | - | 120,000 | 120,000 | 120,000 | - | 120,000 |
| Fiscal Year 2009 | 7/2/2009 | 72508-08 | 150,480 | - | - | - | - | - | - |
| Fiscal Year 2009 | 7/2/2009 | 72508-09 | 175,560 | - | - | - | - | - | - |
| Fiscal Year 2009 | 7/2/2009 | 72508-10 | 100,320 | - | - | - | - | - | - |
| Fiscal Year 2008 | 8/12/2008 | 72508-12 | 125,400 | - | - | - | - | - | - |
| Fiscal Year 2008 | 8/5/2010 | 72508-13 | 59,500 | - | - | - | - | - | - |
| Fiscal Year 2008 | 10/1/2008 | 72508-14 | 59,500 | - | - | - | - | - | - |
| Fiscal Year 2008 | 8/12/2008 | 72508-16 | 59,500 | - | - | - | - | - | - |
| Fiscal Year 2008 | 9/19/2008 | 72508-19 | 100,320 | - | - | - | - | - | - |
| Fiscal Year 2008 | 7/2/2009 | 72508-45 | 712,460 | 107,152 | 360,877 | 253,725 | 253,725 | - | 400,043 |
| Fiscal Year 2008 | 7/2/2009 | 73008-47 | 99,000 | - | 8,938 | 8,938 | 8,938 | - | 36,013 |
| Fiscal Year 2008 | 10/16/2007 | 73008-17 | 2,139,112 | - | 600 | 600 | 600 | - | 1,966,071 |
| Fiscal Year 2008 | 10/16/2007 | 73008-19 | 88,000 | - | - | - | - | - | 24,000 |
| Fiscal Year 2007 | 7/2/2009 | 72507-06 | 142,768 | - | - | - | - | - | - |
| Fiscal Year 2007 | 9/19/2008 | 72507-08 | 95,178 | - | 11,730 | 13,302 | 13,302 | 1,572 | 13,302 |
| Fiscal Year 2007 | 8/12/2008 | 72507-31 | 118,973 | - | - | - | - | - | - |
| Fiscal Year 2007 | 8/12/2008 | 72507-35 | 56,678 | - | - | - | - | - | - |
| Fiscal Year 2007 | 7/1/2008 | 72507-32 | 56,678 | 7,253 | 7,253 | - | - | - | 56,678 |
| Fiscal Year 2007 | 10/1/2008 | 72507-33 | 56,678 | - | - | - | - | - | - |
| Fiscal Year 2007 | 7/1/2006 | 73007-22 | 9,952,611 | - | 641,795 | 641,795 | 641,795 | - | 9,952,611 |
| Fiscal Year 2007 | 7/2/2009 | 72507-29 | 166,563 | - | - | - | - | - | - |
| Fiscal Year 2007 | 7/2/2009 | 72507-30 | 95,178 | - | 7,202 | 7,202 | 7,202 | - | 7,202 |
| FTM/Admin (Operating): | | | | | | | | | |
| Fiscal Year 2012 | 10/18/2011 | 72012-26 | 185,590 | - | 170,126 | 185,590 | 185,590 | 15,464 | 185,590 |
| Fiscal Year 2012 | 10/18/2011 | 72012-27 | 61,984,082 | - | 56,820,808 | 61,984,082 | 61,984,082 | 5,163,274 | 61,984,082 |
| Fiscal Year 2012 | 10/18/2011 | 72012-28 | 1,617,568 | - | 1,455,812 | 1,617,568 | 1,617,568 | 161,756 | 1,617,568 |

## NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## SUPPLEMENTARY INFORMATION
## SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)
**Year Ended June 30, 2012**

| Grant | Contract Date | Grant Number | Grant Award | Accrued (Deferred) Revenue 6/30/2011 | Cash Received | Revenue Recognized | Expenditures | Accrued (Deferred) Revenue 6/30/2012 | Cumulative Expenditures |
|---|---|---|---|---|---|---|---|---|---|
| **Northern Virginia Transportation Commission (continued)** | | | | | | | | | |
| **Virginia Department of Rail and Public Transportation (DRPT) (continued)** | | | | | | | | | |
| FTM/Admin (Operating) (continued): | | | | | | | | | |
| Fiscal Year 2012 | 10/18/2011 | 72012-29 | $ 2,332,378 | $ - | $ 2,099,140 | $ 2,332,378 | $ 2,332,378 | $ 233,238 | $ 2,332,378 |
| Fiscal Year 2012 | 10/18/2011 | 72012-30 | 482,796 | - | 434,516 | 482,796 | 482,796 | 48,280 | 482,796 |
| Fiscal Year 2012 | 10/18/2011 | 72012-31 | 9,522,043 | - | 8,569,840 | 9,522,043 | 9,522,043 | 952,203 | 9,522,043 |
| Fiscal Year 2011 | 10/5/2010 | 72011-26 | 51,237,065 | 4,269,749 | 4,269,749 | - | - | - | 51,237,065 |
| Fiscal Year 2011 | 10/5/2010 | 72011-27 | 1,289,658 | 128,970 | 128,970 | - | - | - | 1,289,658 |
| Fiscal Year 2011 | 10/5/2010 | 72011-28 | 2,047,408 | 204,740 | 204,740 | - | - | - | 2,047,408 |
| Fiscal Year 2011 | 10/5/2010 | 72011-29 | 416,747 | 41,675 | 41,675 | - | - | - | 416,747 |
| Fiscal Year 2011 | 10/5/2010 | 72011-31 | 6,914,903 | 691,487 | 691,487 | - | - | - | 6,914,903 |
| Demonstration \ Experimental: | | | | | | | | | |
| Fiscal Year 2011 | | | | | | | | | |
| NVTA Transaction 2040 | 11/22/2011 | 47010-21 | 100,000 | 10,262 | 63,873 | 63,635 | 63,635 | 10,024 | 84,330 |
| Fiscal Year 2010 | | | | | | | | | |
| Vanpool | 7/13/2010 | 72510-66 | 40,000 | 2,247 | 16,977 | 14,730 | 14,730 | - | 40,000 |
| **Total State Assistance - NVTC** | | | 251,969,276 | 6,472,904 | 132,576,188 | 134,046,369 | 134,046,369 | 7,943,085 | 228,088,032 |

## NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## SUPPLEMENTARY INFORMATION
## SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (Continued)
**Year Ended June 30, 2012**

| Grant | | Grant Number | Grant Award | Accrued (Deferred) Revenue 6/30/2011 | Cash Received | Revenue Recognized | Expenditures | Accrued (Deferred) Revenue 6/30/2012 | Cumulative Expenditures |
|---|---|---|---|---|---|---|---|---|---|
| **Virginia Railway Express** | | | | | | | | | |
| **Virginia Department of Rail and Public Transportation (DRPT)** | | | | | | | | | |
| Capital: | | | | | | | | | |
| Fiscal Year 2012 | 10/20/2011 | 73012-83 | $ 3,726,003 | $ - | $ 2,512,786 | $ 2,823,598 | $ 2,823,598 | $ 310,812 | $ 2,823,598 |
| Fiscal Year 2012 | 2/15/2012 | 72512-04 | 420,000 | - | - | - | - | - | - |
| Fiscal Year 2012 | 10/23/2011 | 73011-69 | 31,058 | - | 28,862 | 28,862 | 28,862 | - | 28,862 |
| Fiscal Year 2012 | 10/23/2011 | 73011-70 | 153,488 | - | 153,249 | 153,249 | 153,249 | - | 153,249 |
| Fiscal Year 2011 | 10/5/2010 | 73011-72 | 2,238,131 | 305,123 | 1,194,488 | 889,365 | 889,365 | - | 2,238,131 |
| Fiscal Year 2012 | 10/23/2011 | 73011-73 | 166,264 | - | - | 38,460 | 38,460 | 38,460 | 38,460 |
| Fiscal Year 2012 | 10/23/2011 | 73011-77 | 33,845 | - | 33,844 | 33,844 | 33,844 | - | 33,844 |
| Fiscal Year 2012 | 10/23/2011 | 73111-19 | 724,480 | - | 724,480 | 724,480 | 724,480 | - | 724,480 |
| Fiscal Year 2011 | 7/22/2011 | 73111-20 | 135,899 | - | - | - | - | - | - |
| Fiscal Year 2010 | 3/18/2010 | 72510-19 | 141,075 | 83,595 | 130,915 | 53,655 | 53,655 | 6,335 | 137,250 |
| Fiscal Year 2010 | 6/10/2011 | 72510-51 | 720,474 | - | 540,476 | 540,476 | 540,476 | - | 540,476 |
| Fiscal Year 2010 | 6/10/2011 | 72510-74 | 50,000 | - | - | - | - | - | - |
| Fiscal Year 2010 | 1/21/2011 | 72510-75 | 821,902 | - | 40,732 | 50,065 | 50,065 | 9,333 | 50,065 |
| Fiscal Year 2010 | 8/25/2010 | 73010-46 | 168,108 | - | 7,999 | 7,999 | 7,999 | - | 167,999 |
| Fiscal Year 2010 | 8/25/2010 | 73010-47 | 46,400 | 3,927 | 7,919 | 3,992 | 3,992 | - | 31,277 |
| Fiscal Year 2010 | 8/25/2010 | 73010-48 | 39,360 | 5,105 | 5,105 | - | - | - | 39,360 |
| Fiscal Year 2010 | 8/25/2010 | 73010-49 | 95,520 | - | - | - | - | - | - |
| Fiscal Year 2010 | 8/25/2010 | 73010-50 | 24,000 | - | 9,310 | 12,948 | 12,948 | 3,638 | 12,948 |
| Fiscal Year 2010 | 8/25/2010 | 73010-51 | 210,880 | - | - | 608 | 608 | 608 | 608 |
| Fiscal Year 2010 | 8/25/2010 | 73010-52 | 64,000 | 14,545 | 64,000 | 49,455 | 49,455 | - | 64,000 |
| Fiscal Year 2010 | 8/25/2010 | 73010-53 | 446,292 | - | 180,017 | 180,017 | 180,017 | - | 446,292 |
| Fiscal Year 2010 | 8/25/2010 | 73010-54 | 284,270 | - | 402 | 402 | 402 | - | 284,270 |
| Fiscal Year 2010 | 7/1/2009 | 73010-56 | 945,000 | - | 945,000 | 945,000 | 945,000 | - | 945,000 |
| Fiscal Year 2010 | 8/25/2010 | 73010-57 | 178,780 | 33,790 | 68,138 | 34,348 | 34,348 | - | 164,306 |
| Fiscal Year 2010 | 8/25/2010 | 73010-59 | 39,040 | - | - | - | - | - | - |
| Fiscal Year 2010 | 8/25/2011 | 73010-60 | 29,148 | 4,442 | 22,392 | 23,098 | 23,098 | 5,148 | 29,148 |
| Fiscal Year 2010 | 8/25/2011 | 73010-61 | 68,810 | 4,086 | - | (4,086) | (4,086) | - | 64,724 |
| Fiscal Year 2010 | 8/25/2011 | 73010-62 | 29,148 | 16,948 | 19,251 | 2,719 | 2,719 | 416 | 23,294 |
| Fiscal Year 2010 | 8/25/2011 | 73010-63 | 4,620 | - | - | - | - | - | - |
| Fiscal Year 2010 | 8/25/2011 | 73010-64 | 14,000 | - | - | - | - | - | - |
| Fiscal Year 2010 | 8/25/2011 | 73010-65 | 32,340 | 6,008 | 9,983 | 3,975 | 3,975 | - | 32,340 |
| Fiscal Year 2010 | 8/25/2011 | 73010-66 | 280,000 | 7,688 | 7,688 | - | - | - | 280,000 |
| Fiscal Year 2010 | 8/25/2011 | 73010-67 | 51,838 | 6,340 | - | (6,340) | (6,340) | - | 32,128 |
| Fiscal Year 2010 | 8/25/2011 | 73010-69 | 14,000 | - | - | - | - | - | - |
| Fiscal Year 2010 | 8/25/2011 | 73010-71 | 893,120 | 496,983 | 496,983 | - | - | - | 893,120 |
| Fiscal Year 2009 | 1/30/2009 | 72509-33 | 135,850 | 64,321 | 64,321 | - | - | - | 135,850 |
| Fiscal Year 2009 | 9/1/2009 | 72509-74 | 270,000 | 37,708 | - | 160,731 | 160,731 | 198,439 | 270,000 |

## NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## SUPPLEMENTARY INFORMATION
## SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (Continued)
**Year Ended June 30, 2012**

| Grant | | Grant Number | Grant Award | Accrued (Deferred) Revenue 6/30/2011 | Cash Received | Revenue Recognized | Expenditures | Accrued (Deferred) Revenue 6/30/2012 | Cumulative Expenditures |
|---|---|---|---|---|---|---|---|---|---|
| **Virginia Railway Express (continued)** | | | | | | | | | |
| **Virginia Department of Rail and Public Transportation (DRPT) (continued)** | | | | | | | | | |
| Capital (continued): | | | | | | | | | |
| Fiscal Year 2009 | 7/1/2008 | 73009-60 | $ 749,000 | $ 50,499 | $ 81,734 | $ 78,744 | $ 78,744 | $ 47,509 | $ 156,792 |
| Fiscal Year 2009 | 8/25/2010 | 73109-38 | 75,680 | - | - | - | - | - | - |
| Fiscal Year 2008 | 1/30/2009 | 72508-48 | 191,680 | 32,491 | 82,066 | 54,317 | 54,317 | 4,742 | 185,842 |
| Fiscal Year 2008 | 7/20/2009 | 72508-58 | 537,902 | - | - | - | - | - | - |
| Fiscal Year 2008 | 3/16/2009 | 73008-58 | 20,800 | 1,906 | 2,430 | 14,350 | 14,350 | 13,826 | 16,256 |
| Fiscal Year 2008 | 3/16/2009 | 73008-59 | 374,061 | 33,949 | 94,706 | 60,757 | 60,757 | - | 374,061 |
| Fiscal Year 2008 | 3/16/2009 | 73008-69 | 10,400 | 614 | 812 | 198 | 198 | - | 10,400 |
| Fiscal Year 2008 | 3/16/2009 | 73008-70 | 20,800 | - | - | - | - | - | - |
| Fiscal Year 2008 | 3/16/2009 | 73008-71 | 73,632 | - | - | 23,520 | 23,520 | 23,520 | 23,520 |
| Fiscal Year 2008 | 3/16/2009 | 73008-73 | 8,718 | - | 1,182 | 1,182 | 1,182 | - | 1,182 |
| Fiscal Year 2007 | 2/1/2008 | 73007-24 | 218,880 | 2,740 | 21,765 | 21,800 | 21,800 | 2,775 | 192,933 |
| Fiscal Year 2007 | 2/1/2008 | 73007-25 | 355,392 | 16,975 | 76,084 | 67,808 | 67,808 | 8,699 | 348,300 |
| Fiscal Year 2006 | 8/2/2007 | 72506-08 | 500,000 | - | - | - | - | - | 100,553 |
| Fiscal Year 2006 | 8/2/2007 | 73006-28 | 1,771,812 | 2,867 | 2,867 | - | - | - | 1,611,732 |
| Fiscal Year 2004 | 7/1/2003 | 73004-20 | 4,825,414 | 7,570 | 36,907 | 29,337 | 29,337 | - | 4,814,653 |
| Capital - State Transit Partnership: | | | | | | | | | |
| FTM/Admin (Operating): | | | | | | | | | |
| Fiscal Year 2012 | 10/18/2011 | 72012-32 | 6,930,023 | - | 6,237,020 | 6,237,020 | 6,237,020 | - | 6,237,020 |
| Fiscal Year 2011 | 10/5/2010 | 72011-32 | 7,480,189 | 746,535 | 748,017 | 1,482 | 1,482 | - | 7,480,189 |
| Other Special Projects: | | | | | | | | | |
| Rail Enhancement Fund: | | | | | | | | | |
| Cherry Hill Station | 4/15/2008 | 76507-07 | 750,000 | 76,694 | 93,871 | 25,144 | 25,144 | 7,967 | 611,909 |
| Eligible expenditures accrued, not yet assigned to specific grants | | N/A | N/A | 1,576,800 | - | 1,372,893 | 1,372,893 | 2,949,693 | 1,372,893 |
| **Total State Assistance - VRE** | | | 38,621,526 | 3,640,249 | 14,747,801 | 14,739,471 | 14,739,471 | 3,631,920 | 34,223,314 |
| **Total State Assistance - NVTC and VRE** | | | $ 290,590,802 | $ 10,113,153 | $ 147,323,989 | $ 148,785,840 | $ 148,785,840 | $ 11,575,005 | $ 262,311,346 |

## NORTHERN VIRGINIA TRANSPORTATION COMMISSION
## SUPPLEMENTARY INFORMATION
## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
**Year Ended June 30, 2012**

| | Federal CFDA Number | Grant Number | Grant Award | Accrued (Deferred) Revenue 6/30/11 | Cash Received | Revenue Recognized | Expenditures | Accrued (Deferred) Revenue 6/30/12 | Cumulative Expenditures |
|---|---|---|---|---|---|---|---|---|---|
| **Northern Virginia Transportation Commission** | | | | | | | | | |
| **Federal Transit Administration** | | | | | | | | | |
| City of Alexandria ITS Project | 20.500 | VA 04-0013 | $ 226,710 | $ 29,013 | $ 29,013 | $ - | $ - | $ - | $ 226,710 |
| City of Alexandria ITS Project | 20.514 | VA 26-0017 | 353,249 | 36,266 | 36,266 | - | - | - | 353,249 |
| Alexandria Potomac Yards Env Analysis | 20.507 | VA 95-0077 | 240,000 | - | - | - | - | - | 109,269 |
| Vanpool Incentive Feasibility Study | 20.507 | VA 95-2084 | 160,000 | 8,988 | 67,909 | 58,921 | 58,921 | - | 160,000 |
| Crystal City/Potomac Yard Busway | 20.500 | VA 03-0112 | 777,422 | - | 391,164 | 391,164 | 391,164 | - | 666,117 |
| Falls Church Intermodal | 20.500 | VA 04-0029 | 886,160 | - | 46,922 | 53,212 | 53,212 | 6,290 | 53,212 |
| | | | 2,643,541 | 74,267 | 571,274 | 503,297 | 503,297 | 6,290 | 1,568,557 |
| **Virginia Department of Rail and Public Transportation** | | | | | | | | | |
| NVTA Transaction 2040 Plan Update | 20.205 | 47010-21 | 400,000 | 41,050 | 255,500 | 254,553 | 254,553 | 40,103 | 337,333 |
| **Total Federal Assistance - NVTC** | | | $ 3,043,541 | $ 115,317 | $ 826,774 | $ 757,850 | $ 757,850 | $ 46,393 | $ 1,905,890 |

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## COMPLIANCE SECTION

## YEAR ENDED JUNE 30, 2012

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**Year Ended June 30, 2012**

| Federal Granting Agency/ Grant Program/Grant Number | Pass-Through Entity Identifying Number | Federal CFDA Number | Expenditures |
|---|---|---|---|
| Department of Transportation | | | |
| Direct Payments: | | | |
| Federal Transit Administration: | | | |
| VA 04-0029 | | 20.500 | $ 53,212 |
| VA 03-0112 | | 20.500 | 391,164 |
| VA 95-2084 | | 20.507 | 58,921 |
| **Total federal transit cluster** | | | 503,297 |
| Passthrough Payments: | | | |
| Virginia Department of Rail and Public Transportation | | | |
| Surface Transportation Program Funding (STP) | 47010-21 | 20.205 | 254,553 |
| **Total federal awards expended** | | | $ 757,850 |

*The accompanying note is an integral part of this financial statement.*

## 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 NVTC 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."

*Pass-through Payments* – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through 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 NVTC 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.

*Cluster of Programs* – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following is the cluster administered by NVTC: Federal Transit – Capital Investment Grants and Federal Transit – Formula Grants.

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**INDEPENDENT AUDITOR'S 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
Northern Virginia Transportation Commission
Arlington, Virginia

We have audited the financial statements of the Northern Virginia Transportation Commission (Commission) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 22, 2012. 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

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's 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, 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
November 22, 2012

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Commission Board Members
Northern Virginia Transportation Commission
Arlington, Virginia

Compliance

We have audited the compliance of the Northern Virginia Transportation Commission (Commission) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Commission's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Commission's 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 the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Commission 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 the Commission's 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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
November 22, 2012

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**Year Ended June 30, 2012**

I. SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

| | | | | |
|---|---|---|---|---|
| Material weaknesses identified? | _____ | Yes | √ | No |
| Significant deficiencies identified? | _____ | Yes | √ | None Reported |
| Noncompliance material to financial statements noted? | _____ | Yes | √ | No |

**Federal awards**

Internal control over major programs:

| | | | | |
|---|---|---|---|---|
| Material weaknesses identified? | _____ | Yes | √ | No |
| Significant deficiencies identified? | _____ | Yes | √ | None Reported |

Type of auditor's 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 | √ | No |

Identification of major programs:

| CFDA Number | Name of Federal Program or Cluster |
|---|---|
| Federal Transit Cluster: | |
| 20.500 | Federal Transit - Capital Investment Grants |
| 20.507 | Federal Transit - Formula Grants |

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

Auditee qualified as low-risk auditee? _____ Yes √ No

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**
**Year Ended June 30, 2012**

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II. FINANCIAL STATEMENT FINDINGS

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

There were no audit findings reported in the prior year's single audit.

Northern Virginia Transportation Commission

AGENDA ITEM #4

**TO:** Chairman Fisette and NVTC Commissioners

**FROM:** Rick Taube and Mariela Garcia-Colberg

**DATE:** November 29, 2012

**SUBJECT:** Route 7 Alternatives Analysis Study

---

NVTC staff is managing the grant and the study for this examination of high-capacity transit alternatives in the Route 7 corridor between Alexandria and Tysons Corner. Parsons Brinckerhoff is leading the consulting team and a technical advisory committee of local and regional staff is providing enthusiastic oversight. The NVTC Board is designated as a de facto policy committee for the study.

Consultants will brief the commission on the work program and schedule for the study. Further, they will seek feedback from commissioners as part of the public outreach process for the study.

AWARD WINNER NVTC APTA 1996

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AGENDA ITEM #5

**TO:** Chairman Fisette and NVTC Commissioners

**FROM:** Rick Taube and Kala Quintana

**DATE:** November 29, 2012

**SUBJECT:** NVTC's and VRE's State and Federal Legislative Agendas

---

NVTC's Legislative Committee met on November 26th to develop a state and federal legislative agenda for 2013. NVTC is now asked to act on the committee's recommendations. Members of NVTC's Legislative Committee include:

Jay Fisette, Chairman
William Euille
Jeff Greenfield
Mark Herring
Catherine Hudgins
Mary Hynes
Ken Reid
Tom Rust
Dave Snyder

VRE Operations Board has already recommended a legislative agenda. The commission is asked to also approve that legislative agenda.

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**AGENDA ITEM 9-D**
**ACTION ITEM**

**TO:** **CHAIRMAN COVINGTON AND THE VRE OPERATIONS BOARD**

**FROM:** **DOUG ALLEN**

**DATE:** **OCTOBER 19, 2012**

**RE:** **AUTHORIZATION TO APPROVE THE 2013 VRE LEGISLATIVE AGENDA**

---

**RECOMMENDATION:**

The VRE Operations Board is being asked to recommend that the Commissions approve the 2013 VRE Legislative Agenda and authorize the Chief Executive Officer to actively pursue the elements set forth in the document.

**BACKGROUND:**

The VRE legislative agenda is formulated to advocate VRE priorities in coordination with the Commissions and local jurisdictional staff. Additional advocacy positions related to specific federal and state legislature are also presented.

## FEDERAL

Capital Appropriations and Authorization of Transportation Legislation

MAP-21, the Moving Ahead for Progress in the 21st Century Act (P.L. 112-141), was signed into law on July 6, 2012. The legislation funds surface transportation programs at over $105 billion for FY 2013 and FY 2014. MAP-21 is the first long-term highway authorization enacted since 2005 and became the official transportation law superseding SAFETEA-LU on October 1, 2012. This year, more than ever, it will be critical for VRE to advocate to Congressional delegation

and staff for new funding/programming as outlined in MAP-21. Without these advocacy efforts, securing appropriations for capital investment will be very difficult.

VRE will continue to pursue federal funding for the following capital projects, in priority order:

| | |
|---|---|
| 1. Positive Train Control | $6 Million |
| 2. 42 new high capacity railcars | $60 Million |
| 3. Train Storage of Rail Equipment | $40 Million |
| 4. Station Parking Expansion | $40 Million |
| 5. Platform Extensions/Additions | $40 Million |
| 6. Expansion of commuter rail service to Gainesville/Haymarket | $250 Million |
| **TOTAL REQUEST:** | **$436 MILLION** |

Positive Train Control

Under the language of the US Rail Safety Improvement Act of 2008, Congress mandated that the Federal Railroad Administration fully implement Positive Train Control (PTC) by 2015. Initially, there was an effort to include language in MAP-21 allowing for an implementation grace period. However, those efforts were unsuccessful.

VRE continues to work with the host railroads to ensure that our PTC implementation is coordinated with their systems and in compliance with the federally mandated deadline. VRE's initial implementation plan has been approved by FRA and efforts are under way to find funding to help defray implementation costs.

Corridor Improvements

VRE will continue to partner and support the efforts of the Commonwealth and host railroads to facilitate funding to improve railroad capacity on both lines and at Washington Union Terminal.

VRE will also continue to work with the private sector and Congress on potential public-private partnerships that could bring improvements to the rail and public transportation networks at L'Enfant and Washington Union Terminal.

Commuter Benefits

Under the American Reinvestment and Recovery Act (ARRA), commuter benefits were temporarily raised to the same level as the parking benefit ($230). The commuter benefit threshold expired last year and efforts to include it in MAP-21 failed.

VRE will continue to advocate for legislation to make commuter benefits the same as parking benefits in the Internal Revenue Code. As it stands now, the subsidy level was rolled back to its prior amount ($125 per month, by virtue of a recent IRS COLA change).

Federal Liability Cap

A familiar issue for more than a decade, VRE will continue to advocate for modified language in the federal code regarding liability insurance coverage. While we have had success bringing the issue to the attention of the Virginia delegation, our efforts on the federal level were hampered by the fact that not all commuter rail agencies face the same challenges as VRE (other agencies are self-insured, protected by state law, or carry lower premiums). VRE will continue seeking an amendment to the current federal liability cap of $200 million to include third party claims.

Funding Levels

VRE will also continue to support APTA in their advocacy efforts regarding the need to maintain the existing level of federal funding as well as gain additional funding for public transportation.

## STATE

State Funding

The most critical issue this session for VRE is track access fees. Since its inception, VRE has received money from the Commonwealth through the Equity Bonus Program (federal pass through money awarded to Virginia as a donor state) for the track leases. MAP-21 eliminated the Equity Bonus Program while keeping the level of program funding the same through the first two years of the law. If VRE is unable to resolve this potential funding shortfall then there will be significant budgetary ramifications.

For the upcoming session, VRE will also seek separate appropriations consistent with its capital program.

VRE will also monitor any legislative initiatives regarding Senate Joint Resolution 297. SJR 297 called for VDRPT to submit to the General Assembly recommendations for allocating transit funding based on performance, prioritization, and stability. The Commissions have already expressed concern with the proposals offered by VDRPT and VRE concurs with those concerns. VRE will monitor the legislation and report back to the Operations Board as necessary during the session.

Also, as directed by the Operations Board, VRE will continue to advocate transportation policy and funding that is consistent with the Commissions and/or Virginia Transit Association policy.

Legislative Action

VRE is offering the following issues for legislative action during the 2013 legislative session:

- Amend the Virginia Code to allow VRE to receive interest on the Insurance Trust Fund. While past practice allowed VRE to receive interest from these funds, an Executive Order last session changed the policy. The proceeds are now given to the Commonwealth despite the fact that the Insurance Trust Fund was established by and is replenished with local funds.

- Seek both a short term (budget amendment allowing VRE such latitude) and a long term (amending the Virginia Code) remedy to allow VRE to, at its discretion, utilize an independent third party or the Virginia Division of Risk Management (DRM) to manage the liability insurance plan and oversee the VRE Insurance Trust Fund.

- Amend the Virginia Code to allow VRE to recoup a portion of the fines imposed on fare evasion cases. Currently, when a conductor is required to attend court, VRE must pay for their appearance in court as well as for another conductor to be on the train. Cumulatively, this puts the financial burden for prosecution on VRE while all fines are directed to the Commonwealth Literary Fund.

- Amend the Virginia Code to allow the Courts to increase fines for repeat offenders travelling on VRE trains without a valid ticket.

- Amend the Virginia Code to cap liability for commuter rail operations. The existing cap enacted in a prior session excludes third party claims. VRE will also seek exemption for both freight railroads and VRE from liability for terrorism.

- Amend Chapter 774 of the Virginia Code that increases the aggregate awardable liability claim a rail passenger can make per incident (as requested by the Virginia Trial Lawyers Association in 2006). Under the current Code, the threshold (now $100,000) will be amended upward each year based on the percentage change in the medical care component of the Consumer Price Index (as published by the Bureau of Labor Statistics). The first increase took place in January 2012. This policy could increase the existing $250 million liability insurance threshold imposed by the Class 1 freight railroads. VRE would advocate for the elimination of the annual index increase.

**FISCAL IMPACT:**

There is no direct funding impact associated with adopting this agenda item. As in the past, local match would be required if federal and/or state appropriations are received.

Northern Virginia Transportation Commission

# NVTC's 2013 STATE AND FEDERAL LEGISLATIVE AGENDA

DRAFT: November 29, 2012

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# STATE LEGISLATIVE ACTION ITEMS

## Transit Funding Crisis

- Transit is very well used in Northern Virginia with almost 150 million annual transit passenger trips (75% of Virginia's total transit ridership);

- The benefits of this region's well coordinated transit system are enormous. They include:

    - Annual congestion relief valued at about $750 million;
    - Metro alone reduces one million car trips per day;
    - Energy savings approaching $10,000 annually per driver or 40 million gallons of gas saved annually for the Washington, DC region;
    - Cleaner air and reduced greenhouse gas emissions including 260 tons of volatile organic compounds, 22 tons of particulate matter and 0.5 million tons of $CO_2$ avoided in this region each year, with environmental savings valued at $9.5 million annually;
    - Access to jobs, with 2 million jobs (54% of all jobs) located within a half mile of Metrorail;
    - Transit oriented development boosting economic values by 7 to 9% and hence state and local tax revenues with $235 billion of property value within a half mile of Metrorail stations generating $3.1 billion annually in property tax revenues;
    - Mobility for senior citizens and persons with disabilities, including 360,000 daily transit trips;
    - Without Metro, 200,000 more core parking spaces would be needed, which is the equivalent of 166 blocks of five-story garages;
    - Metrorail enables the emergency evacuation of 120,000 people per hour.

- Currently over $700 million annually is spent on Northern Virginia's transit for capital and operations by customers and federal, state and local governments;

- Well over $900 million annually is needed (source: NVTA's TransAction 2030 Plan);

- This leaves a gap of over $200 million annually in Northern Virginia extending into the future;

- Without immediate action by the Virginia General Assembly, Northern Virginia's local governments are unable to close that gap and this region's successful transit systems will be unable to continue their vital contributions to the economic well-being of the entire Commonwealth.

**As the transit funding crisis is getting worse, the Commonwealth must enact major new revenue sources for public transit during the 2013 General Assembly session, with these sources being stable, reliable, proven and permanent, in order to maintain a state of good repair and enhance capacity to promote job growth. The following options for statewide and regional revenue sources should be considered:**

1. **Meet current state transit funding obligations, including $50 million annually to match federal and regional funding for WMATA.** This $50 million recurring Virginia investment is a vital part of a $300 million annual funding package for WMATA. Leveraging available federal funds with reliable state revenue sources is paramount. A dedicated source for this ongoing Virginia obligation is needed.

