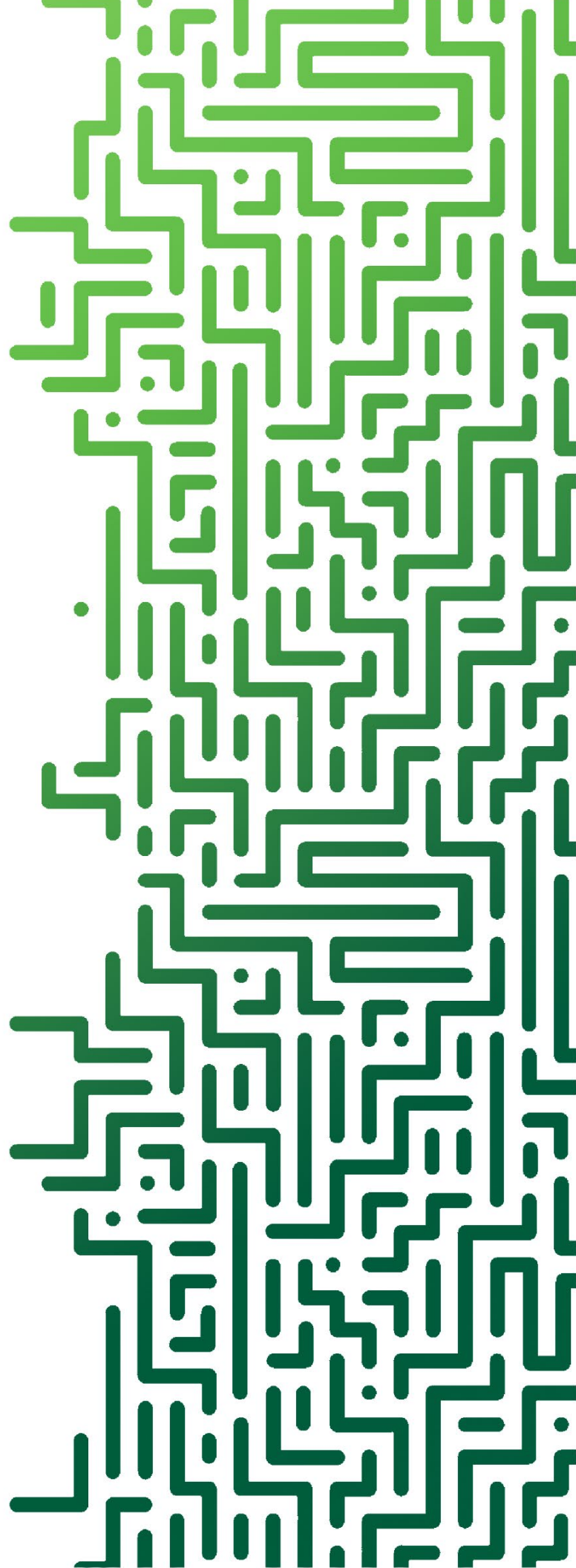




Commission Meeting Materials

December 7, 2023

NoVaTransit.org | @NoVaTransit
2300 Wilson Boulevard, Suite 230
Arlington, VA 22201
(703) 524-3322



Meeting Overview

NVTC’s December 7, 2023 meeting will be an in-person meeting. It can also be viewed via the [NVTC YouTube Link](#).

Action Items

- NVTC’s 2023 Report on the Performance and Condition of WMATA and Resolution Regarding NVTC’s Near-Term Priorities for WMATA Funding
- NVTC and VRE 2024 Legislative Agendas
- NVTC and VRE Financial Audits
- VRE Applications to the I-66 Commuter Choice Program

Other Meeting Highlights

- Recognition of Departing Commissioners
- SMART SCALE Presentation by the Office of Intermodal Planning and Investment (invited)
- Report from NVTC’s Auditors
- NVTC FY 2025 G&A Administrative Budget and 2024-2025 Work Plan
- Report from the Chair of the Legislative and Policy Committee
- Reports from the Virginia WMATA Board Members, VRE CEO and DRPT Director
- Closed Session: VRE CEO and VRE General Counsel Performance Reviews

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**NVTC COMMISSION MEETING
THURSDAY, DECEMBER 7, 2023
MAIN FLOOR CONFERENCE ROOM
2300 Wilson Blvd., Arlington, VA 22201
[Public Streaming Via YouTube](#)
7:00 p.m.**

AGENDA

5:15 p.m. Boxed Dinners Available for Commissioners Only
5:30 p.m. Executive Committee – NVTC Suite #230 Conference Room
7:00 p.m. Commission Meeting – First Floor Large Conference Room ([public streaming](#))

*NVTC is also receiving written general public comments. **The deadline for written public comments is 3:00 p.m., Thursday, December 7, 2023 via [NVTC's website](#).** Comments will be provided to Commissioners prior to the December 7 meeting.*

- 1. Opening Remarks**
 - **ACTION: Approve Commissioners Participating Electronically**
 - General Public Comments Received
- 2. ACTION: Approve the Minutes of the November 2, 2023 NVTC Meeting**
- 3. Recognition of Departing Commissioners**
 - A. ACTION: Approve a Resolution Commending the Honorable John Foust on His Departure from NVTC**
 - B. ACTION: Approve a Resolution Commending the Honorable John Bell on His Departure from NVTC**
 - C. ACTION: Approve a Resolution Commending Nick Clemente on His Departure from NVTC**
- 4. SMART SCALE Presentation by the Office of Intermodal Planning and Investment (invited)**
- 5. NVTC's FY 2023 Audited Financial Statements and Compliance Reports**
 - A. Report from NVTC's Auditors**
 - B. ACTION: Accept and Authorize Distribution of NVTC's FY 2023 Audited Financial Statements and Compliance Reports**

6. NVTC FY 2025 General and Administrative Budget and 2024-2025 Work Plan

7. Washington Metropolitan Area Transit Authority (WMATA)

- A. Report from the Virginia WMATA Board Members
- B. **Report from the Chair of the NVTC WMATA Committee**
 - **ACTION: Authorize the Executive Director to Send NVTC's 2023 Report on the Performance and Condition of WMATA to the Governor and the General Assembly**
 - **ACTION: Approve Resolution #2523: Affirm NVTC's Near-Term Priorities for WMATA Funding**
- C. Other WMATA News

8. Report from the Chair of the Legislative and Policy Committee

- A. **ACTION: Approve the NVTC 2024 Legislative and Policy Agenda**
- B. General Assembly State of Play
- C. Annual Joint NVTC-PRTC-VRE Legislative Forum Recap

9. Virginia Railway Express (VRE)

- A. VRE CEO Report and Minutes
- B. **ACTION: Approve Resolution #2524: Approve the VRE 2024 Legislative Agenda**
- C. **ACTION: Approve Resolution #2525: Accept and Authorize Distribution of VRE's FY 2023 Annual Comprehensive Financial Report**
- D. **ACTION: Approve Resolution #2526: Authorize the VRE CEO to Submit, on Behalf of the Commissions, VRE Applications to the I-66 Commuter Choice FY 2025-2026 Program**
- E. VRE Policy for 360-Degree Assessment of the Chief Executive Officer

10. Department of Rail and Public Transportation (DRPT)

11. Executive Director Report

- A. Executive Director Newsletter
- B. NVTC Financial Report

12. Closed Session

MINUTES
NVTC COMMISSION MEETING –NOVEMBER 2, 2023
FIRST FLOOR LARGE CONFERENCE ROOM – 2300 WILSON BLVD.
ARLINGTON, VIRGINIA

The meeting of the Northern Virginia Transportation Commission was called to order by Chair Palchik at 7:15 p.m.

Members Present

Canek Aguirre
Walter Alcorn
Sarah Bagley
Matt de Ferranti
Adam Ebbin
John Foust
Libby Garvey
Aimee S. Gilroy
Takis Karantonis
Joseph Kornhoff
Dalia Palchik
Catherine Read
M. David Skiles
Paul Smedberg
David Snyder
John C. Tuck III
James Walkinshaw

Members Not Present

John J. Bell
Matt Letourneau
Jeff McKay
Mike Turner

Staff Present

Kate Mattice, Executive Director
Monique Blyther
Genoveva Cutrell
Matt Friedman
Allan Fye
Rhonda Gilchrest
Adam Hager
Xavier Harmony
Scott Kalkwarf
Ann McGrane
Tenley O'Hara

Ben Owen
Noman Sayed
Vikram Sinha
Sophie Spiliotopoulos
Melissa Walker
Aimee Perron Siebert (*via electronic participation*)
Rich Dalton (VRE)
Steve MacIsaac (VRE)
Joe Swartz (VRE)
Mary Hynes (CTB)

Opening Remarks

Chair Palchik welcomed everyone to the November 2, 2023 NVTC meeting and noted that the meeting is being livestreamed for the public on YouTube. Board Administrator Rhonda Gilchrest confirmed an in-person quorum was present.

Chair Palchik welcomed new Commissioner Joseph Kornhoff, who has been appointed by the Speaker of the Virginia House of Delegates to replace Nick Clemente on NVTC.

Ms. Mattice stated that NVTC received two public comments this month, which were provided to Commissioners prior to the meeting. The People Before Cars Coalition and the Virginians for High Speed Rail wrote a joint letter supporting VRE's proposed Saturday service. Also, the Coalition for Smarter Growth wrote to support NVTC's proposed legislative agenda as presented, provide comments on SMART SCALE, and shared support for NVTC's proposed direction with regards to WMATA near-term issues and long-term funding solutions.

Oath of Office for New Commissioner

Chair Palchik again welcomed Mr. Kornhoff, who has been appointed to NVTC by the Speaker of the House of Delegates to replace Nick Clemente. Chair Palchik administered the ceremonial oath of office. Commissioners welcomed Mr. Kornhoff to NVTC. (Mr. Kornhoff's official oath of office was administered prior to the meeting by the board administrator.)

Minutes of the October 5, 2023 NVTC Meeting

Mr. Foust moved, with a second by Ms. Read, to approve the Minutes of the October 5, 2023 NVTC Meeting. The vote in favor was cast by Commissioners Alcorn, Bagley, de Ferranti, Ebbin, Foust, Garvey, Karantonis, Palchik, Skiles, Smedberg, Tuck and Walkinshaw. Commissioners Aguirre, Gilroy, Kornhoff, Read and Snyder abstained. The motion passed.

Consent Agenda

Chair Palchik stated that there are two actions on the Consent Agenda:

- A. Approve NVTC 2024 Meeting Schedule
- B. Approve Resolutions #2506 – #2522 to Ratify and Readopt Resolutions and Actions, which includes the following:
 - Resolution #2506: Ratify and Readopt Resolution #2412 "Authorize the Acting VRE CEO to Execute an Agreement with Amtrak for Access and Storage at Washington Union Terminal"
 - Resolution #2507: Ratify and Readopt Resolution #2415 "Authorize the Acting VRE CEO to Amend the Agreement with the City of Manassas for the Operation and Maintenance of the Manassas Parking Facility"

- Resolution #2508: Ratify and Readopt the Motion “Authorize the Executive Director to Sign the DRPT Master Agreement”
- Resolution #2509: Ratify and Readopt Resolution #2418 “Appointment of VRE Chief Executive Officer”
- Resolution #2510: Ratify and Readopt Resolution #2420 “Approve I-66 Commuter Choice Initial Round Four (FY2021) Program of Projects for Submission to CTB and Authorize Executive Director to Execute Standard Project Agreements”
- Resolution #2511: Ratify and Readopt Resolution #2424 “Approve Policy Changes Governing the Commuter Choice Program in Both Corridors, I-66 Inside the Beltway and I-395/95”
- Resolution #2512: Ratify and Readopt Resolution #2425: Adopt the Technical Evaluation Process for the Commuter Choice on the I-395/95 Corridor Program and Authorize the Executive Director to Issue a Call for Projects for I-395/95 Corridor Round Two (FY 2022-FY 2023)
- Resolution #2513: Ratify and Readopt Resolution #2429 “Approve an Agreement with City of Manassas Park for Design, Construction, Operations and Maintenance of Parking Garage at VRE Manassas Park Station”
- Resolution #2514: Ratify and Readopt Resolution #2430 “Authorize the VRE CEO to Execute an Agreement with the Virginia Passenger Rail Authority (VPR), or Alternatively the Department of Rail and Public Transportation for Later Assignment to the VPR, for Passenger Rail Operations and Access”
- Resolution #2515: Ratify and Readopt Resolution #2431 “Authorize the VRE CEO to Execute an Agreement with the Virginia Passenger Rail Authority (VPR), or Alternatively the Department of Rail and Public Transportation for Later Assignment to the VPR, for Passenger Rail Improvements and Funding”
- Resolution #2516: Ratify and Readopt Motion Approving a Limited Waiver of the Conflict for McGuire Woods, LLP
- Resolution #2517: Ratify and Readopt Resolution #2443 “Approve the Third Amended and Restated Memorandum of Agreement to the MOA of the Transform 66: Inside the Beltway Project”
- Resolution #2518: Ratify and Readopt Resolution #2444 “Authorize the VRE CEO to Execute the Amended and Restated Operating/Access Agreement and the Master Lease Agreement with CSX Transportation”
- Resolution #2519: Ratify and Readopt Resolution #2445 “Appointment of VRE General Counsel and Chief Legal Officer”
- Resolution #2520: Ratify and Readopt Resolution #2447 “Approve Commuter Choice in the I-395/95 Corridor Round Two Program of Projects for Submission to the Commonwealth Transportation Board and Authorize the Executive Director to Execute Standard Project Agreements”
- Resolution #2521: Ratify and Readopt Resolution #2450 “Authorize the VRE CEO to Execute a Contract with Alstom Transportation Inc. of New York, New York, for 21 New Passenger Railcars”
- Resolution #2522: Ratify and Readopt Resolution #2451 “Authorize the VRE CEO to Enter into a Right-of-Way Easement Agreement with Rappahannock Electric Cooperative for LOU Facility Electric Service”

Mr. Skiles stated that he would be abstaining from Resolution #2520 but would vote on the package of resolutions as a whole. Mr. Alcorn then moved, with a second by Mr. Karantonis, to approve the Consent Agenda. The vote in favor was cast by Commissioners Aguirre, Alcorn, Bagley, de Ferranti, Ebbin, Foust, Garvey, Gilroy, Karantonis, Kornhoff, Palchik, Skiles (abstained on Resolution #2520), Smedberg, Snyder, Tuck and Walkinshaw. The motion passed. (Copies of the resolutions are attached.)

Washington Metropolitan Area Transit Authority (WMATA)

Chair Palchik asked WMATA Board Chair Paul Smedberg and NVTC's WMATA Committee Chair Walter Alcorn to give their reports.

Report from the Virginia WMATA Board Members. Mr. Smedberg stated that Mr. Letourneau sent his regrets for not being able to attend this meeting due to a meeting conflict in Loudoun County. Mr. Smedberg reported that the Finance and Capital Committee received additional options for consideration as WMATA develops its FY 2025 budget with a focus on options to change service levels and fares in addition to the budget scenarios presented last month. The budget is still in development and will be presented in December followed by several work sessions with the Board and a public comment period in early 2024. The different options that would impact the operating budget levels include changing the frequency of trains, reducing the length of trains from eight to six cars, reducing the hours of Metrorail operations, turning back trains before the end of the lines, and eliminating the lowest productivity bus routes. WMATA staff also presented a concept to reduce the MetroAccess service area to cover only what is federally required by the Americans with Disabilities Act. In addition, WMATA staff presented scenarios for changing the base fares for bus and rail service as well as rates for parking. Mr. Smedberg explained that all these specific options are being considered by the WMATA Board as a part of a larger conversation about how to approach FY 2025 depending on what flexibility is found in Maryland and Virginia regarding a one-year relief to the 3% cap.

Mr. Smedberg stated that the WMATA general manager will need to develop two parallel budgets, with each scenario representing a fundamentally different future for WMATA. The first budget scenario will need to reflect no legislative action on the 3% cap coming out of the 2024 legislative sessions for Maryland and Virginia. For this budget, WMATA will need to advertise and prepare for catastrophic service cuts and layoffs to balance the budget. The second budget scenario will be able to show more targeted service and fare changes in the event legislative actions are successful on a one-year relief to the 3% cap. Both scenarios will incorporate the \$145 million in one-time savings and cost efficiencies as well as the latest ridership projections.

Mr. Smedberg also announced that WMATA celebrated the opening of Metro's new nerve center, the Integrated Command and Communications Center (MICC). The new 14-story building, located near the Eisenhower Avenue Metrorail Station, will support more than 1,400 employees, and serve as a technology hub. In addition to the MICC, the building will be home to the data center, cybersecurity operations, bus and rail video teams, communications, and administrative support.

Mr. Smedberg also reported that earlier this week, WMATA “flipped the switch” on a new solar carport on the top of the parking garage at the Anacostia Metrorail Station, providing clean energy for homes across the region and new parking and security improvements for customers. This is the first of two DC Metrorail station parking areas that will be equipped with solar photovoltaic (PV) panels. For this project, WMATA leveraged private investments as well as economic and energy policies within the District of Columbia to make it happen.

Mr. Smedberg stated that ridership also continues to grow. Last week, WMATA reached a post-pandemic high with over four million weekday combined trips. October 25 was a new day high with 854,000 combined bus and rail and a new Metrorail high of 412,000 riders. Metrorail also just had its second highest ridership weekend since the pandemic.

Mr. de Ferranti asked about the different budget scenarios and noted that some are preferable. The region needs to start the budget conversation, especially about scenarios 2 and 3. Mr. Smedberg stated that more budget details will be provided soon to the jurisdictions. WMATA staff are working hard to address all the concerns and comments from the jurisdictions. Mr. de Ferranti stated that the jurisdictions need to step up regarding their local contributions, but it shouldn’t be just a local solution. Failure is not an option. There needs to be state and federal funding solutions. Mr. Smedberg stated that the business community also needs to be engaged.

In response to Mr. Alcorn’s question about timing, Mr. Smedberg stated that more details will be available soon and the general manager presents his budget to the WMATA Board in mid-December.

Report from the Chair of the NVTC WMATA Committee. NVTC WMATA Committee Chair Alcorn reported that the committee met on October 19 in a joint meeting with the Legislative and Policy Committee. Both the Annual Report on Performance and Condition of WMATA and the NVTC 2024 Legislative Agenda were discussed at the meeting and are being presented tonight so that the Commission can provide staff with feedback prior to requested action next month. He asked Mr. D’huyvetter to walk through the staff findings and recommendations of the annual report.

Mr. D’huyvetter gave an overview of the draft Annual Report on the Performance and Condition of WMATA. He reminded Commissioners that Virginia’s 2018 transit funding legislation, which created dedicated capital funding for WMATA, also required NVTC to produce an Annual Report of the Performance and Condition of WMATA to be sent to the governor and General Assembly. The report must include strategies to reduce the growth in costs and improve efficiency at WMATA uses of the dedication capital funding, and reporting on financial, safety and performance data. The WMATA Committee provided guidance to staff on key policy priorities. This year’s report integrates the recommendations of the Metro Operating Funding and Reform Working Group.

Mr. D’huyvetter reviewed the structure of the proposed recommendations which are divided into near-term and long-term. The long-term solutions for WMATA will take coordinated action between the WMATA, the region, NVTC, local jurisdictions and the Commonwealth. A common theme of all these recommendations is predictability – funding jurisdictions want predictability in their subsidies; WMATA wants predictability in its short- and long-term funding; and riders

want predictability in their rail, bus and paratransit service. Mr. D’huyvetter reviewed the recommendations:

Short-Term Recommendations:

1. Seek administrative or legislative opportunities to permit WMATA to re-baseline its annual subsidy to Virginia (and Maryland) in FY 2025.
2. Return federal workers to the office and secure a replacement for the region’s loss in fares from riders using federal transit benefits.
3. Seek additional state aid to match local funding while continuing to work on a long-term solution.

Long-Term Recommendations:

1. Manage labor cost escalation through reforms to pension and other post-employment benefits (OPEB).
2. Seek amendments to the federal Wolf Act that would require consideration of WMATAs fiscal condition and jurisdictions’ ability to pay in binding arbitration.
3. Establish a revised Virginia and Maryland legislative operating assistance growth cap that addresses the unintended consequences of the current cap.
4. Improve farebox recovery by raising fares for Metrorail and Metrobus.
5. Formalize the functions and scope of a WMATA Board audit committee to enhance oversight via a coordinated jurisdictional audit.
6. Secure one or more sustainable and reliable sources of dedicated revenues to support additional operating funding.
7. Establish a rainy-day fund at WMATA.
8. Secure one or more sustainable and reliable sources of dedicated revenues to support additional capital funding.
9. Sustain NVTC’s technical, policy, financial and legislative efforts to support the implementation of recommendations.

Mr. D’huyvetter stated that staff will continue to provide the Commission with updates and examples of WMATA’s ongoing efforts and accomplishments around mitigating fare evasion, enhancing security, redesigning the bus network and bus formula, improving transparency, and finding cost savings. Next steps include Commission action at the December meeting with the report submission deadline of December 15 to the governor and General Assembly. Throughout the next year, staff will explore how the working group and/or consultant support could continue in 2024 to address emerging topics.

Mr. Alcorn recognized the hard work of Mr. D’huyvetter and the team. The WMATA Committee was also actively involved in the process. There is good substance in the report and a good baseline for future conversations in the region. Chair Palchik also thanked the entire team, including jurisdictional staff, who worked on this report. She then asked for comments or questions from Commissioners.

Mr. Skiles asked what the recommendation is for changing the 3% cap. Mr. D’huyvetter explained that the report recommendation is high-level so there is no specific percentage ask. NVTC’s 2020 Report on the 3% Cap found that the cap was useful and recommended keeping the cap for five years and then reevaluating it. There is a disconnect between how much jurisdictions pay in

subsidy and how much service they receive, which is an unintended consequence of the 3% cap. Mr. Skiles asked if Maryland has indicated their position on the 3% cap. Mr. D’huyvetter replied that staff is in active communication with Maryland staff and they are interested in Virginia’s perspective. Mr. Smedberg stated that a one-year suspension of the 3% cap would help to recalculate the baseline, but then a long-term solution needs to be identified. Mr. Skiles also asked about farebox recovery in relation to farebox enforcement. Mr. Smedberg stated that enforcement has improved, and he offered for WMATA staff to provide more fare evasion statistics to Commissioners. Mr. D’huyvetter stated that staff can also send the link to the data portal on WMATA’s website that has comprehensive information about farebox recovery and fare evasion statistics.

Mr. Alcorn stated that there is a correlation between the amount of deferred preventative maintenance (PM) and how much the jurisdictions’ share will need to be. There are short-term and long-term consequences for both. Mr. Smedberg stated that the preventative maintenance proposal is a one-time proposal, as no one wants WMATA back to where it was six years ago. WMATA has basically rebuilt the system and made great strides to reduce the state of good repair backlog. However, to alleviate the short-term pressure on the jurisdictions’ contributions, the PM proposal is being considered. WMATA will continue essential state of good repair work and regular maintenance projects regardless. Chair Palchik stated that deferring PM is not a sustainable solution and why it is so critical to consider re-baselining. Mr. Smedberg stated that this is just the beginning of the discussion since a long-term solution is needed. Mr. Skiles stated that if there is going to be a General Assembly request to change the 3% cap, then it is important to provide quantitative and qualitative data to them. Chair Palchik stated that it is critical to understand that without relief from the legislative 3% cap requirement, 35% of the jurisdictions’ state aid will be in jeopardy.

Mr. Karantonis stated that this is an important discussion. There needs to be a temporary solution, as well as a long-term one, to guarantee WMATA’s survival. There are many ways to improve farebox recovery and the best way is to increase ridership. That happens with good service. Regarding raising fares, he stated that increasing fares has an inherent problem of potentially losing ridership. Chair Palchik asked if WMATA is looking at metrics on the impacts of fare changes. Mr. D’huyvetter responded that traditionally there is ridership loss when fares increase. WMATA has ways to address some of the equity concerns through a variety of fare passes that benefit low-income, senior and student riders. In response to a question from Ms. Garvey, Mr. Smedberg stated that both the District and Maryland have some of the same financial challenges as Virginia. Mr. Snyder asked for a deeper dive into the different budget scenarios and if there is a way for the region to come together and look at the trade offs of the scenarios. He also associated with Mr. Skiles’ comment and agreed that the sooner potential changes to the cap are quantified the better. Mr. Alcorn stated that the staff will work to schedule a WMATA Committee meeting. Mr. D’huyvetter also noted that staff are engaged at the jurisdictional level and work closely with them. Mr. Smedberg cautioned that none of the budget scenarios are good. This would have happened in a few years, but the pandemic has sped it up. It is a real problem. He also noted that a long-term capital funding source needs to be identified too.

Chair Palchik thanked the whole team. She noted that these recommendations are timely and asked the executive director to speak to how this effort fits into the bigger picture. Ms. Mattice

reported that staff are working daily with jurisdictional staff to understand the WMATA budget and the resources available to the jurisdictions. That information is being provided to the chief administrative officers (CAOs) of all the localities, and they in turn are meeting with the other CAOs in the District and Maryland through the Washington Metropolitan Council of Governments (COG). There are many active discussions going on regarding WMATA's budget.

Ms. Mattice stated that there is active engagement with the business community, boards of trade, chambers of commerce, and other stakeholders. She recognized jurisdictional staff for all their hard work on this. Chair Palchik stated that rumor has it that the NVTC team is really the "go to" team for analysis on WMATA. She reminded Commissioners that the final Annual Report on the Performance and Condition of WMATA will be back brought back for Commission action at the December meeting.

Report from the Chair of the Legislative and Policy Committee

Chair Palchik introduced NVTC's Legislative and Policy Committee Chair Canek Aguirre to give an update on NVTC's Legislative Agenda for next year. Mr. Aguirre reported that at the joint WMATA and Legislative Committee meeting on October 19 the committees discussed legislative recommendations for WMATA funding and considered them as a part of the larger 2024 Legislative and Policy Agenda. They also discussed proposed changes to the SMART SCALE program. He noted that Mary Hynes, a member of the Commonwealth Transportation Board (CTB) and former NVTC Commissioner, is present to speak to some of the proposed changes. The Commission will then consider action on a letter commenting on these changes.

Ms. Mattice stated that the proposed 2024 NVTC Legislative and Policy Agenda provides guidance to staff on areas that they can work with legislators – both at the state and federal level. It is intentionally broad to cover unanticipated actions that could occur during the legislative session. She reviewed the proposed state and federal legislative priorities for 2024:

Proposed State-Level Priorities:

- Advocate for long-term, sustainable, dedicated funding to ensure WMATA, VRE and all Northern Virginia transit systems meet the growing needs of public transit in the region.
- Seek administrative or legislative opportunities to permit WMATA to re-baseline its annual operating subsidy in FY 2025 to Virginia to reflect the impact of COVID-19 pandemic on the transit system without financially penalizing NVTC localities.
- Protect state funding of public transit in Northern Virginia and ensure sustainable growth in the Commonwealth Transportation Fund.
- Protect existing NVTC autonomy, programs and funding sources.
- Continue support for state investment in Transforming Rail in Virginia and other passenger rail initiatives.
- Preserve transit's ability to effectively compete within the SMART SCALE program.
- Restore full revenue levels to the Northern Virginia Transportation Authority.

- Support funding for development and implementation of transit innovations including transit signal priority, zero and low-emission public transit, and fare payment technologies.

Speaking to Mr. Skiles' earlier comment about the 3% cap, Ms. Mattice stated that the Legislative and Policy Agenda includes seeking a one-year (FY 2025) re-baseline of WMATA's annual operating subsidy without financially penalizing NVTC localities. Any other proposals for permanent changes to the 3% cap would come back for Commission approval.

Mr. Walkinshaw asked if the second bullet under proposed state-level priorities should be changed from "to Virginia" to "from Virginia." He expressed his opinion that seeking re-baselining for FY 2025 makes sense. The 3% is arbitrary and if there is going to be a legislative change, NVTC should advocate for something that is tied to reality, whether a CPI-based number or something else. Inflation rates can be over 3%. In response to a question from Mr. Skiles, Ms. Mattice explained that it is important that Virginia and Maryland are in alignment regarding any change to the cap. Both are interested in some kind of legislative or budget language that would provide relief. Mr. Skiles stated that the sooner there can be a conversation with Maryland the better. It is also important to have quantitative and qualitative data. Mr. Smedberg noted that there have been numerous meetings with Secretary Miller and his staff, Northern Virginia delegation, federal delegation, etc. Mr. Smedberg agreed with Mr. Walkinshaw that the 3% cap is arbitrary. Therein lies the problem with inflation and the increased costs of everything. Mr. de Ferranti suggested an interim conversation to pinpoint possible solutions. Ms. Mattice stated that there is a recognition that there needs to be solid analytical answers so doing a one-year re-baseline gives more time to look at what the cap could be in the future.

Mr. Foust stated that specificity and advocacy is needed for a long-term funding solution. Mr. Ebbin agreed that there needs to be a specific ask to the General Assembly. Chair Palchik stated that to re-baseline for one-year will be the ask, which gives time to continue to seek a long-term solution. WMATA funding issues have been wrong for so long that they won't be fixed in a month. Ms. Mattice provided some information on the work that is being done at the Council of Governments (COG). Mr. Ebbin suggested a regional summit to develop a consensus on how to fund WMATA. Ms. Mattice stated it is her understanding that the COG group will do this. Mr. Alcorn stated that NVTC can look at the impacts to the jurisdictions, such as how it will impact real estate taxes (and other taxes).

Ms. Mattice stated that if the Commission agrees, the NVCT 2024 Legislative and Policy Agenda could include a specific request to seek funding this year to help the jurisdictions with their state-level WMATA funding request. Ms. Garvey stated that it makes sense. Other Commissioners agreed.

Ms. Mattice then reviewed the federal priorities:

Proposed 2024 Federal Priorities:

- Ensure transit systems in Northern Virginia have the maximum access to federal formula and state of good repair funding, matching or exceeding the funding levels authorized in the Infrastructure Investment and Jobs Act.

- Maximize the region's access to federal transportation funding programs and competitive grant opportunities.
- Recognizing the importance of public transit in accessing federal agencies and facilities, identify and secure federal long-term capital and operating funding opportunities that benefit our local transit systems, including WMATA and VRE.
- Encourage federal return-to-office policies that encourage transit use throughout the work week.
- Continue support for commuter tax benefits for both the private and public sector.

At the request of Mr. Aguirre, Ms. Mattice gave some information on NVTC's active engagement with members of the business community as well as key stakeholders, with a big focus on the Joint Annual Legislative Forum on December 1. She stated that at the suggestion of Senator Ebbin, NVTC will be sharing the findings of the Value of Transit to the Commonwealth study in several publications that are used by members of the General Assembly. Staff also plan to conduct targeted social media marketing and work with members of the business community to write letters to the editor in key publications outside of Northern Virginia. She also announced that the February 1 Commission meeting will be in Richmond which will be followed by a legislative reception to meet with legislators.

Mr. de Ferranti left the meeting at 8:36 p.m. and did not return.

Proposed Changes to SMART SCALE. Mr. Aguirre stated that the Commonwealth is proposing changes to the evaluation criteria and scoring process used for SMART SCALE, a major statewide multimodal transportation funding program in the Commonwealth. Since the launch of this program, transit has scored very well since public transit supports congestion relief, improves safety, provides huge benefits to the environment, supports economic development and fosters smart land use. This year, the Commonwealth is proposing to change how the different evaluation criteria within SMART SCALE will be measured, as well as modify the number and type of applications that can be submitted by localities and regional bodies.

Mr. Aguirre stated that the Commission is being asked to authorize the chair to send comments on these changes with the message that public transit projects and other multimodal projects should continue to be supported by the SMART SCALE program. He then introduced Northern Virginia District CTB member (and former NVTC Commissioner) Mary Hynes to provide an overview of the proposed changes, as well as frame some suggested comments that are reflected in NVTC's proposed letter.

Ms. Hynes gave a high-level overview of the SMART SCALE program and the proposed changes using presentation slides that were presented to the Northern Virginia Transportation Authority in October. SMART SCALE is the state's program that adds capacity to Virginia's roads and transit systems using criteria and metrics to arrive at a ranking of projects. In the last round, about 400 applications were submitted. After reviewing comments and outcomes of five rounds of SMART SCALE, a few key application, programming and funding issues stood out. For the last round, there were 46 applications submitted from the Northern Virginia District. Thirty-two of those were scored and 13 were funded. Of the screened-out applications, six of them were bus rapid

transit (BRT) related projects, which is a concern and one of the reasons for submitting comments.

At the November CTB meeting, proposed changes to the SMART SCALE program were introduced, including capping the number of applications by any jurisdiction over 200,000 residents at five applications (down from the current cap of 10). The recommendations would also redefine “High-Priority” and eliminate “Step 2.” Ms. Hynes stated that both she and CTB Member (At-Large Urban) Scott Kasprovicz think eliminating Step 2 is a good idea. They also think redefining “High-Priority” is also a good idea.

Ms. Hynes explained that the Code of Virginia (33.20370) defines “where” high-priority projects are, which means these are projects of regional or statewide significance, such as projects that reduce congestion or increase safety, accessibility, environmental quality, or economic development. The recommendation is to change the definition to include what type of projects are eligible and to provide more specificity. BRT is not explicitly included. She stated that she is trying to get BRT added as a qualifying project type.

Ms. Hynes then reviewed the outcome/impact for Northern Virginia under the different scenarios using Round 5 applications, including the scenarios with a land use multiplier and the economic development changes. She briefly discussed the impact on bicycle and pedestrian projects under the proposed changes. She also observed that land use has been a very productive category for Northern Virginia. Ms. Hynes stated that in her opinion, up until now, the SMART SCALE process has been fairly balanced where many different modes have been funded and transit projects have done well. But in Scenario G (Final Staff Recommended Scenario) none of the transit projects funded in Round 5 would have been funded.

Ms. Hynes stated that the Commonwealth Transportation Board will be voting on these recommendations at their December 5 meeting. There was a town hall meeting at the end of October and public comments are being accepted through November 15.

Mr. Skiles asked when the draft proposal of changes was put together. Ms. Hynes responded that CTB has been working on the analysis since January. Scenario G (Final Staff Recommendation) was made available to CTB members at 8:30 a.m., a half-hour before the October 17 CTB meeting. Mr. Skiles asked if NVTC invited the Secretary of Transportation’s office or the Office of Intermodal Planning and Investment (OIPI) to present the recommendations to the Commission. Ms. Mattice stated that there was no invitation as these changes were made in between NVTC’s two meetings. Ms. Hynes noted that although she used the Office of the Secretary of Transportation/Virginia Department of Transportation Northern Virginia District’s PowerPoint presentations for her briefing at this meeting, it is her narrative. Chair Palchik stated that jurisdictional staff are doing their own analysis on these recommendations. Mr. Aguirre noted that it is difficult to invite someone who drops changes at the last minute, given that NVTC already had its agenda set for the meeting. He would have appreciated CTB or OIPI staff to have reached out to NVTC to alert the Commission of these changes. Mr. Skiles stated that in general he would agree but stated that it would be helpful to hear both sides and give them an opportunity to present their proposal and the rationale for the changes. In response to a question from Chair Palchik, Ms. Mattice stated that the recommendations were presented to the CTB on October 17 and NVTC staff participated in a briefing on October 31.

In response to Mr. Smedberg, Ms. Hynes stated that there is an issue with towns because the recommendation is to cut applications in half for larger jurisdictions and this will impact towns. There have been discussions of adding language regarding towns. Mr. Walkinshaw stated that currently Fairfax County, with 1.1 million residents, can only submit 10 applications. With no disrespect to other jurisdictions in the 200,000 range, he stated that this is unbalanced as they too can submit 10 applications. He expressed his opinion that this is insulting to Fairfax County residents to go from 10 to five applications. He stated that the letter should point out that the existing cap of 10 applications puts Fairfax and Loudoun Counties at a disadvantage. He agrees with the letter's comments about land use. Ms. Hynes suggested recommending adding another tier. Mr. Walkinshaw stated that another tier would require a complicated discussion given population counts among the jurisdictions, so he suggested the letter point out the existing 10 application cap for larger jurisdictions over 200,000 population puts Northern Virginia at a disadvantage. Mr. Karantonis observed that population is only one variable.

Mr. Skiles stated that he will vote no on sending the letter because he is disappointed that neither the Secretary of Transportation nor OIPI staff were invited to present on the recommendations. He would like to hear from them about why the changes are being proposed.

Mr. Snyder stated that in his opinion the big message is the impact on BRT and bike/ped projects and it is reasonable for NVTC to comment on that. He is willing to move forward on the letter and has no issue with having the Secretary or his staff discuss this more with NVTC. However, there is no time to wait, and it is important to not lose the basic message that Northern Virginia would be generally harmed by these changes, especially BRT projects. Ms. Hynes stated that the deadline for comments is November 15. Chair Palchik suggested adding language to the letter inviting the Secretary or OIPI to engage with the Commission on these changes. Mr. Alcorn asked that Mr. Walkinshaw's concerns be included in the letter. In response to a question from Mr. Smedberg, Ms. Hynes provided more detail about the timing of the process. Ms. Mattice suggested the Commission give the chair authority to send the letter after circulating the updated letter with the changes to Commissioners.

Mr. Ebbin moved, with a second by Ms. Bagley, to authorize the chair to submit comments regarding proposed changes to SMART SCALE, after the final draft of the letter is circulated to Commissioners for review. The vote in favor was cast by Commissioners Aguirre, Alcorn, Bagley, de Ferranti, Ebbin, Foust, Garvey, Gilroy, Karantonis, Kornhoff, Palchik, Smedberg, Snyder, Tuck and Walkinshaw. Mr. Skiles voted no. The motion passed.

Annual Joint NVTC-PRTC-VRE Legislative Forum. Chair Palchik reminded Commissioners to participate in the Joint Legislative Forum on December 1.

Virginia Railway Express (VRE)

Chair Palchik asked VRE CEO Rich Dalton to give his report followed by VRE Operations Board Chair Walkinshaw to present the VRE 2024 Legislative Agenda. There are no VRE action items this month.

VRE CEO Report. Mr. Dalton reported that VRE has seen a slight increase in ridership and system performance over the last month. He encouraged Commissioners to read his CEO Report.

VRE Proposed 2024 Legislative Agenda. Mr. Walkinshaw stated that VRE's 2024 Legislative Agenda will serve as a guide for staff and VRE's contracted legislative liaisons during the upcoming General Assembly legislative session. In addition, the Legislative Agenda includes federal legislative and regulatory issues that are relevant to transit and commuter rail in the U.S., and VRE specifically. The full VRE Legislative Agenda is in the meeting materials, but he highlighted a few state priorities:

- Seek Commuter Rail Exemption for Virginia State Tax on Surplus Lines Insurance.
- Educate legislators on VRE's plans for future additional services as part of the Commonwealth's Transforming Rail in Virginia program and the need to find additional sustainable funding for operations.
- Monitor any proposals to create additional transportation authorities that would include VRE jurisdictions.

Mr. Walkinshaw noted that the VRE Legislative Agenda is in alignment with NVTC's Legislative and Policy Agenda. On the topic of funding, he observed that NVTC spends a majority of its time correctly discussing WMATA funding, but it is important to remember VRE also needs a long-term funding solution. While VRE is currently in a good financial position, VRE will have structural issues and challenges moving forward that will require new funding sources. In response to a question from Mr. Foust, Mr. Walkinshaw explained that VRE has been strategically holding on to its pandemic relief funding, which should last for several years.

Department of Rail and Public Transportation (DRPT)

Chair Palchik DRPT Director DeBruhl could not be here tonight but has provided her report in the meetings materials.

Executive Director Report

Ms. Mattice encouraged Commissioners to read her Executive Director Newsletter, which highlights some of NVTC's recent efforts and events. She reminded Commissioners to add NVTC's 2024 meeting dates to their calendars. The February 1 Commission meeting will be held in Richmond followed by a reception with legislators. The July 18 meeting is tentative if needed and would be all virtual (in lieu of July 4). The next Commission meeting is December 7.

Ms. Mattice stated that the September Financial Report was provided in the meeting materials.

Closed Session

Chair Palchik stated that the Commission needs to go into Closed Session for the executive director's annual performance review. She explained that for the benefit of the listening public, the Commission will return to Open Session. The meeting will resume live when NVTC returns to Open Session.

Ms. Garvey left the meeting and did not return.

Mr. Snyder moved, with a second by Mr. Aguirre, the following motion:

"Pursuant to the Virginia Freedom of Information Act, Section 2.2-3711.A.1 of the Code of Virginia, the Northern Virginia Transportation Commission authorizes discussion in Closed Session concerning the executive director's performance evaluation."

The vote in favor was cast by Commissioners Aguirre, Alcorn, Bagley, Ebbin, Foust, Gilroy, Karantonis, Kornhoff, Palchik, Skiles, Smedberg, Snyder, Tuck and Walkinshaw. The motion passed.

The Commission entered into Closed Session at 9:30 p.m. and returned to Open Session at 9:40 p.m. The live stream feed was restored for public viewing.

Mr. Snyder moved, with a second by Mr. Foust, the following certification:

The Northern Virginia Transportation Commission certifies that, to the best of each member's knowledge and with no individual member dissenting, at the just concluded Closed Session:

- 1) Only public business matters lawfully exempted from open meeting requirements under the Freedom of Information Act were discussed; and
- 2) Only such public business matters as were identified in the motion by which the closed session was convened were heard, discussed or considered.

The vote in favor was cast by Commissioners Aguirre, Alcorn, Bagley, Ebbin, Foust, Gilroy, Karantonis, Kornhoff, Palchik, Skiles, Smedberg, Snyder, Tuck and Walkinshaw. The motion passed.

Mr. Skiles moved, with a second by Mr. Ebbin, to approve an amendment to the executive director's contract as discussed in Closed Session. The vote in favor was cast by Commissioners Aguirre, Alcorn, Bagley, Ebbin, Foust, Gilroy, Karantonis, Kornhoff, Palchik, Skiles, Smedberg, Snyder, Tuck and Walkinshaw. The motion passed.

Adjournment

Without objection, Chair Palchik adjourned the meeting at 9:43 p.m.

Approved this 7th day of December 2023.

Dalia Palchik
Chair

David F. Snyder
Secretary-Treasurer

RESOLUTION #2506

SUBJECT: Ratify and Readopt Resolution #2412 "Authorize the Acting VRE CEO to Execute an Agreement with Amtrak for Access and Storage at Washington Union Terminal"

WHEREAS: The Northern Virginia Transportation Commission (NVTC) conducted all electronic meetings between May 1, 2020 and July 1, 2021;

WHEREAS: In light of a Virginia Supreme Court decision, actions approved by the Northern Virginia Transportation Commission during the above time frame may be subject to challenge on the grounds the actions were not permitted to be taken in an all-electronic meeting; and

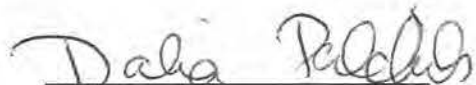
WHEREAS: Without conceding the merits of any such challenge, NVTC has concluded that ratification and reapproval of some actions taken in all-electronic meetings during the above time frame should be ratified and readopted.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission does hereby ratify and readopt Resolution #2412 "Authorize the Acting VRE CEO to Execute an Agreement with Amtrak for Access and Storage at Washington Union Terminal," dated June 4, 2020.

Approved this 2nd day of November 2023.



David F. Snyder
Secretary-Treasurer



Dalia Palchik
Chair

RESOLUTION #2507

SUBJECT: Ratify and Readopt Resolution #2415 "Authorize the Acting VRE CEO to Amend the Agreement with the City of Manassas for the Operation and Maintenance of the Manassas Parking Facility"

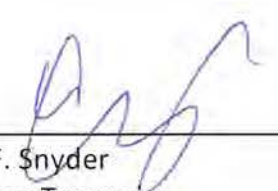
WHEREAS: The Northern Virginia Transportation Commission (NVTC) conducted all electronic meetings between May 1, 2020 and July 1, 2021;

WHEREAS: In light of a Virginia Supreme Court decision, actions approved by the Northern Virginia Transportation Commission during the above time frame may be subject to challenge on the grounds the actions were not permitted to be taken in an all-electronic meeting; and

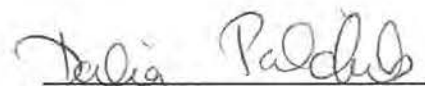
WHEREAS: Without conceding the merits of any such challenge, NVTC has concluded that ratification and reapproval of some actions taken in all-electronic meetings during the above time frame should be ratified and readopted.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission does hereby ratify and readopt Resolution #2415 "Authorize the Acting VRE CEO to Amend the Agreement with the City of Manassas for the Operation and Maintenance of the Manassas Parking Facility," dated June 4, 2020.

Approved this 2nd day of November 2023.



David F. Snyder
Secretary-Treasurer



Dalia Palchik
Chair

RESOLUTION #2508

SUBJECT: Ratify and Readopt Motion "Authorize the Executive Director to Sign the DRPT Master Agreement"

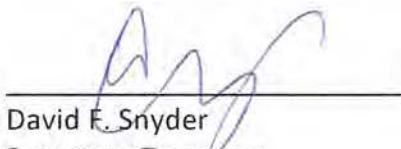
WHEREAS: The Northern Virginia Transportation Commission (NVTC) conducted all electronic meetings between May 1, 2020 and July 1, 2021;

WHEREAS: In light of a Virginia Supreme Court decision, actions approved by the Northern Virginia Transportation Commission during the above time frame may be subject to challenge on the grounds the actions were not permitted to be taken in an all-electronic meeting; and

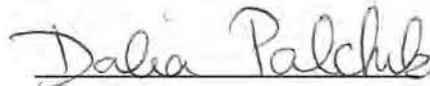
WHEREAS: Without conceding the merits of any such challenge, NVTC has concluded that ratification and reapproval of some actions taken in all-electronic meetings during the above time frame should be ratified and readopted.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission does hereby ratify and readopt the motion "Authorize the Executive Director to Sign the DRPT Master Agreement the Executive Director to Sign the DRPT Master Agreement," approved on July 2, 2020.

Approved this 2nd day of November 2023.



David E. Snyder
Secretary-Treasurer



Dalia Palchik
Chair

RESOLUTION #2509

SUBJECT: Ratify and Readopt Resolution #2418 "Appointment of VRE Chief Executive Officer"

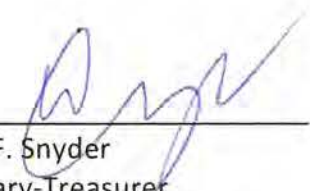
WHEREAS: The Northern Virginia Transportation Commission (NVTC) conducted all electronic meetings between May 1, 2020 and July 1, 2021;

WHEREAS: In light of a Virginia Supreme Court decision, actions approved by the Northern Virginia Transportation Commission during the above time frame may be subject to challenge on the grounds the actions were not permitted to be taken in an all-electronic meeting; and

WHEREAS: Without conceding the merits of any such challenge, NVTC has concluded that ratification and reapproval of some actions taken in all-electronic meetings during the above time frame should be ratified and readopted.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission does hereby ratify and readopt Resolution #2418 "Appointment of VRE Chief Executive Officer," dated September 3, 2020.

Approved this 2nd day of November 2023.



David F. Snyder
Secretary-Treasurer



Dalia Palchik
Chair

RESOLUTION #2510

SUBJECT: Ratify and Readopt Resolution #2420 "Approve I-66 Commuter Choice Initial Round Four (FY 2021) Program of Projects for Submission to CTB and Authorize Executive Director to Execute Standard Project Agreements"

WHEREAS: The Northern Virginia Transportation Commission (NVTC) conducted all electronic meetings between May 1, 2020 and July 1, 2021;

WHEREAS: In light of a Virginia Supreme Court decision, actions approved by the Northern Virginia Transportation Commission during the above time frame may be subject to challenge on the grounds the actions were not permitted to be taken in an all-electronic meeting; and

WHEREAS: Without conceding the merits of any such challenge, NVTC has concluded that ratification and reapproval of some actions taken in all-electronic meetings during the above time frame should be ratified and readopted.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission does hereby ratify and readopt Resolution #2420 "Approve I-66 Commuter Choice Initial Round Four (FY2021) Program of Projects for Submission to CTB and Authorize Executive Director to Execute Standard Project Agreements," dated October 1, 2020.

Approved this 2nd day of November 2023.



David F. Snyder
Secretary-Treasurer



Dalia Palchik
Chair

RESOLUTION #2511

SUBJECT: Ratify and Readopt Resolution #2424 "Approve Policy Changes Governing the Commuter Choice Program in Both Corridors, I-66 Inside the Beltway and I-395/95"


WHEREAS: The Northern Virginia Transportation Commission (NVTC) conducted all electronic meetings between May 1, 2020 and July 1, 2021;

WHEREAS: In light of a Virginia Supreme Court decision, actions approved by the Northern Virginia Transportation Commission during the above time frame may be subject to challenge on the grounds the actions were not permitted to be taken in an all-electronic meeting; and

WHEREAS: Without conceding the merits of any such challenge, NVTC has concluded that ratification and reapproval of some actions taken in all-electronic meetings during the above time frame should be ratified and readopted.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission does hereby ratify and readopt Resolution #2424 "Approve Policy Changes Governing the Commuter Choice Program in Both Corridors, I-66 Inside the Beltway and I-395/95," dated November 5, 2020.

Approved this 2nd day of November 2023.



David F. Snyder
Secretary-Treasurer



Dalia Palchik
Chair

RESOLUTION #2512

SUBJECT: Ratify and Readopt Resolution #2425 "Adopt the Technical Evaluation Process for the Commuter Choice on the I-395/95 Corridor Program and Authorize the Executive Director to Issue a Call for Projects for I-395/95 Corridor Round Two (FY 2022-FY 2023)"

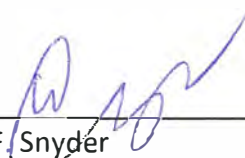
WHEREAS: The Northern Virginia Transportation Commission (NVTC) conducted all electronic meetings between May 1, 2020 and July 1, 2021;

WHEREAS: In light of a Virginia Supreme Court decision, actions approved by the Northern Virginia Transportation Commission during the above time frame may be subject to challenge on the grounds the actions were not permitted to be taken in an all-electronic meeting; and

WHEREAS: Without conceding the merits of any such challenge, NVTC has concluded that ratification and reapproval of some actions taken in all-electronic meetings during the above time frame should be ratified and readopted.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission does hereby ratify and readopt Resolution #2425 "Adopt the Technical Evaluation Process for the Commuter Choice on the I-395/95 Corridor Program and Authorize the Executive Director to Issue a Call for Projects for I-395/95 Corridor Round Two (FY 2022-FY 2023)," dated November 5, 2020.

Approved this 2nd day of November 2023.



David F. Snyder
Secretary-Treasurer



Dalia Palchik
Chair

RESOLUTION #2513

SUBJECT: Ratify and Readopt Resolution #2429 "Approve an Agreement with City of Manassas Park for Design, Construction, Operations and Maintenance of Parking Garage at VRE Manassas Park Station"


WHEREAS: The Northern Virginia Transportation Commission (NVTC) conducted all electronic meetings between May 1, 2020 and July 1, 2021;

WHEREAS: In light of a Virginia Supreme Court decision, actions approved by the Northern Virginia Transportation Commission during the above time frame may be subject to challenge on the grounds the actions were not permitted to be taken in an all-electronic meeting; and

WHEREAS: Without conceding the merits of any such challenge, NVTC has concluded that ratification and reapproval of some actions taken in all-electronic meetings during the above time frame should be ratified and readopted.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission does hereby ratify and readopt Resolution #2429 "Approve an Agreement with City of Manassas Park for Design, Construction, Operations and Maintenance of Parking Garage at VRE Manassas Park Station," dated December 3, 2020.

Approved this 2nd day of November 2023.



Dalia Palchik
Chair



David F. Snyder
Secretary-Treasurer

RESOLUTION #2514

SUBJECT: Ratify and Readopt Resolution #2430 "Authorize the VRE CEO to Execute an Agreement with the Virginia Passenger Rail Authority (VPRA), or Alternatively the Department of Rail and Public Transportation for Later Assignment to the VPRA, for Passenger Rail Operations and Access"

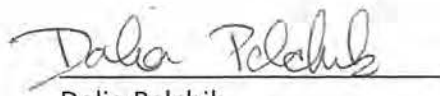
WHEREAS: The Northern Virginia Transportation Commission (NVTC) conducted all electronic meetings between May 1, 2020 and July 1, 2021;

WHEREAS: In light of a Virginia Supreme Court decision, actions approved by the Northern Virginia Transportation Commission during the above time frame may be subject to challenge on the grounds the actions were not permitted to be taken in an all-electronic meeting; and

WHEREAS: Without conceding the merits of any such challenge, NVTC has concluded that ratification and reapproval of some actions taken in all-electronic meetings during the above time frame should be ratified and readopted.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission does hereby ratify and readopt Resolution #2430 "Authorize the VRE CEO to Execute an Agreement with the Virginia Passenger Rail Authority (VPRA), or Alternatively the Department of Rail and Public Transportation for Later Assignment to the VPRA, for Passenger Rail Operations and Access," dated December 3, 2020.

Approved this 2nd day of November 2023.



Dalia Palchik
Chair



David F. Snyder
Secretary-Treasurer

RESOLUTION #2515

SUBJECT: Ratify and Readopt Resolution #2431 "Authorize the VRE CEO to Execute an Agreement with the Virginia Passenger Rail Authority (VPRA), or Alternatively the Department of Rail and Public Transportation for Later Assignment to the VPRA, for Passenger Rail Improvements and Funding"

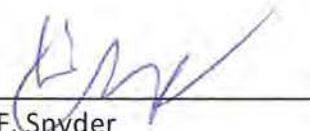
WHEREAS: The Northern Virginia Transportation Commission (NVTC) conducted all electronic meetings between May 1, 2020 and July 1, 2021;

WHEREAS: In light of a Virginia Supreme Court decision, actions approved by the Northern Virginia Transportation Commission during the above time frame may be subject to challenge on the grounds the actions were not permitted to be taken in an all-electronic meeting; and

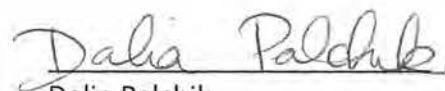
WHEREAS: Without conceding the merits of any such challenge, NVTC has concluded that ratification and reapproval of some actions taken in all-electronic meetings during the above time frame should be ratified and readopted.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission does hereby ratify and readopt Resolution #2431 "Authorize the VRE CEO to Execute an Agreement with the Virginia Passenger Rail Authority (VPRA), or Alternatively the Department of Rail and Public Transportation for Later Assignment to the VPRA, for Passenger Rail Improvements and Funding," dated December 3, 2020.

Approved this 2nd day of November 2023.



David F. Snyder
Secretary-Treasurer



Dalia Palchik
Chair

RESOLUTION #2516

SUBJECT: Ratify and Readopt Motion "Approve a Limited Waiver of the Conflict for McGuire Woods, LLP"

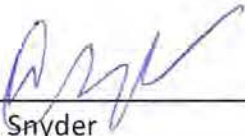
WHEREAS: The Northern Virginia Transportation Commission (NVTC) conducted all electronic meetings between May 1, 2020 and July 1, 2021;

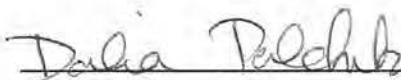
WHEREAS: In light of a Virginia Supreme Court decision, actions approved by the Northern Virginia Transportation Commission during the above time frame may be subject to challenge on the grounds the actions were not permitted to be taken in an all-electronic meeting; and

WHEREAS: Without conceding the merits of any such challenge, NVTC has concluded that ratification and reapproval of some actions taken in all-electronic meetings during the above time frame should be ratified and readopted.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission does hereby ratify and readopt the motion "Approve a Limited Waiver of the Conflict for McGuire Woods, LLP" approved January 7, 2021.

Approved this 2nd day of November 2023.



David F. Snyder
Secretary-Treasurer

Dalia Palchik
Chair

RESOLUTION #2517

SUBJECT: Ratify and Readopt Resolution #2443 "Approve the Third Amended and Restated Memorandum of Agreement to the MOA of the Transform 66: Inside the Beltway Project"

WHEREAS: The Northern Virginia Transportation Commission (NVTC) conducted all electronic meetings between May 1, 2020 and July 1, 2021;

WHEREAS: In light of a Virginia Supreme Court decision, actions approved by the Northern Virginia Transportation Commission during the above time frame may be subject to challenge on the grounds the actions were not permitted to be taken in an all-electronic meeting; and

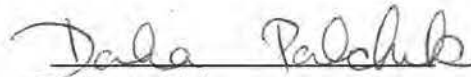
WHEREAS: Without conceding the merits of any such challenge, NVTC has concluded that ratification and reapproval of some actions taken in all-electronic meetings during the above time frame should be ratified and readopted.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission does hereby ratify and readopt Resolution #2443 "Approve the Third Amended and Restated Memorandum of Agreement to the MOA of the Transform 66: Inside the Beltway Project," dated May 6, 2021.

Approved this 2nd day of November 2023.



David F. Snyder
Secretary-Treasurer



Dalia Palchik
Chair

RESOLUTION #2518

SUBJECT: Ratify and Readopt Resolution #2444 "Authorize the VRE CEO to Execute the Amended and Restated Operating/Access Agreement and the Master Lease Agreement with CSX Transportation"


WHEREAS: The Northern Virginia Transportation Commission (NVTC) conducted all electronic meetings between May 1, 2020 and July 1, 2021;

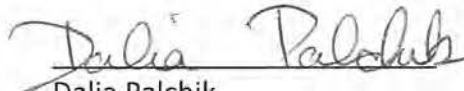
WHEREAS: In light of a Virginia Supreme Court decision, actions approved by the Northern Virginia Transportation Commission during the above time frame may be subject to challenge on the grounds the actions were not permitted to be taken in an all-electronic meeting; and

WHEREAS: Without conceding the merits of any such challenge, NVTC has concluded that ratification and reapproval of some actions taken in all-electronic meetings during the above time frame should be ratified and readopted.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission does hereby ratify and readopt Resolution #2444 "Authorize the VRE CEO to Execute the Amended and Restated Operating/Access Agreement and the Master Lease Agreement with CSX Transportation," dated May 6, 2021.

Approved this 2nd day of November 2023.



David F. Snyder
Secretary-Treasurer

Dalia Palchik
Chair

RESOLUTION #2519

SUBJECT: Ratify and Readopt Resolution #2445 "Appointment of VRE General Counsel and Chief Legal Officer"

WHEREAS: The Northern Virginia Transportation Commission (NVTC) conducted all electronic meetings between May 1, 2020 and July 1, 2021;

WHEREAS: In light of a Virginia Supreme Court decision, actions approved by the Northern Virginia Transportation Commission during the above time frame may be subject to challenge on the grounds the actions were not permitted to be taken in an all-electronic meeting; and


WHEREAS: Without conceding the merits of any such challenge, NVTC has concluded that ratification and reapproval of some actions taken in all-electronic meetings during the above time frame should be ratified and readopted.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission does hereby ratify and readopt Resolution #2445 "Appointment of VRE General Counsel and Chief Legal Officer," dated May 6, 2021.

Approved this 2nd day of November 2023.



David F. Snyder
Secretary-Treasurer



Dalia Palchik
Chair

RESOLUTION #2520

SUBJECT: Ratify and Readopt Resolution #2447 "Approve Commuter Choice in the I-395/95 Corridor Round Two Program of Projects for Submission to the Commonwealth Transportation Board and Authorize the Executive Director to Execute Standard Project Agreements"

WHEREAS: The Northern Virginia Transportation Commission (NVTC) conducted all electronic meetings between May 1, 2020 and July 1, 2021;


WHEREAS: In light of a Virginia Supreme Court decision, actions approved by the Northern Virginia Transportation Commission during the above time frame may be subject to challenge on the grounds the actions were not permitted to be taken in an all-electronic meeting; and

WHEREAS: Without conceding the merits of any such challenge, NVTC has concluded that ratification and reapproval of some actions taken in all-electronic meetings during the above time frame should be ratified and readopted.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission does hereby ratify and readopt Resolution #2447 "Approve Commuter Choice in the I-395/95 Corridor Round Two Program of Projects for Submission to the Commonwealth Transportation Board and Authorize the Executive Director to Execute Standard Project Agreements," dated June 3, 2021.

Approved this 2nd day of November 2023.



David F. Snyder
Secretary-Treasurer

Dalia Palchik
Chair

RESOLUTION #2521

SUBJECT: Ratify and Readopt Resolution #2450 "Authorize the VRE CEO to Execute a Contract with Alstom Transportation Inc. of New York, New York, for 21 New Passenger Railcars"

WHEREAS: The Northern Virginia Transportation Commission (NVTC) conducted all electronic meetings between May 1, 2020 and July 1, 2021;

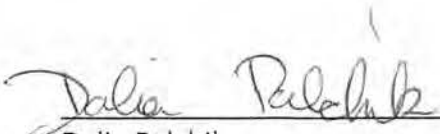
WHEREAS: In light of a Virginia Supreme Court decision, actions approved by the Northern Virginia Transportation Commission during the above time frame may be subject to challenge on the grounds the actions were not permitted to be taken in an all-electronic meeting; and

WHEREAS: Without conceding the merits of any such challenge, NVTC has concluded that ratification and reapproval of some actions taken in all-electronic meetings during the above time frame should be ratified and readopted.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission does hereby ratify and readopt Resolution #2450 "Authorize the VRE CEO to Execute a Contract with Alstom Transportation Inc. of New York, New York, for 21 New Passenger Railcars," dated June 3, 2021.

Approved this 2nd day of November 2023.



David F. Snyder
Secretary-Treasurer

Dalia Palchik
Chair

RESOLUTION #2522

SUBJECT: Ratify and Readopt Resolution #2451 "Authorize the VRE CEO to Enter into a Right-of-Way Easement Agreement with Rappahannock Electric Cooperative for LOU Facility Electric Service"


WHEREAS: The Northern Virginia Transportation Commission (NVTC) conducted all electronic meetings between May 1, 2020 and July 1, 2021;

WHEREAS: In light of a Virginia Supreme Court decision, actions approved by the Northern Virginia Transportation Commission during the above time frame may be subject to challenge on the grounds the actions were not permitted to be taken in an all-electronic meeting; and

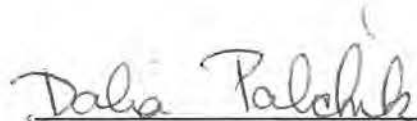
WHEREAS: Without conceding the merits of any such challenge, NVTC has concluded that ratification and reapproval of some actions taken in all-electronic meetings during the above time frame should be ratified and readopted.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission does hereby ratify and readopt Resolution #2451 "Authorize the VRE CEO to Enter into a Right-of-Way Easement Agreement with Rappahannock Electric Cooperative for LOU Facility Electric Service," dated June 3, 2021.

Approved this 2nd day of November 2023.



David F. Snyder
Secretary-Treasurer



Dalia Palchik
Chair

TO: Chair Palchik and NVTC Commissioners
FROM: Kate Mattice
DATE: November 30, 2023
SUBJECT: Recognition of Departing Commissioners

At the December meeting, the Commission will recognize departing Commissioners.

A. ACTION: Approve a Resolution Commending the Honorable John Foust on His Departure from NVTC

At the December meeting, John Foust will be recognized for his service on NVTC. He has served on NVTC since 2009 representing Fairfax County. He has served as a member of the Program Advisory Committee. After many years of public service, Mr. Foust is retiring from the Fairfax County Board of Supervisors.

B. ACTION: Approve a Resolution Commending the Honorable John J. Bell on His Departure from NVTC

At the December meeting, Senator John Bell will be recognized for his service on NVTC. Senator Bell joined NVTC in 2020. In March 2023, Senator Bell announced that he would not seek re-election to the Virginia Senate.

C. ACTION: Approve a Resolution Commending Nick Clemente on His Departure from NVTC

At the December meeting, Nick Clemente will be recognized for his service on NVTC as a House of Delegates appointee. He served on NVTC from March 2022 through October 2023.

RESOLUTION OF COMMENDATION

SUBJECT: Commending the Honorable John Foust on His Departure from the Northern Virginia Transportation Commission

WHEREAS: The Northern Virginia Transportation Commission (NVTC) serves as the voice of public transit in Northern Virginia, promoting the region's transit network through effective and efficient public transit and ridesharing programs to foster economic vitality in the region and the Commonwealth;

WHEREAS: The Honorable John Foust has served on NVTC since 2009 representing Fairfax County;

WHEREAS: The Honorable John Foust was first elected in November 2009 to represent the Dranesville District on the Fairfax County Board of Supervisors and is currently serving his fourth four-year term on the Board;

WHEREAS: Mr. Foust did not seek reelection and is departing NVTC;

WHEREAS: During his tenure on NVTC, Mr. Foust served as a member of the Program Advisory Committee;

WHEREAS: Mr. Foust provided thoughtful insights and support for many NVTC initiatives, including the Envision Route 7 Bus Rapid Transit (BRT) project and the opening of both Phase 1 and 2 of the Metrorail Silver Line; and

WHEREAS: Mr. Foust has also been a strong advocate for safe and reliable transit and long-term, sustainable transit funding solutions.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission hereby commends the Honorable John Foust for his service to the citizens of Northern Virginia and to the Commonwealth of Virginia.

BE IT FURTHER RESOLVED that NVTC prepare a copy of this resolution for presentation to the Honorable John Foust as an expression of its gratitude and in appreciation for his work on the Commission in promoting and funding public transit and ridesharing in Northern Virginia.

Approved this 7th day of December 2023.

Dalia Palchik
Chair

RESOLUTION OF COMMENDATION

SUBJECT: Commending the Honorable John J. Bell on His Departure from the Northern Virginia Transportation Commission

WHEREAS: The Northern Virginia Transportation Commission (NVTC) serves as the voice of public transit in Northern Virginia, promoting the region's transit network through effective and efficient public transit and ridesharing programs to foster economic vitality in the region and the Commonwealth;

WHEREAS: The Honorable John J. Bell was appointed to NVTC in June 2020;

WHEREAS: The Honorable John J. Bell took office in the Virginia Senate in 2020, representing the previous 13th District, which includes parts of Loudoun and Prince William Counties;

WHEREAS: Prior to the Senate, Mr. Bell served in the Virginia House of Delegates from 2015 through 2019 representing the eastern portion of Loudoun County;

WHEREAS: In March 2023, Senator Bell announced that he would not seek reelection; and

WHEREAS: During the 2020 General Assembly Session, Senator Bell voted for the landmark transportation bill (HB 1414) which modernized transportation and transit funding by:

- Ensuring the Commonwealth's transportation fund remains solvent;
- Increasing the Commonwealth's investment in transit, including WMATA;
- Increasing funds for local transportation projects and improvements across the Commonwealth;
- Establishing the Virginia Passenger Rail Authority, which will manage the Commonwealth's \$3.7 Billion Transforming Rail in Virginia Program over the next decade; and
- Laying the groundwork for construction of a new Long Bridge which will provide dedicated tracks for VRE and Amtrak to connect Virginia to DC by rail.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission hereby commends the Honorable John J. Bell for his service to the citizens of Northern Virginia and to the Commonwealth of Virginia.

BE IT FURTHER RESOLVED that NVTC prepare a copy of this resolution for presentation to the Honorable John J. Bell as an expression of its gratitude and in appreciation for his work on the Commission in promoting and funding public transit and ridesharing in Northern Virginia.

Approved this 7th day of December 2023.

Dalia Palchik
Chair

RESOLUTION OF COMMENDATION

SUBJECT: Commending Nick Clemente on His Departure from the Northern Virginia Transportation Commission

WHEREAS: The Northern Virginia Transportation Commission (NVTC) serves as the voice of public transit in Northern Virginia, promoting the region's transit network through effective and efficient investment in public transit to foster economic growth and vitality in the region and the Commonwealth;

WHEREAS: On February 25, 2022, Virginia Speaker of the House of Delegates Todd Gilbert appointed Nick Clemente to serve on the Northern Virginia Transportation Commission;

WHEREAS: Mr. Clemente served as a NVTC Commissioner from February 2022 through October 2023; and

WHEREAS: While on the Commission, Mr. Clemente was an advocate for safe and reliable transit in Virginia and investing in the future of transit.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission hereby commends Nick Clemente for his service on NVTC, to the citizens of Northern Virginia and to the Commonwealth of Virginia.

BE IT FURTHER RESOLVED that NVTC prepare a copy of this resolution for presentation to Mr. Clemente as an expression of its gratitude and in appreciation for his work on the Commission in promoting and funding public transit and ridesharing in Northern Virginia.

Approved this 7th day of December 2023.

Dalia Palchik
Chair

TO: Chair Palchik and NVTC Commissioners
FROM: Kate Mattice
DATE: November 30, 2023
SUBJECT: SMART SCALE Presentation by the Office of Intermodal Planning and Investment (OIPI) (invited)

The Office of Intermodal Planning and Investment (OIPI) has been invited to join NVTC at its December meeting to present the latest information on the proposed SMART SCALE changes, scheduled for approval by the Commonwealth Transportation Board (CTB) at its meeting on December 5.

At its October 17 meeting, the Commonwealth Transportation Board (CTB) received a [presentation on the final staff recommendations regarding the SMART SCALE changes](#). Following the meeting, NVTC submitted [comments to the Secretary of Transportation and the Office of Intermodal Planning and Investment](#) as part of the public hearing process. OIPI staff published a [SMART SCALE Process Review Summary](#) on November 20 to detail the cumulative impacts of staff-recommended policy changes on the Round 5 funding scenario, including potential impacts of CTB member modifications proposed during the October 17 meeting.



Chair
Hon. Dalia A. Palchik

November 14, 2023

Vice-Chair
Hon. Matt de Ferranti

Secretary-Treasurer
Hon. David F. Snyder

City of Alexandria
Hon. Canek Aguirre
Hon. Sarah Bagley

Arlington County
Hon. Matt de Ferranti
Hon. Libby Garvey
Hon. Takis Karantonis

Fairfax County
Hon. Walter L. Alcorn
Hon. John Foust
Hon. Jeffrey C. McKay
Hon. Dalia A. Palchik
Hon. James R. Walkinshaw

City of Fairfax
Hon. Catherine Read

City of Falls Church
Hon. David F. Snyder

Loudoun County
Hon. Matthew Letourneau
Hon. Michael R. Turner

Commonwealth of Virginia
Hon. Paul C. Smedberg

Virginia General Assembly

Senate
Hon. John J. Bell
Hon. Adam Ebbin

House of Delegates
Aimee S. Gilroy
Joseph Kornhoff
M. David Skiles
John C. Tuck III

Executive Director
Katherine A. Mattice

The Honorable Sheppard Miller III
Secretary of Transportation and
Chair, Commonwealth Transportation Board
Patrick Henry Building, 3rd Floor
1111 East Broad Street
Richmond, Virginia 23219

SMART SCALE Process Review Team
Office of Intermodal Planning and Investment
SmartPortal@CTB.Virginia.gov

Dear Secretary Miller and SMART SCALE Process Review Team,

Thank you for the opportunity to provide comments on the SMART SCALE review process. We applaud the Commonwealth Transportation Board's (CTB) and Office of Intermodal Planning and Investment's (OIPI) time and effort to develop policy refinements that will lead to improved program outcomes. Given the current timeline for the Commonwealth Transportation Board's adoption of the proposed SMART SCALE changes, we felt it important to share the Commission's comments on the proposal as quickly as possible. That said, on behalf of the Commission, we would like to extend an open invitation to the Secretary's Office and OIPI to meet with the Commission and dialogue over the proposed changes. SMART SCALE has played a critical role in funding multimodal projects that enhance mobility across Northern Virginia and we believe it is a best-in-class program in implementing data-driven transportation solutions.

In Northern Virginia, we have a robust roadway network of highways, managed lanes and arterials that for decades has been plagued by some of the highest levels of congestion in the Commonwealth. At NVTC, we recognize public transportation solutions offer the best way to avoid chronic congestion and maintain a thriving economy. As the current SMART SCALE scoring process awards proposals that reduce congestion, increase accessibility and enhance safety, it's no surprise transit projects have scored so well not only in Northern Virginia but across the Commonwealth. We urge the CTB to continue to emphasize the importance of public transit within the SMART SCALE scoring process by applying reasonable weighting to the factors that incentivize public transit: congestion reduction, land use and accessibility.

Specifically, we recommend the following factor weights for Typology A, in addition to several factor-specific recommendations:

- **Safety – 20**
- **Congestion Mitigation – 40**
 - Recommend two measures for congestion instead of only looking at future congestion: 50% for present-day congestion and 50% for 10 years in the future.
- **Accessibility – 25**
 - Recommend adjusting Accessibility measure weights to **A.1 – 40%, A.2 – 20% and A.3 – 40%**
- **Environmental Quality – 10**
- **Economic Development – 5**
 - The measures for Economic Development should focus on sustaining and supporting growing and already-established businesses.

There are significant transportation needs in our region. The existing cap of 10 applications for larger jurisdictions already disadvantages Northern Virginia where several localities far exceed the 200,000-population minimum required to submit up to 10 applications. We recommend the CTB consider keeping the number of eligible applications per applicant the same, as reducing the number of applications would not in itself guarantee better quality applications. OIPI should simplify application materials and rely on project readiness assessments as determined by respective VDOT District staff.

Regarding project scope and funding program eligibility, we encourage the CTB to explicitly allow corridor redevelopment solutions that collectively move more people, enhance safety and streamline operations across various transportation modes. We've seen corridor redevelopment and operational improvements create greater outcomes in Northern Virginia than piecemealing smaller project concepts together over time. Chief among the corridor-based project types we believe are most worthy of limited transportation funding resources is bus rapid transit, or BRT. We ask that the CTB list BRT (as defined in 49 USC 5302 (8)) as a qualifying project type under the new High Priority Projects Program (HPP) definition as on-the-ground realities in Northern Virginia make it such that many BRT concepts will often operate in mixed traffic and may not always require dedicated right-of-way. We also suggest including innovative intersections, transportation demand management strategies, signals and access management explicitly as tools within corridor redevelopment and eligible for the HPP.

We understand SMART SCALE policy will continue to change over time, but we encourage the CTB to consider the impacts of a substantial policy overhaul in what has been an overwhelmingly successful, award-winning program. Thank you again for the opportunity to submit comments as you endeavor to improve SMART SCALE program policy and processes.

Best regards,



Dalia Palchik
NVTC Chair

CC: Members of the Commonwealth Transportation Board
Carol Mathis, CTB Board Administrator

TO: Chair Palchik and NVTC Commissioners
FROM: Kate Mattice, Scott Kalkwarf and Coletha Quarles
DATE: November 30, 2023
SUBJECT: NVTC's FY 2023 Audited Financial Statements and Compliance Reports

At the December meeting, NVTC's auditor PBMares will present the results of the FY 2023 audit and the Commission will be asked to accept and authorize distribution of the FY 2023 Audited Financial Statements and Compliance Reports.

A. Report from NVTC's Auditors

Representatives from PBMares will meet with the Executive Committee (serving as the Audit Committee) prior to the Commission meeting and will then make a presentation to the full Commission to describe the results of their annual audit.

NVTC's audit firm, PBMares, LLP, issued an unqualified (clean) opinion that NVTC's financial statements, in all material respects, fairly and accurately present the financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information, and changes in financial position of NVTC.

PBMares also issued a clean report on the internal control of NVTC's financial reporting, compliance and other matters. Because NVTC received federal assistance during FY 2023, PBMares also performed a Single Audit and issued a report on the compliance with the requirements of each federal program, and internal control over compliance related to those federal funds. That report identified no findings. Further, PBMares did not identify any internal control deficiencies or other findings.

B. ACTION: Accept and Authorize Distribution of NVTC's FY 2023 Audited Financial Statements and Compliance Reports

Following the report from the auditors, the Commission will be asked to accept the FY 2023 Audited Financial Statements and Compliance Reports and to authorize staff to release the information to the member jurisdictions, regulatory agencies and the public.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

Financial and Compliance Reports

Year Ended June 30, 2023



ASSURANCE, TAX & ADVISORY SERVICES

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Commission Board Members
Northern Virginia Transportation Commission

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of the Northern Virginia Transportation Commission (Commission), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 aggregate fund information of the Commission, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 4-15 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 GAAS, 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.

Supplementary Information

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 schedules listed in the table of contents as supplementary information and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying schedules listed in the table of contents as supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2023 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
November 27, 2023

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

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 on June 30, 2023. 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 net position totaled \$281.4 million on a government-wide basis as of June 30, 2023. Of this total, \$205.4 million is for business-type activities and \$76.0 million for governmental activities.
- For the fiscal year, grants, contributions and other revenue net of transfers of NVTC's governmental activities amounted to \$317.7 million. Expenses totaled \$294.8 million.
- For the fiscal year, revenues and transfers of NVTC's business-type activities were \$85.7 million. Expenses amounted to \$115.8 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 \$23.0 million for fiscal year 2023, compared to an increase of \$11.7 million for fiscal year 2022. The governmental funds balance as of June 30, 2023 totaled \$76.4 million compared with \$53.4 million at the end of the previous fiscal year.
- During the fiscal year, the proprietary fund net position decreased by \$30.1 million, from \$235.5 million to \$205.4 million.
- NVTC's fiduciary funds reported an increase of \$62.6 million in net position. The Jurisdiction Trust Fund increased \$62.4 million, and the Pension Trust Fund increased \$0.2 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, same as 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 Position and the Statement of Activities, with the governmental activities and business-type activities shown separately. The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. The Statement of Activities shows in broad terms how the net position changed during the fiscal year.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the NVTC reporting entity is improving or declining. Net position is 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, a proprietary fund and a fiduciary fund.

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 four governmental funds: The General Fund, the Special Revenue Fund – Jurisdiction Transit, the Special Revenue Fund – I-66 Toll Revenue, and the Special Revenue Fund – I-395/95 Toll Revenue. 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 – Jurisdiction Transit, 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 Special Revenue Fund – I-66 Toll Revenue, reports Toll Revenue received from the Commonwealth of Virginia according to an agreement entered into between NVTC and the Commonwealth. The Special Revenue Fund – I-395/95 Toll Revenue, reports an annual transit investment received by the Commonwealth of Virginia from the facility's concessionaire toll revenue receipts for NVTC and PRTC according to an agreement entered into between NVTC, PRTC and the Commonwealth. 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 Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

Fiduciary Funds. The Fiduciary Funds are used to account for resources held by NVTC for the benefit and restricted use of the programs of other governments, and the participants of NVTC pension trust. Additions to the jurisdiction fiduciary fund consist of revenue remitted from the Special Revenue Fund, state operating and capital assistance for transit contracted directly with the NVTC WMATA Compact member jurisdictions, and investment income. Deductions from the jurisdiction fiduciary fund are disbursements directed by the individual member jurisdictions for restricted purposes. Additions to the pension fiduciary fund consists of participant and employer contributions and the increase in fair value of investments. Deductions from the pension trust fiduciary fund are distributions to plan participants. The accounting methods used for the fiduciary funds are much like that used for proprietary funds. The two statements included for the fiduciary funds are the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

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.

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 Position

The following table presents a summary of the Statement of Net Position for the NVTC reporting entity as of June 30, 2023 and 2022:

Summary Statements of Net Position June 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and other assets	\$ 82,957,370	\$ 68,957,780	\$ 130,902,234	\$ 238,975,066	\$ 213,859,604	\$ 307,932,846
Capital assets, net	3,356,319	3,737,499	251,347,987	177,085,683	254,704,306	180,823,182
Other non-current assets	-	-	529,864	701,475	529,864	701,475
Total assets	86,313,689	72,695,279	382,780,085	416,762,224	469,093,774	489,457,503
Deferred outflows	-	-	300,853	331,710	300,853	331,710
Total assets and Deferred outflows	86,313,689	72,695,279	383,080,938	417,093,934	469,394,627	489,789,213
Liabilities:						
Current and other liabilities	6,553,361	15,923,119	15,347,660	13,211,403	21,901,021	29,134,522
Long-term liabilities	3,703,484	3,623,528	161,856,448	167,683,153	165,559,932	171,306,681
Total liabilities	10,256,845	19,546,647	177,204,108	180,894,556	187,460,953	200,441,203
Deferred inflows	-	-	514,723	701,475	514,723	701,475
Total liabilities and Deferred inflows	10,256,845	19,546,647	177,718,831	181,596,031	187,975,676	201,142,678
Net position:						
Net investment in capital assets	(130,769)	(42,300)	79,430,092	126,324,041	79,299,323	126,281,741
Restricted	75,413,265	52,635,382	29,030,897	139,561,666	104,444,162	192,197,048
Unrestricted	774,348	555,550	96,901,118	(30,387,804)	97,675,466	(29,832,254)
Total net position	\$ 76,056,844	\$ 53,148,632	\$ 205,362,107	\$ 235,497,903	\$ 281,418,951	\$ 288,646,535

As noted earlier, net position may serve as a useful indicator of a government's financial position. As shown above, net position totaled \$281.4 million as of June 30, 2023, a decrease of \$7.2 million over the previous fiscal year. The largest portion of net position, \$104.4 million or 37.1 percent, represents restricted net assets, which includes \$22.5 million for debt service, \$75.4 million for the Commuter Choice program, \$5.1 million for liability insurance plan, and \$1.4 million for grants or contributions. Net investment in capital assets (e.g., land, intangible right-to-use assets, building, improvements, rolling stock, equipment and software), net of accumulated depreciation and amortization, less the related indebtedness outstanding used to acquire those capital assets represents \$79.3. These assets are used primarily to provide service to 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, state and local support since it is unlikely that the capital assets themselves will be liquidated to pay liabilities.

Current assets consist primarily of grant revenue and motor vehicle fuel sales tax due from the Commonwealth of Virginia and restricted cash for governmental and business-type activities, non-restricted cash, cash equivalents, inventory, trade accounts receivables, and investments. As of June 30, 2023, approximately \$45.9 million was due from the Commonwealth of Virginia, of which \$4.6 million is for motor vehicle fuel sales tax, \$38.8 million for grant and other state revenue, and \$2.5 million of toll revenues. This is a \$5.0 million increase from the previous fiscal year, of which grant and other state revenue increased \$2.5 million, toll revenues increased \$1.8 million, and motor vehicle fuel sales tax receivables increased \$0.7 million. The increase in the receivable for grant and other state revenue is due mainly attributable to the business-type activities. The increase in the receivable for toll revenue is due to the lingering impact of COVID-19 on toll revenues in the prior year, and the increase in motor vehicle fuel sales tax receivable is due to continuing rebounding of revenues compared to the prior year.

Cash and cash equivalents decreased approximately \$4.6 million and totaled \$58.7 million as of June 30, 2023, of which all but \$640,328 was for the business-type activities. Restricted cash, cash equivalents and investments totaled \$104.4 million as of June 30, 2023, with \$74.7 million for governmental activities, and \$29.8 million for business-type activities. This is an \$88.5 million net decrease from the prior year, of which \$22.1 million increase is due to toll revenue for governmental activities, and \$110.5 million decrease primarily due to debt issues for business-type activities that took place near the end of the prior year.

The net positions of the jurisdiction trust fund and the pension trust fund are not reported in the entity-wide Statement of Net Position, as they are considered fiduciary funds and held for others than the NVTC reporting entity. The jurisdiction trust fund resources are held in trust for the NVTC member jurisdictions restricted use, while the pension trust fund resources are held for the participants of the pension trust.

Statement of Changes in Net Position

The following table shows the revenues and expenses and the change in net position of the NVTC reporting entity for the fiscal years ended June 30, 2023 and 2022.

Summary Statements of Changes in Net Position Years Ended June 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 10,330,009	\$ 7,250,314	\$ 10,330,009	\$ 7,250,314
Operating grants and contributions	258,094,618	290,309,427	14,559,783	2,191,395	272,654,401	292,500,822
Capital grants and contributions	-	-	-	69,529,815	-	69,529,815
General revenues:						
Intergovernmental:						
Commuter rail	58,648,784	53,109,699	-	-	58,648,784	53,109,699
Motor vehicle fuel sales tax	25,702,954	22,519,329	-	-	25,702,954	22,519,329
Toll revenue	31,292,699	23,562,375	-	-	31,292,699	23,562,375
Interest	2,589,438	128,254	2,142,140	126,599	4,731,578	254,853
Other	-	-	11,478	-	11,478	-
Transfers	(58,648,784)	(53,109,699)	58,648,784	53,109,699	-	-
Total revenues	317,679,709	336,519,385	85,692,194	132,207,822	403,371,903	468,727,207
Expenses:						
General and administration	29,371,347	25,312,389	-	-	29,371,347	25,312,389
Jurisdiction transit	254,874,778	287,725,699	-	-	254,874,778	287,725,699
Toll funded project costs	10,434,960	11,568,646	-	-	10,434,960	11,568,646
Interest - lease	90,412	-	-	-	90,412	-
Commuter rail	-	-	115,827,990	69,644,669	115,827,990	69,644,669
Total expenses	294,771,497	324,606,734	115,827,990	69,644,669	410,599,487	394,251,403
Change in net position	22,908,212	11,912,651	(30,135,796)	62,563,153	(7,227,584)	74,475,804
Beginning net position	53,148,632	41,235,981	235,497,903	172,934,750	288,646,535	214,170,731
Ending net position	\$ 76,056,844	\$ 53,148,632	\$ 205,362,107	\$ 235,497,903	\$ 281,418,951	\$ 288,646,535

For the fiscal year ended June 30, 2023, revenues totaled \$404.4 million, compared to \$468.7 million in the preceding year, a decrease of \$65.4 million or 13.9 percent. Expenses increased \$16.3 million, or 4.2 percent. A discussion of the key components of these revenue and expense 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, 2023, the General Fund had a total fund balance of \$997,767 of which \$98,107 was nonspendable and \$899,660 was unassigned. The fund balance increased by \$234,868 or 30.1 percent from the preceding year.

Special Revenue Fund – Jurisdiction Transit. Prior to fiscal year 2013, this special revenue fund reported 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 included state operating assistance, state capital assistance, and the motor vehicle fuel sales tax. In fiscal year 2013 and 2014, the state contracted directly with the NVTC member jurisdictions for the state operating and capital assistance. Accordingly, in fiscal year 2014 the special revenue fund recognized only the capital assistance contracted with NVTC prior to fiscal year 2013, as well as the motor vehicle fuel sales tax. Beginning in fiscal year 2015, the state contracted again with NVTC for the operating and capital assistance for WMATA. Accordingly, in fiscal year 2023 the special revenue fund recognized state operating and capital assistance for WMATA, capital assistance contracted with NVTC prior to fiscal year 2013, 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.

The fiscal year 2023 intergovernmental revenues totaled \$254.9 million, a decrease of approximately \$32.9 million or 11.4 percent from the previous fiscal year. The net decrease is composed of a \$36.0 million decrease, or 15.7 percent, in state assistance due to step up funding received in the prior year, offset in part by an increase in the amount of assistance received by the regular allocation percentages, and a one-time special allocation. This decrease is offset in part by a \$3.2 million increase, or 14.1 percent, in motor vehicle fuel sales tax revenue due to the continual rebounding of motor fuel sales in the wake of the COVID-19 Novel Coronavirus (COVID) pandemic, combined with an increase in the tax rate which is indexed to the CPI.

Special Revenue Fund – I-66 Toll Revenue. As part of a 40-year agreement with the Commonwealth of Virginia, NVTC has been assigned the authority to administer a program of projects to be funded using revenue generated by the tolling of I-66 inside the Beltway. The agreement calls for NVTC to receive the toll revenues collected by the Commonwealth, net of certain costs charged against those funds, on a quarterly basis for multi-modal projects which benefit the toll payers of the I-66 inside the beltway facility. In accordance with the agreement, NVTC has established a special revenue fund to account for the toll revenue and related projects separately from its other activities. The agreement also calls for the advance payment of up to \$10 million to fund an initial round of projects before tolling commenced in December 2017. The agreement was amended effective fiscal year 2021 for NVTC to instead receive a \$10 million annual payment escalated each year by 2.5%, totaling \$10.250 million for fiscal year 2022, but subject to available toll revenue. In addition to toll revenue, the amended agreement calls for an annual concessionaire payment of \$5 million escalated each year by 2.5%, which is effective with fiscal year 2022.

Through fiscal year 2023, NVTC has rated, selected and approved projects totaling \$47.4 million. Toll revenue and interest earned in excess of project costs incurred is classified as a restricted fund balance. This balance is available exclusively for the reimbursement of approved project costs. During fiscal year 2023, the special revenue fund recognized approximately \$15.1 million in revenue comprised of \$10.0 million of available toll revenue and a \$5.1 million concessionaire payment. The full \$10.5 was not received because it was not included in the FY2023 prepared by the Commonwealth, as revenues were not expected to be sufficient to make the full payment. The special revenue fund recognized \$4.4 million in project costs, including transfers to the General Fund for NVTC administration of the program. As of June 30, 2023, the restricted fund balance totaled \$34.1 million, an increase of \$11.9 million over the prior year balance.

Special Revenue Fund – I-395/95 Toll Revenue. In December 2017, NVTC entered into a 68-year agreement with the Commonwealth of Virginia and PRTC whereby the commissions will receive an annual transit investment (ATI) from toll revenue from the operations of the I-395/95 HOT Lanes which commenced during fiscal year 2020. The ATI equals \$15 million in the commencement year, increasing at 2.5% annually, and is to be used to fund transit and multimodal investments which will benefit users in the I-395/95 corridor.

In January 2019, NVTC and PRTC entered into an agreement that among other things provides details of the commissions project selection process, specifies that NVTC will be the designated recipient of the ATI fund, and that NVTC will administer the program on behalf of the commissions. NVTC has established a special revenue fund to account for the ATI toll revenue and related projects for both Commissions, separately from the Commissions' other activities.

Through fiscal year 2023, NVTC has rated, selected and approved projects totaling \$41.7 million. The agreement between the Commonwealth, NVTC and PRTC states that the ATI funds are to be split pro rata based on each commission's population as determined by the most recent population figures of the Weldon Cooper Center. In fiscal year 2023, NVTC received \$16.2 million in ATI funds, as specified in the agreement. The allocation of the funds between NVTC and PRTC results in \$10.5 million and \$5.7 million in revenues for NVTC and PRTC respectively. The fund recognized \$6.6 million in project costs, including transfers to the General Fund for NVTC administration of the program. The allocation of the expenditures between NVTC and PRTC equals \$4.3 million and \$2.3 million respectively. The activity to date results in an ending fund balance of \$41.3 million, with \$27.2 million allocated to NVTC and \$14.1 allocated to PRTC.

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 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 approximately \$3.1 million or 42.5 percent, while operating expenses increased approximately \$10.6 million or 18.9 percent. For VRE operations as a whole, operating revenue increased 34.0 percent, while operating expenses increased 11.9 percent. Ridership saw an increase of 78.4 percent. The difference between the NVTC share and the VRE operations as a whole is the result of how the operations are split between the commissions.

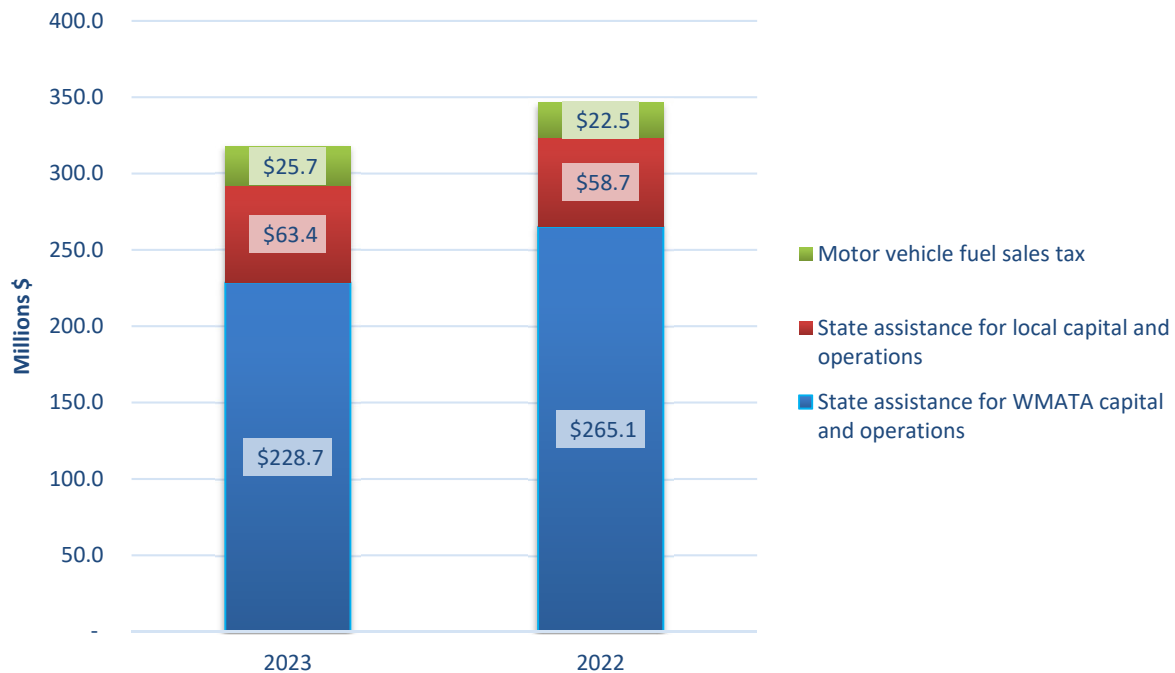
In order to present a full and accurate picture of VRE operations, all financial transaction related to the commuter rail program reported separately in the financial statements of NVTC and PRTC are combined in a separate set of financial statements. These audited financial statements can be obtained from the Director of Finance and Administration of NVTC at 2300 Wilson Blvd., Suite 230, Arlington, VA 22201.

Fiduciary Funds

Jurisdiction Trust Fund. The Jurisdiction Trust Fund holds the assets that were remitted from the special revenue fund (contributions from government), as well as operating and capital assistance contracted with the NVTC member jurisdictions and received directly by the Jurisdiction Trust Fund from the Commonwealth (intergovernmental revenues). These funds are accounted for on an individual jurisdiction basis. As with the revenue from the Special Revenue Fund, the jurisdiction contracted revenue is allocated using the SAM. The funds are invested 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, the state operating and capital assistance contracted directly with the jurisdictions and received by the fund, investment income, and the amount each member jurisdiction instructs NVTC to disburse from the Fund. The total additions to the Trust Fund, excluding investment income, decreased by \$28.6 million, or 8.3 percent from the previous year. An analysis of this change is shown below.

Jurisdiction Trust Fund Revenue Sources



State assistance for local system operations is revenue from the state operating formula assistance program, which is a performance-based formula program. State assistance for local system capital expenditures is a competitive reimbursement program. Effective fiscal year 2019, the amount of funding NVTC receives for WMATA capital and operating needs is determined by a set percentage of the funding available through the Commonwealth's Mass Transit Trust Fund. The state assistance for local operations received step up funding in fiscal year 2023, while both local operations and WMATA capital and operating assistance received step up funding in the prior year.

Effective fiscal year 2019, a minimum price floor was established for the motor vehicle fuel sales tax. The Virginia Code section that established the floor states that any gain attributable to the floor will revert to the Commonwealth as a funding source for the new WMATA Capital Fund for dedicated funding to WMATA, and the Commuter Rail Operating and Capital Fund (C-ROC) which benefits VRE. For fiscal year 2019, the gain was calculated as the difference between the monthly revenue to NVTC in fiscal year 2018 as compared to the actual collections for the same month in fiscal year 2019. Effective fiscal year 2020 the gain became fixed at the fiscal year 2019 level. Furthermore, the legislation changed the tax from a sales tax to an excise tax with a market price adjustment equal to the statewide distributor price for a gallon of regular gasoline. Effective fiscal year 2021, the amount withheld for the WMATA Capital Fund was fixed at \$22.183 million per year, an increase of approximately \$7.2 over the prior amount from the "gain". Motor Vehicle Fuel Sales tax revenue increased by \$3.2 million, or 14.1 percent from the previous year due to an increase in consumption combined with a 7.0% increase in the tax rate effective July 1, 2022.

Pension Trust Fund. The Pension Trust Fund holds the assets contributed by NVTC on behalf of the pension plan participants, and the required plan participant contributions. Investments are participant directed in one or more separate investments available through the plan sponsor. Net assets available for benefits at the end of fiscal year 2023 equaled \$2.3 million, an increase of \$212,498, or 10.1 percent over the prior year. This increase is the net result of a \$216,796 increase in fair value of investments, \$206,401 in plan contributions and distributions of \$210,699.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The details of capital assets as of June 30, 2023 and 2022 are as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Intangible right-to-use lease buildings	\$ 4,064,461	\$ 4,064,461	\$ 731,785	\$ 692,516	\$ 4,796,246	\$ 4,756,977
Intangible right-to-use lease parking lots	-	-	136,751	289,664	136,751	289,664
Intangible right-to-use lease tower	-	-	49,790	49,790	49,790	49,790
Intangible right-to-use subscription assets	-	-	767,262	-	767,262	-
Rolling stock	-	-	143,388,695	142,651,538	143,388,695	142,651,538
Vehicles	-	-	75,670	72,780	75,670	72,780
Facilities	-	-	59,514,401	56,489,589	59,514,401	56,489,589
Track and signal improvements	-	-	50,054,134	50,054,134	50,054,134	50,054,134
Equipment and software	-	-	6,958,573	6,685,145	6,958,573	6,685,145
Construction in progress	-	-	60,601,428	40,170,393	60,601,428	40,170,393
Equity in properties of others	-	-	62,473,241	2,893,644	62,473,241	2,893,644
Office equipment, furniture and software	243,507	212,054	3,766,000	3,129,921	4,009,507	3,341,975
	4,307,968	4,276,515	388,517,730	303,179,114	392,825,698	307,455,629
Less accumulated depreciation and amortization	951,649	539,016	137,169,743	126,093,431	138,121,392	126,632,447
Total capital assets, net	\$ 3,356,319	\$ 3,737,499	\$ 251,347,987	\$ 177,085,683	\$ 254,704,306	\$ 180,823,182

NVTC's investment in capital assets as of June 30, 2023 amounted to \$254.7 million (net of accumulated depreciation and amortization) which represents an increase of \$73.9 million or 40.9 percent over last year due to new project construction, recognition of right-to-use leased assets and the recognition of annual depreciation and amortization.

The major completed projects during the fiscal year were the contribution to the VPRA for the CSX right of way project (\$59.60 million), the Rolling Road Station improvements (\$1.9 million), the L'Enfant Storage South project (\$.85 million), the Automated Passenger Counters in railcars project (\$.75 million), the HQ renovation project (\$.6 million), the second portion of the Lighting Replacements project (\$0.25 million), and improvements to the VMS Proof of Concept project (\$0.4 million).

The major additions to construction in progress during the fiscal year were costs related to the Crossroads LOU project (\$10.6 million), the Quantico Platform project (\$5.1 million), the contribution to the VPRA Long Bridge project (\$3.7 million), the twenty-one New Railcars project (\$2.2 million), the Fredericksburg Station rehab project (\$1.4 million), the Broad Run station & platform project (\$1.4 million), the Manassas Park parking expansion project (\$0.4 million), and the Crossroads MSF expansion project (\$0.5 million).

Debt Administration

At June 30, 2023, the Commissions had total debt outstanding of approximately \$153.5 million for the VRE commuter rail service, of which all but \$2.7 million is reported by NVTC. In addition, the governmental activities of NVTC has a lease liability of approximately \$3.5 million, for \$157.0 million total debt for the entity as a whole.

The NVTC and PRTC are co-lessees of the private placement note payable for rolling stock, which is secured by the related equipment. The promissory note for the purchase of the 60 Gallery railcars was issued by NVTC, but both NVTC and PRTC were signatories. This note was previously designated to the Federal Railroad Administration (FRA) as lender but was delegated to the Build America Bureau of the United States Department of Transportation in fiscal year 2017. This delegation had no effect on the terms of the note. The note was secured by the revenues of VRE and the rolling stock.

In fiscal year 2018, VRE entered into a financing agreement with the Virginia Resources Authority (VRA) for the purposes of refunding the FRA promissory note and reducing VRE's debt service costs. As required by the authorizing resolutions of the Commissions and jurisdictions, the VRA refunding loan did not extend the term of the original borrowing and achieved net present value debt service savings of not less than three percent. The FRA note was refunded in full with the proceeds of the VRA financing, and VRE has pledged its revenues to the repayment of the principal, premium, and interest on the local bond purchased by VRA.

In fiscal year 2022, NVTC issued, on behalf of VRE, \$115,670,000 (par value) in Transportation District Special Obligation Revenue Bonds ("Series 2022 Bonds"). The bonds are limited obligations of NVTC and payable solely from pledged revenues of the Commuter Operating and Capital Fund (C-ROC), a special non-reverting fund in the state treasury of the Commonwealth of Virginia. The bond proceeds were used to fund a debt service reserve for the Series 2022 Bonds, to pay issuance and finance costs of the Series 2022 Bonds, and to finance contributions to the Virginia Passenger Rail Authority (VPRA) to assist with VPRA's purchase of rail right-of-way from CSX Transportation.

	2023	2022
Bonds payable	\$ 148,210,000	\$ 152,965,000
Private placement note payable	3,650,870	5,355,739
Leases payable	1,381,122	1,640,618
Subscription liability	302,044	-
Total	\$ 153,544,036	\$ 159,961,357

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 support long-term demand for VRE's service. The constraining factors to VRE growth in the near-term are the effects on ridership stemming from the COVID-19 pandemic and its effects, as well as station parking, availability of seats, storage capacity, and the availability of subsidy funds.

The local subsidy for fiscal year 2024 increased by \$2,455,878 or 18.1 percent to \$16,000,000. Fares were held constant; the previous general fare increase was 3.0 percent in fiscal year 2020. In fiscal year 2019, VRE began to receive funding from the Commonwealth of Virginia Commuter Rail Operating and Capital (C-ROC) Fund, which will continue in fiscal year 2023. Additional sources of funding will be available in fiscal year 2024 from federal, state and regional sources, although the amounts received will continue to vary from year to year.

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 230, Arlington, Virginia 22201, or by email to scottkalkwarf@novatransit.org.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
June 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Primary Government		Total Primary Government
	Governmental Activities	Business-type Activities	
Cash and cash equivalents	\$ 640,328	\$ 58,021,844	\$ 58,662,172
Due from other governments:			
Commonwealth of Virginia	44,585,543	1,297,496	45,883,039
Local jurisdictions	158,282	-	158,282
Trade accounts receivable, net	-	271,111	271,111
Other receivables	-	1,648,390	1,648,390
Inventory	-	2,294,991	2,294,991
Deposits and prepaid items	98,108	415,153	513,261
Restricted cash, cash equivalents and investments	74,673,567	29,754,791	104,428,358
Internal balances	(37,198,458)	37,198,458	-
Capital assets:			
Intangible right-to-use lease buildings	4,064,461	731,785	4,796,246
Intangible right-to-use lease parking lots	-	136,751	136,751
Intangible right-to-use lease tower	-	49,790	49,790
Intangible right-to-use subscriptions	-	767,262	767,262
Rolling stock	-	143,388,695	143,388,695
Vehicles	-	75,670	75,670
Facilities	-	59,514,401	59,514,401
Track and signal improvements	-	50,054,134	50,054,134
Equipment and software	-	6,958,573	6,958,573
Construction in progress	-	60,601,428	60,601,428
Equity in property of others	-	62,473,241	62,473,241
Office equipment, furniture and software	243,507	3,766,000	4,009,507
Less accumulated depreciation and amortization	(951,649)	(137,169,743)	(138,121,392)
Leases receivable, noncurrent portion	-	529,864	529,864
Total assets	86,313,689	382,780,085	469,093,774
Deferred outflows of resources, loss on refunding	-	300,853	300,853
Total assets and deferred outflows of resources	86,313,689	383,080,938	469,394,627

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
June 30, 2023

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	Primary Government		Total Primary Government
	Governmental Activities	Business-type Activities	
Accounts payable	\$ 1,923,406	\$ 5,170,496	\$ 7,093,902
Accrued expenses	92,376	1,946,097	2,038,473
Accrued interest	7,023	895,755	902,778
Due to fiduciary fund	4,492,209	-	4,492,209
Unearned revenue	38,347	917,992	956,339
Contract retainage	-	736,586	736,586
Noncurrent liabilities:			
Due within one year:			
Lease liability	309,804	87,719	397,523
Subscription liability	-	97,779	97,779
Compensated absences	72,550	38,225	110,775
Bond payable	-	4,565,000	4,565,000
Private placement note payable	-	892,011	892,011
Due in more than one year:			
Lease liability	3,177,284	602,842	3,780,126
Subscription liability	-	53,243	53,243
Compensated absences	143,846	675,939	819,785
Bond payable	-	159,591,000	159,591,000
Private placement note payable	-	933,424	933,424
Total liabilities	10,256,845	177,204,108	187,460,953
Deferred inflows of resources, leases	-	514,723	514,723
NET POSITION			
Net investment in capital assets	(130,769)	79,430,092	79,299,323
Restricted for toll funded projects	75,413,265	-	75,413,265
Restricted for liability insurance plan	-	5,073,702	5,073,702
Restricted for debt service	-	22,521,722	22,521,722
Restricted grants or contributions	-	1,435,473	1,435,473
Unrestricted assets	774,348	96,901,118	97,675,466
Total net position	\$ 76,056,844	\$ 205,362,107	\$ 281,418,951

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

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF ACTIVITIES**

Year Ended June 30, 2023

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		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	\$ 29,371,347	\$ -	\$ 28,922,794	\$ -	\$ (448,553)	\$ -	\$ (448,553)
Toll funded project costs	10,434,960	-	-	-	(10,434,960)	-	(10,434,960)
Jurisdiction transit	254,874,778	-	229,171,824	-	(25,702,954)	-	(25,702,954)
Interest - lease	90,412	-	-	-	(90,412)	-	(90,412)
Total governmental activities	294,771,497	-	258,094,618	-	(36,676,879)	-	(36,676,879)
Business-type activities:							
Commuter rail	115,827,990	10,330,009	14,559,783	-	-	(90,938,198)	(90,938,198)
Total business-type activities	115,827,990	10,330,009	14,559,783	-	-	(90,938,198)	(90,938,198)
Total primary government	\$ 410,599,487	\$ 10,330,009	\$ 272,654,401	\$ -	(36,676,879)	(90,938,198)	(127,615,077)
General revenues:							
Intergovernmental revenue - commuter rail					58,648,784	-	58,648,784
Intergovernmental revenue - motor vehicle fuel sales tax					25,702,954	-	25,702,954
Intergovernmental revenue - toll revenue					31,292,699	-	31,292,699
Increase in fair value of investments					-	11,478	11,478
Interest					2,589,438	2,142,140	4,731,578
Transfers					(58,648,784)	58,648,784	-
Total general revenues					59,585,091	60,802,402	120,387,493
Change in net position					22,908,212	(30,135,796)	(7,227,584)
Net position, beginning of year					53,148,632	235,497,903	288,646,535
Net position, end of year					\$ 76,056,844	\$ 205,362,107	\$ 281,418,951

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund - Jurisdiction Transit	Special Revenue Fund - I-66 Toll Revenue	Special Revenue Fund - I-395/95 Toll Revenue	
ASSETS					
Cash and cash equivalents	\$ 640,328	\$ -	\$ -	\$ -	\$ 640,328
Due from other governments:					
Commonwealth of Virginia	37,517,185	4,564,773	2,503,585	-	44,585,543
Local jurisdictions	158,282	-	-	-	158,282
Due from fiduciary fund	72,564	-	-	-	72,564
Due from proprietary fund	29,672	-	-	-	29,672
Due from special revenue funds	263,946	-	-	-	263,946
Restricted cash	-	-	31,742,090	42,931,477	74,673,567
Deposits and prepaid items	98,108	-	-	-	98,108
Total assets	<u>\$ 38,780,085</u>	<u>\$ 4,564,773</u>	<u>\$ 34,245,675</u>	<u>\$ 42,931,477</u>	<u>\$ 120,522,010</u>
LIABILITIES					
Accounts payable	\$ 423,465	\$ -	\$ 82,566	\$ 1,417,375	\$ 1,923,406
Accrued salaries	92,376	-	-	-	92,376
Unearned revenue	38,347	-	-	-	38,347
Due to general fund	-	-	71,806	192,140	263,946
Due to proprietary fund	37,228,130	-	-	-	37,228,130
Due to fiduciary fund	-	4,564,773	-	-	4,564,773
Total liabilities	<u>37,782,318</u>	<u>4,564,773</u>	<u>154,372</u>	<u>1,609,515</u>	<u>44,110,978</u>
FUND BALANCES					
Nonspendable					
Deposits and prepaid items	98,108	-	-	-	98,108
Restricted					
Toll Revenues	-	-	34,091,303	41,321,962	75,413,265
Unassigned	899,659	-	-	-	899,659
Total fund balance	<u>997,767</u>	<u>-</u>	<u>34,091,303</u>	<u>41,321,962</u>	<u>76,411,032</u>
Total liabilities and fund balance	<u>\$ 38,780,085</u>	<u>\$ 4,564,773</u>	<u>\$ 34,245,675</u>	<u>\$ 42,931,477</u>	<u>\$ 120,522,010</u>

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

Fund balances - governmental funds	\$ 76,411,032
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital and intangible right-to-use assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$4,307,968 and the accumulated depreciation and amortization is \$951,649.	3,356,319
Lease liability recognized in the government-wide financial statements	(3,487,088)
Accrued interest recognized in the government-wide financial statements	(7,023)
Compensated absences are liabilities not due and payable in the current period and, therefore, are not reported in the governmental funds.	(216,396)
Net position - governmental activities	<u>\$ 76,056,844</u>

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, 2023

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund - Jurisdiction Transit	Special Revenue Fund - I-66 Toll Revenue	Special Revenue Fund - I-395/95 Toll Revenue	
Revenues:					
Intergovernmental revenues:					
Grants and contributions:					
Commonwealth of Virginia	\$ 59,970,403	\$ 229,171,824	\$ -	\$ -	\$ 289,142,227
Commonwealth of Virginia - CROC	15,000,000	-	-	-	15,000,000
Federal	11,795,736	-	-	-	11,795,736
Local jurisdictions	725,439	-	-	-	725,439
Toll Revenue	-	-	15,139,340	16,153,359	31,292,699
Motor vehicle fuel sales tax	-	25,702,954	-	-	25,702,954
Project chargebacks	80,000	-	-	-	80,000
Interest	58,346	-	1,158,685	1,372,407	2,589,438
Total revenues	<u>87,629,924</u>	<u>254,874,778</u>	<u>16,298,025</u>	<u>17,525,766</u>	<u>376,328,493</u>
Expenditures:					
Current:					
General and administration	3,113,305	-	-	-	3,113,305
Project costs	16,358,340	-	-	-	16,358,340
PRTC share of CROC funds	9,470,410	-	-	-	9,470,410
Toll funded project costs	-	-	4,199,090	6,235,870	10,434,960
Payments to fiduciary fund	-	254,874,778	-	-	254,874,778
Debt service:					
Principal retirement - lease	292,711	-	-	-	292,711
Interest - lease	91,001	-	-	-	91,001
Capital outlay	31,453	-	-	-	31,453
Total expenditures	<u>29,357,220</u>	<u>254,874,778</u>	<u>4,199,090</u>	<u>6,235,870</u>	<u>294,666,958</u>
Other financing uses:					
Transfers in	610,948	-	-	-	610,948
Transfers out	(58,648,784)	-	(197,253)	(413,695)	(59,259,732)
Change in fund balances	234,868	-	11,901,682	10,876,201	23,012,751
Fund balances, beginning of year	<u>762,899</u>	<u>-</u>	<u>22,189,621</u>	<u>30,445,761</u>	<u>53,398,281</u>
Fund balances, end of year	<u>\$ 997,767</u>	<u>\$ -</u>	<u>\$ 34,091,303</u>	<u>\$ 41,321,962</u>	<u>\$ 76,411,032</u>

Change in fund balances - total governmental funds \$ 23,012,751

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	31,453
Deduct - depreciation and amortization expense	(22,444)

Decrease in accrued interest payable, reduces interest in the Statement of Activities. 589

Principal payments on lease agreement is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position. 292,711

Amortization of intangible right-to-use lease building. (390,189)

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. (16,659)

Change in net position of governmental activities \$ 22,908,212

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2023

	<u>Commuter Rail Service Fund</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets:	
Cash and cash equivalents	\$ 58,021,844
Accounts receivable:	
Due from general fund	37,198,458
Commonwealth of Virginia grants	1,297,496
Trade receivables, net of allowance for doubtful accounts	271,111
Other receivables	1,648,390
Inventory	2,294,991
Prepaid expenses and other	415,153
Restricted cash, cash equivalents and investments	29,754,791
	<hr/>
Total current assets	130,902,234
	<hr/>
Noncurrent Assets:	
Capital assets:	
Intangible right-to-use lease buildings	731,785
Intangible right-to-use lease parking lots	136,751
Intangible right-to-use lease tower	49,790
Intangible right-to-use subscription assets	767,262
Rolling stock	143,388,695
Vehicles	75,670
Facilities	59,514,401
Track and signal improvements	50,054,134
Equipment and software	6,958,573
Construction in progress	60,601,428
Equity in property of others	62,473,241
Furniture, equipment and software	3,766,000
	<hr/>
	388,517,730
Less accumulated depreciation and amortization	(137,169,743)
	<hr/>
Total capital assets, net	251,347,987
	<hr/>
Lease receivable, noncurrent portion	529,864
	<hr/>
Total noncurrent assets	251,877,851
	<hr/>
Deferred Outflows of Resources:	
Loss on refunding	300,853
	<hr/>
Total assets and deferred outflows of resources	\$ 383,080,938
	<hr/>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2023

	<u>Commuter Rail Service Fund</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Current Liabilities:	
Accounts payable	\$ 5,170,496
Compensated absences	38,225
Accrued expenses	1,946,097
Accrued interest	895,755
Unearned revenue	917,992
Contract retainage	736,586
Current portion of bonds payable	4,565,000
Current portion of private placement note payable	892,011
Lease liability	87,719
Subscriptions payable	97,779
	<hr/>
Total current liabilities	15,347,660
	<hr/>
Noncurrent Liabilities:	
Compensated absences	675,939
Bonds payable	159,591,000
Private placement note payable	933,424
Lease liability	602,842
Subscriptions payable	53,243
	<hr/>
Total noncurrent liabilities	161,856,448
	<hr/>
Total liabilities	177,204,108
	<hr/>
Deferred Inflows of Resources:	
Leases	514,723
	<hr/>
Net Position:	
Net investment in capital assets	79,430,092
Restricted for liability insurance plan	5,073,702
Restricted for debt service	22,521,722
Restricted grants or contributions	1,435,473
Unrestricted assets	96,901,118
	<hr/>
Total net position	205,362,107
	<hr/>
Total liabilities, deferred inflows of resources and net position	\$ 383,080,938
	<hr/>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2023

	<u>Commuter Rail Service Fund</u>
Operating Revenues:	
Passenger revenue	\$ 10,104,750
Equipment rentals and other	<u>225,259</u>
Total operating revenues	<u>10,330,009</u>
Operating Expenses:	
Contract operations and maintenance	22,374,157
Other operations and maintenance	14,977,245
Property leases and access fees	13,363,776
Insurance	5,604,949
Marketing and sales	851,747
General and administrative	<u>9,578,538</u>
Total operating expenses	<u>66,750,412</u>
Operating loss before depreciation and amortization	(56,420,403)
Depreciation and amortization	<u>(11,240,095)</u>
Operating loss	<u>(67,660,498)</u>
Nonoperating Revenues (Expenses):	
Subsidies:	
Commonwealth of Virginia grants	8,715,638
Jurisdictional contributions	4,992,895
Regional transportation funding	851,250
Contribution to PRTC	(30,685,015)
Interest income:	
Operating funds	775,183
Increase in fair value of investments	11,478
Insurance trust	91,585
Commonwealth Rail Operating and Capital (CROC) Fund	947,190
Leases	9,889
Other restricted funds	318,293
Interest, amortization and other nonoperating expenses, net	<u>(7,152,468)</u>
Total nonoperating expenses, net	<u>(21,124,082)</u>
Loss before capital contributions and transfers	<u>(88,784,580)</u>
Capital contributions and transfers:	
Transfers in	<u>58,648,784</u>
Total capital contributions and transfers	<u>58,648,784</u>
Change in net position	<u>(30,135,796)</u>
Net Position, beginning	<u>235,497,903</u>
Net Position, ending	<u>\$ 205,362,107</u>

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, 2023

	Commuter Rail Service Fund
Cash Flows From Operating Activities:	
Receipts from customers	\$ 9,271,942
Payments to suppliers	(60,049,531)
Payments to employees	(6,644,782)
Net cash used in operating activities	<u>(57,422,371)</u>
Cash Flows From Noncapital Financing Activities:	
Transfer to PRTC	(30,685,015)
Governmental subsidies	13,262,287
Net cash used in noncapital financing activities	<u>(17,422,728)</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(83,665,387)
Principal paid on private placement note payable	(852,434)
Principal paid on bonds	(4,755,000)
Principal paid on lease liability	(179,855)
Principal paid on subscription liability	(98,905)
Interest paid on private placement note payable	(113,243)
Interest paid on capital lease obligation	(22,117)
Interest paid on bonds	(7,019,477)
Interest paid on subscription liability	(2,042)
Transfer from General Fund	53,955,723
Net cash used in capital and related financing activities	<u>(42,752,737)</u>
Cash Flows From Investing Activities:	
Interest received on leases	9,889
Interest received on investments	2,143,729
Cash provided by investing activities	<u>2,153,618</u>
Decrease in cash and cash equivalents	(115,444,218)
Cash and Cash Equivalents, beginning	203,220,853
Cash and Cash Equivalents, ending	<u>\$ 87,776,635</u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:	
Operating loss	\$ (67,660,498)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	11,240,095
Write-off of construction in progress to expense	417,732
(Increase) decrease in:	
Trade receivables	48,948
Other receivables	(1,189,944)
Inventory	(148,157)
Prepaid items and other	(91,676)
Lease receivable	171,611
Increase (decrease) in:	
Accounts payable and accrued expenses	(155,274)
Compensated absences	33,474
Unearned revenue	98,070
Deferred inflow - lease	(186,752)
Net cash used in operating activities	<u>\$ (57,422,371)</u>
Schedule of Noncash Capital Activities	
Capital assets acquired through accounts payable	\$ 3,078,897
Capital assets acquired through accrued liabilities	1,580,248
Intangible right-to-use assets acquired through leases	50,107
Intangible right-to-use assets acquired through subscriptions	249,927

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2023

	<u>Jurisdiction Trust Fund</u>	<u>Pension Trust Fund</u>
ASSETS		
Cash and cash equivalents	\$ 453,037,034	\$ -
Due from special revenue fund - Motor vehicle fuel sales tax	4,564,773	-
Due from other governments - Commonwealth of Virginia grants	4,870,612	-
Investments held in trust at fair value	<u>-</u>	<u>2,319,817</u>
Total assets	<u>462,472,419</u>	<u>2,319,817</u>
LIABILITIES		
Due to member jurisdictions	35,729,796	-
Due to general fund	<u>72,564</u>	<u>-</u>
Total liabilities	<u>35,802,360</u>	<u>-</u>
NET POSITION		
Restricted for:		
Member jurisdictions	426,670,059	-
Plan participants	<u>-</u>	<u>2,319,817</u>
Total net position	<u><u>\$ 426,670,059</u></u>	<u><u>\$ 2,319,817</u></u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2023

	<u>Jurisdiction Trust Fund</u>	<u>Pension Trust Fund</u>
Additions:		
Contributions from government	\$ 254,874,778	\$ -
Intergovernmental revenues	62,887,491	-
Pension fund contributions		
Participants	-	36,401
Employer	-	170,000
	<u>317,762,269</u>	<u>206,401</u>
Total additions		
	<u>317,762,269</u>	<u>206,401</u>
Investment income		
Increase in fair value of investments	-	216,796
Interest earned on investments	14,974,666	-
	<u>14,974,666</u>	<u>216,796</u>
Total income from investment activities		
	<u>14,974,666</u>	<u>216,796</u>
Deductions:		
Funds disbursed to WMATA:		
Capital improvement program	13,914,174	-
Project development	689,083	-
Metrorail operating	81,561,842	-
Metrobus operating	85,613,864	-
Metroaccess operating	15,815,213	-
Metro debt service	6,854,278	-
Other funds disbursed:		
Other capital disbursements	41,521,686	-
Other operating disbursements	24,377,514	-
Distributions	-	210,699
	<u>270,347,654</u>	<u>210,699</u>
Total deductions		
	<u>270,347,654</u>	<u>210,699</u>
Change in net position	62,389,281	212,498
Net position:		
Beginning of year	364,280,778	2,107,319
End of year	<u>\$ 426,670,059</u>	<u>\$ 2,319,817</u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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).

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 for 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 (collectively referred to 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 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.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Position 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 clearly identifiable with a specific function. Program revenues include charges to customers who use services provided by a given function, and grants and contributions are restricted to meeting the operational or capital requirements of a particular function.

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements (Continued)

Separate fund financial statements are provided for governmental funds, proprietary fund, and fiduciary funds. 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 Position, Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. The fiduciary funds are reported on a Statement of Net Position and a Statement of Changes in Net Position. The fiduciary funds are 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 unearned 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.

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 the expenses are incurred. Capital grants and assistance are recognized as additions are made to capital assets and other contributions are included in the Statement of Revenues, Expenses and Changes in Net Position 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.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

NVTC reports the following major governmental funds:

The General Fund is NVTC's primary operating fund and is considered a major fund. It accounts for all financial resources of NVTC except those required to be accounted for in another fund.

The Special Revenue Fund – Jurisdictional Transit Fund is used to account for intergovernmental revenue for the jurisdictions' transit programs, including local bus systems and operating and capital subsidies of the Washington Metropolitan Area Transit Authority (WMATA).

The Special Revenue Fund – I-66 Toll Revenue Fund is used to account revenues generated by the tolling of I-66 inside the Beltway to account for the toll revenue received at related projects.

The Special Revenue Fund – I-395/95 Toll Revenue Fund is used to account for the Annual Transit Investment (ATI) from toll revenue from the operations of the I-395/95 Hot Lanes and related projects for the NVTC and PRTC Commissions.

NVTC reports the following major enterprise fund:

Commuter Rail Service Fund

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

Fiduciary Funds – The financial statements of the fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above. The Commission maintains two fiduciary funds, the Jurisdictional Trust Fund and Pension Trust Fund.

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 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 cash equivalents

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) is reported at amortized cost.

2. Investments

Investments are stated at fair value based on quoted market prices.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

3. Restricted cash, cash equivalents and investments

Restricted cash, cash equivalents, and investments as reported in the Statement of Net Position are comprised of funds related to the Virginia Resources Authority (VRA) financing compliance requirements, the balance in the Liability Insurance Plan, a small liability claims account, and toll revenue. The investment in the Virginia State Non-Arbitrage Program (SNAP) for VRA financing is reported at amortized cost; a debt service reserve fund, cost of issuance (COI) fund and revenue stabilization fund for the Series 2022 bonds; a project fund for the net proceeds from sale of the Series 2022 bonds, to be requisitioned by the Virginia Passenger Rail Authority in fiscal year 2023.

4. Allowance for uncollectible accounts

The allowance for uncollectible accounts is calculated by using historical collection data and specific account analysis. The allowance was approximately \$50,700 at June 30, 2023, for the proprietary fund.

5. Inventory

An inventory of spare parts for rolling stock has been purchased and is maintained and managed at the Commissions' warehouse located at the Crossroads yard. Inventory is stated at cost, which approximates market, and is valued using the first-in-first-out method.

6. Prepaid items

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.

7. 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 acquisition 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 and other infrastructure ("equity in property of others") recognizes the right of access for commuter rail patrons granted to the Commissions. This category represents investments in Amtrak infrastructure and facilities, as well as the recent contributions to the Virginia Passenger Rail Authority (VPRA) for the CSX right-of-way purchase and Long Bridge project, all which provide primary benefit to the commuter rail service and an expectation of continued use by the VRE.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

7. Capital assets (Continued)

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

Rolling stock	8-25 years
Vehicles	5 years
Facilities	30-40 years
Track and signal improvements	5-30 years
Equipment and software	5 years
Equity in properties of others	3-35 years
Office equipment, furniture and software	3-10 years
Intangible right-to-use lease assets and subscription assets	2-15 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, 2023.

8. Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resource (expenditure) until then. NVTC currently has one item that qualifies for reporting in this category. The deferred loss on refunding is reported as a deferred outflow of resources.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. NVTC currently has one item reported in this category.

9. Leases

Lessee:

NVTC is the lessee for building office space, with a term of thirteen and a half years. The lease does not include a renewal option.

VRE is the lessee for leases of certain buildings, parking lots and a tower. Most leases have terms that range from one to fifteen years. The exercise of lease renewal options is at VRE's discretion.

For new or modified contracts, NVTC determines whether the contract is a lease. If a contract is determined to be, or contain, a lease with a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), NVTC records a lease asset and lease obligation which is calculated based on the value of the discounted future lease payments over the term of the lease. If the interest rate implicit in the lease is not readily determinable, NVTC will use the applicable incremental borrowing rate in the calculation of the present value of the lease payments.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

9. Leases (Continued)

Leases with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and expense is recognized as incurred over the lease term. At the commencement of a lease, NVTC measures the lease liability at the present value of payments expected to be made during the lease term and then reduces the liability by the principal portion of lease payments made. The lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs, then amortized on a straight line basis over a period that is the shorter of the lease term or the useful life of similar capital assets. Lease payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

Key estimates and judgements related to the leases include the determination of a discount rate, lease term, lease payments, and residual value guarantees or other provisions as follows:

Discount Rate: When readily available or easily determinable, the interest rate charged by the lessor is used. If not readily available or easily determinable, the estimated incremental borrowing rate is used.

Lease Term: The lease term includes the non-cancellable period of the lease.

Lease Payments: Lease payments included in the measurement of the lease liability are comprised of fixed payments, and, if applicable, the purchase option price that is reasonably certain to be exercised.

Lease assets are reported with other capital assets as right-to-use leased assets and lease liabilities are reported with current and noncurrent liabilities on the statement of net position.

Lessor:

For new or modified contracts, NVTC determines whether the contract is a lease. If a contract is determined to be, or contain, a lease with a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), NVTC will record a lease receivable and a deferred inflow of resources which is calculated based on the value of the discounted future lease payments over the term of the lease. If the interest rate implicit in the lease is not clear, NVTC may apply the guidance for imputation of interest as a means of determining the interest rate.

NVTC will not recognize a lease receivable and a deferred inflow of resources for leases with a noncancellable term of less than 12 months, and income is recognized as incurred.

At the commencement of a lease, NVTC will measure the lease receivable as the present value of payments expected to be received during the lease term and will reduce the receivable by the principal portion of lease payments received after satisfaction of accrued interest on the lease receivable, calculated using the effective interest method. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date, then recognized on a straight-line basis as revenue over the lease term.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

9. Leases (Continued)

VRE is a lessor for a lease related to communication towers. The leases term is for 55 years. The exercise of lease renewal options is at VRE's discretion. VRE monitors changes in circumstances that would require a re-measurement of a lease and will re-measure the lease receivable and related deferred inflows of resources if changes occur that are expected to significantly affect the amount of the lease receivable.

Key estimates and judgements related to leases include the determination of a discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts:

Discount Rate: When readily available or easily determinable, the interest rate charged by the lessor is used. If not readily available or easily determinable, the estimated incremental borrowing rate is used.

Lease Term: The lease term includes the non-cancellable period of the lease.

Lease Payments: Lease receipts included in the measurement of the lease receivable is comprised of fixed payments from the lessee.

10. Subscription based information technology arrangements (SBITAs)

NVTC adopted GASB Statement No. 96 on July 1, 2022.

For new or modified contracts, NVTC determines whether the contract is a SBITA. If a contract is determined to be, or contain, a SBITA with a non-cancellable term in excess of 12 months (including any options to extend or terminate the subscription when exercise is reasonably certain), NVTC records a right-to-use subscription asset and subscription liability which is calculated based on the value of the discounted future subscription payments over the term of the subscription. If the interest rate implicit in the subscription is not readily determinable, NVTC will use the applicable incremental borrowing rate in the calculation of the present value of the subscription payments.

NVTC recognizes a subscription liability and subscription asset on the Statements of Net Position. Subscriptions with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and expense is recognized as incurred over the subscription term.

At the commencement of a SBITA, NVTC measures the subscription liability at the present value of payments expected to be made during the subscription term and then reduces the liability by the principal portion of the subscription payments made. The subscription asset is measured at the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs, then amortized on a straight-line basis over the subscription term.

Subscription payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

11. Compensated absences

Annual leave for NVTC employees is granted to all full and part-time employees and is earned, generally, based upon the length of employment. Employees with zero through nine 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 of service, 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 percent 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 percent 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.

The employees of the VRE joint venture are employees of 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.

12. 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).

Restricted fund balance – amounts that have constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

12. Fund equity (continued)

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

13. 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 in the financial statements.

14. Net position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The net position caption "net investment in capital assets" consists of capital assets, net of accumulated depreciation and amortization, reduced by outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is 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.

15. 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.

16. Inter-fund transfers

Transactions among NVTC's funds would be treated as revenues and expenditures or expenses if they involved organizations external to NVTC government are accounted for as revenues and expenditures or expenses in funds involved.

Transactions, which constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which revenues are to be expended, are separately reported in the respective funds' operating statements.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

17. Subsequent events

NVTC has evaluated subsequent events through November 27, 2023, which was the date the financial statements were available to be issued.

Note 2. Deposits and Investments

At June 30, 2023, cash, cash equivalents, and investments consisted of the following, stated at fair value.

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash	\$ 207,050	\$ 12,315,062	\$ -	\$ 12,522,112
LGIP	433,278	45,706,782	453,037,034	499,177,094
Unit investment trusts – mutual funds	-	-	2,031,306	2,031,306
Unit investment trusts – group annuity contract	-	-	288,511	288,511
	640,328	58,021,844	455,356,851	514,019,023
Restricted:				
LGIP	74,673,567	2,188,945	-	76,862,512
Series 2022 debt service fund	-	913,493	-	913,493
Series 2022 debt service reserve fund	-	7,445,493	-	7,445,493
Series 2022 revenue stabilization fund	-	3,884,111	-	3,884,111
Series 2022 revenue fund	-	8,266,538	-	8,266,538
VRA debt service reserve fund	-	2,012,087	-	2,012,087
Insurance trust fund – pooled funds	-	5,044,124	-	5,044,124
	-	29,754,791	-	104,428,358
Total	\$ 75,313,895	\$ 87,776,635	\$ 455,356,851	\$ 618,447,381

Maturities of all investments are less than one year.

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 percent to 130 percent 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).

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments (Continued)

As of June 30, 2023, the reporting entity had investments of \$575,129,113 in the LGIP for governmental activities, business-type activities, and the fiduciary funds. 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. Investments in the LGIP are stated at amortized cost and classified as cash and cash equivalents. The LGIP has been assigned an "AAAm" rating by Standard & Poor's. The maturity of LGIP is less than one year.

In accordance with the requirements of the Financing Agreement between the Virginia Resources Authority (VRA) and NVTC, a debt service reserve fund (DSRF) was established for the benefit of VRA. On the closing date of the VRA financing, NVTC transferred \$2 million into the DSRF from its existing cash reserves. The funds in the DSRF shall be used solely to cure any deficiencies in the payment by NVTC of any principal, premium, or interest associated with the VRA financing. The funds in the DSRF are held in custody at U.S. Bank and are managed by PFM Asset Management LLC through the Virginia State Non-Arbitrage Program (SNAP). The Virginia Treasury Board sponsors SNAP to provide comprehensive investment management, accounting and arbitrage rebate calculation services for the proceeds of tax-exempt borrowings and other financings of Virginia Issuers subject to Section 148 (and related sections) of the Internal Revenue Code. The funds in the DSRF are invested in U.S. Treasury notes rated AA+ by Standard and Poor's maturing in under two (2) years and in the SNAP Fund, a AAAm rated local government investment pool that complies with GASB Statement 79. At June 30, 2023, NVTC had \$2,012,087 invested in the VRA Debt Service Reserve Fund.

In accordance with the issuance of the Northern Virginia Transportation Commission (NVTC) Transportation District Special Obligation Revenue Bonds (Transforming Rail in Virginia Program) Series 2022 (Green Bonds), a Debt Service Reserve Fund (DSRF), Revenue Stabilization fund (RS) and Cost of Issuance (COI) fund were established for the benefit of NVTC. The DSRF and RS are held in custody by U.S. Bank as the Trustee for the Series 2022 bonds. On the closing date of the bond transaction, VRE transferred \$7.5 million into the DSRF from the proceeds of the bond issuance. The funds in the DSRF and RS shall be used solely to cure any deficiencies in the payment by NVTC of any principal, premium, or interest associated with the NVTC financing. The funds held in COI are for payment of issuance costs incurred. At June 30, 2023, NVTC had \$7,445,493 invested in the Debt Service Reserve Fund, \$3,884,111 in the Revenue Stabilization Fund, and \$0 in the Cost of Issuance Fund.

At June 30, 2022, the funds in the DSRF and RS were invested in a JP Morgan US Government Money Market Fund. In July 2022, the DSRF and RS were re-invested in the Virginia State Non-Arbitrage Program (SNAP), with management of the funds provided by PFM Asset Management LLC. The COI funds were invested in SNAP as of the closing of the bond transaction. The Virginia Treasury Board sponsors SNAP to provide comprehensive investment management, accounting and arbitrage rebate calculation services for the proceeds of tax-exempt borrowings and other financings of Virginia Issuers subject to Section 148 (and related sections) of the Internal Revenue Code. The funds in the DSRF are invested in U.S. Treasury notes rated AA+ by Standard and Poor's maturing in under two (2) years and in the SNAP Fund, a AAAm rated local government investment pool that complies with GASB Statement 79.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments (Continued)

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, 2023, a total of \$10,088,248 was invested in the Insurance Trust, of which \$5,044,124 is included in the NVTC reporting entity. In fiscal year 2023, earnings on the Insurance Trust in the amount of \$183,169 were credited to VRE, of which \$91,585 was included in the NVTC reporting entity. The Insurance Trust Fund has not been assigned a rating.