2. **Existing state transit funding sources should be protected from encroachment, either through diversion of revenues from the Transportation Trust Fund to non-transportation uses or from new intercity passenger rail initiatives.** New state priorities should not be funded at the expense of established needs of existing transit systems.

3. **New statewide revenue sources for public transit should be enacted. To the greatest extent possible they should conform to the following principles:**

    - Collected statewide
    - New dedicated revenues yielding a minimum of $1 billion annually
    - Broad-based multiple sources
    - Adjusted to keep pace with inflation
    - Revenue offsets are permissible (e.g. lower income tax rates for the lowest brackets to compensate for higher gas tax rates)
    - Proceeds used for maintenance and operation of transit and roads as well as transit growth
    - No devolution of state responsibilities to local governments

    Examples include: sales taxes (one percent yields $1 billion statewide), indexed motor fuels taxes (10-cents generates almost $500 million); vehicle miles traveled fees, state/regional income taxes and tolls and congestion pricing. One-time revenue sources are welcome but they are not sufficient to resolve the ongoing transit funding crisis; immediate, continuous and sustainable funding is essential. The Supernova and Statewide Transit/TDM plans recently completed by the Virginia Department of Rail and Public Transportation both document significant transit operating and capital needs. They provide further documentation that action by the General Assembly is required.

4. **Any new statewide revenue measures for transportation, energy conservation, air quality or climate protection should dedicate an appropriate portion to public transit** because transit is an effective means to achieve the goals of such legislation. Transit currently receives only 14.7% of Transportation Trust Fund revenues while 34% of the Commonwealth's most recent bond issue was devoted to transit.

5. **Provide state funding to facilitate needed transit and other transportation improvements to relieve congestion at BRAC-mandated facilities**.

6. **NVTC's 2.1% motor fuels tax on distributors should be increased to at least 4.2%.** The expected annual yield would increase from $48 million in FY 2012 to $96 million. This tax is dedicated to WMATA in five of NVTC's jurisdictions. Accordingly, this tax should be retained even if a new statewide tax is levied. Other state-enacted dedicated sources of funding for WMATA are also needed. WMATA faces a continuing financial crisis to maintain a state of good repair and respond to federal safety recommendations.

7. **The Commonwealth should enact other new regional taxes and fees for public transit, including restoring previously authorized funds for the Northern Virginia Transportation Authority (HB 3202 in 2007 created several new regional revenue sources with significant funds reserved for WMATA and VRE).**

8. **NVTC joins the Virginia Transit Association in urging the General Assembly to retain its current effective and fair statutory method of distributing state transit assistance, while considering new funding for rewarding transit systems that meet local performance standards**. DRPT is expected to request legislation that would provide that agency complete authority to alter the current statutory method of allocating statewide transit assistance. DRPT is proposing in its SJR 297 report an initial process that is highly complex, unpredictable and lacking in transparency, while pitting transit systems with different structures, goals and service territories against each other in inflexible peer groups. Northern Virginia's transit systems as a group would suffer significant financial losses in one of the very few state programs in which this region currently receives its fair share.

**Regional Equity**

9. **The General Assembly should require the Virginia Commonwealth Transportation Board (CTB) to give priority to investments that yield significant economic benefits.** CTB recently acted to provide approximately $1.4 billion for the controversial Route 460 project in Southeastern Virginia while no new funding was identified for WMATA's economically vital Silver Line extension in the Dulles Corridor. Northern Virginia has pressing transit and transportation demand management (TDM) needs. As one example, the Virginia Department of Rail and Public Transportation, within its I-95 Transit and TDM plan, has noted $216 million of short and long-term transit service and project needs for the corridor to enhance the effectiveness of the new I-95 Express Lanes project, but only $22.8 million has been committed by CTB.

Regional Coordination

10. **NVTC supports the findings of Northern Virginia's Efficiency and Consolidation Task Force that recommended new efficiencies but did not recommend consolidation of agencies.** NVTC opposes efforts to consolidate separate agencies facilitating Northern Virginia's successful transit services because such consolidation would not result in significant savings and would cause serious unintended consequences.

11. **Amend the Virginia Code to permit board members of agencies such as NVTC to participate electronically more easily in agency meetings.** Currently General Assembly members can participate electronically during General Assembly sessions and other exceptions exist to the general prohibition. This is one of the efficiency measures recommended by the Efficiency and Consolidation Task Force.

12. **As state-mandated transit studies are undertaken and their recommendations are implemented, the General Assembly should require that regional and local priorities are incorporated.**

Safety

13. **Safety in accessing transit should be enhanced by enacting legislation to require motorists to stop for pedestrians in marked crosswalks at unsignalized intersections where posted speeds are 35 mph or less and at unsignalized crosswalks in front of schools.**

VRE and other Rail-Related Legislative Actions

14. **Continue to provide funding for VRE's track lease payments from discretionary federal funds.** In enacting MAP-21 (new two-year federal surface transportation funding authorization), Congress eliminated the specific program that the General Assembly had designated for VRE, but provided replacement funds. VRE depends on the almost $10 million in such track lease funding.

15. **Amend the Virginia Code to further cap liability for commuter rail operations by including third party claims and terrorism.**

16. **Allow VRE, at its discretion, to utilize an independent third party or the Division of Risk Management to manage VRE's liability insurance plan and trust fund.**

17. **Amend the Virginia Code to allow VRE to receive interest on the Insurance Trust Fund.** While past practice allowed VRE to receive interest from these funds, an Executive Order changed the policy. The proceeds are now given to the Commonwealth despite the fact that the Insurance Trust Fund was established and is replenished with local funds.

18. **Amend the Virginia Code to increase maximum fines for repeat offenders travelling on VRE trains without a valid ticket.**

19. **Amend the Virginia Code to allow VRE to recoup a portion of the fines imposed on fare evasion cases.** Currently, when a conductor is required to attend court, VRE must pay for their appearance in court as well as for another conductor to be on the train. Cumulatively, this puts the financial burden for prosecution on VRE while all fines are directed to the Commonwealth Literary Fund.

20. **Amend Chapter 774 of the Virginia Code to eliminate the annual index increase in the aggregate awardable liability claim a rail passenger can make per incident.** Under the current Code, the threshold (now $100,000) will be increased each year based on the percentage of change in the medical care component of the Consumer Price Index (as published by the Bureau of Labor Statistics). The first increase took place in January 2012. The existing statute could increase the current $250 million liability insurance threshold imposed by the Class 1 freight railroads.

# FEDERAL LEGISLATIVE ACTION ITEMS

## Immediate and Ongoing Funding

1. **Continue to appropriate funding for WMATA of at least $150 million annually as previously authorized by Congress.** In recognition of the federal role on the WMATA Board and dependence of federal employees on Metro for access to their jobs, federal appropriations should continue to ensure the safety and reliability of the region's transit system.

2. **Make available funding for MetroAccess (serving persons with disabilities) from other relevant federal programs,** such as those of the U.S. Department of Housing and Human Development and the U.S. Department of Health and Social Services.

3. **Include significant funding for transit as a critical strategy in any new spending measures that seek to conserve energy, enhance clean air, mitigate climate change, provide access to jobs, stimulate the economy and respond to emergencies and disasters.**

4. **Provide immediate funding to facilitate needed transit and other transportation improvements to relieve congestion at BRAC-mandated facilities.**

## Equitable Tax Incentives for Transit Users

5. **Increase and make permanent the existing tax-free monthly transit benefits (currently $125 monthly) at a level at least matching the benefits currently available for parking ($240 monthly). Index the transit benefits to inflation.** Require that this benefit be provided by all federal agencies.

## Rail Related Actions

6. **An extended deadline and additional federal funding should be provided to commuter rail systems to meet new federal Positive Train Control unfunded mandates contained in the U.S. Rail Safety Act of 2008.**

7. **Amend the current liability cap of $200 million for rail passenger service in 49 USC 28301 to include third party claims.**

Safety

8. **Provide increased funding to transportation agencies in the Washington, D.C. metropolitan area to continue MATOC's operations.**

9. **Provide additional funding for transportation emergency preparedness to assist local transit providers to enhance safety and security.**

Promote Green Commuting

10. **Provide further federal funding and other incentives to encourage alternative methods of commuting, including telework, bicycles, walking, vanpools as well as public transit.**

Northern Virginia Transportation Commission

AGENDA ITEM #6

**TO:** Chairman Fisette and NVTC Commissioners

**FROM:** Rick Taube and Claire Gron

**DATE:** November 29, 2012

**SUBJECT:** Regional Transportation Items

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A. NVTA's TransAction 2040 Plan.

At its meeting of November 8, 2012, the Northern Virginia Transportation Authority approved the 2040 plan update. NVTC managed the $500,000 grant for this study and much of the public outreach.

B. Status of DRPT's SJR 297 Report.

NVTC submitted the attached comments. DRPT has not responded. It remains to be seen whether DRPT will revise its final report to account for NVTC's concerns, and those of the Virginia Transit Association and DRPT's own stakeholders group.

C. Status of FY 2013 DRPT Grants.

As the January 1 WMATA billing date rapidly approaches, all five of NVTC's WMATA jurisdictions have asked DRPT for concurrence for NVTC to serve as their agent, and FY 2013 grant funds are now flowing to four out of the five jurisdictions as NVTC submits invoices to DRPT. A copy of a letter on this subject to DRPT from the Chair of the Arlington County Board is attached for your information.

D. Status of ECTF Report to the Northern Virginia General Assembly Delegation.

The final report has been approved by NVRC, NVTA, NVTC and PRTC and transmitted to the delegation. A copy of the transmittal letter is attached together with the Executive Summary. The entire report is available at www.thenovaauthority.org.

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E. Fairfax County Survey on Revenue Options.

As shown in the attachments, as part of Fairfax County's "Countywide Dialogue on Transportation" a survey was conducted in which residents ranked potential revenue options. Almost 60 percent of respondents favored a cents per gallon gas tax increase and more than 50 percent favored an ad valorem gas tax increase (percent of sales price). Over 40% favored sales tax increases, among several other alternatives.

F. Brookings Report on Access to Jobs Via Transit.

In November, the Brookings Institution released a new report, "Connecting to Opportunity: Access to Jobs via Transit in the Washington, D.C. Region." The report examines transit access and commutes throughout the Washington, D.C. metropolitan area (defined as Metropolitan Washington Council of Governments (MWCOG) jurisdictions). According to the report, Arlington residents have the shortest commutes in the region across all modes (drive alone, carpool, and public transportation). Commutes by Arlingtonians via public transportation average 34 minutes. The report also found that Fairfax County has both the largest share of residents in the region (23%) and the largest share of regional jobs (23%).

Findings from the report include:

- *88% of residents in the region live in a neighborhood that is within three-quarters of a mile of a transit stop.*
Arlington and Alexandria have 100% transit coverage, Fairfax County has 92% transit coverage, Loudoun has 72% transit coverage, and Prince William has 70% transit coverage.

- *More jobs are accessible via transit in shorter amounts of time for residents of core jurisdictions and close-in areas of the inner suburbs compared to outlying areas.*
Top performing areas in the region identified by the report include Arlington, Alexandria, and close-in areas of Fairfax County. Arlington and Alexandria residents can reach 60% of regional jobs within 90 minutes, 36% within 60 minutes, and 21% within 45 minutes. Close-in Fairfax County residents can reach 37% of regional jobs within 90 minutes, 10% within 60 minutes, and 3 percent within 45 minutes.

- *Transit best connects high-skill residents to high-skilled jobs throughout the region, but also low- and mid-skilled residents living in core jurisdictions with "good match" jobs.*

A “good match” exists when the educational attainment (skills) of a worker matches a job’s educational requirements. The study found that Arlington and Alexandria are top performers when “good match” is considered.

- *Housing costs in areas with strong transit access to jobs are, in most cases, too expensive for low- and mid-skilled residents.*
Virginia jurisdictions well-served by transit are generally unaffordable to most low- and mid- skilled households.

Recommendations from the report include:

- Regional leaders should support MWCOG’s *Region Forward* and *Regional Activity Centers* projects, and duplicate the projects’ goals with respect to land use, transportation, and affordable housing within their own jurisdictions;

- Transportation providers should consider MWCOG’s 2010 *CLRP Aspirations Scenario* report in developing projects for inclusion in the Financially Constrained Long-Range Transportation Plan (CLRP);

- Future development should be concentrated around underutilized Metrorail stations; and

- Affordable housing should be preserved, and new affordable housing developed, in mature, middle-income transit-accessible areas.

The full report is available at:
http://www.brookings.edu/research/papers/2012/11/dc-transit-job-access

A

**Transaction 2040**

On November 8, 2012 the Northern Virginia Transportation Authority (NVTA) was briefed on the results of the Transaction 2040 summary report and adopted the TransAction 2040 Plan.

The plan included two model runs based on specific lists of projects. During the months of May and June 2012, project stakeholders reviewed the second model run (Build 2 scenario) output from Cambridge Systematics. The second model run included 10 new actions/projects, as approved by the Authority at its May 10, 2012 meeting, that were not previously identified in the baseline or the first model run.

The Build 2 scenario improved the levels of congestion in most of the corridors when compared to levels assuming the baseline network of the region's Constrained Long-Range Plan (CLRP) for 2040. The I-495 and the I-66/US 29/US 50 Corridors exhibit lower congestion levels in the 2040 Build 2 Scenario than in the baseline and 2040 Build Scenarios. Furthermore, if additional land use changes (different from what is reflected in MWCOG's Round 8.0 forecasts) were considered, the region would see an even greater impact from the investments of the Build 2 scenario.

To implement these infrastructure improvements included in the recommended TransAction 2040 plan, approximately $27.5 billion in additional funding, over what is already identified in the CLRP, is necessary. These improvements, coupled with the investments currently programmed in the CLRP, will result in a transportation network that is sustainable and can accommodate planned land use for 2040.

The NVTA's Technical Advisory Committee (TAC) and the Planning Coordination Advisory Committee (PCAC) met and commented on the preliminary model run results and draft versions of the initial newsletter. Two newsletters were produced and posted on the NVTA's website which is managed by NVTC staff.

Below is a list of the major tasks undertaken as part of the TransAction 2040 Plan:

- Identified the Initial Project List
- Established the Evaluation Framework
- Analyzed the Baseline and Network of Initial Projects Using TPB Version 2.3 (Release 37) Model
- Assigned Ratings and Performed Preliminary Project Prioritization
- Prepared Highway and Transit Level of Service (LOS) Maps
- Issued Newsletter #1 and Conducted Public Open House
- Developed Project List for Build 2 Scenario
- Modeled and Analyzed Build 2 Scenario
- Finalized Project Prioritization

- Issued Newsletter #2
- Developed Recommended Plan Documents

NVTC staff played a significant role, working with regional partners, in the contract management and execution of this project. Specifically, staff was able to provide public relations support for the project which reduced the costs of the management contract by more than $250,000. By utilizing existing NVTC public relations resources and social media staff was able to effectively communicate the project to the public through an open house, establishing a Facebook page, updating information on the NVTA web site, and editing and distributing two newsletters. Staff also obtained printing quotes for the final printing of the summary report and maps and is currently working with regional partners to manage printing and distribution to the General Assembly.

# TransAction2040

Transportation for Today and Tomorrow

## NORTHERN VIRGINIA TRANSPORTATION PLAN


October 2012

# Table of Contents



# Plan Background

## *Plan Purpose*

The Northern Virginia Transportation Authority (NVTA) is charged with preparing a regional transportation plan for Northern Virginia, including transportation improvements of regional significance. The NVTA revises and amends this plan every five years. The TransAction 2040 Northern Virginia Regional Transportation Plan represents an update of the TransAction 2030 Northern Virginia Regional Transportation Plan, which was endorsed by the NVTA in 2006. TransAction 2040 is designed to extend the planning horizon, allowing for consistency with the National Capital Region Transportation Planning Board (TPB) Financially Constrained Long-Range Plan (CLRP). TransAction 2040 includes new projects and introduces a revised evaluation and prioritization process, along with a benefit-cost (b/c) analysis. Like the plan that preceded it, TransAction 2040 is intended to provide a guide for funding future transportation projects in Northern Virginia.

## *Vision and Goals*

The TransAction vision, adopted by the Transportation Coordinating Council in 1999, is for an improved multimodal transportation system that facilitates achievement of specific regional goals.

> *In the 21st century, Northern Virginia will develop and sustain a multimodal transportation system that supports our economy and quality of life. It will be fiscally sustainable, promote areas of concentrated growth, manage both demand and capacity, and employ the best technology, joining rail, roadway, bus, air, water, pedestrian, and bicycle facilities into an interconnected network.*

These seven goals developed for the TransAction 2040 Plan build on the goals from the TransAction 2030 Plan and are used to guide the assessment and prioritization of projects included in TransAction 2040:

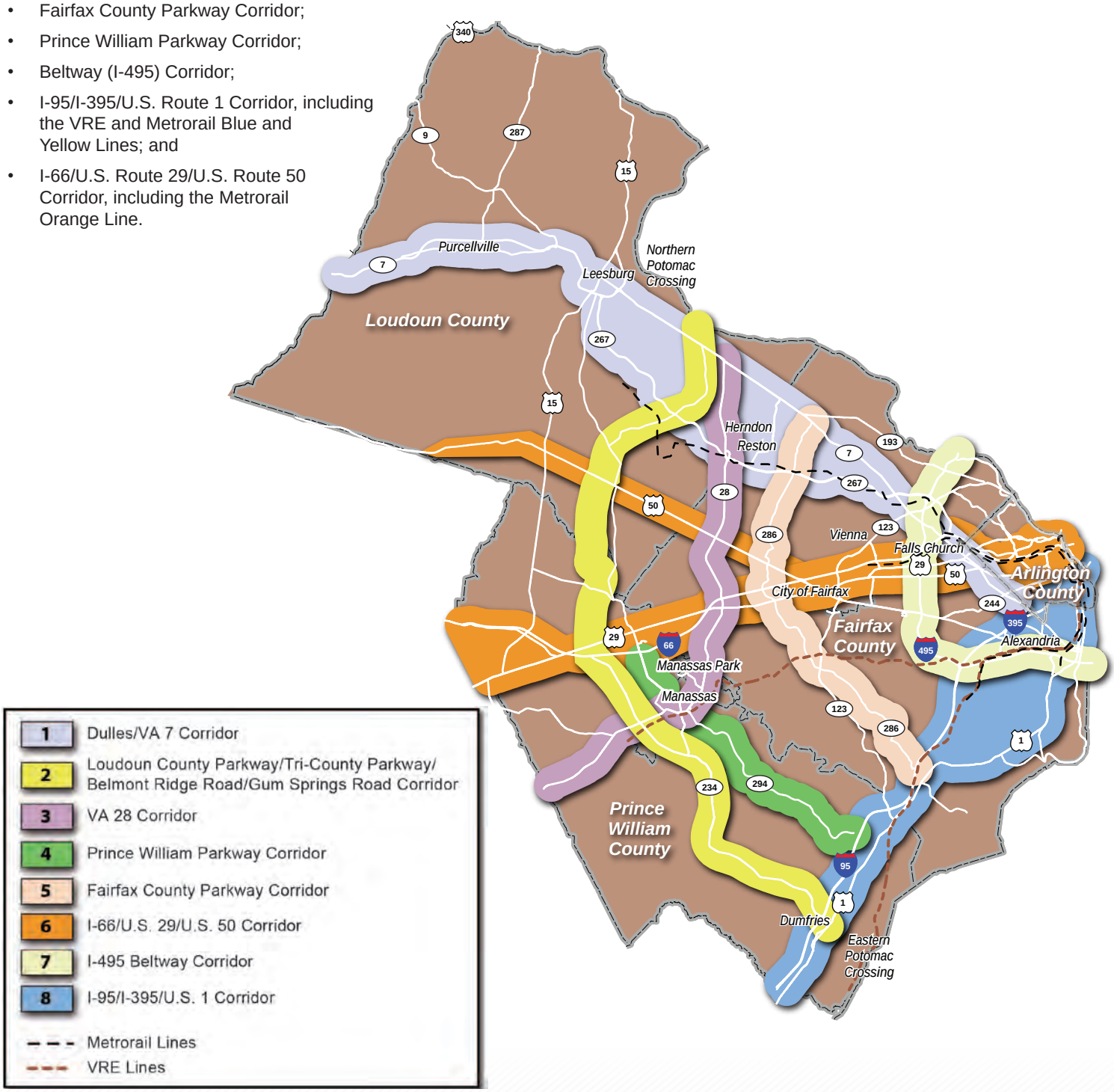
- Provide an integrated, multimodal transportation system;
- Provide responsive transportation service to customers;
- Respect historical and environmental factors;
- Maximize community connectivity by addressing transportation and land use together;
- Incorporate the benefits of technology;
- Identify funding and legislative initiatives needed to implement the Plan; and
- Enhance Northern Virginia relationships among jurisdictions, agencies, the public, and the business community.

# TransAction 2040 Plan Area

## *Communities and Facilities Covered in TransAction 2040*

TransAction 2040 covers the counties of Arlington, Fairfax, Loudoun, and Prince William; the cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park; and the towns of Dumfries, Herndon, Leesburg, Purcellville, and Vienna. The plan includes a category of non corridor-specific improvements as well as roadway, transit, bicycle, and pedestrian projects in the eight corridors specified below:

- Virginia Route 7 and Dulles Toll Road Corridor, including the future Metrorail Silver Line;
- Virginia Route 28 Corridor;
- Loudoun County Parkway/Tri-County Parkway/Belmont Ridge Road/Gum Springs Road Corridor;
- Fairfax County Parkway Corridor;
- Prince William Parkway Corridor;
- Beltway (I-495) Corridor;
- I-95/I-395/U.S. Route 1 Corridor, including the VRE and Metrorail Blue and Yellow Lines; and
- I-66/U.S. Route 29/U.S. Route 50 Corridor, including the Metrorail Orange Line.



# TransAction 2040 Plan Methodology

To identify future transportation improvements that are cost effective and meet the goals for the Northern Virginia and Metropolitan Washington region, a number of project activities were undertaken.

## *Individual Project List*

TransAction 2040 Subcommittee members identified transportation system improvement projects in the plan area and their associated cost estimates. Two primary types of projects identified for TransAction 2040 included: 1) projects developed in the TransAction 2030 Plan; and 2) new projects since the TransAction 2030 Plan effort. The NVTA approved a proposed project list which details transportation needs across modes, including transit, highway, bicycle, pedestrian, intelligent transportation systems (ITS), and travel demand management (TDM). The projects range in size from small, localized improvements to major new highways or LRT lines. The final project list includes over 100 highway projects, which add 785 lane miles and include numerous bicycle/pedestrian improvements; more than 50 transit projects; and over 40 additional projects specifically to improve bicycle/pedestrian travel.

| Corridor | Highway | Transit | Bicycle/Pedestrian |
|---|---|---|---|
| Dulles/VA 7 Corridor | 18 | 5 | 4 |
| Fairfax County Parkway Corridor | 7 | 1 | 0 |
| I-495 Beltway Corridor | 5 | 4 | 5 |
| I-66/U.S. 29/U.S. 50 Corridor | 22 | 14 | 7 |
| I-95/I-395/U.S. 1 Corridor | 21 | 22 | 9 |
| Loudoun County Parkway/Tri-County Parkway/Belmont Ridge Road/Gum Springs Road Corridor | 7 | 1 | 6 |
| Prince William Parkway Corridor | 3 | 0 | 0 |
| VA 28 Corridor | 15 | 2 | 3 |
| Other | 9 | 9 | 8 |

## *Analyze Projects Using the Regional Computer Model*

Once the proposed TransAction 2040 projects were identified, the regional computer model for travel forecasting adopted by the National Capital Region TPB was used to forecast travel patterns under three scenarios. Each of the scenarios was tested to see how the different combinations of transportation projects would impact regional mobility.

**Scenario 1: Current**

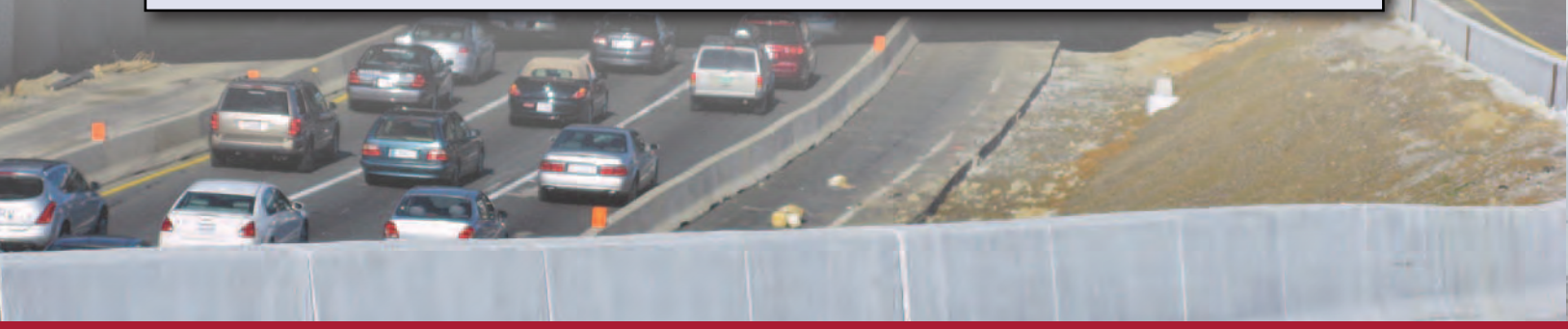
Existing land use and transportation network.

**Scenario 2: Baseline**

Year 2040 land use and transportation network representing all projects in the CLRP in place, including the Silver Line and I-495 Express Lanes.

**Scenario 3: Build**

Year 2040 land use and transportation network, including all projects in the CLRP and all proposed TransAction 2040 projects.

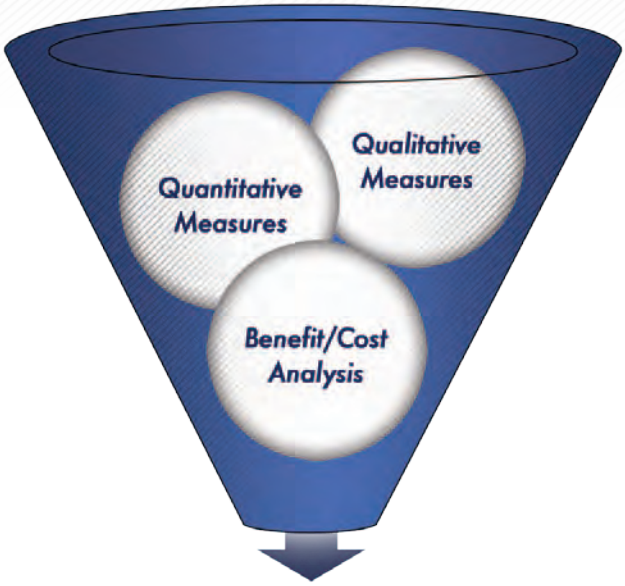


## *Preliminary Project Prioritization*

A project scoring approach was developed using a comprehensive set of qualitative and quantitative evaluation measures and a benefit/cost (b/c) analysis. A project prioritization process was then conducted within corridors and by project type (e.g., bicycle/pedestrian, transit, highway).

Fifteen evaluation criteria were used to consider potential program and project benefits: Freight Movement, Improved Bicycle and Pedestrian Travel Options, Multimodal Choices, Urgency, Project Readiness, Reduce Vehicle Miles of Travel (VMT), Safety, Person Throughput, Reduce Roadway Congestion, Reduce Time Spent Traveling, Environmental Sensitivity, Activity Center Connections, Land Use Support Transportation Investment, Management and Operations, and Cost Sharing. Each project was given a "low," "medium," or "high" score depending on how well it met each of the evaluation criteria.

Once each project was scored, a b/c methodology was employed, which considered the project score as well as the project cost. To calculate the b/c rating, the total score of each project was divided by a project cost index. The project cost index normalizes project costs (expressed in dollars) into a 100-point scale to allow for a common scale of the benefit and costs, ensuring the process provides comparability between the benefit and cost.




Prioritization of the Project List

## *Revise Project List*

An Open House was held for the public and stakeholders to review the prioritized list of projects and help NVTA determine project priorities and suggest additional transportation projects. Based on this input and input from the oversight committees, 10 additional actions were included, adding to the TransAction 2040 project list.

## *Analyze New and Revised Projects*

Using the regional computer model, projects resulting from the additional actions were tested in Scenario 4, Build 2 to see how they would impact regional mobility.

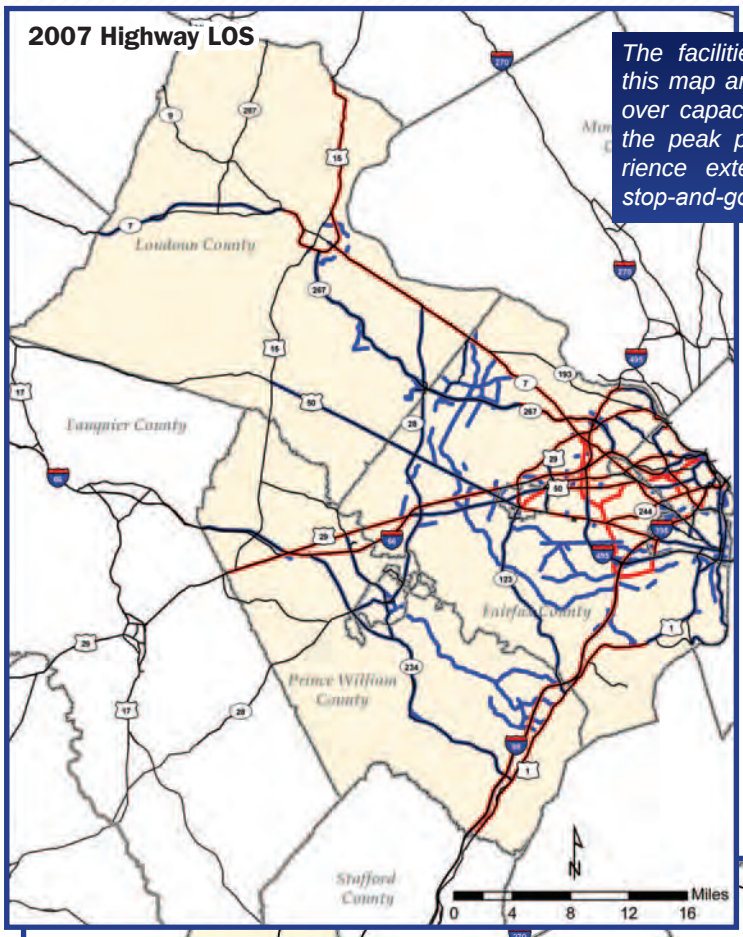
## *Finalize Project Prioritization*

Together, the score and the benefit/cost rating for all of the projects can inform decisions about priorities for investments, recognizing that there remain challenges to funding all desired transportation improvements.

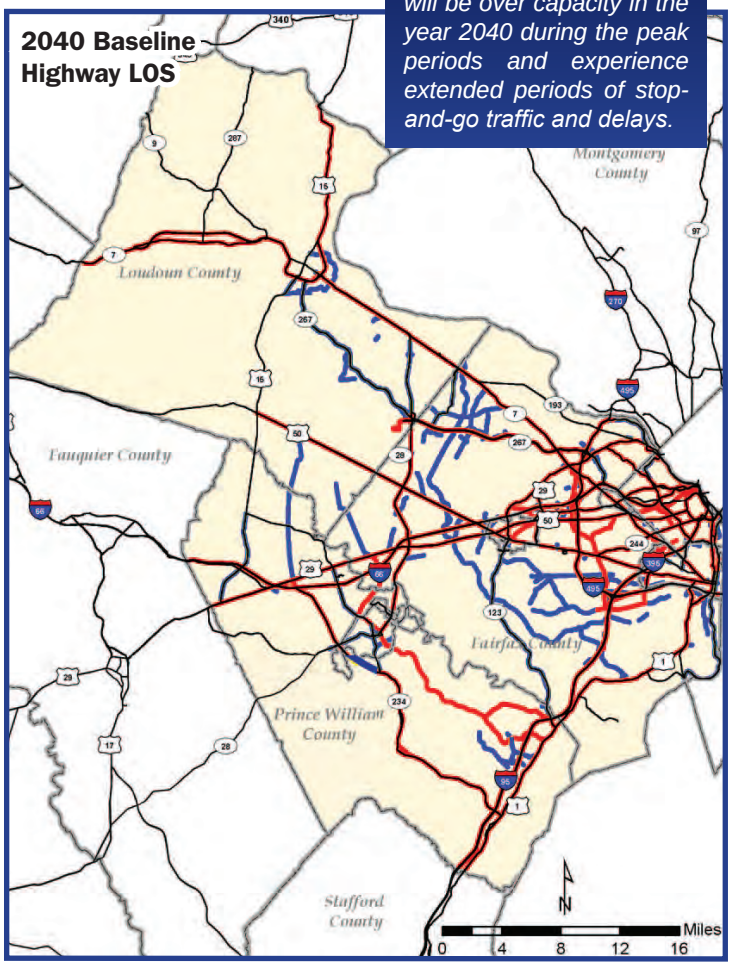
**Scenario 4: Build 2**

Year 2040 land use and transportation network, including all projects in the CLRP, proposed TransAction 2040 projects, and additional actions. Some of these additional actions are not in jurisdictional comprehensive plans and would require further study before additional action was taken.

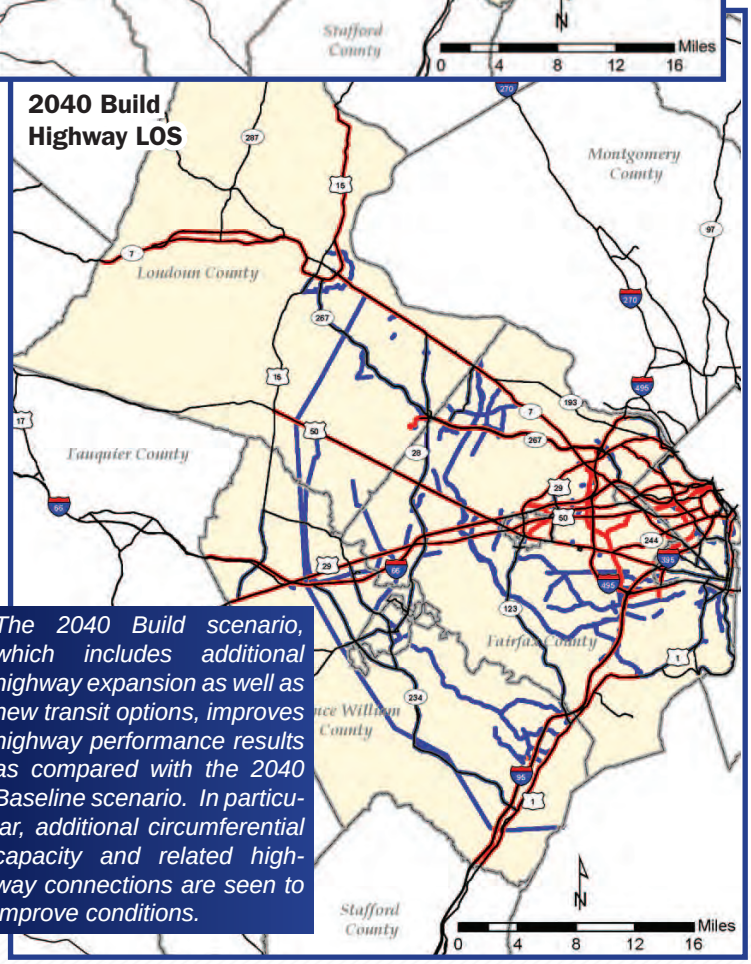
# Highway System Performance




*The facilities colored red in this map are areas that were over capacity in 2007 during the peak periods and experience extended periods of stop-and-go traffic and delays.*




*The facilities colored red in this map are areas that will be over capacity in the year 2040 during the peak periods and experience extended periods of stop-and-go traffic and delays.*

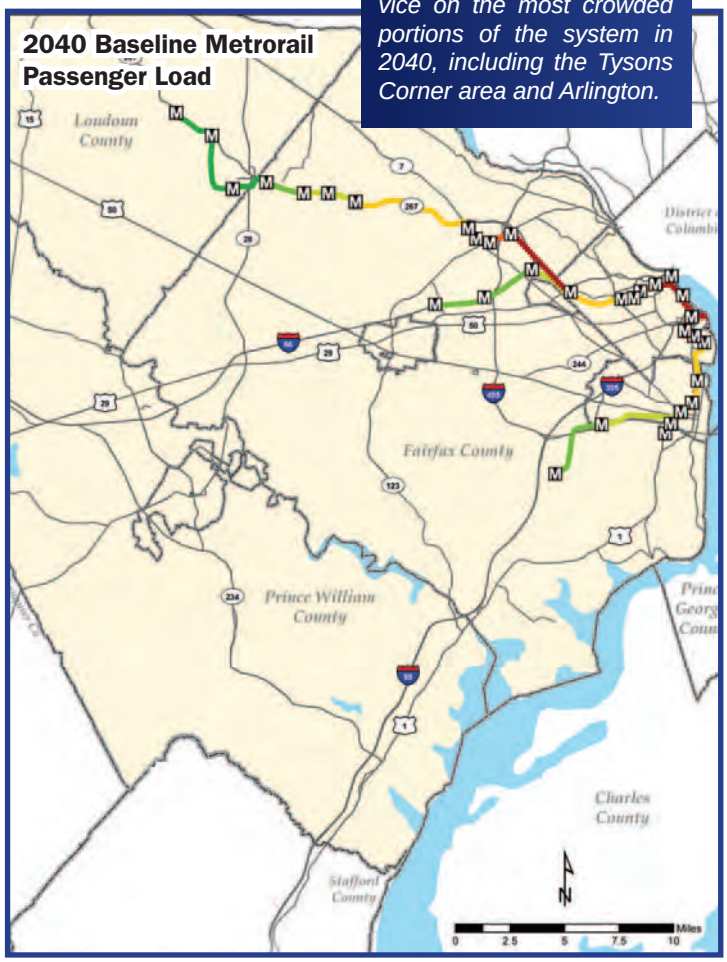



*The 2040 Build scenario, which includes additional highway expansion as well as new transit options, improves highway performance results as compared with the 2040 Baseline scenario. In particular, additional circumferential capacity and related highway connections are seen to improve conditions.*

Legend
- Occasional Stop-and-Go Traffic
- One Hour or More of Stop-and-Go Traffic
- Major Roads
- Water Bodies
- NVTA Region
- County Boundaries

# Metrorail System Performance


*The proposed improvements to the Metrorail system included in the TransAction 2040 project list improve the level of service on the most crowded portions of the system in 2040, including the Tysons Corner area and Arlington.*



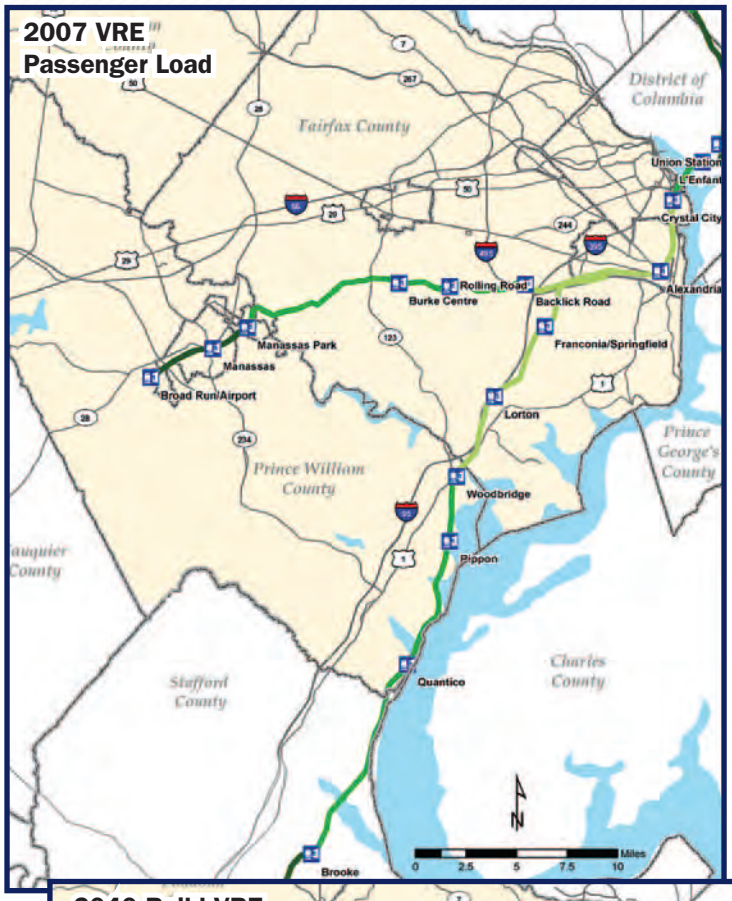


Legend

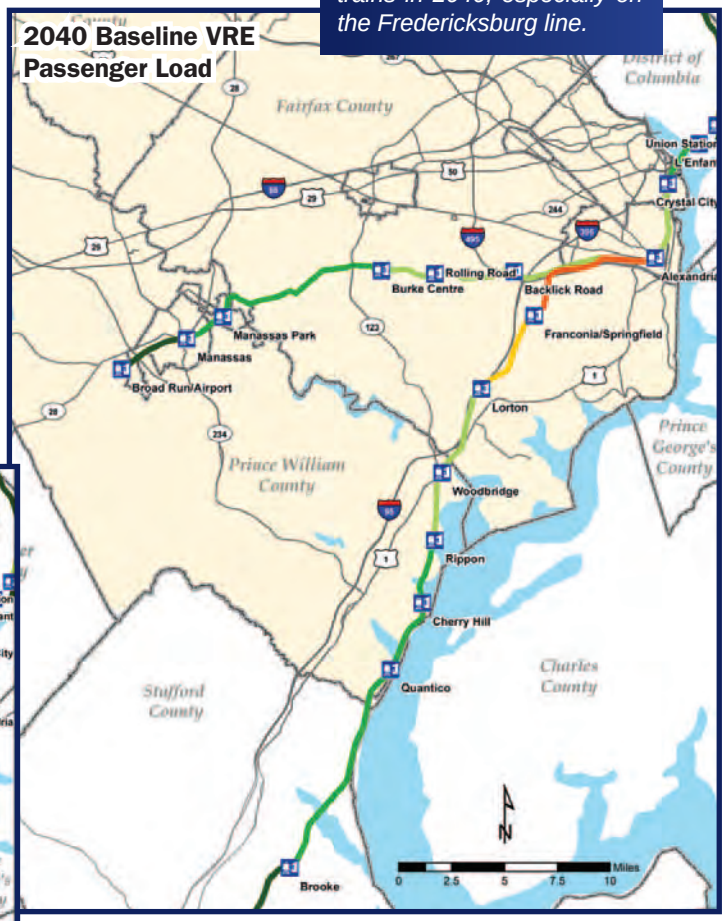
**2007 Peak Hour Passenger Load LOS**

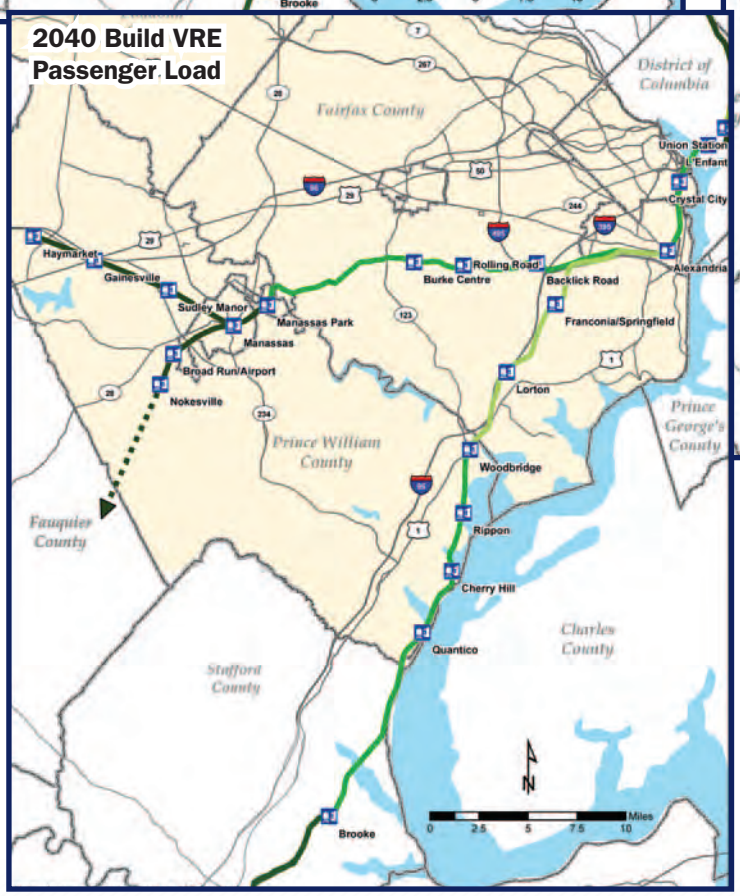
- LOS A (0 - 36 passengers/car)
- LOS B (37 - 54 passengers/car)
- LOS C (55 - 71 passengers/car)
- LOS D (72 - 100 passengers/car)
- LOS E (101 - 120 passengers/car)
- LOS F ( > 120 passengers/car)
- 2007 Metrorail Stations
- Major Roads
- Water Bodies
- NVTA Region
- County Boundaries

# VRE System Performance




*The proposed VRE expansions and improvements included in the TransAction 2040 project list help alleviate congestion on crowded trains in 2040, especially on the Fredericksburg line.*




Legend

**2007 Peak Period Passenger Load LOS**

- LOS A (0 - 45 passengers/car)
- LOS B (46 - 90 passengers/car)
- LOS C (91 - 137 passengers/car)
- LOS D (138 - 144 passengers/car)
- LOS E (145 - 150 passengers/car)
- LOS F ( > 150 passengers/car)
- 2007 VRE Stations
- Major Roads
- Water Bodies
- NVTA Region
- County Boundaries

# Technical Evaluation Findings

## *Regional and Corridor Level Observations*

The technical evaluation and travel demand modeling show a number of findings at the regional and corridor level:

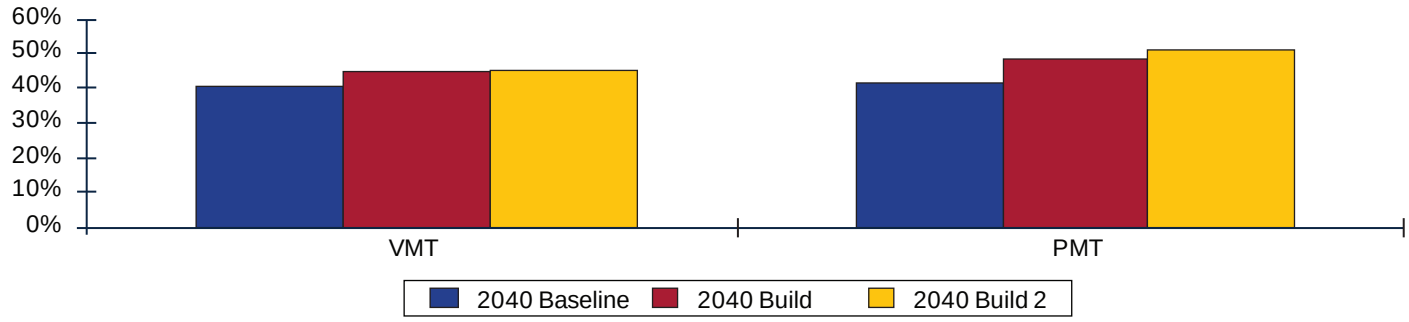
- All corridors have expanded multimodal capacity.
- The increased activity and travel pattern changes that are forecast for 2040 result in increased travel. Many corridors experience worsening congestion under the 2040 Baseline.
- The TransAction 2040 projects do help, although there is still congestion present.
- On the transit side, TransAction 2040 offers extensive improvements that result in improved level of service.
- TransAction 2040 does not eliminate congestion, but it does expand mobility options and improves travel conditions as compared with the 2040 Baseline scenario.
- Comparing 2007 to 2040 Baseline, more vehicle travel occurs on congested roadways in nearly all of the corridors.
- Comparing 2040 Baseline to 2040 Build, more vehicle travel occurs on uncongested roadways in virtually all of the corridors; this shows that the Build projects help reduce congestion.
- Despite major improvements, the 2040 Build scenario still has higher levels of congestion than 2007.

Further evaluation included an assessment of person miles of travel (PMT), vehicle miles of travel (VMT), work trip mode share, and job accessibility. Major observations are described and shown in graphs.

## *Person Miles of Travel and Vehicle Miles of Travel*

- PMT increases in all of the 2040 scenarios compared to 2007 conditions, indicating increased multimodal travel opportunities in both of the Build scenarios.
- In each of the 2040 scenarios, PMT increases more than VMT, clearly indicating that more people are using alternatives, such as bus, rail, and ridesharing, to single occupancy vehicles (SOV).

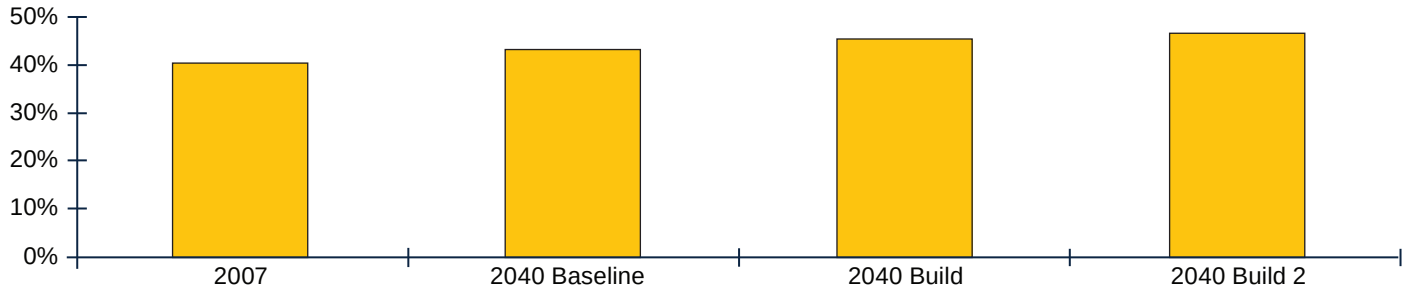
**Increase in Travel Compared to 2007**




## *Work Trip Mode Share*

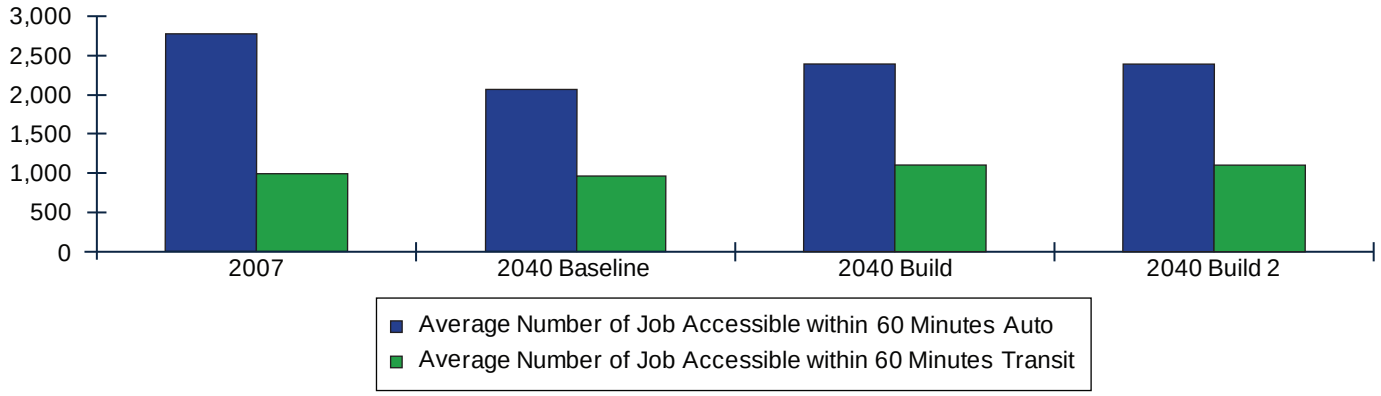
- Mode share (percentage of trips) for non-SOV modes, including transit and HOV, also increases for work trips in 2040.
- Projects in both of the Build scenarios further increase the use of alternative modes, such as bus, rail, and ridesharing.

**Percent Non-SOV Work Trips**



## *Job Accessibility*

- The figure shows the number of regional jobs (including downtown D.C.) that are accessible to households in the NVTA jurisdictions.
- Due to increased congestion by 2040, the 2040 Baseline scenario shows a decrease in accessibility, or increase in travel, as compared to 2007 results.
- Projects in both of the Build scenarios decrease congestion and improve accessibility for automobiles compared to the 2040 Baseline scenario.
- Projects in both of the Build scenarios include major transit investment projects, increasing transit accessibility over the 2040 Baseline scenario.




## *Cost Estimates*

TransAction 2040 combined the cost estimates for projects currently in the Northern Virginia portion of the CLRP with estimates for the additional TransAction 2040 improvements. The Northern Virginia CLRP projects and the TransAction 2040 additional recommended improvements represent nearly $42 billion in transportation infrastructure and service expansion and $44 billion in highway and transit operations and preservation from 2011 to 2040. All figures are in 2011 dollars.

| Project Type | Capital Costs (2011 $) | Operating Costs (2011 $) | Total Costs (2011 $) |
|---|---|---|---|
| **Northern Virginia Portion of Region's Constrained Long-Range Plan[a]** | | | |
| | (2011-2040) | (2011-2040) | (2011-2040) |
| Highway | $7.7 billion | $21.1 billion | |
| Transit | $10.9 billion | $18.5 billion | |
| **Total** | **$18.5 billion** | **$39.7 billion** | **$58.2 billion** |
| **TransAction 2040 Additional Projects[b]** | | | |
| Project Types | (2011-2040) | (2040) | (2011-2040) |
| Highway | $9.3 billion | $16 million | |
| Transit | $13.2 billion | $312 million | |
| Bicycle/Pedestrian | $640 million | $1.2 million | |
| Technology | $58 million | $1.0 million | |
| **Total** | **$23.2 billion** | **$330 million[c]** | **$27.5 billion[d]** |
| **Combined Project List** | | | |
| | (2011-2040) | (2011-2040) | (2011-2040) |
| **Total** | **$41.7 billion** | **$44.0 billion** | **$85.7 billion** |

[a] CLRP "Operating Costs" includes costs identified as for "Preservation." Data Source: Analysis of Resources for the 2010 Financially Constrained Long-Range Transportation Plan for the Washington Region, Cambridge Systematics, November 2010.

[b] Figures include all projects in the Build 2 Scenario.

[c] Figure represents the reported annual operating cost for all projects in year 2040. Total operating cost for the period 2011 to 2040 is estimated as $4.3 billion based on aggregating the annual operating cost for each project multiplied by the number of operating years for the project as derived based on its project readiness ratings.

[d] Determined by adding the capital cost and derived operating cost for the indicated period.

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# Acknowledgments


## Northern Virginia Transportation Authority Membership

Hon. Martin Nohe, NVTA Chairman, Prince William County

Hon. William D. Euille, NVTA Vice Chairman, City of Alexandria

Hon. R. Scott Silverthorne, City of Fairfax

Hon. Sharon Bulova, Fairfax County

Hon. Harry J. "Hal" Parrish, II, City of Manassas

Hon. Bryan Polk, City of Manassas Park

Hon. David Snyder, City of Falls Church

Hon. Suzanne Volpe, Loudoun County

Hon. Christopher Zimmerman, Arlington County

Hon. Adam Ebbin, Virginia Senate

Hon. Joe T. May, Virginia House of Delegates

Hon. Thomas Davis Rust, Virginia House of Delegates

Kerry Donley, Governor's Appointee

Gary Garczynski, Governor's Appointee, CTB Member

Garrett Moore, VDOT

Thelma Drake, VDRPT

Robert Lazaro, Town of Purcellville

Hon. Mary Margaret Whipple, Virginia Senate *

Hon. Jane Seeman, Town of Vienna *

Hon. Scott K. York, Loudoun County *

Hon. Robert F. Lederer, City of Fairfax *

* Former Members

## Oversight Bodies and Coordination

Four oversight bodies have been involved throughout the TransAction 2040 update process, providing valuable feedback on the technical evaluation, key findings, and public materials. Membership for the TransAction 2040 Subcommittee, Planning Coordination Advisory Committee (PCAC), the Technical Advisory Committee (TAC), and the Jurisdiction and Agency Coordination Committee (JACC) included representatives from:

Arlington County

City of Alexandria

City of Fairfax

City of Falls Church

City of Manassas

City of Manassas Park

Fairfax County

Loudoun County

Northern Virginia Transportation Commission

Potomac and Rappahannock Transportation Commission

Prince William County

Town of Dumfries

Town of Herndon

Town of Leesburg

Town of Purcellville

Town of Vienna

Virginia Railway Express

Virginia Department of Transportation

Virginia Department of Rail and Public Transportation

Washington Metropolitan Area Transit Authority

Northern Virginia Transportation Commission

November 7, 2012

Honorable Thelma Drake
Director
Virginia Department of Rail and Public Transportation
600 East Main Street, Suite 2102
Richmond, VA 23219

Dear Director Drake:

The Northern Virginia Transportation Commission voted unanimously to provide the following comments on your department's SJR 297 study. NVTC has followed the study with great interest and appreciated hearing your presentation on the draft report at our October 4, 2012 meeting.

As your study has progressed, our commission and jurisdiction staffs have brought to our attention several serious concerns of your own stakeholders group and the membership of the Virginia Transit Association (VTA). I have summarized those concerns below but first I do want to recognize aspects of DRPT's study that NVTC applauds.

You formed an excellent stakeholders advisory group consisting of knowledgeable transit and transportation demand management professionals throughout the Commonwealth. In your final report, you incorporated their suggestion to include a thorough description of transit funding needs and to highlight the state's responsibility to help meet those needs. We applaud you for listing some potential new state revenue sources that the Virginia General Assembly should consider. This is very valuable information to share with the General Assembly and public.

We hope that DPRT's SJR 297 report serves to encourage the General Assembly to enact new revenue sources for transit. We urge you to carefully consider the following concerns:

1. **DRPT should take an additional step and prepare specific legislative proposals to increase state revenue sources for transit and as part of its SJR 297 legislative package, advocate those proposals in the General Assembly together with the members of VTA and other transit allies.**

2300 Wilson Boulevard • Suite 620 • Arlington, Virginia 22201
Tel (703) 524-3322 • Fax (703) 524-1756 • TDD (800) 828-1120
E-mail nvtc@nvtdc.org • Website www.thinkoutsidethecar.org

2. **Transit systems currently respond to performance mandates from their local sponsors.** While any set of state performance measures cannot adequately account for all of the differences among Virginia's transit operators, if state performance mandates are imposed, they should be coordinated with existing performance requirements, be internally consistent, and reflect the fact that state aid comprises an important but relatively modest proportion of total transit operating costs. **We have attached a list of local performance measures currently in use by Virginia's transit systems.**

3. **DRPT has not demonstrated a need for change based on actual performance data of Virginia's transit systems.** Data compiled by NVTC from the National Transit Database show that Virginia's transit systems are performing well under DRPT's current allocation method.

4. **DRPT's proposed approach is not predictable, transparent or simple. DRPT and CTB have expressed strong interest in processes that are predictable, transparent and simple.** VTA has found that DRPT's approach does not meet any of these criteria, and is so complicated and unpredictable that transit systems will be unable to plan and budget effectively. The six DRPT peer groups bring together transit systems that are too diverse and the four performance factors with associated weights are internally inconsistent and certainly are not "industry standard."

5. **By pushing for more competition among transit systems and favoring those with high density service territories DRPT risks violating federal requirements that protect populations most in need.** Transit systems are not profit-making entities and DRPT should recognize that they are designed to meet different local objectives reflecting local needs.

6. **We question the proposed shift of authority from the General Assembly to DRPT. DRPT would gain complete discretion to determine and alter, at will, the allocation procedures in the future, versus the General Assembly's straight forward and time-tested current statutory approach.**

7. **We have grave concerns that DRPT's new approach penalizes Northern Virginia's transit systems as a group** ($1.5 million annual loss overall), when our transit systems are carrying three quarters of the Commonwealth's total transit ridership, meeting local and regional performance standards and contributing to the economic well-being of the entire Commonwealth. The report does not address or justify this impact.

8. **DRPT's report misses the direct connection between the health of transit in Northern Virginia and the economic well-being of the entire Commonwealth. If changes to the allocation model are made, any new approach should consider outcomes of healthy transit systems (such as a stronger economy).** Favorable outcomes of transit service include better mobility, congestion relief, access to jobs, improved quality of life, a cleaner environment, and of utmost importance, enhanced economic activity. For example, DRPT's allocation approach could consider that a dollar invested in transit generates "x" amount of economic activity generating "y" amount of tax revenue. **Please refer to the attached list of economic benefits of transit in Northern Virginia**.

9. **VTA and DRPT's stakeholders have recommended an alternative allocation approach that new state funds be used to reward transit systems for meeting and exceeding locally determined performance measures, such as those on the attached list.** DRPT should respond to this helpful recommendation.

I have attached comments prepared by NVTC staff that provide further detail on these and other concerns with DRPT's report. We believe that it is very significant that the Virginia Transit Association, representing large and small transit systems throughout the entire Commonwealth, has expressed strenuous opposition to DRPT's proposed new allocation approach. We trust that DRPT's final report will seriously respond to our concerns and those of your own stakeholders group and the Virginia Transit Association.

Sincerely,

Jay Fisette
Chairman

cc: Amy Inman (DRPT)
Linda McMinimy (VTA)

Northern Virginia Transportation Commission

# EXAMPLES OF VIRGINIA TRANSIT SYSTEMS' LOCAL PERFORMANCE MEASURES CURRENTLY IN USE

Each transit system currently responds to the performance mandates of its own owners and customers in order to provide quality service and control costs. Among the many such factors currently in use by various Virginia transit systems are:

- Minimum farebox cost recovery
- Route evaluations
- Bus stop location warrants
- On-time performance measures
- Over-time pay as a percentage of total operators pay
- Revenue miles per major mechanical road call
- Revenue miles per employee
- Budget compliance
- Progress on capital projects
- Human resource vacancies
- Reasons for delays
- Fare evasion metrics
- Seat utilization
- Parking lot available capacity
- Access to stations by bicycle
- Bus fleet idle time
- Preventable and total accidents
- Valid customer complaints
- Completed preventive maintenance inspections
- Operator rule violations
- Volume of Facebook and Twitter interactions
- Media coverage
- Missed trips

DRPT's approach in many instances conflicts with these local mandates, as is inevitable with one set of state performance factors stressing only high farebox cost recovery and heavy ridership.