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	100%
U.S. Treasury Obligations	100%
Certificates of Deposit	75%
Bankers' Acceptances	50%
Repurchase Agreements	35%
Commercial Paper	25%

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.

The NVTC Pension Trust allows for participant-directed investments in one or more of 12 separate unit investment trusts through the National Employers Retirement Trust (NERT). Each unit trust, with the exception of the MetLife Stable Value Fund, has a registered mutual fund that is the underlying investment and is reported at fair value based on the unit prices quoted by the fund. The Stable Value Fund is sponsored by the Metropolitan Life Insurance Company (MetLife) and is 100% invested in a MetLife group annuity contract which is held as part of the general assets of MetLife. The Stable Value Fund is reported at contract value as determined by MetLife.

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.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Custodial credit risk

For deposits, custodial credit risk is the risk 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.

Concentration of credit risk

The Commuter Rail Service Fund'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 the percentage of the portfolio allowed 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 CDs 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%

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Fair Value Measurement

NVTC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described below.

Level 1	Valuation based on quoted prices in active markets for identical assets or liabilities.
Level 2	Valuation based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets and liabilities.
Level 3	Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

The inputs or methodology used for valuing securities is not necessarily an indication of the risk associated with investing in those securities. The following table shows NVTC's investments by fair value level as of June 30, 2023:

Investments by Fair Value Level	June 30, 2023	Level 1	Level 2	Level 3
Mutual funds (Pension Trust Fund)	\$ 2,031,306	\$ 2,031,306	\$ -	\$ -
Immediate Participation Guarantee Contract (Pension Trust Fund)	288,511	-	-	288,511
Securities issued or guaranteed by the U.S. government and other commercial instruments (Commuter Rail)	22,521,722	22,521,722	-	-

Note 3. Due From Other Governments

At June 30, 2023, due from other governments consisted of the following:

	Project and Administrative	Jurisdiction Transit	Total
Due from Commonwealth of Virginia:			
Motor vehicle fuel sales tax	\$ -	\$ 4,564,773	\$ 4,564,773
Grants	35,017,185	-	35,017,185
CROC	2,500,000	-	2,500,000
Toll revenue	2,503,585	-	2,503,585
	<u>40,020,770</u>	<u>4,564,773</u>	<u>44,585,543</u>
Due from Local Jurisdictions:			
Local match	158,282	-	158,282
	<u>\$ 40,179,052</u>	<u>\$ 4,564,773</u>	<u>\$ 44,743,825</u>

Amounts due from the Commonwealth for the Project and Administrative activities include \$37,228,130 for commuter rail and \$2,792,640 for other projects.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance*	Increases	Deletions	Transfers	Ending Balance
Governmental activities:					
Capital assets being depreciated or amortized:					
Office equipment, furniture and software	\$ 212,054	\$ 31,453	\$ -	\$ -	\$ 243,507
Intangible right-to-use lease building	4,064,461	-	-	-	4,064,461
Less accumulated depreciation or amortization	(539,016)	(412,633)	-	-	(951,649)
Governmental activities capital assets, net	\$ 3,737,499	\$ (381,180)	\$ -	\$ -	\$ 3,356,319
Business-type activities:					
Capital assets not being depreciated or amortized:					
Construction in progress	\$ 40,170,393	\$ 25,928,378	\$ (417,732)	\$ (5,079,611)	\$ 60,601,428
Capital assets being depreciated or amortized:					
Intangible right-to-use buildings	692,516	50,139	(10,870)	-	731,785
Intangible right-to-use lease parking lots	289,664	-	(152,913)	-	136,751
Intangible right-to-use lease tower	49,790	-	-	-	49,790
Intangible right-to-use subscription assets	291,780	-	-	475,482	767,262
Rolling stock	142,651,538	-	-	737,157	143,388,695
Vehicles	72,780	2,890	-	-	75,670
Facilities	56,489,589	-	-	3,024,812	59,514,401
Track and signal improvements	50,054,134	-	-	-	50,054,134
Equipment and software	6,685,145	53,664	-	219,764	6,958,573
Equity in property of others	2,893,644	59,579,597	-	-	62,473,241
Office equipment, furniture and software	3,129,921	13,683	-	622,396	3,766,000
Total capital assets being depreciated or amortized	263,300,501	59,699,973	(163,783)	5,079,611	327,916,302
Less accumulated depreciation or amortization for:					
Intangible right-to-use lease buildings	67,638	59,275	(10,870)	-	116,043
Intangible right-to-use lease parking lots	146,448	115,866	(152,913)	-	109,401
Intangible right-to-use lease tower	19,274	19,274	-	-	38,548
Intangible right-to-use subscription assets	-	249,142	-	-	249,142
Rolling stock	64,181,007	5,837,299	-	-	70,018,306
Vehicles	67,088	4,555	-	-	71,643
Facilities	27,265,375	1,619,218	-	-	28,884,593
Track and signal improvements	23,761,390	2,787,839	-	-	26,549,229
Equipment and software	5,712,086	327,309	-	-	6,039,395
Equity in property of others	2,231,143	82,296	-	-	2,313,439
Office equipment, furniture and software	2,641,982	138,022	-	-	2,780,004
Total accumulated depreciation or amortization	126,093,431	11,240,095	(163,783)	-	137,169,743
Total capital assets being depreciated or amortized, net	137,207,070	48,459,878	-	5,079,611	190,746,559
Business-type activities capital assets, net	\$ 177,377,463	\$ 74,388,256	\$ (417,732)	\$ -	\$ 251,347,987

*The beginning balance was restated for the recording of right-to-use subscription assets as of July 1 in accordance with GASB 96.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 4. Capital Assets (continued)

Depreciation and amortization expenses for the year ended June 30, 2023 charged to the functions of the primary government are as follows:

	Governmental Activities	Business-type Activities
Primary government:		
General and administration	\$ 412,633	\$ -
Commuter rail	-	11,240,095

Note 5. Leases

Governmental activities

NVTC amended the current office space lease under a 154-month agreement which commenced on March 15, 2019 and expires November 15, 2031. NVTC is required to make monthly principal and interest payments ranging from \$33,796 to \$43,276 through November 2031. The lease has an interest rate of 2.5% over the term of the lease, and calls for the pass-through of a proportionate share of common building expenses after the first anniversary year. The lease contains a provision for the abatement of the first month's payment for the first seven years of the lease, and the additional abatement of approximately 29 percent of the leased space for the balance of the first year.

For the government-wide financial statements, an initial lease liability was recorded in the amount of \$4,064,461 during fiscal year 2022. The office space has an estimated useful life of approximately ten and a half years. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$3,284,085, and had accumulated amortization of \$780,377. The lease liability outstanding at the end of the current fiscal year was \$3,487,088.

The following table summarizes the total minimum lease payments due as of June 30, 2023:

Year(s) Ending June 30,	Principal	Interest
2024	\$ 309,804	\$ 83,483
2025	327,579	75,531
2026	383,615	66,893
2027	404,673	57,063
2028	426,621	46,696
2029-2032	1,634,796	72,210
Total	<u>\$ 3,487,088</u>	<u>\$ 401,876</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 5. Leases (continued)

Business-type activities

	Total	NVTC Reporting Entity
Lease liability for a tower. VRE is required to make monthly principal and interest payments of \$3,418 through January 2024. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$99,581 (\$49,790). The tower has an estimated useful life of thirty-one months. The value of the intangible right-to-use leased asset as of the end of the current fiscal year was \$99,581 (\$49,790) and had accumulated amortization of \$77,095 (\$38,848).	\$ 23,692	\$ 11,846
Lease liability for a building. VRE is required to make monthly principal and interest payments ranging from \$10,299 to \$13,438 through April 2033. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$1,363,291 (\$681,645). The building has an estimated 141 month useful life. The value of the intangible right-to-use leased asset as of the end of the current fiscal year was \$1,363,291 (\$681,645) and had accumulated amortization of \$230,415 (\$115,207).	1,200,812	600,406
Lease liability for a parking lot. VRE is required to make monthly principal and interest payments of \$9,717 through December 2023. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$273,503 (\$136,752). The parking lot has an estimated thirty-month useful life. The value of the intangible right-to-use leased asset as of the end of the current fiscal year was \$273,503 (\$136,752) and had accumulated amortization of \$218,803 (\$109,402).	57,791	28,895
Lease liability for a building roof. VRE is required to make monthly principal and interest payments of \$650 through March 2038. The lease has an interest rate of 3.40%. An initial lease liability was recorded in the amount of \$100,214 (\$50,107) during the current fiscal year. The building roof has an estimated 180-month useful life. The value of the right-to-use leased asset as of the end of the current fiscal year was \$100,277 (\$50,139) and had accumulated amortization of \$1,671 (\$809).	98,827	49,414
	<u>\$ 1,381,122</u>	<u>\$ 690,561</u>

Note: Amounts shown above parenthetically are the values reported by the NVTC Reporting Entity.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 5. Leases (continued)

Years(s) Ending June 30,	Total		NVTC Reporting Entity	
	Principal	Interest	Principal	Interest
2024	\$ 175,438	\$ 38,798	\$ 87,719	\$ 19,399
2025	100,610	35,126	50,305	17,563
2026	107,580	31,994	53,790	15,997
2027	114,880	28,647	57,440	14,323
2028	122,718	25,076	61,359	12,538
2029-2033	717,052	62,859	358,526	31,430
2034-2038	42,844	3,487	21,422	1,743
Total minimum lease payments	\$ 1,381,122	\$ 255,987	\$ 690,561	\$ 112,993

VRE is a lessor for a lease related to a communication tower. The lease term is for 43.5 years. The exercise of lease renewal options is at VRE's discretion. VRE monitors changes in circumstances that would require a re-measurement of a lease and will re-measure the lease receivable and related deferred inflows of resources if changes occur that are expected to significantly affect the amount of the lease receivable. VRE will receive annual payments ranging from \$26,222 to \$86,843 (NVTC reporting entity, \$13,111 to \$43,421) through December 2063. An initial lease receivable was recorded in the amount of \$1,437,167 (NVTC reporting entity, \$718,583). During fiscal year 2023, there was a remeasurement of the lease receivable due to a contract amendment that resulted in a lease receivable of \$1,088,174 (NVTC reporting entity, \$529,864).

VRE has a deferred inflow of resources associated with its lease that will be recognized as revenue over the term of the lease. As of June 30, 2023, the balance of the deferred inflow was \$1,029,445 (NVTC reporting entity, \$514,722). Lease revenue for the year ended June 30, 2023 was \$24,511 and lease interest income for the same year was \$19,778 (NVTC reporting entity, \$12,255 and \$9,889, respectively).

Future minimum lease amounts as of June 30, 2023 are as follows:

Year(s) Ending June 30,	Total		NVTC Reporting Entity	
	Principal	Interest	Principal	Interest
2024	\$ (5,169)	31,792	(2,584)	15,896
2025	(4,526)	31,947	(2,263)	15,973
2026	(3,839)	32,083	(1,920)	16,042
2027	(3,107)	32,198	(1,554)	16,099
2028	(2,327)	32,291	(1,164)	16,145
2029-2033	1,873	161,981	937	80,991
2034-2038	29,834	160,118	14,917	80,059
2039-2043	66,655	153,552	33,328	76,776
2044-2048	114,448	140,832	57,224	70,416
2049-2053	175,774	120,165	87,887	60,082
2054-2058	253,733	89,342	126,867	44,671
2059-2063	352,066	45,651	176,033	22,826
2064	84,312	2,529	42,156	1,265
Total minimum lease payments	\$ 1,059,727	\$ 1,034,481	\$ 529,864	\$ 517,241

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 6. Long-Term Debt Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2023:

	Beginning Balance*	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Leases liability	\$ 3,779,799	\$ -	\$(292,711)	\$ 3,487,088	\$ 309,804
Compensated absences	199,737	207,359	(190,700)	216,396	72,550
Total governmental activities	3,979,536	207,359	(483,411)	3,703,484	365,262
Business-type activities:					
Lease liability	820,309	50,107	(179,855)	690,561	87,719
Subscription liability	249,927	-	(98,905)	151,022	97,779
Private placement note payable	2,677,869	-	(852,434)	1,825,435	892,011
Bond payable	152,965,000	-	(4,755,000)	148,210,000	4,565,000
Unamortized premium	16,416,477	-	(470,477)	15,946,000	-
Compensated absences	680,690	393,186	(359,712)	714,164	38,225
Total business-type activities	173,810,272	443,293	(6,716,383)	167,537,182	5,680,734
Total Primary Government	\$ 177,789,808	\$ 650,652	\$(7,199,794)	\$ 171,240,666	\$ 6,045,996

*Note: The beginning balance was restated for recording of subscription liability as of July 1 in accordance with GASB 96.

Private Payment Placement Note Payable - Gallery IV (11 cars)	Total	NVTC Reporting Entity
\$25,100,000 private placement note payable (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 \$9,569,200 (NVTC reporting entity, \$4,784,600)	<u>\$ 3,650,870</u>	<u>\$ 1,825,435</u>

Future minimum payments as of June 30, 2023 are as follows:

Year Ending June 30,	Total		NVTC Reporting Entity	
	Principal	Interest	Principal	Interest
2024	\$ 1,784,022	\$ 147,336	\$ 892,011	\$ 73,668
2025	1,866,848	64,509	933,424	32,254
	<u>\$ 3,650,870</u>	<u>\$ 211,845</u>	<u>\$ 1,825,435</u>	<u>\$ 105,922</u>

Note: Federal arbitrage regulations apply to the Gallery IV private payment placement note payable.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 6. Long-Term Debt Obligations (continued)

Notes Payable – Gallery IV (60 cars)/VRA Bond Payable

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 was secured by the revenues of VRE and the railcars.

In fiscal year 2018, VRE entered into a financing agreement with the Virginia Resources Authority (VRA) for the purposes of refunding the FRA consolidated promissory note and reducing VRE's debt service costs. As required by the authorizing resolutions of the Commissions and jurisdictions, the VRA refunding loan did not extend the term of the original borrowing and achieved net present value debt service savings of not less than three percent. The FRA note was refunded in full with the proceeds from the VRA financing, and VRE has pledged its revenues to the repayment of the principal, premium, and interest on the local bond purchased by VRA.

VRA bond payable, \$46,640,000 Bond, due in variable bi-annual amounts, plus a bi-annual variable interest rate of 3.13% to 5.13% through October 1, 2032. The carrying value of the railcars was \$46,910,034 at June 30, 2023.

\$ 34,690,000

NVTC Transportation District Special Obligation Revenue Bonds, Series 2022

NVTC Bond payable, \$115,670,000 Bond, due in variable annual amounts, plus a bi-annual interest rate of 5.00% through June 1, 2052.

\$ 113,520,000

Mandatory debt service on Bonds payable requirements as of June 30, 2023 are as follows:

Years Ending June 30,	NVTC Bond		VRA Bond		Total Required	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 1,820,000	\$ 5,676,000	\$ 2,745,000	\$ 1,548,572	\$ 4,565,000	\$ 7,224,572
2025	1,910,000	5,585,000	2,885,000	1,404,303	4,795,000	6,989,303
2026	2,010,000	5,489,500	3,040,000	1,252,475	5,050,000	6,741,975
2027	2,110,000	5,389,000	3,200,000	1,092,575	5,310,000	6,481,575
2028	2,215,000	5,283,500	3,365,000	924,347	5,580,000	6,207,847
2029-2033	12,845,000	24,641,750	19,455,000	2,001,384	32,300,000	26,643,134
2034-2038	16,390,000	21,093,500	-	-	16,390,000	21,093,500
2039-2043	20,925,000	16,565,000	-	-	20,925,000	16,565,000
2044-2048	26,710,000	10,782,750	-	-	26,710,000	10,782,750
2049-2052	26,585,000	3,404,000	-	-	26,585,000	3,404,000
Subtotal	113,520,000	103,910,000	34,690,000	8,223,656	148,210,000	112,133,656
Unamortized premium	12,063,949	-	3,882,051	-	15,946,000	-
Total	\$ 125,583,949	\$ 103,910,000	\$ 38,572,051	\$ 8,223,656	\$ 164,156,000	\$ 112,133,656

Subscriptions Liability

During the current fiscal year, VRE had multiple subscription agreements as lessee for software ranging from two to three years. In accordance with the implementation of GASB Statement 96, an initial subscription liability was recorded in the amount of \$499,853 (NVTC reporting entity, \$249,927) during the current fiscal year. As of June 30, 2023, the balance of the subscription liability was \$302,044 (NVTC reporting entity, \$151,022).

VRE is required to make annual principal and interest payments ranging from \$1,458 to \$106,762. The subscriptions have an interest rate ranging from 2.35% to 2.8%. The value of the intangible right-to-use subscription assets as of the end of the current fiscal year was \$1,534,525 (NVTC reporting entity, \$767,262) and had accumulated amortization of \$498,284 (NVTC reporting entity, \$249,142).

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 7. 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 230, 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 is 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, 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 tracks of CSX and the Norfolk Southern Railway Company under respective operating access agreements.

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 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 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.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 7. Joint Venture – Virginia Railway Express (continued)

Financial information from VRE's fiscal year 2023 audited financial statements is shown below.

VIRGINIA RAILWAY EXPRESS STATEMENT OF NET POSITION June 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets:

Cash and cash equivalents	\$ 80,010,886
Accounts receivable:	
Due from PRTC	32,091,015
Federal CARES Act	3,264,673
Commonwealth of Virginia grants	37,323,122
Commonwealth Rail Operating and Capital (CROC) Fund	2,500,000
Trade and other, net of allowance	4,361,991
Inventory	3,165,942
Prepaid expenses and other	572,705
Restricted cash, cash equivalents and investments	35,423,290

Total current assets

198,713,624

Noncurrent assets:

Capital assets (net of \$274,339,485 accumulated depreciation and amortization)	502,695,977
Leases receivable, noncurrent portion	1,059,727
Net pension assets	67,453

Total noncurrent assets

503,823,157

Total assets

702,536,781

Deferred outflows of resources

1,084,713

Total assets and deferred outflows of resources

\$ 703,621,494

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current liabilities:

Accounts payable and accrued liabilities	\$ 17,053,162
Unearned revenue	1,266,371
Current portion of:	
Compensated absences	52,732
Bonds payable	4,565,000
Subscription liability	195,558
Lease liability	175,438
Private placement note payable	1,784,022

Total current liabilities

25,092,283

Noncurrent liabilities:

Other postemployment benefits	328,073
Private placement note payable	1,866,848
Bonds payable	159,591,000
Subscription liability	106,486
Lease liability	1,205,684
Compensated absences	932,458

Total noncurrent liabilities

164,030,549

Total liabilities

189,122,832

Deferred inflows of resources

1,695,668

Net position:

Net investment in capital assets	322,715,330
Restricted for liability insurance plan	10,147,403
Restricted for debt service	22,521,722
Restricted grants or contributions	2,754,165
Restricted pension asset	67,453
Unrestricted net position	154,596,921

Total net position

512,802,994

Total liabilities, deferred inflows of resources and net position

\$ 703,621,494

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 7. Joint Venture – Virginia Railway Express (Continued)

VIRGINIA RAILWAY EXPRESS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Year Ended June 30, 2023

Operating revenues	\$ 14,250,860
Operating expenses	92,086,157
Operating loss before depreciation and amortization	<u>(77,835,297)</u>
Depreciation and amortization	(22,480,189)
Operating loss	<u>(100,315,486)</u>
Nonoperating revenues (expenses):	
Subsidies:	
Commonwealth of Virginia grants	42,011,586
Federal grants – with PRTC as grantee	9,289,764
Federal CARES Act	20,267,695
Jurisdictional contributions	13,544,122
Commonwealth Rail Operating and Capital (CROC) Fund	15,000,000
Interest income:	
Operating funds	1,069,411
Insurance trust	183,169
Commonwealth Rail Operating and Capital (CROC) Fund	1,894,380
Leases	19,778
Other restricted funds	636,585
Interest, amortization and other nonoperating expenses, net	(7,285,456)
Increase in fair value of investments	15,835
Total nonoperating revenues, net	<u>96,646,869</u>
Capital grants and assistance:	
Commonwealth of Virginia grants	27,879,245
Federal grants – with PRTC as grantee	20,406,397
Regional transportation funding (NVT A)	1,702,500
Total capital grants and assistance	<u>49,988,142</u>
Change in net position	46,319,525
Net position, beginning of year	<u>466,483,469</u>
Net position, ending	<u>\$ 512,802,994</u>

Note 8. Intergovernmental Revenues, Commonwealth of Virginia

Intergovernmental revenues from the Commonwealth of Virginia include the regional motor vehicle fuel sales tax, NVTC project revenue, operating and capital assistance for NVTC members' local systems contracted prior to fiscal year 2013 (excluding Loudoun County), operating and capital assistance for NVTC members' WMATA subsidies, and operating and capital assistance for the VRE commuter rail service.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 9. Pension Plans

Employees of the reporting entity are covered under two 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 through employment with PRTC.

NVTC – Target Benefit Plan

NVTC contributes to the Northern Virginia Transportation Commission Pension Trust (the Plan), a single employer public employees' retirement system established by NVTC, contributory target benefit pension plan covering all employees who have elected to participate. 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 percent 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, 2023 totaled \$183,023 (10.1 percent of covered payroll). Required employee contributions for the year ended June 30, 2023 totaled \$36,401 (2.0 percent of covered payroll). Since 1994, participants have been required to contribute 2.0 percent of covered salary, not to exceed 50 percent of the aggregate gross annual contribution for benefits. NVTC contributes the balance of the cost of the Plan. During the plan year ending June 30, 2023 there were 16 participants. NVTC's payroll for employees covered by the plan for the year ended June 30, 2023 was \$1,817,826.

Note 10. Agreements

Business-type activities

Operating Access Agreements with the CSX Transportation 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, 2023, annual track usage fees totaled approximately \$11,923,000, of which \$8,643,000 is recognized by the NVTC reporting entity, and facility and other identified costs totaled approximately \$465,000, of which \$337,000 is recognized by the NVTC reporting entity. The increase in track usage fees primarily reflects normal annual increases to the base fees. The decrease in facility and other costs is primarily due to changes in station lease agreements with CSX and VPRA.

The 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 July 1, 2015. For the year ended June 30, 2023, costs for track access and equipment storage totaled approximately \$6,513,000, of which \$4,721,300 is recognized by the NVTC reporting entity and mid-day maintenance, utility and other services totaled approximately \$4,326,000, of which \$3,135,900 is recognized by the NVTC reporting entity. Cost adjustments will be made in fiscal year 2024 to reflect changes to various published cost indices and the number of trains that have access to and are stored and serviced at the terminal. After October 1, 2015, charges for terminal access will be in accordance with the cost-sharing arrangement for the Northeast Corridor passenger rail infrastructure mandated by the Passenger Rail Investment and Improvement Act of 2008 (PRIIA).

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 10. Agreements (continued)

The Commissions signed a contract with Keolis Rail Services Virginia, LLC, for train operations and maintenance for a five-year period beginning July 1, 2015. Separate contracts for maintenance of equipment and facilities became effective for the period beginning July 1, 2016. In May 2020, the Commissions authorized the Chief Executive Officer to amend the contract for Operating Services for Commuter Rail with Keolis Rail Services Virginia, LLC (KRSV) thereby exercising the second five-year option period, effective July 1, 2020 through June 30, 2025.

Subsequently, in May 2021, the Commissions authorized the Chief Executive Officer to amend the contract for Maintenance Services for Commuter Rail with Keolis Rail Services Virginia, LLC (KRSV) thereby exercising the first five-year option period, effective July 1, 2021 through June 30, 2026. The cost of train operations and maintenance for the year ended June 30, 2023 totaled approximately \$26,586,000 of which \$19,272,000 is recognized by the NVTC reporting entity. Costs are based on an annual budget prepared in advance. Costs for fiscal year 2024 will be adjusted for service additions or deletions and annual changes to the Consumer Price Index.

Note 11. Risk Management and Liability Insurance Plan

NVTC and the VRE commuter rail operation are 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 the passenger rail liability cap (currently approximately \$323 million) 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 \$56,300 at June 30, 2023, of which \$28,150 was included in the NVTC reporting entity.

The Division of Risk Management manages the Insurance Trust Fund pursuant to the provisions of the Insurance Plan. Since November 2006, all plan assets have been invested in the Department of Treasury common pool. Activity in the Insurance Trust Fund for the year ended June 30, 2023 is as follows:

	Total	NVTC Reporting Entity
Beginning balance, July 1	\$ 9,966,010	\$ 4,983,005
Insurance premiums paid	(7,100)	(3,550)
Claims mitigation and losses incurred	(19,392)	(9,696)
Investment income	183,169	91,584
Actuarial and administrative charges	(34,439)	(17,219)
Ending balance, June 30	\$ 10,088,248	\$ 5,044,124

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.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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 experience, management believes 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.

Governmental activities

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. Expenditures for jurisdiction grant funded and toll revenue funded projects are recognized when the reimbursement requests are submitted and approved by NVTC.

Business-type activities

At June 30, 2023, there were disputes between VRE and certain vendors. The amounts of any settlements, should they occur, are not determinable at this time. However, such amounts are not expected to be material in relation to the recorded amounts.

The Commissions have outstanding commitments for construction of facilities and equipment. A combination of Federal and Commonwealth of Virginia grants and local funds will be used to finance these capital projects. The following is a summary of the more significant contractual commitments, net of expenses incurred as of June 30, 2023:

Stations and parking lots	\$ 46,672,740
Rolling stock	71,696,725
Maintenance and layover yards	3,199,049
Other administrative	324,352
Total	<u><u>\$ 121,892,866</u></u>

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 controls the use and disposal of property acquired with state grant funds. If any project equipment is 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.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 13. Interfund Transfers

	General Fund	Commuter Rail	Total Transferred Out
Transfer from fund:			
Special Revenue Fund – I-66 toll revenue	\$ 194,253	\$ -	\$ 194,253
Special Revenue Fund – I-395/95 toll revenue	413,695	-	413,695
General Fund	-	58,648,784	58,648,784
Total transferred in	\$ 607,948	\$ 58,648,784	\$ 59,256,732

The transfer from the General Fund to the Commuter Rail Service Fund is for state grant and CROC funding activity in which NVTC serves as grantee and recipient on behalf of VRE.

The transfers from the Special Revenue Funds to the General Fund are for NVTC administration and outreach.

Note 14. Pending GASB Statements

At June 30, 2023, 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. 99, *Omnibus 2022*, provides guidance to enhance comparability in accounting and financial reporting for derivative instruments, leases, financial guarantees, and a wide range of other accounting and financial reporting issues that have been identified during the implementation and application of certain GASB statements. The requirements related to GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* and terminology updates related to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* are effective upon issuance. The requirements related to GASB Statement No. 87, *Leases*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* will be effective for the PRTC beginning with its year ending June 30, 2023. The requirements related to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* will be effective for NVTC beginning with its year ending June 30, 2024.

GASB Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*, prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. Statement 100 will be effective for the NVTC beginning with its year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences*, provides guidance to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement 101 will be effective for the NVTC beginning with its year ending June 30, 2025.

NVTC has not yet determined the effect of these statements on its financial statements

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 15. Subsequent Events

In July 2023, the VRE Operations Board authorized the Chief Financial Officer to execute a Sole Source Contract with Wabtec Corporation of Cedar Rapids, Iowa for Cloud Positive Train Control (PTC) Hosting and WabtecOne PTC Performance Analytics in the amount of \$4,454,930, plus a 10 percent contingency of \$445,493, for a total amount not to exceed \$4,900,423, for a five year term.

In August 2023, the Lifecycle Overhaul and Upgrade (LOU) Facility was placed into service with a total cost of \$52,878,484. The facility, featuring 33,000 square feet of maintenance space will allow VRE to cost-effectively maintain rolling stock, as well as systems and components, in a state of good repair.

In September 2023, the VRE Operations Board authorized the Chief Executive Officer to execute a contract with Vanasse Hangen Brustlin, Inc. (VHB) of Washington, DC for Engineering and Environmental Services for VRE L'Enfant Track and Station Improvements in the amount of \$3,072,448, plus a 10% contingency of \$307,245, for a total not to exceed \$3,379,693.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY JURISDICTION
JURISDICTION TRUST FUND
Year Ended June 30, 2023

	<u>City of Alexandria</u>	<u>Arlington County</u>	<u>City of Fairfax</u>	<u>Fairfax County</u>	<u>City of Falls Church</u>	<u>Loudoun County</u>	<u>Totals</u>
Additions:							
Contributions from government:							
Commonwealth of Virginia	\$ 36,689,975	\$ 56,309,660	\$ 3,193,674	\$ 125,874,930	\$ 1,695,180	\$ 5,408,405	\$ 229,171,824
Motor Vehicle Fuel Sales Tax	1,835,427	1,789,906	601,746	12,342,810	1,676,179	7,456,886	25,702,954
Intergovernmental revenues, grants:							
Commonwealth of Virginia	9,895,633	15,455,844	1,647,195	33,492,056	451,043	1,945,720	62,887,491
Investment income	2,123,918	3,610,041	247,261	6,684,256	80,826	2,228,364	14,974,666
	<u>50,544,953</u>	<u>77,165,451</u>	<u>5,689,876</u>	<u>178,394,052</u>	<u>3,903,228</u>	<u>17,039,375</u>	<u>332,736,935</u>
Deductions:							
Funds disbursed to WMATA:							
Capital improvement program	1,000,000	10,550,529	743,238	-	-	1,620,407	13,914,174
Project development	-	150,719	9,341	529,023	-	-	689,083
Metrorail operating	11,652,103	14,660,616	1,096,607	49,806,367	1,072,156	3,273,993	81,561,842
Metrobus operating	13,209,692	17,582,430	731,705	51,953,575	2,136,462	-	85,613,864
Metroaccess operating	691,815	404,659	528,810	14,042,756	147,173	-	15,815,213
Metro debt service	948,460	-	111,549	5,617,993	176,276	-	6,854,278
Other funds disbursed:							
Other capital disbursements	-	14,783,104	2,995,056	23,743,526	-	-	41,521,686
Other operating disbursements	-	11,445,992	785,252	12,146,270	-	-	24,377,514
	<u>27,502,070</u>	<u>69,578,049</u>	<u>7,001,558</u>	<u>157,839,510</u>	<u>3,532,067</u>	<u>4,894,400</u>	<u>270,347,654</u>
Change in net position	23,042,883	7,587,402	(1,311,682)	20,554,542	371,161	12,144,975	62,389,281
Net position held in trust for member jurisdictions:							
Beginning of year	45,404,113	95,153,665	7,733,066	161,581,823	2,370,501	52,037,610	364,280,778
End of year	<u>\$ 68,446,996</u>	<u>\$ 102,741,067</u>	<u>\$ 6,421,384</u>	<u>\$ 182,136,365</u>	<u>\$ 2,741,662</u>	<u>\$ 64,182,585</u>	<u>\$ 426,670,059</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF GENERAL, ADMINISTRATIVE AND PROJECT EXPENDITURES
GENERAL FUND
Year Ended June 30, 2023

	Total	General and Administrative	Projects
Expenditures:			
Audit and Legal	\$ 54,510	\$ 54,510	\$ -
Capital outlay	31,453	31,453	-
Commissioners' per diem	13,900	13,900	-
Computer	23,898	23,898	-
Copier duplicating	8,620	8,620	-
Disability insurance	13,230	13,114	116
Employee group insurance	157,213	155,840	1,373
Employee retirement	173,720	172,203	1,517
Employer payroll taxes	157,092	155,720	1,372
Leave - annual, holiday, and sick	355,372	352,120	3,252
Memberships and subscriptions	1,433	1,433	-
Miscellaneous	11,881	11,881	-
Office supplies	1,199	1,199	-
Office rent *	397,459	397,459	-
Insurance and liability bonds	7,335	7,335	-
Parking and transit	19,408	19,408	-
Postage and shipping	1,226	1,226	-
Consulting, other project costs	16,501,680	166,987	16,334,693
Public information	21,770	21,756	14
Salaries and wages	1,808,771	1,793,076	15,695
State liaison	49,309	49,309	-
Telephone and data	17,765	17,765	-
Training and conferences	40,798	40,798	-
Travel and meetings	17,768	17,460	308
Total expenditures	<u>\$ 19,886,810</u>	<u>\$ 3,528,470</u>	<u>\$ 16,358,340</u>

* \$383,712 included in office rent reported as debt service on the Statement of Revenues, Expenditures and Change in Fund Balances. \$292,711 reported as principal retirement and \$91,001 reported as interest expense.

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT REVENUES AND EXPENDITURES
GENERAL FUND
Year Ended June 30, 2023**

	Jurisdiction Grants & Projects	NTD Collection	Route 7	Fare Collection	Regional Bus	Regional Marketing	Value of Transit	Zero Emission Bus	Totals
Revenues:									
Commonwealth of Virginia	\$ 2,943,055	\$ 408,608	\$ -	\$ 32,448	\$ 23,949	\$ 304,029	\$ -	\$ -	\$ 3,712,089
Federal	11,795,736	-	-	-	-	-	-	-	11,795,736
Local	-	-	-	32,447	23,949	76,006	-	-	132,402
NVTC match	-	1,170	459,523	(2)	-	1	69,914	187,507	718,113
Total revenue	<u>\$ 14,738,791</u>	<u>\$ 409,778</u>	<u>\$ 459,523</u>	<u>\$ 64,893</u>	<u>\$ 47,898</u>	<u>\$ 380,036</u>	<u>\$ 69,914</u>	<u>\$ 187,507</u>	<u>\$ 16,358,340</u>
Expenditures:									
Consulting	\$ -	\$ 408,602	\$ 437,052	\$ 64,893	\$ 47,898	\$ -	\$ 69,914	\$ 187,507	\$ 1,215,866
Costs incurred	14,738,791	-	-	-	-	380,036	-	-	15,118,827
Fringe benefits	-	385	7,245	-	-	-	-	-	7,630
Public information	-	-	14	-	-	-	-	-	14
Salaries and wages	-	791	14,904	-	-	-	-	-	15,695
Travel and meetings	-	-	308	-	-	-	-	-	308
Total expenditures	<u>\$ 14,738,791</u>	<u>\$ 409,778</u>	<u>\$ 459,523</u>	<u>\$ 64,893</u>	<u>\$ 47,898</u>	<u>\$ 380,036</u>	<u>\$ 69,914</u>	<u>\$ 187,507</u>	<u>\$ 16,358,340</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF I-66 COMMUTER CHOICE TOLL FUNDED PROJECTS AND EXPENDITURES
SPECIAL REVENUE FUND I-66 TOLL REVENUE
Year Ended June 30, 2023

Project Sponsor	Project Title	Project Number	Approved Toll Revenue Funds	Prior Expenditures	FY 2023 Expenditures	Cumulative Expenditures	FY 2023 Deobligations	Remaining Balance
City of Falls Church	Expanded Transit Access through Bikeshare	610-01-010-17	\$ 500,000	\$ 344,437	\$ 74,566	\$ 419,003	\$ 80,997	\$ -
Subtotal - Fiscal Year 2017 Program			500,000	344,437	74,566	419,003	80,997	-
Arlington County	Traffic Management Center	013-02-18	400,000	386,771	-	386,771	13,229	-
Fairfax County	Express Bus Service - Vienna/Fairfax-GMU and Pentagon Metrorail Stations	059-01-18	3,452,618	3,060,985	391,632	3,452,617	1	-
Fairfax County	I-66 Corridor Vienna/Merrifield Bike Share Expansion	059-02-18	497,100	54,849	125,824	180,673	-	316,427
Loudoun County	Transit Metro Connection Route 88X Extension to Dulles South	107-01-18	1,706,040	333,939	-	333,939	1,372,101	-
Loudoun County	Transit Metro Connection from New Purcellville Park and Ride	107-02-18	1,065,960	1,057,263	-	1,057,263	8,697	-
City of Fairfax	CUE Access and Technology Improvements	600-01-18	965,000	155,079	-	155,079	-	809,921
Subtotal - Fiscal Year 2018 Program			8,086,718	5,048,886	517,456	5,566,342	1,394,028	1,126,348
Arlington County	Enhanced Bus Service on Metrobus 3Y: Lee Highway-Farragut Square	013-01-20	1,040,000	-	124,812	124,812	915,188	-
Arlington County	Expanded TDM Outreach to the I-66 Corridor	013-02-20	1,350,000	561,466	222,298	783,764	-	566,236
Fairfax County	Enhanced Bus Service from Government Center to DC	059-01-20	1,939,500	1,095,187	844,313	1,939,500	-	-
Fairfax County	New Bus Service from Stringfellow to L'Enfant Plaza	059-02-20	4,326,000	3,621,024	704,976	4,326,000	-	-
Loudoun County	Enhanced Bus Service from Stone Ridge to DC	107-01-20	532,031	-	242,361	242,361	-	289,670
Loudoun County	New Bus Service from Stone Ridge to Pentagon	107-02-20	1,257,226	903,858	270,725	1,174,583	-	82,643
Loudoun County	New Bus Service from Purcellville to DC	107-03-20	949,482	790,899	113,327	904,226	-	45,256
Prince William County	New TDM Outreach to the I-66 Corridor	153-01-20	200,000	-	-	-	-	200,000
PRTC	Enhanced Bus Service from Gainesville to DC	664-01-20	1,519,100	180,825	78,516	259,341	-	1,259,759
PRTC	Enhanced Bus Service from Gainesville to Pentagon	664-02-20	4,671,700	4,596,749	74,951	4,671,700	-	-
PRTC	New Bus Service from Haymarket to Rosslyn	664-03-20	776,700	678,151	98,549	776,700	-	-
Subtotal - Fiscal Year 2020 Program			18,561,739	12,428,159	2,774,828	15,202,987	915,188	2,443,564
Arlington County	Lee Highway HOV and Bus-Only Lane in Rosslyn	013-61-21	710,000	-	-	-	-	710,000
Fairfax County	McLean Metrorail Station North Entrance	059-61-21	1,000,000	-	-	-	-	1,000,000
Loudoun County	Renewal of Purcellville Metro Connection Bus Service	107-61-21	709,030	93,875	242,407	336,282	-	372,748
City of Fairfax	City of Fairfax Bike Share Implementation	600-61-21	460,000	-	-	-	-	460,000
PRTC	Renewal of Bus Service from Gainesville to Pentagon/Navy Yard	664-61-21	461,100	-	461,099	461,099	1	-
PRTC	Renewal of Bus Service from Haymarket to Rosslyn	664-62-21	137,100	-	128,734	128,734	-	8,366
NVTC	Program Administration and Oversight	999-01-21	300,000	270,121	29,879	300,000	-	-
Subtotal - Fiscal Year 2021 Program			3,777,230	363,996	862,119	1,226,115	1	2,551,114
PRTC	TDM Strategy - I-66 Corridor Vanpool Parking Benefit	664-61-22	85,000	-	-	-	-	85,000
Fairfax County	New Bus Service from Reston South to Crystal City	059-61-22	5,110,800	-	-	-	-	5,110,800
Fairfax County	Fare Buy-Down on Bus Service from Reston North to Crystal City	059-62-22	154,500	-	-	-	-	154,500
NVTC	Program Administration and Oversight	999-01-22	400,000	-	167,374	167,374	-	232,626
Subtotal - Fiscal Year 2022 Program			5,750,300	-	167,374	167,374	-	5,582,926
Total			\$ 36,675,987	\$ 18,185,478	\$ 4,396,343	\$ 22,581,821	\$ 2,390,214	\$ 11,703,952

Note: Expenditures are reimbursements made by NVTC to the sponsoring entity. Additional project expenditures may have been incurred by the sponsor, but not yet submitted for program reimbursement. Schedule does not reflect closed-out projects without FY 2023 activity. Expenditures for NVTC administration and outreach totaling \$197,253 in the table above are reported as transfers in the "Statement of Revenues, Expenditures and Change in Fund Balance."

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF I-395/95 COMMUTER CHOICE TOLL FUNDED PROJECTS AND EXPENDITURES
SPECIAL REVENUE FUND I-395/95 TOLL REVENUE
Year Ended June 30, 2023

Project Sponsor	Project Title	Project Number	Approved Toll Revenue Funds	Prior Expenditures	FY 2023 Expenditures	Cumulative Expenditures	FY 2023 Deobligations	Remaining Balance
Fairfax County	New Bus Service to the Pentagon with Gambrill and Backlick North Park and Ride Improvements	059-31-20	\$ 3,540,903	\$ 2,840,985	\$ 578,158	\$ 3,419,143	\$ -	\$ 121,760
PRTC	Enhanced Bus Service on Prince William Metro Express	664-32-20	562,400	443,488	118,908	562,396	4	-
PRTC	Enhanced Bus Service on Route 1 Local	664-33-20	1,133,500	570,834	37,666	608,500	-	525,000
PRTC	New Bus Service from Staffordboro to Downtown D.C.	664-34-20	3,569,200	769,200	-	769,200	-	2,800,000
PRTC	New Bus Service from Staffordboro to the Pentagon	664-35-20	3,495,300	495,300	-	495,300	-	3,000,000
NVRC	New TDM Outreach Campaign for Military Facilities	998-31-20	396,184	264,877	7,663	272,540	123,644	-
NVTC	Program Administration, Evaluation, Oversight, Marketing and Outreach	999-31-20	800,000	797,578	2,422	800,000	-	-
Subtotal - Fiscal Year 2023 Program			13,497,487	6,182,262	744,817	6,927,079	123,648	6,446,760
Fairfax County	Renewal of Route 396 Express Bus Service: Backlick North Park and Ride to Pentagon	059-31-22	\$ 1,386,000	\$ -	\$ 234,890	\$ 234,890	\$ -	\$ 1,151,110
Fairfax County	Enhanced Bus Service for Route 371: Lorton to Franconia - Springfield Metro	059-32-22	2,496,529	-	-	-	-	2,496,529
Prince William County	Horner Road Park and Ride Lot Expansion	153-31-22	2,800,000	-	-	-	-	2,800,000
Spotsylvania County	New Park and Ride Lot in Massaponax	177-31-22	1,100,000	-	-	-	-	1,100,000
City of Fredericksburg	New Bus Service from Route 208 Park and Ride Lot to Fredericksburg VRE	630-31-22	1,218,800	-	-	-	-	1,218,800
PRTC	Renewal of Enhanced Bus Service from Dale City to Ballston	664-31-22	291,831	75,691	131,351	207,042	-	84,789
PRTC	Renewal of Enhanced Bus Service on Prince William Metro Express: OmniRide Transit Center to Franconia-Springfield Metro	664-32-22	434,776	-	92,142	92,142	-	342,634
PRTC	Renewal of Enhanced Bus Service on Route 1 Local: Quantico to Woodbridge VRE	664-33-22	541,169	-	265,220	265,220	-	275,949
PRTC	Renewal of Bus Service from Staffordboro to Downtown D.C.	664-34-22	968,308	106,617	504,662	611,279	-	357,029
PRTC	Renewal of Bus Service from Staffordboro to the Pentagon	664-35-22	704,773	9,762	376,869	386,631	-	318,142
PRTC	TDM Strategy-- I-395/95 Corridor Vanpool Monthly Incentive	664-36-22	604,800	-	16,000	16,000	-	588,800
Alexandria Transit Co.	Enhanced Bus Service from Van Dorn Metro to the Pentagon	997-31-22	5,734,000	2,580,378	2,327,972	4,908,350	-	825,650
Alexandria Transit Co.	Enhanced Bus Service from Mark Center to Potomac Yard	997-32-22	3,650,000	1,404,699	1,544,369	2,949,068	-	700,932
NVTC	NVTC Program Administration of Oversight	999-31-22	800,000	-	411,273	411,273	-	388,727
Subtotal - Fiscal Year 2023 Program			22,730,986	4,177,147	5,904,748	10,081,895	-	12,649,091
Total			\$ 36,228,473	\$ 10,359,409	\$ 6,649,565	\$ 17,008,974	\$ 123,648	\$ 19,095,851

Note: Expenditures are reimbursements made by NVTC to the sponsoring entity. Additional project expenditures may have been incurred by the sponsor, but not yet submitted for program reimbursement. Schedule does not reflect closed-out projects without FY 2023 activity. Expenditures for NVTC administration and outreach totaling \$413,695 in the table above are reported as transfers in the "Statement of Revenues, Expenditures and Change in Fund Balance."

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF ALLOCATED SPECIAL REVENUE FUND - I-395/95 ACTIVITY
BETWEEN NVTC AND PRTC
Year Ended June 30, 2023

The agreement between the Commonwealth, NVTC and PRTC states that the annual transit investment funds ("ATI") from toll revenue are to be split pro rata based on each commission's population as determined by the most recent population figures of the Weldon Cooper Center. Allocating the ATI in this manner results in the following split between the commissions:

	<u>Total</u>	<u>NVTC</u>	<u>PRTC</u>
Revenues:			
Intergovernmental revenue:			
ATI funds (toll revenue)	\$ 16,153,359	\$ 10,510,948	\$ 5,642,411
Interest income	1,372,407	893,022	479,385
Total revenues	<u>17,525,766</u>	<u>11,403,970</u>	<u>6,121,796</u>
Expenditures:			
Current:			
Toll funded project costs	6,235,870	4,057,664	2,178,206
Total expenditures	<u>6,235,870</u>	<u>4,057,664</u>	<u>2,178,206</u>
Other financing uses:			
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	11,289,896	7,346,306	3,943,590
Fund balance, beginning of year	<u>30,445,761</u>	<u>20,121,669</u>	<u>10,324,092</u>
Fund balance, end of year	<u>\$ 41,735,657</u>	<u>\$ 27,467,975</u>	<u>\$ 14,267,682</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS
Year Ended June 30, 2023**

Grant	Contract Date	Grant Number	Grant Award	Accrued (Deferred) Revenue 6/30/2022	Cash Received	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2023	Cumulative Expenditures
<u>Northern Virginia Transportation Commission</u>									
Virginia Department of Rail and Public Transportation (DRPT)									
Capital:									
Fiscal Year 2021	5/2/2022	72521-14	\$ 5,000,000	\$ 2,111,066	\$ 5,000,000	\$ 2,888,934	\$ 2,888,934	\$ -	\$ 5,000,000
Fiscal Year 2018	6/16/2018	72517-09	406,318	233,993	288,114	54,121	54,121	-	406,315
Fiscal Year 2016	11/30/2015	72516-05	68,500	-	-	-	-	-	39,496
Fiscal Year 2015	11/12/2015	72512-08	460,000	-	-	-	-	-	6,785
Fiscal Year 2010	7/17/2012	72510-08	209,575	-	-	-	-	-	1,080
Fiscal Year 2014	1/7/2014	72510-15	221,540	-	55,116	55,116	55,116	-	211,654
Fiscal Year 2010	12/28/2010	72510-18	221,540	1,907	1,907	-	-	-	223,363
Fiscal Year 2014	1/2/2014	72510-40	400,000	-	194,705	194,705	194,705	-	400,000
Fiscal Year 2010	7/2/2009	72509-22	190,190	-	26,778	26,778	26,778	-	26,778
Fiscal Year 2009	10/1/2010	72509-25	200,600	-	-	-	-	-	26,725
Fiscal Year 2008	8/12/2008	72508-09	175,560	-	10,625	10,625	10,625	-	175,221
Fiscal Year 2008	8/12/2008	72508-12	125,400	-	-	-	-	-	-
Fiscal Year 2008	8/12/2008	72508-16	59,500	-	-	-	-	-	750
Fiscal Year 2008	9/19/2008	72508-19	100,320	-	-	-	-	-	102,190
Fiscal Year 2008	4/5/2012	72508-52	320,000	-	184,000	184,000	184,000	-	269,700
Fiscal Year 2007	8/12/2008	72507-31	118,973	-	-	-	-	-	56,963
Capital and Operating - WMATA:									
Fiscal Year 2023		73623-01	202,643,004	-	202,643,004	202,643,004	202,643,004	-	202,643,004
Fiscal Year 2023		N/A	26,057,597	-	26,057,597	26,057,597	26,057,597	-	26,057,597
Special Projects:									
Fiscal Year 2023									
Zero Emission Bus	8/4/2022	71323-03	240,000	-	-	93,755	93,755	93,755	93,755
Regional Bus	8/4/2022	71323-04	150,000	-	-	23,949	23,949	23,949	23,949
Regional Mktng Camp.	7/19/2023	71123-14	400,000	-	-	42,780	42,780	42,780	42,780
Intern Program	8/4/2022	71223-04	32,000	-	13,837	35,421	35,421	21,584	35,421
Fiscal Year 2022									
Regional Mktng Camp.	6/1/2021	71422-16	400,000	83,343	344,592	261,249	261,249	-	400,000
Fiscal Year 2021									
Intern Program	12/17/2020	71221-03	16,000	7,033	23,033	16,000	16,000	-	16,000
Fiscal Year 2020									
Regional Fare Collect.	8/2/2019	71320-03	210,000	21,265	23,952	6,684	6,684	3,997	185,971
Envision Rt 7 BRT Stud.	12/17/2020	71321-09	280,000	51,750	145,015	196,255	196,255	102,990	255,038

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)
Year Ended June 30, 2023**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2022</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2023</u>	<u>Cumulative Expenditures</u>
<u>Northern Virginia Transportation Commission (continued)</u>									
Virginia Department of Rail and Public Transportation (DRPT) (continued)									
Special Projects (continued):									
Fiscal Year 2020									
Intern Program	11/17/2019	71220-04	\$ 40,000	\$ 6,844	\$ 6,844	\$ -	\$ -	\$ -	\$ 17,261
Total State Assistance - NVTC			238,746,617	2,517,201	235,019,119	232,790,973	232,790,973	289,055	236,717,796
Total State Assistance - VRE			261,250,965	30,021,278	48,412,342	53,119,194	53,119,194	34,728,130	139,194,019
Total State Assistance - NVTC and VRE			<u>\$ 499,997,582</u>	<u>\$ 32,538,479</u>	<u>\$ 283,431,461</u>	<u>\$ 285,910,167</u>	<u>\$ 285,910,167</u>	<u>\$ 35,017,185</u>	<u>\$ 375,911,815</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS
Year Ended June 30, 2023**

Grant / Contracted Jurisdiction	Contract Date	Grant Number	Grant Award	Accrued (Deferred) Revenue 6/30/2022	Cash Received	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2023	Cumulative Expenditures
<u>Northern Virginia Transportation Commission, Jurisdiction Trust Fund (contracted directly with individual jurisdictions)</u>									
Virginia Department of Rail and Public Transportation (DRPT)									
Capital:									
Fiscal Year 2023									
Arlington County	11/21/2022	73023-37	\$ 710,000	\$ -	\$ 3,342	\$ 71,551	\$ 71,551	\$ 68,209	\$ 71,551
Arlington County	11/21/2022	73023-38	652,000	-	71,860	71,860	71,860	-	71,860
Arlington County	11/21/2022	73023-39	421,000	-	-	-	-	-	-
Arlington County	11/21/2022	73023-40	463,000	-	-	-	-	-	-
Arlington County	11/21/2022	73023-41	550,000	-	-	-	-	-	-
Arlington County	8/5/2022	73122-50	289,680	-	289,680	289,680	289,680	-	289,680
Arlington County	8/5/2022	73122-51	454,920	-	454,920	454,920	454,920	-	454,920
Arlington County	7/22/2022	50068-01	9,905,000	-	448,591	5,197,211	5,197,211	4,748,620	5,197,211
City of Alexandria	8/10/2023	72523-29	1,194,538	-	-	-	-	-	-
City of Alexandria	3/30/2023	73023-43	3,284,926	-	-	-	-	-	-
City of Fairfax	8/4/2022	73023-45	34,000	-	-	-	-	-	-
Fairfax County	11/21/2022	73023-46	85,000	-	-	-	-	-	-
Fairfax County	11/21/2022	73023-47	2,618,000	-	649,546	649,546	649,546	-	649,546
Fairfax County	11/21/2022	73023-48	12,775,794	-	-	-	-	-	-
Fairfax County	11/21/2022	73023-49	448,800	-	-	-	-	-	-
Fairfax County	11/21/2022	73023-50	628,999	-	-	-	-	-	-
Fairfax County	11/21/2022	73023-51	442,000	-	-	-	-	-	-
Fairfax County	11/21/2022	73023-52	816,000	-	-	-	-	-	-
Fairfax County	11/21/2022	73023-53	1,496,000	-	-	-	-	-	-
Fairfax County	11/21/2022	73023-54	147,557	-	-	-	-	-	-
Fairfax County	11/21/2022	73023-56	1,428,000	-	-	-	-	-	-
Fairfax County	11/21/2022	73023-57	775,200	-	574,274	574,274	574,274	-	574,274
Fairfax County	8/5/2022	73122-53	816,000	-	122,337	122,337	122,337	-	122,337
Fairfax County	8/5/2022	73122-54	204,004	-	109,188	109,188	109,188	-	109,188
Fiscal Year 2022									
Arlington County	12/9/2021	73022-30	9,288,800	-	8,449,428	8,449,428	8,449,428	-	8,449,428
Arlington County	12/9/2021	73022-31	750,000	44,541	134,790	90,249	90,249	-	134,790
City of Fairfax	7/15/2021	73022-32	2,040,000	-	2,036,638	2,036,638	2,036,638	-	2,036,638
City of Fairfax	7/15/2021	73022-33	23,800	-	20,142	20,142	20,142	-	20,142
City of Fairfax	11/18/2021	73022-98	86,518	-	43,259	43,259	43,259	-	43,259
Fairfax County	12/3/2021	73022-34	51,000	51,000	-	(51,000)	(51,000)	-	-
Fairfax County	12/3/2021	73022-35	408,000	104,659	330,517	225,858	225,858	-	330,517
Fairfax County	12/3/2021	73022-36	816,000	111,992	698,080	586,088	586,088	-	698,080
Fairfax County	12/3/2021	73022-37	11,644,625	10,074,267	10,074,267	-	-	-	10,074,267
Fairfax County	12/3/2021	73022-38	816,000	-	-	-	-	-	-
Fairfax County	12/3/2021	73022-39	586,245	-	-	-	-	-	-
Fairfax County	12/3/2021	73022-40	2,725,592	-	-	-	-	-	-

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)
Year Ended June 30, 2023

Grant / Contracted Jurisdiction	Contract Date	Grant Number	Grant Award	Accrued (Deferred) Revenue 6/30/2022	Cash Received	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2023	Cumulative Expenditures
Northern Virginia Transportation Commission, Jurisdiction Trust Fund (contracted directly with individual jurisdictions) (continued)									
Virginia Department of Rail and Public Transportation (DRPT) (continued)									
Capital (continued):									
Fiscal Year 2021									
Arlington County	3/7/2021	73021-53	\$ 312,800	\$ 190,614	\$ 227,615	\$ 37,001	\$ 37,001	\$ -	\$ 312,800
Arlington County	3/7/2021	73021-54	353,600	5,311	15,074	9,763	9,763	-	117,945
Arlington County	3/7/2021	73021-55	503,880	34,477	99,849	65,372	65,372	-	503,880
Arlington County	3/7/2021	73021-56	1,647,923	242,453	1,495,478	1,253,025	1,253,025	-	1,586,398
City of Fairfax	2/8/2021	73021-57	2,040,000	-	44,787	44,787	44,787	-	44,787
City of Fairfax	2/8/2021	73021-58	24,480	24,480	24,480	-	-	-	24,480
Fairfax County	3/5/2021	73021-59	170,000	-	15,935	15,935	15,935	-	15,935
Fairfax County	3/5/2021	73021-60	816,000	-	463,565	463,565	463,565	-	816,000
Fairfax County	3/5/2021	73021-61	1,955,000	1,412,509	1,955,000	542,491	542,491	-	1,955,000
Fairfax County	3/5/2021	73021-62	102,000	19,359	25,083	5,724	5,724	-	64,306
Fairfax County	3/5/2021	73021-63	68,000	68,000	-	(68,000)	(68,000)	-	-
Fairfax County	3/5/2021	73021-64	102,000	-	98,897	98,897	98,897	-	98,897
Fiscal Year 2020									
City of Alexandria	10/11/2019	73020-31	612,000	31,216	-	(332)	(332)	30,884	225,151
Fairfax County	10/11/2019	73020-41	51,000	-	-	-	-	-	18,286
Fairfax County	10/11/2019	73020-42	306,000	-	112,670	112,670	112,670	-	157,820
Fairfax County	10/11/2019	73020-44	1,700,000	1,695,354	1,695,354	-	-	-	1,695,354
Fairfax County	10/11/2019	73020-45	326,400	-	66,384	66,384	66,384	-	326,400
Fiscal Year 2019									
Arlington County	11/8/2018	73019-34	1,020,000	866,203	866,203	-	-	-	1,020,000
Fairfax County	8/6/2019	73019-42	5,950,000	295,349	281,971	(13,378)	(13,378)	-	1,575,026
Fairfax County	8/6/2019	73019-43	3,740,000	16,284	16,284	-	-	-	1,817,738
Fairfax County	8/6/2019	73019-48	357,000	33,161	33,161	-	-	-	352,660
Fairfax County	4/20/2020	73019-88	1,124,651	842,443	842,443	-	-	-	842,443
Fairfax County	4/20/2020	73019-89	930,750	-	-	-	-	-	-
Fiscal Year 2018									
Arlington County	9/19/2017	73018-50	1,979,140	-	311,827	334,726	334,726	22,899	334,726
Arlington County	9/19/2017	73018-54	979,880	34,131	126,725	92,594	92,594	-	498,740
Fairfax County	12/14/2017	73018-60	8,500,000	-	-	-	-	-	8,498,026
Fiscal Year 2017									
Arlington County	10/26/2016	73017-57	172,380	-	25,802	25,802	25,802	-	185,305
Arlington County	10/26/2016	73017-58	2,210,000	-	-	-	-	-	647,042
City of Alexandria	6/22/2018	72517-09	406,315	-	-	-	-	-	-
Fiscal Year 2016									
Fairfax County	9/24/2015	73016-73	1,870,000	-	-	-	-	-	1,846,406

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)
Year Ended June 30, 2023**

<u>Grant / Contracted Jurisdiction</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2022</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2023</u>	<u>Cumulative Expenditures</u>
<u>Northern Virginia Transportation Commission, Jurisdiction Trust Fund (contracted directly with individual jurisdictions) (continued)</u>									
Virginia Department of Rail and Public Transportation (DRPT) (continued)									
Operating									
Fiscal Year 2023									
Arlington County	11/21/2022	72023-21	\$ 6,286,037	\$ -	\$ 6,286,037	\$ 6,286,037	\$ 6,286,037	\$ -	\$ 6,286,037
City of Alexandria	8/10/2023	72023-22	7,229,866	-	7,229,866	7,229,866	7,229,866	-	7,229,866
City of Fairfax	8/4/2022	72023-23	1,369,833	-	1,369,833	1,369,833	1,369,833	-	1,369,833
City of Fairfax	8/4/2022	50069-01	300,000	-	300,000	300,000	300,000	-	300,000
Fairfax County	11/21/2022	72023-24	28,910,548	-	28,910,548	28,910,548	28,910,548	-	28,910,548
Total State Assistance - Jurisdiction Trust Fund			<u>\$ 154,304,481</u>	<u>\$ 16,197,803</u>	<u>\$ 77,451,730</u>	<u>\$ 66,124,539</u>	<u>\$ 66,124,539</u>	<u>\$ 4,870,612</u>	<u>\$ 99,005,523</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023**

	Federal Assistance Listing Number	Grant Number	Grant Award	Accrued (Deferred) Revenue 6/30/2022	Cash Received	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2023	Cumulative Expenditures
<u>Northern Virginia Transportation Commission</u>									
Federal Transit Administration									
Eisenhower Ave. South Entrance	20.507	VA 95-0107	\$ 1,840,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,138
Eisenhower Ave. Intermodal Station	20.500	VA 04-0022	1,442,203	-	-	-	-	-	205,032
Falls Church Intermodal	20.500	VA 04-0029	1,668,154	-	-	-	-	-	1,667,816
Alexandria Transit Service Improvements	20.500	VA 04-0033	1,761,000	-	-	-	-	-	780,704
Eisenhower Ave Bus Loop	20.500	VA 04-0048	1,640,700	-	-	-	-	-	118,846
King Street Metrorail Station Improvements	20.507	VA 2017-021	2,468,105	-	240,000	240,000	240,000	-	2,468,105
Potomac Yard Metrorail Station	20.507	VA 2021-007	20,000,000	8,444,264	20,000,000	11,555,736	11,555,736	-	20,000,000
Total Federal Assistance - NVTC			\$ 30,820,162	\$ 8,444,264	\$ 20,240,000	\$ 11,795,736	\$ 11,795,736	\$ -	\$ 25,267,641

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

COMPLIANCE SECTION

YEAR ENDED JUNE 30, 2023

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Federal Grantor / Program Title	Federal Assistance Listing Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Transportation			
Direct Payments			
Federal Transit Cluster:			
Federal Transit Formula Grants:			
VA 2017-021	20.507	\$ 240,000	\$ 240,000
VA 2021-007	20.507	11,555,736	11,555,736
Total Federal Transit Formula Grants		<u>11,795,736</u>	<u>11,795,736</u>
Total Federal Transit Cluster		<u>11,795,736</u>	<u>11,795,736</u>
Total Department of Transportation		<u>11,795,736</u>	<u>11,795,736</u>
Total Expenditures of Federal Awards		<u>\$ 11,795,736</u>	<u>\$ 11,795,736</u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Northern Virginia Transportation Commission (NVTC) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of NVTC, it is not intended to and does not present the financial position or changes in net position of NVTC.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance 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.

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.

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

Federal Assistance Listing – The Federal Assistance Listing is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (Federal Assistance Listing 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 cluster is administered by NVTC: Federal Transit Cluster.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 2. Summary of Significant Accounting Policies (Continued)

For fiscal year 2023, NVTC recognized amounts in the Schedule associated with prior year expenditures. Expenditures should be recognized in the fiscal year spent for reporting purposes. In the current fiscal year, \$10,395,300 of prior year expenditures associated with the Federal Transit Cluster were included in the Schedule. Prior year expenditures associated with the cluster were reflected in the current year due to timing in which NVTC received draw down requests and supporting documentation from the NVTC member jurisdictions in which NVTC manages the federal grants.

Note 3. Indirect Cost Rate

NVTC has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**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

We have audited, 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 (*Government Auditing Standards*); and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of the Northern Virginia Transportation Commission (Commission), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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 a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
November 27, 2023]

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR THE MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Commission Board Members
Northern Virginia Transportation Commission

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Northern Virginia Transportation Commission's (Commission) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Commission's major federal program for the year ended June 30, 2023. The Commission's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Commission's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of the major federal program as a whole.

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
November 27, 2023

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2023

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

☐ Yes ☒ No

Identification of major federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
-----------------------------------	------------------------------------

Federal Transit Cluster:
20.507

Federal Transit – Formula Grants (Urbanized Area Formula Program)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2023

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

TO: Chair Palchik and NVTC Commissioners
FROM: Kate Mattice, Scott Kalkwarf, Allan Fye and Genoveva Cutrell
DATE: November 30, 2023
SUBJECT: NVTC FY 2025 General and Administrative Budget and 2024-2025 Work Plan

At the December meeting, staff will present the proposed FY 2025 General and Administrative Budget and 2024-2025 Work Plan to the Commission for discussion. The Commission will be asked to take action on the proposed FY 2025 General and Administrative Budget and Work Plan at the January meeting following a public hearing on the Work Plan.

General and Administrative Budget

The proposed FY 2025 General and Administrative Budget includes resources to accomplish the NVTC Work Plan, including financial management of NVTC's Trust Fund and other accounts, the administration of the I-66 and the I-395/95 Commuter Choice programs, oversight of WMATA, the Northern Virginia Zero-Emission Bus Strategic Plan, NVTC's Strategic Research Plan, the management of the next phase of the Envision Route 7 Bus Rapid Transit (BRT), and the important administration of the Commission and committees along with managing internal affairs.

The proposed budget totals \$4,697,150 including \$668,700 for the administration of the Commuter Choice program, which is funded entirely with toll related revenue, and \$161,100 for management of the Envision Route 7 BRT project, funded from the related project budget. The balance of the program is funded primarily by the member jurisdictions through direct contributions and state aid received by NVTC that would otherwise be available to the jurisdictions for other transit purposes, which totals \$3,552,350 a 9.5% increase over the approved FY 2024 Budget. Other revenue sources include interest earnings, project chargebacks and grant billings, and a carryover of prior period favorable net budget variances in excess of minimum operating requirements.

Total expenses are proposed to increase by \$302,500, or 6.9% over the FY 2024 Budget. Staff levels are held constant from the prior year in the proposed base budget, and a provision for cost-of-living (COLA) and performance-based increases consistent with current jurisdictional proposals are included for existing staff.

The increase in benefits is largely the result of a FY 2024 increase in the group health insurance premiums, and higher retirement plan costs due to less available forfeited funds, an increase in participants, and a greater percentage of senior staff participating in the plan.

Rents are based on the fixed costs included in NVTC's office lease. Additional funding is included for public outreach in anticipation of major communication efforts related to dedicated transit funding.


The research support line was first added to the budget for FY 2023 at the Commission's request. This line provides funding for NVTC in-house research efforts, which recently included the update to the Value of Northern Virginia Transit to the Commonwealth study, and technical support for NVTC's Metro Operating Funding and Reform Working Group. Additional funding is included in the budget in anticipation of NVTC's Research and Analysis Strategic plan which will be brought to the Commission in late Spring of 2024.

2024-2025 Work Plan

The proposed [NVTC 2024-2025 Work Plan](#) provides an overview of the programmatic and operational work conducted by staff to support the goals and objectives of the Commission. The proposed Work Plan covers the period from January 2024 to June 2025. A public hearing for the Work Plan will be held at the January 4, 2024 Commission meeting.