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Northern Virginia Transportation Commission

# ECONOMIC BENEFITS OF TRANSIT IN NORTHERN VIRGINIA

- Transit is very well used in Northern Virginia with almost 150 million annual transit passenger trips (75% of Virginia's total transit ridership);

- The benefits of this region's well coordinated transit system are enormous. They include:

    - Annual congestion relief valued at about $750 million;
    - Metro alone reduces one million car trips per day;
    - Energy savings approaching $10,000 annually per driver or 40 million gallons of gas saved annually for the Washington, DC region;
    - Cleaner air and reduced greenhouse gas emissions including 260 tons of volatile organic compounds, 22 tons of particulate matter and 0.5 million tons of $CO_2$ avoided in this region each year, with environmental savings valued at $9.5 million annually;
    - Access to jobs, with 2 million jobs (54% of all jobs) located within a half mile of Metrorail;
    - Transit oriented development boosting economic values by 7 to 9% and hence state and local tax revenues with $235 billion of property value within a half mile of Metrorail stations generating $3.1 billion annually in property tax revenues;
    - Mobility for senior citizens and persons with disabilities, including 360,000 daily transit trips;
    - Without Metro, 200,000 more core parking spaces would be needed, which is the equivalent of 166 blocks of five-story garages;
    - Metrorail enables the emergency evacuation of 120,000 people per hour.

- Currently over $700 million annually is spent on Northern Virginia's transit for capital and operations by customers and federal, state and local governments;

- Well over $900 million annually is needed (source: NVTA's TransAction 2030 Plan);

- This leaves a gap of over $200 million annually in Northern Virginia extending into the future;

- Without immediate action by the Virginia General Assembly, Northern Virginia's local governments are unable to close that gap and this region's successful transit systems will be unable to continue their vital contributions to the economic well-being of the entire Commonwealth.

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VIRGINIA TRANSIT ASSOCIATION
1108 East Main St., Suite 1108, Richmond, VA 23219 (804) 643-1166 Fax: (804) 643-1155

**PUBLIC COMMENT on DRPT's SJR 297 RECOMMENDATIONS**

DRPT's Study *of Transit-Related Issues in the Commonwealth* proposes a major shift of authority from the General Assembly to DRPT/CTB. DRPT would gain complete discretion to determine and alter, at will, the allocation criteria for statewide public transit assistance through a "performance-based hybrid formula." DRPT also reported an alarming shortfall in state transit funding.

**VTA POSITIONS:**

1. **DRPT conclusively demonstrated the compelling immediate need for more state transit funding. VTA strongly supports increasing state transit funds to grow market share.**
2. **DRPT's allocation recommendations are not ready for codification. VTA opposes them.**

**NO NEED FOR NEW ALLOCATION APPROACH**: DRPT has not demonstrated a need for change based on actual performance data of Virginia's transit systems. In fact, Virginia's transit systems perform very favorably compared to transit systems throughout the US.

**FUNDING INSTABILITY**: DRPT's proposed allocation approach is not predictable, transparent or simple, criteria in which DRPT and the CTB have expressed strong interest. Rather, it is so complicated and unpredictable that transit systems will be unable to plan and budget effectively.

**NEGATIVE CONSEQUENCES**: The new allocation formula:

- Creates disincentives to start new service by increasing difficulty and local cost.
- Penalizes more highly subsidized service for the elderly, disabled, low income and rural riders who need critical access to community and business services. This could conflict with federal mandates.
- Adds bureaucracy and administration costs to collect, track and validate more data.

**ONE SIZE DOES <u>NOT</u> FIT ALL**: No two transit systems are exactly alike and many do not have a "peer" in Virginia. State peer groups and "one-size" performance measures cannot adequately account for all of the differences among Virginia's transit operators. Currently transit providers respond to performance standards set locally by those who pay the great majority of transit costs.

- Transit systems should be measured against their own performance goals, not by competition between providers who operate in very different environments in noncontiguous parts of the state.

**ECONOMIC IMPACTS IGNORED:** DRPT's performance metrics don't relate to and could destabilize the significant local, state and individual economic benefits generated by reliable, convenient transit service such as: reducing VMT congestion enabling commerce to flow, increasing job access, household savings, allowing the elderly and disabled to live independently and reduced environmental costs.

**ARLINGTON COUNTY, VIRGINIA**
OFFICE OF THE COUNTY BOARD
2100 CLARENDON BOULEVARD, SUITE 300
ARLINGTON, VIRGINIA 22201-5406
(703) 228-3130 • FAX (703) 228-7430
E-MAIL: countyboard@arlingtonva.us

HOPE HALLECK
CLERK TO THE
COUNTY BOARD



C

November 13, 2012

Virginia Department of Rail and Public Transportation
Attn: Thelma Drake, Director
600 East Main Street
Suite 2102
Richmond, Virginia 23219

Re: 2012 Project Agreements with Arlington County

Dear ~~Ms. Drake:~~ Thelma

I am enclosing herewith four Project Agreements executed on behalf of Arlington County, specifically, a Capital and an Operating Assistance Agreement relating to WMATA, and an Operating and Capital Assistance Agreement for Arlington County related transit projects. The Agreements were approved by the County Board on October 23, 2012. Along with all the other Northern Virginia jurisdictions, the Arlington County Board has strong concerns about the changes related to our long relationship with NVTC that are embedded in the Agreements.

The Board felt compelled to approve the Agreements because of DRPT's threat to withhold essential public transportation funding from our locality. Our concerns are twofold:

1. DRPT's insistence that the Northern Virginia Transportation Commission (NVTC) can no longer apply for grants on behalf of Arlington and other NVTC jurisdictions;
2. DRPT-required approval of our designation of NVTC as our agent for receipt and administration of grant proceeds.

The Department has taken this position despite a statutory provision, expressly authorizing NVTC to serve as an agent of its member jurisdictions for grant purposes, and despite the fact that it has done so for over thirty years since the time when the Commonwealth first began funding transit programs. DRPT's insistence that it approve the appointment of NVTC as a locality's agent suggests that DRPT has the ability to refuse such permission. The County Board, along with our WMATA jurisdictional partners, disagrees that the Department has such authority.

In spite of the objections of the Arlington County Board, along with all localities in the region, we have reluctantly decided to accept the Project Agreements because our only other choice is to forego the funding which is the subject of the agreements and jeopardize critical transportation projects essential to the well-being of the people we represent and the success of the Commonwealth.

For more than 40 years Arlington has developed and implemented successful transit with our regional partners that is integral to moving people throughout our region as well as contributing significantly to the fiscal health of the Commonwealth. The County Board appreciates the assistance the Department has provided in meeting the transportation goals of Arlington County and the Northern Virginia region. We remain disappointed that these latest actions by the Department serve only to complicate the process, make it less efficient, and frustrate the transportation goals we at one time believed we all shared.

Sincerely,

Mary

Mary Hynes
Chair

cc: County Board Members
Barbara Donnellan, County Manager
Stephen A. MacIsaac, County Attorney
Rick Taube, Executive Director, Northern Virginia Transportation Commission
William D. Euille, Mayor, City of Alexandria
Nader Baroukh, Mayor, City of Falls Church
Scott Silverthorne, Mayor, City of Fairfax
Sharon Bulova, Chair, Fairfax County Board of Supervisors
Scott K. York Chairman, Loudoun County Board of Supervisors

D

# Northern Virginia Efficiency and Consolidation Task Force

November 16, 2012

Northern Virginia Delegation
Virginia General Assembly
901 East Board Street
Richmond, Virginia 23219

Dear Northern Virginia General Assembly Members:

In your letter dated March 10, 2012, the Virginia General Assembly's Northern Virginia delegation asked us to engage our organizations in determining whether consolidation and/or improved coordination would facilitate efficiency and/or enhance regional planning, including transportation planning and services. Your stated goal was to accomplish the missions of these organizations in a more efficient and effective manner. You suggested we consider issues related to governance, membership, voting procedures, geographical representation, legal obstacles, and funding matters. You also indicated that we should consider the role of the Transportation Planning Board (TPB) in Northern Virginia regional planning processes and address any potential impacts on the Virginia Railway Express.

In response to the delegation's request, we established a Northern Virginia Efficiency and Consolidation Task Force (the Task Force). The Task Force consisted of:

- The chairs and vice chairs of our four organizations
- The chair and vice chair of the Virginia Railway Express
- The chair of the Washington Metropolitan Area Transit Authority
- The Virginia Vice Chair of the Transportation Planning Board
- The chairman of the Fairfax County Board of Supervisors and a member of the City Councils of Falls Church, Fairfax and Manassas

Each of the nine cities and counties in Planning District 8 were represented by one of the chairs or vice chairs or as specifically noted.

The Task Force, supported by a significant number of local and regional staff, spent six months conducting a thorough analysis of the options. The effort has now concluded. The recommendations are detailed in the attached report and summarized as follows:

1. **Do Not Legally Consolidate Agencies** – there is no compelling financial or service delivery advantage from undertaking the complicated effort to legally consolidate two or more of the agencies or incur the expense of doing so. Further, consolidation could have adverse consequences on outstanding bonds and current revenue options.
2. **Co-Locate NVTA with NVRC** – there would be some benefit for NVTA to share meeting space and an address, etc., with NVRC, even though there will not be a significant financial benefit. It would be beneficial to coordinating their meeting schedules, and we are already working to schedule NVTA's meetings immediately before NVRC meetings.

3. **Implement Other Administrative Efficiencies** – several measures could improve our agencies' service delivery. Some of these measures can be implemented under existing authority, while others require General Assembly action.
4. **Do Not Consolidate NVTC into another Agency** – due to existing regional agreements related to the Washington Metropolitan Area Transit Authority and the Virginia Railway Express, the collection of the Northern Virginia's gas tax and the outstanding bonds NVTC sold to support VRE, consolidating NVTC into another agency is not practical or desirable from the standpoint of financial savings or service efficiency.
5. **Do Not Pursue a Northern Virginia MPO** – establishing a Northern Virginia MPO would be nearly impossible under current Federal law. In addition, doing so might actually reduce coordination and the efficiency of conducting transportation planning for the region.

Our report is attached for your review. We direct your attention to the Executive Summary. The details to support the recommendations are included in the body of the report and the attachments. We would be happy to discuss our finding with you. If you have questions, need additional information, or would like to schedule a briefing, please call Tom Biesiadny at (703) 877-5663 or Monica Backmon at (703) 792-6273.

Sincerely,

Martin E. Nohe
Chair, Northern Virginia Transportation Authority
Chair, Northern Virginia Regional Commission

Jay Fisette, Chair
Northern Virginia Transportation Commission

Michael C. May, Chair
Potomac and Rappahannock Transportation Commission

cc: Members, Northern Virginia Efficiency and Consolidation Task Force

Attachment: a/s

The Authority for Transportation in Northern Virginia

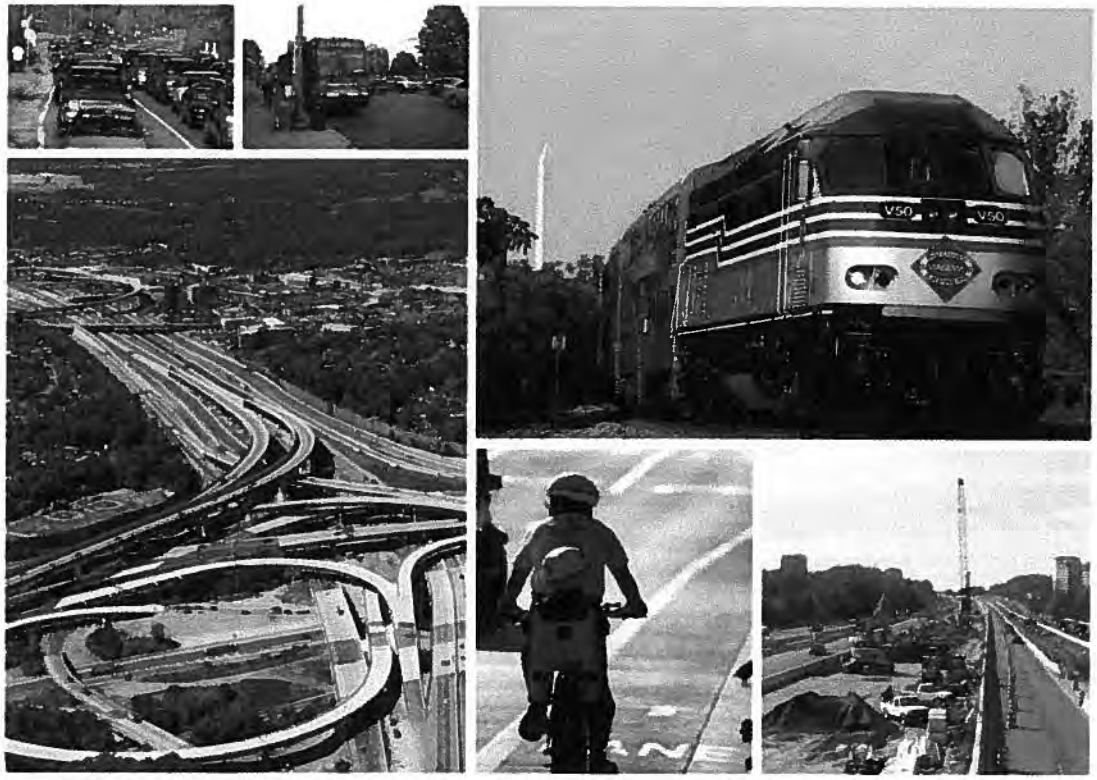
nvrc

PRTC
Potomac and Rappahannock Transportation Commission

NVTC
Northern Virginia Transportation Commission

# REPORT OF THE NORTHERN VIRGINIA AGENCY EFFICIENCY AND CONSOLIDATION TASK FORCE

November 9, 2012



## Northern Virginia Efficiency and Consolidation Task Force Members

Martin E. Nohe, Chair, Northern Virginia Transportation Authority
William D. Euille, Vice Chair, Northern Virginia Transportation Authority

Jay Fisette, Chair, Northern Virginia Transportation Commission
Jeffrey McKay, Vice Chair, Northern Virginia Transportation Commission

Michael C. May, Chair, Potomac and Rappahannock Transportation Commission
Francis C. Jones, Vice Chair, Potomac and Rappahannock Transportation Commission

Martin E. Nohe, Chair, Northern Virginia Regional Commission
Robert W. Lazaro, Jr., Vice Chair, Northern Virginia Regional Commission

Wally Covington, Chair, Virginia Railway Express
Paul Smedberg, Vice Chair, Virginia Railway Express

Catherine Hudgins, Chair, Washington Metropolitan Area Transit Authority
Scott K. York, Virginia Vice Chair, National Capital Region Transportation Planning Board

Sharon Bulova, Chair, Fairfax County Board of Supervisors
R. Scott Silverthorne, Mayor, City of Fairfax
David F. Snyder, Councilmember, City of Falls Church
Jonathan L. Way, Councilmember, City of Manassas

## Staff Support

Monica Backmon (Prince William County) Co-Chair
Tom Biesiadny (Fairfax County) Co-Chair
Bob Brown (Loudoun County)
Pat Carroll (Arlington County)
Noelle Dominguez (Fairfax County)
John Foster (City of Falls Church)
Tracy Gordon (Prince William County)
Christine Hoeffner (VRE)
Michael Long (Fairfax County)
Pam Martin (Fairfax County)
Sue Mittereder (Fairfax County)
Ellen Posner (Fairfax County)
Jack Roberts (Loudoun County)
Wendy Block Sanford (City of Falls Church)
Linda Tenney (NVRC)
Erin Ward (Fairfax County)
James Banks (City of Alexandria)
Kevin Black (Prince William County)
Rick Canizales (Prince William County)
Bernie Caton (City of Alexandria)
Jennifer Fioretti (Arlington County)
Mark Gibb (NVRC)
Alfred Harf (PRTC)
Scott Kalkwarf (NVTC)
Steve MacIsaac (Arlington County)
Jim Maslanka (City of Alexandria)
Cynthia Porter-Johnson (PRTC)
Kala Quintana (NVTC)
Sue Rowland (NVRC)
Rick Taube (NVTC)
Alex Verzosa (City of Fairfax)

## EXECUTIVE SUMMARY

### Background

Northern Virginia is served by several agencies with distinct missions responsible for regional planning; transportation policy and planning; transit operations; and transit funding. These agencies are:

- Northern Virginia Regional Commission (NVRC)
- Northern Virginia Transportation Authority (NVTA)
- Northern Virginia Transportation Commission (NVTC)
- Potomac and Rappahannock Transportation Commission (PRTC)
- National Capital Region Transportation Planning Board (TPB) (which serves Northern Virginia as well as suburban Maryland and the District of Columbia)

Each agency has different responsibilities and cooperates effectively with the many federal, state and local entities with interests in those subjects. Nonetheless, through the years there have been several studies and legislative efforts related to combining or abolishing one or more of the four Northern Virginia agencies. At the end of the 2012 session, members of the Northern Virginia General Assembly delegation signed a letter to the Northern Virginia four agency (NVRC, NVTA, NVTC and PRTC) chairs asking whether consolidation and/or improved coordination would enhance regional planning, including transportation planning and services. According to the letter, the delegation's goal was to learn how to accomplish the agency missions in a more efficient and effective manner. The delegation also asked for consideration of the role of TPB, the regional Metropolitan Planning Organization (MPO), and for consideration of potential impacts on the Virginia Railway Express (VRE) which is a joint commuter rail service of NVTC and PRTC, if a consolidation were to occur.

### Approach

In response to the delegation's request, the leadership of the four organizations formed the Northern Virginia Efficiency and Consolidation Task Force (the Task Force) consisting of their chairs and vice-chairs together with other key local elected officials including the Virginia vice-chair of TPB and chairs of VRE and the Washington Metropolitan Area Transit Authority (WMATA) and others. This Task Force is intended to be temporary with its sole purpose being to address the delegation's request.

The Task Force expressed appreciation for the delegation's outreach to the agencies (and their local government members), since sudden legislative changes to complex regional institutions can have serious unintended consequences. The Task Force valued the opportunity to gather, analyze and reflect on the facts over a period of several months, prior to the busy General Assembly session.

The Task Force established a staff committee including NVTA's Jurisdiction and Agency Coordinating Committee (JACC), as well as financial and legislative staffs of the local governments and agencies. The JACC consists of key transportation staff from local, regional and state agencies and jurisdictions. The Task Force and the JACC invested substantial time and effort into preparing this report. At the Task Force's direction, the JACC team has:

- Reviewed past studies and legislative proposals;
- Gathered governance and operating information about how each agency functions;
- Identified unique and overlapping functions of the agencies;
- Considered the benefits and costs of various combinations of agencies; and
- Identified ways to improve coordination and efficiency.

The delegation requested a completed product before the start of the 2013 General Assembly session. As a result, the Task Force focused on the potential costs and service benefits of combining agency functions and identified fatal flaws (difficult legal or financial hurdles) that would cause the costs of a particular combination of agencies to clearly outweigh the benefits. Consideration was given to all the possible ways in which the four agencies can be combined. While a number of combinations were eliminated early on due to clear and serious flaws, the Task Force identified a sufficient number of combinations that were carefully considered to arrive at informed recommendations.

## Recommendations

### 1. Do Not Legally Consolidate Agencies

The Task Force recommends that none of the consolidation alternatives be pursued at this time. The Task Force found no cost savings nor service delivery improvement that warrant the disruption and cost of a legal consolidation between or among these agencies.

### 2. Co-Locate NVTA with NVRC

The Task Force recommends that the NVTA immediately co-locate with NVRC and align meeting dates. Better coordination of their activities should result in greater efficiencies in the governance, management and operations of both agencies.

The Task Force does not recommend consolidating these agencies at this time. Should conditions change that would cause reconsideration of a consolidation (such as NVTA being funded as originally intended), further work by the agencies, would be needed to determine whether a legal consolidation adds value and is worth the effort and cost. The potential for a future consolidation exists as both entities share an identical geographic region as well as several common board members. NVRC has an office and staff while NVTA does not, thus avoiding disruptive effects on current employees or costly lease negotiations. Most Virginia planning district commissions undertake some transportation planning activities. New

legislation would be required to formally merge the two agencies, and the survivor organization would need to have the combined statutory powers that the two individual entities now possess.

The Task Force recommends that the results of co-locating NVTA with NVRC be monitored to assess the impact on the delivery of transportation and planning services in Northern Virginia, and what, if any, additional action might warrant consideration in the future.

3. Implement Other Administrative Efficiencies

The Task Force recommends that several other measures be considered that alone or in combination could result in more streamlined operations and improved coordination among the agencies. While many of these suggestions have already been implemented to a limited extent and could be expanded for greater benefit, other suggestions are untried but worthy of consideration. Several of the suggestions below do not require General Assembly action and are being pursued by some or all of the agencies:

- **Consider additional opportunities for policy makers to participate in meetings electronically**, as NVTC's and PRTC's General Assembly members are permitted to do during the session;
- **Joint procurement of services**, as VRE and PRTC now do for financial and fuel consultants;
- **Consolidated purchasing of employee benefits**, as NVRC has decided to do by becoming part of Fairfax County's health plans;
- **Pursuing projects jointly**, as with the new Vanpool Incentive Program;
- **Sharing staff**, as NVTA's current use of jurisdictional and agency resources and VRE's use of NVTC and PRTC staff for state and federal grant management;
- **Reducing the number of board meetings**;
- **Enhancing the orientation process for board members**;
- **Combining legislative agendas**;
- **Broadening transportation staff working groups** to include staff from outlying jurisdictions;
- **Holding at least annual meetings of the leadership of each of the agencies** to examine the agencies' work programs for possible gaps, conflicts, or efficiencies;
- **Develop a consolidated meeting calendar** for all of the transportation and planning agencies.

A more complete list of ideas for improving efficiency and transparency is included in Section D of the report.

4. Do Not Consolidate NVTC into Another Agency

There have been several recent legislative initiatives to abolish NVTC or combine it with other agencies. Given the legislative interest, the Task Force focused carefully on NVTC's role. Ultimately, the Task Force did not recommend any change in NVTC's status for several reasons:

- Even if NVTC were abolished, its work program, which focuses on obtaining funding for WMATA, VRE and local bus services, and proving a forum for coordination among these agencies, would need to continue.
- Of even greater significance, some of NVTC's responsibilities are defined in WMATA's Interstate Compact. Moving NVTC's Compact responsibilities to another body would require a change to the Compact. Any changes in the Compact require identical action by the Virginia, Maryland and District of Columbia legislative bodies in addition to the U.S. Congress. This process requires extensive cooperation and coordination among these four entities and the process takes several years.
- NVTC receives and allocates the 2.1 percent motor fuels tax with uses and recipients restricted in several sections of the Code of Virginia. This motor fuels tax generates about $48 million per year. NVTC's responsibilities related to administration of the tax would need to continue, even if NVTC is eliminated.
- NVTC is a designated recipient of federal transit funding and has negotiated complex non-transferable agreements with labor unions that are required to allow such funds to flow to the region. If NVTC ceased to exist, the new entity would need to negotiate the agreements all over again.
- NVTC co-owns VRE, which has assets of $377 million. In establishing VRE, NVTC and its partner PRTC completed delicate negotiations with many local jurisdictions, federal and state agencies, Amtrak, and multiple freight railroads, using unique statutory authority to indemnify those railroads. NVTC also issued bonds for VRE which remain outstanding. Legal counsel involved in the study effort cautioned that there is a constitutional issue of whether the General Assembly has the power to void such contractual agreements among NVTC and PRTC members. The VRE is founded upon a Master Agreement to which NVTC is a party along with PRTC and nine counties and cities from the commissions. In this document each local government agreed to pay a share of VRE's annual costs, subject to annual appropriation of funds. Changing NVTC's legal status might abrogate the existing Master Agreement and imperil part of the payback of VRE's outstanding bonds issued by NVTC. This could be a violation of the Virginia Constitution which prohibits impairing obligations of contracts.
- Cost savings would be minimal from eliminating NVTC, particularly because its functions would need to be addressed in other ways. NVTC's administrative budget is $1.2 million annually. Among other things, this budget funds a staff of six full-time and two part-time employees.

Based on the above considerations, the Task Force concluded that the costs of unwinding these complex agreements and debt issues would outweigh any financial benefit of abolishing NVTC or combining it with one or more other entities. As a result, the Task Force does not recommend pursuing combinations that include NVTC.

5. Do Not Pursue a Northern Virginia MPO

A budget amendment was introduced during the 2012 General Assembly session that would have directed the Secretary of Transportation to study the establishment of a Northern Virginia MPO. MPOs are federally designated for the purpose of receiving federal funds for transportation, producing transportation plans and establishing transportation funding priorities. Fulfillment of these planning and programming requirements is a prerequisite for the region's continued receipt of federal transportation funds. The federal "model" for MPOs is that the MPO encompass the whole metropolitan region, as the Washington D.C. area MPO – the National Capital Region Transportation Planning Board (TPB) – does.

As a result of this investigation, the Task Force determined that federal law makes it virtually impossible to establish such an MPO, because TPB already serves in that capacity. In particular, withdrawing from an existing MPO requires approval from the other members (in this case the District of Columbia, the State of Maryland and its suburban Washington jurisdictions), meaning that this is not an action that Virginia can take unilaterally.

In addition, the NVTA has been functioning as a Virginia caucus of the TPB, and has been undertaking subregional planning activities. Accordingly, the Task Force does not recommend pursuing establishment of a Northern Virginia MPO.

**For Further Information**

The Task Force has produced a detailed report containing its data, analyses and recommendations. The history, purpose, duties, powers, employees, budgets, financial obligations, outstanding grants, real estate interests, quorum, voting requirements and geographic districts, among other characteristics, are discussed. The legal considerations associated with any consolidation are included. The rationales for the recommended consolidation and efficiency actions are also described.

Copies of this Executive Summary and the full Task Force report are available online at:

www.thenovaauthority.org

Websites of each agency also contain detailed information:

- NVRC http://www.novaregion.org
- NVTA http://www.thenovaauthority.org
- NVTC http://www.thinkoutsidethecar.org

- PRTC http://www.prtctransit.org
- VRE http://www.vre.org
- TPB http://www.mwcog.org/transportation/tpb

# November 2012

***Agencies and Committees Listed In Alphabetical Order***

**MWCOG**— Metropolitan Washington Council of Governments (several committees not shown

**National Capital Region TPB**— Transportation Planning Board

**National Capital Region TPB Tech**— Transportation Planning Board Technical Cmte.

**NVRC**—Northern Virginia Regional Commission

**NVTA**– Northern Virginia Transportation Authority

**NVTA JACC**– Joint Agency Coordinating Committee

**NVTC**– Northern Virginia Transportation Commission

**NVTC MAC**—Management Advisory Committee (NVTC)

**PRTC**– Potomac and Rappahannock Transportation Commission

**VRE**– Virginia Railway Express

**WMATA**— Washington Metropolitan Area Transit Authority

**WMATA JCC**— Washington Metropolitan Area Transit Authority Coordinating Cmte.

| Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|---|---|---|---|---|---|---|
| | | | | 1<br>**PRTC Ops Cmte @6 pm; Meeting @ 7pm**<br>**NVTC Exec Cmte @ 7:30 pm; Meeting @8pm**<br>**WMATA Board@9am*** | 2<br>**TPB Tech @9am** | 3 |
| 4 | 5 | 6 | 7 | 8<br>**NVTA meeting @ 7:30 pm (as needed)** | 9 | 10 |
| 11 | 12 | 13<br>**CTB SYIP Hearing @6pm**<br>**VRE VCC @ 9am** | 14<br>**MWCOG Board of Directors @ 12 pm** | 15<br>**WMATA Board @ 11 am*** | 16<br>**VRE Ops Board @ 9:30 am (PRTC HQ)**<br>**WMATA JCC**** | 17 |
| 18 | 19 | 20<br>**NVTC MAC 1:30 pm** | 21 | 22<br>**NVRC (typically meets the 4th Thursday of the month but does not meet in November)** | 23<br>**NVTA JACC @9:30 am** | 24 |
| 25 | 26<br>**NVTC Legislative Cmte @ 3pm** | 27 | 28<br>**TPB @ 12pm** | 29 | 30 | **The WMATA Board typically meets on the 2nd and 4th Thursdays of the month except November and December when there is a holiday conflict. Then meetings are held 1st and 3rd Thursday.*<br>*** JCC often changes dates to avoid meeting conflicts.* |

***Sample Consolidated Calendar for Regularly Scheduled Meetings of Transportation and Planning Agencies Serving Northern Virginia***

# Countywide Dialogue on Transportation Survey Summary

Fairfax County Department of Transportation

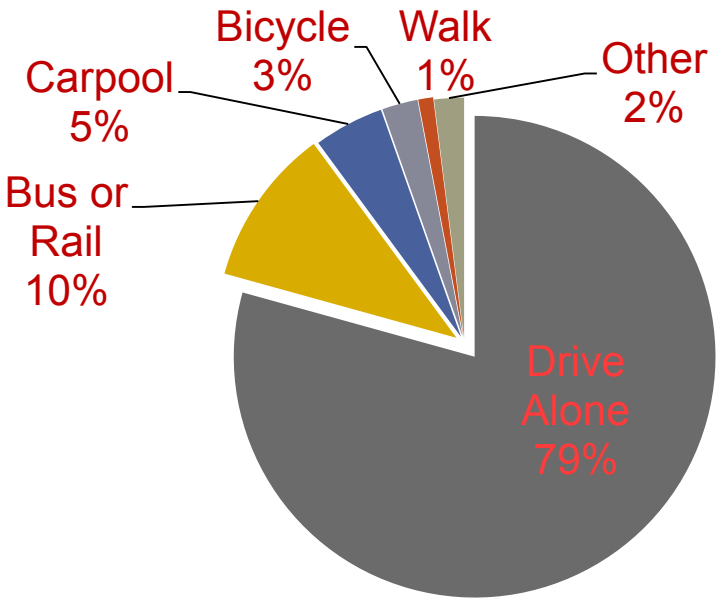
October 23, 2012

# Snapshot of Outreach

- Survey started 9/24/12 and concluded 10/18/12
- 1,725 survey responses
- 9 public meetings
- 120 attendees (not including elected officials and staff)

# Survey Results

- What is your primary mode of travel to and from work or daily activities?
  - Drive Alone 78.9%
  - Bus or Rail 10.2%
  - Carpool 5.1%
  - Bicycle 2.9%
  - Walk 1.0%
  - Other 1.9%



# Survey Results

- **What impact does traffic congestion have on your daily commute?**
  - Moderate, Significant or Very Significant Impact 82%
  - Little or No Impact 18%
- **Would you be supportive of a countywide effort to find a source of revenue to address transportation needs?**
  - Yes: 85%
  - No: 15%
- **Should Fairfax County include additional funding to supplement the funding VDOT provides for secondary road maintenance?**
  - Yes 62%
  - No 38%

# Survey Results – Revenue Options

Following are the revenue options listed in order by MOST likely to support:

| | % of Respondents |
|---|---|
| 1. Developer Contributions | 79.0% |
| 2. Vehicle Rental Tax | 66.8% |
| 3. Hotel Tax | 62.7% |
| 4. Gas Tax (cents per gallon) | 59.8% |
| 5. Increased C&I Rate | 52.4% |
| 6. Gas Tax (% of sales price) | 50.8% |
| 7. Registration Fee on New or Newly Located Vehicles | 47.4% |
| 8. Commercial Parking Fee | 46.7% |
| 9. Sales Tax | 41.8% |
| 10. Regional Vehicle Registration Fee | 37.1% |

# Survey Results – Revenue Options (cont.)

Continued from the previous slide, revenue options are listed in order by MOST likely to support:

| | % of Respondents |
|---|---|
| 11. Tolls | 33.9% |
| 12. Meals Tax | 33.2% |
| 13. Safety Inspection Fee | 30.5% |
| 14. Make Fewer Improvements | 25.4% |
| 15. Vehicle Miles Traveled Fee | 24.4% |
| 16. Real Estate Tax | 22.4% |
| 17. Real Estate Transfer (Grantor's) Tax | 20.8% |
| 18. Personal Property Tax | 20.6% |
| 19. Sales Tax on Services | 18.2% |
| 20. Income Tax | 17.8% |
| 21. Vehicle Repair Tax on Labor | 13.3% |

# Survey Results – Revenue Suggestions

- **Are there any other revenue options that should be considered?**

849 responses, falling into these categories*:

- Cut other county programs, staff, services (approx. 19%)
- Ask for/demand more State or Federal funding (approx. 17%)
- "Other" category (Sell naming rights for street names, random others) (approx. 11%)
- Location-based taxes (Commuter tax, special tax districts, etc.) (approx. 9%)
- Vehicle-based taxes (by weight, number of vehicles per household, etc.) (approx. 9%)

*(continued)*

* Staff is continuing to analyze responses; percentages are based on the first 329 responses.

# Survey Results – Revenue Suggestions

- **Are there any other revenue options that should be considered?**

849 responses, falling into these categories*:

*(continued from previous slide)*

- Tolls (approx. 8%)
- Fines for traffic violations (Red light & speed cameras, cell phone use, etc.) (approx. 7%)
- "Sin" taxes (alcohol, cigarettes, gambling, etc.) (approx. 6%)
- Variations of Developer contributions (5%), Gas tax (5%)
- Transit & TDM (higher bus or rail fares, proffer enforcement, employer-provided incentives) (approx. 4%)

* Staff is continuing to analyze responses; percentages are based on the first 329 responses.

# Survey Results – Project Suggestions

- **What priority transportation projects should the county consider funding?**

  1,183 responses falling into these categories*:

  - Transit improvements
  - Bike & Pedestrian improvements
  - Corridor improvements
  - Spot improvements
  - Intersection improvements
  - Other
  - Road repair

* Staff is continuing to analyze responses; categories are based on the first 135 responses.

# Other Outreach

- "Ask Fairfax" live, online Q&A on Wednesday, Oct. 10.
  - Answered 9 questions

- News Release issued 9/20/12, sent to:
    - Media (print, broadcast, digital, etc.)
    - Elected officials (Fed, State, Local)
    - Stakeholders (TAC/Advisory group, EDA, TMAs, NVTA, Chambers, all county agencies and Exec Staff, etc.)
    - Board Members' email subscribers
    - HOAs
  - Update issued 10/5/12 (survey extended to 10/15/12)
  - Update issued 10/15/12 (survey extended to 10/18/12)

- Reporter requests, media coverage – WTOP, Examiner, Patch, Connection

# Summary

The Countywide Dialogue on Transportation has been effective in raising awareness of the funding issues facing the county.

- There is general support for addressing the problem
- Support for maintaining control of local dollars
- Most of the revenue options favored will require General Assembly action
- Validates County's legislative position on transportation funding
- Effort has been helpful in better informing the public about the transportation funding problem

# Next Steps

- Board of Supervisors discussion at October 23 Legislative Committee meeting.
- Board of Supervisors direction to staff regarding how to proceed.
- Follow up to additional requests for presentation

Countywide Dialogue on Transportation

County of Fairfax, Virginia

# Potential Revenue Sources for Transportation

September – October 2012



County of Fairfax, Virginia

## Potential Revenue Sources

- These revenue sources are not being presented in any kind of priority order. They are presented based on their ability to generate revenue.
- There is no preconceived notion as to which of these revenue sources are preferred. Your feedback is encouraged.
- More than one revenue source could be recommended.
- Each source is shown in a way that can be adjusted up or down.

County of Fairfax, Virginia

## Income Tax

| | |
|---|---|
| **Definition:** | Tax on earnings of individuals and/or businesses that reside within Fairfax County |
| **Current Rate:** | • 2% for Taxable Income $0-2,999<br>• 3% for Taxable Income $3,000-4,999<br>• 5% for Taxable Income $5,000-16,999<br>• 5.75% for Taxable Income $17,000+ |
| **Example Rate:** | Additional 0.5% income tax at each tax bracket - currently, state code allows any increment of one-quarter percent up to a maximum rate of 1%. |
| **Requirements:** | Board of Supervisors has authority initiate a referendum to implement an income tax for a 5 year window. Anything beyond 5 years would require legislative action. |
| **Bond Eligibility?** | There is a five year sunset on this source which restricts bonding ability. |
| **Who pays?** | Fairfax County businesses and residents |
| **Who doesn't pay?** | Non-residents that work in Fairfax County |
| **Potential Annual Revenue:** | $229 million (0.5% increase) |
| **Effect on Household:** | • See table on the next slide.<br>• Additional Tax on Income of $77,890 is $389.<br>• $77,890 is the Average Taxable income per Fairfax County tax return, FY 2009. Source: FY 2011 Annual Report, Virginia Department of Taxation |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County of Fairfax, Virginia

## Income Tax Cont.

| Brackets | Current Rates | Taxable Income $20,000 | New Rates | Taxable Income $20,000 | Additional Annual Tax on Income |
|---|---|---|---|---|---|
| 0-$2999 | 2% | $60 | 2.50% | $75 | |
| $3,000-$4,999 | 3% | $60 | 3.50% | $70 | |
| $5,000-$16,999 | 5% | $600 | 5.50% | $660 | |
| $17,000+ | 5.75% | $173 | 6.25% | $188 | |
| **Total Tax** | | $893 | | $993 | $100 |
| | | **Taxable Income $50,000** | | **Taxable Income $50,000** | |
| First 3 brackets above | | $720 | | $805 | |
| 17,000+ | 5.75% | $1,898 | 6.25% | $2,063 | |
| **Total Tax** | | $2,618 | | $2,868 | $250 |
| | | **Taxable Income $77,890** | | **Taxable Income $77,890** | |
| First 3 brackets above | | $720 | | $805 | |
| 17,000+ | 5.75% | $3,501 | | 3806 | |
| **Total Tax** | | $4,221 | | $4,611 | $389 |

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County of Fairfax, Virginia

## Sales Tax

| | |
|---|---|
| **Definition:** | Tax on retail sales in Fairfax County |
| **Current Rate:** | There is currently a 1% local option sales tax that goes to the County general fund. The County receives the 1% local option of the 5% state rate. |
| **Example Rate:** | 0.5% increase to the current tax rate |
| **Potential Annual Revenue at Example Rate:** | $83 million |
| **Requirements:** | An increase to the current rate requires General Assembly authorization. |
| **Bond Eligibility?** | Could be bonded, depending on how it is implemented. |
| **Who pays?** | Businesses, Fairfax County residents, and non-residents who buy things in Fairfax County. |
| **Who doesn't pay?** | People who do not buy things in Fairfax County |
| **Effect on Household:** | • $214 per year per household<br>• Assumption: Sales Tax generated in Fairfax County is $83,438,153 with 390,900 households in the County. This amount may be overstating the impact a Fairfax County household. |


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County of Fairfax, Virginia

## Meals Tax

| | |
|---|---|
| **Definition:** | Tax on prepared foods and drinks at commercial establishments |
| **Current Rate:** | N/A – Fairfax County currently does not have a meals tax |
| **Example Rate:** | 4% maximum (can be increased in any percent increment) |
| **Potential Annual Revenue at Example Rate:** | $80 million |
| **Requirements:** | Board of Supervisors has authority initiate referendum for Meals Tax |
| **Bond Eligibility?** | Could be bonded. |
| **Who pays?** | Businesses, Fairfax County residents, and non-residents who eat in Fairfax County. |
| **Who doesn't pay?** | Businesses and people who do not purchase meals in Fairfax County. A County meals tax would not apply to towns. It does not apply to groceries. |


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County of Fairfax, Virginia

## Meals Tax Cont.

**Effect on Household:**

- $140 per year at 4% meals tax.
- Assumption: Estimate is based on the average spent on meals away from home for consumers in the Washington Metro area. The tax increase assumes that the household is not currently eating out where there is a meals tax. According to the 2010 US Consumer Expenditure Survey, the average annual meal spending per a household is $3,494 in the Washington Metro area.

**Additional Tax Impact per Meal for Percent (%) Increase**

| Meal Price | 1% | 2% | 3% | 4% |
|---|---|---|---|---|
| $5.00 | $0.05 | $0.10 | $0.15 | $0.20 |
| $10.00 | $0.10 | $0.20 | $0.30 | $0.40 |
| $15.00 | $0.15 | $0.30 | $0.45 | $0.60 |
| $20.00 | $0.20 | $0.40 | $0.60 | $0.80 |
| $30.00 | $0.30 | $0.60 | $0.90 | $1.20 |
| $40.00 | $0.40 | $0.80 | $1.20 | $1.60 |
| $50.00 | $0.50 | $1.00 | $1.50 | $2.00 |
| $100.00 | $1.00 | $2.00 | $3.00 | $4.00 |

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FCDOT

County of Fairfax, Virginia

## Real Estate Tax

**Definition:** Tax on real estate in Fairfax County

**Current Rate:** $1.075 per $100 of assessed value

**Example Rate:** Variable, example: $0.01 per $100 of assessed value (increase from current rate of $1.075 to $1.085)

**Potential Annual Revenue at Example Rate:** $20 million per $0.01 increase

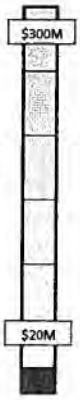
**Requirements:** Board of Supervisors has authority to annually amend and adopt a new tax rate.

**Bond Eligibility?** Could be bonded.

**Who pays?** Fairfax County real-estate owners

**Effect on Household:**

- For FY2013 Mean Home Value of $448,696, there would be a tax increase of $45 at a 1¢ rate increase.
- In FY2013, the commercial/industrial real estate tax base in the County is about 21%

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County of Fairfax, Virginia

## Gas Tax

**Definition:** Tax on sales price charged by fuel distributers to retail dealers in Fairfax County

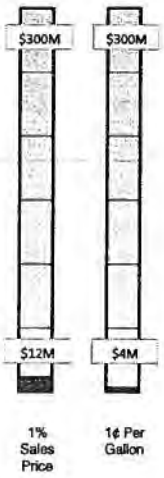
**Current Rate:**
- **State Rate:** 17.5 ¢ per gallon
- **Federal Rate:** 24.4 ¢ per gallon
- **Northern Virginia Transportation District (NVTD):** 2.1% tax on sales price charged by fuel distributors to retail dealers in Northern Virginia, exclusively for Metro. This generates about $25 million annually.

**Example Rate:** 1% of sales price or 1¢ per gallon

**Potential Annual Revenue at Example Rate:**
- $12 million for every 1% of Price Per Gallon
- $4 million for every 1¢ Per Gallon

**Requirements:** An increase to the current rate requires General Assembly authorization.

**Bond Eligibility?** May be difficult to bond, because of volatility.

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County of Fairfax, Virginia

## Gas Tax Cont.

**Who pays?** Businesses, Fairfax County residents, and non-residents who buy gas in Fairfax County

**Effect on Household:**
- See tables below
- Assumes price of gas pre Federal, State, and Northern Virginia Transportation District taxes at around $3, and 48 fill-ups annually

| Annual Impact - 48 Fill-ups | | | | Additional Impact per Fill-up | | | |
|---|---|---|---|---|---|---|---|
| Gas Tax Rate | Compact Car 10 Gallons | Mid-Size Car 15 Gallons | Truck/SUV 20 Gallons | Gas Tax Rate | Compact Car - 10 Gallons | Mid-Size Car 15 Gallons | Truck/SUV 20 Gallons |
| 1% sales price | $14 | $22 | $29 | 1% sales price | $0.30 | $0.45 | $0.60 |
| 1¢ per gallon | $5 | $7 | $10 | 1¢ per gallon | $0.10 | $0.15 | $0.20 |

Department of Transportation
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County of Fairfax, Virginia

## Personal Property Tax

| | |
|---|---|
| **Definition:** | A tax on cars, trucks, motor homes, motorcycles, trailers, campers, boats, outboard motors, planes, and business personal property. |
| **Current Rate:** | $4.57 per $100 |
| **Example Rate:** | $0.10 increase or $4.67 per $100 of assessed value |
| **Potential Annual Revenue at Example Rate:** | $11 million from Fairfax County residents and businesses |
| **Requirements:** | Board of Supervisors authorization |
| **Bond Eligibility?** | Limited |
| **Who pays?** | Businesses, Fairfax County residents, and non-residents who have a vehicle normally garaged/parked in the county, even if registered in another state. |
| **Who doesn't pay?** | Anyone who does not have a vehicle normally garaged/parked in the county. |
| **Effect on Household** | After Personal Property Tax Relief, the average increase per household would be $7.30 |


Department of Transportation
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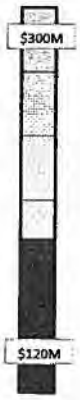
FCDOT

County of Fairfax, Virginia

## Vehicle Miles Traveled (VMT)

| | |
|---|---|
| **Definition:** | Tax on miles traveled by vehicles registered in Fairfax County |
| **Current Rate:** | N/A Fairfax County currently does not have a fee on vehicle miles traveled. |
| **Example Rate:** | 1¢ per mile |
| **Potential Annual Revenue at Example Rate:** | $120 million |
| **Requirements:** | General Assembly authorization |
| **Bond Eligibility?** | |
| **Who pays?** | Businesses and residents with vehicles registered in Fairfax County |
| **Who doesn't pay?** | Owners of vehicles that are not registered in Fairfax County |
| **Effect on Household:** | • $310 per year per household<br>• Assumptions: FHWA Average Annual Miles per Driver 13,476, Number of Vehicles Registered in Fairfax County 900,000, Number of Miles Driven by Fairfax County Registered Vehicles 12,128,400,000, Households in Fairfax County 390,000. |

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County of Fairfax, Virginia

## Tolls

| | |
|---|---|
| **Definition:** | A fee paid by drivers for the use of the highway on which the toll is collected. |
| **Current Rate:** | Dulles Toll Road rate is currently, $2.25 |
| **Example Rate:** | $2.00 upon highway entrance |
| **Potential Annual Revenue at Example Rate:** | Fairfax County Parkway - $35 million |
| **Requirements:** | General Assembly authorization and large investment in required infrastructure |
| **Bond Eligibility?** | Can be bonded |
| **Who pays?** | The driver of every vehicle using the tolled highway |
| **Who doesn't pay?** | Those who do not drive on the Fairfax County Parkway |
| **Effect on Household:** | • $1000 a year for households that use the parkway<br>• Assumption: 2 trips a day x $2 a trip x 250 days |


Department of Transportation
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FCDOT

County of Fairfax, Virginia

## Parking Fees

| | |
|---|---|
| **Definition:** | A fee on paid public parking spaces |
| **Current Rate:** | N/A |
| **Example Rate:** | $1 per a day |
| **Potential Annual Revenue at Example Rate:** | Less than $1 million |
| **Requirements:** | General Assembly authorization |
| **Bond Eligibility?** | Currently has limited potential as revenue bond |
| **Who pays?** | Anyone who uses a paid public parking space |
| **Who doesn't pay?** | Anyone who does not use a paid public parking space |
| **Effect on Household:** | $250 per year if the household has a resident that parks in a public paid parking space every weekday. |


Department of Transportation
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FCDOT

County of Fairfax, Virginia

## Commercial and Industrial Property Tax

| | |
|---|---|
| **Definition:** | Supplemental tax on commercial and industrial property for transportation purposes |
| **Current Rate:** | 11¢ per $100 of assessed value |
| **Example Rate:** | The rate can increase by any increment to a maximum of 12.5¢ per $100 until June 30, 2018. Currently, a 1.5¢ increase is already being considered for FY2014. |
| **Potential Annual Revenue at Example Rate:** | A penny increase in C&I taxes will generate $3.8 million (2012 Dollars). |
| **Requirements:** | Board of Supervisor's authorization required |
| **Bond Eligibility?** | Could be bonded, depending on how it is implemented |
| **Who pays?** | Fairfax County businesses in Commercial and Industrial Tax Districts |
| **Who doesn't pay?** | Residential property owners |
| **Effect on Household:** | None for residential property owners. |


Department of Transportation
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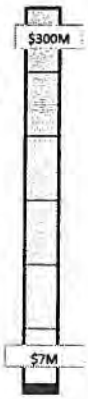
FCDOT

County of Fairfax, Virginia

## Developer Contributions

| | |
|---|---|
| **Definition:** | Developers contribute an amount per sq. ft. of non-residential development and an amount for each residential dwelling unit towards road funds. |
| **Current Rate:** | Currently there are 3 districts – these are the expected 2012 Contribution Rates<br>• Fairfax Center: $5.53/sq. ft. of non-residential and $1,225 per residential dwelling unit<br>• Centreville: $5.93/sq. ft. of non-residential and $2,346 per residential dwelling unit<br>• Tysons Corner: $4.07/sq. ft. of non-residential and $903 per residential dwelling unit<br>• Proposed change for Tysons is $6.44/sq. ft. non-residential and $1,000 per dwelling unit |
| **Example Rate:** | $4.07 per square foot of non-residential property and $1000 per residential dwelling unit. |
| **Potential Annual Revenue at Example Rate:** | Projected from previous years' collections, $7 million per a year excluding Tysons' Developer Contributions |
| **Requirements:** | Board of Supervisors could establish County-wide. The Board also approves the annual increase by the CPI and also adopts new rates for new districts. |
| **Bond Eligibility?** | Limited viability due to volatility. |
| **Who pays?** | Developers pay the contributions at site plan, however these costs are rolled into purchasers and tenants. |
| **Who doesn't pay?** | Property owners who don't seek increased density though the zoning process. |
| **Effect on Household:** | Increases in the developer contributions rates would not affect the average household in the county. The increase of $1,000 on every mortgage would apply to the first purchase of a new home built as a result of a rezoning. 30 year effect of $1,000 on your mortgage is $6.11 per month |

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## Sales Tax on Service

| | |
|---|---|
| **Definition:** | Tax on business transactions where work is performed for consumers or other businesses. Examples include, but are not limited to, haircut, repair, and dry cleaners' services. |
| **Current Rate:** | N/A – there is currently no sales tax on services in Fairfax county |
| **Example Rate:** | 1% |
| **Potential Annual Revenue at Example Rate:** | $367.5 million - *based on November 2011 study by Chmura Economics and Analytics |
| **Requirements:** | General Assembly authorization |
| **Bond Eligibility?** | Limited |
| **Who pays?** | Anyone who consumes services in Fairfax County (residents and non-residents). |
| **Who doesn't pay?** | People that do not buy services in Fairfax County. |
| **Effect on Household:** | • $942 – this number is very overestimated because it assumes that only Fairfax County households use services in Fairfax County.<br>• Assumption: Sales Tax on service generated in the state would be $12 billion, based on the County's share of statewide sales tax, estimated taxing on services could generate $368 million with 390,900 households in the County. |


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## HB3202 (2007) Sources

| | |
|---|---|
| **Definition:** | Includes: Grantors Tax, Initial Registration Tax, Sales Tax on Vehicle Repairs, Transient Occupancy Tax (Hotel Tax), Annual Vehicle Registration Tax, Safety Inspection Fee, Motor Vehicle Rental Tax |
| **Potential Annual Revenue at Example Rates:** | $118.4 million (FY 2014) in Fairfax County only. |
| **Requirements:** | General Assembly authorization – could be part of the Board of Supervisors' Legislative Program this Fall/Winter 2012/2013 |
| **Bond Eligibility?** | Possible, in aggregate |


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## HB3202 (2007) Sources (cont.)

| Revenue Source | Description | Rate of Increase | Expected Annual Revenue FY 2014 |
|---|---|---|---|
| **Total** | **HB3202 (2007) Sources** | | **$118,400,000** |
| Real-Estate Transfer Tax (Grantor's Tax) | Tax applied to sale price of property and paid by the seller | 40¢ per $100 valuation | $38,000,000 |
| Initial Registration Fee | A one-time registration fee on the purchase of vehicles, based on the purchase price, or vehicles registered in Fairfax County for the first time. | 1% of value | $32,600,000 |
| Sales Tax on Vehicle Repairs | Sales and Use tax on the labor associated with automotive repairs in Fairfax County | 5% on labor | $18,500,000 |
| Transient Occupancy Tax | Tax applied to the rental of hotel rooms in Fairfax County | 2% of total rate | $10,000,000 |
| Safety Inspection Fee | Fee for annual state vehicle safety inspections conducted in Fairfax County | $10/year | $9,000,000 |
| Annual Vehicle Registration Fee | Annual fee for the registration of vehicles within Fairfax County | $10/year | $9,000,000 |
| Vehicle Rental Tax | Tax applied to the rate of rental cars in the County | 2% of rental rate | $1,300,000 |

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## Potential Annual Revenue for Transportation by Source

| Revenue Source/ Increase | | Potential Annual Revenue |
|---|---|---|
| Sales Tax on Service, 1% | | $367,500,000 |
| Income Tax, 0.5% | | $229,000,000 |
| Vehicles Miles Traveled, 1¢ per mile | | $120,000,000 |
| HB3202 (2007) Sources in FY 2014 Dollars | | $118,400,000 |
| Real-Estate Transfer Tax, 1% on sales price | $38,000,000 | |
| Initial Registration Fee, 1% of assessed value | $32,600,000 | |
| Sales Tax on Vehicle Repairs, 5% on labor | $18,500,000 | |
| Hotel Tax, 2% on rate | $10,000,000 | |
| Safety Inspection Fee, $10/year | $9,000,000 | |
| Annual Vehicle Registration Fee, $10/year | $9,000,000 | |
| Motor Vehicle Rental Tax, 2% on rate | $1,300,000 | |
| Sales Tax, 0.5% | | $83,000,000 |
| Meals Tax, 4% | | $80,000,000 |
| Tolls, $2 | | $35,000,000 |
| Real Estate Tax, 1% of assessed value | | $20,000,000 |
| Gas Tax, 1% of sales price | | $12,000,000 |
| Personal Property Tax, 10¢ per $100 of assessed value | | $11,000,000 |
| Developer Contributions, $4.07/sq.ft. non-residential; $1,000/res. | | $7,000,000 |
| Gas Tax, 1¢ per gallon | | $4,000,000 |
| Commercial and Industrial Tax, 1¢ per $100 of assessed value | | $3,800,000 |
| Parking Fees, $1/day | | <$1,000,000 |

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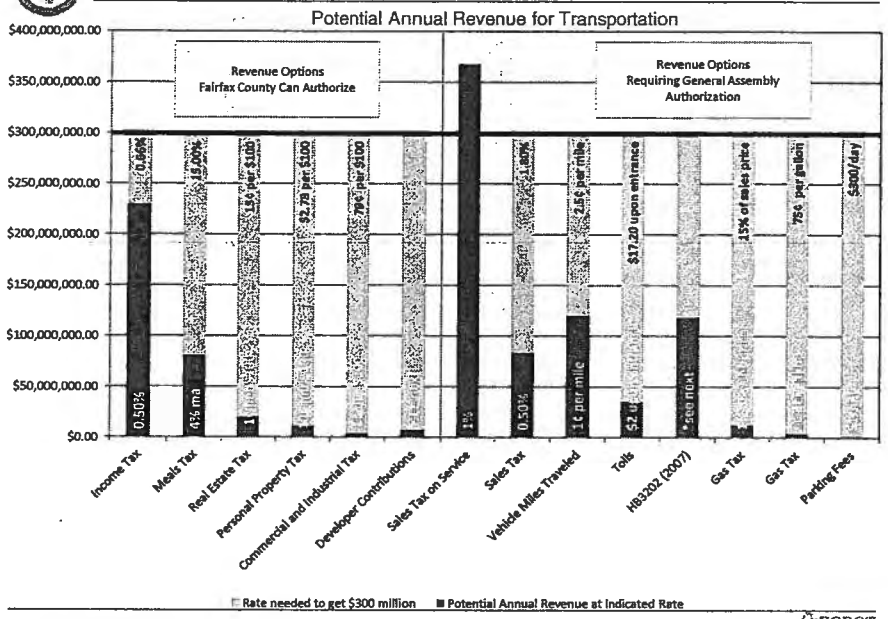


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# *Rates

## Developer Contributions

| Type | Proposed Rate |
|---|---|
| Non-Residential | $4.07 per sq. ft. |
| Residential | $1,000 per dwelling unit |

## HB3202 Rates

| HB3202 (2007) Sources in FY 2014 Dollars | Rate of red bar | Rate to get to $300,000,000 by Individual Source |
|---|---|---|
| Real-Estate Transfer Tax | 1% of sales price | 8% of sales price |
| Initial Registration Fee | 1% of assessed value | 9.3% of assessed value |
| Sales Tax on Vehicle Repairs | 5% on labor | 82% on labor |
| Hotel Tax | 2% on rate | 60% on rate |
| Safety Inspection Fee | $10/year | $335/year |
| Annual Vehicle Registration Fee | $10/year | $335/year |
| Motor Vehicle Rental Tax | 2% on rate | 462% on rate |

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## Financial Impact for Households

| Revenue Source | Rate Increase | Total Annual Revenue ($ Millions) | Assumption | Additional Annual Impact ($ Dollars) | Additional per Occurrence Impact |
|---|---|---|---|---|---|
| Income Tax | 0.5% | $229 | Income is $77,890 and the tax rate is currently 5.75%. | $389 | $15 (per bi-week) |
| Sales Tax | 0.5% | $83 | Tax generated is $83M with 390,900 households in Fairfax County. | $212 | $8 (per bi-week) |
| Meals Tax | 4% | $80 | Average spending is $3,494/year, 390,900 households in Fairfax County, $80 million potential annual revenue | $140 | $0.40 |
| Real Estate Tax | 1¢/ $100 | $20 | FY2013 Mean Home Value $448,696 | $45 | $45 |
| Gas Tax | 1% sales price | $12 | $3 gas pre state and federal tax; 15 gallons with estimated 48 fill-ups per year. | $22 | $0.45 |
| Gas Tax | 1¢/gallon | $4 | $3 gas pre state and federal tax; 15 gallons with estimated 48 fill-ups per year. | $7.20 | $0.15 |
| Personal Property Tax | 10¢/$100 | $11 | Number generated by Fairfax County residents and businesses. | $7.30 | $7.30 |

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## Financial Impact for Households

| Revenue Source | Rate Increase | Total Annual Revenue ($ Millions) | Assumption | Additional Annual Impact ($ Dollars) | Additional per Occurrence Impact |
|---|---|---|---|---|---|
| Parking Fees | $1/day | Less than $1 | The household has a resident that parks in a public paid parking space every weekday for $1/day. | $250 | $1 |
| Vehicle Miles Traveled | 1¢ per mile | $120 | Assumptions: FHWA Average Annual Miles per Driver 13,476, Number of Vehicles Registered in Fairfax County 900,000, Number of Miles Driven by Fairfax County Registered Vehicles 12,128,400,000, Households in Fairfax County 390,000. | $310 | |
| Tolls | $2 | $35 | Assumption: $2 a trip, 2 trips a day, 250 weekdays for households that use the Fairfax County Parkway | $1000 | $2 |
| Sales Tax on Service | 1% | $367.5 | • Sales Tax on service generated in the state would be $12 billion, based on the County's share of statewide sales tax, estimated taxing on services could generate $368 million with 390,900 households in the County.<br>• The annual impact is very overestimated because it assumes that only Fairfax County households use services in Fairfax County. | $942 | |

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## Financial Impact for Households - HB3202 (2007) Sources

| Revenue Source | Rate | Total Annual Revenue ($ Millions) | Assumption | Additional Annual Impact | Additional per Occurrence Impact |
|---|---|---|---|---|---|
| Real-Estate Transfer Tax | 40¢ / $100 of assessed value | $38 | FY2013 Mean Home Value $448,696. | | $1,795 |
| Initial Vehicle Registration Fee | 1% of Value | $32.6 | Over average length of ownership of a car. | $33 | $200 |
| Sales Tax on Vehicle Repairs | 5% on labor | $18.5 | Projected Annual Revenue / Households in Fairfax County | $47 | $5 |
| Transient Occupancy Tax | 2% on rate | $10 | Most residents of Fairfax County do not stay in a hotel within the County. | $0.00 | $0.00 |
| Annual Vehicle Registration Fee | $10/year | $9 | | $10.00 | $10.00 |
| Safety Inspection Fee | $10/year | $9 | | $10.00 | $10.00 |
| Vehicle Rental Tax | 2% on rate | $1.3 | Most residents of Fairfax County do not rent within the County. | $0.00 | $0.00 |

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## Assumptions/Comments

| | |
|---|---|
| **Income Tax** | • $77,890 is the average taxable income per Fairfax County tax return, TY 2009. Source: FY 2011 Annual Report, Virginia Department of Taxation |
| **Sales Tax** | • Tax generated from sales tax is $83,438,153 and there are 390,900 households in Fairfax County.<br>• This estimate assumes that only residents of Fairfax County pay sales taxes so the estimate is overstated. Businesses and non-residents also pay Sales Taxes. |
| **Meals Tax** | • Assumes spending is $3,494 per year. Source: 2010 US Consumer Expenditure Survey<br>• The estimate is based on the average amount spent on meals away from home for consumers in the Washington Metro area. The tax increase assumes that the household is not currently eating out where there is a meals tax. |
| **Real Estate Tax** | • Actual tax increase would vary by value of home. The FY2013 mean home value in Fairfax County is $448,696. |
| **Gas Tax 1% on sales price** | • Assumes price of gas pre Federal, State, and Northern Virginia Transportation District taxes at around $3 and 48 annual fill-ups of 15 gallons |
| **Gas Tax 1 ¢ on sales price** | • Assumes price of gas pre Federal, State, and Northern Virginia Transportation District taxes at around $3 and 48 annual fill-ups of15 gallons |
| **Personal Property Tax** | • An increase of 10 cents on the Personal Property Tax rate increases the County's General Fund revenue by just $11 million (from residents and businesses) The impact shown is on the household only, and therefore is over stated. |

*Source for Projected Annual Revenues from Fairfax County Department of Management and Budget

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## Ranking – Potential Annual Revenues

| | | |
|---|---|---|
| 1 | Sales Tax on Service, 1% | $367,500,000 |
| 2 | Income Tax, 0.5% | $229,000,000 |
| 3 | Vehicles Miles Traveled, 1¢ per mile | $120,000,000 |
| 4 | Sales Tax, 0.5% | $83,000,000 |
| 5 | Meals Tax, 4% | $80,000,000 |
| 6 | Real-Estate Transfer Tax, 1% on sales price (HB3202 - 2007) | $38,000,000 |
| 7 | Tolls, $2 upon entrance | $35,000,000 |
| 8 | Initial Registration Fee, 1% of assessed value (HB3202 - 2007) | $32,600,000 |
| 9 | Real Estate Tax, 1% of assessed value | $20,000,000 |
| 10 | Sales Tax on Vehicle Repairs, 5% on labor (HB3202 - 2007) | $18,500,000 |
| 11 | Gas Tax, 1% of sales price | $12,000,000 |
| 12 | Personal Property Tax, 10¢ per $100 of assessed value | $11,000,000 |
| 13 | Hotel Tax, 2% (HB3202 - 2007) | $10,000,000 |
| 14 | Safety Inspection Fee, $10/year (HB3202 - 2007) | $9,000,000 |
| 15 | Annual Vehicle Registration Fee, $10/year (HB3202 - 2007) | $9,000,000 |
| 16 | Developer Contributions | $7,000,000 |
| 17 | Gas Tax, 1¢ per gallon | $4,000,000 |
| 18 | Commercial and Industrial Tax, 1¢ per $100 of assessed value | $3,800,000 |
| 19 | Motor Vehicle Rental Tax, 2% on rate (HB3202 - 2007) | $1,300,000 |
| 20 | Parking Fees, $1/day | $1,000,000 |
| 21 | Reduce Projects | - |