Proposed NVTC staff deliverables for 2024 and 2025 include the following:

NVTC 2024-2025 Work Plan Highlights



Commuter Choice <ul style="list-style-type: none">I-395/95 Call for Projects (FY 2026-2027)I-66 scoring and programming (FY 2025-2026)Annual Report to CTB and videoPublic comment period and materials	Transit Resource Center <ul style="list-style-type: none">Maintain and update NoVaTransit Data DashboardComplete Northern Virginia Regional Bus Analysis StudyComplete NVTC Strategic Research PlanDevelop new online story maps to share NVTC content and priorities	Financial Analysis and Reporting <ul style="list-style-type: none">Administer annual WMATA subsidy and local transit fundingAnnual allocation of regional gas taxAnnual updates to SAM formulaFinancial projections and analysisDRPT grant applications and grant agreementsCommuter Choice reimbursementsFederal grant management and reportingTitle VI certification to FTAManage NVTC procurement activities
NVTC Oversight of WMATA <ul style="list-style-type: none">Annual Report on the Performance and Condition of WMATAWMATA budget letters and testimony (Commission, CTB, General Assembly, etc.)NVTC WMATA Committee work plan and supportContinue analysis and policy development through NVTC's WMATA Operating Funding & Reform Working Group	Envision Route 7 BRT <ul style="list-style-type: none">Complete Route 7 BRT Strategic Implementation PlanInitiate Phase 4-2 (funded through Congressional Community Project Funding grant)Increased stakeholder engagement	Commission Management <ul style="list-style-type: none">Monthly meeting materials and logisticsCommittee scheduling, materials, and logisticsAnnual agenda and meeting schedule
Transit Technology <ul style="list-style-type: none">Adopt and implement Northern Virginia Zero-Emission Bus Strategic PlanLead Working GroupSupport ongoing fare collection coordination efforts	Legislative and Policy Efforts <ul style="list-style-type: none">Joint NVTC-PRTC-VRE Legislative ForumAnnual Legislative and Policy AgendaPolicy briefs and tracking reports	Internal Operations <ul style="list-style-type: none">General & Administrative Budget and Work PlanTelework and IT supportOngoing website content development and updatesHR Support
2024 Policy Symposium <ul style="list-style-type: none">Logistics planning and sponsorshipContent development and speaker selection	Communications <ul style="list-style-type: none">Public outreach for Commuter Choice and Route 7 BRT program milestonesDaily headlines, weekly and monthly newsletters60th Anniversary support and logistics*	NVTC Staff Support to VRE <ul style="list-style-type: none">Support annual ridership survey

*materials to be paid for by external sources



PROPOSED BUDGET

**FISCAL YEAR
2025**

(July 1, 2024 – June 30, 2025)

December 7, 2023

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SCHEDULE OF REVENUE**

	<u>FY 2023 Actual</u>	<u>Approved Budget FY 2024</u>	<u>Proposed Budget FY 2025</u>	<u>Increase (Decrease)</u>
Local Share from State Aid (Note 1)	\$ 2,823,453	\$ 2,959,403	\$ 3,268,103	\$ 308,700
Local Direct Contributions (Note 1)				
Alexandria	44,387	43,665	43,542	(123)
Arlington	66,211	68,483	65,623	(2,860)
City of Fairfax	4,788	3,879	4,486	607
Fairfax County	160,532	160,796	155,168	(5,628)
Falls Church	2,067	2,087	2,128	41
Loudoun	6,262	5,337	13,300	7,963
Total Local Direct	<u>284,247</u>	<u>284,247</u>	<u>284,247</u>	<u>-</u>
Total Contributions	3,107,700	3,243,650	3,552,350	308,700
Interest and Other Revenue	58,347	22,000	35,000	13,000
Project Chargebacks (Note 2):				
Commuter Choice Program	610,948	691,200	668,700	(22,500)
VRE	80,000	80,000	80,000	-
Envision Route 7 BRT	-	157,800	161,100	3,300
Project Grant Billings (Note 3)	51,421	40,000	40,000	-
Appropriated Surplus (Note 4)	(228,642)	160,000	160,000	-
Total Revenue	<u>\$ 3,679,774</u>	<u>\$ 4,394,650</u>	<u>\$ 4,697,150</u>	<u>\$ 302,500</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SCHEDULE OF EXPENDITURES**

	FY 2023 Actual	Approved Budget FY 2024	Proposed Budget FY 2025	Budget Increase (Decrease)
<u>Personnel Costs</u>				
Salaries and Wages (Note 5)	\$ 2,180,802	\$ 2,594,000	\$ 2,705,000	\$ 111,000
Fellow Program (Note 5)	-	50,000	50,000	-
Total Personnel Costs	2,180,802	2,644,000	2,755,000	111,000
<u>Benefits</u>				
Employer's Contributions				
FICA and Medicare (Note 6)	154,514	180,700	192,700	12,000
Group Health Insurance (Note 7)	150,905	205,900	231,800	25,900
Retirement (Note 8)	173,720	170,000	250,000	80,000
Workers & Unemployment Comp.	4,063	6,000	6,100	100
Life Insurance	4,823	6,800	6,400	(400)
Long Term Disability Insurance	13,230	15,000	17,000	2,000
Total Benefit Costs	501,256	584,400	704,000	119,600
<u>Administrative Costs</u>				
Commissioners Per Diem (Note 9)	13,900	14,000	14,000	-
Rents:	417,516	433,000	446,800	13,800
Office Rent (Note 10)	398,108	408,800	422,600	13,800
Parking / Metrochek	19,408	24,200	24,200	-
Insurance:	7,335	8,000	8,500	500
Public Official Bonds	2,400	2,500	2,500	-
Liability and Property (Note 11)	4,935	5,500	6,000	500
Travel, Training and Development	52,986	64,800	70,600	5,800
Conferences / Prof. Devel (Note 12)	35,165	47,100	52,100	5,000
Non-Local Travel	1,940	2,500	2,500	-
Local Travel, Meetings (Note 13)	15,881	15,200	16,000	800
Communication:	18,991	17,800	19,400	1,600
Postage (Note 14)	1,226	1,400	1,400	-
Telephone and Data (Note 15)	17,765	16,400	18,000	1,600
Publications & Supplies	22,684	29,500	37,000	7,500
Office Supplies (Note 16)	1,199	2,500	2,500	-
Duplication and Printing (Note 17)	8,620	9,500	9,500	-
Public Engagement (Note 18)	12,865	17,500	25,000	7,500
Operations:	47,291	59,700	56,800	(2,900)
Furn. and Equip. (Capital) (Note 19)	20,373	25,500	19,800	(5,700)
Repairs and Maintenance	3,020	1,000	1,000	-
Computer Operations (Note 20)	23,898	33,200	36,000	2,800
Other General and Administrative	12,390	11,100	11,900	800
Memberships	1,433	1,600	1,600	-
Fees and Miscellaneous	8,808	8,000	8,800	800
Advertising (Note 21)	2,149	1,500	1,500	-
Total Administrative Costs	593,093	637,900	665,000	27,100
<u>Contracting Services and Other</u>				
Auditing (Note 22)	24,510	25,850	26,400	550
Contract Services & Support (Note 23)				
Commuter Choice	128,133	152,500	146,750	(5,750)
Research Support (Note 24)	115,149	200,000	250,000	50,000
Other Technical	106,832	120,000	120,000	-
Legal (Note 25)	30,000	30,000	30,000	-
Total Contract Services	404,624	528,350	573,150	44,800
Total Operating Program	\$ 3,679,774	\$ 4,394,650	\$ 4,697,150	\$ 302,500

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
Notes to Fiscal Year 2025 Proposed Budget

1. Revenue: Jurisdictional Contributions

Revenue from Local Direct Contributions

Each NVTC jurisdiction is assigned a share of the local portion of NVTC's administrative budget based on its share of revenue received by NVTC on behalf of jurisdictions from all sources in the previous year. This procedure is required by state statute and results in changes in contributions from one year to another that vary for each jurisdiction depending on relative shares of revenue received. The allocation in this FY 2025 budget is based on the FY 2023 revenue and Subsidy Allocation Model (SAM) formula.

Revenue from State Assistance

NVTC receives state operating and capital assistance for its WMATA compact members' annual commitments to WMATA and those jurisdictions' local transit systems. NVTC allocates this revenue among the jurisdictions based on NVTC's 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 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.

2. Revenue: Project Chargebacks

Commuter Choice Program

The general and administrative budget is reimbursed by the Commuter Choice program for costs incurred in administering the program in both the I-66 and I-395/95 corridors.

Virginia Railway Express

NVTC receives revenue from VRE as reimbursement for staff support and other expenses.

Envision Route 7 BRT

Included in the general and administrative budget is a line for reimbursements from the Envision Route 7 BRT project budget for payroll and related expenses that are expected to be incurred in managing the next phase of the project. The project budget includes Federal, state and local funding sources, although it is expected only state and local sources will be available to reimburse the general and administrative budget.

3. Revenue: Project Grant Billings

The FY 2025 budget assumes a grant from DRPT's Intern Program that provides funding at 80% of payroll and related costs of NVTC's Transit Fellows program.

4. Revenue: Appropriated Surplus

Included as a source of revenue in the FY 2025 budget is projected excess accumulated surplus that is available to offset the budget expenses, which is the result of prior year

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
Notes to Fiscal Year 2025 Proposed Budget

favorable budget variances. This available surplus is in excess of the Commission's anticipated minimum operating requirements.

5. Personnel Costs

Salaries and Wages

The FY 2025 budget holds staff levels constant from the prior year. A provision is included for Merit and COLA increases for existing staff.

Fellows Program

The budget continues the NVTC Fellows Program, which began in FY 2015, by building NVTC's technical capacity and strengthening its ties with members of the research network. The budget assumes grant funds from DRPT's Intern Program will be available to provide 80% of payroll and related costs of this program.

The Fellows Program provides a cost efficient and flexible way to employ new graduates and mid-career professional to complete specific short-term projects generally over a one- to six-month period. The program has served as a valuable recruitment tool and created opportunities to connect with university programs within Virginia and nationally.

6. FICA and Medicare

NVTC's share of FICA and Medicare taxes is a function of budgeted payroll and the current tax rates and estimated wage ceiling.

7. Group Health Insurance

A provision for health insurance coverage is included for all NVTC staff positions, with the exception of the executive director position, regardless of whether or not the current employees in those positions participate in NVTC's health insurance plan. Unless all eligible employees participate in NVTC's health insurance program, actual expenditures will be less than budgeted. The budgeted amount is based on the present actual rates with a provision for increasing premiums. Because NVTC recently experienced a 13.4% increase in health insurance premiums, this increase carries over into the FY 2025 budget.

8. Retirement

The budgeted amount of employer pension contributions for the NVTC Target Benefit Pension Plan is based on actuarial formulas using budgeted staff and salary levels for FY 2024. Because the formulas take into account factors in addition to payroll costs, such as years to retirement and investment return, changes in budgeted contributions do not necessarily change directly with budgeted payroll. The plan functions as a defined contribution plan and is fully funded each fiscal year. The estimated annual liability is reduced by non-vested funds that were forfeited by former plan participants and are expected to be available during the

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
Notes to Fiscal Year 2025 Proposed Budget

fiscal year. The FY 2025 increase is the result of less available forfeited funds than previous years, an increase in the number of participants, and a greater percentage of senior staff participating in the plan.

9. Commissioners' Per Diem

The FY 2025 budget is based upon the FY 2023 actual expenditures for Commission and committee meeting attendance. Commissioners, other than senators and delegates, are paid by NVTC at the statutory rate of \$50.

10. Office Rent

The administrative office lease was renewed during FY 2019 for a larger space effective March 15, 2019 to accommodate NVTC's increasing staff levels. Rent expense included in the FY 2025 budget is based upon the fixed costs of the lease, which increase at 2.5% per year, plus an estimate of pass-through expenses and real estate taxes. The lease contains a provision for the abatement of the first month's rent for the first seven years of the lease, and the additional abatement of approximately 29% of the leased space for the balance of the first lease year ending March 14, 2020. Off-site file storage is also included in this budget line.

11. Insurance: Liability and Property

The FY 2025 budget is based on the most recent premium year with an allowance for increasing costs and coverage.

12. Conference / Professional Development

Included in this line for FY 2025 are the estimated registration fees for conferences, professional development, in-house training, accreditation and related travel costs. The budget assumes NVTC staff will participate in training opportunities, speaking engagements and panel participation at various events throughout the year, thereby enhancing NVTC's visibility across the region. These funds will also allow staff to maintain required training to keep their professional accreditations, and assist in the recruitment and retention of high quality staff. Whenever appropriate, NVTC will continue to minimize travel expenditures through locally sponsored events, online conferences, and events where the registration fee is discounted or waived.

13. Local Travel, NVTC and Other Meetings

This line includes the costs of NVTC Commission meetings, hosting regional meetings and events, and the costs of NVTC staff traveling to meetings elsewhere in the region.

14. Postage

This item is based on an average of prior years' actual costs.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
Notes to Fiscal Year 2025 Proposed Budget

15. Telephone and Data

This line includes the fixed contracted cost for telephone and data services at NVTC's office, and mobile and data service for staff.

16. Office Supplies

The FY 2025 budget for this item is based on the average of prior years' actual costs.

17. Duplication and Printing

The FY 2025 budget is based on the current lease and service contracts, taking into account projected usage levels.

18. Public Engagement

The budget includes a provision for costs related to public engagement on WMATA matters as required by HB1539, costs related to public engagement as required by HB1285, the costs to produce NVTC's annual report, social media, and other public outreach costs. The FY 2025 budget includes additional funding in anticipation of major communication efforts related to dedicated transit funding.

19. Furniture and Equipment

This budget category provides for the anticipated replacement and acquisition of office furniture and equipment, including computer hardware, and cloud-based hosting NVTC's servers.

20. Computer Operating Expense

Computer operations includes the cost of a third-party information technology managed services contract, subscription-based software licensing fees, video conferencing and virtual meeting services, web and email hosting fees, and software upgrades and supplies. The FY 2025 budget is based on costs presently under contract and anticipated future needs.

21. Advertising (Personnel/Procurement)

The FY 2025 budget includes a provision for personnel and procurement advertising.

22. Auditing

NVTC entered into a three-year contract for auditing services beginning with the audit of FY 2022, with two, two-year options. The FY 2025 budget is based on the costs included in this contract.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
Notes to Fiscal Year 2025 Proposed Budget

23. Contract Services and Support

Commuter Choice Programs

I-66 Commuter Choice Program

As part of a 40-year agreement with the Commonwealth of Virginia, NVTC has been assigned the authority to administer a program of projects to be funded using revenue generated by the tolling of I-66 Inside the Beltway. In FY 2017 NVTC launched the initial year of the I-66 Commuter Choice Program.

I-395 Commuter Choice Program

In 2017, NVTC and the Potomac and Rappahannock Transportation Commission (PRTC) entered into a 66-year agreement with the Commonwealth of Virginia to fund a program of projects to be funded by revenues generated by the tolling of I-95/I-395.

Other Technical

The FY 2025 budget includes a provision for technical support efforts, specialized analysis, related publications, contracted human resource support, and strategic planning efforts. NVTC's state liaison contract is also funded in this line item.

Whenever possible, NVTC intends to leverage other funding sources and utilize contracts of other agencies in an effort to reduce costs.

24. Research Support

This budget line, which was added in FY2023, includes a provision for NVTC funded policy research and the local match for grant funded projects. Detailed plans on the use of this line item going forward will be directly informed by NVTC's Research and Analysis Strategic Plan which is scheduled for adoption by the Commission in late Spring 2024.

25. Legal

In FY 2021, NVTC entered into an agreement with VRE to receive counsel services on all legal matters.

NVTC Work Plan

January 2024 to June 2025

The NVTC Work Plan serves as a guiding document for NVTC staff to support the mission of the Commission. This Work Plan identifies specific programs, projects and tasks that NVTC staff intend to perform during the period from January 2024 through June 2025 (FY 2025). It is intended to be a living document that can be updated as priorities and projects change.

This document supports NVTC's Strategic Framework, Implementation Plan, and was developed in consultation with the Management Advisory Committee (MAC), the body of professional staff representing NVTC's jurisdictions and partners. The MAC is a forum to facilitate cooperative regional solutions, to keep local governments informed and to solicit feedback on ongoing programs, projects and initiatives.

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NVTC'S Mission, Vision and Strategic Goals

Mission: As the premier transit organization in Northern Virginia, NVTC brings the region together to plan, coordinate and secure funding for transit systems that are financially sustainable and high performing.

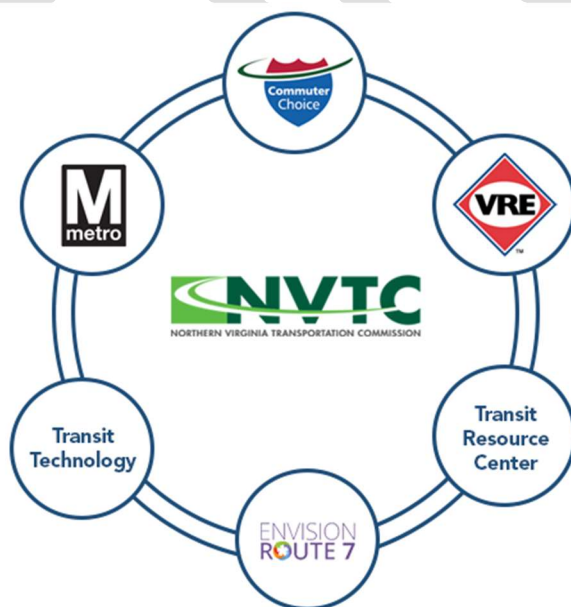
Vision: Northern Virginia businesses and residents are served by a high capacity, high quality network of transit systems that allows our diverse region to thrive economically.

Strategic Goals:

- Increase the capacity of the regional transit network by expanding and improving the quality, coverage and frequency of new and existing systems, including Metro, VRE, and new transit services.
- Improve access and mobility throughout Northern Virginia by connecting the regional and local transit systems.
- Promote safe, reliable and financially sound performance and management of regional transit systems.

Programs and Crosscutting Functions

NVTC has six programs that support the implementation of the Commission's mission and vision. These programs provide technical assistance, enable data collection and analysis, facilitate regional engagement and jurisdictional coordination as well as manage a groundbreaking funding program. It is important to note that these programs interact with and support each other on a regular basis, enabling NVTC to provide comprehensive support to member jurisdictions, partner agencies and the Commission. In addition, these programs provide the best representation for our jurisdictions and ensure NVTCs work adds value for Northern Virginia, the greater DC region and the Commonwealth.



A. Financial Analysis and Administration

Identify and implement cooperative strategies with member governments to maximize transit revenues aimed at achieving adequate, dedicated, stable and reliable financial support from the federal government, Commonwealth, region and private sector. Facilitate the fair and equitable allocation of transit assistance among governments. Manage grants, contracts and trust funds fairly and effectively, according to state and federal laws and NVTC's policies.

Support for Member Jurisdictions

- 1) Ensure the stability of the current sources of transit funding available to NVTC's local governments.
- 2) Serve as the central point of contact for Northern Virginia transit system financial information.
- 3) Analyze funding proposals produced by regional and statewide studies and identify policy issues for consideration by the Commission.
- 4) Identify and help obtain funding for new transit projects that are recommended by NVTC's jurisdictions.

Deliverables: Provide NVTC funding, local system and WMATA subsidy data to interested parties.

Financial Analysis

- 1) Regional Gas Tax Revenues
 - a. Monitor NVTC's regional gas tax receipts from the Division of Motor Vehicles (DMV) for reasonableness of collections in total and by jurisdiction.
 - b. Employ database and spreadsheet models to identify unanticipated discrepancies at the taxpayer level by jurisdiction and in total.
 - c. Maintain communications with the DMV regarding both unusual activities identified by NVTC and DMV audit activity. Make suggestions for improving the program.
 - d. Brief the MAC as needed on processes, issues and solutions.
- 2) State Transit Revenues
 - a. Participate in the Transit Service Delivery Advisory Committee (TSDAC) to assist DRPT in reviewing the distribution process for transit capital and operating funds.
- 3) Transit Funding Opportunities
 - a. Produce financial projections and an analysis of the growing gap between transit operating and capital needs versus available financial resources.

- b. Participate in regional and statewide efforts to define public transit needs and identify funding sources.
- c. Identify and seek to implement stable, reliable, permanent and dedicated funding sources for operating and capital expenses for WMATA, VRE and local transit systems.
- d. Coordinate regional efforts and prepare analytic tools, communication materials and editorials to promote such funding.

Deliverables: Annual formula allocation of gas tax revenue; input to the DRPT funding process; financial analysis and projections as needed

Financial and Grants Management, Trust Funds, Contracts and Compliance

1) State Assistance

- a. Review and monitor DRPT assistance calculations of WMATA assistance to NVTC as grantee for NVTC jurisdictions' share of WMATA operating subsidies and capital requirements.
- b. Report WMATA's annual system ridership and other information requested by DRPT as a requirement for receiving state assistance.
- c. Review and submit state operating and capital assistance applications for local systems through DRPT's WebGrants system as the agent for the NVTC jurisdictions.
- d. Manage state grants to NVTC and NVTC's jurisdictions, including the preparation, review and submission of timely grant invoicing.
- e. Track project funding activity, submit extension requests and de-obligate projects as needed.
- f. Participate with VRE and NVTC jurisdictions in quarterly project status review meetings with DRPT.
- g. Work with DRPT and grantees to achieve the maximum funding available.

2) Commuter Choice in the I-66 and I-395/95 Corridors

- a. Monitor and reconcile net toll revenue receipts from VDOT with actual collections and Commonwealth Transportation Board (CTB) approved project funding levels.
- b. Review reimbursement requests for adequate support of eligible expenses; approve and transfer funds.
- c. Ensure recipient compliance with project agreement provisions.
- d. Account for direct costs of administering the program.
- e. Account for and report toll revenue activity as separate Special Revenue funds for each corridor.

3) NVTC Subsidy Allocation Model

- a. Maintain NVTC's Subsidy Allocation Model (SAM) utilizing the most recent WMATA and local budget information on transit costs, revenues and subsidies.
- b. Determine each local government's share of NVTC assistance using the annual SAM percentages.
- c. Apportion shares of the direct local contributions to NVTC's administrative budget using the annual SAM percentages.
- d. Provide projections and other analysis of annual transit assistance to the NVTC jurisdictions for planning purposes.

4) NVTC Jurisdiction Trust Funds

- a. Allocate revenue to NVTC jurisdictions through the NVTC trust fund upon receipt using the annual SAM percentages.
- b. Prepare timely and accurate quarterly cash flow forecasts of available transit assistance sources and uses for the NVTC jurisdictions.
- c. Prepare quarterly reports of actual NVTC trust funds activities for use by NVTC jurisdictions.
- d. Manage and invest trust funds according to NVTC policy by safeguarding assets while maximizing liquidity and investment return.

5) Commuter Rail Operations and Capital Fund (CROC)

- a. Monitor and direct collections of CROC monies from the Department of Motor Vehicles (DMV).
- b. Provide periodic report to the Commissions about the funds in the CROC Fund, including monthly receipts, amounts expended, the amount of funds held and investment earnings.

6) Financial Reporting, Accounting, Audit, Compliance and Contracting

- a. Prepare the annual financial statements, disclosures, management's discussion and analysis and supplementary information for the seven NVTC funds and on an entity-wide bases for NVTC's annual audit.
- b. Prepare the Schedule of Expenditures of Federal Awards and related notes for NVTC's annual federal compliance audit.
- c. Manage a multi-year audit services contract.
- d. Accomplish unqualified auditors' opinions on the fair presentation of the financial statements, internal control over financial reporting and compliance and other matters, and compliance for each major federal program and internal control over compliance.
- e. Provide financial and compliance reports to the appropriate regulatory agencies.

- f. Maintain up-to-date compilations of state and federal grant regulations and ensure staff is adequately trained in grant, contract and project management.
- g. Attend procurement education seminars to remain apprised of state and federal purchasing techniques, theory, and best practices.
- h. Maintain NVTC's formal procurement and contracting process to ensure prompt procurements in compliance with state and federal laws.
- i. Perform internal accounting functions, including DRPT and FTA project tracking, Commuter Choice reimbursement request tracking, local match invoicing, accounts receivable, cash receipts, accounts payable, disbursements, internal fund transfers, payroll, general ledger and reconciliations.

7) Federal Grants

- a. Apply for federal grants on behalf of member jurisdictions and manage grants as the designated recipient for FTA funds. NVTC is the designated recipient of federal grants for the city of Alexandria and is anticipating a planning grant award in 2024 for the Envision Route 7 BRT project. For these grants, NVTC will:
 - i. Maintain any subrecipient agreements which outline terms, conditions and expectations.
 - ii. Ensure any subrecipient agreements include all the information required by FTA and 2 CFR 200.
 - iii. Review reimbursement requests to ensure costs are reasonable, allocable and allowable in accordance with 2 CFR 200 and terms of the award.
 - iv. Drawdown approved reimbursement requests and transfer funds to subrecipients, if applicable.
 - v. Host quarterly project management meetings with the subrecipient, if applicable, and FTA
 - vi. File quarterly financial and milestone reports (1/30, 4/30, 7/30, 10/30), semi-annual Disadvantaged Business Enterprise (DBE) reports (6/1, 12/1) and other required documentation in FTA's grants management system (TrAMS).
 - vii. Monitor subrecipients to ensure proper stewardship of federal funds and performance goal attainment.
 - viii. Provide technical assistance as needed.
 - ix. Close out completed grants.
- b. Report on NVTC's FFY 2024-2026 Overall DBE Goal attainment in accordance with 2 CFR 26.45.
- c. Administer and ensure NVTC's compliance with Title VI and DBE programs and provide technical assistance to subrecipients as needed.
- d. Ensure NVTC and subrecipients comply with all relevant FTA regulations and guidelines in numerous areas such as legal, financial management, technical

capacity, continuing control, maintenance, procurement, civil rights and the National Transit Database.

- e. Attend workshops and webinars presented by FTA to maintain awareness of changes in federal requirements and processes.
- f. Submit annual certifications and assurances to the FTA and maintain subrecipient's signed annual certifications and assurances on file.

Deliverables: DRPT grant applications and grant agreements for local and WMATA assistance; Commuter Choice program reimbursements; annual updates to SAM formula; Trust Fund revenue projections and reporting; annual audited financial statements and single audit reports

B. NVTC Program Administration

Commuter Choice

Commuter Choice is a groundbreaking program that reinvests toll revenue into transit service, transportation demand management and other multimodal improvements along the I-66 Inside the Beltway and I-395/95 toll corridors. NVTC, in partnership with the Potomac and Rappahannock Transportation Commission (PRTC), Virginia Department of Transportation (VDOT), Virginia Department of Rail and Public Transportation (DRPT) and the Commonwealth Transportation Board (CTB), manages this competitive funding program through the tasks outlined in the section below.

1) Program Management and Administration

- a. Provide ongoing administration of the I-66 Commuter Choice and I-395/95 Commuter Choice to ensure compliance with relevant Memorandums of Agreement (MOAs).
 - i. Work with staff and legal counsel on policy changes and decisions governing future calls for projects and program administration.
 - ii. Coordinate with PRTC as needed on the ongoing management and administration of I-395/95 Commuter Choice.
 - iii. Work with the NVTC finance team and, if applicable, financial counsel and financial advisors to ensure sufficient cash flow for projects and address any financing arrangements should NVTC issue debt to fund projects.
 - iv. Coordinate with VDOT as needed on I-66 Inside the Beltway revenue projections and monitor VDOT's quarterly payments to NVTC. Coordinate with DRPT to ensure that concessionaire payments from I-66 Outside the Beltway and I-395/95 are transmitted to NVTC in a timely manner.
 - v. Maintain and update the Commuter Choice program website to provide relevant, timely information for applicants, recipients and stakeholders.

- vi. Monitor program operations and communications with recipients to identify any needed policy changes or updates.
 - vii. Execute Standard Project Agreements (SPA) and ensure the projects comply with all SPA requirements.
 - viii. Coordinate with NVTC's WMATA program to develop policy guidance as needed to enable WMATA to operate and/or construct Commuter Choice-funded projects to be considered in WMATA's annual budget process, including potential adoption of policy guidance by the WMATA Board and/or Commissions.
 - ix. Support and participate in recipient-led events highlighting major project milestones, such as groundbreakings and ribbon-cuttings.
 - x. Ensure that, for completed projects, Commuter Choice-funded assets remain in use in a manner benefiting corridor toll payers by obtaining annual asset management certifications from the corresponding funding recipients.
- b. Prepare Commuter Choice annual report and program updates.
- i. Prepare and submit the fiscal year report to the CTB as required by the MOAs.
 - ii. Coordinate with the Metropolitan Washington Council of Governments Transportation Policy Board staff to obtain biennial counts of I-66 and I-395 travel volumes and with NVTC's Transit Resource Center to analyze the resulting data as needed. Incorporate findings into fiscal year reports to the CTB and produce accompanying technical memoranda detailing the analysis.
 - iii. Update recipient handbook that provides a comprehensive guide to Commuter Choice program eligibility, policies and procedures, as needed.

Deliverables: Commuter Choice Annual Report to the CTB; updated program guidance materials as applicable; SPAs distributed to recipients for funded projects

2) Call for Projects and Project Selection Process

- a. Prepare Commuter Choice application materials and secure Commission(s) approval to open calls for projects.
- b. Hold workshops with eligible applicants while calls for projects are open. Provide technical assistance and guidance during application process.
- c. Conduct the initial eligibility screening, evaluation and scoring of project applications in coordination with DRPT.
- d. Provide program updates at Commission meetings and present final Program of Projects for Commissions' approval.

- e. Coordinate with DRPT to receive Commonwealth Attorney General project eligibility concurrence and to prepare project list and supporting materials for CTB consideration.
- f. Develop staff-recommended Program of Projects for consideration by the Program Advisory Committee (PAC)/Joint Commission Working Group (JCWG) and consideration by the Commission(s).
- g. Facilitate public outreach efforts that meet the MOAs' requirements, with materials available in English, Spanish and potentially other languages, to detail proposed projects for the public, answer questions about the program and maximize public input.

Deliverables: I-66 Commuter Choice FY 2025-2026 Project Evaluation and Scoring, and Program Development and Selection, including eligibility screening workshop with DRPT and PAC briefings; I-395/95 Commuter Choice FY 2026-2027 Call for Projects, Project Evaluation and Scoring, and Program Development and Selection, including eligibility screening workshop with DRPT and JCWG briefings

3) Reimbursement and Financial Reporting

- a. Host quarterly meetings with recipients to receive required project level reports and ensure projects are meeting implementation, reporting and financial milestones.
- b. Review and approve project reimbursement requests.
- c. Track expenses and reimbursements by corridor, fiscal year program, project, recipient, etc.
- d. Coordinate with NVTC financial team to develop policy/programmatic solutions for financial-related questions/issues.

NVTC Oversight of Washington Metropolitan Area Transit Authority

NVTC exercises leadership through the appointment and support of Virginia's members of the Washington Metropolitan Area Transit Authority (WMATA) Board of Directors to promote safe, reliable and financially sound performance, management and oversight of WMATA. Staff support the NVTC WMATA Committee to facilitate and represent jurisdictional interests and to ensure access to NVTC's WMATA principal director.

1) WMATA Committee Support

- a. Work with the Committee Chair to develop and implement the committee's annual work plan.
- b. Manage and staff the NVTC WMATA Committee to facilitate committee guidance and feedback on NVTC's priorities for WMATA, leading to committee endorsement and recommendation for the full Commission to approve of the Annual Report on the Performance and Condition of WMATA

- c. Manage and staff the NVTC WMATA Committee to provide a venue for discussion of WMATA issues directly affecting the NVTC region and NVTC jurisdictions, including but not limited to, annual WMATA budget comments, fare policy and comments on any major WMATA studies.
- d. Manage and lead a jurisdictional staff team to provide staff support for NVTC's WMATA Board principal member and members of NVTC's WMATA Committee.
- e. Inform NVTC Commissioners of pending WMATA Board decisions of regional significance.

2) Annual Report on the Performance and Condition of WMATA

- a. Develop and submit to the General Assembly and the Governor by December 15 an annual report on the performance and condition of WMATA that includes information on the following:
 - i. The safety and reliability of the rapid heavy rail mass transportation system and bus network.
 - ii. The financial performance of WMATA related to the operations of the rapid heavy rail mass transportation system, including farebox recovery, service per rider and cost per service hour.
 - iii. The financial performance of WMATA related to the operations of the bus mass transportation system, including farebox recovery, service per rider and cost per service hour.
 - iv. Potential strategies to reduce the growth in such costs and to improve the efficiency of WMATA operations.
 - v. Use of the funds provided from the Mass Transit Fund to improve the safety and condition of the rapid heavy rail mass transportation system.
 - vi. Ridership of the rapid heavy rail mass transportation system and the bus mass transportation system.
 - vii. Any other areas of WMATA Committee interest of priority for that year's annual report. In 2024-2025 this is anticipated to include NVTC's WMATA funding, accountability and reform recommendations.
- b. Manage technical staff to ensure that the report will meet the expectations of the Commission, the General Assembly and the administration.
- c. Support executive director's presentation of this report to the Commonwealth Transportation Board, Governor's Office, General Assembly and other interested stakeholders.
- d. Coordinate with the Communications team to publicize (press, social media, etc.) the recommendations and other relevant elements of the report.
- e. Publish the report and associated information on NVTC's website.

3) Annual Certification of WMATA Documents

- a. Request the following documents annually from WMATA:
 - i. Annual capital budget;
 - ii. Annual independent financial audit;
 - iii. National Transit Data annual profile; and
 - iv. Single audit report issued in accordance with the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 C.F.R Part 200).
- b. Certify the receipt of these documents to the Commonwealth Comptroller no later than June 30 of each year.

4) Virginia WMATA Board Member Support

- a. Support the Executive Director's role in facilitating the Commission's annual appointment of Virginia's two principal and two alternate members of the WMATA Board of Directors.
- b. Provide primary staff support on WMATA related meetings and issues to NVTC's WMATA Board principal member or their designated alternate.
- c. Facilitate and lead NVTC WMATA Board members staffing calls in advance of or after WMATA Board and committee meetings.
- d. Ensure communication and coordination between the Commonwealth and NVTC's Principal WMATA Board members and between jurisdictional and DRPT staff as necessary.
- e. Provide staff support and talking points to the WMATA Board members prior to the NVTC Commission meetings.
- f. Provide staff support to NVTC's WMATA Board appointee in preparation for legislatively required annual CTB briefing.
- g. Participate on WMATA's Joint Coordinating Committee (JCC).
 - i. Monitor and report on the development of WMATA's annual operating and capital budgets and multi-year CIP.
 - ii. Provide feedback to WMATA consistent with NVTC positions and/or Board member guidance.
 - iii. Coordinate with jurisdictional staff and DRPT on WMATA's compliance with CTB policy guidelines for the implementation of governance and funding reforms for WMATA as needed.
 - iv. Actively participate in the development, negotiations and any updates to the Capital Funding Agreement (CFA). The next CFA update is not expected during the period of this workplan.

5) Support for Northern Virginia Jurisdictions

- a. Participate in JCC meetings and follow WMATA Board actions and share key items/actions with Northern Virginia jurisdictional staff in conjunction with recurring WMATA Board member/staff calls.
- b. Facilitate jurisdictional issues with WMATA that rise to the attention of the NVTC WMATA Board principal member.
- c. Represent NVTC's interests and coordinate internal communications and comments at key points of WMATA-led planning studies, including but not limited to the Bus Network Redesign and the Blue/Orange/Silver Capacity and Reliability Study.

6) Implement NVTC-focused Recommendations from the 2023 Report on the Performance and Condition of WMATA

- a. Develop a scope of work, framework, list of deliverables and schedule for the continuation or additional phase of effort of the WMATA Funding and Reform Working Group. Some of the topics may include, but are not limited to:
 - i. Continuing to develop permanent operating and/or capital funding solutions
 - ii. Recommending operating reporting requirements
 - iii. Advancing audit concepts
 - iv. Refining revenue structure recommendations, and
 - v. Any additional, relevant policy topics.
- b. Participate in MWCOG WMATA funding related working groups to integrate NVTC's work into regional efforts.
- c. Brief the WMATA Committee, Legislative and Policy Committee and Commission at key milestones and deliverables.

Deliverables: NVTC Report on the Performance and Condition of WMATA; Annual certification letter to the Commonwealth; Letters of Comment from the Commission; Working Group report as necessary

Envision Route 7

1) Envision Route 7 Bus Rapid Transit (BRT) Study

- a. Support development of materials and documentation needed to execute FTA grant and access Community Project Funding
- b. Lead procurement efforts for the Envision Route 7 Phase 4-2 Mobility Study
 - i. Develop scope of work and seek Commission approval for release.
 - ii. Coordinate with Procurement Manager to review, score and select consultant team.

- iii. Seek Commission approval to award contract.
- iv. Manage consultant contract and coordinate with NVTC staff regarding study related public outreach efforts.
- v. Identify stakeholders to serve on Phase 4-2 Technical Advisory Committee (TAC).
- c. Complete the Envision Route 7 BRT Strategic Implementation Plan
 - i. Complete the Envision Route 7 BRT strategic framework that identifies key policy, governance and funding steps necessary to successfully design, construct and operate the system.
 - ii. Maintain outreach efforts with key jurisdictional partners, FTA and WMATA
 - iii. Seek Commission approval for the Plan as well as endorsement from City Councils (Alexandria and Falls Church) and County Boards (Arlington and Fairfax)
- d. Identify external resources needed to advance the project through the remaining planning phases through the National Environmental Policy Act (NEPA) analyses.
- e. Brief the MAC, PAC and Commission at key milestones and decision points, preparing written updates as needed.
- f. Coordinate with the NVTC Communications team to promote and publicize Route 7 progress, milestones and outreach efforts.
- g. Publish reports and associated information on NVTC's website.

Deliverables: Phase 4-2 Project Deliverables; Envision Route 7 BRT Strategic Implementation Plan deliverables.

Transit Resource Center

The Transit Resource Center provides technical assistance to member jurisdictions; collects, analyzes and reports data from all NVTC's programs and supports coordination with other regional transportation organizations. An overview of the tasks within the Transit Resource Center are outlined below.

1) Regional Transit Data Collection, Analysis, and Visualization

- a. Collect and manage regional transit and related data, with work including:
 - i. Cataloging, collecting and cleaning data that can be shared with stakeholders and archived for future use.
 - ii. Identifying opportunities to use data sources to communicate NVTC's transit policies, policy positions and storytelling.
 - iii. Updating and maintaining the NoVaTransit Dashboard which serves as a repository of historical and current transit data metrics and allows

users to interact with the data to identify trends and conduct analysis. Ensure the NoVaTransit Dashboard is accurate, has up-to-date data available, and is easy to use by the public and regional partners.

- iv. Reporting the Washington Metropolitan Area Transit Authority's (Metro) monthly system ridership and service data to comply with the Department of Rail and Public Transportation's (DRPT) reporting requirements.
- v. Coordinating with NVTC's Communications team and external communications partners to share data analysis and visualization through reports, presentation, etc.
- b. Complete NVTC's Strategic Transit Policy Research Roadmap. The study aligns with NVTC's 60th Anniversary Celebration in 2024 and will lay out NVTC's plan for regional transit research and analysis into the future.
 - i. Develop a strategic vision to guide NVTC regional transit policy research over the next 4-6 years.
 - ii. Develop a research idea pipeline to assist NVTC staff with identifying and developing regional transit policy research ideas.
 - iii. Produce reference materials to help support future work, including research partnerships, new or alternative funding sources and additional opportunities for disseminating work.
 - iv. Coordinate with NVTC jurisdiction and transit agency staff regarding study-related stakeholder engagement.
 - v. Manage the consultant contract for the project.
 - vi. Provide updates to the MAC, Program Advisory Committee and Commission at key milestones.
- c. Conduct and Support Regional Transit Analysis
 - i. Develop scope of work, budget and funding plan to support NVTC-led transit policy analysis efforts, contingent on funding.
 - ii. Provide data analysis for NVTC jurisdictions and the Commission on regional and national issues that impact transit planning, operations, organizations and ridership.
 - iii. Disseminate findings through reports and presentations.

2) Commuter Choice Corridor Analyses

- a. Coordinate with the Commuter Choice Program team to conduct annual analysis on the transit ridership and other metrics to understand the performance of transit along the I-66 Inside the Beltway and I-395/95 corridors.
- b. Coordinate with VDOT, Transurban, and the Transportation Planning Board to collect corridor-based data necessary for analyses.

3) Manage NVTC NTD Technical Assistance

- a. Work with local governments to coordinate collection of performance data for the Federal Transit Administration's (FTA) National Transit Database (NTD).
- b. Manage the contract for NTD data collection on behalf of Northern Virginia's transit systems. Oversee data collection efforts to facilitate the receipt of federal funds to the region.

4) Regional Coordination and Collaboration

- a. Ensure NVTC transit performance research complements and does not duplicate other regional analyses, through participation in regionally focused technical, program or study committees assisting in planning and funding preliminary engineering and environmental analysis for transit in the region, including, but not limited to:
 - i. Transportation Planning Board
 - ii. Potomac and Rappahannock Transportation Commission
 - iii. Northern Virginia Transportation Authority
 - iv. Virginia Department of Rail and Public Transportation
 - v. Virginia Department of Transportation
 - vi. Virginia Railway Express
 - vii. Metropolitan Washington Council of Governments, and;
 - viii. Washington Metropolitan Area Transit Authority.

Deliverables: NoVaTransit Dashboard Updates; Data and Policy Analysis Reports; Strategic Transit Policy Research Roadmap Final Report

Transit Technology

The Transit Technology program engages with regional, state and national transit technology stakeholders to build Commission knowledge about innovative transit mobility services and emerging technologies. An overview of the tasks within the Transit Technology program are outlined below.

1) Regional Zero-Emission Bus Coordination

- a. Implement the recommendations of the NVTC Regional Zero-Emission Bus (ZEB) Strategic Plan, including procuring contractor support, as needed, and working closely with the NVTC Zero-Emission Bus Working Group and Northern Virginia transit providers in implementing zero-emission buses and the associated technology and infrastructure.
- b. Seek additional grant support (ex. FHWA SMART Grant, DRPT Technical Assistance, DRPT Demonstration) to implement the ZEB Strategic Plan.
 - i. Develop scope of work and seek Commission approval for release.

- ii. Coordinate with Procurement Manager to review, score and select consultant team.
 - iii. Seek Commission approval to award contract.
 - iv. Manage consultant contract and coordinate with NVTC staff regarding study related efforts.
 - c. Provide updates to the MAC, PAC, and Commission on the status of milestones in the Regional ZEB Strategic Plan. Continue to educate and engage with stakeholders about ZEB technology, including challenges and opportunities.
 - d. Facilitate NVTC's Zero-Emission Bus Working Group to assist regional partners in low/zero-emission bus implementation, including coordination, technical assistance and/or procurement coordination.
 - e. Attend regional meetings on low/zero-emission bus efforts, including but not limited to TPB, WMATA, PRTC, APTA, DRPT and NVTA.
- 2) Zero/Reduced Fare Research
- a. Continue to track zero and reduced fare policies within the region and nationally. Identify additional research and analysis opportunities that are related to and build off NVTC's existing work.
- 3) Regional Fare Collection Coordination
- a. Provide updates to the MAC, PAC and Commission on the status of milestones in the 2021 Regional Fare Collection Strategic Plan.
 - b. Support Northern Virginia transit operators by participating in WMATA-led working groups related to SmarTrip and fareboxes. Assist with coordination, planning, exchange of information as well as facilitating future plans.
- 4) Technology-related Symposia
- a. Plan, implement and deliver at least one symposium per year on transit technology topics that are timely and relevant to the mission of the Commission.
 - b. Provide regular updates to the MAC, PAC and Commission on technology-related topics.
 - c. Attend regional meetings on transit technology, including but not limited to the TPB, WMATA, DRPT and NVTA.

Deliverables: Scopes of work, budgets, and grant application materials (for DRPT-funded efforts); Annual Work Plan for Transit Technology Program

NVTC Support of Virginia Railway Express

NVTC as co-owner (with the Potomac and Rappahannock Transportation Commission) of the Virginia Railway Express (VRE), provides oversight of the railway to promote safe, reliable and financially sound performance and management.

1) VRE Operations Board Support

- a. Facilitate the annual appointment of NVTC's principal and alternate members of the VRE Operations Board.
- b. Provide staff support in coordination with jurisdictional staff, when necessary, to NVTC-appointed VRE Board members.
- c. Participate on VRE's Coordinating Committee (VCC) and Chief Administrative Officer's Task Force and attend VRE Operations Board meetings.

2) Budget and Financial Management

- a. Facilitate NVTC's approval of VRE's annual operating and capital budgets, including the prioritization of the Commuter Rail Operation and Capital (CROC) Fund. Participate and provide technical support at budget review sessions.
- b. Apply and receive state and regional assistance on behalf of VRE, including Rail Enhancement, VPRA Funding, SMART SCALE and NVTA funds.
- c. Assist VRE planning staff on planning studies, federal funding programs and other technical items.

3) VRE Customer Service and Annual Ridership Surveys

- a. Provide staff and technical support to VRE for the Master Agreement Annual Ridership Survey each fall, as needed.

4) Technical and Communications Support

- a. Amplify and actively share VRE public communications through NVTC social media.
- b. Serve on technical and legislative advisory committees (as requested).
- c. Review Operations Board materials for consistency with the Master Agreement and approved budgets. Maintain close communications with PRTC and VRE staff to coordinate the writing and presentation of VRE action items to the two Commissions.

Deliverables: Audited annual survey report and maps

C. Communications and Engagement

Develop and execute communications strategies that support the Commission, NVTC programs and initiatives and improve the public's understanding of transit's role in Northern Virginia and the Commonwealth.

1) Partnerships

- a. Identify opportunities to host or participate in transit-related events with Northern Virginia's chambers of commerce and other business representatives.
- b. Identify and apply for grants, in partnership with local jurisdictions and transit agencies, to support multi-faceted marketing campaigns designed to increase bus and rail ridership in Northern Virginia.
- c. Identify opportunities to host one or more transit tours of Northern Virginia for state legislators.
- d. Partner with WMATA, VRE, and local transit agencies to promote advances in fare collection and innovative transit technology initiatives.
- e. Leverage network of jurisdictional and agency public information officers to facilitate the sharing of information, collaborate on projects of mutual benefit and leverage mutual resources.
- f. Serve on the Virginia Transit Association's (VTA) annual awards and conference planning committees.

2) Internal and External Relations

- a. Serve as the point of contact for the news media, interest groups, U.S. Congress, Virginia General Assembly and the public for transit issues in Northern Virginia.
 - i. Inform the news media, interest groups and local jurisdictions of Commission meetings, hearings, actions, analysis, research, reports and events.
 - ii. Share transit-related information from external sources - print/broadcast media, online publications and bloggers, transit agencies and state/local governments - with Commissioners, MAC, agency public information officers, transit advocacy groups, staff and through social media channels.
 - iii. Participate and speak at chamber of commerce events, homeowner association meetings and jurisdictional governing body and committee meetings as requested.
- b. Develop and distribute information and resources necessary for Commissioners to fulfill their responsibilities, including the annual member manual, NVTC website, newsletters and monthly Executive Director reports.
- c. Develop and distribute written and visual communications, such as project fact sheets, issue briefs, web content, frequently asked questions, news releases

and targeted e-mail communications on transit-related topics, as well as testimony for Commissioners and NVTC senior leadership.

- d. Provide experts for news media interviews on regional transportation and transit topics and conduct media training to support leadership and staff.

3) Commuter Choice Outreach and Marketing

- a. Plan and implement public meetings and public input processes.
- b. Plan and implement groundbreaking events in collaboration with local jurisdictions and transit providers.
- c. Promote the Commuter Choice program and events through NVTC's social media and other venues.
- d. Support ongoing updates and maintenance of the Commuter Choice sections of NVTC's website to provide both programmatic information as well as marketing resources for grantees, stakeholders, etc.

4) Envision Route 7 Outreach and Marketing

- a. Work closely with the Envision Route 7 senior program manager and contractors to implement public meetings and public input process.
- b. Promote Envision Route 7 events and public comment periods through NVTC's social media and other venues.
- c. Support ongoing updates and maintenance of the Transit Resource Center section of NVTC's website to provide both programmatic information as well as marketing resources for grantees, stakeholders, etc.

5) Online Communication

- a. Maximize NVTC's online presence to further the mission of the Commission.
 - i. Provide regular updates to the information, data and tools on NVTC's website to maintain it as a research and information resource.
 - ii. Expand NVTC's social media presence to drive traffic to novatransit.org and program pages, raise NVTC's profile and promote discussion of regional transit issues.
 - iii. Maintain up-to-date project information on the website to inform the public and Commissioners on the latest project news.
 - iv. Use online analytics and surveys to monitor the effectiveness of online communication and outreach efforts.
 - v. Develop new content, such as podcasts and videos, to enhance NVTC's reputation as the primary source of transit-related information in Northern Virginia and improve the public's understanding of both transit and NVTC's role in the region.

6) Public Outreach

- a. Develop and implement communications plans and budgets for transit studies and multimodal grant programs.
 - i. Publicize and solicit public comment through multiple channels, such as meetings and hearings, advertising, pop-up events, online crowdsourcing, email, mail and telephone.
 - ii. Plan and promote public meetings and hearings in consultation with local jurisdictions, transportation agencies and transit providers.
 - iii. Design and create materials, such as flyers, handouts, infographics, email blasts, display boards, PowerPoint presentations and videos.
- b. Plan and implement activities that engage the public and promote NVTC programs and initiatives.
- c. Manage NVTC 60th Anniversary Celebration efforts
 - i. Execute promotion, branding and event marketing materials for the 60th anniversary of the founding of NVTC to include, but not limited to, a symposium on NVTC's work and future, a celebration event, including a documentary premiere, social media engagement, news releases and paid marketing efforts.
 - ii. Continue seeking out paid sponsorship opportunities to support event planning, marketing, and other outreach activities.
- d. Participate in and support the annual public meeting for Northern Virginia transportation organizations, as required by HB1285 (2018).
- e. Support and coordinate with the Commuter Choice program outreach and marketing efforts.
- f. Update and streamline NVTC website to ensure user friendliness and adherence to usability standards.
- g. Unify NVTC outreach materials to ensure consistent branding and messaging across all platforms.
- h. Expand in-person outreach efforts through networking and attendance at public events.

Deliverables: Public outreach report for I-66 and I-395/95 Programs of Projects; public outreach for Envision Route 7; daily headlines email; weekly updates for Commissioners and jurisdictional staff; monthly newsletter; annual organizational report; news releases and media relations; website and social media posts; marketing campaign(s) scope and budget; presentations and handouts

D. Legislative and Policy Efforts

Legislative and Policy Committee Support

Per the Commission's By-Laws, the Legislative and Policy Committee is responsible for the development of the annual legislative and policy agenda and serves as a venue for discussion of the legislative and policy matters that directly affect NVTC programs, the NVTC region and transit in Northern Virginia. The committee is typically convened regularly between October and March.

NVTC staff is responsible for the development and distribution of committee materials, meeting logistics (in coordination with the Commission Board Administrator), and all other responsibilities to support the needs of the committee.

Legislative and Policy Agenda

Devise, coordinate and implement legislative and policy strategies based on sound policy analysis in coordination with legislative staff from relevant jurisdictions, agencies and partner organizations.

1) State and Federal Legislative Policy Agenda

- a. Assist NVTC's Legislative and Policy Committee with adopting a state and federal legislative and policy agenda to guide NVTC's legislative support in the coming year.
- b. Develop strategies to effectively implement NVTC's annual legislative and policy agenda in collaboration with NVTC jurisdictions' legislative liaisons and the Virginia Transit Association (VTA).
- c. Work with delegations in Richmond and Washington, D.C. (as needed) to promote NVTC's approved agenda.
- d. Identify transit issues that require policy decisions. Assemble data and perform policy analyses to facilitate those decisions (e.g., fare integration, development of new technology, service expansion, customer safety, system security and the business case for and value of public transit).
- e. Plan and implement an annual joint NVTC, PRTC and VRE legislative forum.
- f. Maintain messaging and education efforts about the need for transit funding in Virginia as well as the benefits of public transit throughout the Commonwealth.

2) Virginia General Assembly

- a. Prepare and support NVTC legislative and policy efforts before and during the General Assembly.

- b. Reach out to legislators to garner support for NVTC's legislative agenda and educate them about the benefits of public transportation, including identifying opportunities for tours of Northern Virginia transit investments.
- c. Conduct NVTC's February meeting at the General Assembly in Richmond.
- d. Maintain membership in an online legislative monitoring service and share access with member jurisdictions.
- e. Provide legislative alerts to Commissioners and local staff during the General Assembly Session.

3) Commonwealth Transportation Board

- a. If requested by the Commission, prepare written statements and deliver testimony at relevant CTB's hearings.
- b. Advocate for NVTC's policies, including balanced transportation and stable and reliable funding.
- c. Support DRPT's Transit Service Delivery Advisory Committee (TSDAC) by following the Commonwealth transit funding reform process, facilitating discussions by jurisdictional staff and relaying feedback from the transit agencies to TSDAC for discussions.

4) Transit Industry Groups and Trade Associations

- a. Participate in analysis and dialogs on local, state and national transit issues with state and national transit industry associations and other bodies.
- b. Virginia Transit Association (VTA)
 - i. Contribute to VTA's state legislative strategy for the transit industry and strengthen VTA's response to Northern Virginia's concerns.
 - ii. Provide technical and communications support regarding the economic benefits of transit.
 - iii. Co-chair VTA events and encourage NVTC Commissioners to serve as VTA officers.
 - iv. Serve as VTA's member of the Transit Service Delivery Advisory Committee (TSDAC), providing technical guidance on performance-based funding for transit capital and operations.
 - v. Serve on VTA's awards and conference planning committees.
- c. American Public Transportation Association (APTA)
 - i. Provide technical assistance and feedback to APTA on federal transit program implementation issues.
 - ii. Participate in APTA technical and legislative committees to further NVTC expertise and share/learn best industry practices including but not limited to Bus Rapid Transit Committee, Legislative Steering Committee, Zero Emission Bus and Program and Policy Committee.

- iii. Participate in defining and implementing a federal legislative strategy as part of a broad, nationwide pro-transit coalition.
- d. Provide technical assistance and policy analysis support to state and national boards and committees, including, but not limited to:
 - i. DRPT's Transit Service Delivery Advisory Committee (TSDAC)
 - ii. VTA Executive Committee
 - iii. The General Assembly's Joint Committee on Transportation Accountability
 - iv. APTA Legislative Committee
 - v. APTA Policy and Planning Committee
 - vi. APTA Public Private Partnership Committee
 - vii. APTA Commuter Rail Committee, and
 - viii. Transit Cooperative Research Program (TCRP) Dissemination and Implementation of Research Findings Project Panel.

Deliverables: Joint NVTC/PRTC/VRE Legislative Forum; policy briefs and supporting information to support legislative priorities; NVTC Legislative and Policy Agenda; legislative tracking reports

E. Commission and Committee Management

Provide staff support and execute duties to ensure the smooth running of the day-to-day operations of the Commission. NVTC has three standing committees. In addition to the Executive Committee, NVTC has the Program Advisory Committee (PAC), the WMATA Committee and the Legislative and Policy Committee. The scope of each of these committees is articulated in NVTC's By-Laws.

1) Day to Day Commission Management

- a. Develop and distribute information and resources necessary for Commissioners to fulfill their responsibilities, including the annual member manual, NVTC website, newsletters and monthly Executive Director reports.
- b. Plan strategically Commission actions, meetings and events throughout the year using a meeting schedule, annual agenda and other planning tools.
- c. Prepare materials for monthly Commission meetings. Coordinate with external speakers to present to the Commission when appropriate.
- d. Schedule, oversee and record minutes of Commission meetings, as well as other NVTC events.
- e. Provide accurate and timely responses to Commissioners, jurisdictional staff and the public.

- f. Support NVTC's committees, through the development of agendas, meeting summaries and handouts
- g. Ensure the issuance of per diem payments to Commissioners.
- h. Verify Commissioner compliance with state regulations regarding economic and financial disclosure statements.
- i. Conduct new Commissioner orientations.
- j. Maintain archival Commission materials and provide access to archival documentation when requested.
- k. Respond to Freedom of Information Act (FOIA) requests.
- l. Ensure NVTC is compiling with Code requirements regarding Freedom of Information Act (FOIA) and records management.

2) NVTC Committee Support

- a. Develop and distribute committee materials, meeting logistics (in coordination with the Board Administrator) and all other responsibilities to support the needs of the committee.

Deliverables: Annual Commission and Committee Meeting Schedule; Monthly Commission materials; Annual Agenda

F. Internal Operations

Strengthen NVTC as an organization through improvements of internal policies to ensure a rewarding and equitable work environment.

1) Human Resources and Administration

- a. Develop the annual NVTC General and Administrative (G&A) budget, in coordination with jurisdictional staff, for consideration by the Commission.
- b. Leverage human resources support assistance to enhance human resources functions.
- c. Administer NVTC Transit Fellows Program to attract talent to supplement NVTC staff on specific projects.
- d. Refine and implement a professional development plan for staff, including offering appropriate training.
- e. Continue to refine the staff earning structure and align job descriptions and benefits, such as health and retirement, with NVTC's jurisdictions.
- f. Administer a performance management system that aligns individuals with organizational performance in a meaningful and transparent manner.

- g. Manage employee benefit programs, including retirement plan, 457 plan, group health insurance, group life insurance, disability insurance, flex benefit plan, bike share and Zip Car.

2) Procurement

- a. Administer a competitive procurement process, which includes, but is not limited to, the following:
 - i. Develop the Requests for Proposals (RFP) indicating the services that will be procured, the factors that will be used to evaluate proposals, and the applicable contractual terms and conditions.
 - ii. Distribute the RFP to the NVTC website and other public platforms to maximize public interest and participation.
 - iii. Host a Pre-proposal Meeting to allow potential Offerors an opportunity to ask questions and receive answers about the solicitation.
 - iv. Conduct an initial administrative review of the proposals received to ensure that they are timely and responsive to the requirements set forth in the RFP.
 - v. Oversee and protect the integrity of the formal evaluation of proposals by ensuring that the evaluation team renders impartial, technically sound, and objective advice throughout the selection process.
 - vi. Prepare the final binding contractual documents and present the award to the selected firm.
- b. Ensure strict compliance with the Virginia Public Procurement Act and federal laws throughout the procurement process.
- c. Implement and maintain internal procurement policies and procedures and ensure staff are adequately trained on procurement requirements, contract administration, and project management.
- d. Conduct public outreach to engage and inform small and disadvantaged businesses about current and upcoming contract opportunities at NVTC.

3) Telework and Office Space

- a. Provide technical support to staff to enable telework and other remote work activities.
- b. Resolve issues related to the office space (lease, maintenance, facilities, etc.).

4) Information Technology

- a. Provide ongoing strategy, operation, maintenance and enhancement of computer, communication and information systems as an essential support function to enable NVTC to accomplish its objectives.
- b. Acquire, implement and maintain new information technology systems, software and services to support business operations and programs.

- c. Manage a third-party support contract to ensure security of NVTC's systems, assistance in following industry best practices, and additional user support.
- 5) Procedures Manual
 - a. Implement, maintain and regularly update a procedures manual for on-boarding new staff of procedures for office (Style Guide, safety procedures, templates, contacts, etc.).

Deliverables: NVTC General and Administrative Budget; NVTC Work Plan.

DRAFT

TO: Chair Palchik and NVTC Commissioners
FROM: Kate Mattice, Andrew D’huyvetter and Adam Hager
DATE: November 30, 2023
SUBJECT: Washington Metropolitan Area Transit Authority (WMATA)

At the December meeting the Commission will receive a report from the Virginia WMATA Board members and the NVTC WMATA Committee Chair will present two actions, including the Annual Report of the Performance and Condition of WMATA and a NVTC resolution on NVTC’s near-term legislative priorities in relation to WMATA’s FY 2025 funding shortfall. It is anticipated that WMATA will be presenting its FY 2025 budget to the WMATA Board on December 14, 2023. Commissioners will be provided the latest details if information on the proposal budget is available in time for the December 7 Commission meeting.

A. Report from the Virginia WMATA Board Members

▪ Annual Board Member Ethics Training

On November 2, the Executive Committee received [Annual Board Member Ethics Training](#). As required by Article XIV of the Board’s Code of Ethics, most recently amended in September 2019, the training covered definitions and examples of fiduciary duties, conflicts of interest, gifts and disclosure obligations.

▪ Annual Audit Awareness Training

On November 2, the Executive Committee received [Annual Audit Awareness Training](#). The training fulfilled the Board’s audit awareness training requirement and focused on the Board’s role and responsibility in internal control and risk management. Facilitated by the Audit and Compliance department, the training session covered the Committee of Sponsoring Organizations’ (COSO’s) Internal Control-Integrated Framework and Board oversight responsibilities.

▪ Transformation Update: Human Capital; Procurement: Diversity, Equity and Inclusion; Enterprise Resource Planning

On November 2, the Executive Committee received [an update on the progress of implementing the Strategic Transformation Plan \(STP\)](#). Covering four key focus areas including human capital; procurement; diversity, equity and inclusion (DEI); and enterprise resource planning (ERP); staff highlighted improvements over the last year that have led to improved business processes and how those improvements have created better outcomes across the STP’s goals of sustainability, talented teams, service excellence and regional opportunities and partnerships.

Benefits of an improved ERP system include streamlined reporting, increased productivity and better visibility into WMATA's information and processes for regional stakeholders. The presentation also covered WMATA's recent DEI efforts which focus on leadership and culture, talent, infrastructure and analytics, each of which play an important role in advancing the STP. Human capital initiatives are helping to clarify and provide better visibility into hiring processes and priorities, streamlining and modernizing business processes and clarifying role competencies and expanding career pathways. Finally, WMATA's recent procurement improvements have led to substantial cost savings through contracting and negotiating strategies, faster procurements with the use of cooperative contracts and enhancements to the WMATA supplier portal and better customer service through the introduction of a Chief Financial Officer Report which provides a view into open requests and solicitation awards.

- FY 2023 Financial Statement Audit and Single Audit

On November 16, the Executive Committee accepted the [FY 2023 Financial Statement Audit and Single Audit](#).

- FY 2024/Q1 Service Excellence Report

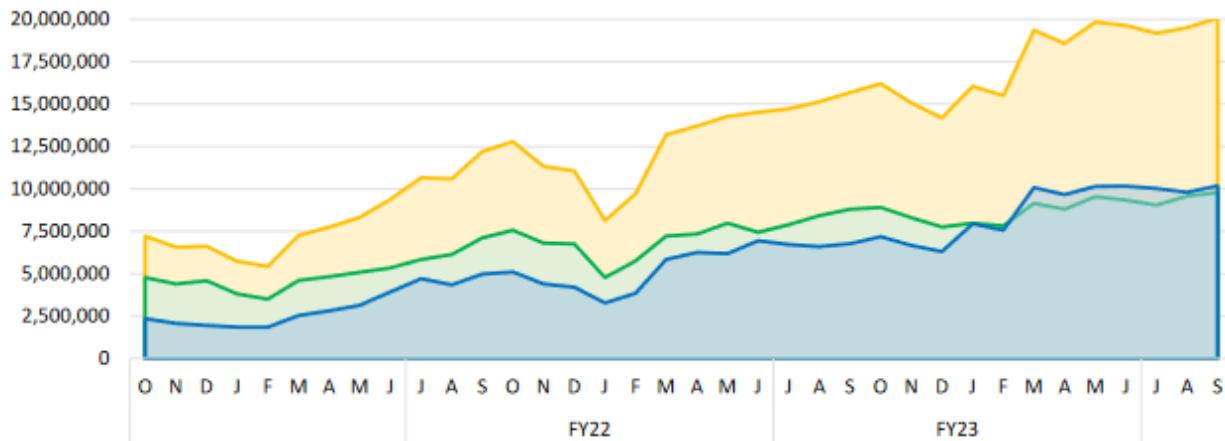
On November 16, the Safety and Operations Committee received an update on the [First Quarter FY 2024 Service Excellence Report](#). Rebranded from the Metro Performance Report in FY 2023, the Service Excellence Report highlights Metro's performance in meeting key objectives under safety, security, reliability and convenience. The rebranded report now includes performance measures regarding the percentage of planned service delivered, customer satisfaction related specifically to cleanliness, last-mile connectivity and bicycle access. In the first quarter of FY 2024, customer satisfaction levels for Metrorail met their target of 85% and systemwide ridership was up almost 30% year-over-year as illustrated in Figure 1. Average wait times fell 23% year-over-year, largely due to a 28% increase in peak-period service in the last quarter. In total, 17 of 27 key performance indicators (KPIs) either met their target or are trending in the right direction.

Rail on-time performance remained steady at 88%, just missing its target of 90% despite 89% of trips being faster year-over-year. Bus on-time performance met its target of 77%. While crime rates have declined, even reaching their lowest levels in nine months, there were 8.9 Part 1 crimes per million customer trips in the quarter which exceeds the target of no more than 8.0 per million customer trips. Customer satisfaction KPIs related to safety also remained below targets where only 52% of Metrorail riders and 59% of Metrobus riders said they feel safe from crime, below their targets of 58% and 64%, respectively.

Figure 1: Metrorail and Metrobus Ridership Trends through FY 2024 Q1

Monthly ridership trend | Last 36 months

All | Bus | Rail



Source: [WMATA Safety and Operation Committee Presentation, November 16, 2023.](#)

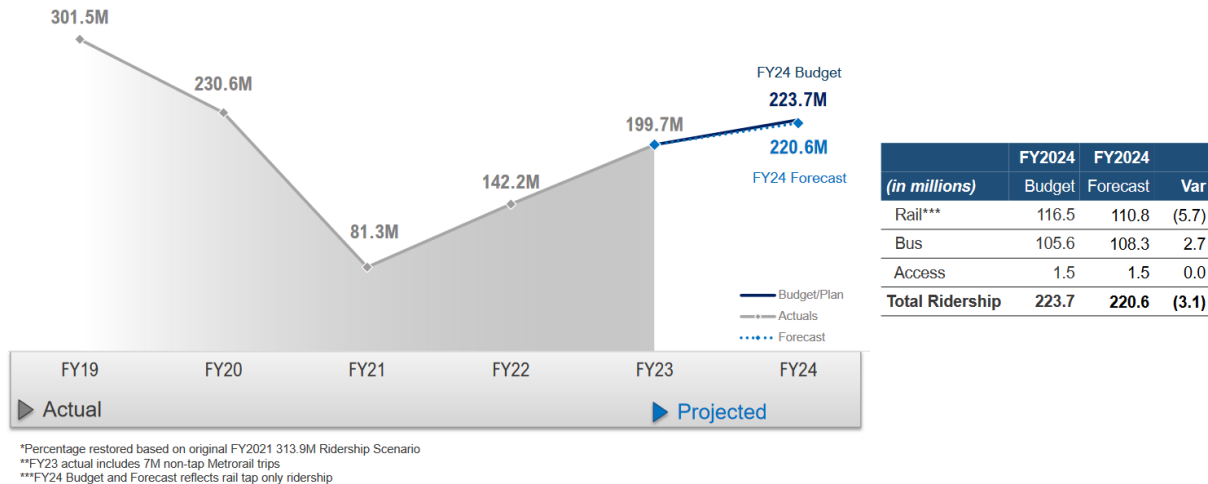
▪ District of Columbia 24-Hour Metrobus Service Agreement

On November 16 the WMATA Board [approved two actions to enable 24-hour bus service in DC](#): 1) approval of a reimbursable project agreement with District of Columbia (DC) and 2) an amendment to the FY 2024 Operating Budget. The temporary reimbursable project agreement provides 24-hour enhanced service on 13 Metrobus lines in the District of Columbia: 32, 33, 52, 70, 80, 92, A6/A8, B2, H4, S2, V2, W4, and X2. It funds service from December 17, 2023 to September 30, 2024 in the amount of \$9.181 million to cover operations, security, and communications and increases the FY 2025 operating budget by \$6.886 million for the enhanced service. The reimbursable project is entirely funded by DC, with no additional subsidy to Virginia or Maryland. WMATA staff will work to include the 24-hour service in WMATA's FY 2025 budget.

▪ FY 2024 Quarter 1 Year to Date and Forecast

On November 16, the Finance and Capital Committee received a [presentation on WMATA's FY 2024 Quarter 1 and Year End Forecast for revenue, ridership and expenses](#). For FY 2024 Q1, passenger and non-passenger revenues were unfavorable to budget by \$17.7 million. This was offset by favorability in personnel and non-personnel expenses by \$47.6 million, resulting in net favorable position of \$29.9 million. Ridership overall is above budget, but rail tap-only trips are below budget. Metrorail is seeing shorter trips overall, resulting in a lower average fare. Metrorail is also seeing stronger ridership recovery on the weekends where ridership is approaching 90% of pre-pandemic levels. Paid ridership on rail is below budget by 7.7%, and the faregate retrofit is expected to reduce revenue loss by \$11 million in FY 2025. Metrobus is seeing a higher-than-expected non-tap share of ridership. Overall, the FY 2024 full-year forecast is favorable by \$95 million. Ridership is forecast to reach 220.6 million trips, just under the FY 2024 budget amount of 223.7 million trips (Figure 2).

Figure 2: FY 2024 and FY 2025 Trip Estimates Updated Based on Q1 FY 2024

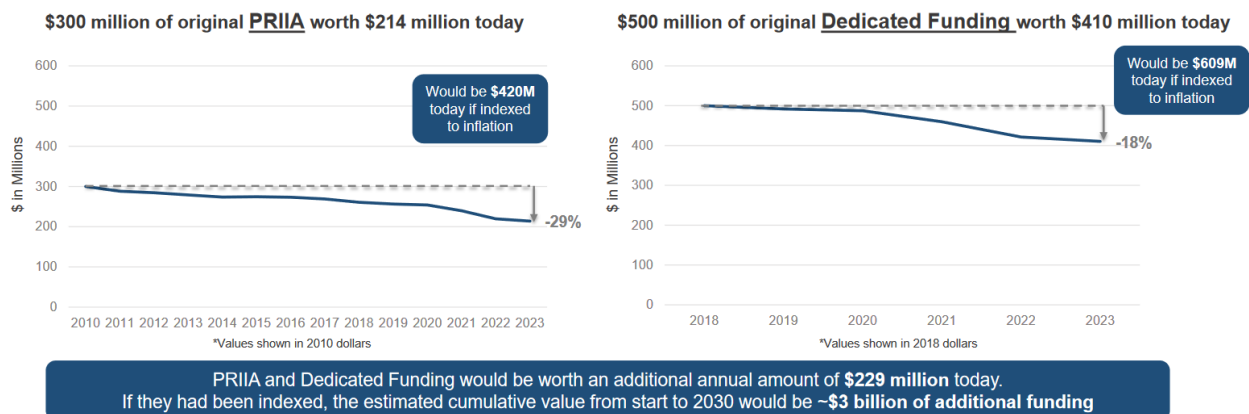


Source: [WMATA Finance and Capital Committee Presentation November 16, 2023](#)

Capital Program Preview

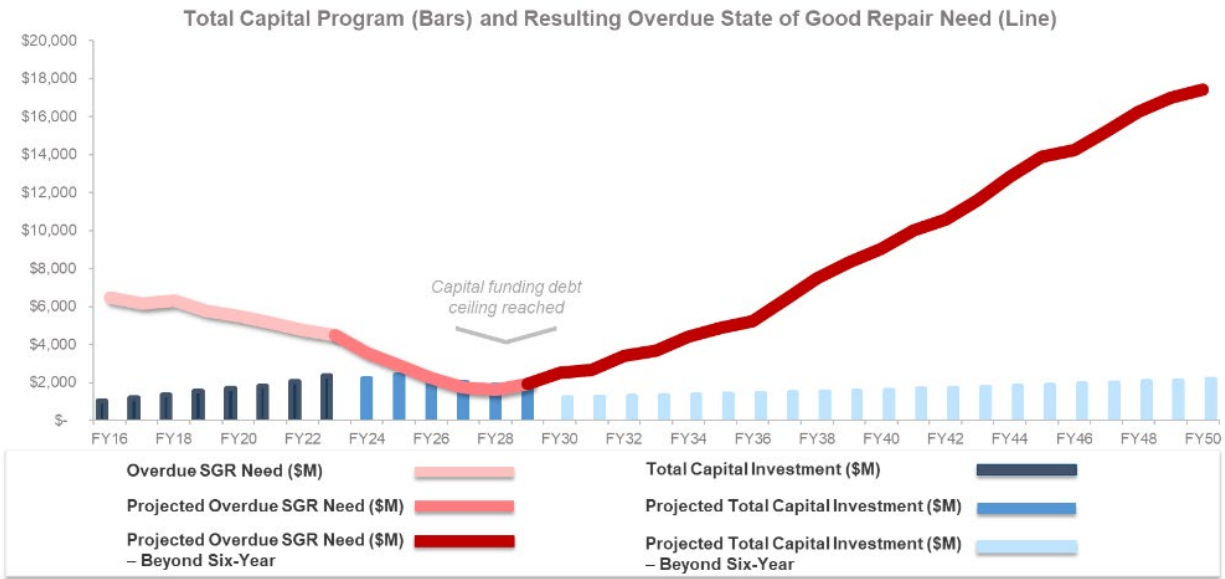
On November 16, 2023, the Finance and Capital Committee received an [update regarding Metro's capital program](#) and the proposed FY 2025-2030 Capital Improvement Program (CIP), which focuses on state of good repair and safety. Dedicated capital funding debt drives the amount of money available for the draft capital program. Inflation and market conditions have eroded the ability for the agency to float new bonds and staff expect bond capacity to be exhausted during the six-year capital improvement program (Figure 3). WMATA will continue to reduce the backlog of state of good repair projects throughout the six-year program, but its ability to do so will shrink as it reaches the capital funding debt ceiling (Figure 4).

Figure 3: Value of Capital Program Over Time



Source: [WMATA Finance and Capital Committee Presentation November 16, 2023](#)

Figure 4: Capital Program and Resulting Overdue State of Good Repair Needs



Source: [WMATA Finance and Capital Committee Presentation November 16, 2023](#)

As part of the development of the FY 2025 budget, WMATA staff also provided a preliminary recommendation for how to maximize the amount of eligible preventive maintenance funds shifted to the operating budget from the capital budget in order to help close the operating budget funding gap. Given the size and composition of the rail fleet, the constrained resource environment, and the increased cost of the project, staff's preliminary recommendation is to reduce and re-scope the railcar heavy repair and overhaul facility and pursue an alternate approach by investing in other facilities to address scheduled maintenance program needs.

Staff outlined the potential impacts to the capital program from maximizing the preventive maintenance expense transfer again in FY 2026, since doing so reduces the capacity of the capital program. WMATA staff provided examples of what this reduced capacity could mean for planned improvements, including procurement of 8000-series railcars, advancement of the Zero-Emission Bus program, construction of the Metrorail heavy repair and overhaul facility and other capital needs. WMATA General Manager/CEO Randy Clarke is expected to deliver a proposed budget in December and NVTC staff will continue to engage the NVTC WMATA Committee and Commission to provide feedback at key points during the budget process.

- Appointment of Acting Inspector General

On November 16, the WMATA Board [appointed Kevin B. Muhlendorf as Acting Inspector General](#). Rene Febles resigned from the Authority as Inspector General on November 7. The WMATA Board will conduct a nationwide search for an Inspector General.

B. Report from the Chair of the NVTC WMATA Committee

At the December meeting, NVTC WMATA Committee Chair Walter Alcorn will give an update on committee activities and introduce two actions. The next NVTC WMATA Committee meeting is scheduled for Thursday, January 18, 2024 at 6:00 p.m. The meeting with focus on the committee's 2024 Work Plan and WMATA's FY 2025 budget.

- **ACTION: Authorize the Executive Director to Send NVTC's 2023 Report on the Performance and Condition of WMATA to the Governor and the General Assembly**

The Commission will be asked to authorize the executive director to send the 2023 Report on the Performance and Condition of WMATA to Governor Youngkin and the General Assembly in advance of the December 15, 2023 due date.

The Commission received a presentation on the 2023 Report at the November meeting. This year's report focuses on a series of recommendations from NVTC's Metro Operating Funding and Reform Working Group related to structural cost growth, operational and financial accountability, oversight, the structural funding deficit and capital funding. Tables 1 and 2 below list the recommendations followed by Table 3 which highlights ongoing efforts and accomplishments covered in the report.

Table 1: Near-Term Recommendations

Recommendation	Focus Area	Directed to
1. Seek administrative or legislative opportunities to permit WMATA to re-baseline its FY 2025 operating subsidy bill to reflect the impact of the COVID-19 pandemic	Structural Funding Deficit	VA, MD and WMATA Board
2. Advocate for additional state aid in FY 2025 to match local funding for WMATA		VA General Assembly
3. Seek a commitment from federal, state, regional and local funding partners to develop long-term, sustainable, dedicated funding to meet WMATA's capital and operating needs		NVTC and VA General Assembly
4. Return federal workers to the office and secure a replacement for the region's losses in fares from riders using federal transit benefits		Federal Government

Source: Draft 2023 NVTC Report on the Performance and Condition of WMATA

Table 2: Mid- to Long-Term Recommendations

Recommendation	Focus Area	Directed to
1. Manage labor cost escalation through reforms to pension and other post-employment benefits (OPEB) <ul style="list-style-type: none"> • Increase worker contributions to pensions and OPEB • Limit or prohibit overtime earnings towards retirement pay • Implement Office of the Inspector General (OIG) findings to improve controls and governance and explore alternative retirement plans 	Structural Cost Growth	WMATA and Labor Unions
2. Seek Amendments to the federal Wolf Act that would require consideration of WMATA's fiscal condition and jurisdictions' ability to pay in binding arbitration		Congress
3. Establish a revised Virginia and Maryland legislative operating assistance growth cap that addresses the unintended consequences of the current cap		VA, MD and WMATA Board
4. Improve farebox recovery by raising fares for Metrorail and Metrobus	Operational and Financial Accountability	WMATA Board
5. Formalize the functions and scope of a WMATA Board audit committee to enhance oversight via a coordinated jurisdictional audit	Oversight	VA, MD, WMATA Board and DC
6. Secure one or more sustainable and reliable sources of dedicated revenues to support additional operating funding	Structural Funding Deficit	DC, MD, VA and NVTC
7. Establish a rainy-day fund at WMATA		WMATA Board and Funding Jurisdictions
8. Secure one or more sustainable and reliable sources of dedicated revenues to support additional dedicated capital funding	Capital	DC, MD, VA and NVTC
9. Sustain NVTC's technical, policy, financial and legislative efforts to support the implementation of recommendations	Other	NVTC

Source: Draft 2023 NVTC Report on the Performance and Condition of WMATA

Table 3. Ongoing Efforts and Accomplishments

Action	Focus Area	Responsible Entity
1. Communicate the results of an efficiency and accountability program	Structural Cost Growth	WMATA
2. Continue to increase non-fare revenues		
3. Mitigate and report on the occurrence and fiscal impacts of fare evasion	Operational and Financial Accountability	
4. Redesign the Metrobus network to find efficiencies and cost savings		
5. Update the way WMATA allocates Metrobus subsidies		
6. Continue to enhance the physical safety and security of customers		
7. Continue efforts to improve transparency and reporting		

Source: Draft 2023 NVTC Report on the Performance and Condition of WMATA

▪ **ACTION: Approve [Resolution #2523](#): Affirm NVTC's Near-Term Priorities for WMATA Funding**

The 2023 Annual Report on the Performance and Condition of WMATA identifies several near-term recommendations that directly impact the development of WMATA's FY 2025 budget. [Resolution #2523](#) emphasizes the importance of WMATA to Northern Virginia and the DC region and details the need for legislative or administrative action to avoid catastrophic service cuts and ensure the Commonwealth's and Northern Virginia's long-term investments in WMATA are protected well into the future.

C. Other WMATA News

▪ **OIG Review of WMATA's Compliance with Infrastructure Investment and Jobs Act**

On November 6, the WMATA Office of the Inspector General (OIG) released a [review of WMATA's compliance with the Infrastructure Investment and Jobs Act](#) (IIJA). The IIJA, which was signed into law in November 2021, made historic investments in the nation's public transportation infrastructure and authorized WMATA to receive \$847.2 million through federal formula grants and a Passenger Rail Investment and Improvement Act (PRIIA) grant. The WMATA OIG was allocated \$5 million for each of the fiscal years 2022 through 2030 from the PRIIA grant, to be available until expended, plus another \$5 million in matching non-federal funds from WMATA. The IIJA also included a condition that required the WMATA Board to adopt several reform provisions that strengthen the independence of the OIG. The IIJA requires the WMATA OIG to issue a report two years and five years after the enactment of the IIJA.

In its report, the OIG found that WMATA complied with the IIJA requirements and reforms in the areas of jurisdictional dedicated funding, capital planning policies, transit asset management process, outcome performance measures, annual reporting, implementation of new technology

to include cyber security and continued integration of new wireless services and emergency networks. The OIG found that WMATA was not in compliance with certain areas of OIG independence: delegating to the Inspector General contracting officer authority and Human Resources authority for carrying out the duties of the OIG. The WMATA Board has adopted several resolutions on the subject, but – according to the OIG report – WMATA management and staff have not made all the necessary procedural changes for OIG to exercise procurement and HR independence in accordance with the IIA.



*2023 Report on the
Performance and Condition of
the Washington Metropolitan
Area Transit Authority*



M System Map

wmata.com
Information: 202-637-7000 | TTY: 202-962-2033
Metro Transit Police: 202-962-2121 | Text: MYMTPD (696873)

Legend

- Red Line • Glenmont / Shady Grove
- Orange Line • New Carrollton / Vienna
- Blue Line • Franconia-Springfield / Downtown Largo
- Green Line • Branch Ave / Greenbelt
- Yellow Line • Huntington / Mt Vernon Sq
- Silver Line • Ashburn / Downtown Largo

Station Features

- Parking
- Hospital
- Airport

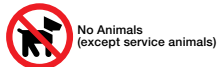
Connecting Rail Systems



Metro is accessible.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY © 2023

N
Map is not to scale





December 15, 2023

Chair

Hon. Dalia A. Palchik

Vice-Chair

Hon. Matt de Ferranti

Secretary-Treasurer

Hon. David F. Snyder

City of Alexandria

Hon. Canek Aguirre

Hon. Sarah Bagley

Arlington County

Hon. Matt de Ferranti

Hon. Libby Garvey

Hon. Takis Karantonis

Fairfax County

Hon. Walter L. Alcorn

Hon. John Foust

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Hon. Matthew Letourneau

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Commonwealth of Virginia

Hon. Paul C. Smedberg

Virginia General Assembly

Senate

Hon. John J. Bell

Hon. Adam Ebbin

House of Delegates

Joseph Kornhoff

Aimee S. Gilroy

M. David Skiles

John C. Tuck III

Executive Director

Katherine A. Mattice

On behalf of the Northern Virginia Transportation Commission (NVTC), I am pleased to submit the *2023 Report on the Performance and Condition of the Washington Metropolitan Area Transit Authority (WMATA)* as directed by Virginia Code.

WMATA, like all major U.S. transit agencies impacted by ridership losses and inflation, is facing an operating fiscal cliff as federal pandemic aid is exhausted. Across the country, state and local governments have come together to find permanent and temporary funding solutions to bridge the gap as ridership recovers. This year, NVTC's Metro Operating Funding and Reform Working Group developed recommendations on Metro's structural cost growth, operational and financial accountability, structural funding deficits, oversight, capital and other areas of concern. These recommendations, which are included in this report, provide a framework for Virginia and the region to engage in the regional funding and reform discussions that are needed to transform WMATA after the disruptive impacts of the pandemic.

As a near-term step to stabilize WMATA while the region develops longer-term solutions, NVTC recommends that the Commonwealth 1) re-baseline the 3% cap to allow WMATA to seek additional subsidies without NVTC jurisdictions incurring a penalty and 2) provide additional state aid to match additional local funding.

Further, the report outlines the expenditures of the Commonwealth's WMATA Capital Fund which provided \$154.5 million in dedicated capital funding in FY 2023 as part of WMATA's \$2.35 billion capital budget to support state of good repair improvements. The report also contains safety and reliability, financial performance and ridership data on Metrorail and Metrobus.

WMATA represents a decades long partnership between state and local governments that has made Virginia's only heavy rail transit system a vital piece of economic infrastructure that benefits the entire Commonwealth. We look forward to working with our partners in the Commonwealth to ensure a stable and accountable financial future for Metro.

Best regards,

Dalia Palchik
Chair

Acknowledgements and Credits

NVTC WMATA Committee Members

Walter Alcorn, Chair
Canek Aguirre
Matt de Ferranti
Matt Letourneau
Paul Smedberg
David Snyder

NVTC Management Team

Kate Mattice, Executive Director
Allan Fye, Director of Programs and Policy
Scott Kalkwarf, Director of Finance and Administration

NVTC Project Team

Andrew D'huyvetter, WMATA Senior Program Manager
Ronnetta Zack-Williams, Senior Program Analyst
Sophie Spiliotopoulos, Senior Program Analyst
Adam Hager, Senior Program Analyst
Monique Blyther, Marketing and Engagement Manager
Matt Friedman, Communications and Public Affairs Manager
Tenley O'Hara, Legislative & Administrative Assistant

Special thanks to jurisdictional staff, state partners and WMATA for their comments and technical feedback.

All photos courtesy of NVTC and WMATA staff.

Legislative Requirement of This Report

This report fulfills the requirements of §33.2-3402 of the Code of Virginia, pursuant to Chapter 854 of the 2018 Virginia Acts of Assembly, specifying that NVTC report annually on the performance and condition of WMATA, for both Metrorail and Metrobus. Per statute, the report addresses the following elements:

- Potential strategies to reduce the growth in costs and to improve the efficiency of WMATA operations.
- Use of the dedicated capital funds authorized by the legislation to improve the safety and condition of the rapid heavy rail mass transportation system.
- The safety and reliability of the rapid heavy rail mass transportation system and bus network.
- The financial performance of WMATA related to the operations of the rapid heavy rail mass transportation system and bus mass transportation system, including farebox recovery, service per rider and cost per service hour.
- The ridership of the rapid heavy rail mass transportation system and the bus mass transportation system.

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DRAFT

2023 Report on the Performance and Condition of WMATA

NVTC's 2023 Report on the Performance and Condition of WMATA provides Funding, Accountability and Reform Recommendations for WMATA and the region to stabilize WMATA in the short-term and develop long-term solutions. The report also includes the uses of Virginia's dedicated capital funding, recent major accomplishments in the capital program and reliability, ridership and financial performance data.



WMATA's Projected Operating Funding Gap as of June 2023:

FY 2025

\$750 Million

FY 2035

\$1.2 Billion

Through inflation and reduced ridership, the pandemic disrupted the financial operating model of transit agencies across the United States. All major transit systems, including WMATA, are facing massive operating budget shortfalls as they exhaust their remaining federal pandemic aid. As a result, NVTC developed a series of recommendations to WMATA and federal, state and local funding partners to ensure the long-term viability of WMATA and sustain the critical role the system plays in the region and as an economic asset for the Commonwealth.

NVTC's Near-Term Priorities:



Directed to: VA, MD and WMATA Board

Seek administrative or legislative opportunities to permit WMATA to re-baseline its FY 2025 operating subsidy bill to reflect the impact of COVID-19 pandemic.



Directed to: VA General Assembly

Advocate for additional state aid in FY 2025 to match local funding for WMATA.



Directed to: NVTC and the VA General Assembly

Seek a commitment from federal, state, regional and local funding partners to develop long-term, sustainable, dedicated funding to meet WMATA's capital and operating needs.

NVTC's Mid- to Long-Term Recommendations:

Directed to WMATA and federal, state and local funding partners

While WMATA and region take temporary actions to sustain bus and rail service and avoid a transit death spiral, they must simultaneously develop long-term solutions. These recommendations offer WMATA, the Commonwealth and the region a framework to help guide regional funding and reform discussions that will take place over the next few years.

- Manage labor cost escalation through reforms to pension and other post-employment benefits (OPEB)
 - Increase worker contributions to pensions and OPEB
 - Limit or prohibit overtime earnings towards retirement pay
 - Implement WMATA's Office of the Inspector General (OIG) findings to improve controls and governance and explore alternative retirement plans
- Seek amendments to the federal Wolf Act that would require consideration of WMATA's fiscal condition and jurisdictions' ability to pay in binding arbitration
- Establish a revised Virginia and Maryland legislative operating assistance growth cap that addresses the unintended consequences of the current cap
- Improve farebox recovery by raising fares for Metrorail and Metrobus
- Formalize the functions and scope of a WMATA Board audit committee to enhance oversight via a coordinated jurisdictional audit
- Secure one or more sustainable and reliable sources of dedicated revenues to support additional operating funding
- Establish a rainy-day fund at WMATA
- Secure one or more sustainable and reliable sources of dedicated revenues to support additional capital funding
- Sustain NVTC's technical, policy, financial and legislative efforts to support the implementation of recommendations





POTOMAC YARD-VT METRORAIL STATION GRAND OPENING

On May 19, 2023, Metro opened the 98th Metrorail station in Alexandria, Virginia. The station will serve the Virginia Tech Innovation Campus.





Introduction

Nationwide, all major transit agencies are facing operating fiscal cliffs as a result of slow ridership and fare recovery, changing travel patterns, inflation and the exhaustion of the federal aid that has sustained agencies throughout and since the pandemic. In response, state and local governments have taken steps to temporarily or permanently develop accountability and funding solutions to sustain their transit agencies. The Washington Metropolitan Area Transit Authority (WMATA) is a vital piece of the Commonwealth's economic infrastructure and is the backbone of Northern Virginia's transit network, which generates \$1.5 billion in annual personal income and sales tax revenue that supports programs and services across the Commonwealth.¹ WMATA faces a projected \$750 million operating gap in FY 2025 which would lead to devastating service cuts if state and local partners do not take action. Like its peer agencies, WMATA and its federal, state and local funding partners must develop both temporary and permanent solutions to close this gap and sustain ridership recovery in the years ahead or risk a transit "death spiral."²

Near-Term Needs

After the successful reintroduction of the 7000-series railcars over the last year and half, WMATA is experiencing a steady and sustained ridership recovery. WMATA has laid the groundwork for a continued recovery by providing frequent, reliable service and finding meaningful budget savings that help reduce the operating funding gap. As a short-term solution, the Northern Virginia Transportation Commission (NVTC) recommends that the Commonwealth: 1) take administrative or legislative actions enabling WMATA to ask its funding jurisdictions for additional contributions, without incurring a financial penalty to NVTC jurisdictions, and 2) provide additional state aid matching local funding to help close short-term operating budget gaps. While these actions will be underway in early 2024, the region must concurrently commit to develop long-term funding solutions.

Long-Term Solutions

While the region implements temporary measures to sustain WMATA services in the near-term, NVTC, the region and the Commonwealth must continue working towards long-term solutions. With the return of 7000-series trains to service, a steady growth in ridership, the opening of the Silver Line Phase 2 in Loudoun and Fairfax Counties and the opening of the Potomac Yard Station in Alexandria, WMATA has sustained momentum to deliver benefits to the region and the Commonwealth. NVTC will work on short and long-term solutions with member jurisdictions, partners in the General Assembly and the Youngkin Administration.

WMATA's Operating Funding Gap

Due to the pandemic, WMATA faces a gap between expenses and revenues. In June 2023, WMATA projected this operating budget gap to be \$750 million in FY 2025 and to grow to \$1.2 billion by FY 2035. This structural disconnect between expense and revenue growth, which was always present but dramatically accelerated by the pandemic, is driven by inflation and collective bargaining agreements (\$266 million), decreased revenue and ridership since the pandemic (\$288 million) and a reduction in jurisdictional subsidies (\$196 million).³

WMATA is working to reduce the projected budget gap from \$750 million to \$650 million through one-time and recurring cost savings, such as administrative efficiencies, reduction in consulting services and overtime, digital transformation and improved asset management.⁴ WMATA's identification of meaningful cost savings demonstrates its commitment to addressing a difficult financial picture and sets the stage for the WMATA Board of Directors, the Commonwealth and NVTC's funding jurisdictions to confront difficult tradeoffs in the first post-pandemic operating budget where federal aid is exhausted.

Development of the FY 2025 Budget

As of the publication of this report, the WMATA Board is evaluating several budget scenarios to help inform a proposed FY 2025 budget which is anticipated in December 2023. In order to close the operating budget gap, the WMATA Board will need to balance the following policy levers in a way that can sustainably continue WMATA's ridership recovery: 1) fare levels, 2) service levels, 3) the acceleration of the capital funding fiscal cliff and 4) jurisdictional subsidies. All but the last policy lever are options currently available to the WMATA Board to help balance the budget, as the 3% operating growth caps in Virginia and Maryland constrain the WMATA Board's ability to receive additional operating subsidies. Without coordinated near-term and long-term actions from the Commonwealth and all WMATA's funding and governance partners, balancing WMATA's budget solely through service cuts and no additional funding would result in devastating service cuts that would trigger a death spiral and undermine a vital piece of economic infrastructure for the Commonwealth.

WMATA's Capital Funding Gap

The historic regional accord that led to dedicated capital funding for WMATA was made just over five years ago in 2018. Since then, WMATA has dramatically accelerated its capital program to reduce its state of good repair backlog, and between FY 2019 and FY 2023 it has achieved a cumulative total of \$9.48 billion in capital expenditures.

These accomplishments have been made possible by the \$500 million in dedicated capital funding provided per year by VA, MD and DC and the ability to bond on those revenues. WMATA currently projects that dedicated capital funding bond capacity will be exhausted in FY 2029 or earlier, depending on market conditions and on how the WMATA Board and region choose to close the operating budget deficit in FY 2025.

While this exhaustion point can appear far way, it is within the scope of WMATA's next six-year capital improvement plan and will impact WMATA's ability to embark on large, multi-year state of good repair projects. With a capital funding cliff on the horizon, the development of any long-term funding solutions should include considerations for both operating and capital funding.

1. Metro Funding, Accountability and Reform Recommendations

Building from the success of the 2018 dedicated capital funding accord and its associated governance and oversight reforms, NVTC, through its 2023 Metro Operating Funding and Reform Working Group, has developed recommendations on WMATA's structural cost growth, operational and financial accountability, oversight, structural funding deficit as well as capital and other focus areas. Most of these recommendations are directed to WMATA, either for management or the WMATA Board's consideration, but many are also directed to federal, state and local partners, including NVTC, who play important roles in the aforementioned areas and enable or constrain WMATA's ability to take certain actions.

Recommendations are grouped into focus areas and organized by near- (now through FY 2025) and long-term (FY 2026 and beyond), followed by a summary of WMATA's ongoing efforts and accomplishments. The audience to whom the recommendations are directed is identified below the recommendation. At a minimum, these recommendations aim to satisfy the legislative requirement (§33.2-3402) to document potential strategies to reduce the growth in costs and to improve the efficiency of WMATA operations. More broadly, these recommendations are intended to offer WMATA, the Commonwealth and the region a framework for regional funding and reform discussions that will take place over the next few years.

Near-Term Recommendations

Recommendation	Focus Area	Directed to
1. Seek administrative or legislative opportunities to permit WMATA to re-baseline its FY 2025 operating subsidy bill to reflect the impact of the COVID-19 pandemic	Structural Funding Deficit	VA, MD and WMATA Board
2. Advocate for additional state aid in FY 2025 to match local funding for WMATA		VA General Assembly
3. Seek a commitment from federal, state, regional and local funding partners to develop long-term, sustainable, dedicated funding to meet WMATA's capital and operating needs		NVTC and VA General Assembly
4. Return federal workers to the office and secure a replacement for the region's losses in fares from riders using federal transit benefits		Federal Government

Focus Area: Structural Funding Deficit

- 1. Seek administrative or legislative opportunities to permit WMATA to re-baseline its FY 2025 operating subsidy bill to reflect the impact of the pandemic without financially penalizing NVTC jurisdictions.**

Recommendation directed to Commonwealth of Virginia, State of Maryland and WMATA Board.

Virginia and Maryland’s legislative 3% caps on their respective annual growth in operating assistance to WMATA were codified in 2018 prior to the COVID-19 pandemic, which was an unprecedented generational disruption to transit agencies across the United States. WMATA felt this disruption more than other agencies due to its pre-pandemic reliance on high farebox recovery from Metrorail, which was at the time driven by long-distance peak hour commuters. WMATA’s immediate operating budget gap reflects structural factors that have been present at WMATA for decades but were accelerated by the unprecedented impacts of the COVID-19 pandemic: historic rates of inflation, significant ridership loss and a subsidy reduction to the jurisdictions to provide relief early in the COVID-19 pandemic.

When the 3% operating cap was implemented, inflation was below 3% and WMATA’s fare revenues exceeded \$700 million.⁵ Inflation, which reached 9% in FY 2022, increased WMATA’s costs primarily through contractual commitments in collective bargaining agreements, yet the 3% operating caps do not include any indexing or factors for inflation.⁶ In the latter half of 2023, WMATA experienced a gradual but steady ridership recovery and projected a total fare revenue of \$403.5 million in the approved FY 2024 budget, but revenue from ridership is still below pre-pandemic levels. In May 2020, the WMATA Board approved a subsidy reduction which lowered the FY 2021 total jurisdictional operating subsidy by \$134.7 million to reflect the challenging financial conditions that were anticipated for state and local partners. Subsequent subsidy increases occurred from this lowered subsidy amount, which was possible because of the availability of federal aid.⁷

NVTC’s 2022 Report on Virginia’s 3% Cap on the Growth in Operating Assistance Payments to WMATA (“3% Cap Report”) found that the 3% cap appeared to be a useful tool to manage the growth in subsidies and for WMATA to control costs, but noted it had created unintended consequences.⁸ NVTC jurisdictions cannot legally provide additional subsidy to WMATA, even if derived from state aid or local sources. Either legislative or administrative action is necessary because if the WMATA Board approves a budget that increases Virginia or Maryland’s jurisdictional operating subsidies by more than 3% (plus limited exclusions) over the previous year, then Maryland and Virginia will withhold state funding. In Virginia, this withholding is 35% of the state aid that is used by NVTC jurisdictions to pay their WMATA operating and capital subsidies, which would penalize funding jurisdictions who would need to find additional funding to fill the gap created by the withholding.⁹ Because WMATA provides regional transit service, a cap on any jurisdiction or signatory (Virginia, Maryland or DC) that provides operating subsidies to WMATA is in effect a cap on the entire system and all contributing parties. Maryland and Virginia will need to take coordinated and identical or near-identical actions to re-baseline the 3% cap.

Due to the scale of these pandemic-related impacts, NVTC recommends that the Commonwealth of Virginia and State of Maryland, in close coordination with the WMATA Board, seek administrative or legislative opportunities to permit WMATA to re-baseline its annual operating subsidy to Virginia and Maryland to reflect these impacts without financially penalizing NVTC localities.

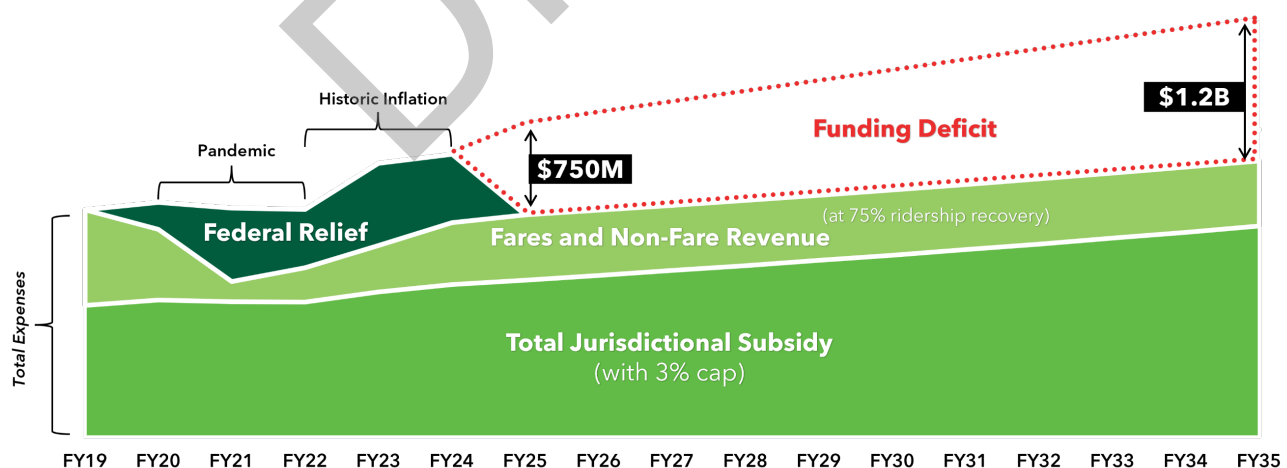
2. Advocate for additional state aid in FY 2025 to match local funding for WMATA.

Recommendation directed to the Virginia General Assembly.

For decades, the Commonwealth and NVTC localities, which are the WMATA Compact funding partners in Virginia, have partnered to fund WMATA. In this partnership, the local governments within NVTC leverage local funds, the regional gas tax and state aid to meet their funding obligations to WMATA. In FY 2024, the Commonwealth will provide \$210.5 million in state aid to assist local governments in meeting their WMATA operating and capital requirements, which is approximately 49% of the \$426.5 million total.¹⁰ In FY 2024, the Commonwealth will also provide \$50 million in matching capital Passenger Rail Investment and Improvement Act (PRIIA) funds and \$154.5 million as Virginia's share of dedicated capital funding, whose funds largely comprise local and regional revenues from Northern Virginia.

Closing WMATA's \$750 million FY 2025 operating budget gap (Figure 1) will require a combination of management cost savings, service cuts, fare increases, additional transfers of eligible preventive maintenance expenses to the capital budget and increasing subsidies from the Compact funding jurisdictions. After aggressive management cost savings, WMATA has brought the gap down to \$650 million. While the WMATA Board evaluates different budget scenarios, the amount of subsidy required from the region to avoid devastating service cuts could be anywhere from \$315 to \$650 million (as of October 2023), depending on the level of transfer of eligible preventive maintenance expenses from the operating budget to the capital budget.¹¹ Virginia's share of this total operating gap would depend on future WMATA Board decisions on the eventual level and distribution of service and fares, but NVTC staff estimate that this could total anywhere from \$80 to \$182 million based on assumptions as of October 2023.

Figure 1. WMATA's Projected FY 2025 and Future Operating Funding Gap



Projection as of June 2023

Source: WMATA Finance and Capital Committee Presentation, June 2023

NVTC's local jurisdictions have limited fiscal tools with which to generate additional revenue and are facing financial headwinds as the impact of telework ripples through the commercial office

market and depresses commercial office assessments.¹² Every dollar the Commonwealth invests in transit in Northern Virginia generates an additional \$1.60 in statewide revenue, a 160% return on investment.¹³ NVTC recommends that the General Assembly leverage this return on investment by providing additional state aid to close 50% of the Virginia operating budget gap, to be matched by increased funding from local jurisdictions, for two years. Depending on the size of the operating subsidy gap, NVTC's local jurisdictions cannot close the budget gap for two years on their own without putting local transit projects and operations at risk, and a two-year temporary funding solution will allow WMATA's ridership recovery to continue while the region develops permanent solutions.

3. Seek a commitment from federal, state, regional and local funding partners to develop long-term, sustainable, dedicated funding to meet WMATA's capital and operating needs.

Recommendation directed to NVTC and the Virginia General Assembly.

The above recommendations - re-baselining the FY 2025 operating subsidy and seeking additional state aid - will only provide a temporary solution to WMATA's operating funding gap for one or two years. Assuming these temporary efforts are successful, WMATA's underlying, structural operating funding model will still present a long-term problem that must be solved, and a capital funding cliff looms on the horizon as dedicated capital funding bond capacity is projected to be exhausted in FY 2029 or earlier. While these near-term actions are being taken to stabilize WMATA's fiscal condition and avoid catastrophic service cuts in the near-term, federal, state, regional and local partners and NVTC must commit to developing long-term, sustainable, dedicated funding to meet WMATA's capital and operating needs.

4. Restore the federal employee presence in the WMATA system by returning federal government workers to the office and securing a replacement for the region's losses in fares from riders using federal transit benefits.

Recommendation directed to the Federal Government.

Prior to the pandemic, federal employees were the backbone of WMATA's ridership and fare revenue, accounting for approximately 40% of WMATA's daily commuters.¹⁴ WMATA estimates that it received \$100 million in fare revenue from federal employees in FY 2019. Since 2020, federal employee ridership recovery has lagged behind other customers returning to WMATA, and there are 95,000 fewer weekday bus and rail trips by federal employees now compared to FY 2019. Each additional day per week that federal employees ride Metro represents an additional \$20 million in annual fare revenue.¹⁵ If federal employee ridership returns to prior levels, WMATA would receive approximately \$50 million in additional fare revenue in FY 2025.

Federal agencies still budget and provide transit benefits to their employees which provide a tremendous incentive for federal employees to ride transit to work. These transit benefits are used across the major transit providers in the region: WMATA, MARC, VRE, OmniRide and other local transit agencies. Transit agencies including WMATA, however, only receive this revenue if federal employees ride and tap to pay their fare. The significant expansion of telework among federal employees has greatly reduced their use of WMATA and transit in general, and unused transit benefits are recouped by each respective agency.

NVTC encourages federal return-to-office policies that encourage transit use throughout the work week and for the federal government to secure a replacement for the region's losses in fares from riders using federal transit benefits.

Mid- to Long-Term Recommendations

Recommendation	Focus Area	Directed to
1. Manage labor cost escalation through reforms to pension and other post-employment benefits (OPEB) <ul style="list-style-type: none"> • Increase worker contributions to pensions and OPEB • Limit or prohibit overtime earnings towards retirement pay • Implement Office of the Inspector General (OIG) findings to improve controls and governance and explore alternative retirement plans 	Structural Cost Growth	WMATA and Labor Unions
2. Seek Amendments to the federal Wolf Act that would require consideration of WMATA's fiscal condition and jurisdictions' ability to pay in binding arbitration		Congress
3. Establish a revised Virginia and Maryland legislative operating assistance growth cap that addresses the unintended consequences of the current cap		VA, MD and WMATA Board
4. Improve farebox recovery by raising fares for Metrorail and Metrobus	Operational and Financial Accountability	WMATA Board
5. Formalize the functions and scope of a WMATA Board audit committee to enhance oversight via a coordinated jurisdictional audit	Oversight	VA, MD, WMATA Board and DC
6. Secure one or more sustainable and reliable sources of dedicated revenues to support additional operating funding	Structural Funding Deficit	DC, MD, VA and NVTC
7. Establish a rainy-day fund at WMATA		WMATA Board and Funding Jurisdictions
8. Secure one or more sustainable and reliable sources of dedicated revenues to support additional capital funding	Capital	DC, MD, VA and NVTC
9. Sustain NVTC's technical, policy, financial and legislative efforts to support the implementation of recommendations	Other	NVTC

Focus Area: Structural Cost Growth

As is common in the transit industry, approximately 70% of WMATA's operating costs are personnel related.¹⁶ While the region searches for dedicated revenues to help address WMATA's

structural funding deficits, it is important to align labor cost increases to a rate of increase that parallels the growth of existing funding sources as well as any future dedicated revenue streams. Because of the nature of collective bargaining agreements (CBAs) between WMATA and its labor unions, WMATA cannot unilaterally implement these recommendations, as any changes to CBAs would result from either negotiated or arbitrated agreements with WMATA's labor union partners.

1. Manage labor cost escalation through reforms to pension and OPEB that are in alignment with national averages.

Recommendation directed to WMATA and labor unions in collective bargaining process.

Prior reports on WMATA, like the *Review of Operating, Governance, and Financial Conditions at the Washington Metropolitan Area Transit Authority* authored by former Transportation Secretary Ray LaHood in 2017 ("2017 LaHood report"), found that WMATA's hourly labor costs are mostly average when compared to large peer transit agencies but recommended several areas to manage costs and increase productivity in labor contracts that remain largely unfulfilled today.¹⁷

a. Increase worker contributions to pensions and OPEB to reflect national averages.

Recommendation directed to WMATA and labor unions in collective bargaining process.

The 2017 LaHood report found that WMATA's unionized workers contribute about 3% of pay towards their pension, which is well below the national average for workers with similar pensions.¹⁸

b. Limit or prohibit overtime earnings towards retirement pay.

Recommendation directed to WMATA and labor unions in collective bargaining process.

The 2017 LaHood report found that WMATA counts workers' overtime earnings toward retirement benefits with no cap, which many other agencies either cap or prohibit.¹⁹

c. Implement OIG findings to improve controls and governance and explore alternative retirement plans for new employees in the next collective bargaining agreement.

Recommendation directed to WMATA and labor unions in collective bargaining process.

In 2022, WMATA's OIG found that improvements were needed in governance of WMATA's defined benefit pension plans and that examination of alternative retirements for new employees was needed. WMATA staff agreed with the findings and recommendations of this investigation and noted that it would need to be addressed in the next round of collective bargaining, which is currently underway.²⁰

2. Seek amendments to the federal Wolf Act that would require consideration of WMATA's fiscal condition and jurisdictions' ability to pay in binding arbitration.

Recommendation directed to Congress.

Collective bargaining agreements (CBA) are negotiated between management and labor, and if both parties agree, the result is called a negotiated CBA. If both sides cannot agree, then the WMATA Compact calls for both parties to enter binding arbitration, where, if negotiations continue at an impasse, an arbitration panel will determine the outcome.²¹ The National Capital Area Interest

Arbitration Standards Act of 1995, known as the “Wolf Act,” governs the actions of arbiters in labor disputes involving transit agencies operating in the national capital area.²² WMATA has found that in prior cases the arbiter has not adequately considered WMATA’s financial capacity and the ability of the jurisdictions to pay. Amending the Wolf Act to require consideration of WMATA’s financial capacity and the ability of the jurisdictions to pay as part of the arbitration process is an important component of resolving the long-term structural operating gap that WMATA faces.

3. Establish a revised Virginia and Maryland legislative operating assistance growth cap to reflect a new operating funding structure and restore accountability to Metro’s operating subsidy allocation process to help address unintended consequences of the current cap.

Recommendation directed to the Commonwealth of Virginia, State of Maryland, and WMATA Board.

Virginia’s 3% cap on the increase in annual operating assistance to WMATA was included as part of the 2018 dedicated capital funding legislation.²³ Maryland implemented a nearly identical cap at the same time, while the District of Columbia has no cap on operating assistance to WMATA. When the cap was implemented, WMATA had a pre-pandemic financial model of relatively high farebox revenues (over \$700 million in fare revenues in FY 2019) and low inflation (below 3%). At the direction of the General Assembly in 2020, NVTC convened a working group to produce the 3% Cap Report.²⁴ The report found that no additional changes were needed to the cap at the time and recommended the no legislative changes be considered before the cap has been in place for five WMATA budget development cycles. The report recommended that NVTC continue to study and evaluate the cap and also noted several unintended consequences that continue to this day.

The unintended consequences of the cap are that it has altered WMATA’s subsidy allocation process in a way that distorts the amount of subsidy owed from the amount of service received. This distortion reduces transparency and accountability to the funding jurisdictions in the budget process. The 3% percent cap is the primary driver, in addition to an outdated Metrobus subsidy allocation formula, for why Virginia is paying more for Metrobus service while getting less service.²⁵ As WMATA is a regional system, it is not possible to cap one jurisdiction’s operating subsidy growth without directly or indirectly capping the entire system. Addressing these unintended consequences is important because NVTC jurisdictions need to understand the true costs of WMATA services so they can make informed decisions about local bus and/or paratransit services.

Through the 2023 Metro Operating and Reform Working Group process, NVTC and its jurisdictions found that the cap is a useful tool, but it should be revised to accommodate a new post-pandemic financial model and to resolve its unintended consequences. Accomplishing these objectives with the legislative caps will require ongoing coordination and engagement with Maryland, the Commonwealth and WMATA to ensure success.

Focus Area: Operational and Financial Accountability

NVTC’s Metro Operating Funding and Reform Working Group found that transparency and public reporting at WMATA has improved since 2018 and that WMATA is above average in these areas when compared to peer transit agencies.²⁶ Nonetheless, there are still several areas for improvement at WMATA and from the region.

4. Improve farebox recovery by raising fares for Metrorail and Metrobus.

Recommendation directed to the WMATA Board.

Fare revenue is a vital component of any major rail and bus system and increasing fare revenue can improve operational accountability to the funding jurisdictions. Recent fare policy changes at WMATA that include transfer discount and a low-income fare pass provide an opportunity to increase rail and bus fares while factoring in equity concerns. Metrorail farebox recovery was 70% in FY 2012 before it dropped and stabilized around 50% in FY 2019.²⁷ While ridership is showing a steady recovery after the pandemic, the pre-pandemic revenue model of high farebox recovery from peak-hour, long-distance fares is gone, and WMATA projects a Metrorail farebox recovery rate of 24% in FY 2024.²⁸ Metrobus farebox recovery was 25% in FY 2016 and declined to 19% in FY 2019.²⁹ With dramatically increasing levels of fare evasion on Metrobus, farebox recovery has declined to 9% in the FY 2024 budget after improving from pandemic-era lows of 3%.³⁰

While two local transit systems in Northern Virginia, Alexandria's DASH and Fairfax City's CUE have free fares which were initiated with support from the Virginia Department of Rail and Public Transportation's (DRPT) Transit Ridership Incentive Program (TRIP), Metrorail and Metrobus charge for fares across the region, including in Virginia. The last major fare increase was in FY 2018 when regular Metrobus fares were increased to \$2.00 and peak Metrorail fares were increased to \$2.25 to \$6.00 depending on distance.³¹ As of FY 2024, regular Metrobus fares are \$2.00 and Metrorail fares range from \$2.00 to \$6.00 depending on distance (peak and off-peak fares have been consolidated and the base fare for rail was reduced). In addition, Metrorail fares saw a decrease to a flat fare of \$2.00 after 9:30 p.m. on weekdays and on weekends to encourage ridership. In the aggregate, the FY 2024 fare changes advanced the Board's fare policy goal of fare simplification and is expected to result in a net increase in fare revenue.³² If the FY 2018 fare levels shown above were adjusted for inflation, they would be \$2.44 for Metrobus and \$2.74 - \$7.31 for Metrorail. The 2017 LaHood report noted that Metrobus fares were below that of peer agencies and presented a scenario with a fare increase to \$2.10. In reviewing the same transit agencies cited in the 2017 LaHood report, their current bus fares average \$2.18 - placing Metrobus below its peers.

Focus Area: Oversight

5. Formalize the functions and scope of an WMATA Board audit committee to enhance oversight via a coordinated jurisdictional audit.

Recommendation directed to the Commonwealth of Virginia, State of Maryland, District of Columbia and WMATA Board.

WMATA, as a federally funded public transit agency, is subject to a number of audits and oversight efforts by external organizations. For example, congressionally mandated oversight actions are guided by and/or directly conducted by the Federal Transit Administration and include procurement, asset management and financial management oversight. The funding jurisdictions of the WMATA Compact exercise oversight through their WMATA Board members, and they also have the right to conduct audits of WMATA. In the past these audits have typically covered areas of jurisdictional concern, like the subsidy allocation process. In any organization, it is important to have the appropriate controls in place to ensure that staff are following the proper procedures. Audits directed by individual funding jurisdictions have historically been intermittent and lacked coordination among the other Compact funding jurisdictions.

Auditing is a vital component of oversight and, in a complex funding and governance structure like WMATA, the funding jurisdictions have a role to play in auditing WMATA's jurisdictional subsidy and budget process. At present, jurisdictional audits lack consistent objectives, do not share the same scope of work and have the potential to yield different findings with conflicting recommendations. Multiple uncoordinated audits also pose an additional administrative burden for WMATA, who must spend staff time responding to jurisdictional audits which often ask for the same information.

WMATA's OIG serves as an independent and objective unit of the Authority by conducting and supervising audits, program evaluations and investigations relating to internal Authority activities. WMATA also has an internal function for quality assurance, internal compliance and oversight (QICO). At a WMATA Board level, the Executive Committee conducts the functions of an audit committee, and these responsibilities are spelled out in periodic updates to committee roles and responsibilities.³³

NVTC recommends the funding jurisdictions exercise their audit rights in a coordinated fashion that adds value and minimizes WMATA's administrative burden. To accomplish this, NVTC recommends the WMATA Board create an advisory committee (which is allowable per the WMATA Compact and would require either action by the Board or amendments to the WMATA Board Bylaws) composed of key regional financial staff. This advisory committee would represent a steering committee of jurisdictional interests in any audit effort that could be managed by WMATA staff. As part of this effort, the WMATA Board could formalize its already active and ongoing audit activities by amending its bylaws accordingly and assigning the audit committee the responsibility to liaise with a new jurisdictional audit committee.

Focus Area: Structural Funding Deficit

While WMATA can and should look for operating efficiencies and cost savings, consider fare increases, service reductions and transferring eligible preventive maintenance expenses from the capital budget to the operating budget, these tools cannot close the projected operating gap and maintain core transit services without additional funding from the jurisdictions. Overreliance on any of the aforementioned tools risks jeopardizing WMATA's ridership recovery and long-term sustainability of the capital budget.

In May 2020, the WMATA Board reduced the total jurisdictional operating subsidy by \$134.7 million and in the FY 2022 budget the WMATA Board chose not to implement a 3% base subsidy increase. These cumulative reductions by way of direct reduction and foregone increases to jurisdictional subsidies were intended to relieve the fiscal pressure jurisdictions anticipated with the onset and continuation of the COVID-19 pandemic. Since that time, WMATA has added seven new rail stations to the system while asking for less subsidy from the jurisdictions - when adjusted for inflation - than it did in FY 2020. Federal aid both made this disconnect possible and provided WMATA with funding to weather the worst of the pandemic impacts, but with its pending exhaustion, the funding jurisdictions and WMATA are faced with difficult choices.

The recommendations below reflect the need for actions that address the structural challenges of how WMATA is funded.

6. **Secure one or more sustainable and reliable sources of dedicated revenues to support additional operating funding.**

Recommendation directed to the Commonwealth of Virginia, State of Maryland, the District of Columbia and NVTC.

Given the impacts of the pandemic (inflation, ridership, and the jurisdictional subsidy reduction) and WMATA's structural funding issues, new dedicated operating funding will be a critical component of any long-term solution. In establishing dedicated operating funding for WMATA, there are many ways to structure that revenue and how it flows to WMATA. NVTC recommends that any dedicated revenues for WMATA in Virginia be collected and managed at NVTC before conveyance to WMATA.

As the recipient of the regional gas tax and state aid for WMATA and the appointing authority for the Virginia members of WMATA Board, NVTC plays a vital funding and governance role with WMATA. Per the WMATA Compact, NVTC, with the consent of its local governments, is also an eligible direct funding partner to WMATA.³⁴ With these critical funding and governance functions, any new Virginia dedicated funding for WMATA—especially if raised from the Northern Virginia Transportation District—should be directed to NVTC to convey to WMATA. Over-reliance on a single revenue stream can convey risk during economic cycles, so NVTC also recommends securing one or more sustainable and reliable sources of dedicated revenues.

Due to the multitude of transit agencies in the Northern Virginia Transportation District, NVTC recommends that these new revenues support all transit operators in the Northern Virginia Transportation District, including WMATA, and that NVTC develop a technical and policy framework for NVTC to manage the funds. This framework could include a waterfall of funding priorities that could benefit all transit providers in the transportation district, starting with the establishment of a dedicated transit operating fund at NVTC to convey Virginia's portion of dedicated operating funding from NVTC to WMATA and leverage matching funding from the District of Columbia and State of Maryland. In any potential revenue structure for dedicated operating funding, NVTC recommends that WMATA use new regional dedicated operating funding to create predictable jurisdictional operating subsidy increases, as the current subsidy calculation process yields uncertainty for NVTC jurisdictions.

Defining "Dedicated Funding"

Dedicated funding can take many forms for peer transit agencies similar to WMATA. It includes a range of models and funding structures, from transit agencies with taxing authority that directly receive streams of revenue, to agencies with that receive a share of revenues either from a voter-approved tax measure (like in California) or from a regional funding body (like in Chicago).

NVTC recommends the following criteria in any discussion of dedicated funding for Metro:

- Revenue that is in a lockbox, flows on an uninterrupted basis to WMATA from its source or from an intermediate organization, exists outside of the quarterly subsidy payment process, and is not subject to traditional annual appropriations.
- Revenue that integrates into a regional accord for new Metro funding, with proportionality to MD and DC revenues. NVTC does not have a recommendation for Virginia's share of any dedicated revenues at this time but supports any allocation or share that recognizes the unique way in which Virginia participates in and demands WMATA services.

If it is necessary for WMATA to provide additional reporting as a part of any funding package, NVTC recommends that regional stakeholders review WMATA's current reporting infrastructure and develop a unified set of reporting requirements. Being required to provide slightly different information to different regional stakeholders increases WMATA's administrative burden and reduces operational efficiency.

7. Establish a rainy-day fund at WMATA and adopt a rainy-day fund management policy.

Recommendation directed to the WMATA Board and the Compact Funding Jurisdictions.

Unlike most peer transit agencies or state and local governments in Virginia, WMATA does not have an operating contingency reserve fund. This means that WMATA is poorly positioned to handle unpredictable financial shocks and in those circumstances is reliant on its funding jurisdictions, who have placed an operating assistance cap on WMATA, to weather these unforeseen circumstances. Since WMATA does not have dedicated operating funding, the funding jurisdictions all appropriate funding to WMATA through their annual budget process and an unforeseen ask of WMATA to its funding jurisdictions creates budgetary unpredictability that is challenging for all parties and would present legal problems with the legislative operating caps. As part of any dedicated operating funding accord, WMATA should utilize this new funding to establish a rainy-day fund. As part of its oversight role to WMATA, the WMATA Board should adopt management policy for the rainy-day fund that sets parameters and policy for WMATA staff to follow. A rainy-day fund was identified in WMATA's 2019 strategic plan, "Keeping Metro, Safe, Reliable, and Affordable," but was not implemented by the region.³⁵

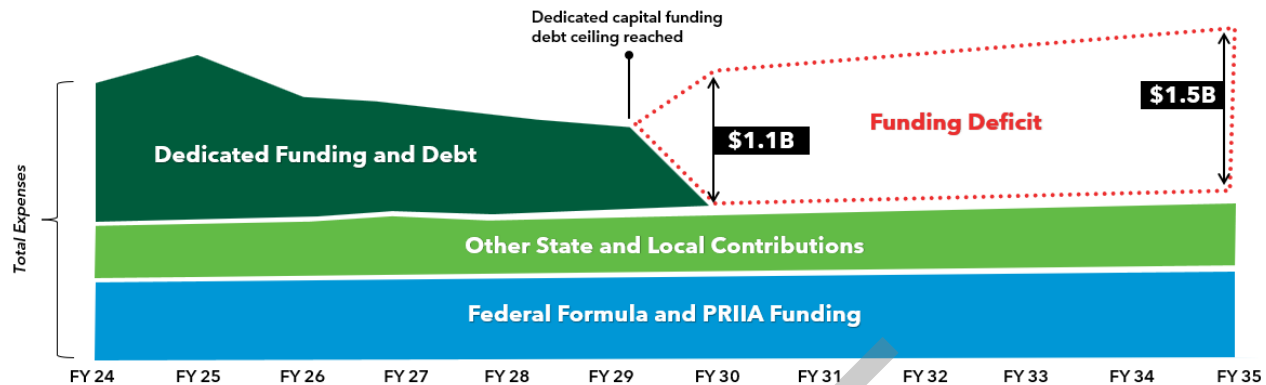
Focus Area: Capital

8. Secure one or more sustainable and reliable sources of dedicated revenues to support additional capital funding.

Recommendation directed to the Commonwealth of Virginia, State of Maryland, District of Columbia and NVTC.

The historic regional accord that led to dedicated capital funding for WMATA was made just over five years ago in 2018. As part of that framework, WMATA noted it had a 10-year capital need of \$15.5 billion and asked the region for a dedicated funding stream in which to bond in order to ramp up the capital program.³⁶ WMATA achieved the goals it promised the region it would accomplish with dedicated capital funding: capping increases to annual jurisdictional capital contributions to 3%, investing \$15.5 billion over 10 years for critical capital projects and increasing annual investments to \$1.5 billion. WMATA reached \$1.5 billion in annual capital expenditures in FY 2019, and between FY 2019 and FY 2023 has expended \$9.48 billion and averaged \$1.9 billion per year. Dedicated capital funding debt drives the acceleration of the capital program and allows WMATA the predictability to undertake large, multi-year state of good repair projects. This dedicated capital funding debt has always had a future date in which the bonding capacity is anticipated to be exhausted, necessitating that all future dedicated capital funding revenues go to paying debt service. In summer 2023, this was projected to be in FY 2029 (Figure 2).³⁷ Depending on the policy choices surrounding transferring eligible preventive maintenance expenses from the operating budget to the capital budget, this exhaustion date could arrive earlier than FY 2029.

Figure 2: WMATA's Long-Term Capital Budget Outlook



Source: WMATA Finance and Capital Committee Presentation, October 26, 2023.

Note: Figure assumes no additional transfer of eligible preventive maintenance (PM) expenses beyond historic levels from the operating to the capital budget in FY 2025. If additional PM funds are transferred in FY 2025, the dedicated capital funding debt ceiling could be reached in FY 2028 or earlier instead of FY 2029.

While FY 2029 can appear far away, it is well within the range of WMATA's next six-year capital improvement plan, which spans from FY 2025–2030. Because WMATA embarks on large, multi-year state of good repair projects, it must now begin deciding which projects it does not have the funding capacity to undertake. While they are not as immediate as an operating fiscal cliff in the next fiscal year, each year of delay in securing additional dedicated capital revenues yields greater and greater consequences on WMATA's ability to plan and execute large state of good repair projects in its capital program. As the WMATA Board and the region develop temporary solutions to stabilize WMATA's short-term operating finances, NVTC recommends that any regional accord around dedicated operating revenues also include additional dedicated capital revenues. WMATA should help the region understand the trajectory and scale of its state of good repair, modernization and other needs to inform the scale and type of funding ask.

Focus Area: Other

9. Sustain NVTC's technical, policy, financial and legislative efforts to support the implementation of these Metro Funding, Accountability and Reform recommendations.

Recommendation directed to NVTC.

As the region looks to stabilize WMATA's short-term operating outlook, it must simultaneously develop permanent operating and capital funding solutions. Several recommendations identified in this report should be part of any regional accord, but they will take a significant amount of staff time to advance - especially those that require complex multi-party negotiations. For Virginia-specific recommendations, NVTC and/or DRPT should lead efforts where relevant. Some efforts will require regional coordination through the Metropolitan Washington Council of Governments or WMATA. Some of the topics may include (but are not limited to): continuing to develop permanent operating and/or capital funding solutions, recommending operating reporting requirements, advancing audit concepts, refining revenue structure recommendations and developing long-term recommendations for the legislative 3% operating cap.

Ongoing Efforts and Accomplishments

The following section is comprised of recommendations or actions identified by NVTC where WMATA either has active and ongoing efforts in the related area and/or has produced significant accomplishments in the last few years. NVTC staff have provided updates on these efforts and accomplishments.

Action	Focus Area	Responsible Entity
1. Communicate the results of an efficiency and accountability program	Structural Cost Growth	WMATA
2. Continue to increase non-fare revenues		
3. Mitigate and report on the occurrence and fiscal impacts of fare evasion	Operational and Financial Accountability	
4. Redesign the Metrobus network to find efficiencies and cost savings		
5. Update the way WMATA allocates Metrobus subsidies		
6. Continue to enhance the physical safety and security of customers		
7. Continue efforts to improve transparency and reporting		

Focus Area: Structural Cost Growth

1. **Communicate the results of an efficiency and accountability program.**

Recommendation directed to WMATA.

Before Northern Virginia jurisdictions can provide substantial new funding revenues to WMATA, the agency must demonstrate its commitment to reducing costs and finding savings in the areas it can control. As part of the Metro Operating Funding and Reform Working Group, NVTC's consultants found numerous examples of peer transit agencies finding savings and cost efficiencies as one part of the solution to developing a post-pandemic financial model. For example, the Southeastern Pennsylvania Transportation Authority (SEPTA) in Philadelphia established an efficiency and accountability program in 2020 to offer a systematic and sustainable approach to creating operational efficiencies.³⁸ The program's inaugural transformation plan provided a comprehensive list of initiatives that were collectively estimated to have \$102 million in recurring annual benefits, and the program provides an annual progress report to the SEPTA Board.³⁹

WMATA has a similar effort underway. Since FY 2018, WMATA has found a cumulative \$308 million in savings due to cost-efficiencies and management actions. In 2023, the WMATA Board directed management to find additional savings, and WMATA staff created an internal taskforce that found additional \$95 million in one-time savings in FY 2023 and FY 2024 and \$50 million recurring savings that are available in FY 2025.⁴⁰ These efforts, which were publicly conveyed to the WMATA

Board's Finance and Capital Committee in September 2023, include detailed information on consolidating call centers, accelerating customer adoption of paratransit alternatives, mobile drug testing and badging, reductions to the non-revenue vehicle fleet size, reducing consulting services, digital transformation and improved asset management. WMATA also cited potential areas for costs savings that rely on actions taken by jurisdictional partners, such as aligning energy rate policies, implementing bus priority lanes and associated enforcement mechanisms, reciprocity in police certification across DC, MD and VA, and elevator/escalator regulatory requirements and fee waivers. These efforts demonstrate WMATA's commitment to fiscal stewardship and set the stage for the broader funding discussion. WMATA should continue to look for cost savings and efficiencies and communicate them to its Finance and Capital Committee and funding partners as part of the annual budget process.

2. Continue to increase non-fare revenues.

Recommendation directed to WMATA.

Non-fare revenues account for a small portion of operating revenues for transit agencies in the U.S. yet are one of the tools used to increase revenues and make the system more efficient. In FY 2024, WMATA's non-fare revenues were budgeted to account for 4.4% of operating expenses and totaled \$77.2 million.⁴¹ Non-fare revenues for WMATA include joint development projects, advertising, parking, fiber optics, property leases and other non-transit revenues.

WMATA has one of the most robust joint development programs in the U.S. among transit agencies. Since 1975, WMATA has completed 55 joint development projects that collectively generate \$194 million in annual state and local tax revenue and close to five million additional Metro trips annually.⁴² Completed joint development projects accumulate between \$8-11 million in annual lease revenue to WMATA.⁴³ WMATA should continue to expand joint development as well as advertising and parking revenues by utilizing its 10-Year Strategic Plan for Joint Development and growing ridership trends. Jurisdictional partners play a role in expanding joint development by providing supportive land use and zoning tools and policies, investing in site infrastructure and providing other incentives.

WMATA should explore procurable revenue driving options such as physical and data infrastructure. Land is WMATA's most valuable physical asset and while great strides have been made through the various joint development projects over the years, there is an opportunity to convert underutilized parking lots not slated for joint development. WMATA could lease or rent parking spaces to fleet operators, to tour bus companies or for special events on weekends. WMATA's most valuable data comes from SmarTrip cards and accounts. There are six million SmarTrip cards in circulation⁴⁴ and the SmarTrip app generates valuable information to advertisers and can be monetized. There will be many factors to consider like ensuring this effort does not violate privacy policies, but there is potential in this space to create a long-term, stable revenue stream for WMATA.

Focus Area: Operational and Financial Accountability

3. Mitigate and report on the occurrence and fiscal impacts of fare evasion.

Recommendation directed to WMATA.

Enforcing fare payment is critical to creating a safe, secure and financially sustainable transit system. Along with the sharp decline in ridership during the pandemic, WMATA also saw an increase in fare evasion. Between January 2023 and June 2023, the average percentage of Metrorail riders who evade the fare was 12% during the week and 14% on the weekends.⁴⁵ This breaks down by jurisdiction in Virginia, Maryland and the District of Columbia at 5%, 19% and 14%, respectively. The Metro Transit Police Department (MTPD), not bus operators or station managers, is responsible for enforcing fare payment, and MTPD must follow the fare evasion laws of each respective state or local government within which they operate. These laws vary from a civil or a criminal offense in Virginia and Maryland jurisdictions, depending on the city or county. In the District of Columbia, fare evasion was a criminal offense until the District decriminalized fare evasion to a civil offense in 2019. After nearly four years, the District only recently created an adjudication process to allow MTPD to enforce fare evasion as a civil fine.

Over the last year, WMATA has made great strides in working to mitigate and enforce fare evasion across the system. In October 2022, WMATA announced the launch of a warning campaign aimed at deterring fare evasion, with enforcement efforts that began in November 2022. Furthermore, WMATA continues to install new faregates to mitigate fare evasion. These faregates are 55 inches tall and include an L-shape door panel that extends over the faregate to minimize gaps between the openings. In August 2023, WMATA completed the first installations at six Metrorail stations and released preliminary data finding that the new faregates are reducing fare evasion by more than 70%.⁴⁶ WMATA will continue installing the new faregates until they are in every station across the system.

WMATA should report on the occurrence and fiscal impacts of fare evasion so that the WMATA Board, funding partners and policymakers can make informed policy decisions. As newer faregates are installed across the Metrorail system, NVTC recommends WMATA provide periodic briefings to the Finance and Capital Committee on the fiscal impacts of fare evasion. In the fall of 2023, WMATA began providing data on the occurrence of fare evasion on Metrorail on its public data portal.⁴⁷ NVTC encourages WMATA to extend this commitment to transparency on fare evasion data on Metrobus.

4. Redesign the Metrobus network to find efficiencies and cost savings.

Recommendation directed to WMATA.

Historically, Metrobus and Metrorail have operated as two separate systems.⁴⁸ This was driven by relatively low fares for Metrobus, a partial transfer discount that penalized transfers between bus and rail and policy decisions by the region and the WMATA Board that intentionally operated Metrobus routes that duplicated Metrorail service. The 2017 LaHood report recommended a comprehensive reset of the Metrobus system that re-examines the entire system of bus routes, schedules and operating practices to find efficiencies, save money and improve service.⁴⁹ WMATA began a comprehensive redesign process with the launch of the Better Bus Network Redesign in

the fall of 2022, which aims to build a more efficient bus network for Metrobus, the City of Fairfax's CUE system and Prince George's County's The Bus.

In 2023, the Better Bus Network Redesign developed a draft visionary network toward which the region could grow incrementally as resources become available. In 2024, WMATA will begin engagement with the region on a Year One Network bus network that utilizes current resources available to Metrobus and that offers the WMATA Board the opportunity to achieve the goals set out in the LaHood report. With a fully funded transfer discount, the Bus Network Redesign can allow WMATA to move from two siloed transit systems into a more integrated transit system. While the goal of the effort is to develop a more efficient bus network, NVTC recommends that the WMATA Board implement a network that also realizes cost savings.

5. Update the way WMATA allocates Metrobus subsidies.

Recommendation directed to WMATA.

Since its founding WMATA has used a subsidy allocation formula to determine how costs to operate Metrobus service are allocated among the Compact funding jurisdictions.⁵⁰ The Metrobus service network has changed significantly since the last formula update in 1998, and it has changed even further with recent changes during and after the pandemic. The underlying fundamentals of the current formula have created a broken system that: is inconsistent and unpredictable to partners; provides distorted incentives around service provision; inhibits the use of external grant sources to pay for service; and makes targeted service changes and how they are paid for unnecessarily complex and fraught with veto points. The 3% operating subsidy cap has exacerbated many of these issues and significant Metrobus service changes since the pandemic have resulted in an even greater distortion between service provision and individual jurisdictions' subsidies.

An update to the Metrobus subsidy allocation formula is a critical component of the Better Bus Network Redesign effort currently underway by WMATA.⁵¹ NVTC strongly recommends that the WMATA Board adopt and implement a new Metrobus subsidy allocation formula that better links the amount of service with the amount of subsidy as soon as practicable.