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## Ranking – Additional Annual Impact

| | | |
|---|---|---|
| 1 | Tolls, $2 upon entrance | $1,000 |
| 2 | Sales Tax on Service, 1% | $942 |
| 3 | Income Tax, 0.5% | $389 |
| 4 | Vehicles Miles Traveled, 1¢ per mile | $310 |
| 5 | Parking Fees, $1/day | $250 |
| 6 | Sales Tax, 0.5% | $212 |
| 7 | Meals Tax, 4% | $140 |
| 8 | Sales Tax on Vehicle Repairs, 5% on labor (HB3202 - 2007) | $47 |
| 9 | Real Estate Tax, 1% of assessed value | $45 |
| 10 | Initial Registration Fee, 1% of assessed value (HB3202 - 2007) | $33 |
| 11 | Gas Tax, 1% of sales price | $22 |
| 12 | Annual Vehicle Registration Fee, $10/year (HB3202 - 2007) | $10 |
| 13 | Safety Inspection Fee, $10/year (HB3202 - 2007) | $10 |
| 14 | Personal Property Tax, 10¢ per $100 of assessed value | $7.30 |
| 15 | Gas Tax, 1¢ per gallon | $7.20 |
| 16 | Hotel Tax, 2% (HB3202 - 2007) | $0 |
| 17 | Motor Vehicle Rental Tax, 2% on rate (HB3202 - 2007) | $0 |
| 18 | Real-Estate Transfer Tax , 1% on sales price (HB3202 - 2007) | - |
| 19 | Commercial and Industrial Tax, 1¢ per $100 of assessed value | - |
| 20 | Developer Contributions | - |
| 21 | Reduce the number of projects rather than adding new sources of revenue | - |

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## Ranking – Per Occurrence Impact

| | | |
|---|---|---|
| 1 | Real-Estate Transfer Tax, 1% on sales price (HB3202 - 2007) | $1,795 |
| 2 | Initial Registration Fee, 1% of assessed value (HB3202 - 2007) | $200 |
| 3 | Real Estate Tax, 1% of assessed value | $45 |
| 4 | Income Tax, 0.5% | $15 |
| 5 | Annual Vehicle Registration Fee, $10/year (HB3202 - 2007) | $10 |
| 6 | Sales Tax, 0.5% | $10 |
| 7 | Sales Tax on Vehicle Repairs, 5% on labor (HB3202 - 2007) | $8 |
| 8 | Personal Property Tax, 10¢ per $100 of assessed value | $7 |
| 9 | Sales Tax on Vehicle Repairs, 5% on labor (HB3202 - 2007) | $5 |
| 10 | Tolls, $2 upon entrance | $2 |
| 11 | Parking Fees, $1/day | $1 |
| 12 | Gas Tax, 1% of sales price | $0 |
| 13 | Meals Tax, 4% | $0 |
| 14 | Gas Tax, 1¢ per gallon | $0 |
| 15 | Hotel Tax, 2% (HB3202 - 2007) | $0 |
| 16 | Motor Vehicle Rental Tax, 2% on rate (HB3202 - 2007) | $0 |
| 17 | Sales Tax on Service, 1% | - |
| 18 | Vehicles Miles Traveled, 1¢ per mile | - |
| 19 | Developer Contributions | - |
| 20 | Commercial and Industrial Tax, 1¢ per $100 of assessed value | - |
| 21 | Reduce the number of projects rather than adding new sources of revenue | - |

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## Comments

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**Table 5. Areas (Jurisdictions and PUMAs) Providing the Greatest Job Accessibility via Transit, 2010**

| Jurisdiction | Public Use Microdata Area | 90 minutes | | 60 minutes | | 45 minutes | | Combined Access Score | Rank |
|---|---|---|---|---|---|---|---|---|---|
| | | Number of regional jobs | Share of regional jobs | Number of regional jobs | Share of regional jobs | Number of regional jobs | Share of regional jobs | | |
| Washington, DC | Downtown-Midtown D.C. (105) | 2,063,813 | 71.4% | 1,403,172 | 48.6% | 960,097 | 33.2% | 71.4 | 1 |
| Washington, DC | North Central D.C. (102) | 1,940,123 | 67.2% | 1,264,691 | 43.8% | 840,017 | 29.1% | 67.2 | 2 |
| Washington, DC | Northeast D.C.-Capitol Hill (103) | 1,937,500 | 67.1% | 1,207,686 | 41.8% | 800,832 | 27.7% | 67.1 | 3 |
| Arlington, VA | n/a | 1,916,226 | 66.3% | 1,121,408 | 38.8% | 673,846 | 23.3% | 66.3 | 4 |
| Washington, DC | West of Rock Creek (101) | 1,913,914 | 66.2% | 1,203,320 | 41.6% | 790,637 | 27.4% | 66.2 | 5 |
| Washington, DC | East of the Anacostia River (104) | 1,827,802 | 63.3% | 1,020,460 | 35.3% | 586,675 | 20.3% | 63.3 | 6 |
| Alexandria, VA | n/a | 1,734,924 | 60.0% | 919,382 | 31.8% | 479,364 | 16.6% | 60.0 | 7 |
| Montgomery County, MD | Silver Spring-Takoma Park (1007) | 1,691,922 | 58.6% | 1,023,961 | 35.4% | 462,083 | 16.0% | 58.6 | 8 |
| Prince George's County, MD | College Park-Adelphi-Chillum (1101) | 1,595,260 | 55.2% | 836,680 | 29.0% | 320,965 | 11.1% | 55.2 | 9 |
| Prince George's County, MD | Bladensburg-Riverdale-New Carrollton (1103) | 1,562,585 | 54.1% | 802,069 | 27.8% | 253,895 | 8.8% | 54.1 | 10 |
| Montgomery County, MD | Kensington-Wheaton-Aspen Hill (1005) | 1,551,852 | 53.7% | 838,995 | 29.0% | 230,250 | 8.0% | 53.7 | 11 |
| Montgomery County, MD | Potomac-Bethesda (1004) | 1,543,174 | 53.4% | 869,045 | 30.1% | 417,063 | 14.4% | 51.4 | 12 |
| Fairfax County, VA | Inside the Beltway-Falls Church (301) | 1,492,714 | 51.7% | 587,977 | 20.4% | 163,502 | 5.7% | 51.0 | 13 |
| Prince George's County, MD | Landover-Walker Mill-Capitol Heights (1104) | 1,429,746 | 49.5% | 583,542 | 20.2% | 137,805 | 4.8% | 49.5 | 14 |
| Prince George's County, MD | Suitland-Hillcrest Heights-Temple Hills (1107) | 1,385,448 | 48.0% | 530,515 | 18.4% | 161,190 | 5.6% | 48.0 | 15 |
| Montgomery County, MD | Rockville-Gaithersburg (1003) | 1,262,286 | 43.7% | 469,854 | 16.3% | 150,488 | 5.2% | 42.4 | 16 |

**Table 6. Areas (Jurisdictions and PUMAs) Providing Residents with the Greatest Access to Good Match Jobs**

| | | Regional "Good Match" Jobs Accessible Via Transit - 90 Minutes | | | | | |
|---|---|---|---|---|---|---|---|
| **Jurisdiction/ Public Use Microdata Area** | | **Low-Skill** | | **Mid-Skill** | | **High-Skill** | |
| | | **Number** | **Share** | **Number** | **Share** | **Number** | **Share** |
| Washington, DC | | | | | | | |
| | West of Rock Creek | 455,506 | 61% | 431,704 | 63% | 1,027,322 | 71% |
| | North Central D.C. | 468,575 | 63% | 438,351 | 64% | 1,029,652 | 71% |
| | Northeast D.C.-Capitol Hill | 463,113 | 62% | 438,100 | 64% | 1,035,445 | 71% |
| | East of the Anacostia River | 442,639 | 59% | 414,531 | 60% | 962,629 | 66% |
| | Downtown-Midtown D.C. | 496,336 | 66% | 471,302 | 69% | 1,097,577 | 75% |
| Arlington | | 441,951 | 59% | 429,287 | 63% | 1,039,571 | 71% |
| Alexandria | | 405,391 | 54% | 386,612 | 56% | 940,888 | 65% |
| Montgomery County | | | | | | | |
| | Potomac-Bethesda | 364,678 | 49% | 346,885 | 51% | 844,889 | 58% |
| | Silver Spring-Takoma Park | 399,482 | 53% | 382,725 | 56% | 912,154 | 63% |
| Prince George's County | | | | | | | |
| | College Park-Adelphi-Chillum | 391,662 | 52% | 362,914 | 53% | 834,181 | 57% |
| | Bladensburg-Riverdale-New Carrollton | 377,876 | 50% | 350,943 | 51% | 836,231 | 58% |
| | | | | | | | |
| | | **Regional "Good Match" Jobs Accessible Via Transit - 60 Minutes** | | | | | |
| **Jurisdiction/ Public Use Microdata Area** | | **Low-Skill** | | **Mid-Skill** | | **High-Skill** | |
| | | **Number** | **Share** | **Number** | **Share** | **Number** | **Share** |
| Washington, DC | | | | | | | |
| | West of Rock Creek | 265,298 | 35% | 257,796 | 38% | 687,814 | 47% |
| | North Central D.C. | 285,728 | 38% | 271,057 | 40% | 705,359 | 49% |
| | Northeast D.C.-Capitol Hill | 271,150 | 36% | 258,040 | 38% | 681,708 | 47% |
| | East of the Anacostia River | 235,653 | 31% | 216,110 | 32% | 556,734 | 38% |
| | Downtown-Midtown D.C. | 316,667 | 42% | 305,615 | 45% | 781,936 | 54% |
| Arlington | | 237,086 | 32% | 233,718 | 34% | 645,335 | 44% |
| Alexandria | | 200,149 | 27% | 188,952 | 28% | 529,122 | 36% |
| Montgomery County | | | | | | | |
| | Potomac-Bethesda | 195,311 | 26% | 191,018 | 28% | 498,167 | 34% |
| | Silver Spring-Takoma Park | 218,834 | 29% | 220,481 | 32% | 592,318 | 41% |
| Prince George's County | | | | | | | |
| | College Park-Adelphi-Chillum | 202,105 | 27% | 182,398 | 27% | 434,614 | 30% |
| | Bladensburg-Riverdale-New Carrollton | 190,321 | 25% | 170,642 | 25% | 445,677 | 31% |
| | | | | | | | |
| | | **Regional "Good Match" Jobs Accessible Via Transit - 45 Minutes** | | | | | |
| Jurisdiction/ Public Use Microdata Area | | **Low-Skill** | | **Mid-Skill** | | **High-Skill** | |
| | | **Number** | **Share** | **Number** | **Share** | **Number** | **Share** |
| Washington, DC | | | | | | | |
| | West of Rock Creek | 163,549 | 22% | 161,485 | 24% | 472,309 | 32% |
| | North Central D.C. | 182,529 | 24% | 170,655 | 25% | 484,964 | 33% |
| | Northeast D.C.-Capitol Hill | 170,168 | 23% | 161,287 | 24% | 471,244 | 32% |
| | East of the Anacostia River | 128,255 | 17% | 117,141 | 17% | 330,295 | 23% |
| | Downtown-Midtown D.C. | 204,881 | 27% | 199,808 | 29% | 561,716 | 39% |
| Arlington | | 134,565 | 18% | 133,277 | 19% | 402,943 | 28% |
| Alexandria | | 103,520 | 14% | 94,552 | 14% | 277,318 | 19% |
| Montgomery County | | | | | | | |
| | Potomac-Bethesda | 90,277 | 12% | 90,536 | 13% | 244,256 | 17% |
| | Silver Spring-Takoma Park | 91,095 | 12% | 100,291 | 15% | 285,198 | 20% |
| Prince George's County | | | | | | | |
| | College Park-Adelphi-Chillum | 86,096 | 11% | 75,936 | 11% | 159,730 | 11% |
| | Bladensburg-Riverdale-New Carrollton | 64,855 | 9% | 54,748 | 8% | 141,809 | 10% |

**Table 7. Areas (Jurisdictions and PUMAs) with the Greatest Job Accessibility via Transit, Compared with Median Rent and Median Earnings for Low- and Mid-Skill Workers**

| Jurisdiction/PUMA | | Combined Access Score | Median Rental Housing Costs | Annual Household Earnings Required to Afford Median Rent* | Affordable to Households with: One Low-Skill Worker | Two Low-Skill Workers | One Mid-Skill Worker | Two Mid-Skill Workers |
|---|---|---|---|---|---|---|---|---|
| **Washington, D.C.** | **Downtown-Midtown D.C. (105)** | **71.4** | **$1,239** | **$49,560** | **No** | **No** | **No** | **Yes** |
| **Washington, D.C.** | **North Central D.C. (102)** | **67.2** | **$998** | **$39,920** | **No** | **Yes** | **No** | **Yes** |
| **Washington, D.C.** | **Northeast D.C.-Capitol Hill (103)** | **67.1** | **$975** | **$39,000** | **No** | **Yes** | **Yes** | **Yes** |
| **Arlington** | | **66.3** | **$1,519** | **$60,760** | **No** | **No** | **No** | **Yes** |
| **Washington, D.C.** | **West of Rock Creek (101)** | **66.2** | **$1,523** | **$60,920** | **No** | **No** | **No** | **Yes** |
| **Washington, D.C.** | **East of the Anacostia River (104)** | **63.3** | **$796** | **$31,840** | **No** | **Yes** | **Yes** | **Yes** |
| **Alexandria** | | **60.0** | **$1,330** | **$53,200** | **No** | **No** | **No** | **Yes** |
| **Montgomery County, MD** | **Silver Spring-Takoma Park (1007)** | **58.6** | **$1,225** | **$49,000** | **No** | **No** | **No** | **Yes** |
| **Prince George's County, MD** | **College Park-Adelphi-Chillum (1101)** | **55.2** | **$1,119** | **$44,760** | **No** | **Yes** | **No** | **Yes** |
| **Prince George's County, MD** | **Bladensburg-Riverdale-New Carrollton (1103)** | **54.1** | **$1,064** | **$42,560** | **No** | **Yes** | **No** | **Yes** |
| **Montgomery County, MD** | **Kensington-Wheaton-Aspen Hill (1005)** | **53.7** | **$1,379** | **$55,160** | **No** | **No** | **No** | **Yes** |
| **Montgomery County, MD** | **Potomac-Bethesda (1004)** | **51.4** | **$1,677** | **$67,080** | **No** | **No** | **No** | **Yes** |
| **Fairfax County, VA** | **Inside the Beltway-Falls Church (301)** | **51.0** | **$1,392** | **$55,680** | **No** | **No** | **No** | **Yes** |
| **Prince George's County, MD** | **Landover-Walker Mill-Capitol Heights (1104)** | **49.5** | **$1,084** | **$43,360** | **No** | **Yes** | **No** | **Yes** |
| **Prince George's County, MD** | **Suitland-Hillcrest Heights-Temple Hills (1107)** | **48.0** | **$1,078** | **$43,120** | **No** | **Yes** | **Yes** | **Yes** |
| **Montgomery County, MD** | **Rockville-Gaithersburg (1003)** | **42.4** | **$1,446** | **$57,840** | **No** | **No** | **No** | **Yes** |
| Montgomery County, MD | East Montgomery County (1006) | 38.7 | $1,444 | $57,760 | No | No | No | Yes |
| Fairfax County, VA | Central-Fairfax City (303) | 38.4 | $1,711 | $68,440 | No | No | No | Yes |
| Fairfax County, VA | I-95 Corridor (302) | 37.5 | $1,402 | $56,080 | No | Yes | No | Yes |
| Montgomery County, MD | Germantown (1002) | 31.1 | $1,416 | $56,640 | No | No | No | Yes |
| Prince George's County, MD | Northern Prince George's (1102) | 30.5 | $1,209 | $48,360 | No | Yes | No | Yes |
| Fairfax County, VA | Reston-Great Falls-Vienna (305) | 29.8 | $1,602 | $64,080 | No | No | No | Yes |
| Prince George's County, MD | East Central Prince George's (1105) | 19.1 | $1,652 | $66,080 | No | Yes | No | Yes |
| Montgomery County, MD | Rural Montgomery (1001) | 18.6 | $1,459 | $58,360 | No | Yes | No | Yes |
| Fairfax County, VA | Centreville-Chantilly-SW Fairfax (304) | 12.9 | $1,555 | $62,200 | No | No | No | Yes |
| Prince George's County, MD | Southern Prince George's (1106) | 12.3 | $1,386 | $55,440 | No | Yes | No | Yes |
| Prince William County, VA | Eastern Prince William (502) | 4.5 | $1,327 | $53,080 | No | Yes | No | Yes |
| Prince William County, VA | Western Prince William-Manassas (501) | 0.9 | $1,330 | $53,200 | No | Yes | No | Yes |
| Frederick County, MD | | 0.7 | $1,133 | $45,320 | No | Yes | No | Yes |

**Bold indicates PUMAs with top job accessibility via transit**
** Assuming that no more than 30% of household earnings should go towards housing*
*Earnings data not available for Loudoun County*
** Source: Median rental costs and earnings: U.S. Census Bureau American Community Survey, 2006-2010 5-year estimates*[24]

Median earnings for low-skill workers living in the areas identified in the table range from about $22,000 to $42,000, with median earnings for mid-skill workers ranging from about $35,000 to $53,000. Median rents range from about $800 to $1,700 per month. Based on the federal housing affordability threshold, households need annual earnings ranging from about $32,000 to $67,000 in order to avoid housing costs burdens.

Northern Virginia Transportation Commission

AGENDA ITEM #7

**TO:** Chairman Fisette and NVTC Commissioners

**FROM:** Rick Taube and Claire Gron

**DATE:** November 29, 2012

**SUBJECT:** WMATA Items.

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A. WMATA Board Members' Report.

NVTC's WMATA Board members will have the opportunity to bring relevant matters to the attention of the commission.

B. Vital Signs/WMATA Dashboard.

Each month staff will provide copies of WMATA's Dashboard performance report and every quarter staff will include a summary of WMATA's Vital Signs report. For persons wishing to learn more about the performance measures used by WMATA including why they were chosen, please go to:

http://www.wmata.com/about_metro/board_of_directors/board_docs/091312_4AVitalSigns.pdf

The most recent Vital Signs document can be seen at:
http://www.wmata.com/about_metro/scorecard/documents/Vital_Signs_%20August%202012%20QTR%202.pdf

C. FY 2014 Operating and Capital Budget Development.

The attachments describe WMATA staff's progress on developing next year's operating and capital budgets.

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**Finance & Administration Committee**

**Information Item IV-A**

**November 1, 2012**

# FY2014 Business Planning and Budget Discussion

**Washington Metropolitan Area Transit Authority**
**Board Action/Information Summary**

| | | |
|---|---|---|
| ☐ Action ☒ Information | MEAD Number: 103051 | Resolution: ☐ Yes ☒ No |

**TITLE** Multi-Year Business Planning and Operating Budget Discussion

## PRESENTATION SUMMARY

This presentation will demonstrate how the General Manager's recommended FY14 budget is constructed within the framework of a Multi-Year Business Plan. The business plan contains defined actions that support specific performance outcomes that are designed to achieve Board-adopted strategic plan goals.

In order to make the process more transparent so that customers and stakeholders can better understand how the operating budget funds certain levels of rail, bus and paratransit services, this presentation details current levels of service and where service growth is projected next fiscal year. It also identifies emerging regulatory mandates and safety corrective actions, as well as reliability, customer service and communications enhancements that are responsive to management and Board objectives. This outlook will include discussion of how these changes, and expected efficiencies that are also included in the business plan, are reflected in the budget outlook for FY14 and beyond.

## PURPOSE

- Metro is developing a Multi-Year Business Plan that achieves the Board's strategic goals related to safety, customer satisfaction, connecting communities, and financial stability.
- The business plan identifies actions and strategies linked to specific outcomes that are measured and publicly reported as key performance indicators.
- In developing its budget for the next fiscal year, Metro must consider how to curb and offset increasing costs of pension and health benefits; increases in materials and utilities; and fund safety improvements including fatigue management and corrective actions identified by NTSB, TOC, and FTA; as well as additional expenses for operating new trains for Silver Line service.
- Further, Metro's Executive Management team is currently analyzing and prioritizing new initiatives for further consideration.

## DESCRIPTION

The cost of providing service has been increasing in recent years. Years of underinvestment in the system have required significant maintenance and capital

investment in equipment and infrastructure in particular as we strive to bring the system to a steady state of good repair. Additionally, benefit costs have increased dramatically over the last four years and pension costs, still recovering from the impact of the great recession on the stock market, have increased 91 percent between FY10 and projected FY14.

Metro is making progress on all fronts. Leadership is focused on lowering the cost of providing rail and bus services without impacting safety, performance or customer satisfaction. Major cost drivers including overtime and the acquisition, management and distribution of materials and parts have been targeted for improvement. We will be reporting to you in the coming months on our success and actions to reduce costs and increase efficiency in these areas. The investments approved by the Board in May are also enhancing safety, improving performance, providing more and better service, and moving Metro to a steady state of repair.

The human capital management program is resulting in the hiring of new employees at a rate that will allow us to deliver new services like the Silver Line and Better Bus as promised. Expedited recruiting and hiring is also paying dividends as Metro is accelerating the investment rate and efforts necessary to fulfill our capital rebuilding program and greatly improve equipment and infrastructure maintenance.

**BACKGROUND**

Metro's FY13 operating budget is $1.576 billion. Before any changes are made to the system on July 1, 2013 (the start of the next fiscal year), Metro must cover an additional $108 million in operating expense associated with the base operating costs approved by the Board in May. These expenses are the projected costs of additional fuel and propulsion, utilities, pension, health and other benefits, bus service enhancements, and a full year of service on the Silver Line. Against current revenue projections (fare box, jurisdiction and commercial) of $906 million, that created a preliminary unfunded need of $75 million.

The General Manager has committed Metro to a continuous improvement process in the search for additional efficiencies and cost reductions. As reported to the Board in September, efficiencies, cost reductions, the use of FY12 budget surpluses and other offsets, Metro now estimates the adjusted unfunded need at approximately $25 million. As part of the budget development process Metro is seeking to lower the unfunded need further.

In addition, Metro's Multi-Year Business Plan for FY14-16 strives to achieve the Board's strategic goals:

- Build and maintain a premier safety culture and system
- Meet or exceed customer expectations by consistently delivering quality service
- Improve regional mobility and connect communities
- Ensure financial stability and invest in our people and assets

In order to reach those goals, the Business Plan outlines actions for incremental improvements in Metro service including:

- The preparation and opening of the Silver Line for revenue service
- Implementation and enhancement of the Better Bus program
- Addressing fatigue management
- Taking actions to further close out NTSB recommendations
- Upgrading financial, human capital, and other critical business systems
- Automation of parking revenue collection
- Efficient overtime management

The Business Plan and actions represent a plan to deliver the approved baseline services within the current budget levels. The actions outline efficiencies and performance enhancements that will be accomplished within current funding levels.

The next step in the business planning/budget development process will be to identify opportunities for further improvements, efficiencies and the identification of unfunded needs including safety requirements, and other needs. The Executive Management Team has identified a list of initiatives for in-depth analysis.

The Executive Management Team received requests for new initiatives from all areas of the organization. The list has been prioritized and will undergo further refinement before consideration by the General Manager for inclusion in his FY14 budget request. The initiatives can be grouped by strategic goal:

| Strategic Goal | Objective | Action |
|---|---|---|
| Safety Culture | Increase employee safety<br><br>Regulatory compliance | • Fatigue management<br><br>• Employee and workplace safety |
| Customer Service | Improve service reliability<br><br>Improve customer comfort | • Better Bus<br><br>• Customer Improvements |
| Reliability and Customer Support | Financial stewardship/efficiency | • Time collection<br><br>• Inventory management |

Management will be working to further analyze and prioritize these requests before returning to the Board with a final General Manager recommended budget for FY14 in January. We will keep you informed of our progress.

## FUNDING IMPACT

## TIMELINE

| | |
|---|---|
| **Board action** | None required at this time |
| **Anticipated actions after presentation** | Staff to return to Board F&A committee in December with an update on the progress of budget development. |

## ELECTRONIC ATTACHMENTS

See attached power point presentation.

Washington Metropolitan Area Transit Authority

# Fiscal Year 2014

# Operating Budget Development

Finance and Administration Committee
November 1, 2012

# Implementing Momentum

**Metro's Strategic Plan**

Vision – Mission – Goals Set Direction

**Business Plans**

Actions – Targets and Measures Identified

**Allocate Resources**

Budget and Staff

**Measure and Report Results**

Evaluate Performance Outcomes

# Momentum

## Sets Direction for the GM/CEO Business Plan

**Vision:** Metro moves the region forward by connecting communities and improving mobility for our customers.

**Mission:** Metro provides safe, equitable, reliable and cost-effective public transit.

**Strategic Goals:**

- Build and maintain a premier safety culture and system
- Meet or exceed customer expectations by consistently delivering quality service
- Improve regional mobility and connect communities
- Ensure financial stability and invest in our people and assets

# Building the GM/CEO Business Plan
## Key Actions in Baseline Budget

Safety Culture and System

Closing NTSB recommendations, CAPs

Infrastructure reconstruction, steady state of maintenance

Maintenance capabilities

Fatigue management program

Bus & facility security

Safety mgmt systems

# Building the GM/CEO Business Plan
## Key Actions in Baseline Budget

### Quality Service


Better Bus

Silver Line preparation & opening

MetroAccess demand management, new contract

Customer service improvements

Fare collection improvements

Prepping for automatic train operation (NTSB-dependent)

# Building the GM/CEO Business Plan
## Key Actions in Baseline Budget

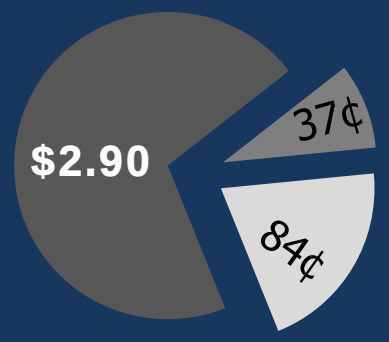
Financial Stability, People & Assets



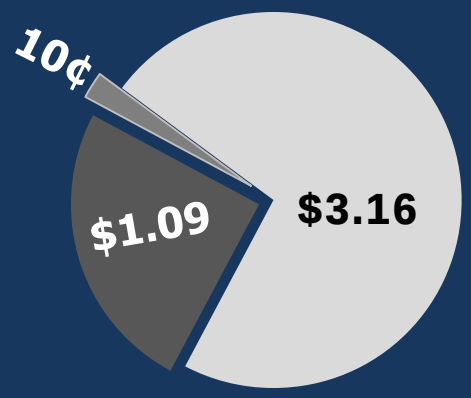
- Parking revenue collection automation
- SmarTrip market penetration
- Overtime management
- Upgraded financial enterprise, human capital mgmt systems
- Materials/inventory management
- Asset management
- Management efficiency review
- Succession planning

# Metro's Revenue Source Cost per rider (FY2013)

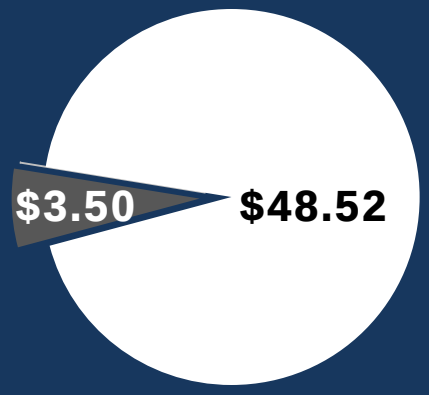
**Rail**
**($4.11 per rider)**




**Bus**
**($4.35 per rider)**




**Access**
**($52.02 per rider)**




Passenger Revenue

Commercial Revenue

Jurisdiction Investment

# Metro's Lines of Business
# Rail

| | 2013 | 2014 |
|---|---|---|
| *Fixed Assets (Infrastructure)* | | |
| Trains per day (average) | 1,374 | |
| Trains per day with Silver Line | | 1,644 |
| Total rail car fleet | 1,104 | 1,104 |
| Track miles | 106 | 117.5 |
| Stations | 86 | 91 |
| Rail yards | 10 | 10 |

# Metro's Lines of Business
# Bus

| | 2013 | 2014 |
|---|---|---|
| *Fixed Assets (Infrastructure)* | | |
| Weekday revenue bus trips | 15,473 | 15,681 |
| Buses in Service | 1,244 | 1,261 |
| Total Bus fleet | 1,511 | 1,536 |
| Bus routes | 325 | 325 |
| Bus garages | 10 | 10 |
| Bus stops | 11,500 | 11,500 |

# Metro's Lines of Business
# Access Services

| | 2013 | 2014 |
|---|---|---|
| *Fixed Assets (Infrastructure)* | | |
| Paratransit fleet | 600 | 600 |
| Operating facilities | 7 | |
| Operating contracts | 1 | |

# Multi Year Initiatives Under Consideration:

| Goal | Initiative |
|---|---|
| Safety Culture And System | – Fatigue management<br>– Employee and workplace safety |
| Quality Service | – Better Bus – priority corridors<br>– Customer improvements |
| Financial Stability People and Assets | – Improve time collection<br>– Materials/inventory management |

# Next Steps


GM/CEO FY2014 BUDGET REQUEST AND MULTI-YEAR PLAN – DECEMBER MEETING

**Finance & Administration Committee**

**Information Item IV-B**

**November 1, 2012**

# FY2014 Capital Budget Discussion

**Washington Metropolitan Area Transit Authority**
**Board Action/Information Summary**

| | | |
|---|---|---|
| ☐ Action ☒ Information | MEAD Number: 103052 | Resolution: ☐ Yes ☒ No |

**TITLE**: FY2014-2019 Capital Improvement Program Development

## PRESENTATION SUMMARY

This presentation provides an overview of Metro's FY2013-2018 Updated Capital Improvement Program (CIP) and a preview of the process for developing Metro's next six-year CIP for FY2014-2019.

## PURPOSE

The Finance and Administration Committee will be informed on the financial status of Metro's FY2013-2018 CIP and the process for developing the FY2014-2019 CIP.

## DESCRIPTION

### Key Highlights:

- FY2012 Capital Improvement Program delivery exceeded FY2011 program delivery by 26 percent and Metro invested 84 percent of the FY2012 plan.
- More than 93 percent of Metro's current six-year Capital Improvement Program is allocated to projects that improve safety and rebuild and replace Metro's infrastructure, vehicles, equipment, and facilities to a state of good repair.
- Sustained capital investment in the Metro system is critical.

### Background and History:

Metro is advancing the largest and most aggressive capital program since the systems construction. The massive rebuilding effort will improve safety and reliability of the Metro system.

In 2010, Metro and its jurisdictional funding partners entered into a multi-year Capital Funding Agreement (CFA) to advance critical capital needs of the Metro system. In accordance with the terms of the agreement, Metro provides an annual report on the financial reconciliation of the annual CIP budget as well as an updated six-year CIP to the jurisdictions.

## Discussion:

### *FY2012 CIP Financial Results*

In FY2012, capital program delivery continued to improve, exceeding FY2011 program delivery by 26 percent or nearly $160 million. Capital program investments totaled $770 million. This represents a delivery rate of 84 percent of the $917 million available in FY2012.

**FY2012 Capital Improvement Program - Investments by Category** (dollars in millions)

| | FY2012 Plan | FY2012 Actual | FY2012 % Invested |
|---|---|---|---|
| Vehicles and Vehicle Parts | $269.2 | $249.0 | 92% |
| Rail System Infrastructure Rehabilitation | 99.6 | 118.5 | 119% |
| Maintenance Facilities | 125.2 | 67.5 | 54% |
| Systems and Technology | 91.0 | 71.3 | 78% |
| Track and Structures | 80.9 | 79.8 | 99% |
| Passenger Facilities | 115.9 | 91.3 | 79% |
| Maintenance Equipment | 105.1 | 72.1 | 69% |
| Other Facilities | 25.3 | 19.9 | 79% |
| Project Management and Support | 4.8 | 1.0 | 20% |
| Total Investment | $917.0 | $770.4 | 84% |

### *FY2013-2018 CIP Investment Plan*

Metro's FY2013-2018 Updated CIP is a $5.3 billion capital investment plan focused on safety and the rebuilding of the Metro system. More than 93 percent of the planned investment is focused on safety, rehabilitation and replacement of Metro's infrastructure, facilities, equipment, railcars, buses, and paratransit vehicles.

**FY2013-2018 Capital Improvement Program - Planned Investments** (dollars in millions)

| | FY2013 Current Year | FY2014-2018 Plan Years | FY2013-18 Total |
|---|---|---|---|
| Vehicles and Vehicle Parts | $225.9 | $1,849.1 | $2,075.0 |
| Rail System Infrastructure Rehabilitation | 150.2 | 607.4 | 757.6 |
| Maintenance Facilities | 153.8 | 429.9 | 583.6 |
| Systems and Technology | 110.5 | 411.7 | 522.2 |
| Track and Structures | 61.7 | 291.7 | 353.4 |
| Passenger Facilities | 133.3 | 399.0 | 532.3 |
| Maintenance Equipment | 109.8 | 260.9 | 370.7 |
| Other Facilities | 26.7 | 41.9 | 68.7 |
| Project Management and Support | 2.5 | 17.5 | 20.0 |
| Total Planned Investments | $974.6 | $4,309.0 | $5,283.6 |

*FY2013-2018 CIP Financial Plan*

Metro's FY2013-2018 Updated CIP financial plan relies on the investment of $5.3 billion from federal, state and local, and other sources. The current financial plan is based on the six-year plan adopted by the Board in May 2012, updated to include available capital funding approved in prior years.

**FY2013-2018 Capital Improvement Program - Funding by Category** (dollars in millions)

| | FY2013 Current Year | FY2014-2018 Plan Years | FY2013-18 Total |
|---|---|---|---|
| Federal Formula Funds | $303.9 | $1,295.4 | $1,599.3 |
| Federal PRIIA Funds | 218.8 | 750.0 | 968.8 |
| Other Federal Grants | 14.0 | 41.7 | 55.6 |
| State and Local Contributions | 406.0 | 1,698.1 | 2,104.1 |
| Debt Strategy | 0.0 | 440.0 | 440.0 |
| Other | 31.9 | 83.8 | 115.7 |
| Total Planned Funding | $974.6 | $4,309.0 | $5,283.5 |

*FY2014-2019 CIP Development Process*

Metro's six-year CIP for FY2014-2019 will be developed based on an update of the ongoing projects in Metro's current CIP and Metro's $13 billion FY2011-2020 Capital Needs Inventory (CNI), which is a prioritized list of Metro's investment needs for the ten year period from FY2011 through FY2020. The CNI is prioritized based on Metro's strategic goals and with an emphasis on safety and rebuilding the Metro system. A comprehensive CNI update is scheduled for summer 2013. For the development of the FY2014-2019 CIP, Metro is continuing to enhance project evaluation and selection processes to better inform investment decision-making.

The FY2014 Proposed Annual Work Plan and FY2014-2019 Proposed CIP, to be published in December, will continue the extensive effort to rebuild the Metro system – the majority of Metro's capital resources will be invested in projects that improve safety, state of good repair, and rehabilitate Metro's capital assets.

*Capital Improvement Program Financial Plan – Outlook*

<u>CIP Financial Plan Risks</u>

Metro's CIP is made possible by considerable investment by the federal government and Metro's jurisdictional partners. There are a number of risks associated with the financial plan, as federal funding is dependent upon annual appropriations of formula and PRIIA funding. If funding is reduced, safety

projects will be given priority and all other capital projects will be vulnerable to reduction or deferral. Metro's customers would experience more frequent train delays, worsening reliability, deteriorating station conditions, longer lines and less customer information.

MAP-21 Federal Transportation Authorization

MAP-21, the new federal law authorizing surface transportation funding, could result in the allocation of additional federal transit formula funding to the region and to Metro. In the continuing resolution that passed on September 24th, funding the government until March 2013, transportation programs were funded at lower levels than those authorized in MAP-21. There will be another opportunity for Congress to appropriate funds at the increased levels envisioned in MAP-21 in the second half of the continuing resolution.

In the event that increased federal formula funding becomes available, Metro is well prepared to program additional capital investments into the six-year CIP. Through the comprehensive CNI process, Metro has identified substantial capital needs, many of which remain unfunded at this time.

**FUNDING IMPACT**

This is an information item to present an overview of the Capital Improvement Program. No specific action with a budget impact is requested at this time.

**TIMELINE**

| | |
|---|---|
| **Previous Actions** | • May 2012 – The Board adopted the FY2013 Budget and FY2013-2018 CIP<br>• September 2012 – The FY2012 fourth quarter capital progress report was presented to the Committee<br>• October 2012 – Reports on the reconciliation of the FY2012 CIP and the updated FY2013-2018 CIP were provided to the jurisdictions |
| **Anticipated actions after presentation** | • December 2012 – The FY2013 first quarter capital progress report will be presented to the Committee<br>• December 2012 – The FY2014 Proposed Annual Work Plan will be provided to the jurisdictions<br>• January 2013 – The FY2014 Proposed Budget and FY2014-2019 Proposed CIP will be presented to the Committee |

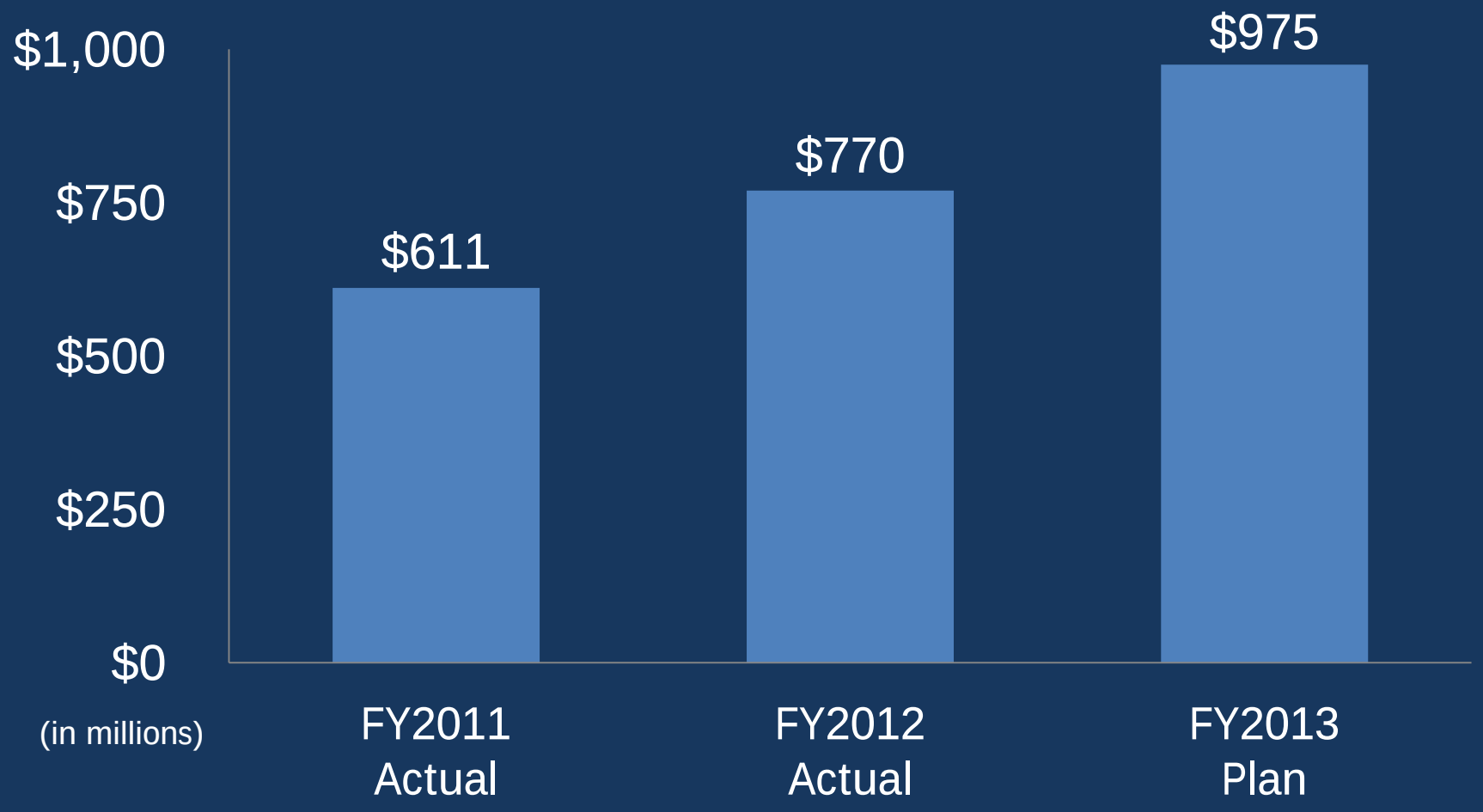
Washington Metropolitan Area Transit Authority

# FY2014-2019 Capital Improvement Program Development

Finance and Administration Committee

November 1, 2012

# Capital Improvement Program Investments



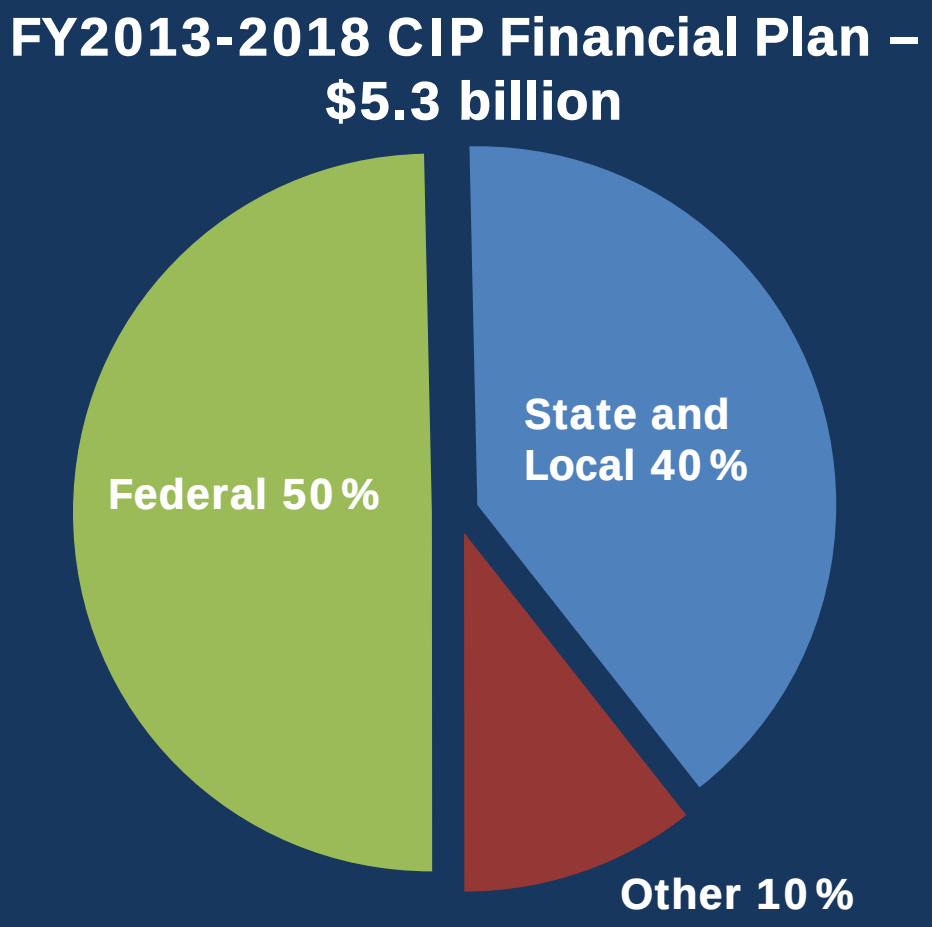
# FY2013-2018 Updated CIP

## FY2013-2018 CIP - $5.3 billion


**Customer/ Demand 7%**

CIP projects in both categories have safety benefits

# FY2013-2018 Updated CIP Financial Plan



# FY2014 Planned Investments will Advance Strategic Goals

## Strategic Goals

Safety Culture & System

Quality Service

Mobility

Financial Stability

## Planned FY2014 Investments

Safety – NTSB Recommendations

New 7000 series railcars

Bus and MetroAccess Vehicles

Rebuilding Red & Orange/Blue Lines

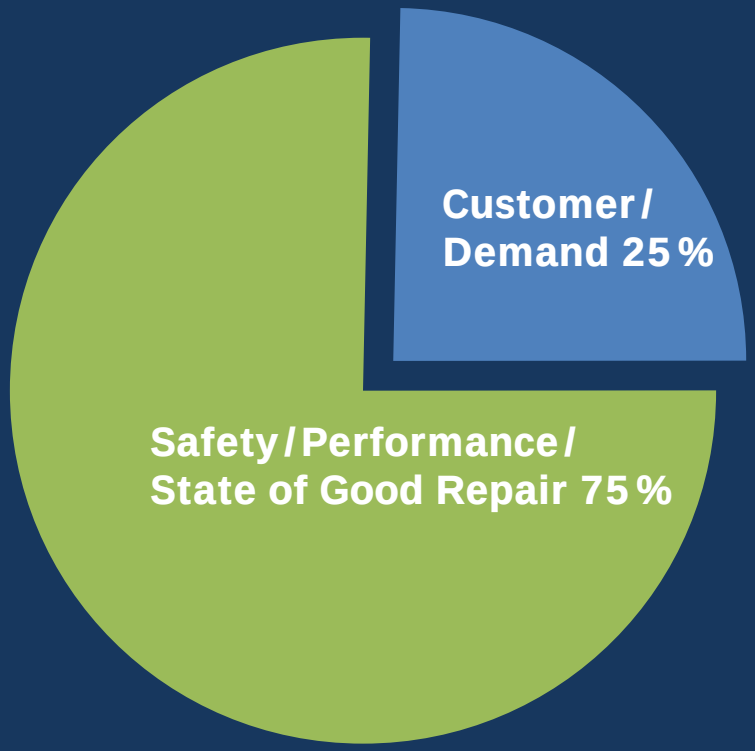
Track and Structure Rehabilitation

Escalators and Elevators

New bus maintenance facilities

# Capital Needs Inventory

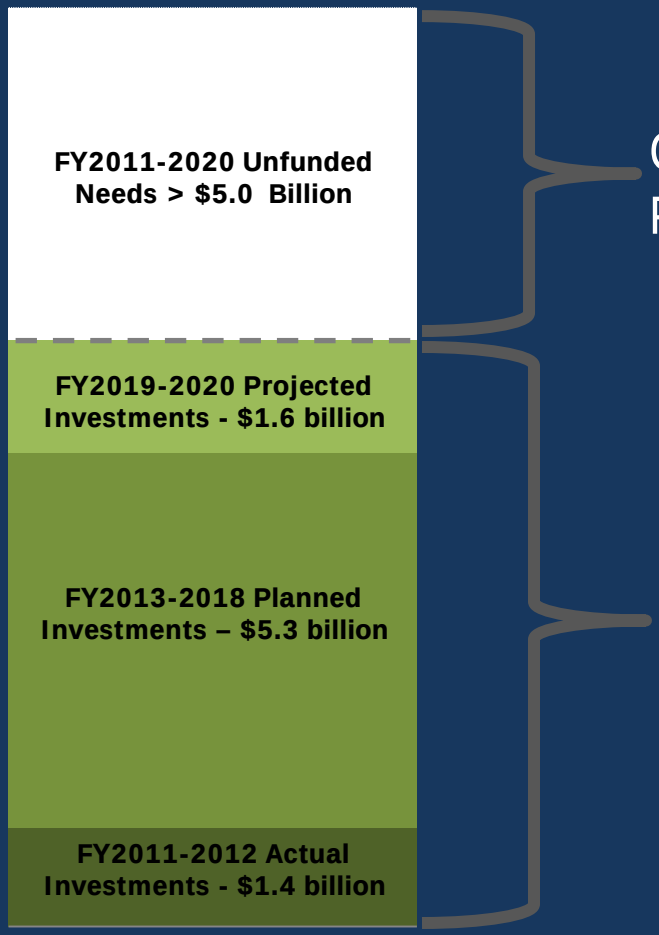
## FY2011-2020 CNI - $13 billion




CNI needs in both categories have safety benefits

# Capital Investment Constraints

## FY2011-2020 Capital Needs - $13 Billion




Capital Needs In Excess of Projected Funding - $5 billion

Projected Capital Investments with Sustained Funding - $8 Billion

# Capital Improvement Program – Policy Issues

- Financial plan stability – sustained federal funding is critical
- Reducing the backlog of deferred maintenance and continue to achieve steady state of maintenance
- Improving efficiency and program delivery
- Planning and preparation for capacity investments and enhancements:
  - Core capacity investments
  - 8 car trains
  - Bus Priority Corridors
  - Fare collection system

# Capital Improvement Program – Next Steps

- November-December 2012 – Development of Proposed Annual Work Plan; Outreach and Coordination with Jurisdictions and Stakeholders
- December 2012 – FY2013 Quarterly Capital Program Progress Update
- December 2012 – Proposed FY2014 Annual Work Plan Distributed to Jurisdictions
- January 2013 – Presentation of FY2014 Proposed Budget
- Spring 2013 – Board adoption of the FY2014 Budget

Northern Virginia Transportation Commission

AGENDA ITEM #8

**TO:** Chairman Fisette and NVTC Commissioners

**FROM:** Rick Taube

**DATE:** November 29, 2012

**SUBJECT:** NVTC Nominating Committee for 2013 Officers

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Chairman Fisette has appointed the NVTC Executive Committee to serve as the nominating committee for 2013 officers. The election will occur at NVTC's January 3, 2013 meeting.

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Northern Virginia Transportation Commission

AGENDA ITEM #9

**TO:** Chairman Fisette and NVTC Commissioners

**FROM:** Scott Kalkwarf and Colethia Quarles

**DATE:** November 29 2012

**SUBJECT:** NVTC Financial Items for October, 2012

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The financial report for October, 2012 is attached for your information.

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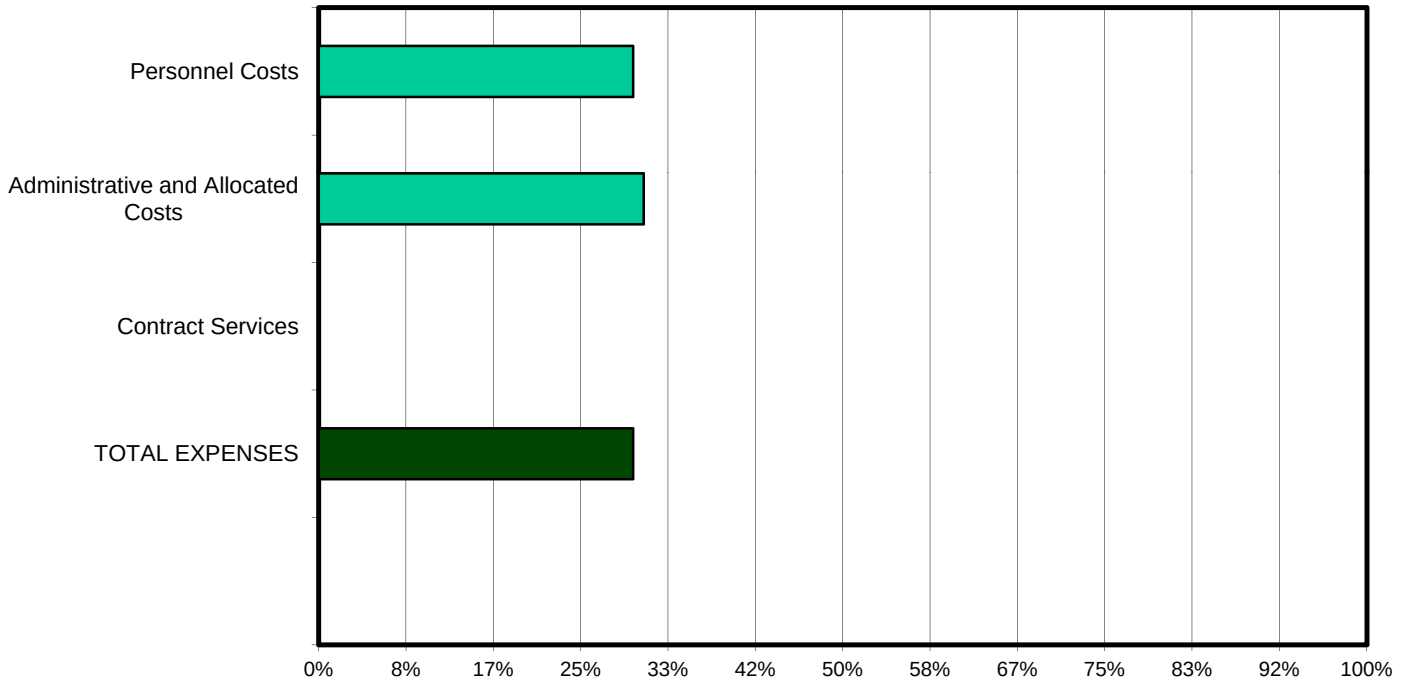
# Northern Virginia Transportation Commission

Financial Reports

October, 2012

Percentage of FY 2013 NVTC Administrative Budget Used
October, 2012
(Target 33.34% or less)




**Note: Refer to pages 2 and 3 for details**

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**
**G&A BUDGET VARIANCE REPORT**
**October 2012**

| | Current Month | Year To Date | Annual Budget | Balance Available | Balance % |
|---|---|---|---|---|---|
| Personnel Costs | | | | | |
| Salaries | $ 60,036.80 | $ 215,613.28 | $ 697,950.00 | $ 482,336.72 | 69.1% |
| Temporary Employee Services | - | - | - | - | |
| Total Personnel Costs | 60,036.80 | 215,613.28 | 697,950.00 | 482,336.72 | 69.1% |
| Benefits | | | | | |
| Employer's Contributions: | | | | | |
| FICA | 3,033.85 | 13,466.34 | 48,100.00 | 34,633.66 | 72.0% |
| Group Health Insurance | 6,010.73 | 22,955.53 | 103,500.00 | 80,544.47 | 77.8% |
| Retirement | 4,475.00 | 17,900.00 | 64,900.00 | 47,000.00 | 72.4% |
| Workmans & Unemployment Compensation | 67.42 | 269.68 | 3,300.00 | 3,030.32 | 91.8% |
| Life Insurance | 257.76 | 1,135.69 | 4,000.00 | 2,864.31 | 71.6% |
| Long Term Disability Insurance | 243.98 | 975.92 | 3,700.00 | 2,724.08 | 73.6% |
| Total Benefit Costs | 14,088.74 | 56,703.16 | 227,500.00 | 170,796.84 | 75.1% |
| Administrative Costs | | | | | |
| Commissioners Per Diem | 1,350.00 | 3,500.00 | 10,000.00 | 6,500.00 | 65.0% |
| *Rents:* | *15,552.81* | *62,305.99* | *189,500.00* | *127,194.01* | *67.1%* |
| Office Rent | 14,827.81 | 59,405.99 | 177,700.00 | 118,294.01 | 66.6% |
| Parking | 725.00 | 2,900.00 | 11,800.00 | 8,900.00 | 75.4% |
| *Insurance:* | *310.28* | *1,330.29* | *6,400.00* | *5,069.71* | *79.2%* |
| Public Official Bonds | 100.00 | 270.00 | 2,300.00 | 2,030.00 | 88.3% |
| Liability and Property | 210.28 | 1,060.29 | 4,100.00 | 3,039.71 | 74.1% |
| *Travel:* | *961.92* | *1,540.20* | *5,800.00* | *4,259.80* | *73.4%* |
| Conference Registration | - | - | - | - | 0.0% |
| Conference Travel | 184.99 | 388.55 | 1,500.00 | 1,111.45 | 74.1% |
| Local Meetings & Related Expenses | 776.93 | 1,151.65 | 4,000.00 | 2,848.35 | 71.2% |
| Training & Professional Development | - | - | 300.00 | 300.00 | 100.0% |
| *Communication:* | *701.34* | *1,978.62* | *8,740.00* | *6,761.38* | *77.4%* |
| Postage | 272.23 | 259.58 | 3,400.00 | 3,140.42 | 92.4% |
| Telecommunication | 429.11 | 1,719.04 | 5,340.00 | 3,620.96 | 67.8% |
| *Publications & Supplies* | *978.38* | *2,816.35* | *10,600.00* | *7,783.65* | *73.4%* |
| Office Supplies | 209.75 | 293.70 | 3,200.00 | 2,906.30 | 90.8% |
| Duplication | 768.63 | 2,498.75 | 6,900.00 | 4,401.25 | 63.8% |
| Public Information | - | 23.90 | 500.00 | 476.10 | 95.2% |

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**
**G&A BUDGET VARIANCE REPORT**
**October 2012**

| | Current Month | Year To Date | Annual Budget | Balance Available | Balance % |
|---|---|---|---|---|---|
| *Operations:* | *387.00* | *848.99* | *11,500.00* | *10,651.01* | *92.6%* |
| Furniture and Equipment | - | - | 4,000.00 | 4,000.00 | 0.0% |
| Repairs and Maintenance | - | - | 1,000.00 | 1,000.00 | 100.0% |
| Computers | 387.00 | 848.99 | 6,500.00 | 5,651.01 | 86.9% |
| *Other General and Administrative* | *235.77* | *2,442.98* | *5,100.00* | *2,870.74* | *56.3%* |
| Subscriptions | - | 213.72 | - | - | 0.0% |
| Memberships | - | 1,176.03 | 1,200.00 | 23.97 | 2.0% |
| Fees and Miscellaneous | 235.77 | 1,053.23 | 3,000.00 | 1,946.77 | 64.9% |
| Advertising (Personnel/Procurement) | - | - | 900.00 | 900.00 | 100.0% |
| Total Administrative Costs | 20,477.50 | 76,763.42 | 247,640.00 | 171,090.30 | 69.1% |
| Contracting Services | | | | | |
| Auditing | - | - | 21,250.00 | 21,250.00 | 100.0% |
| Consultants - Technical | - | - | - | - | 0.0% |
| Legal | - | - | - | - | 0.0% |
| Total Contract Services | - | - | 21,250.00 | 21,250.00 | 100.0% |
| Total Gross G&A Expenses | $ 94,603.04 | $ 349,079.86 | $ 1,194,340.00 | $ 845,473.86 | 70.8% |

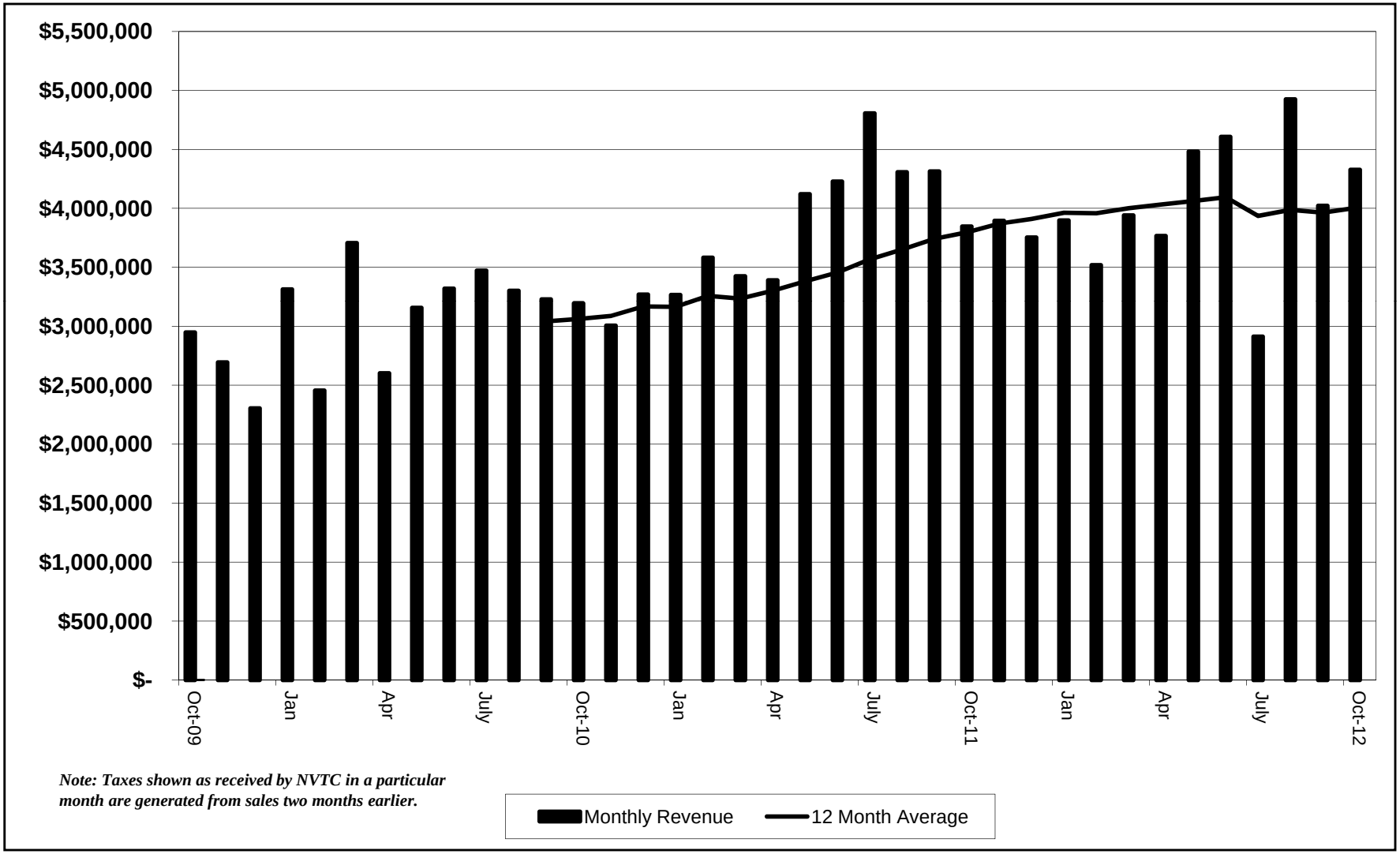
**NVTC**
**RECEIPTS and DISBURSEMENTS**
**October, 2012**

| Date | Payer/ Payee | Purpose | Wells Fargo (Checking) | Wells Fargo (Savings) | VA LGIP G&A / Project | VA LGIP Trusts |
|---|---|---|---|---|---|---|
| | **RECEIPTS** | | | | | |
| 1 | Alexandria | G&A contribution | | $ 8,064.75 | | |
| 5 | VRE | Staff support | | 12,632.36 | | |
| 5 | Staff | Expense reimbursement | | 2.25 | | |
| 5 | Brock-Norton | Insurance refund | | 90.30 | | |
| 9 | DRPT | Capital grant receipts - VRE | | | 591,602.00 | |
| 10 | DRPT | Operating assistance receipts | | | | 283,206.00 |
| 11 | DRPT | Operating assistance receipts | | | | 758.00 |
| 12 | DRPT | Operating assistance receipt - VRE | | | 693,003.00 | |
| 12 | DRPT | Operating assistance receipt | | | | 1,185,441.00 |
| 15 | DRPT | NVTA update grant receipt | | | 23,708.00 | |
| 15 | DRPT | Capital grant receipts | | | | 963,470.00 |
| 16 | Dept. of Taxation | Motor Vehicle Fuels Sales tax receipt | | | | 4,326,014.43 |
| 16 | DRPT | Capital grant receipts | | | | 209,763.00 |
| 16 | DRPT | Operating assistance receipt | | | | 161,756.00 |
| 17 | DRPT | Operating assistance receipt - VRE | | | 2,090,566.00 | |
| 17 | DRPT | Capital grant receipts - VRE | | | 39,289.00 | |
| 17 | DRPT | Capital grant receipt | | | | 500,000.00 |
| 17 | DRPT | Operating assistance receipt | | | | 176,862.00 |
| 18 | DRPT | Capital grant receipt | | | | 1,444,020.00 |
| 18 | DRPT | Operating assistance receipt | | | | 286,272.00 |
| 19 | DRPT | Operating assistance receipt | | | | 594.00 |
| 25 | DRPT | Operating assistance receipt | | | | 5,163,274.00 |
| 31 | Banks | Interest income | | 1.19 | 20.16 | 11,225.15 |
| | | | - | 20,790.85 | 3,438,188.16 | 14,712,655.58 |
| | **DISBURSEMENTS** | | | | | |
| 1-31 | Various | G&A expenses | (92,127.56) | | | |
| 1 | WMATA | Bus operating | | | | (16,316,403.00) |
| 1 | WMATA | Paratransit operating | | | | (3,117,345.00) |
| 1 | WMATA | Rail operating | | | | (9,543,496.00) |
| 1 | WMATA | CIP funding | | | | (1,521,234.00) |
| 1 | WMATA | Project development | | | | (206,250.00) |
| 1 | WMATA | Debt service | | | | (1,118,616.00) |
| 3 | Stantec | Consulting - NTD project | (26,473.49) | | | |
| 9 | VRE | Grant revenue | | | (591,602.00) | |
| 12 | VRE | Grant revenue | | | (693,003.00) | |
| 16 | Cambridge | Consulting - NVTA update | (23,696.14) | | | |
| 17 | VRE | Grant revenue | | | (2,129,855.00) | |
| 31 | Banks | Service fees | (32.69) | (24.16) | | |
| | | | (142,329.88) | (24.16) | (3,414,460.00) | (31,823,344.00) |
| | **TRANSFERS** | | | | | |
| 3 | Transfer | From Savings to checking | 150,000.00 | (150,000.00) | | |
| 10 | Transfer | From LGIP to LGIP (NTD project) | | | 36,152.90 | (36,152.90) |
| | | | 150,000.00 | (150,000.00) | 36,152.90 | (36,152.90) |
| | **NET INCREASE (DECREASE) FOR MONTH** | | $ 7,670.12 | $ (129,233.31) | $ 59,881.06 | $ (17,146,841.32) |