6. Continue to enhance the physical safety and security of customers.

Recommendation directed to WMATA.

WMATA and the Metropolitan Transit Police Department (MTPD) have implemented specific crime-reduction strategies to address crime and disorder within the entire WMATA system.⁵² Specifically, these include increased police visibility, enforcement activities, local partnerships, enhanced community relations programs and the continued Problem-Oriented Policing approach to address crime and public safety. In February 2023, District of Columbia Mayor Muriel Bowser and Metro General Manager and Chief Executive Officer Randy Clarke announced a joint partnership between MTPD and the DC Metropolitan Police Department to increase police presence throughout the WMATA system, particularly during rush hour.⁵³ MTPD also has partnerships with Alexandria, Cheverly, Greenbelt, and the Metropolitan Washington Airports Authority and WMATA deploys special police officers to provide high visibility policing at certain stations.

MTPD has hired crisis intervention specialists who are deployed daily throughout the system, with priority locations driven by police data. The crisis intervention team adds more visibility to the system, conducts wellness checks and provides resources to customers experiencing a mental health crisis.⁵⁴ In addition, all MTPD officers carry naloxone, a lifesaving drug to prevent death and drug overdoses.⁵⁵ WMATA also holds monthly Youth Advisory Council Meetings and pop-up events in the community and delivered 210 anti-theft steering wheel locks.⁵⁶ Between 2022 and year-to-date 2023, general enforcement (warnings, summonses/citations, arrests) and fare enforcement are up 274% and 1,208%, respectively.⁵⁷ Increased enforcement has led to a 6% decrease in Part I felony and Part II misdemeanor crimes.⁵⁸

WMATA should continue to enhance its safety and security efforts to engage the community, target enforcement efforts and increase police visibility on buses and trains and in stations as well as continue partnerships with local jurisdictions to change the trajectory of crime on the system.

7. Continue efforts to improve transparency and reporting.

Recommendation directed to WMATA.

Since 2018, WMATA has provided or improved upon data and reporting, most notably through the following:

- Capital Program Documents: Quarterly Capital Improvement Plan (CIP) Progress reports, Capital Needs Forecast, Detailed CIPs, etc.⁵⁹
- Ridership Data Portal: Metrorail, Metrobus, and parking ridership data, trends, and snapshots, including tap and no-tap data for Metrorail.⁶⁰
- MetroPulse: An interactive web tool that provides real-time customer info and system performance data.⁶¹
- Financial and Performance Quarterly Reports: Improvements to the quality and quantity of Quarterly Financial reports and Performance reports.⁶²
- Metrobus Annual Line Performance Report: reporting on the performance of bus service against the metrics in the Metrobus Service guidelines.⁶³
- Open Data Hub: links to interactive dashboards, performance reporting, downloadable data and guidance on how to get the most out of Metro's data resources.⁶⁴

Through legislation, grant agreements, and Board direction, WMATA provides a great deal of reporting to federal, state, regional and local stakeholders. NVTC recommends that WMATA continue its ongoing efforts to improve transparency and reporting. NVTC suggests that WMATA continue publishing information in open data portals, as this promotes transparency and can reduce the administrative burden of generating reports. When compared to peers, an area for improvement is for WMATA to continue making its website more user friendly for the volume of reports and data it generates. New York MTA's new website provides a peer example with a transparency landing page that consolidates performance data and related information.⁶⁵

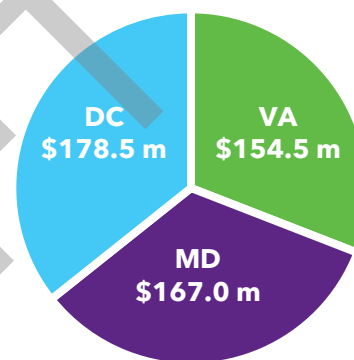
2. Use of Dedicated Capital Funds

In 2018, the Commonwealth of Virginia, the State of Maryland and the District of Columbia worked together to commit \$500 million a year in dedicated funding for capital investments at WMATA. Virginia's annual portion of this dedicated capital funding is \$154.5 million, with the District of Columbia and State of Maryland providing the remaining portions (Figure 3). This dedicated capital funding strengthens WMATA's ability to embark on large, multi-year capital investments designed to address significant state of good repair needs. WMATA provides detailed reporting and information about its capital program on its website.⁶⁶

Background on the WMATA Capital Fund

The WMATA Capital Fund is Virginia's share of regional dedicated capital funding that was established in 2018. Virginia's dedicated capital funding supports WMATA's capital investments and project delivery across the system and can be used for any capital purpose. Of the \$154.5 million from Virginia, most of the funding is bondable and is provided to an unrestricted account at WMATA. Funding that is not bondable is provided to a restricted account at WMATA. The Department of Rail and Public Transportation (DRPT) provides the funding directly to WMATA through a grant agreement.⁶⁷

Figure 3. Regional Share of the \$500 Million in Dedicated Capital Funding



Sources of Revenue for the WMATA Capital Fund

The WMATA Capital Fund is managed by DRPT and it is composed of mostly local revenues or regional revenue streams that are derived from the Northern Virginia Transportation District. On an annual basis, the WMATA Capital Fund consists of the following sources:

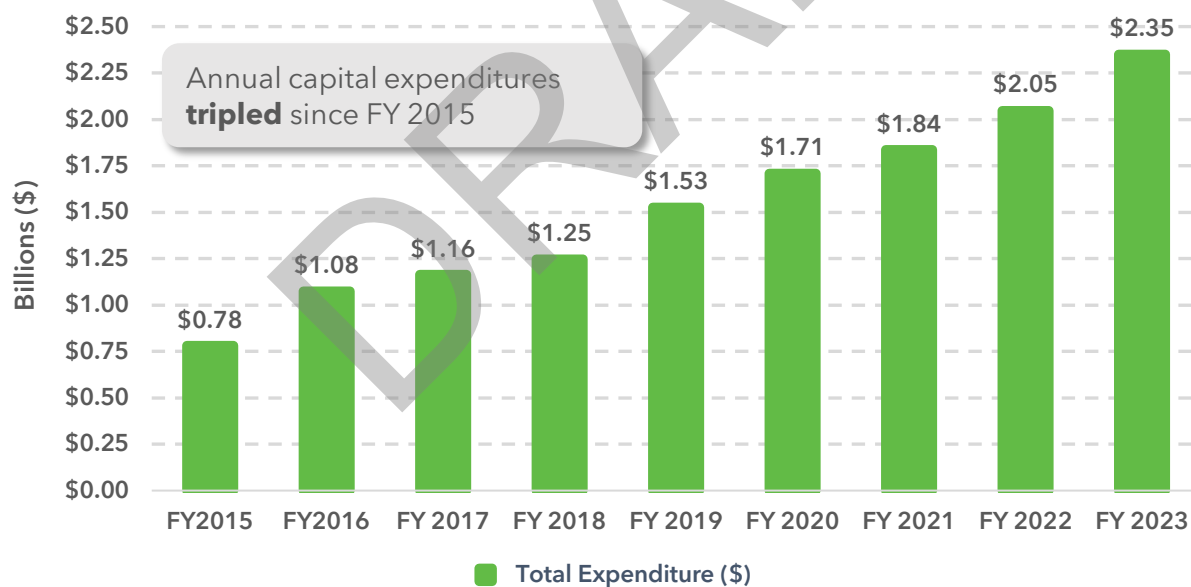
- Local Support: The cities of Alexandria, Fairfax and Falls Church and the counties of Arlington, Fairfax and Loudoun directly contribute a total of \$27.12 million in local funding directly to DRPT. The allocation of the \$27.12 million between the cities and counties is determined by their respective shares of WMATA's capital budget.
- Regional Gas Tax: A fixed portion, \$22.183 million, of the regional gas tax in the Northern Virginia Transportation District is directed to the WMATA Capital Fund.
- Regional Grantors Tax and Regional Transit Occupancy Tax: Within the Northern Virginia Transportation District, the revenues created by a 3% transient occupancy tax and \$0.10 per \$100 of assessed value grantor's tax are directed to the WMATA Capital Fund. These sources are revenue streams, so they do not provide a fixed amount into the fund.

- **Restricted Account:** This account is not bondable and is composed of state funds. It comprises a fixed \$20 million in state-wide recordation taxes from the Northern Virginia Transportation District Fund and a portion of the state-wide Motor Vehicle Rental Tax.

Background on WMATA's Capital Program

In FY 2016, WMATA's overdue state of good repair needs were estimated at \$6.473 billion and were estimated to drop to \$4.1 billion by FY 2024.⁶⁸ Over the last decade, however, WMATA ramped up its annual capital expenditures to deliver major construction projects that address the state of good repair backlog and other modernization needs. With a sustained focus on capital renewal made possible by the ability to issue bonds backed by dedicated capital funding, WMATA has more than doubled its capital expenditures to a record high \$2.35 billion in FY 2023 (Figure 4).⁶⁹ Since the funding's inception, WMATA has authorized over \$2.5 billion in dedicated capital funding bonds, which will be paid for with future dedicated capital funding revenues.^{70 71} Dedicated capital funding debt capacity is anticipated to be exhausted by FY 2029. At this exhaustion point the dedicated funding revenue streams will be almost entirely allocated to paying debt service and will not be able to support further expansion of the capital program. Depending on the decisions of the WMATA Board during the FY 2025 budget process and financial market conditions, this exhaustion point could instead be reached by FY 2027 or FY 2028.⁷²

Figure 4: WMATA Annual Capital Expenditures from FY 2015 to FY 2023



Source: WMATA FY 2015-2023 financial reports

WMATA uses several sources to fund its capital program including federal funding, regional dedicated funding, state and local contributions, and other sources. As required by law, NVTC must include the uses of funds from the WMATA Capital Fund (Virginia's dedicated capital funding) from the prior fiscal year in this report. Table 1 shows the actual expenditures of the fund for FY 2023 by Capital Improvement Plan (CIP) Program Area. WMATA provides additional information on progress made in the overall capital program during FY 2023 in WMATA's Quarter 4 FY 2023 Capital Improvement Program Progress Report.⁷³

Table 1: FY 2023 Expenditures from the Virginia WMATA Capital Fund by CIP Program

CIP Category	CIP Program	FY 2023 Actual Expenditures (millions)
Railcar Investments	Railcar Acquisition	\$0.59
	Railcar Maintenance/Overhaul	\$18.77
	Railcar Maintenance Facilities	\$0.09
	Total	\$19.44
Rail Systems Investments	Power	\$1.84
	Signals & Communication	\$18.89
	Total	\$20.73
Track and Structures Rehabilitation Improvements	Fixed Rail	\$11.83
	Structures	\$6.35
	Total	\$18.17
Stations and Passenger Facilities Investments	Platforms & Structures	\$28.71
	Vertical Transportation	\$0.77
	Station Systems	\$2.62
	Total	\$32.09
Bus and Paratransit Investments	Bus and Paratransit Acquisition	\$0.71
	Bus Maintenance/Overhaul	\$2.23
	Bus Maintenance Facilities	\$0.15
	Bus Passenger Facilities/Investments	\$1.11
	Total	\$4.21
Business Support Investments	Information Technology	\$13.58
	Metro Transit Police Department	\$0.51
	Support Equipment/Services	\$7.80
	Total	\$21.89
Total FY 2023 Virginia Share of Dedicated Funding expended as of June 30, 2023		\$116.5
Debt Service		\$30.4
Remainder of Dedicated Capital Funding expended after FY 2023		\$7.6
Total FY 2023 Virginia Share of Dedicated Funding		\$154.5

Source: WMATA⁷⁴

Note: Totals may not add due to rounding. Due to the timing of the publication of this report, these expenditures are preliminary and do not represent final audited expenditures.

In FY 2023, WMATA invested more than \$2.3 billion in capital projects with a priority to invest in state of good repair projects. Significant FY 2023 capital accomplishments supported by dedicated capital funding included:

Platform Rehabilitation Project

In the first quarter of FY 2023, WMATA completed the four-year Platform Improvement Project. The project rehabilitated 20 stations, 11 of which were in Virginia. In FY 2023, WMATA also rehabilitated seven elevators and 19 escalators and completely replaced 33 escalators.

CIP program category: Stations and Passenger Facilities Investments

Yellow Line Tunnel and Bridge Rehabilitation

In FY 2023, WMATA completed rehabilitation of the Yellow Line Tunnel and Bridge between Pentagon and L'Enfant Plaza Station. The project addressed the structural degradation of the Yellow Line Tunnel and Bridge, which were both constructed over 40 years ago and near the end of their useful life expectancy. This work will ensure both structures continue to function safely for years to come.

The Yellow Line Tunnel and Bridge Rehabilitation was one of many track and structure rehabilitation projects completed by WMATA in FY 2023. In that year, WMATA also completed 1,175 square feet of concrete restoration, 416 linear feet of deck joint replacements, and rehabilitated 12,756 linear feet of grout pads.

CIP program category: Track and structures rehabilitation

Metrobus Fleet Reliability

In FY 2023, WMATA acquired 54 new clean diesel 40-ft buses and one battery-electric 60-ft bus, completed 22 bus rehabilitations, and rebuilt 16 engine assemblies, 20 bus energy storage systems, 18 transmissions and 29 fare boxes. Bus reliability was just below target for FY 2023 but showed a positive trend over most of the year. Following global supply chain challenges, WMATA was able to order enough parts to put 50 buses through its "midlife overhaul" program, which will extend the lifespan of buses and increase Metrobus fleet reliability.

CIP program category: Bus and Paratransit Investments

Bus Garage Modernization Program

Pantograph and charger infrastructure to charge 60-foot electric buses was installed at the Shepherd Parkway Garage in FY 2023 and will support battery-electric buses expected to be delivered in FY 2024. These buses will be among the first zero-emission buses (ZEB) tested in Virginia, Maryland and the District of Columbia and are an important step in WMATA reaching its goal of having a zero-emission bus fleet by 2042. Construction activities are continuing at the Northern Bus Garage Facility, which will be rebuilt to accommodate up to 150 buses and will support electric bus operations and maintenance.

CIP program category: Bus and paratransit investments

Upgraded Power and Automatic Train Operation

In FY 2023, WMATA made further progress on the four-year effort to replace equipment at 12 Traction Power Substations and nine Tie Breaker Stations. These upgrades will allow the operation of more eight-car trains in passenger service, minimize potential speed restrictions and reduce the risk of safety incidents. WMATA also continued work on the Return to Automatic Train Operation (ATO) project in FY 2023. ATO aligns with WMATA's safety goals and will lead to a decrease in red signal overturns which are the result of human error. It also provides energy saving enhancements through optimized acceleration and braking.

CIP program category: Rail systems investments

High Priority Track Rehabilitation Work

Four Orange Line Metrorail stations in Virginia–Vienna, Dunn Loring, West Falls Church and East Falls Church—were shut down in order to replace steel rail between Ballston-MU and Vienna as well as install fiber-optic cables. Vienna to West Falls Church was shut down from June 3 through June 25, with East Falls Church and West Falls Church reopening on June 26 and Vienna and Dunn Loring reopening July 16. Nearly 1,800 tons of rail, each piece stretching the length of a platform, were brought in and the old rail removed. The rail replacement and fiber-optic installation between Vienna and West Falls Church will ensure safety and increase system reliability. In FY 2023, WMATA also replaced 8,799 crossties, 3,543 third rail insulators and 6,290 direct fixation fasteners.

CIP program category: Track and structures rehabilitation investments

Integrated Command and Communications Center

In FY 2023, WMATA continued work on outfitting of the new Metro Integrated Command and Communications Center (MICC) at the new Metro Building at Eisenhower Avenue Station to enhance internal operations and improve the customer experience. The MICC will help streamline communications among WMATA's various operational divisions.

CIP program category: Business and operations support investments

Railcar Fleet Rehabilitation and Acquisition

The investigation of the 7000-series wheelsets continued in FY 2023 as a response to the October 2021 derailment and WMATA plans to replace all the wheelsets on the 7000-series fleet. With concurrence from the Washington Metrorail Safety Commission, WMATA completed its Return-to-Service Plan which allowed the 7000-series railcars back to near budgeted service levels. The 8000-series railcars are being developed with the addition of open gangways and a switch from stainless steel to aluminum car shells. The 8000-series railcars will replace the aging 2000 and 3000-series railcars.

CIP program category: Railcar and railcar facilities investments

3. Safety, Reliability, Financial Performance and Ridership Data

This chapter provides reporting on key safety, reliability, financial and ridership metrics. Data included in this chapter (Table 2) come from the National Transit Database (NTD) and WMATA Metro Performance Reports (MPR). Some data points have a lag of 12 to 18 months, meaning that for this report all data sources cover a period that reflects the impacts of the COVID-19 pandemic; all data sources are provided on either a calendar or fiscal year basis and some cover more years than others. All data sources also reflect periods that include the impacts of the October 2021 Blue Line Derailment and subsequent removal of service of the 7000-series railcars. Only reliability data, which covers FY 2023, includes a period with a gradual and sustained return to service of the 7000-series railcars. These data also include the effects of major capital program work that required station shutdowns and/or significant alterations to service, such as the rail replacement work on the western end of the Orange Line that started in June 2023. The pandemic and Blue Line derailment have impacted each metric as discussed in this chapter. Figure 5 provides a timeline of key events that impact the presented statistics and where they fall into fiscal and calendar years.

Figure 5: Timeline of Service and Ridership Impacts, FY 2020 - FY 2023

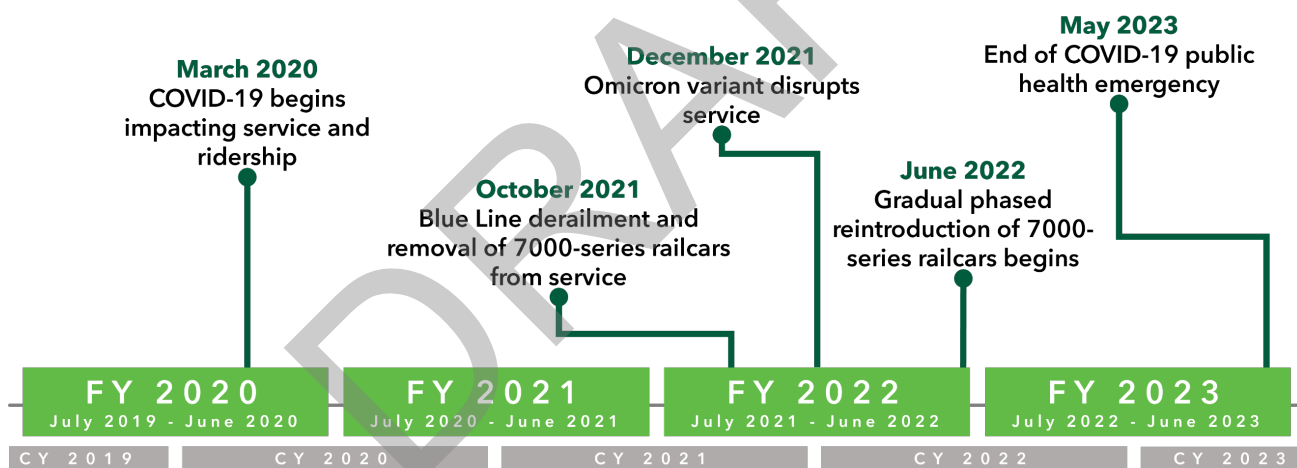


Table 2: Data Sources and Years Presented in this Report

Report Category	Latest Year for which Data is Publicly Available	Data Source
Safety	Calendar Year 2022 (January 1, 2022 to December 30, 2022)	NTD
Reliability	Fiscal Year 2023 (July 1, 2022 to June 30, 2023)	MPR
Financial Performance	Fiscal Year 2022 (July 1, 2021 to June 30, 2022)	NTD
Ridership	Fiscal Year 2022 (July 1, 2021 to June 30, 2022)	NTD

Safety

Documentation of safety data for Metrorail and Metrobus is required by §33.2-3402 of the Code of Virginia, pursuant to Chapter 854 of the 2018 Virginia Acts of Assembly. Safety data are collected by each individual transit agency and reported to the NTD, which provides common and reporting definitions and has a robust data quality assurance and auditing process. Transit systems seek to minimize the frequency of all safety events. The Safety & Security (S&S) Time Series presents safety and security data reported to NTD, through the S&S-40 form (Major events) and the S&S-50 form (Non-Major events). NTD measures transit safety by summarizing the total occurrences, Major and Non-Major, of certain safety events for rail and bus operations that include collisions, derailments (for rail only), fatalities,⁷⁵ fire, injuries⁷⁶ and security events.⁷⁷

The NTD provides safety data on a calendar year basis, unlike all other data presented in this report that is reported on a fiscal year basis. The counts represented in Table 3 and Table 4 are total counts for each category from when they were accessed from NTD. This time series data is subject to a validation process and current and previous years' data may be revised by transit agencies based upon additional data on its operations or upon request by NTD analysts.⁷⁸ The following tables show the data as it was accessed in August 2023 and may show slightly different results for past calendar years than that shown in previous NVTC reports. It is important to note that safety data provided in this section includes calendar years 2020, 2021, and 2022, which reflect ridership and service impacts due to the COVID-19 pandemic. CY 2021 and CY 2022 data included the October 2021 Blue Line derailment and subsequent removal of 7000-series railcars from service.

Table 3 summarizes the total count of each type of Metrorail safety event for calendar years 2019, 2020, 2021 and 2022.

Table 3: Metrorail Safety

NTD Category	Safety Event	Count, CY 2019	Count, CY 2020	Count, CY 2021	Count, CY 2022
Events	Collision	12	10	9	7
	Derailment	2	2	4	5
	Security Event	78	49	70	73
	Fire	71	39	43	39
Fatalities⁷⁹	Fatality	8	6	6	3
Injuries	Injury	389	188	205	231

Source: WMATA National Transit Database Report, Form S&S-40 and S&S-50.⁸⁰ Accessed August 17, 2023.

Table 4 summarizes the total count of each Metrobus safety event for calendar years 2019, 2020, 2021 and 2022.

Table 4: Metrobus Safety

NTD Category	Safety Event	Count, CY 2019	Count, CY 2020	Count, CY 2021	Count, CY 2022
Events	Collision	203	98	137	149
	Derailment	N/A	N/A	N/A	N/A
	Security Event	59	31	36	43
	Fire	4	1	4	3
Fatalities⁸¹	Fatality	0	1	6	4
Injuries	Injury	535	238	330	320

Source: WMATA National Transit Database Report, Form S&S-40 and S&S-50⁸² Accessed August 30, 2022.

Reliability

Documentation of the reliability of Metrorail and Metrobus is required by §33.2-3402 of the Code of Virginia, pursuant to Chapter 854 of the 2018 Virginia Acts of Assembly. Reliability data are collected and reported by each individual transit agency and reliability data in this report are from the FY 2023 Metro Performance Report.⁸³ The reliability of a transit system may be measured by its punctuality and equipment dependability. Reliability metrics used by WMATA include:

1. **On-time performance (OTP)** is the rate at which a transit system carries passengers to their destination on time and is used to evaluate the timeliness of travel for both rail and bus operations.
2. **Mean distance between failures (MDBF)** is the average number of miles traveled before a railcar or bus experiences a failure. Some railcar failures do not result in a delay of service. For Metrobus, a failure implies an interruption of revenue service.⁸⁴

Reliability data is obtained from the annual Metro Performance Reports, produced by WMATA, which report data on a fiscal year basis. The data included in this report is for fiscal years 2020, 2021, 2022 and 2023 and covers the entire relevant fiscal year (from July 1 to June 30 of that respective fiscal year) unless otherwise noted.

On-Time Performance

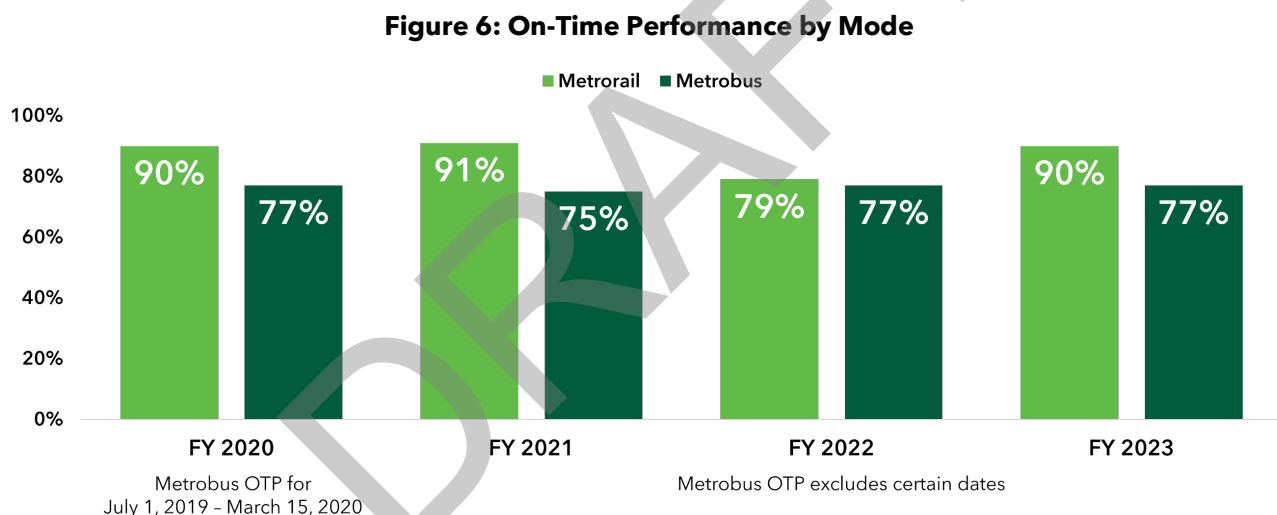
On-time performance (OTP) is reported for fiscal years 2020, 2021, 2022 and 2023. OTP is measured differently for Metrorail and Metrobus.

Metrorail customer OTP measures the percentage of customers who complete their journey within the maximum amount of time it should take per WMATA service standards. These standards vary by line, time of day and day of the week, and are informed by a customer's entry and exit from the system. A description of the measurement methodology is contained in the appendix.⁸⁵ Figure 6 summarizes Metrorail OTP in FY 2020, FY 2021, FY 2022 and FY 2023. Following the October 2021 derailment and removal of 7000-series trains from service, WMATA saw a decrease in Metrorail OTP from 91% in FY 2021 to 79% in FY 2022. Wait times were doubled as Metrorail service was cut in half, but OTP began to recover as 7000-series trains were reintroduced and service

increased in the second half of FY 2022 and into FY 2023. This improvement is reflected in the FY 2023 Metrorail OTP of 90%.

FY 2020 Metrobus data are for a pre-pandemic period of July 1, 2019 to March 15, 2020. FY 2022 data excludes three days of data due to data collection errors as well as data from January 1, 2022 to February 6, 2022 due to operator absences from the Omicron surge that required a quick move to a Saturday schedule during the week that prevented accurate measurement of on-time performance. All other data are reported for the full fiscal year.⁸⁶ A description of the measurement methodology is contained in the appendix.

Figure 6 also summarizes Metrobus OTP in FY 2020, FY 2021, FY 2022 and FY 2023. Metrobus OTP remained consistent at 77% OTP between FY 2022 and FY 2023. The pandemic altered traffic conditions and staffing availability, both of which impact Metrobus OTP. WMATA has focused on efforts to improve the customer experience, including collaboration of staff to address bus bunching, piloting electronic departure signs at Braddock Road Station, and installing new fareboxes and rear-door fare targets. These efforts will all reduce wait times at stops and improve OTP.⁸⁷



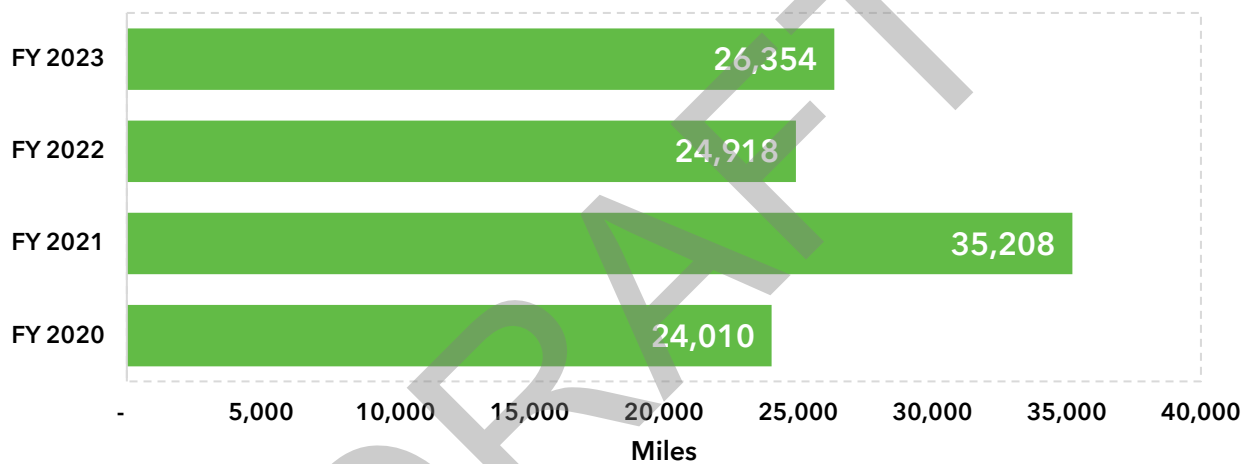
Source: Metro Performance Report FY 2023

Mean Distance between Failures

Mean distance between failure (MDBF) indicates the average number of miles traveled between vehicle failures. For rail, a car failure can occur without disrupting service or causing delay, instead resulting in discomfort or inconvenience. A bus failure is defined by a mechanical failure that interrupts revenue service.⁸⁸ Beginning in FY 2023, the Metro Performance Report reports fleet reliability for both Metrobus and Metrorail using the mean distance between failures (MDBF) metric. WMATA previously reported railcar reliability for Metrorail using the mean distance between delays (MDBD) metric and replaced it with MDBF to align with internal and external reporting and align with FTA definitions, as MDBF is now an FTA safety measure. The following figures show MDBF for all years from FY 2020 to FY 2023. A higher MDBF values indicates greater reliability of Metro railcar and bus equipment.

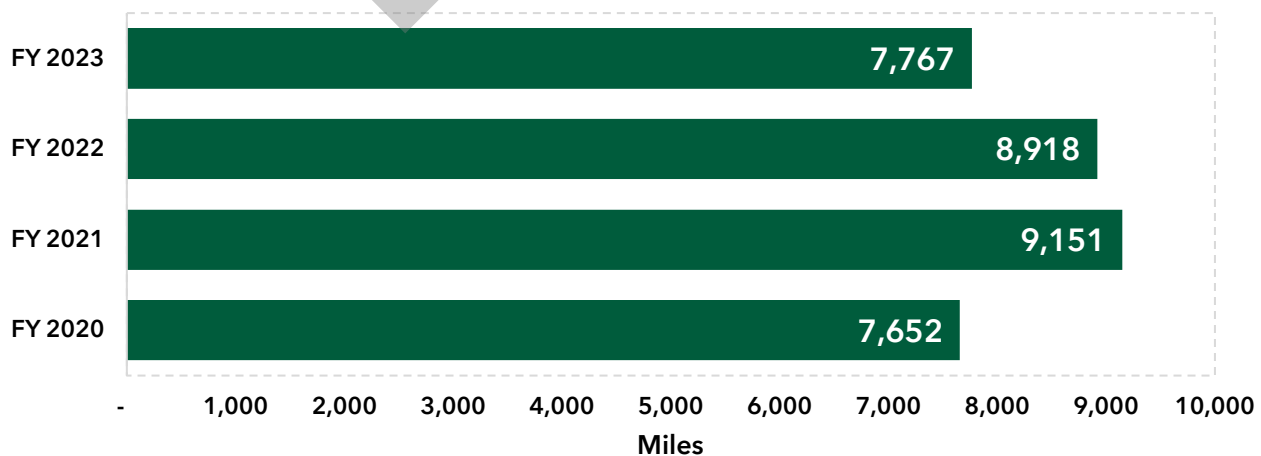
Figure 7 and Figure 8 summarize the Metrorail and Metrobus reliability figures for FY 2020, FY 2021, FY 2022 and FY 2023. Metrorail fleet reliability has increased in FY 2023, recovering from a decline in FY 2022 due to the Blue Line derailment and removal of 7000-series railcars. As the 7000-series cars were gradually returned to service in FY 2023, Metrorail fleet reliability increased as these cars are more reliable than the older 2000-, 3000- and 6000-series railcars that Metrorail relied on after the derailment. This trend is expected to continue as more of the newer railcars are returned to service. The older series railcars typically perform less reliably than the newer railcars but have provided most of the Metrorail service since the incident and are performing better with improved maintenance and inspection practices. Metrobus equipment reliability for FY 2023 was overall lower than the previous year, though throughout the year MDBF increased. WMATA continues to take action to improve fleet reliability by replacing aging buses and overhauling vehicles to improve performance in the second half of their life.⁸⁹

Figure 7: Metrorail Equipment Reliability, MDBF



Source: Metro Performance Report FY 2023

Figure 8: Metrobus Equipment Reliability, MDBF



Source: Metro Performance Report FY 2023

Financial Performance

Metrorail and Metrobus financial performance measures are required by §33.2-3401 of the Code of Virginia, pursuant to Chapter 854 of the 2018 Virginia Acts of Assembly. Financial and ridership data are collected by each individual transit agency and reported to the National Transit Database (NTD) which provides common definitions, reporting definitions, and has a robust data quality assurance and auditing process. Financial performance measures include the following three measures:

1. Metrorail Farebox Recovery and Metrobus Farebox Recovery.
2. Metrorail Service per Rider and Metrobus Service per Rider.
3. Cost per Metrorail Service Hour and Cost per Metrobus Service Hour.

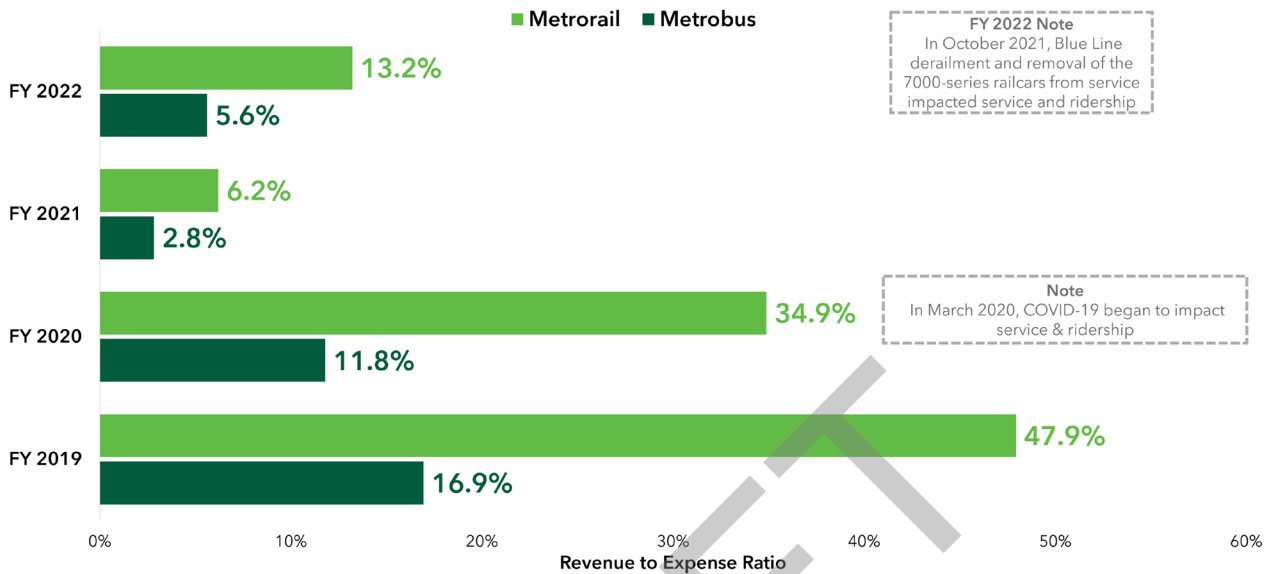
NTD FY 2022 data is reported for each of the above measures and includes calculations for both Metrorail and Metrobus. For Metrobus, data presented includes both services that are directly operated by WMATA and those which are operated by a contracted provider.⁹⁰ It is also important to note that due to robust auditing and review processes, NTD data is typically released at least one or more years after the fiscal year it represents. Data provided in this section includes FY 2020, FY 2021 and FY 2022 and these years reflect the COVID-19 pandemic's impacts on service and ridership. At various points during the pandemic, WMATA adjusted Metrorail and Metrobus service levels to respond to COVID safety protocols, workforce availability and the demand for service amidst significantly reduced ridership. This resulted in an overall decline of Metrorail and Metrobus service hours in FY 2020 and 2021 when compared to pre-pandemic years. These data also reflect the impacts of the October 2021 Blue Line derailment and subsequent removal from service of the 7000-series railcars. WMATA began a gradual and phased reintroduction of the 7000-series railcars in June 2022.

Farebox Recovery

Farebox recovery indicates how much of an agency's operating costs are recovered through passenger fare revenues. A higher recovery ratio indicates that the transit agency recoups a larger share of its operating costs through passenger revenue. Because rail systems generally have higher fares and higher ridership than bus systems, farebox recovery tends to be higher for rail systems than for bus systems.

Per Figure 9, Metrorail farebox recovery was 13.2% and Metrobus farebox recovery was 5.6% in FY 2022. The COVID-19 pandemic had a major impact on the entire Metro system's passenger revenues in FY 2020, FY 2021, and FY 2022 as ridership dropped to its lowest point in FY 2021. Additionally, as a COVID safety precaution, Metrobus instituted rear-door boarding and waived fares from March 2020 until January 2021.⁹¹ In FY 2022, the system began to recover with both Metrorail and Metrobus farebox recovery increasing from the previous year, but this recovery was slowed due to the Blue Line derailment in October 2021 and the subsequent removal of the 7000-series railcars from service.

Figure 9: Metrorail and Metrobus Farebox Recovery



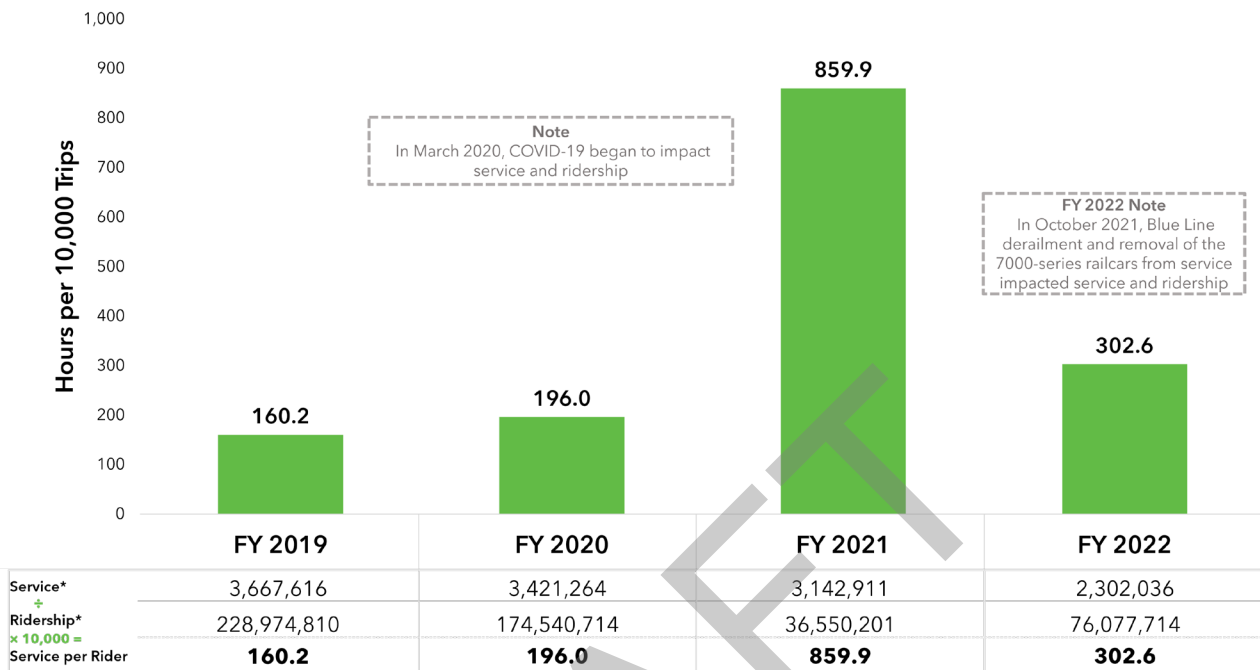
Source: National Transit Database⁹²

Service per Rider

Service per rider indicates the number of railcar or bus service hours offered per 10,000 passenger trips. This figure summarizes how efficiently an agency is transporting passengers. Agencies strive to strike a balance between serving as many passengers as possible while providing service at a reasonable cost. A low service per rider number indicates that relatively few hours of service are required to serve 10,000 passengers, which indicates higher efficiency.

Figures 10 and 11 depict Metrorail and Metrobus service per rider for the four most recent fiscal years available. FY 2022 Metrorail service per rider was 302.59 hours per 10,000 trips, and Metrobus service per rider was 452.17 hours per 10,000 trips. Since this ratio reflects the total hours of service divided by the number of riders, significant changes to either input will cause corresponding increases or decreases to the service per rider metric. In FY 2021, service per rider increased for both Metrorail and Metrobus, as ridership dropped significantly for both modes due to the pandemic but more dramatically for Metrorail. While there were COVID-19 related service disruptions in FY 2021 as WMATA adjusted its service patterns, WMATA ran relatively high service levels for most of FY 2021 to provide bus and rail service for essential workers. With the Blue Line derailment in October 2021 and the subsequent removal of the 7000-series railcars from service, WMATA ran significantly less service on Metrorail in FY 2022 than in FY 2021.

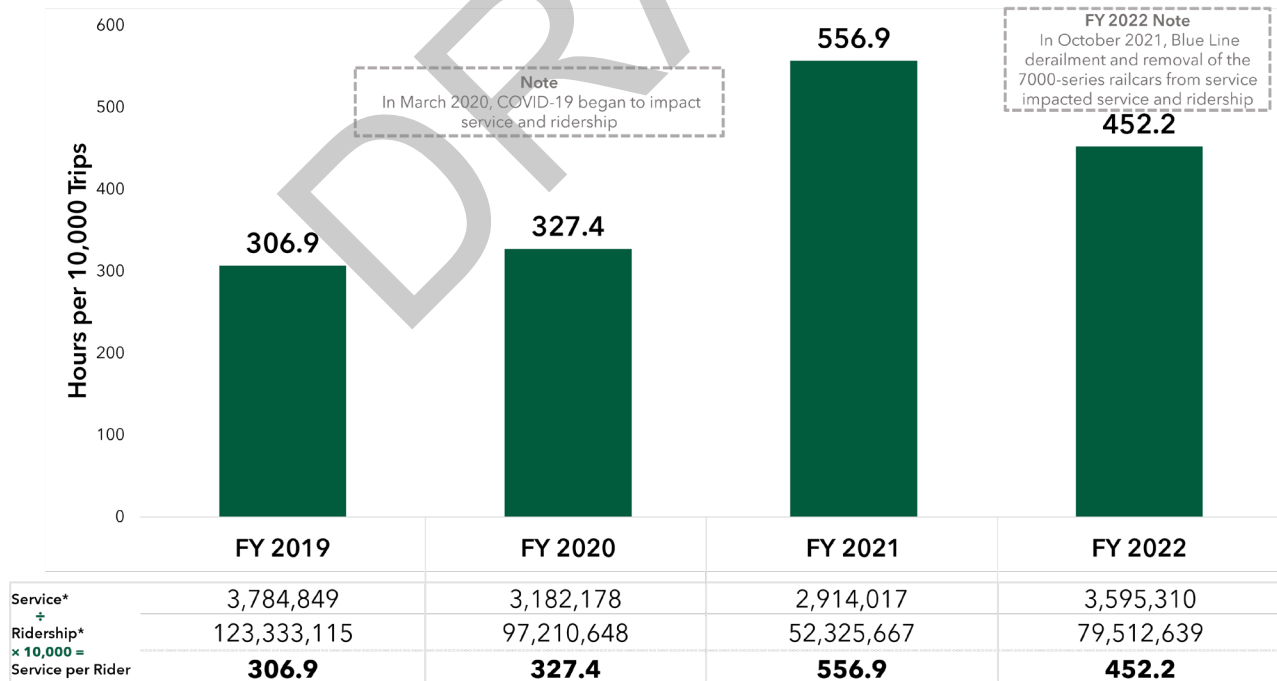
Figure 10: Metrorail Service per Rider



*Service is measured by vehicle revenue hours. Ridership is measured in linked passenger trips.

Source: National Transit Database⁹³

Figure 11: Metrobus Service per Rider



*Service is measured by vehicle revenue hours. Ridership is measured in linked passenger trips.

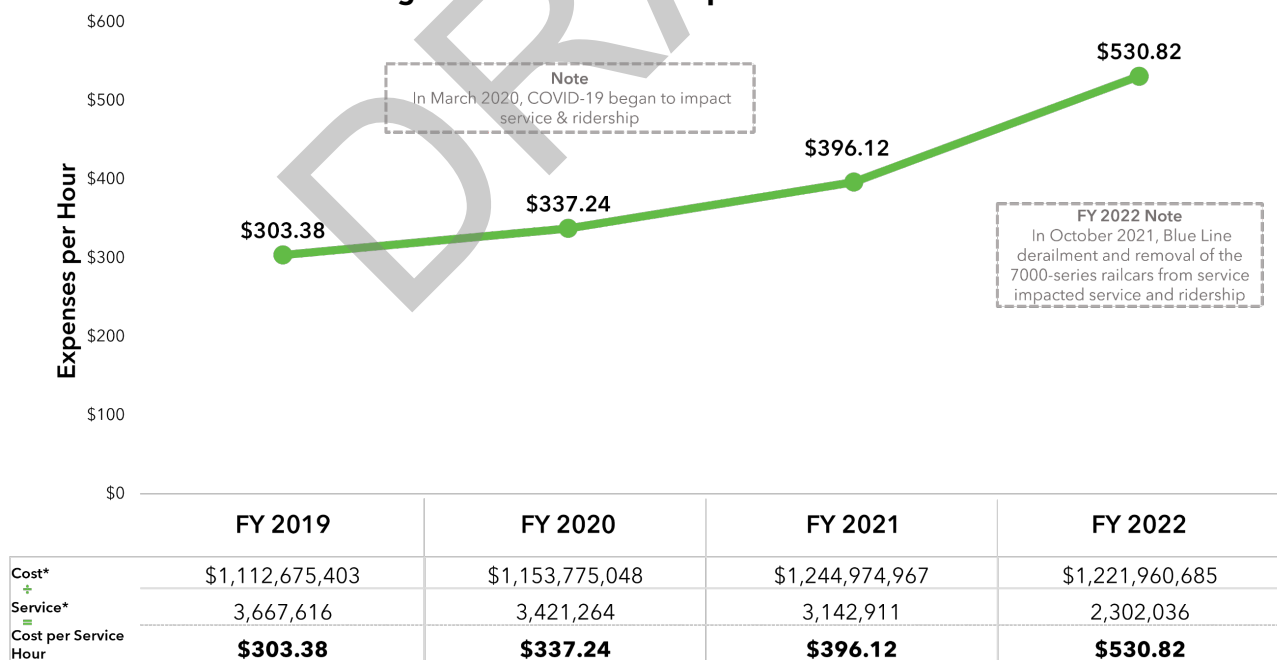
Source: National Transit Database⁹⁴

Cost per Service Hour

The cost per Metrorail service hour is the average cost associated with the operation and maintenance of one railcar for each hour of passenger revenue service. A lower number indicates a lower hourly cost to operate each railcar. Heavy rail services in the U.S. generally have a substantially higher cost per service hour than bus services because they use larger vehicles over shorter service miles.⁹⁵ The cost per Metrobus service hour is the approximate cost associated with the operation and maintenance of a vehicle for each hour of revenue service. A lower number indicates a lower average hourly cost to operate each bus.

Per Figure 12, the cost per Metrorail service hour was \$530.12, and, per Figure 13, the cost per Metrobus service hour was \$235.24 in FY 2022. Since this ratio reflects the total expenses divided by the number of revenue service hours, significant changes to either input will cause corresponding increases or decreases to cost per service hour metric. The increase in Metrorail cost per service hour between FY 2021 and FY 2022 reflects the October 2021 derailment and the subsequent removal of 7000-series trains from service. With 7000-series cars removed from service, the total Metrorail service hours decreased for FY 2022, causing the cost per service hour to increase. Alternately, the cost per Metrobus service hour decreased between FY 2021 and FY 2022. In looking at these trends more broadly, it is important to remember that the congressional intent of federal pandemic aid for transit agencies was to avoid layoffs, so in fiscal years in which WMATA was utilizing federal pandemic aid even if less service was being run it would not yield significant cost savings.

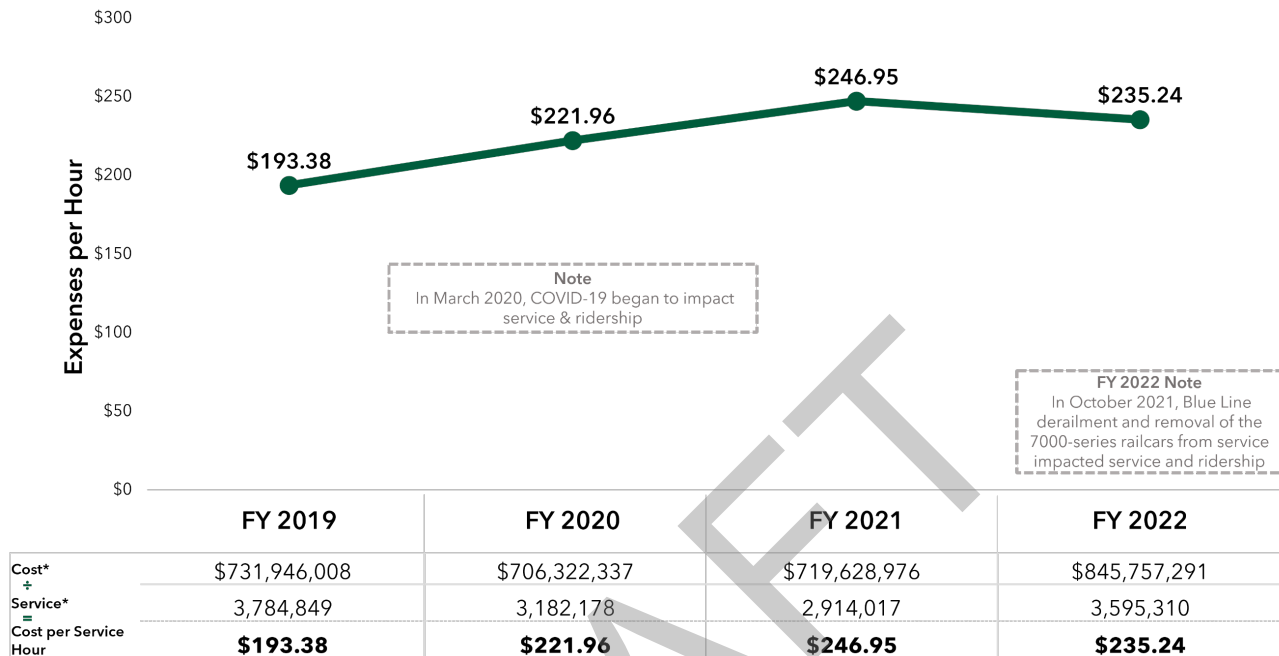
Figure 12: Metrorail Cost per Service Hour



*Cost is measured by total operating expenses. Service is measured by vehicle revenue hours.

Source: National Transit Database⁹⁶

Figure 13: Metrobus Cost per Service Hour



Source: National Transit Database⁹⁷

Ridership

Documentation of Metrorail and Metrobus ridership is required by §33.2-3401 of the Code of Virginia, pursuant to Chapter 854 of the 2018 Virginia Acts of Assembly. Financial and ridership data are collected by each individual transit agency and reported to the National Transit Database (NTD) which provides common and reporting definitions, and has a robust data quality assurance and auditing process. Because public transit services exist to transport passengers, transit systems seek to maximize patronage, measured in passengers. This section summarizes Metrorail and Metrobus ridership, which is measured by the NTD using:

1. Unlinked Passenger Trips (UPT)
2. Passenger Miles Traveled (PMT)

For Metrobus, data presented includes both services that are directly operated by WMATA and those which are operated by a contracted provider.⁹⁸ It is also important to note that due to robust auditing and review processes, NTD data is typically released at least one year or more after the fiscal year it represents. Data provided in this section include FY 2020, FY 2021 and FY 2022 and reflect impacts on ridership due to the COVID-19 pandemic and implementation of safety protocols by WMATA beginning in March 2020.

Unlinked Passenger Trips

Unlinked passenger trips (UPT) indicates the number of passengers boarding vehicles and illustrates the overall number of passengers passing through the total Metro system. A higher UPT reflects greater use of transit services. This section provides FY 2022 UPT data for Metrorail and Metrobus. The official NTD definition for this ridership metric is included in the Appendix.

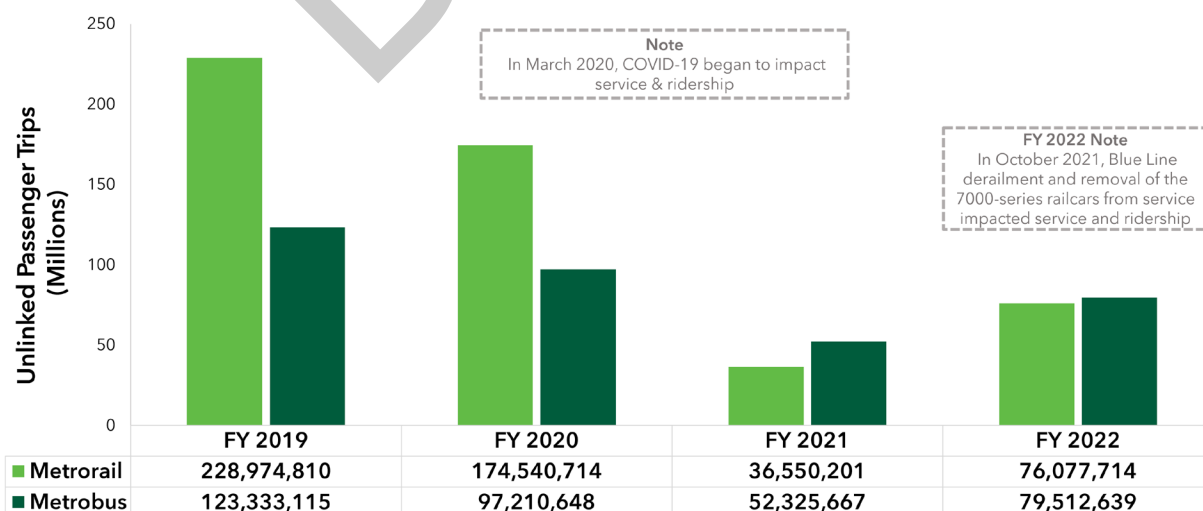
Per Figure 14, there were 76,077,714 Metrorail unlinked passenger trips and 79,512,639 Metrobus unlinked passenger trips in FY 2022. Both Metrobus and Metrorail increased from FY 2021, when ridership was severely impacted by the COVID-19 pandemic. However, WMATA saw challenges to ridership recovery in FY 2022 with the derailment of a Blue Line train in October 2021 and the removal of the 7000-series railcars from service which caused significant reductions in Metrorail service.

Passenger Miles Traveled

Passenger miles traveled (PMT) indicates the total sum of miles traveled by all passengers aboard the transit service. A single passenger traveling 10 miles by bus would count as 10 passenger miles traveled. As with UPT, a higher PMT figure indicates greater patronage of transit services, providing insight into both UPT and distances traveled by passengers.

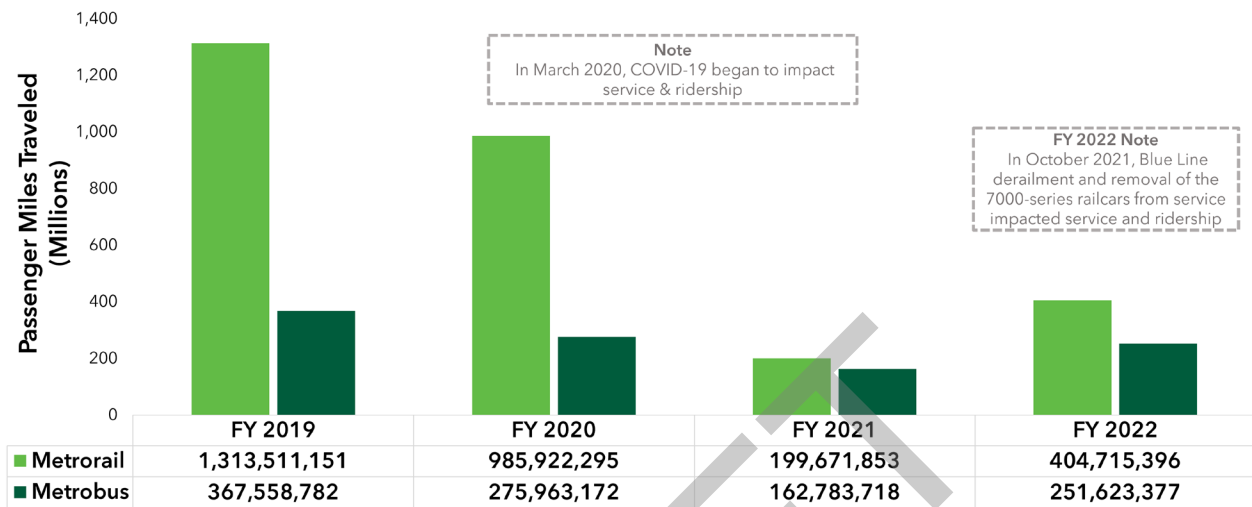
Per Figure 15, in FY 2022 the total passenger miles traveled for Metrorail was 404,715,396 and Metrobus was 251,623,377. Metrobus and Metrorail ridership began recovering from the impacts of the COVID-19 pandemic in FY 2022. However, WMATA saw challenges to ridership recovery in FY 2022 with the derailment of a Blue Line train in October 2021 and the removal of the 7000-series railcars from service, which caused significant reductions in Metrorail service.

Figure 14: Metrorail and Metrobus Ridership, UPT



Source: National Transit Database⁹⁹

Figure 15: Metrorail and Metrobus Ridership, PMT



Source: National Transit Database¹⁰⁰

Appendix

This appendix includes definitions and sources for the terminology used throughout the report. To provide a holistic picture of WMATA's safety, reliability, financial and ridership performance, the definitions below have been aggregated from the following sources as indicated in the footnotes:

1. When not indicated otherwise, definitions are taken directly from the NTD Glossary.¹⁰¹
2. For metrics without an NTD definition, a definition is taken from WMATA's Metro Performance Report (MPR).¹⁰² MPR definitions also include an explanation of what each metric means and why it is important to their strategy. These explanations are included along with the definitions.
3. To build a complete understanding of each MPR definition, WMATA provided NVTC with clarifications, which are denoted with the footnote "Provided by WMATA."

Collision

A vehicle/vessel accident in which there is an impact of a transit vehicle/vessel with: another transit vehicle, a non-transit vehicle, a fixed object, a person(s) (suicide/attempted suicide included), an animal, a rail vehicle, a vessel or a dock.

Cost per Service Hour¹⁰³

The average cost to operate one vehicle/passenger car for one hour of passenger service. Calculated for each mode by taking the total operating expenses and dividing by total vehicle revenue hours.

Derailments

Non-collision incidents in which one or more wheels of a vehicle unintentionally leaves the rails.

Failure, Metrobus

WMATA counts buses as failures due to mechanical problems that resulted in lost or interrupted trips. Therefore, only bus maintenance chargeables (BMCs) are counted.

- Major failures are BMCs that may leave the bus stranded on the street or result in grossly unsafe operation. Examples: brakes, door interlock, generator, smoke/fire, large fluid leaks, engine or transmission shutdown, broken wipers on rainy days. ("Accidents" caused by mechanical failure (i.e., brakes not engaging) are counted as major.)
- Minor failures are BMCs that may be deemed unsafe by the operator, manufacturer or engineers to protect the bus from irreparable damage. Examples: engine/transmission malfunction indicators, windshield, mirrors, unsafe interior or exterior body issues.

Failure, Metrorail

WMATA defines a railcar failure as a mechanical failure that requires corrective maintenance. Failures related to operator error or customer behavior, e.g., doors that fail because they were held open by customers, are not counted. Not all failures prevent vehicles from completing scheduled revenue trips or starting the next scheduled revenue trips. In some cases, corrective maintenance can be conducted after the scheduled trips are completed. A delay is a failure that causes a train to hold in place for more than four minutes.

Farebox Recovery Ratio¹⁰⁴

The portion of operating expenses that are paid for by fare revenues. This metric is calculated as:
Fare Revenue ÷ Operating Expenses.

Fare Revenue

All income received directly from passengers, paid either in cash or through pre-paid tickets, passes, etc. It includes donations from those passengers who donate money on the vehicle. It includes the reduced fares paid by passengers in a user-side subsidy arrangement.

Fatality

A death or suicide confirmed within 30 days of a reported incident. Does not include deaths in or on transit property that are a result of illness or other natural causes.

Fire

Uncontrolled combustion made evident by flame that requires suppression by equipment or personnel.

Headway

The time interval between vehicles moving in the same direction on a route.

Injury

Any damage or harm to persons as a result of an event that requires immediate medical attention away from the scene.

Linked Passenger Trips¹⁰⁵

A linked passenger trip is counted when a customer enters through a faregate. In an example where a customer transfers between two trains to complete their travel one trip is counted. Metrorail reports linked passenger trips.

Labor (Cost)¹⁰⁶

The pay and allowances due employees in exchange for the labor they provide on behalf of the transit agency. The labor allowances include payments made directly to the employee arising from the performance of a piece of work.

Major Event Report (S&S-40)¹⁰⁷

The Major Event Report (S&S-40) captures detailed information on severe safety and security events that occur within a transit environment. Agencies must complete one S&S-40 per reportable event, regardless of how many thresholds an event meets. A reportable event is one that meets any NTD reporting threshold (detailed below) and occurs on transit right-of-way or infrastructure, at a transit revenue facility, at a maintenance facility or rail yard, during a transit-related maintenance activity, or involves a transit revenue vehicle.

Mean Distance between Delays¹⁰⁸

The average number of miles traveled before a railcar experiences a failure that leads to a delay of four or more minutes. This is equivalently expressed as: *Total railcar revenue miles ÷ Number of failures during revenue service resulting in delays of four or more minutes.*

Some car failures result in inconvenience or discomfort but do not always result in a delay of service, such as hot cars. Mean distance between delays includes those failures that had an impact on customer on-time performance.

Mean Distance between Failures¹⁰⁹

The average number of miles traveled before a mechanical breakdown requiring the bus to be removed from service or deviate from the schedule. This can also be expressed as: *Total revenue miles ÷ Total number of failures*.

Mean distance between failures is used to monitor trends in vehicle breakdowns that cause buses to go out of service and to plan corrective actions. Factors that influence fleet reliability include vehicle age, quality of maintenance program, original vehicle quality and road conditions affected by inclement weather and road construction.

National Transit Database¹¹⁰

A reporting system run by the Federal Transit Administration that collects public transportation financial and operating information.

Non-Major Monthly Summary (S&S-50)¹¹¹

The Non-Major Monthly Summary Report captures monthly summary information on minor fires and other less severe safety events that are not reportable as Major Events.

Non-Labor Costs

The costs associated with operating expenses including fuel/lube, tires, tubes, utilities, casualty/liability costs, taxes and other materials.¹¹²

On-Time Performance (Metrobus)¹¹³

Bus on-time performance (OTP) communicates the reliability of bus service, which is a key driver of customer satisfaction and ridership. For schedule-based routes, OTP measures adherence to the published route schedule for delivered service. For headway-based routes, OTP measures the adherence to headways, or the time customers wait between buses. Headway-based routes include routes 70, 79, X2, 90, 92, 16Y and Metroway.

Metrobus measured OTP using schedule-based methodology until FY 2020. After a pilot in FY 2019, OTP was measured using a blended schedule- and headway-based methodology beginning in FY 2020 and continuing through September 2021. Beginning in October 2021, WMATA returned to measuring all routes on a schedule-based methodology.

Factors that can affect OTP include traffic congestion, detours, inclement weather, scheduling, vehicle reliability, operational behavior or delays caused by passengers. Measurements are calculated as follows:

Percentage of bus service delivered on-time

Schedule-based routes = Number of time points delivered on time based on a window of 2 minutes early and 7 minutes late ÷ Total number of time points delivered.

*Headway-based routes = Number of time points delivered.
within the scheduled headway + 3 minutes ÷ Total number of time points delivered.*

Fiscal Year	Data Availability
FY 2019	Not available due to quality errors
FY 2020	Available from July 1, 2019 until March 15, 2020, as the beginning of the pandemic significantly reduced service
FY 2021	Available for entire fiscal year
FY 2022	Excludes data from 9/6/2021, 1/1/2022 - 2/6/2022, 3/3/2022, and 5/30/2022
FY 2023	Available for entire fiscal year

On-Time Performance (Metrorail)¹¹⁴

Metrorail customer OTP measures the percentage of customers who complete their journey within the maximum amount of time it should take per WMATA service standards. Actual journey time is calculated from the time a customer taps a SmarTrip card to enter the system, to the time when a SmarTrip card is tapped to exit. Factors that can affect OTP include infrastructure conditions, missed dispatches, railcar delays (e.g., doors), or delays caused by sick passengers. Station stops are tracked system-wide, except for terminal and turn-back stations. Measurements are calculated as follows:

Number of customer trips with travel times less than or equal to expected travel times ÷ number of customer trips.

Operating Expenses

These expenses include labor and non-labor costs and services for operating and maintaining the mode, including general administration costs. Labor costs are fully loaded, meaning they include fringe benefit costs (directly paid to employees as well as indirectly, e.g., payments to pension funds) in addition to wages and salary costs.¹¹⁵

Passenger Miles Traveled (PMT)¹¹⁶

The cumulative sum of the distances ridden by each passenger.

Ridership

Ridership is a measure of total service consumed and an indicator of value to the region. Drivers of this indicator include service quality and accessibility.

Passenger trips are defined as follows:

- Metrorail reports passenger trips. A passenger trip is counted when a customer enters through a faregate. In an example where a customer transfers between two trains to complete their travel one trip is counted.
- Metrobus reports passenger boardings. A passenger boarding is counted via the onboard Automatic Passenger Counter (APC) when a customer boards a Metrobus. In an example

where a customer transfers between two Metrobuses to complete their travel two trips are counted. Metrobus totals also include shuttles to accommodate rail station shutdowns and other track work.

Revenue Service (Hours)

The time when a vehicle is available to the public and there is an expectation of carrying passengers. These passengers either directly, pay fares, are subsidized by public policy, or provide payment through some contractual arrangement. Vehicles operated in fare-free service are considered in revenue service. Revenue service includes layover and recovery time and excludes deadhead,¹¹⁷ vehicle maintenance testing, school bus service and charter service.

Security Event

An occurrence of a bomb threat, bombing, arson, hijacking, sabotage, cyber security event, assault, robbery, rape, burglary, suicide, attempted suicide (not involving a transit vehicle), larceny, theft, vandalism, homicide, CBR (chemical/biological/radiological) or nuclear release or other event.

Service per Rider¹¹⁸

A performance metric that measures the ratio of vehicle revenue hours to unlinked passenger trips. Note that in this report, this ratio is scaled by a factor of 10,000 for readability. The metric is calculated as:

$$(Total\ Vehicle\ Revenue\ Hours \div Number\ of\ Unlinked\ Trips) \times 10,000.$$

Time Point

A time point is a bus stop where there are frequent boardings and alighting that has a scheduled time that the bus should arrive for each trip. The Metrobus schedule is built by calculating the running time between each time point. Adherence to schedule is measured as the bus leaves each time point except the last timepoint for each run. Time point is used in the definition of on-time performance for Metrobus.

Unlinked Passenger Trips (UPT)

The number of passengers who board public transportation vehicles. Passengers are counted each time they board vehicles no matter how many vehicles they use to travel from their origin to their destination.

Passenger trips are defined as follows:¹¹⁹

- Metrorail reports passenger trips. A passenger trip is counted when a customer enters through a faregate. In an example where a customer transfers between two trains to complete their travel two unlinked passenger trips are counted.
- Metrobus reports passenger boardings. A passenger boarding is counted via the onboard Automatic Passenger Counter (APC) when a customer boards a Metrobus. In an example where a customer transfers between two Metrobuses to complete their travel, two trips are counted. Metrobus totals also include shuttles to accommodate rail station shutdowns and other track work.

Vehicle Revenue Hours

Vehicle revenue hours are the amount of time the bus operates in revenue service. Vehicle revenue hours include layover and recovery time and exclude deadhead, operator training, vehicle maintenance testing, and school bus and charter services.

DRAFT

- ¹ NVTC. "Value of Northern Virginia Transit to the Commonwealth." June 2023. < https://novatransit.org/uploads/Projects/TransitValue/060123_NVTC%20Value%20of%20NoVa%20Transit_Full%20Technical%20Report.pdf>
- ² WMATA. Future Financial Planning. June 22, 2023. < <https://www.wmata.com/about/board/meetings/board-pdfs/upload/3A-Future-Financial-Planning-0621.pdf>>
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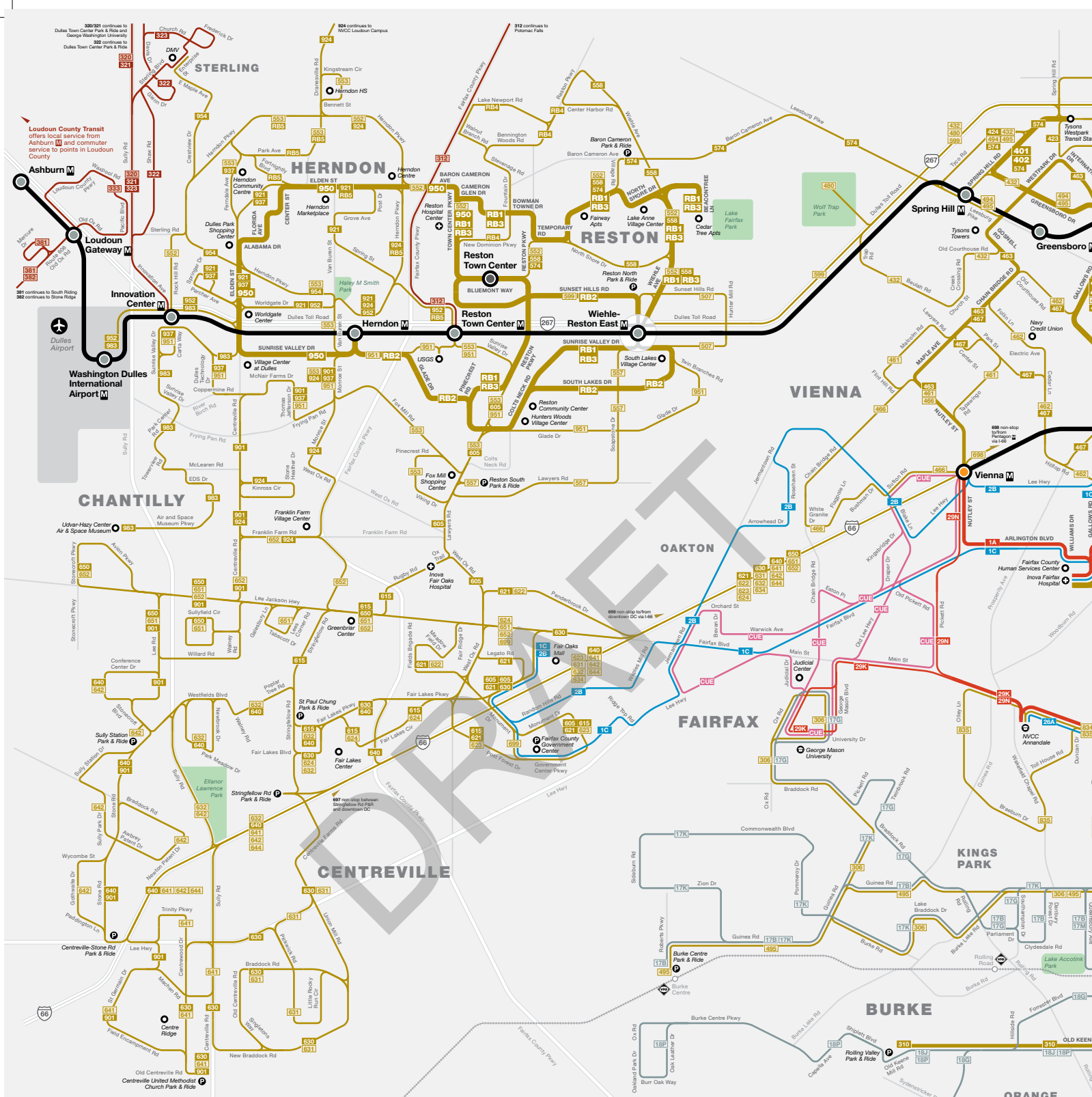
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MAP LEGEND

Rail Lines

- Metrorail Station and Line M
- Commuter Railroad and Station

Map Symbols

- Transit Hub
- Park & Ride Lot
- Airport
- Hospital
- College/University
- Other Point of Interest

Metrobus Frequent Service

- 26A Runs Every 12 Minutes or Better 7:00am to 9:00pm Every Day
- 1A Runs Every 20 Minutes or Better 7:00am to 9:00pm Every Day

Metrobus Routes

- Metrobus Frequent Route Branch Less frequent service. Times vary by route.
- Metrobus Local Route Less frequent service, with some evening and weekend service available.
- Metrobus Commuter Route Weekday peak-hour service linking residential areas to Metrorail stations and employment centers.
- MetroExtra Route Limited stops for a faster ride. Days, times and service levels vary by route.

Bus Routes Operated by City/County Systems

- 55 ART - Arlington Transit
- 35 DASH - Alexandria Transit Co.
- 401 Fairfax Connector
- C DC Circulator
- CUE City of Fairfax CUE Bus
- 312 Loudoun County Transit

- 2 all-day service
- 3 limited service

On all route types, a lowlighted badge indicates a route segment with limited or peak-only service hours.



VIRGINIA

Metrobus System Map

September 2022

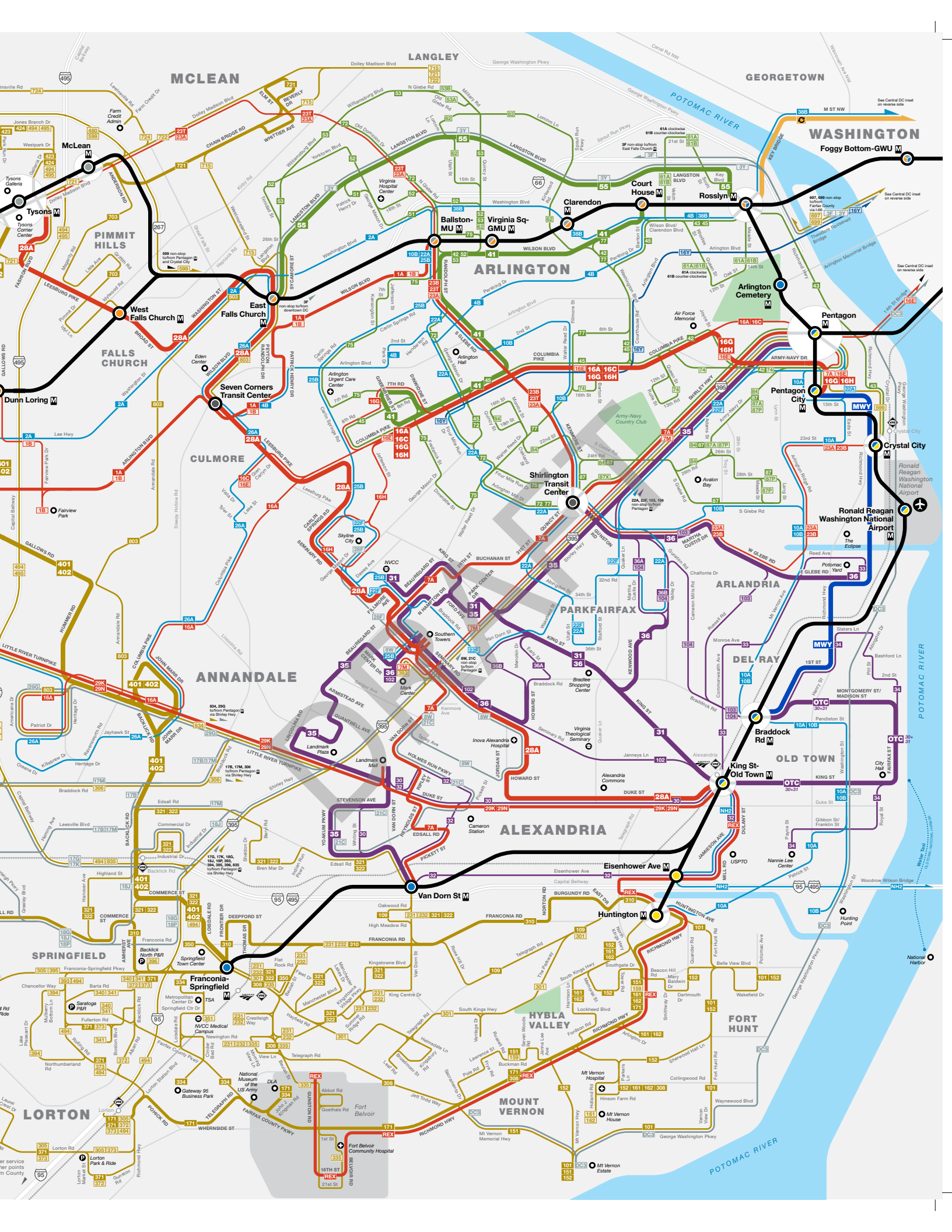
Consult other Metrobus System Maps for service in Montgomery County, MD, Prince George's County, MD and Washington, DC.

This map provides an overview of bus and rail services. For detailed information on each route, please refer to individual schedules.

wmata.com 202.637.7000

Designed by CH2M Hill

PRTC OmniRide offers commuter bus service from Dale City, Dumfries and other locations in Prince William County, VA.



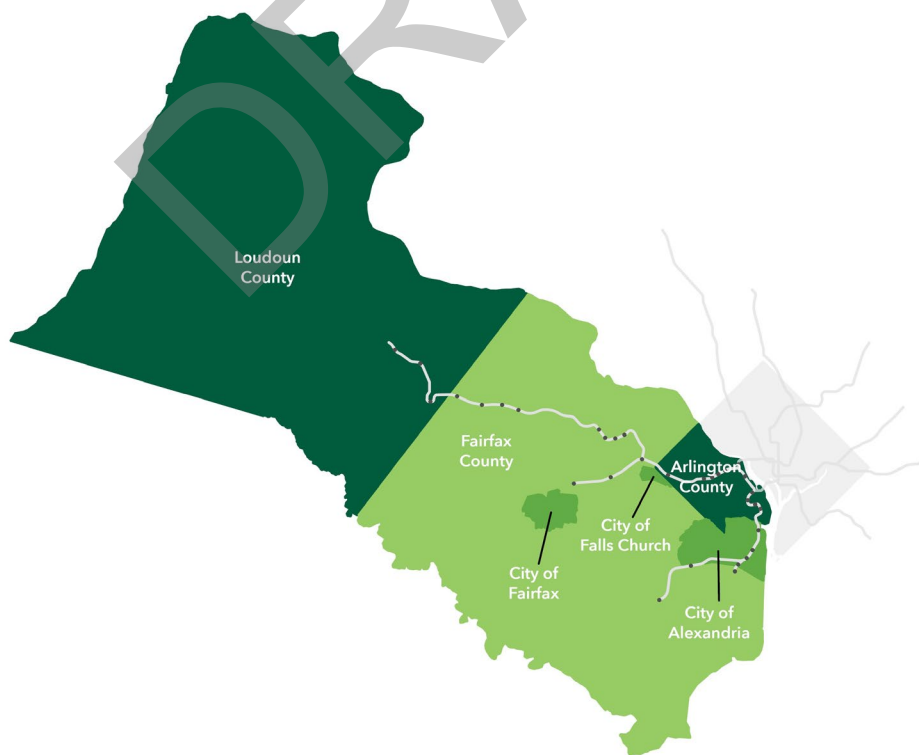
About NVTC

The Northern Virginia Transportation Commission (NVTC) was established to manage the Northern Virginia Transportation District and is charged with the funding and stewardship of the Washington Metropolitan Area Transit Authority (WMATA) on behalf of the jurisdictions of Arlington County, City of Alexandria, City of Falls Church, Fairfax County, City of Fairfax and Loudoun County. Founded in 1964, in part to represent the interests of the Commonwealth during the creation of Metrorail, NVTC continues to serve as Virginia's voice on the WMATA Board of Directors through its appointments to the panel. The WMATA Board determines the authority's policy and provides oversight for funding, operations and the expansion of transit facilities.

NVTC also manages more than \$200 million in state assistance to WMATA on behalf of its jurisdictions. NVTC ensures that all its jurisdictions' voices are represented on the WMATA Board, coordinates regional transit efforts that directly affect systems serving Northern Virginia and engages in regional transportation planning, data analysis and reporting, which provides direct benefits to WMATA and the related Northern Virginia transit network.

NVTC also administers the Commuter Choice Program, which invests toll revenue into multi-modal and transit projects along the I-66 Inside the Beltway and I-395/95 corridors, and co-owns the Virginia Railway Express (VRE), which provides commuter rail service connecting Northern Virginia to the District of Columbia.

The Northern Virginia Transportation District



DRAFT



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DRAFT

Submitted to the
Governor and
General Assembly
December 2023

RESOLUTION #2523

SUBJECT: Affirm NVTC's Near-Term Priorities for WMATA Funding

WHEREAS: WMATA is critical to the Commonwealth's transportation network and economic growth and plays a significant role in the \$1.5 billion in income and sales tax that goes to the Commonwealth General Fund each year that is generated by Northern Virginia's transit network;

WHEREAS: The COVID-19 pandemic upended the financial operating model of transit agencies across the United States primarily through inflation and reduced ridership;

WHEREAS: Federal pandemic aid, which has sustained the Washington Metropolitan Area Transit Authority (WMATA) since FY 2020, will be exhausted in the FY 2024 budget;

WHEREAS: In June 2023, WMATA projected an FY 2025 operating budget gap of \$750 million that would grow to \$1.2 billion by FY 2035;

WHEREAS: The FY 2025 deficit of \$750 million is driven by inflation and collective bargaining agreements (\$266 million), decreased revenue since the pandemic (\$288 million), and jurisdictional subsidy credits (\$196 million);

WHEREAS: As of November 2023, WMATA identified one-time and recurring cost savings that bring the FY 2025 operating gap down to \$650 million;

WHEREAS: To help further close the gap, WMATA developed options to increase fares, reduce service and transfer eligible preventive maintenance expenses from the operating budget to the capital budget;

WHEREAS: NVTC member jurisdictions will need to identify additional funds to avoid catastrophic reductions in service that would severely degrade the WMATA system and lead to the collapse of our regional public transit network;

WHEREAS: NVTC supports the spirit and intent of the 3% cap in the annual growth of operating subsidies as a tool to manage the growth in Virginia's annual subsidy to WMATA. However, the amount of additional funding needed to fill the remaining WMATA subsidy gap in FY 2025 would violate the existing legislative 3% cap on operating subsidy increases, resulting in a financial penalty to NVTC jurisdictions;

WHEREAS: The National Capital Region is home to more than 700 federal facilities that are connected and supported by a strong network of commuter rail, commuter bus, Metrorail and local bus services;

WHEREAS: Prior to the pandemic, federal employees in the National Capital Region were the backbone of WMATA's ridership and fare revenue, accounting for approximately 40% of WMATA's daily commuters and contributing close to \$100 million/year in fare revenue to the system; and

WHEREAS: WMATA projects only \$50 million in fare revenue from federal employees in FY 2025 which could increase by \$20 million per year for each additional day per week that federal employees ride the WMATA system.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission hereby recommends that Commonwealth administratively or legislatively permit WMATA to re-baseline its annual operating subsidy to Virginia to reflect the impact of the pandemic on the transit system without financially penalizing NVTC localities.

BE IT FURTHER RESOLVED that NVTC recommends the Commonwealth provide additional state aid to match additional local funding to allow Virginia to close its portion of the FY 2025 operating funding gap in a way that avoids devastating service cuts and sustains WMATA's ridership recovery.

BE IT FURTHER RESOLVED that NVTC is committed to working with our federal, Commonwealth, regional and local partners, and WMATA to develop long-term, sustainable operating and capital funding solutions.

BE IT FURTHER RESOLVED that NVTC presses upon National Capital Area federal agencies to establish return-to-office policies that encourage transit use throughout the work week and for the federal government to secure a replacement for the region's losses in fares from riders using federal transit benefits.

Approved this 7th day of December 2023.

Dalia Palchik
Chair

David F. Snyder
Secretary-Treasurer

TO: Chair Palchik and NVTC Commissioners
FROM: Kate Mattice and Genoveva Cutrell
DATE: November 30, 2023
SUBJECT: Report from the Chair of the Legislative and Policy Committee

At the December meeting, Legislative and Policy Committee Chair Canek Aguirre will present the NVTC 2024 Legislative and Policy Agenda for action. The Commission will also be briefed on the General Assembly state of play after the election, any federal updates, and a recap of the joint Annual Legislative Forum.

A. ACTION: Approve the NVTC 2024 Legislative and Policy Agenda

At the December meeting, the chair of NVTC's Legislative and Policy Committee will present the final [NVTC 2024 Legislative and Policy Agenda](#) for Commission action. Since the draft was presented to the Commission in November, the language has been updated for grammatical consistency and to add one additional state priority regarding additional state aid to match local funding for WMATA. NVTC's 2024 legislative and policy priorities include:

State Priorities

- Advocate for long-term, sustainable, dedicated funding to ensure WMATA, VRE and all Northern Virginia transit systems meet the growing needs of public transit in our region.
- Seek administrative or legislative opportunities to permit WMATA to re-baseline its FY 2025 operating subsidy bill to reflect the impact of COVID-19 pandemic on the transit system without financially penalizing NVTC jurisdictions.
- Advocate for additional state aid in FY 2025 to match local funding for WMATA while regional stakeholders work for a long-term solution to fund Metro's capital and operating programs.
- Protect state funding of public transit in Northern Virginia and ensure sustainable growth in the Commonwealth Transportation Fund.
- Protect existing NVTC autonomy, programs and funding sources.
- Continue support for state investment in Transforming Rail in Virginia and other passenger rail initiatives.
- Preserve transit's ability to effectively compete within the SMART SCALE program.
- Restore full revenue levels to the Northern Virginia Transportation Authority.
- Support funding for development and implementation of transit innovations including transit signal priority, zero and low-emission public transit, and fare payment technologies.

Federal Priorities

- Ensure transit systems in Northern Virginia have the maximum access to federal formula and state of good repair funding, matching or exceeding the funding levels authorized in the Infrastructure Investment and Jobs Act.

- Maximize the region's access to federal transportation funding programs and competitive grant opportunities.
- Recognize the importance of public transit in accessing federal agencies and facilities, identify and secure federal long-term capital and operating funding opportunities that benefit our local transit systems, including WMATA and VRE.
- Encourage federal return-to-office policies that encourage transit use throughout the work week.
- Continue support for commuter tax benefits for both the private and public sector.

B. General Assembly State of Play

NVTC Legislative Liaison Aimee Perron-Seibert will provide an update on the state of the 2024 General Assembly following the November 7 elections.

C. Annual Joint NVTC-PRTC-VRE Legislative Forum Recap

Staff will provide a recap of the annual Joint NVTC-PRTC-VRE Legislative Forum, which will be held on Friday, December 1 at 8:30 a.m. at the George Mason University Mason Square Multipurpose Room (3351 Fairfax Drive, Arlington, VA 22201). The event will present federal and state legislative priorities regarding public transportation issues to Northern Virginia elected officials, members of the business community, environmental and transit stakeholders, and others working in public transportation in the region.

Confirmed speakers include NVTC Chair Dalia Palchik, PRTC Chair Victor Angry, VRE Operations Board Chair James Walkinshaw, Greater Washington Partnership CEO Kathy Hollinger, DRPT Director Jen DeBruhl, NVTC Executive Director Kate Mattice, PRTC Executive Director Bob Schneider, WMATA General Manager/CEO Randy Clarke and VRE Chief Executive Officer Rich Dalton.



2024 LEGISLATIVE & POLICY AGENDA

2024 STATE PRIORITIES



Advocate for long-term, sustainable, dedicated funding to ensure WMATA, VRE and all Northern Virginia transit systems meet the growing needs of public transit in our region.



Seek administrative or legislative opportunities to permit WMATA to re-baseline its FY 2025 operating subsidy bill to reflect the impact of COVID-19 pandemic on the transit system without financially penalizing NVTC jurisdictions.



Advocate for additional state aid in FY 2025 to match local funding for WMATA while regional stakeholders work for a long-term solution to fund Metro's capital and operating programs.



Protect state funding of public transit in Northern Virginia and ensure sustainable growth in the Commonwealth Transportation Fund.



Protect existing NVTC autonomy, programs and funding sources.



Continue support for state investment in Transforming Rail in Virginia and other passenger rail initiatives.



Preserve transit's ability to effectively compete within the SMART SCALE program.



Restore full revenue levels to the Northern Virginia Transportation Authority.



Support funding for development and implementation of transit innovations, including transit signal priority, zero and low-emission public transit, and fare payment technologies.

2024 FEDERAL PRIORITIES



Ensure transit systems in Northern Virginia have the maximum access to federal formula funding and state of good repair funding, matching or exceeding the funding levels authorized in the Infrastructure Investment and Jobs Act.



Maximize the region's access to federal transportation funding programs and competitive grant opportunities.



Recognize the importance of public transit in accessing federal agencies and facilities, identify and secure federal long-term capital and operating funding opportunities that benefit local transit systems, including WMATA and VRE.



Encourage federal return-to-office policies that encourage transit use throughout the work week.



Continue support for commuter tax benefits for both the private and public sector.

Transit Systems That Serve NVTC's Communities



TO: Chair Palchik and NVTC Commissioners
FROM: Kate Mattice
DATE: November 30, 2023
SUBJECT: Virginia Railway Express (VRE)

At the December meeting, VRE CEO Rich Dalton will update the Commission on recent VRE activities. The Commission will be asked to take action to approve VRE's FY 2023 Annual Comprehensive Financial Report, VRE's 2024 Legislative Agenda, and submission of VRE applications for Commuter Choice funding.

A. VRE CEO Report and Minutes

VRE Chief Executive Officer Rich Dalton will provide his report on recent VRE activities. The [VRE CEO Report for November 2023](#) and the [Minutes of the November 17, 2023 VRE Operations Board meeting](#) are attached.

B. ACTION: Approve [Resolution #2524](#): Approve the VRE 2024 Legislative Agenda

On the recommendation from the VRE Operations Board, the Commission will be asked to approve [Resolution #2524](#), which will approve the [2024 VRE Legislative Agenda](#) and authorize the VRE CEO to actively pursue the elements set forth in the document. The VRE Legislative Agenda will serve as a guide for staff and the contracted legislation liaisons during the legislative session. In addition, the Legislative Agenda includes federal legislative and regulatory issues that are relevant to transit and commuter rail in the U.S., and VRE specifically.

C. ACTION: Approve [Resolution #2525](#): Accept and Authorize Distribution of VRE's FY 2023 Annual Comprehensive Financial Report

On the recommendation from the VRE Operations Board, the Commission will be asked to approve [Resolution #2525](#), which will accept [VRE's FY 2023 Annual Comprehensive Financial Report \(ACFR\)](#) and associated information from the auditors and authorize the VRE CEO to distribute the ACFR.

The audit of VRE's FY 2023 financial statements has been completed and the auditing firm of PBMares, LLP, has issued an unmodified opinion. The opinion letter states that the VRE financial statements, in all material respects, fairly and accurately present the financial position of the organization. This opinion is the best outcome of a financial audit. The auditors met with the VRE Audit Committee on November 17, 2023 to review the statements and their opinion, which was followed by a presentation at the full Operations Board meeting.

D. ACTION: Approve Resolution #2526: Authorize the VRE CEO to Submit, on Behalf of the Commissions, VRE Applications to the I-66 Commuter Choice FY 2025-2026 Program

On the recommendation from the VRE Operations Board, the Commission will be asked to approve Resolution #2526, which will authorize the VRE CEO to submit, on behalf of the Commissions, VRE applications to the I-66 Commuter Choice FY 2025-2026 Program, to make any necessary corrections to the project amount or descriptions in the applications and execute all project funding agreements that may result from consideration of the VRE applications.

VRE staff have identified a group of capital and operating improvements that support and implement planned service enhancements authorized in the Transforming Rail in Virginia (TRV) initiative. Consistent with VRE procedures for grant applications, the Operations Board must recommend the submission of grant applications to the Commissions for their authorization. The Commissions' authorization does not confer endorsement of any VRE application(s) in relation to the adopted I-66 Commuter Choice project selection process. The identified projects include:

- **Service Enhancements on the Manassas Line (Priority 1) – A Commuter Choice application for a total amount of \$4,766,000 for a 24-month period is proposed.**

Enhancements will be made to the VRE Manassas Line AM peak period service to improve AM peak headways. Due to schedule adjustments made in 2021, there is a 65-minute gap between trains in the Manassas Line morning peak-of-the-peak service which has been cited by current and former VRE riders as a deterrent to riding VRE. The proposed enhancements will eliminate this gap and restore Manassas Line AM service to consistent 25-minute average headways. These enhancements include the operation of an additional train consist (e.g., locomotive plus six coaches) for Manassas Line service. Commuter Choice funding is proposed to offset the cost (net of fare revenue) associated with the service enhancements and the additional Manassas Line train consist.

- **Step-Up Service Restart on the Manassas Line and Fare Buy-Down (Priority 2) – A Commuter Choice application for a total amount of \$1,000,000 for a 24-month period is proposed.**

VRE Step-Up service via Amtrak trains has been suspended since the start of the COVID pandemic. VRE is in discussions with Amtrak to restart the service. Step-Up service would be available on state-sponsored Amtrak trains seven days per week. Commuter Choice funding is proposed to buydown the cost of a Step-Up ticket that VRE pays Amtrak to a nominal amount, the specific amount to be determined, for VRE multi-ride ticketholders and implement a robust marketing campaign to draw new riders to the service. Due to Amtrak policy limitations and concerns about competition, Step-Up riders would be required to purchase a VRE multi-ride ticket (e.g., 7-day, 10-ride, 31-day, monthly), at their expense, in addition to the Step-Up ticket.

- **Capital Funding for VRE Alexandria Station Improvements (Priority 3) – A Commuter Choice application for a total amount of \$6,570,000 is proposed.**

The Alexandria Station Improvements project must be constructed in advance of the fourth track and Long Bridge projects being implemented by the Virginia Passenger Rail Authority (VPRA). Commuter Choice funds would fill the budget shortfall and enable this project to proceed to construction on its current schedule.

Additional background information is provided in the [attached VRE memorandum](#).

E. VRE Policy for 360-Degree Assessment of the Chief Executive Officer

At its November 17 meeting, the VRE Operations Board voted to establish a policy to conduct a 360-degree assessment for the VRE Chief Executive Officer at least every three years as part of the annual evaluation process, beginning with the 2023 annual evaluation. The 360-degree assessment will be used to measure the VRE CEO's performance by utilizing feedback from the Chief Executive Officer's direct reports and other internal VRE staff members.

(NVTC will have a Closed Session at the end of the December 7 Agenda regarding the annual performance of both VRE CEO Rich Dalton and VRE General Counsel/Chief Legal Officer Steve MacIsaac.)

CEO REPORT

NOVEMBER 2023



OUR MISSION

The Virginia Railway Express, a joint project of the Northern Virginia Transportation Commission and the Potomac Rappahannock Transportation Commission, will provide safe, cost-effective, accessible, reliable, convenient, and customer responsive commuter-oriented rail passenger service. VRE contributes to the economic vitality of its member jurisdictions as an integral part of a balanced, intermodal regional transportation system.



CEO REPORT | NOVEMBER 2023

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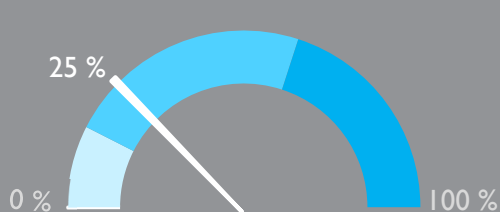
CAPITAL PROJECTS UPDATES14



VIRGINIA RAILWAY EXPRESS
A better way. A better life.

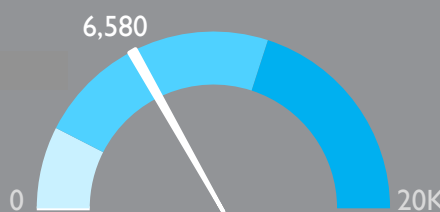


PERFORMANCE AT A GLANCE



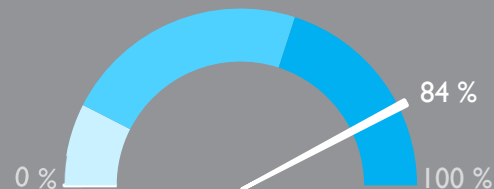
PARKING UTILIZATION

The total number of parking spaces used in the VRE system during the month, divided by the total number of parking spaces available.



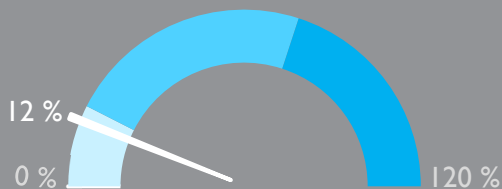
AVERAGE DAILY RIDERSHIP

The average number of boardings each operating day inclusive of Amtrak Step-Up boardings and reduced, "S" schedule, service.
Same month, previous year: 4,366



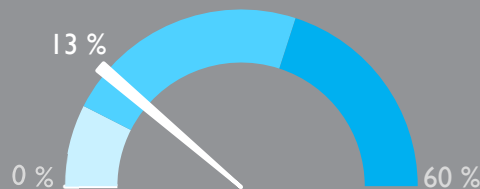
ON-TIME PERFORMANCE

Percent of trains arriving at their destination within 5 minutes of the schedule.
Same month, previous year: 77%



SYSTEM CAPACITY

The percentage of peak hour train seats occupied. The calculation excludes reverse flow and non-peak hour trains.



OPERATING RATIO

Through September 2023

Year-to-date operating revenues divided by year-to-date operating expenses, which represents the share of operating costs paid by the riders.

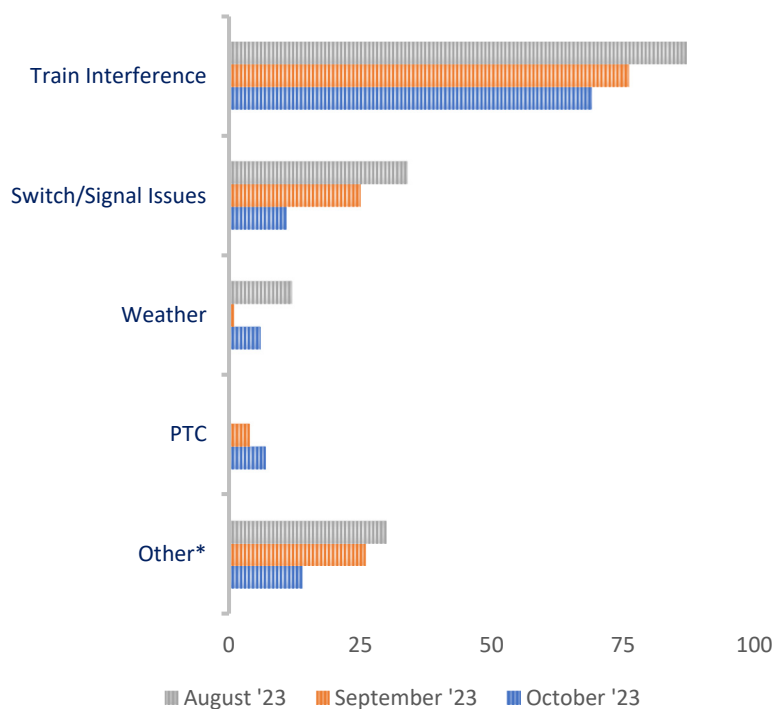
October 2023

ON-TIME PERFORMANCE

OUR RECORD

	October 2023	September 2023	October 2022
Manassas Line	80%	78%	75%
Fredericksburg Line	88%	80%	80%
Systemwide	84%	79%	77%

PRIMARY REASON FOR DELAY



VRE operated 665 trains in October. The on-time rate for the month was 84 percent.

One hundred seven trains arrived more than 5 minutes late to their final destinations. Of those late trains, 66 were on the Manassas Line (62 percent), and 41 were on the Fredericksburg Line (38 percent). The average delay was 21 minutes. Nineteen trains were more than 30 minutes late to their destination station.

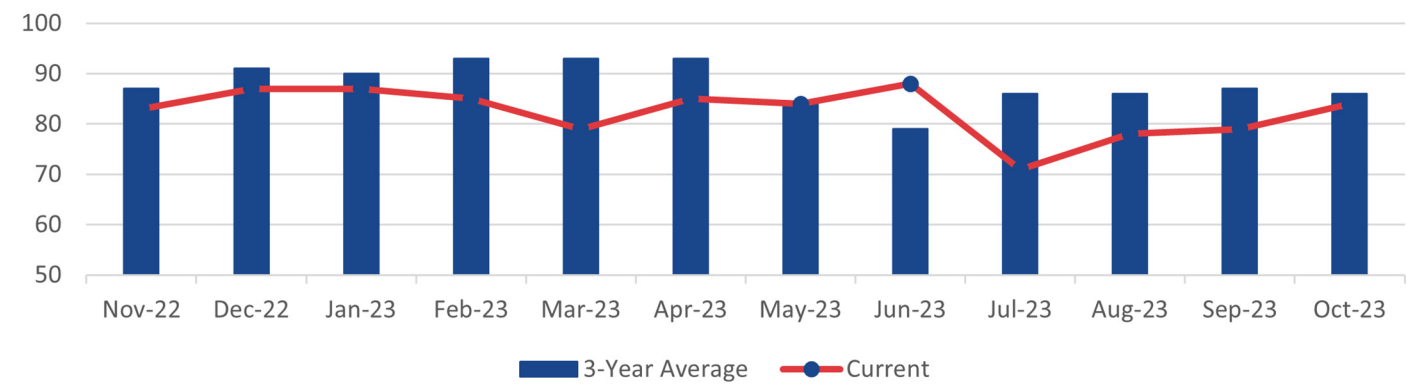
*Includes trains that were delayed due to operational testing and passenger handling.

LATE TRAINS

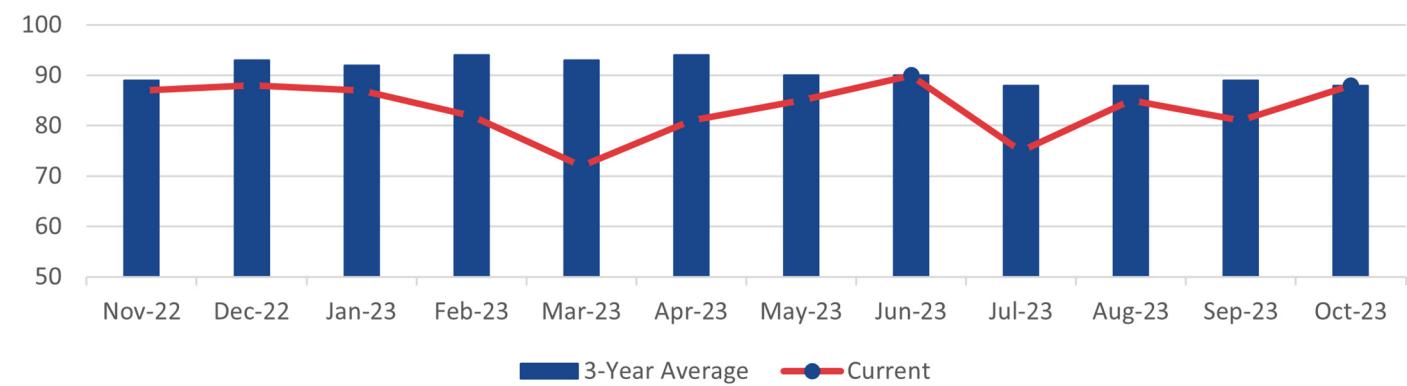
	System Wide			Fredericksburg Line			Manassas Line		
	Aug.	Sept.	Oct.	Aug.	Sept.	Oct.	Aug.	Sept.	Oct.
Total late trains	156	132	107	57	63	41	99	69	66
Average minutes late	24	16	21	18	16	18	27	15	23
Number over 30 minutes	33	15	19	10	7	6	28	8	13
Heat restrictions	4	7	0	4	5	0	0	2	0

ON-TIME PERFORMANCE

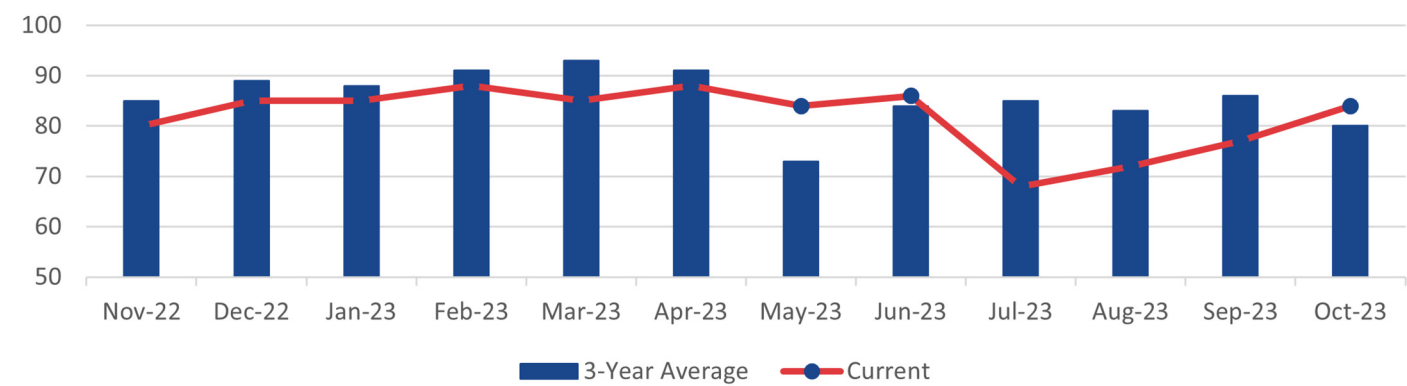
VRE SYSTEM



FREDERICKSBURG LINE

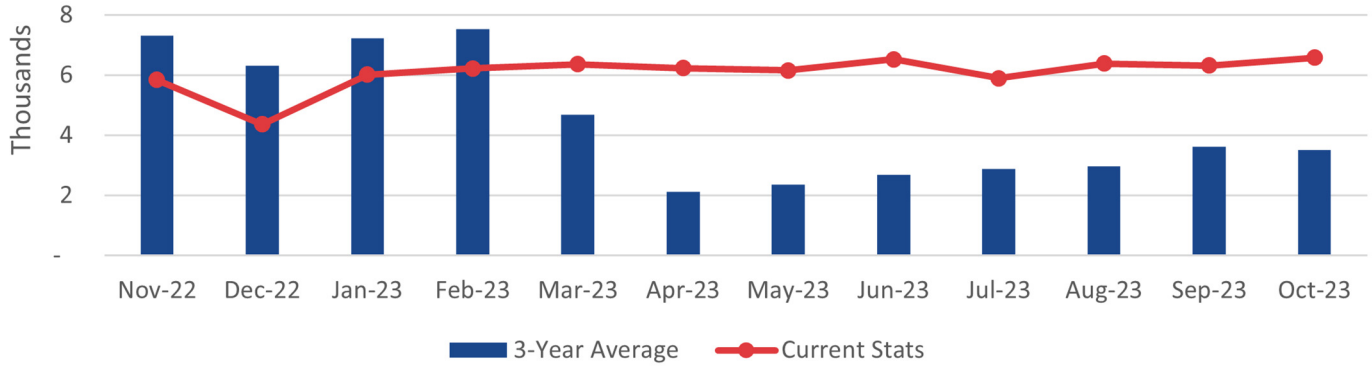


MANASSAS LINE

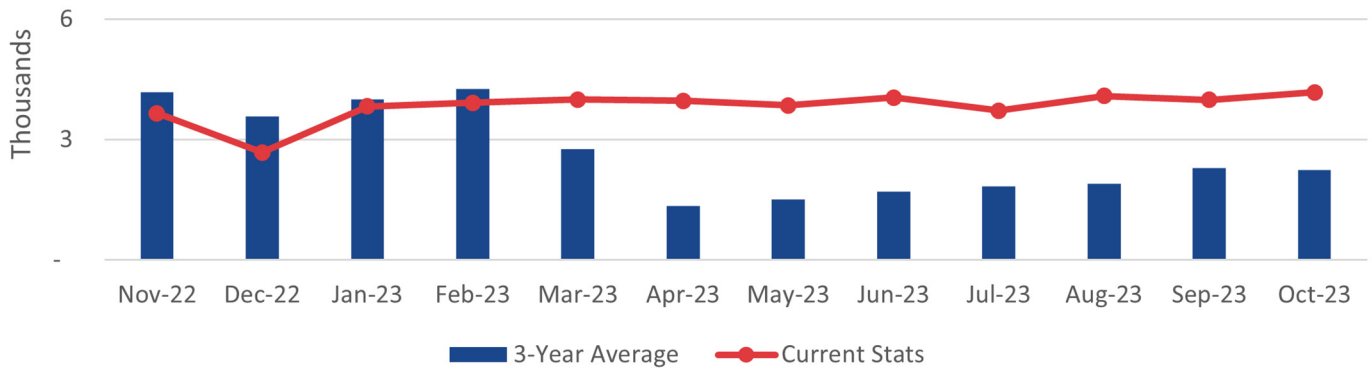


AVERAGE DAILY RIDERSHIP

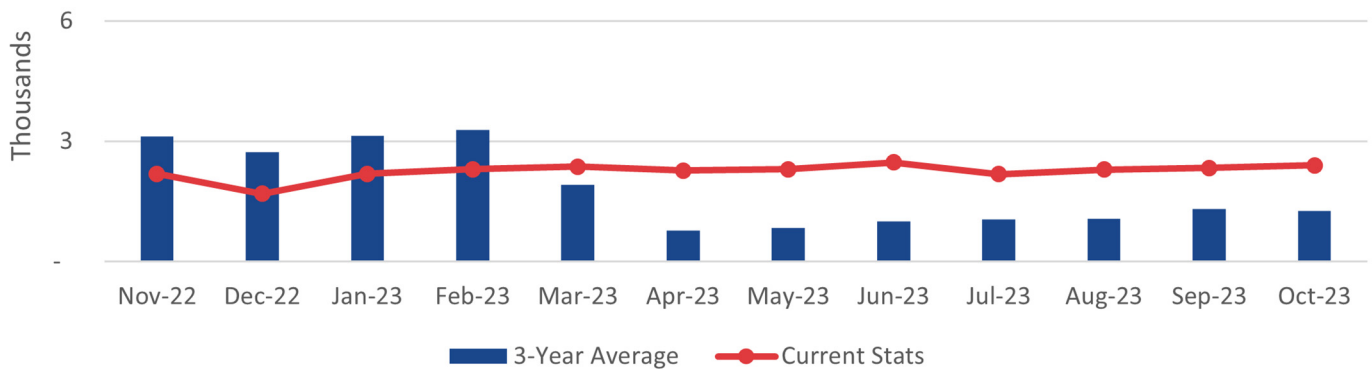
VRE SYSTEM



FREDERICKSBURG LINE



MANASSAS LINE



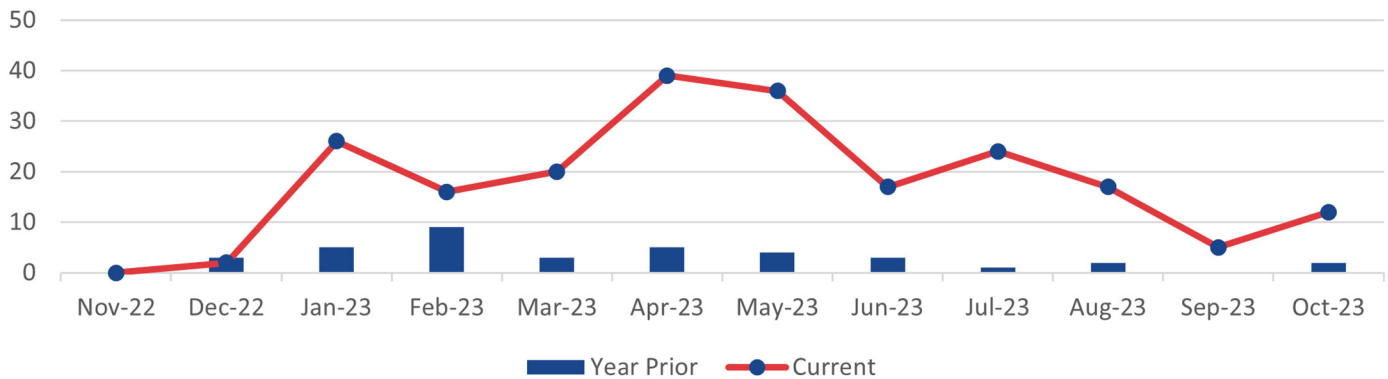
RIDERSHIP UPDATES

Average daily ridership for the month was 6,580.
There were 21 full-service days.

	October 2023	August 2023	October 2022
Monthly Ridership	138,189	126,328	122,984
Average Daily Ridership	6,580	6,316	6,149
Bicycles on Trains	1,556	1,471	N/A
Full Service Days	21	20	20
"S" Service Days	0	0	0

SUMMONSES ISSUED

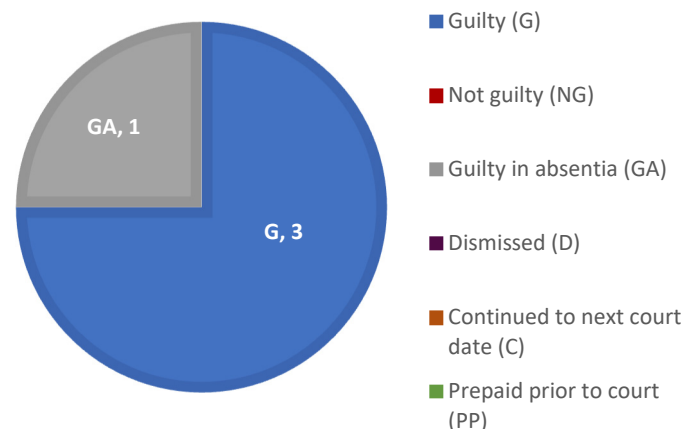
VRE SYSTEM



SUMMONSES WAIVED OUTSIDE OF COURT

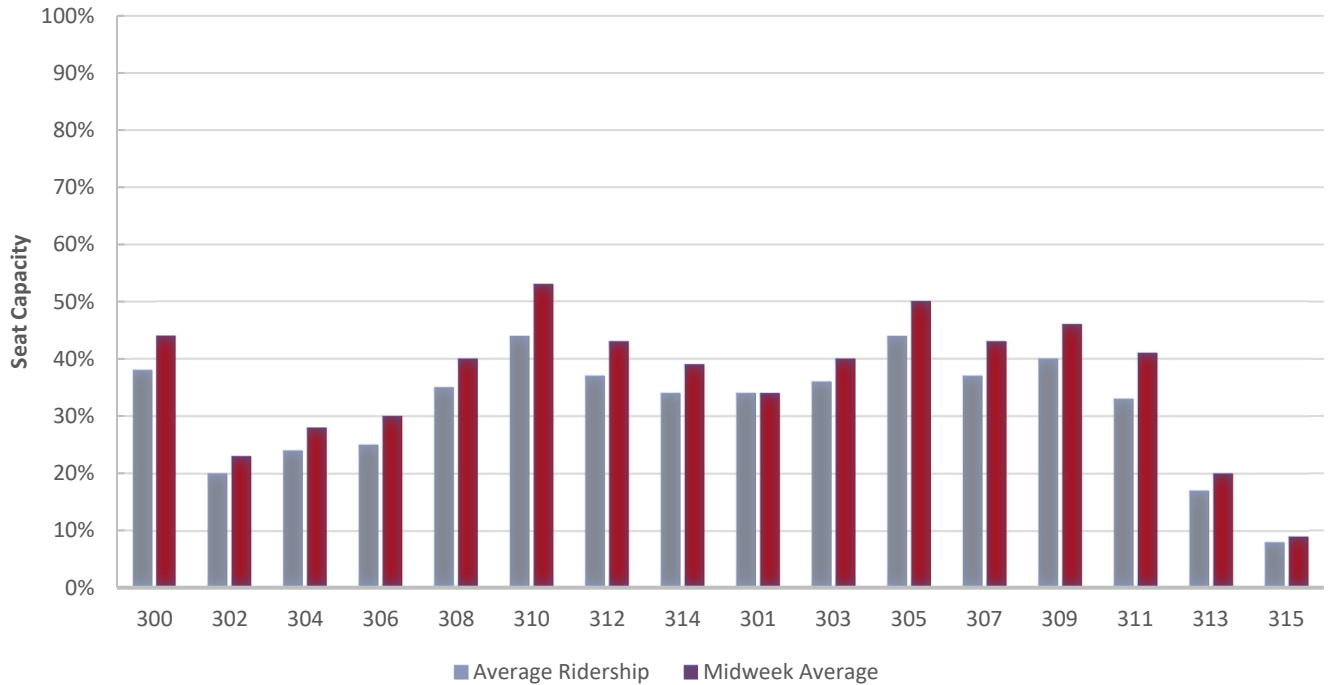
Reason for Dismissal	Occurrences
Passenger showed proof of a monthly ticket	0
One-time courtesy	0
Per the request of the conductor	2
Defective ticket	0
Per ops manager	0
Unique circumstances	0
Insufficient information	0
Lost and found ticket	0
Other	0
Total Waived	2

MONTHLY SUMMONSES COURT ACTION

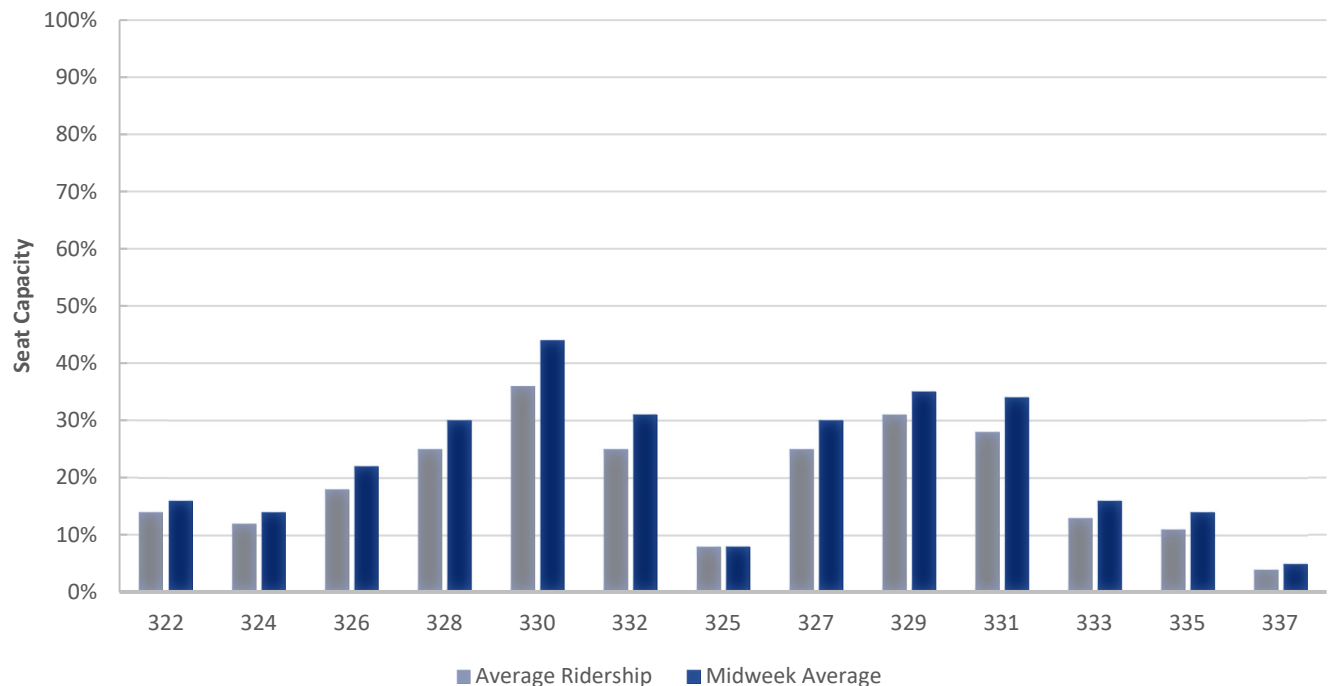


TRAIN UTILIZATION

FREDERICKSBURG LINE

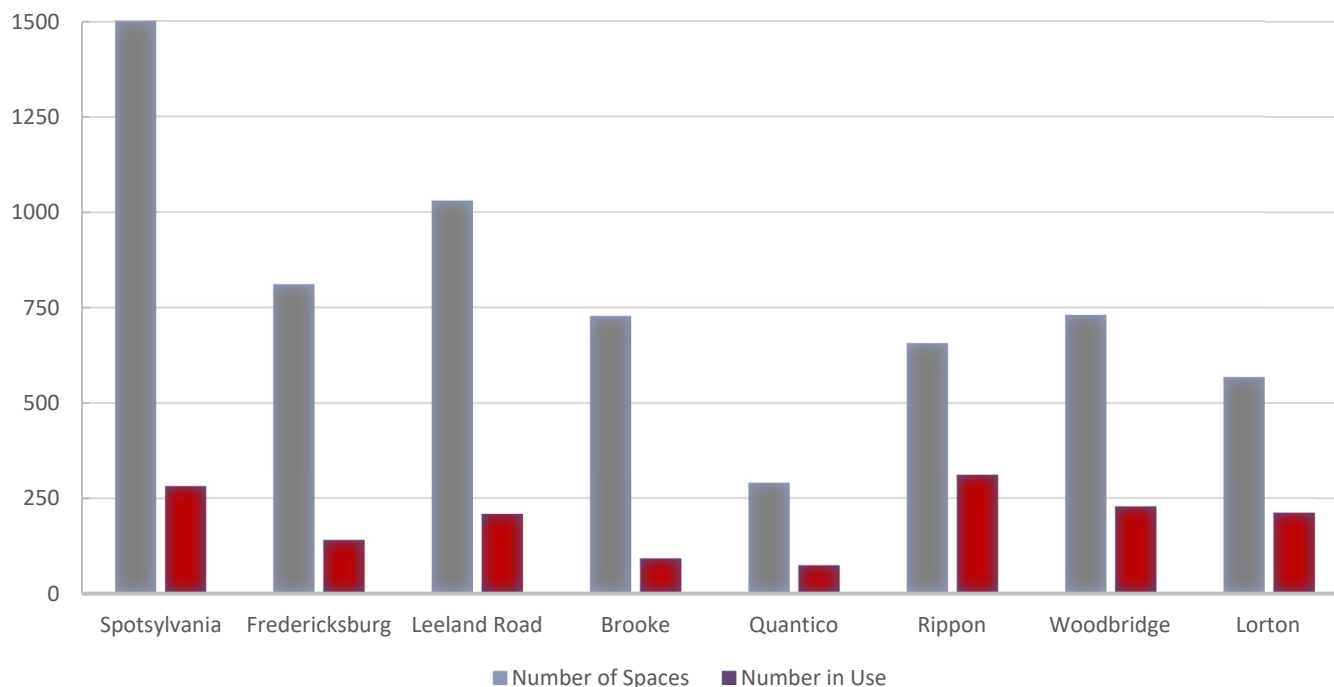


MANASSAS LINE

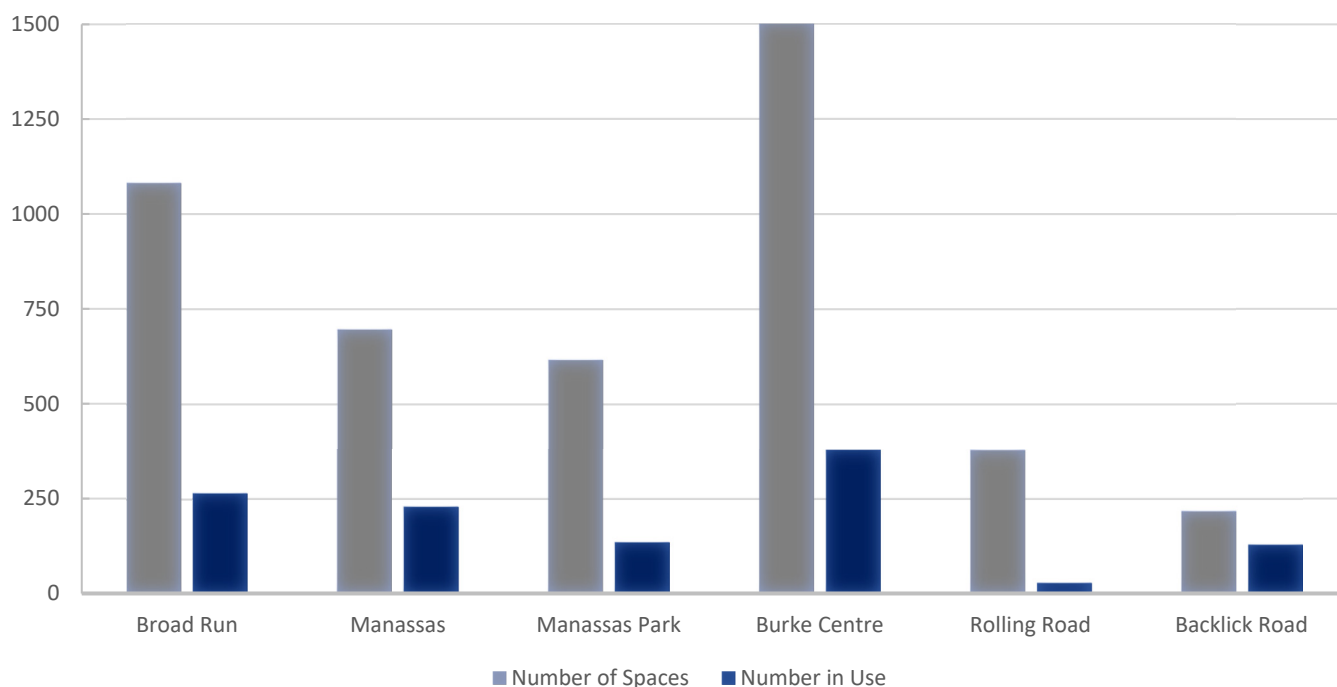


PARKING UTILIZATION

FREDERICKSBURG LINE



MANASSAS LINE



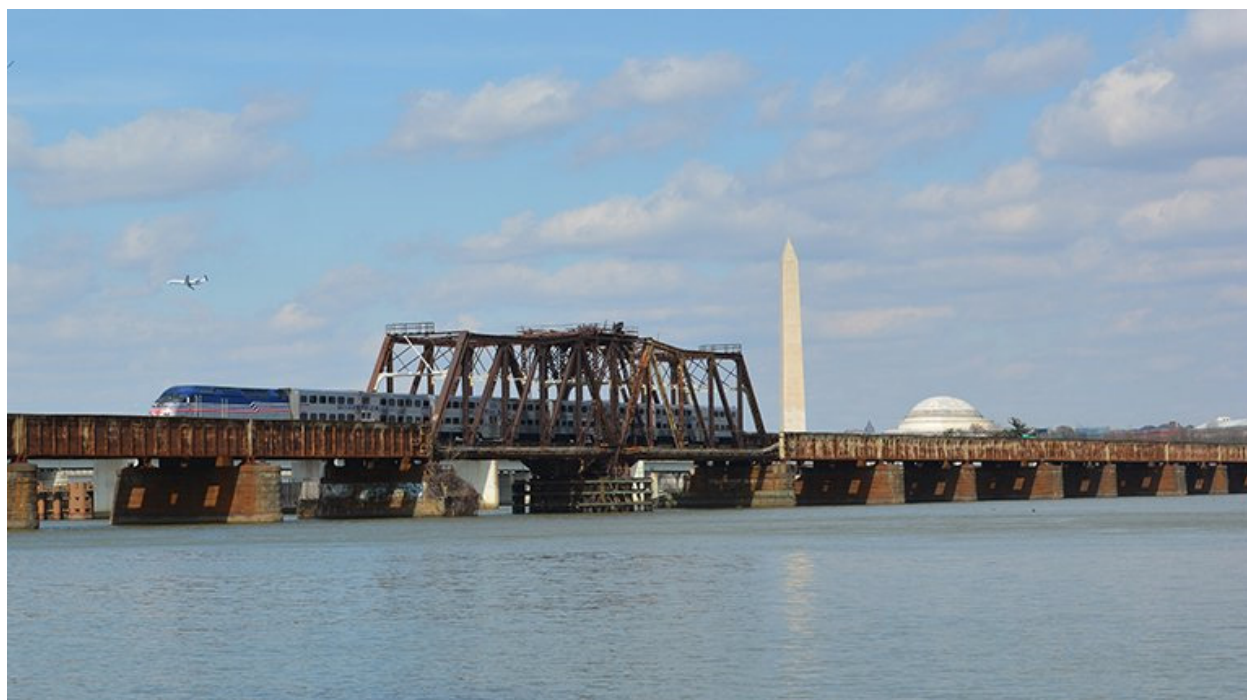
FINANCIAL REPORT FOR SEPTEMBER 2023

Fare revenue through the end of first quarter of FY 2024 (September 2023) is approximately \$3.5 million below the budget (an unfavorable variance of -48%) and is 50.1% above the same period in FY 2023. This increase over FY 2023 is primarily due to the effect of “Fare Free September” in September 2022.

Although many sectors of the economy have rebounded following the coronavirus (COVID-19) pandemic, changes in employment and commuting patterns caused by the pandemic continue to have a significant impact on VRE. Ridership has remained well below pre-pandemic levels during the first ten months of FY 2024, with a cumulative average daily ridership of 6,206 in FY 2024 thru the end of September 2023, compared to average daily ridership of well over 18,000 in February 2020 (the last full month not affected by the pandemic). We continue to coordinate with federal government representatives regarding potential changes to remote work policies while also exploring service opportunities and expanding marketing and other outreach efforts to encourage new riders.

The operating ratio for the first quarter of FY 2024 is 13%, which is below VRE’s budget operating ratio of 25% for the full twelve months of the fiscal year. VRE is normally required to budget a minimum operating ratio of 50%, but this requirement has been waived for FY 2024 because of the effects of the pandemic.

A summary of the FY 2024 financial results through the end of September 2023 follows, including information on major revenue and expense categories. Please note that these figures are preliminary and unaudited.



FY 2024 Operating Budget Report Month Ended September 30, 2023							
	CURR. MO. ACTUAL	CURR. MO. BUDGET	YTD ACTUAL	YTD BUDGET	YTD \$ VARIANCE	YTD % VARIANCE	TOTAL FY24 BUDGET
Operating Revenue							
Passenger Ticket Revenue	1,277,611	2,300,402	3,769,181	7,246,265	(3,477,084)	-48.0%	28,640,000
Other Operating Revenue	-	9,398	15,440	29,602	(14,163)	-47.8%	150,000
Subtotal Operating Revenue	1,277,611	2,309,799	3,784,621	7,275,867	(3,491,247)	-48.0%	28,790,000
Jurisdictional Subsidy (1)	-	-	5,601,435	5,383,874	217,560	4.0%	10,555,851
Federal/State/Other Jurisdictional Subsidy	2,582,817	2,337,569	7,760,861	7,387,518	373,342	5.1%	36,821,583
Appropriation from Reserve/Other Income	2,716,463	2,050,575	13,701,175	13,493,496	207,680	1.5%	31,779,054
Interest Income	312,686	80,321	948,353	253,012	695,341	274.8%	1,000,000
Total Operating Revenue	6,889,578	6,778,264	31,796,444	33,793,768	(1,997,324)	-5.9%	108,946,488
Operating Expenses							
Departmental Operating Expenses	7,105,655	7,084,029	28,254,529	29,103,669	849,140	2.9%	95,167,559
Debt Service	2,392,744	2,392,744	3,430,232	3,430,232	-	0.0%	13,720,929
Other Non-Departmental Expenses	-	-	-	-	-	0.0%	58,000
Total Operating Expenses	9,498,399	9,476,773	31,684,761	32,533,901	849,140	2.6%	108,946,488
Net income (loss) from Operations	(2,608,821)	(2,698,509)	111,683	1,259,867	(1,148,184)		-
Operating Ratio			13%	25%	Budgeted Goal	30%	50%

(1) Total jurisdictional subsidy is \$16,000,000. Portion shown as budgeted and actual are attributed to Operating Fund only.



FACILITIES UPDATE

The following is a status update of VRE facilities projects.