# NVTC
# INVESTMENT REPORT
# October 2012

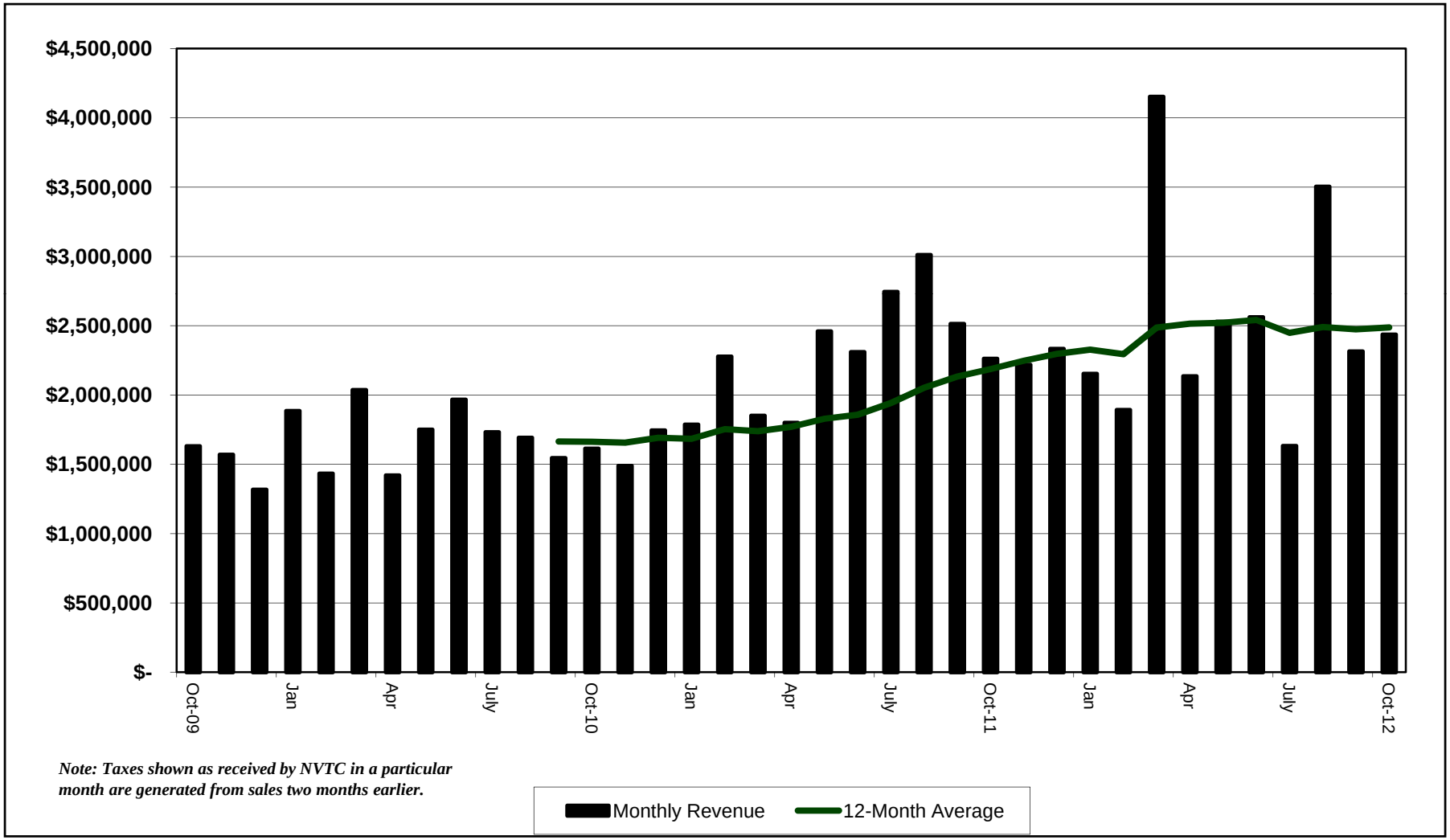
| Type | Rate | Balance 9/30/2012 | Increase (Decrease) | Balance 10/31/2012 | NVTC G&A/Project | Jurisdictions Trust Fund | Loudoun Trust Fund |
|---|---|---|---|---|---|---|---|
| **Cash Deposits** | | | | | | | |
| Wells Fargo: NVTC Checking | N/A | $ 17,953.08 | $ 7,670.12 | $ 25,623.20 | $ 25,623.20 | $ - | $ - |
| Wells Fargo: NVTC Savings | 0.020% | 193,498.18 | (129,233.31) | 64,264.87 | 64,264.87 | - | - |
| **Investments - State Pool** | | | | | | | |
| Bank of America - LGIP | 0.198% | 92,529,484.50 | (17,086,960.26) | 75,442,524.24 | 141,402.91 | 57,785,788.05 | 17,515,333.28 |
| | | $ 92,740,935.76 | $ (17,118,099.22) | $ 75,532,412.31 | $ 231,290.98 | $ 57,785,788.05 | $ 17,515,333.28 |

# NVTC MONTHLY GAS TAX REVENUE
# ALL JURISDICTIONS
# FISCAL YEARS 2010-2013



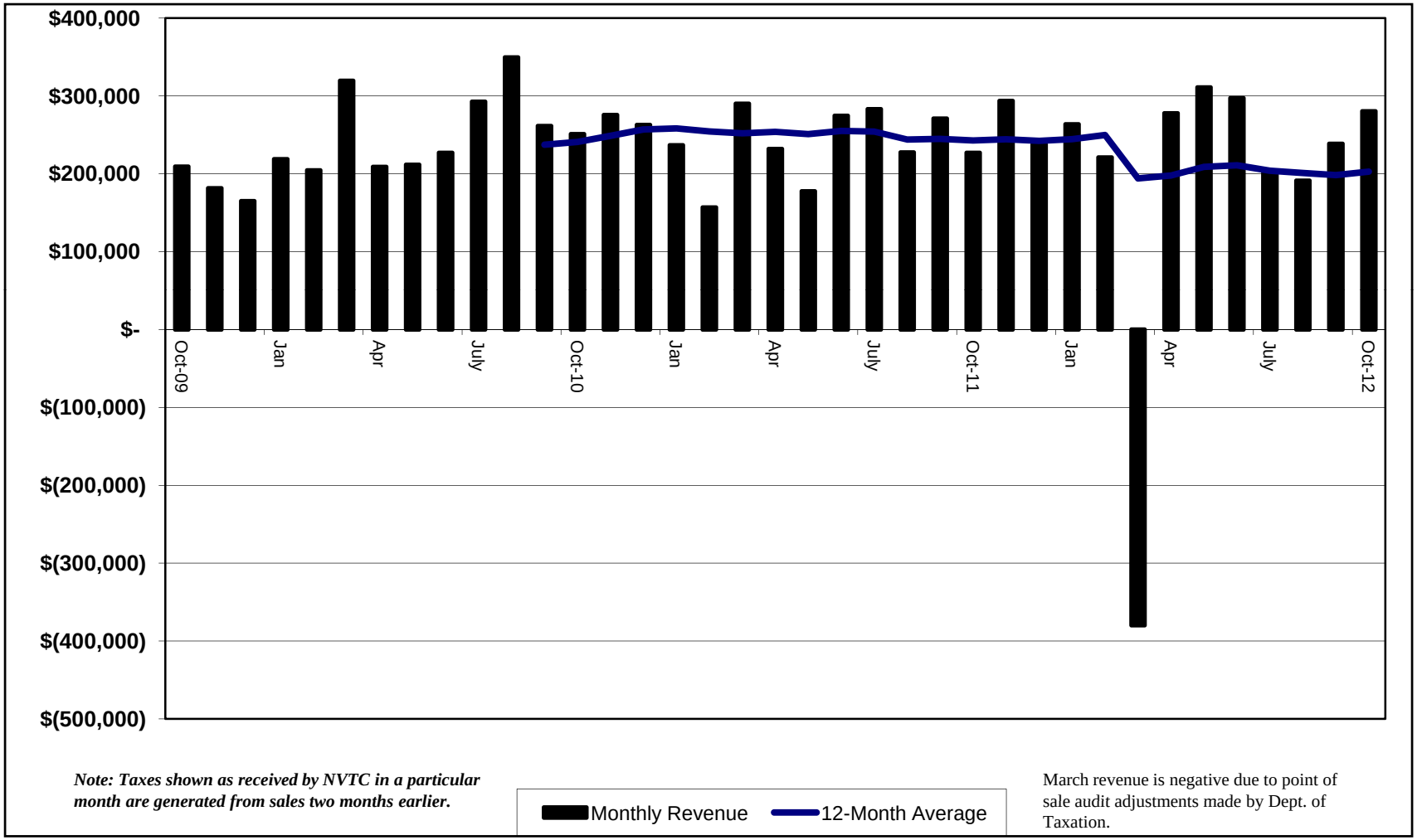

***Note: Taxes shown as received by NVTC in a particular month are generated from sales two months earlier.***

# NVTC MONTHLY GAS TAX REVENUE
# FAIRFAX COUNTY
# FISCAL YEARS 2010-2013




***Note: Taxes shown as received by NVTC in a particular month are generated from sales two months earlier.***

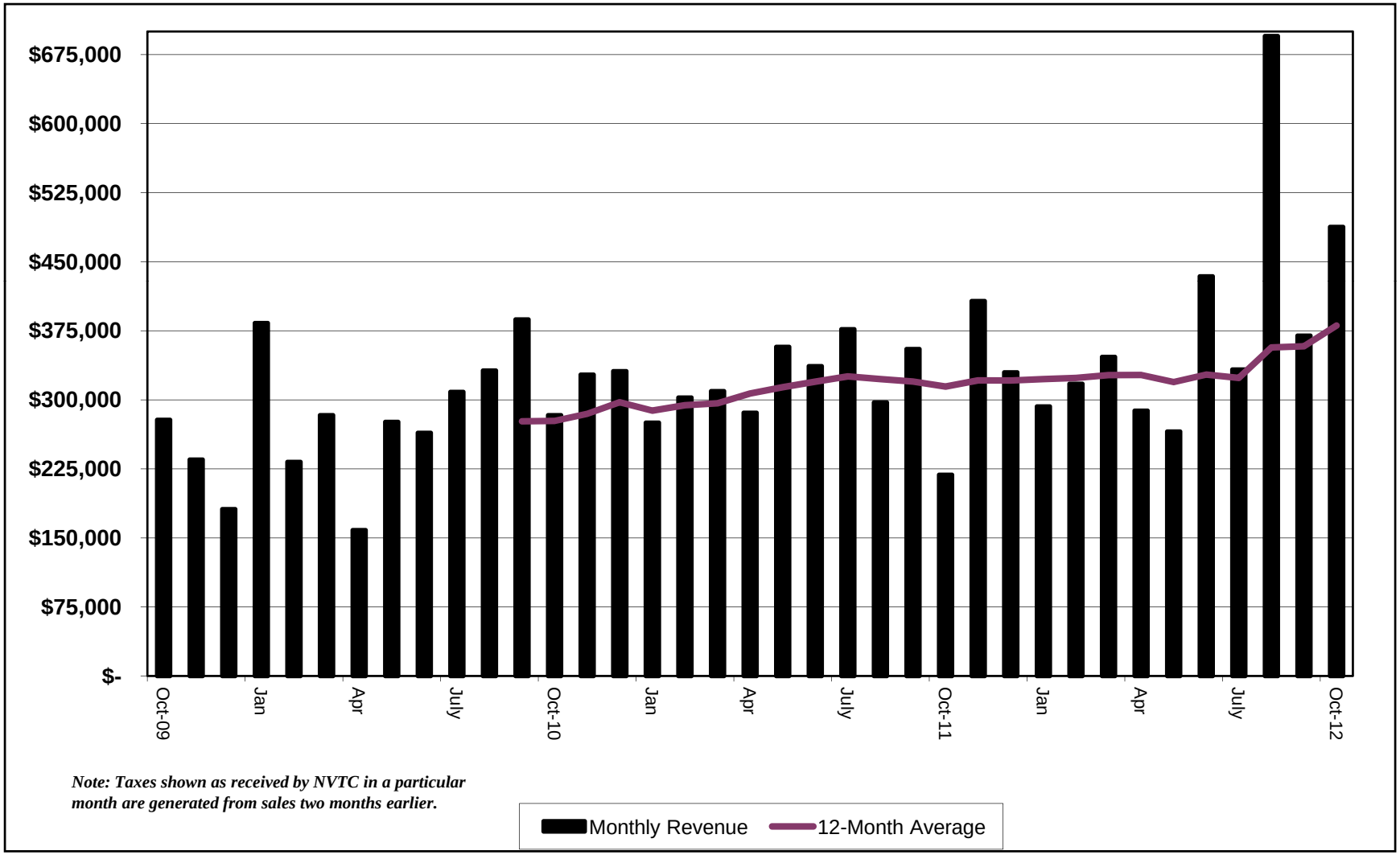
# NVTC MONTHLY GAS TAX REVENUE
# CITY OF ALEXANDRIA
# FISCAL YEARS 2010-2013




***Note: Taxes shown as received by NVTC in a particular month are generated from sales two months earlier.***

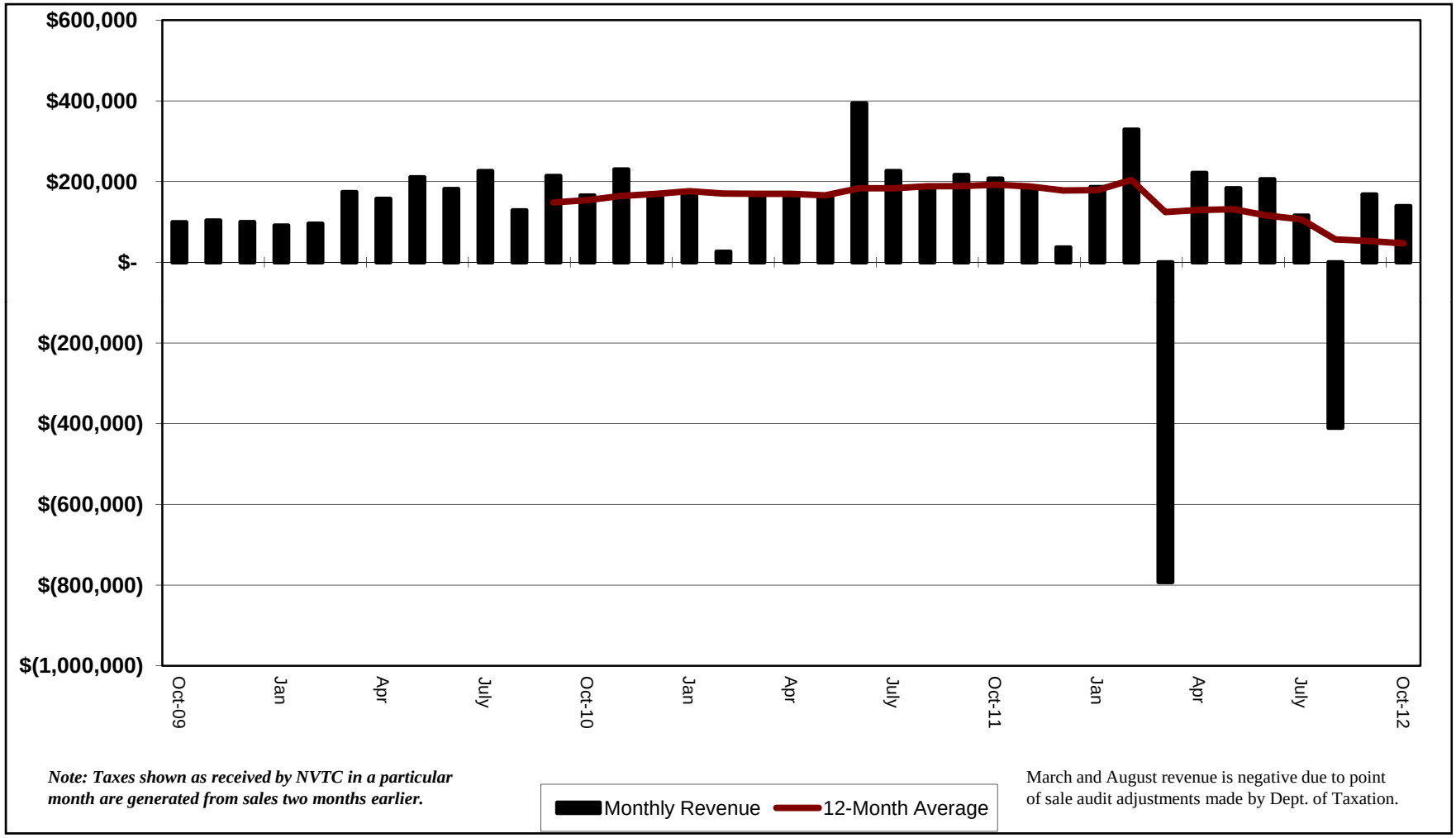
March revenue is negative due to point of sale audit adjustments made by Dept. of Taxation.

# NVTC MONTHLY GAS TAX REVENUE
# ARLINGTON COUNTY
# FISCAL YEARS 2010-2013




***Note: Taxes shown as received by NVTC in a particular month are generated from sales two months earlier.***

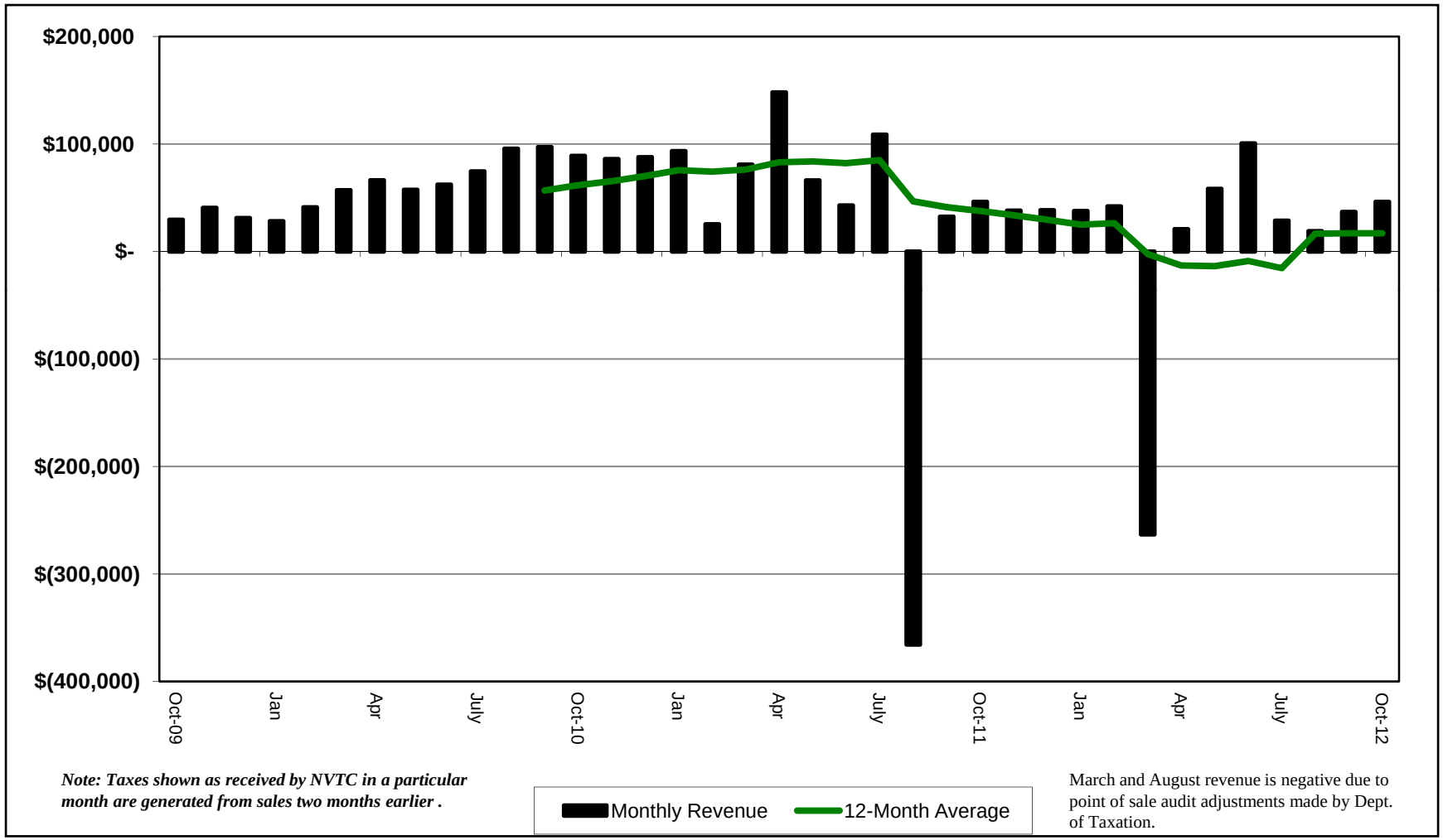
# NVTC MONTHLY GAS TAX REVENUE
# CITY OF FAIRFAX
# FISCAL YEARS 2010-2013




***Note: Taxes shown as received by NVTC in a particular month are generated from sales two months earlier.***

March and August revenue is negative due to point of sale audit adjustments made by Dept. of Taxation.

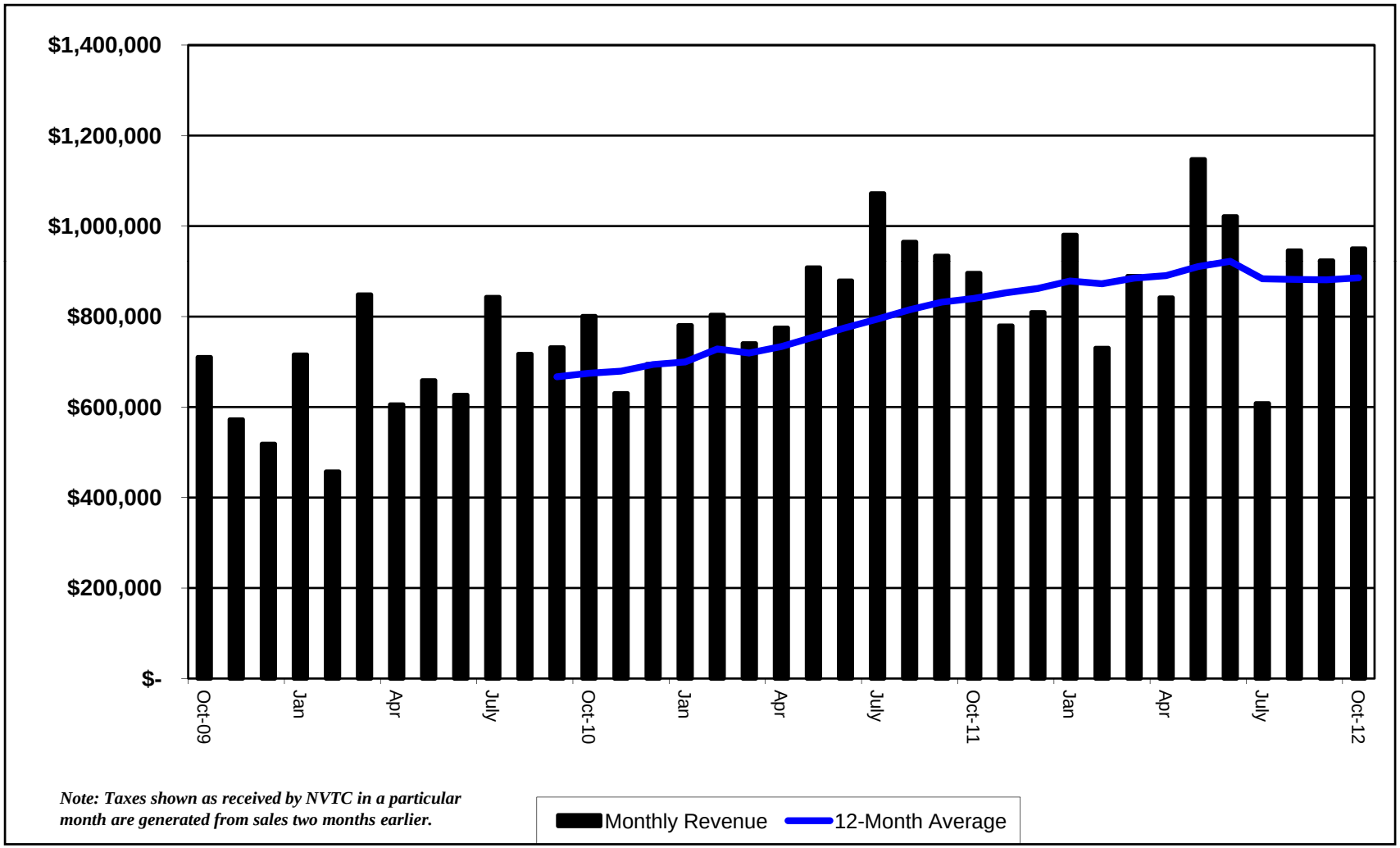
# NVTC MONTHLY GAS TAX REVENUE
# CITY OF FALLS CHURCH
# FISCAL YEARS 2010-2013




***Note: Taxes shown as received by NVTC in a particular month are generated from sales two months earlier .***

March and August revenue is negative due to point of sale audit adjustments made by Dept. of Taxation.

# NVTC MONTHLY GAS TAX REVENUE
# LOUDOUN COUNTY
# FISCAL YEARS 2010-2013




***Note: Taxes shown as received by NVTC in a particular month are generated from sales two months earlier.***

Northern Virginia Transportation Commission

AGENDA ITEM #10

**TO:** Chairman Fisette and NVTC Commissioners

**FROM:** Rick Taube

**DATE:** November 29 2012

**SUBJECT:** NVTC's Meeting Schedule for 2013

---

A table is attached showing the proposed NVTC meeting schedule for 2013. NVTC meets on the first Thursday of every month except August. For 2013, two other exceptions are proposed.

1. NVTC has been conducting its February meeting jointly in Richmond with NVTA for the past several years during General Assembly sessions. Those meetings occur on VML/VACO's Local Government Day. This year Local Government Day is scheduled for January 31, 2013. Accordingly, NVTC's February meeting should be rescheduled for January 31, 2013.

2. The first Thursday of July falls on the fourth. It is proposed that NVTC's July meeting should be held on July 11, 2013.

AWARD WINNER NVTC APTA 1996

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**2013 NVTC Meeting Schedule**

[Meetings start at 8:00 P.M.]

| MONTH | DATE | AGENDA |
|---|---|---|
| January | 3 | Elect officers. Select WMATA and VRE Board members, VTA representatives and NVTC Legislative Committee members. Approve FY 2014 VRE budget. Approve NVTC FY 2014 budget. |
| January | 31* | Meeting in Richmond on VML/VACO Local Government Day. Review progress on state and federal legislative agenda. Approve VRE state grant applications. |
| March | 7 | Review progress on state and federal legislative agenda. |
| April | 4 | Review progress on WMATA budget for FY 2014. |
| May | 2 | Approve comments on WMATA FY 2014 budget. Approve comments on draft CTB Six-Year Program. |
| June | 6 | Focus on regional transit performance. |
| July | 11** | Review mid-year progress on NVTC work program. Approve DRPT FY '14 VRE grant agreements. |
| August | | No Meeting. |
| September | 5 | Forward preliminary NVTC FY 2015 budget to local jurisdictions. |
| October | 3 | Review quarterly progress on NVTC's work program. Approve CTB pre-allocation testimony. |
| November | 7 | Approve FY 2013 NVTC and VRE audits. |
| December | 5 | Select NVTC Nominating Committee for 2014 officers. Approve legislative agenda for 2014. Review progress on 2013 work program and release draft 2014 work program for public review and comment. |

*Joint meeting with NVTA in the General Assembly building in Richmond starting at 5:30 p.m.
**Special meeting date due to July 4th holiday.

Northern Virginia Transportation Commission

AGENDA ITEM #11

**TO:** Chairman Fisette and NVTC Commissioners

**FROM:** Rick Taube

**DATE:** November 29, 2012

**SUBJECT:** Closed Session

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I. To Convene a Closed Meeting

Make the following motion and take an affirmative recorded vote in an open meeting:

> I move that the Northern Virginia Transportation Commission convene a closed meeting, as authorized by Virginia Code section 2.2-3711.A. 1, for the purpose of discussing a personnel matter.

II. To Reconvene in an Open Meeting

Make the following motion and take a roll call or other recorded vote immediately after the closed meeting, upon reconvening in an open meeting:

> I move that the members of the Northern Virginia Transportation Commission certify: (1) that only public business matters lawfully exempted from open meeting requirements under Chapter 37, Title 2.2 of the Code of Virginia; and (2) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered by the Commission.

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