Completed projects:

1. Replacement of existing lighting with new poles and LED fixtures on west platform at Woodbridge station
2. Removal of overgrown shrubbery to improve visibility, safety and security at Woodbridge station
3. Replacement of vendor space water heater at Woodbridge station
4. Improvements to stone walking surface surrounding locomotive drip pans at Crossroads MASF
5. Replacement of timber pedestrian crossing at Backlick Road station
6. Sealcoating and restriping of PRTC, Barn and Airport parking lots at Broad Run station



New light poles and LED fixtures at Woodbridge station

Projects scheduled to be completed this quarter:

1. Installation of additional No Trespassing signage at Woodbridge station
2. Minor structural concrete repairs at Woodbridge station parking garage
3. Replacement of elevator machine room HVAC unit at Rippon station
4. Repairs to steel railings at Brooke station
5. Replacement of parking lot LED light fixtures at Spotsylvania station
6. Installation of underdrain, double swing gates and minor paving at Crossroads MASF
7. Installation of bird control netting at Rolling Road station
8. Replacement of electrical cabinet at Rolling Road station
9. Replacement/installation of pathfinder signage for Franconia-Springfield, Lorton, Woodbridge, Rippon, Quantico, Backlick Road, Rolling Road, Burke Centre, Manassas Park, Manassas and Broad Run stations
10. Installation of 988 Suicide & Crisis Lifeline signage on station inter-track fences, pending availability of CSX protection
11. Installation of No Trespassing signage at Rippon, Spotsylvania and Broad Run station parking lots
12. Installation of electric meter for two-way radio antenna system in Old Town Alexandria



Minor concrete repairs at Woodbridge parking garage

Projects scheduled to be initiated this quarter:

1. Minor repairs to concrete platform at Alexandria station
2. Replacement of LED lighting at Woodbridge station parking garage
3. Replacement of windscreen plexiglass panels at Lorton and Woodbridge stations
4. Improvements to various elements of Quantico station building
5. Replacement of existing lighting with LED lighting at Manassas station parking garage
6. Repairs to steel railings at Backlick Road, Burke Centre and Manassas Park stations

Ongoing projects:

1. Modernization of east elevator at Woodbridge station
2. Replacement of parking lot entrance signs at various stations

UPCOMING PROCUREMENTS

1. Electronic fuel injectors
2. Locomotive transfer switches
3. Window gaskets for VRE railcars
4. Modernization of VRE Woodbridge station east elevator
5. Construction Management Services for Alexandria Station improvements
6. Construction of Alexandria Station improvements
7. Broad Run and Crossroads security camera system power and network infrastructure upgrade
8. Locomotive master controllers
9. Variable messaging system replacement
10. Central diagnostic cloud services for VRE locomotives
11. Locomotive AR-10 parts

CAPITAL PROJECTS UPDATE

Project Name	Project Description	Current Phase	Budget	Project Notes
Alexandria Station Improvements	Passenger safety will be improved by replacing an at-grade pedestrian track crossing with elevators to connect the two platforms. The elevators and the current and proposed stairs, will connect to the existing tunnel between the two platforms. Adjustments to platform elevation will eliminate the need for step-boxes to access VRE and Amtrak trains. The center platform will be widened and lengthened to accommodate trains on both tracks.	Final Design	\$ 37,288,433.00	VRE reviewing the 90% Alexandria 4th track plans. Platform elevations to be updated accordingly. (Oct/Nov)
Broad Run Expansion	To accommodate forecasted ridership growth and increase service reliability, improvements are needed at both the Maintenance and Storage Facility (MSF) and station. An enlarged MSF can store longer trains and additional equipment. That requires shifting the existing platform and adding a pedestrian tunnel between the platform and existing and proposed parking lots. A second, 600-space lot and third main track will be constructed.	Final Design	\$ 139,381,862.00	Design charrette to be held at end of November for a deep dive into the proposed value engineering changes as we strive to design to budget. (Nov) Advancing to 90% design. Deferring some project elements to the future due to current funding limits. Value engineering efforts are underway. (Oct)
Brooke Station Improvements	Design and construction of a platform extension up to 700 feet to accommodate full-length VRE trains.	Development	\$ 9,461,455.00	VRE has reengaged this project and returned it to the CIP budget for future years. Project schedule updates pending input from various stakeholders. (Sept/Oct)
Crystal City Station Improvements	Improved station access and service reliability will result from a new station. The platform at the relocated station will allow for the simultaneous boarding of two full-length trains. The station's design will accommodate a future pedestrian/bicycle connection between the station and the airport.	Development	\$ 68,900,900.00	Platform and north tunnel 60% plans complete. Design of stairwell and mezzanine advancing to 60%. 90% plans for VPRA's adjacent Alexandria 4th track project currently under review. (Oct/Nov)
Franconia-Springfield Station Improvements	Extended platforms will be able to accommodate eight-car trains, eliminating the need for passengers near the rear to move to a different railcar when disembarking. Enhanced passenger safety and reduced station dwell times will result. The longer platforms will increase operational flexibility and capacity. The design will allow for a future third mainline track.	Final Design	\$ 25,351,100.00	60% tunnel design received and under review by VRE. FTA confirmed project satisfied NEPA requirements for a Class II listed Categorical Exclusion. (Oct/Nov)

- continued next page -

CAPITAL PROJECTS UPDATE

Project Name	Project Description	Current Phase	Budget	Project Notes
Fredericksburg Station Rehabilitation	The rehabilitation of platforms, stairs and bridges will improve passenger safety and better accommodate the boarding and disembarking of riders from VRE and Amtrak trains. New stairs will allow passengers to move between the platform and a parking lot without crossing the street at grade level. New signage, sidewalks, lighting and paint are included, as is installation of a low-clearance warning sign to a bridge that has experienced numerous vehicle strikes.	Construction	\$ 11,480,622.00	Concrete repair/coatings ongoing. East platform and step concrete almost complete. West platform demo/ reconstruction progressing. Sandblasting/painting of station near completion. (Nov) Concrete repair/coatings ongoing. East platform and step concrete progressing. West platform demo progressing. Sandblast and paint of station progressing. (Oct)
HQ Office Renovations	The project will improve employee safety and security and maximize workspace efficiency at VRE Headquarters, and will include modifications to kitchen, supply room, mail room, bathroom/shower, office and cubicle areas in the north and south wings. The east wing will be modified to include additional offices.	Construction	\$ 250,000.00	Planning glass wall-enclosed work/meeting spaces adjacent to communications room. Researching available systems for review with upper management. (Oct/Nov)
Leeland Road Parking Improvements	This project will expand the surface parking lot at the Leeland Road station by approximately 225 spaces to accommodate future demand.	Development	\$ 12,044,433.00	The project is funded through Virginia SMART SCALE. Funding is allocated for FY20 and 22. A funding agreement is pending. (Oct/Nov)
Leeland Road Station Improvements	Design and construction of a platform extension to accommodate full-length VRE trains.	Development	\$ 10,361,037.00	VRE has reengaged this project and returned it to the CIP budget for future years. Project schedule updates pending input from various stakeholders. (Oct/Nov)
L'Enfant Station Waiting Area	The existing platform at the L'Enfant station experiences overcrowding during the evening service period. The proposed project will create an additional paved area behind the existing platform, currently landscaped with shrubs and grass, for riders to wait for trains or to bypass riders waiting on the platform.	Final Design	\$ 350,000.00	Due the pandemic-related decrease in ridership and the pending L'Enfant Track and Station Improvements project, work on this project is suspended. (Oct/Nov)
L'Enfant Track and Station Improvements	Expansion of the VRE L'Enfant Station to provide two platform edges and serve full-length trains. Add a new mainline track between LE and VA interlockings.	Development	\$ 110,857,683.00	Operations Board authorized execution of the engineering and environmental services contract with VHB in Sept. 2023. (Oct/Nov)

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CAPITAL PROJECTS UPDATE

Project Name	Project Description	Current Phase	Budget	Project Notes
Lifecycle Overhaul and Upgrade (LOU) Facility	Featuring 33,000 square feet of maintenance space, the LOU will allow VRE to cost-effectively maintain rolling stock, as well as systems and components, in a state of good repair. It will optimize maintenance and reduce costs by allowing the in-house replacement of items before they fail. The LOU will house two tracks that can hold up to four cars at one time and be equipped with a drop table and wheel truing machine. To maintain storage capacity within Crossroads Yard three new tracks are being constructed to provide enhanced flexibility to our operations crews for train movements and storage.	Construction	\$ 52,783,632.00	Work anticipated this month to finalize alarm panel work on oil water separators. Revised deeds and plats to be delivered to county as well. (Nov.) Marking final revisions to deeds and plats for county stormwater easements and hope to resubmit in October. (Oct)
Manassas Park Parking Expansion	A new garage will nearly double the 600 spaces currently available in the existing surface lot. A pedestrian bridge will provide grade-separated access to the existing platform and lot. The VRE station and garage are an integral part of the City Center Redevelopment District, the proposed transit-accessible high-density mixed-use town center of Manassas Park.	Construction	\$ 34,662,764.00	Fill material being brought in to bring site to grade. Holes drilled and piles being set for western wall foundation. (Oct/Nov)
Manassas Station Improvements	The project expands the VRE Manassas Station platform to serve full length trains and enhances pedestrian access to the station. Alternatives to increase the platform length to enable boarding and alighting from all passenger cars will be evaluated.	Development	\$ 9,125,000.00	This project is funded with I-66 OTB funding. Initiation of project planning pending completion of a Force Account Addendum with Norfolk Southern Railway. (Oct/Nov)
New York Avenue Midday Storage Facility	This new facility will store trains currently located in Amtrak's Ivy City coach yard, as Amtrak now has need for the storage tracks. The New York Avenue site, which is proximate to Washington Union Station, will be able to accommodate additional VRE trains.	Development	\$ 137,362,557.00	Draft MOU document still pending from Amtrak. Will review upon receipt. (Nov) Meeting with Amtrak held on 9/5/23 to discuss finalizing MOU. VRE will review once received back from Amtrak (Oct)
Potomac Shores Station	This new station, in a master-planned community in Prince William County, is being funded, designed, and constructed by the developer of Potomac Shores in consultation with VRE and other stakeholders. The station will be just a short walk from the town center. A new side platform will be constructed which is designed to be converted into an island platform in the future when the 3rd track is added to corridor operations.	Final Design	\$ -	Construction of the shared use garage is ongoing. Construction includes casting the three pedestrian bridge support concrete foundation piers that are adjacent to the garage building. (Oct/Nov)

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CAPITAL PROJECTS UPDATE

Project Name	Project Description	Current Phase	Budget		Project Notes
Quantico Station Improvements	Service and safety will be enhanced through the construction of a new center platform, ADA-compliant pedestrian bridges, existing platform extension, and third track. These improvements will allow the station to accommodate additional passengers and more frequent and longer trains and operations flexibility with three boardable platform edges.	Construction	\$	25,573,060.00	RW 13 complete/punchlist clean up close to complete. Tower/ped bridge/utilities completion on going. Site/civil/drainage coordinating with CSX track schedule. (Nov) RW 13 nearing completion. Tower/ped bridge/utilities completion ongoing. Site/civil/drainage coordinating with CSX track schedule (Oct)
Real-Time Multimodal Traveler Information System	The passenger experience will be enhanced through the provision of real-time train arrivals. Software upgrades are required to provide these real-time data feeds and integrate them with VRE Mobile and other third-party apps and websites, as well as on display screens at VRE stations and other locations along the I-66 corridor.	Development	\$	3,481,000.00	Scope of work with procurement. Drawings to be complete by 3/31/23. Contractor updating DIV specs. (Oct/Nov)
Security Cameras	Safety and security will be improved through the modernization and expansion of VRE's security camera system. New cameras will be placed at 22 locations.	Final Design	\$	1,939,305.00	Operations Board approved contract with Genesys Impact, LLC of Washington, D.C. on July 21 (Oct/Nov)
Variable Messaging System Replacement	The effectiveness of VREoperations will be enhanced through the installation of new variable message signs (VMS) throughout the rail system. The new VMS system will allow VRE to communicate multi-modal transit data and general transit feed specification data to VDOT for use in its VMS system.	Final Design	\$	1,000,000.00	Scope of work with procurement. Drawings to be complete by 3/31/23. Contractor updating DIV specs. (Oct/Nov)
Woodbridge Station Improvements	Expanded platforms will allow passengers to access trains from all station tracks.	Development	\$	2,740,618.00	The scope and schedule for this project is being coordinated with the commonwealth's Transforming Rail in Virginia initiative, post-Phase 2 project. (Oct/Nov)

For more information about VRE capital projects, visit <https://projects.vre.org/list>

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VIRGINIA RAILWAY EXPRESS

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MINUTES

VIRGINIA RAILWAY EXPRESS OPERATIONS BOARD MEETING

November 17, 2023

14700 Potomac Mills Road, Woodbridge, VA 22192

Members Present

*Sarah Bagley (NVTC)
 *Andrea Bailey (PRTC)**
 *Meg Bohmke (PRTC)
 *Margaret Franklin (PRTC) **
 *Monica Gary (PRTC)
 *Lori Hayes (PRTC) **
 *Takis Karantonis (NVTC) **
 *Matt Kelly (PRTC)
 *Michael McLaughlin (VPRA)
 *Alanna Mensing (PRTC) ‡
 *Ralph Smith (PRTC)
 *Daniel G. Storck (NVTC)
 *James Walkinshaw (NVTC)

Jurisdiction

City of Alexandria
 Prince William County
 Stafford County
 Prince William County
 Stafford County
 Spotsylvania County
 Arlington County
 City of Fredericksburg
 Commonwealth of Virginia
 City of Manassas Park
 City of Manassas
 Fairfax County
 Fairfax County

Members Absent

Jeanine Lawson (PRTC)

Prince William County

Alternates Present

Alternates Absent

Canek Aguirre (NVTC)
 Victor Angry (PRTC)
 Deborah Frazier (PRTC)
 Libby Garvey (NVTC)
 Jason Graham (PRTC)
 Jeffrey C. McKay (NVTC)
 Darryl Moore (PRTC)
 Pam Sebesky (PRTC)
 Emily Stock (DRPT)
 Ann Wheeler (PRTC)
 Pamela Yeung (PRTC)

City of Alexandria
 Prince William County
 Spotsylvania County
 Arlington County
 City of Fredericksburg
 Fairfax County
 City of Manassas Park
 City of Manassas
 Commonwealth of Virginia
 Prince William County
 Stafford County

*Voting Member

**Arrived/departed following the commencement of the Operations Board Meeting. Notation of exact arrival/departure time is included in the body of the minutes.

‡ Participated remotely via Webex in accordance with the Electronic Participation Policy

Staff and General Public

Sara Allred – Fairfax County
Niomi Barton – VRE
Alexander Buchanan – VRE
Dwight Buracker - PBMAres
Holly Cockrell – VRE
Rich Dalton – VRE
Mark DeGrush - VRE
John Duque – VRE
Anaya Farah – VRE
Karen Finucan-Clarkson - VRE
Christine Hoeffner – VRE
Robert Hostelka – VRE

John Kerins - Keolis
Lezlie Lamb – VRE
Steve MacIsaac – VRE Chief Counsel
Kenesha Maratta – VRE
Charlotte Nourse - VRE
Kristin Nutter – VRE
Dallas Richards - VRE
Bob Schneider - PRTC
Mark Schofield – VRE
Alex Sugatan – VRE
Joe Swartz – VRE

Chair Walkinshaw called the meeting to order at 9:01 a.m.; the roll call followed.

Chair Walkinshaw informed the Board that Member Mensing requested to participate remotely from Manassas Park for a medical reason. Ms. Gary moved, with a second by Mr. Kelly, to approve Ms. Mensing's remote participation. The vote in favor was cast by Members Bagley, Bohmke, Gary, Kelly, McLaughlin, Smith, Storck, and Walkinshaw.

Safety Moment – 3

CEO, Rich Dalton briefed attendees on safety procedures and assigned specific tasks to qualified staff members in case of an emergency.

[Ms. Hayes arrived at 9:03 a.m.]

Approval of the Agenda - 4

Mr. Kelly moved, with a second by Ms. Bohmke, to approve the agenda as presented. There was no discussion on the motion. The vote in favor was cast by Members Bagley, Bohmke, Gary, Hayes, Kelly, McLaughlin, Mensing, Smith, Storck, and Walkinshaw.

{Mr. Karantonis arrived at 9:04 a.m.]

Approval of the Minutes of the October 20, 2023 VRE Operations Board Meeting – 5

Mr. Kelly moved, with a second by Ms. Gary to approve the Minutes from October 20, 2023. The vote in favor was cast by Members Bagley, Bohmke, Gary, Karantonis, Kelly, McLaughlin, Mensing, Smith, Storck, and Walkinshaw. Ms. Hayes abstained.

Chair's Comments – 6

Chair Walkinshaw welcomed everyone to the meeting. Before moving on to the CEO Report, the Chair encouraged Board members to attend the Annual Legislative Forum sponsored by NVTC, PRTC and VRE. The event will take place on December 1, 2023 at GMU's Arlington Campus and starts at 8:30 a.m. A host of elected officials and staff from federal, state, and local levels will be in attendance; and speakers include Kathy Hollinger, CEO of the Greater Washington Partnership and Jen DeBruhl, Director of the Department of Rail and Public Transportation. There will be a transit panel moderated by former VRE

Operations Board Chair Katie Cristol and will include NVTC Executive Director Kate Mattice, PRTC Executive Director Dr. Bob Schneider, VRE Chief Executive Officer Rich Dalton, and WMATA General Manager and Chief Executive Officer Randy Clarke.

Chief Executive Officer's Report – 7

Mr. Dalton briefed the Operations Board on the following items of interest:

- Safety
- Performance
- Ridership
- VRE's annual Toys for Tots drive
- VRE's annual Santa Trains

Public Comment Time – 8

The Chair opened the floor for public comments. Mr. Jay Corvallis of JGB Smith spoke supporting VRE weekend service and fare changes. No written comments were submitted.

[Ms. Bailey and Ms. Franklin arrived at 9:13 a.m.]

Operations Board Group Photo

The Chair asked the Board Member to step out into the atrium for a group photo 9:15 a.m. The Board Members re-entered, and the meeting resumed at 9:25 a.m.

Action Items – 9

Acceptance of the Fiscal Year 2023 Audited Financial Statements and Auditor's Report and Authorization to Forward to the Commissions – 9A

Mr. Dwight Buracker of PBMares addressed the Board about the FY 2023 audit findings. Mr. Buracker stated PBMares issued an unmodified report on VRE's FY 2023 audited financial statements.

Mr. Karantonis moved, with a second by Ms. Bagley, to accept the FY 2023 audited financial statements and auditor's report, and to authorize the CEO to forward them to the Commissions.

The vote in favor was cast by Members Bagley, Bailey, Bohmke, Franklin, Gary, Hayes, Karantonis, Kelly, McLaughlin, Mensing, Smith, Storck, and Walkinshaw.

Authorization to Issue an Invitation for Bids for Delivery of Diesel Fuel for VRE Locomotives – 9B

Vice-Chair Bohmke moved, with a second by Ms. Bailey, to authorize the CEO to issue an Invitation for Bids for delivery of diesel fuel for VRE locomotives.

The vote in favor was cast by Members Bagley, Bailey, Bohmke, Franklin, Gary, Hayes, Karantonis, Kelly, McLaughlin, Mensing, Smith, Storck, and Walkinshaw.

Charge to the 2024 Operations Board Officers Nominating Committee Regarding Subordinate Officers – 9C

Ms. Bailey moved, with a second by Ms. Gary, to approve a charge to the Nominating Committee Regarding Subordinate Officers.

The vote in favor was cast by Members Bagley, Bailey, Bohmke, Franklin, Gary, Hayes, Karantonis, Kelly, McLaughlin, Mensing, Smith, Storck, and Walkinshaw.

Authorization to Execute a Contract for Facility Security Services – 9D

Ms. Bailey moved, with a second by Mr. Karantonis, to authorize the CEO to execute a contract with Allied Universal Security Services for Facility Security Services.

The vote in favor was cast by Members Bagley, Bailey, Bohmke, Franklin, Gary, Hayes, Karantonis, Kelly, McLaughlin, Mensing, Smith, Storck, and Walkinshaw.

Authorization to Execute a Sole Source Service Level Agreement for Automatic Passenger Counting System Software and Maintenance – 9E

Ms. Bailey moved, with a second by Ms. Gary, to authorize the CEO to execute a sole source service level agreement with Infodev Electronic Designers International Inc. for Automatic Passenger Counting system software and maintenance.

The vote in favor was cast by Members Bagley, Bailey, Bohmke, Franklin, Gary, Hayes, Karantonis, Kelly, McLaughlin, Mensing, Smith, Storck, and Walkinshaw.

Recommend the Commissions Approve the 2024 VRE Legislative Agenda – 9F

Mr. Karantonis moved, with a second by Ms. Gary, to recommend the Commissions approve the 2024 Legislative Agenda.

The vote in favor was cast by Members Bagley, Bailey, Bohmke, Franklin, Gary, Hayes, Karantonis, Kelly, McLaughlin, Mensing, Smith, Storck, and Walkinshaw.

Recommend Authorization to Submit a VRE Application to the NVTC I-66 Commuter Choice FY 2025-2026 Program – 9G

Ms. Bailey moved, with a second by Ms. Gary, to recommend the Commissions authorize the CEO to submit, on behalf of the Commissions, a VRE application(s) to the I-66 Commuter Choice FY 2025-2026 Program, to make any necessary corrections to the project amount or description in the application(s) and to execute all project funding agreements they may result.

The vote in favor was cast by Members Bagley, Bailey, Bohmke, Franklin, Gary, Hayes, Karantonis, Kelly, McLaughlin, Mensing, Smith, Storck, and Walkinshaw.

Policy for 360-Degree Assessment of the Chief Executive Officer – 9H

Ms. Bailey moved, with a second by Mr. Kelly, to amend and approve the resolution to establish a policy for the conduct of a 360-degree assessment for the VRE Chief Executive Officer **at least**¹ every three years as part of the annual evaluation process.

The vote in favor of the resolution as amended was cast by Members Bagley, Bailey, Bohmke, Franklin, Gary, Hayes, Karantonis, Kelly, McLaughlin, Mensing, Smith, Storck, and Walkinshaw.

¹ Amendment

Information Items – 10

FY 2025 Budget Update – 10A

VRE staff briefed the Operations Board on the status of ongoing refinements to the FY 2025 VRE Operating and Capital Budget. A final proposed budget will be presented in December for referral to the Commissions and jurisdictions.

The Board had a robust discussion about subsidies, proposed service levels and capital project priorities.

Spending Authority Report – 10B

The November Spending Authority Report outlined purchases greater than \$50,000 but less than \$200,000 made in October 2023.

Closed Session – 11

Vice-Chair Bohmke moved, with a second by Ms. Bailey, pursuant to the Virginia Freedom of Information Act (Section 2.2-3711.A(1) of the Code of Virginia), that the VRE Operations Board convene a closed meeting for the purpose of discussing two personnel matters relating to the performance of the Chief Executive Officer and the General Counsel and Chief Legal Officer.

The vote in favor was cast by Members Bagley, Bailey, Bohmke, Franklin, Gary, Hayes, Karantonis, Kelly, McLaughlin, Mensing, Smith, Storck, and Walkinshaw.

The closed session convened at 10:39 a.m. Member Mensing reported technical difficulties with her computer audio and called into the meeting for continued participation.

At 12:02 p.m. Vice Chair Bohmke moved, with a second by Ms. Gary, that the VRE Operations Board certifies that, to the best of each member's knowledge and with no individual member dissenting, at the just concluded Closed Session:

1. Only public business matters lawfully exempted from open meeting requirements under the Freedom of Information Act were discussed; and,
2. Only such public business matters as were identified in the motion by which the Closed Session was convened were heard, discussed, or considered.

Members Time – 12

Mr. Kelly announced this meeting was his last VRE Operations Board meeting; and, he encouraged colleagues on the Board to continue toward fulfilling the System Plan and rebuilding ridership.

Members wished all a happy Thanksgiving and thanked Mr. Kelly for his long tenured service on the VRE Operations Board.

Chair Walkinshaw thanked Mr. Kelly for his mentorship and his service to VRE.

The meeting adjourned without objection at 12:08 p.m.

Approved this 15th day of December 2023

James Walkinshaw
Chair

Ralph Smith
Secretary

CERTIFICATION

This certification hereby acknowledges the minutes for the November 17, 2023 Virginia Railway Express Operations Board Meeting have been recorded to the best of my ability.



Lezlie M. Lamb

RESOLUTION #2524

SUBJECT: Approve the 2024 VRE Legislative Agenda

WHEREAS: VRE is an essential part of the regional transportation network for the Northern Virginia and the DC Metropolitan region;

WHEREAS: VRE serves residents throughout the Commonwealth of Virginia to provide a meaningful public transportation option;

WHEREAS: It is essential for VRE to educate and advocate for desired legislative and regulatory outcomes with members of Congress and their staff, with staff of federal entities, in the Virginia General Assembly and with the governor and the administration;

WHEREAS: VRE has coordinated its Legislative Agenda with the staffs of the Commissions and member jurisdictions; and

WHEREAS: The VRE Operations Board recommends the following action.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission hereby approves the 2024 VRE Legislative Agenda and authorizes the VRE Chief Executive Officer to actively pursue the elements set forth in the document.

Approved this 7th day of December 2023.

Dalia Palchik
Chair

David F. Snyder
Secretary-Treasurer



Virginia Railway Express | 2024 Draft Legislative Agenda

State Funding and Legislative Issues

Commuter Rail Exemption for Virginia State Tax on Surplus Lines Insurance

Advance legislation that would add policies for rolling stock and operating properties of railroads used for commuter rail service in the commonwealth, as well as cybersecurity policies for organizations operating such service, to the exemptions for state tax on surplus lines insurance.

Future Additional Service

Educate legislators on VRE's plans for additional service as part of the Commonwealth's Transforming Rail in Virginia program and begin planning for the need to find additional sustainable funding for operations.

Commuter Rail Operating and Capital Fund (C-ROC)

Monitor all proposed transportation funding legislation to ensure there are no adverse changes to C-ROC revenue sources.

Explore ways to diversify C-ROC revenue sources to include sustainable options that will reduce reliance on the gas tax.



Restoration of Lost Transportation Revenue Resulting from the Elimination of the State Sales and Use Tax on Groceries

Support efforts to develop a plan to restore lost transportation revenue resulting from the elimination of the state sales and use tax on groceries. Elimination of the state sales and use tax on groceries reduced funding to public transportation by \$83 million over the SYIP and \$27 million for Virginia's passenger and freight rail programs.

Transportation Authorities

Monitor and support efforts by the Fredericksburg Area Metropolitan Planning Organization (FAMPO) to create a Regional Transportation Authority within Planning District 16, which includes several VRE member jurisdictions.

Freedom of Information Act

Coordinate with VRE's parent commissions and other stakeholders on legislative proposals that would maximize the flexibility of VRE and other public bodies to make policies on the conduct of electronic meetings that allow greater access to the public and opportunities for members to participate, while remaining open and transparent to the public.



Virginia Railway Express | 2024 Draft Legislative Agenda

Federal Funding, Legislative and Regulatory Issues

Federal Grant Programs

Work with the U.S. Department of Transportation (DOT), Virginia's congressional delegation, relevant congressional committees, and regional stakeholders to educate and secure administration and congressional support for discretionary grant applications submitted by VRE or the Virginia Passenger Rail Authority (VPRA); or applications for projects submitted by others for projects directly impacting VRE service.

Rail Passenger Transportation Liability Cap

Collaborate with industry stakeholders in urging congress to make changes to the timeline for implementation of increases to the Rail Passenger Transportation Liability Cap from 30 days to as much as 180 days, as well as any other changes to the liability cap adjustment process that would be advantageous to VRE.

Infrastructure Investment and Jobs Act/Bipartisan Infrastructure Law Implementation and Yearly Appropriations

Continue to partner with industry stakeholders and associations to advocate for robust annual appropriations, funding levels at the authorized levels, and appropriate implementation policies to support commuter rail and mass transit.

U.S. DOT Regulations and Rulemaking

Track and comment on proposed guidance, rulemakings, or requests for comment from U.S. DOT helping to advance permit streamlining reforms applicable to VRE's operations and Capital Improvement Program, as well as any proposed new or changes to existing rail related regulations.

Surface Transportation Board (STB) Authority

Educate Congress and the administration on the imperative of preserving STB's jurisdiction over VRE and other common carrier commuter railroads. This will come in the form of letters to Members of Congress and committees of jurisdiction, as well as in-person or virtual meetings to discuss VRE's position and circumstance.

Monitor industry, congressional, and administration efforts affecting the ability of VRE, and similar commuter railroads, to seek relief from the STB when negotiating with Amtrak. As necessary, submit comments to regulatory bodies to advocate for preserving STB jurisdiction over VRE.



Federal Funding, Legislative and Regulatory Issues

Federal Workforce

Follow legislative and administration actions focused on Federal workforce return to in-office work and permanent work-from-home policies, identifying opportunities to request strategies spreading the days federal workers and consultants are physically in the office throughout the workweek. These strategies would increase efficiency of the entire transportation system that currently sees peak usage and congestion mid-week and under-utilization on Mondays and Fridays

Educate Congress and the administration on the imperative of siting new federal buildings and leasing federal office space at transit hubs that include both heavy and commuter rail, to promote transit ridership amongst the federal workforce.

Transit Benefits

Engage with relevant stakeholders on a proposal to increase and/or restructure transit benefits, including support for allowing a bike transit benefit to be used in concert with transit and parking benefits to encourage biking to VRE stations.



RESOLUTION #2525

SUBJECT: Accept and Authorize Distribution of VRE's FY 2023 Annual Comprehensive Financial Report

WHEREAS: The VRE Operations Board has contracted with the firm of PBMares, LLP for the audit of its financial statements;

WHEREAS: The audit of the VRE FY 2023 financial statements has been completed;

WHEREAS: The auditors have issued an unmodified opinion that the VRE statements, in all material respects, fairly and accurately present the financial position of the commuter rail operation; and

WHEREAS: The VRE Operations Board recommends the following action.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission hereby accepts the VRE FY 2023 Annual Comprehensive Financial Report (ACFR) and associated information from the auditors and hereby authorizes the VRE Chief Executive Officer to forward this information to interested groups, firms and members of the public.

Approved this 7th day of December 2023.

Dalia Palchik
Chair

David F. Snyder
Secretary-Treasurer



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the years ended June 30, 2023 and 2022

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.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Virginia Railway Express

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrell

Executive Director/CEO

VIRGINIA RAILWAY EXPRESS

Annual Comprehensive Financial Report

YEARS ENDED JUNE 30, 2023 AND 2022



Prepared by:

Department of Finance

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Introductory Section





VIRGINIA RAILWAY EXPRESS

November 7, 2023

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 annual comprehensive financial report for the fiscal year ended June 30, 2023, for the Virginia Railway Express (VRE). VRE is a commuter rail service jointly owned and operated by the Northern Virginia Transportation Commission (NVTC) and the Potomac and Rappahannock Transportation Commission (PRTC), collectively referred to as “the Commissions.” 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 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 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 PBMares, LLP, a firm of licensed certified public accountants, and have earned an unmodified 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) immediately follows 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 near Fredericksburg and Manassas, Virginia, and terminating at Union Station in Washington, DC. VRE began operations in 1992 with 16 daily trains and 1,800 average daily ridership. During fiscal year 2023, VRE operated 32 daily trains in revenue service and carried an average daily ridership of 5,866 over 250 service days. VRE ridership throughout fiscal year 2023 continued to be materially affected by changes to employment and travel patterns resulting from the COVID-19 pandemic.

VRE is owned by the Commissions. Certain functions have been delegated to the VRE Operations Board, which consists of representatives of the Commissions who are also representatives of all contributing and participating jurisdictions, plus the Virginia Secretary of Transportation or their designee. VRE is managed by the Chief Executive Officer, who is a contract employee of both Commissions. PRTC is the recipient of federal grants for the commuter rail service, and NVTC is the recipient of state grants for the commuter 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 2023, VRE focused on improving its facilities, rolling stock, and systems to ensure the financial health and operational safety of the current rail service and to allow for future system expansion.

- **Facilities:** In fiscal year 2023, VRE completed work on the Rolling Road Station Improvements project, the construction of the L'Enfant South Storage Track, and the Headquarters office renovation. Construction was also substantially completed on the Lifecycle Overhaul and Upgrade (LOU) Facility at Crossroads Yard, and an opening ceremony was held on June 28, 2023. However, the facility did not officially enter service until August 2023. Major construction work continued as well on the Quantico and Fredericksburg station improvement projects, and construction kicked off on the new parking garage and pedestrian bridge at the Manassas Park station. Development efforts continued on several VRE expansion projects that will allow for future system growth, including the Broad Run, Crystal City, Alexandria, and L'Enfant station projects.
- **Rolling Stock:** In fiscal year 2023, progress continued towards the delivery of twenty-one new passenger railcars from Alstom Transportation Inc. Once in service, the expanded railcar fleet will provide VRE with operational flexibility and the opportunity for longer trains and/or additional service frequency. The cars are expected to be completed and ready for revenue service by fiscal year 2027.
- **Systems:** In fiscal year 2023, VRE began using the Automated Passenger Counter (APC) system for certain ridership tracking and planning purposes, although the system has not yet undergone Federal Transit Administration validation for use in reporting to the National Transit Database (NTD). That validation has been delayed by the pandemic and low ridership but is expected soon. VRE also completed installation of certain station lighting upgrades. VRE is continuing the deployment of a system-wide upgrade to the Variable Message Sign (VMS) network. Additional development and implementation work on the Tyler "Enterprise ERP" system (previously known as Munis) also continued this year, with a successful July 1, 2023, go live date for the inventory module.

VRE continues to advance the engineering, environmental clearances, design, and construction for both the Manassas Line Capacity Expansion program (funded primarily through the I-66 Outside the Beltway concessionaire payment) and the Fredericksburg Line Capacity Expansion program (funded primarily through the Commonwealth's SMART SCALE program). Both expansion efforts have also received crucial regional funding from the Northern Virginia Transportation Authority (NVTA). The component projects within these programs will provide new railcars for expanded carrying capacity, additional parking facilities at key stations, expanded station platforms to improve passenger boarding and alighting, storage and maintenance facility expansions, and real-time traveler information. Taken together, these programs will increase VRE's capacity as well as its ability to provide new services.

In 2018, the Virginia legislature created the Commuter Rail Operating and Capital (C-ROC) Fund. C-ROC funding is dedicated to “retaining, maintaining, improving, and developing commuter rail-related infrastructure improvements and operations” that are “essential to the Commonwealth’s continued economic growth, vitality, and competitiveness.” \$15 million annually is dedicated to the C-ROC Fund from fuel tax revenues generated in the NVTC and PRTC region, which is then available to VRE for its use on operating and capital projects. Funding of \$1.25 million per month began flowing into the C-ROC Fund on July 1, 2018.

December 2019 saw the announcement of the Transforming Rail in Virginia (TRV) program, which included a landmark agreement between the Commonwealth and CSX Transportation (CSXT) for the acquisition of railroad right-of-way in the RF&P Corridor. This ambitious program of capital improvements, which includes the construction of a new passenger-dedicated two-track Long Bridge across the Potomac River, will occur in phases over the next decade and beyond. The investments will improve the capacity and reliability of both commuter and intercity passenger rail services while maintaining freight interoperability in the corridor.

To date, VRE has programmed \$45 million of C-ROC funds (covering fiscal years 2019, 2020, and 2021) towards its L’Enfant and Crystal City station improvement projects as well as the Track 22 rehabilitation project at Union Station in conjunction with Amtrak. In March 2021, VRE entered into a Funding Agreement with the Virginia Passenger Rail Authority (VPRA) that commits VRE to use C-ROC funds to support the TRV program both through the issuance of debt and through pay-as-you-go (PAYGO) capital contributions.

On June 28, 2022, VRE and NVTC (with NVTC as the Issuer) closed the sale of the Transportation District Special Obligation Revenue Bonds (Transforming Rail in Virginia) Series 2022 (Green Bonds). The sale of these double-A rated tax-exempt bonds generated approximately \$119 million in net proceeds that were then transferred to VPRA in July 2022. VRE continues to make PAYGO capital contributions in accordance with the Funding Agreement that are supporting the engineering and design efforts on the Long Bridge project.

Long-Term Financial Planning

In order to prioritize investment needs and identify future growth opportunities, the VRE System Plan 2040 was adopted by the VRE Operations Board in January 2014. The plan assesses the future long-term ridership demand for VRE service and identifies the service expansions and capital investments necessary to accommodate that demand. The plan provides a framework for VRE system investments and actions VRE should pursue to best meet long-term regional travel needs.

The TRV program of projects will address many of the needs identified in VRE’s System Plan 2040, and VRE is contributing C-ROC funds to support key TRV projects in the VRE service area. The agreement between the Commonwealth and CSXT also will result in changes to operations in the corridor, with passenger and freight traffic being essentially segregated. This has resulted in changes to VRE’s original plans for station expansions on the Fredericksburg Line.

In June 2022, VRE staff initiated the System Plan 2050 update process to reflect the planned TRV investments as well as significant changes in regional travel patterns since 2014. The scope of this comprehensive update is structured into three discrete phases that will take place over 18-24 months and will allow VRE to identify ways to serve a greater number of people and support a variety of regional travel needs.

Financial Environment

As the regional road network has become more crowded over the last 25 years, particularly in the critical Interstate 95/395 and Interstate 66 Corridors of Statewide Significance, the VRE commuter rail system has provided an important travel alternative for Virginia commuters. VRE has remained competitive over time due to investments in new equipment and regular maintenance of existing equipment, a focus on reliability and on-time performance, and strong customer service, as well as growth in the overall economy of the Washington region. The Commonwealth's TRV program will address many of the major investment needs identified in VRE's System Plan 2040 – most notably, providing additional passenger capacity across the Potomac River – and will position VRE for continued long-term growth.

The near and medium-term environment remains uncertain given the impact of the COVID-19 pandemic on employment and travel patterns. As of October 2023, midweek ridership on VRE remains down approximately 60 percent from pre-pandemic levels. Ridership grew steadily in fiscal year 2023 as more employees returned to working in offices, and ridership is expected to continue to grow in fiscal year 2024. However, remote work is still being heavily utilized in the Washington region, with some public and private sector organizations remaining fully remote while many others have transitioned to a 'hybrid' approach. The ultimate impact on VRE's ridership will depend on many factors – economic, political, and organization-specific – that are not directly within VRE's control. VRE is focused on a wide range of actions, including marketing, promotional fares, and potential service modifications to expand beyond the traditional peak-hour federal employee commute market and grow ridership.

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, 2022 and 2021.

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. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and will be submitting it to the GFOA for review.

This report could not have been prepared without the dedicated cooperation of the entire VRE Accounting and 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.

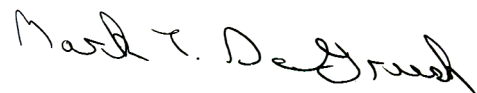
Respectfully submitted,



Rich Dalton
Chief Executive Officer



Mark Schofield
Chief Financial Officer



Mark T. DeGrush
Comptroller

DIRECTORY OF PRINCIPAL OFFICIALS AND KEY PERSONNEL
2023 VRE Operations Board

Officers

Chair	Hon. James Walkinshaw, Fairfax County
Vice - Chair	Hon. Meg Bohmke, Stafford County
Secretary	Hon. Ralph Smith, City of Manassas
Treasurer	Hon. Sarah Bagley, City of Alexandria

Members

Hon. Andrea Bailey, Prince William County
Margaret Franklin, Prince William County
Hon. Monica Gary, Stafford County
Hon. Lori Hayes, Spotsylvania County
Hon. Takis Karantonis, Arlington County
Hon. Matthew Kelly, City of Fredericksburg
Hon. Jeanine Lawson, Prince William County
Michael McLaughlin, Commonwealth of Virginia
Hon. Alanna Mensing, City of Manassas Park
Hon. Daniel Storck, Fairfax County

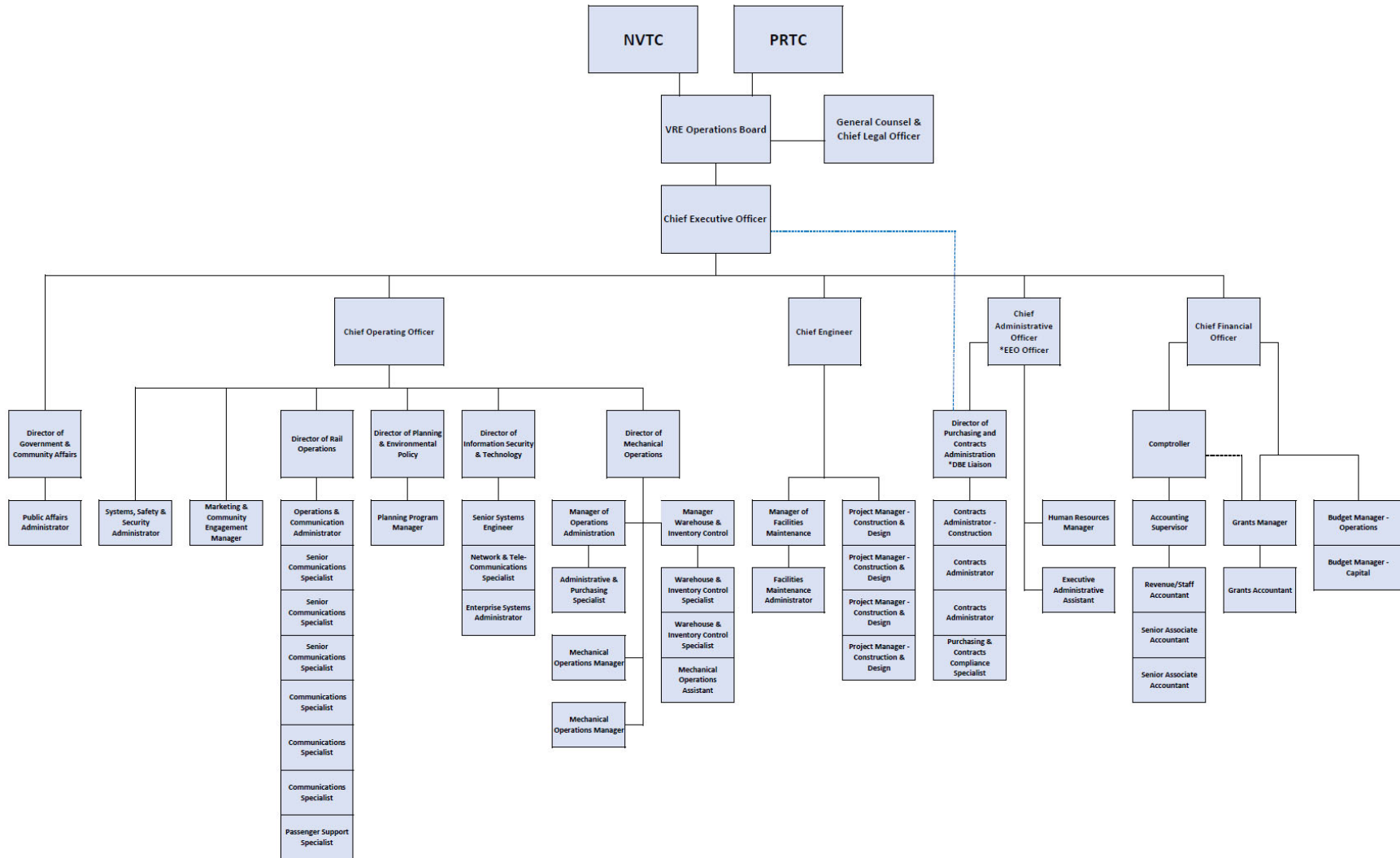
Alternates

Hon. Canek Aguirre, City of Alexandria
Hon. Victor Angry, Prince William County
Hon. Deborah Frazier, Spotsylvania County
Hon. Libby Garvey, Arlington County
Hon. Jason Graham, City of Fredericksburg
Hon. Jeff McKay, Fairfax County
Hon. Darrell Moore, City of Manassas Park
Hon. Pamela Sebesky, City of Manassas
Emily Stock, Commonwealth of Virginia
Hon. Ann Wheeler, Prince William County

Management

Chief Executive Officer	Richard Dalton
Chief Financial Officer	Mark Schofield
Chief Administrative Officer	Anaya Farah
Chief Legal Officer	Stephen A. MacIsaac
Comptroller	Mark T. DeGrush
Director, Government and Community Affairs	Joseph Swartz
Director, Rail Operations	Chris Henry

Virginia Railway Express
Organizational Chart
As of June 30, 2023



* Note: Director of Purchasing and Contracts Administration reports to the CEO in matters related to their duties as DBE liaison

Chief Administrative Officer - primary EEO Officer for VRE

VRE General Counsel & Chief Legal Officer reports to the Operations Board and also assists the NVTC Commission with legal matters

Financial Section



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Virginia Railway Express (VRE), 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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the VRE's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of VRE, as of June 30, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the VRE and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the VRE's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing audits in accordance with GAAS, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, we

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the VRE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the VRE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 10-19 and 66-71, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 audits 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 on them.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2023 on our consideration of the VRE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of VRE's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the VRE's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
November 7, 2023



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides the reader with an overview of the activities and performance of the Virginia Railway Express (VRE) for the fiscal year ended June 30, 2023. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the letter of transmittal on pages 1-4 of this report and the financial statements, which begin on page 20.

Financial Operations and Highlights

- Operating revenues increased by 34 percent compared to the prior year, from \$10,634,078 to \$14,250,860. Ridership increased 78.4 percent from 821,828 to 1,466,480, reflecting the return of ridership following the COVID-19 Coronavirus pandemic throughout fiscal year 2022 and 2023. Average daily ridership was 5,866 in fiscal year 2023 compared to 3,314 in fiscal year 2022. Average daily ridership in fiscal year 2020 was 18,329 through the end of February 2020, the last month prior to the negative ridership effects of COVID.
- Operating expenses increased by 11.9 percent from \$82,329,324 to \$92,086,157. Primary drivers of increased costs include salaries and benefits, professional/administrative services, access fees, diesel fuel, and contract & grant funded operations/maintenance.
- Non-operating revenue increased 7 percent from \$97,311,179 to \$103,932,325, primarily as the result of increased funds from the Commonwealth of Virginia to support access fee payments, increased jurisdictional subsidy contributions to meet fiscal year budgetary needs, offset by reduction of operating support related to the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- Capital grants and assistance increased by 13.2 percent from \$44,146,486 to \$49,988,142 because of increased capital project spending. VRE continues to have many capital projects in various stages of development, several of which are in the major construction phase in fiscal year 2023.
- The operating loss before depreciation and amortization was \$77,835,297, an increase from the previous year of 8.6 percent. Local, state, and federal support is accounted for as non-operating income and is used to offset these losses.
- VRE's total net position increased by \$46,319,525 from \$466,483,469 to \$512,802,994, or 9.9 percent, primarily due to an increase in passenger revenue, jurisdictional subsidies, state, and federal grants including operating support related to the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, as well as investment revenue related to the LGIP CROC fund and the various funds supporting the Series 2022 bond issuance. At the end of the fiscal year, unrestricted net position was \$154,596,921, an increase of \$6,089,442, primarily related to the effects of a completed bond issuance at the end of fiscal year 2022.
- During the fiscal year, capital assets, net of accumulated depreciation and amortization, increased by 41.9 percent, as the combined result of increased capital expenditures during the fiscal year and the recognition of annual depreciation and amortization.

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 contained 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 Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. Comparative data for the prior fiscal year is provided for all three statements.

The Statements of Net Position reports VRE's net position, the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is 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 Position report all 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 20-23 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 24-65 of this report.

Financial Analysis - Statements of Net Position

As noted earlier, net position may serve over time as an indicator of financial strength, although other indicators should be considered as well. A condensed summary of VRE's Statements of Net Position at June 30, 2023, 2022, and 2021 is shown below.

Condensed Statements of Net Position

	2023	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Current and other assets	\$ 199,840,804	\$ 305,953,698	\$ 155,541,220
Capital assets, net	502,695,977	354,171,361	326,005,769
Total assets	702,536,781	660,125,059	481,546,989
Deferred outflows of resources	1,084,713	1,455,938	1,718,418
Total assets and deferred outflows of resources	703,621,494	661,580,997	483,265,407
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Current portion of long-term debt	6,720,018	6,819,694	4,104,230
Other current liabilities	18,372,265	14,241,895	8,215,879
Noncurrent liabilities	164,030,549	170,730,321	49,715,447
Total liabilities	189,122,832	191,791,910	62,035,556
Deferred inflows of resources	1,695,668	3,305,618	47,629
Total liabilities and deferred inflows of resources	190,818,500	195,097,528	62,083,185
NET POSITION:			
Net investment in capital assets	322,715,330	290,402,387	274,934,995
Restricted	35,490,743	27,573,603	14,781,470
Unrestricted	154,596,921	148,507,479	131,465,757
Total net position, as restated	\$ 512,802,994	\$ 466,483,469	\$ 421,182,222

Current Year

Net position increased by approximately \$46.3 million, or 9.9 percent during the current fiscal year, due mainly to an increase in passenger revenue, jurisdictional subsidies, state, and federal grants including operating support related to the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, as well as investment revenue related to the LGIP CROC fund and the various funds supporting the Series 2022 bond issuance.

The largest portion of VRE's net position, \$322.7 million or 62.9 percent, represents its investment in capital assets (e.g., land, buildings, improvements, rolling stock, equipment, software, right-to-use assets and accumulated depreciation and amortization), 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 the capital assets themselves will be liquidated to pay liabilities.

Restricted net position increased approximately \$7.9 million or 28.7 percent, primarily related to the issuance of a Transportation District Special Obligation Revenue Bond in June 2022. The majority of VRE's restricted net position, \$35.5 million, represents resources that are restricted bond proceeds and for debt service.

Capital assets, net of accumulated depreciation and amortization, increased approximately \$148.5 million or 41.9 percent as the result of increased construction in progress (CIP) project expenditures, a contribution to the VPRA for the CSX right of way project, and the implementation of GASB 96 (Subscription-Based Information Technology Arrangements) creating a right-to-use subscription asset.

Current liabilities increased approximately \$4.0 million or 19.1 percent because of increases in accounts payable and accrued expenses.

Noncurrent liabilities and deferred inflows of resources decreased approximately \$8.3 million or 4.8 percent primarily because of scheduled bond and capital lease repayments during the year and the reduction of the pension liability.

Prior Year

Net position increased by approximately \$45.3 million, or 10.8 percent during the current fiscal year, due mainly to capital contributions used to fund system improvements, the issuance of a Transportation District Special Obligation Revenue Bond, the Commuter Rail Operating and Capital (C-ROC) Fund and operating support related to the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act.

The largest portion of VRE's net position, \$290.4 million or 62.3 percent, represents its investment in capital assets (e.g., land, buildings, improvements, rolling stock, equipment, software, right-to-use assets and accumulated depreciation and amortization), 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 the capital assets themselves will be liquidated to pay liabilities.

Restricted net position increased approximately \$12.8 million or 86.5 percent, primarily related to the issuance of a Transportation District Special Obligation Revenue Bond in June 2022. The majority of VRE's restricted net position, \$133.3 million, represents resources that are restricted bond proceeds and for debt service.

Capital assets, net of accumulated depreciation and amortization, increased approximately \$28.2 million or 8.6 percent as the result of increased construction in progress (CIP) project expenditures and the recognition of annual depreciation and amortization.

Current liabilities increased approximately \$8.7 million or 10.8 percent as the result of increases in the current portion of Bonds Payable, as a result of the issuance of the Series 2022 Bonds, as well as increases in Accounts Payable, Accrued Expenses and Contract Retainage.

Noncurrent liabilities and deferred inflows of resources increased approximately \$124.3 million or 111.2 percent primarily because of the issuance of a Transportation District Special Obligation Revenue Bond in June 2022 offset by recognition of the elimination of pension liability and scheduled bond and capital lease repayments during the year.

Statements of Revenues, Expenses and Changes in Net Position

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

	2023	2022	2021
Operating revenues:			
Passenger revenue	\$ 13,940,102	\$ 10,517,221	\$ 7,251,796
Equipment rentals and other	310,758	116,857	165,478
Total operating revenues	14,250,860	10,634,078	7,417,274
Nonoperating revenues:			
Subsidies:			
Commonwealth of Virginia	42,011,586	21,975,609	14,110,733
Federal – with PRTC as grantee	9,289,764	8,070,012	21,741,238
Federal – CARES Act	20,267,695	47,232,405	28,305,131
Jurisdictional contributions	13,544,122	4,756,658	18,300,780
Commuter Rail Operating and Capital Fund	15,000,000	15,000,000	15,000,000
Interest income	3,803,323	276,495	213,894
Increase in fair value of investments	15,835	-	-
Total nonoperating revenues, net	103,932,325	97,311,179	97,671,776
Total revenues	118,183,185	107,945,257	105,089,050
Operating expenses:			
Contract operations and maintenance	30,866,478	28,495,740	28,125,410
Other operations and maintenance	20,661,998	17,763,617	15,603,856
Property leases and access fees	18,436,123	17,283,411	17,354,979
Insurance	7,732,360	7,431,921	7,100,216
Marketing and sales	1,175,036	795,787	979,335
General and administrative	13,214,162	10,558,848	12,659,432
Total operating expenses	92,086,157	82,329,324	81,823,228
Other expenses:			
Depreciation and amortization	22,480,189	21,552,764	21,118,165
Interest, financing costs and other	7,285,456	2,908,408	1,904,569
Total other expenses	29,765,645	24,461,172	23,022,734
Total expenses	121,851,802	106,790,496	104,845,962
Surplus (deficit) before capital contributions and extraordinary item	(3,668,617)	1,154,761	243,088
Capital grants and assistance:			
Commonwealth of Virginia grants	27,879,245	25,604,500	2,339,034
Federal grants – with PRTC as grantee	20,406,397	17,603,912	8,738,493
Regional transportation funding (NVTa)	1,702,500	875,805	528,067
In-kind and other local contributions	-	62,269	518,086
Total capital grants and assistance	49,988,142	44,146,486	12,123,680
Change in net position	46,319,525	45,301,247	12,366,768
Net position - beginning of year	466,483,469	421,182,222	408,815,454
Net position - end of year	\$ 512,802,994	\$ 466,483,469	\$ 421,182,222

Revenues

Current Year

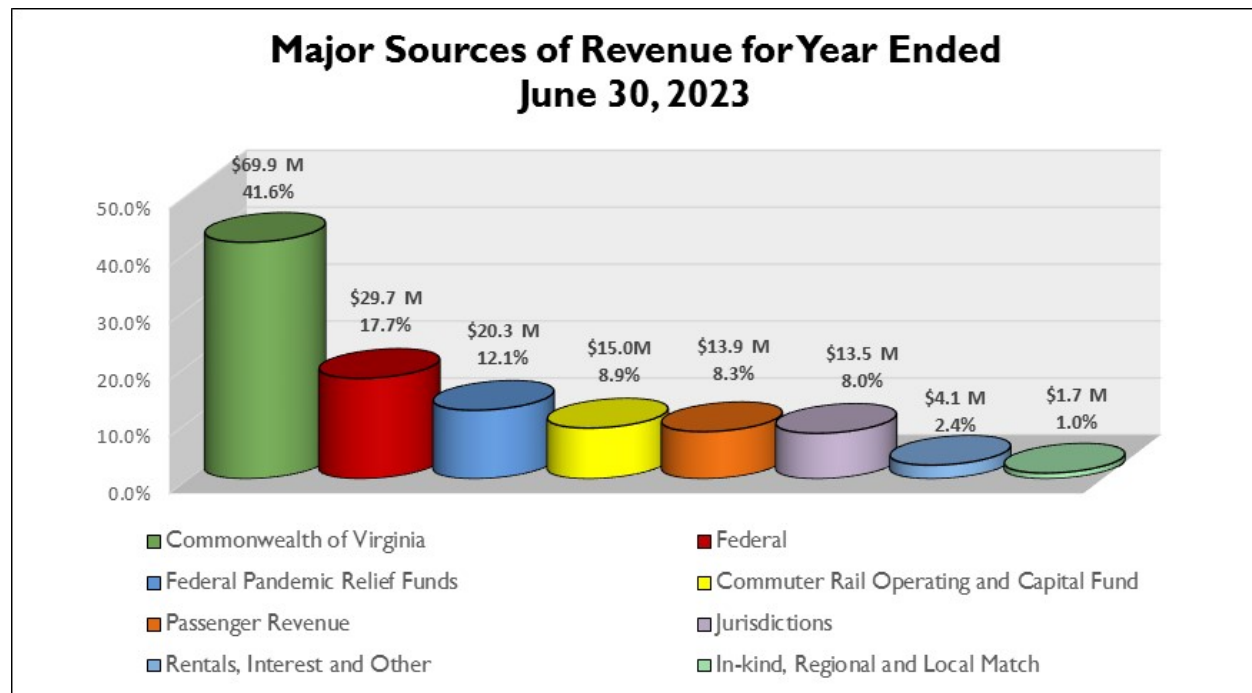
Total revenues for the current fiscal year increased approximately \$10.2 million or 9.5 percent. Operating revenues totaled approximately \$14.3 million, an increase of 34.0 percent from the prior year. Jurisdictional subsidies and contributions to project operating costs increased by approximately \$8.8 million. State, federal, and regional subsidies decreased by \$5.7 million, primarily as the result of a reduction of \$27.0 million in CARES Act funding related to the COVID-19 pandemic, \$15.9 million increase from return of federal and state operating support for railroad access fees and an additional \$4.1 million in state operating subsidy. Fiscal year 2023 is the fifth year of the Commuter Rail Operating and Capital (C-ROC) Fund, with \$15.0 million contributed to VRE each year.

Passenger revenue increased approximately \$3.4 million or 32.5 percent, reflecting the effects of the return of ridership in the early period following the COVID-19 pandemic. Total ridership increased by 78.4 percent as the result of the same factor. Average daily ridership was 5,866 in fiscal year 2023 compared to 3,314 in fiscal year 2022 and 1,389 in fiscal year 2021.

	June 30,		
	2023	2022	2021
Ridership	1,466,480	821,828	341,662
% Increase (Decrease)	78.4%	140.5%	(89.6%)

Capital grants and assistance increased approximately \$5.8 million or 13.2 percent; this increase is attributed to increases in capital project spending in fiscal year 2023. VRE continues to have many capital projects in various stages of development, several of which are in the major construction phase in fiscal year 2023.

The following chart shows the major sources of revenue for the year ended June 30, 2023:



Prior Year

Total revenues for the current fiscal year increased approximately \$2.9 million or 2.7 percent. Operating revenues totaled approximately \$10.6 million, an increase of 43.4 percent from the prior year. Jurisdictional subsidies and contributions to project operating costs decreased by approximately \$13.5 million. State, federal and regional subsidies increased by \$13.1 million, primarily as the result of an additional \$18.9 million in CARES Act funding related to the COVID-19 pandemic and an additional \$8.4 million in state operating subsidy, offset by reductions in federal and state operating support for railroad access fees. Fiscal year 2022 is the fourth year of the Commuter Rail Operating and Capital (C-ROC) Fund, with \$15.0 million contributed to VRE each year.

Passenger revenue increased approximately \$3.3 million or 45.0 percent, reflecting the effects of the return of ridership in the early period following the COVID-19 pandemic. Total ridership increased by 140.5 percent as the result of the same factor. Average daily ridership was 3,314 in fiscal year 2022 compared to 1,389 in fiscal year 2021 and 12,992 in fiscal year 2020.

Capital grants and assistance increased approximately \$32.0 million or 264.1 percent; this increase is attributed to increases in capital project spending in fiscal year 2022. VRE continues to have many capital projects in various stages of development, several of which are in the major construction phase in fiscal year 2022.

Expenses

Current Year

Total operating and other expenses, including depreciation and amortization, increased by approximately \$15.1 million or 14.1 percent. Operating expenses increased by approximately \$9.8 million or 11.9 percent. Total operating expenses were approximately \$92.1 million compared to \$82.3 million for the prior fiscal year.

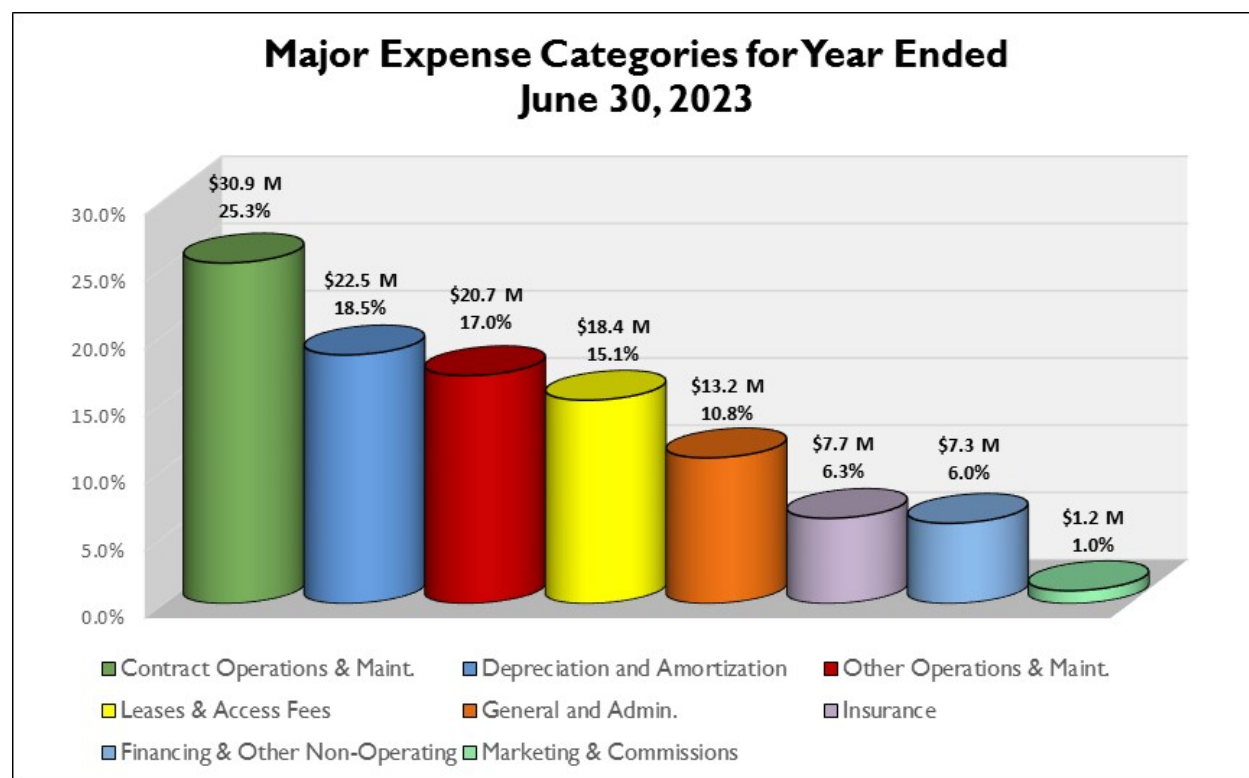
Insurance costs increased by \$0.3 million or 4.0 percent due to ongoing changes in the global insurance market for commuter railroads. General and administrative costs increased by \$2.7 million or 25.1 percent, primarily due to increases in salaries, consulting services, and new major CIP projects, offset by the effects of the implementation of the GASB 96 SBITA standard related to software costs.

Contract operations and maintenance increased by approximately \$2.4 million or 8.3 percent, primarily due to increased costs for train operations.

Marketing and sales costs increased by \$0.4 million or 47.7 percent, primarily due to ramped up post-pandemic marketing production efforts.

Depreciation and amortization increased by approximately \$0.9 million or 4.3 percent, primarily due to the implementation of the GASB 96 standard. Net interest and financing costs increased by approximately \$4.4 million or 150.5 percent, related to the bond interest related to the Series 2022 Bond, offset by the Series 2022 Bond issuance costs primarily being incurred in the prior fiscal year.

The following chart shows the major expense categories for the year ended June 30, 2023:



Prior Year

Total operating and other expenses, including depreciation and amortization, increased by approximately \$1.9 million or 1.9 percent. Operating expenses increased by approximately \$0.5 million or 0.6 percent. Total operating expenses were approximately \$82.3 million compared to \$81.8 million for the prior fiscal year.

Insurance costs increased by \$0.3 million or 4.7 percent due to ongoing changes in the global insurance market for commuter railroads. General and administrative costs decreased by \$2.1 million or 16.6 percent, primarily due to increases in salaries, software costs, information technology repair and maintenance costs and office maintenance costs, offset by the effects of the implementation of the GASB 87 Lease standard related to Office and Parking costs, and the year-to-year variance caused by the write off to expense of four discontinued CIP projects in fiscal year 2021 and not in fiscal year 2022.

Contract operations and maintenance increased by approximately \$0.3 million or 1.3 percent. Contract, property lease and access fee costs remained effectively flat, decreasing by less than \$0.1 million or 0.4 percent, in part due to cost reductions for Amtrak access fees related to federal COVID relief. Other operations and maintenance costs increased by \$2.2 million or 13.8 percent, primarily due to an increase in diesel fuel costs of \$2.4 million due to resumption of full service and rising fuel prices during the fiscal year. All other costs in this category decreased by \$0.2 million or 1.4% combined.

Marketing and sales costs decreased by \$0.2 million or 18.7 percent, primarily due to decreased costs related to reduced costs related to mitigation of COVID.

Depreciation and amortization increased by approximately \$0.4 million or 2.1 percent and net interest and financing costs increased by approximately \$1.0 million or 52.7 percent, related to the costs of issuance for the Series 2022 Bonds.

Capital Assets and Debt Administration

Capital Assets

VRE's investment in capital assets as of June 30, 2023 totals approximately \$502.7 million (net of accumulated depreciation and amortization). Investment in capital assets includes the items identified in the table below. Acquisitions are funded from a variety of sources, including loans and grants from various government agencies and other local sources.

	2023	2022	2021
Construction in progress	\$ 121,202,856	\$ 80,340,785	\$ 33,184,419
Intangible right-to-use lease buildings	1,463,568	1,385,031	-
Intangible right-to-use lease parking lots	273,503	579,328	-
Intangible right-to-use lease tower	99,581	99,581	-
Right-to-use subscription asset	1,534,524	-	-
Rolling stock	286,777,390	285,303,075	285,279,918
Vehicles	151,340	145,560	145,560
Facilities	119,028,802	112,979,178	112,809,451
Track and signal improvements	100,108,269	100,108,269	100,108,269
Equipment and software	13,917,147	13,370,290	13,031,118
Equity in property of others	124,946,482	5,787,287	5,787,287
Furniture, equipment and building improvements	7,532,000	6,259,838	6,258,646
	<u>777,035,462</u>	<u>606,358,222</u>	<u>556,604,668</u>
Less accumulated depreciation and amortization	(274,339,485)	(252,186,861)	(230,598,899)
Total capital assets, net	<u>\$ 502,695,977</u>	<u>\$ 354,171,361</u>	<u>\$ 326,005,769</u>

Current Year

During fiscal year 2023, capital assets increased approximately \$148.5 million or 41.9 percent as the result of new project construction, a contribution to the VPRA for the CSX right of way project, and the implementation of the GASB 96 Subscription-Based Information Technology Arrangements standard. This increase was offset by the recognition of annual depreciation and amortization, the write-off of GASB 87 Leased assets (\$0.3 million), and the write-off of station platform construction in progress amounts (\$0.7 million). Completed projects totaling approximately \$10.2 million were transferred from construction in progress to their respective capital accounts and an additional \$119.4 million was charged directly to the capital accounts.

The major completed projects during the fiscal year were the contribution to the VPRA for the CSX right of way project (\$119.2 million), the Rolling Road Station improvements (\$3.8 million), the L'Enfant Storage South project (\$1.7 million), the Automated Passenger Counters in railcars project (\$1.5 million), the HQ renovation project (\$1.2 million), the second portion of the Lighting Replacements project (\$0.5 million), and improvements to the VMS Proof of Concept project (\$0.4 million).

The major additions to construction in progress during the fiscal year were costs related to the Crossroads LOU project (\$21.2 million), the Quantico Platform project (\$10.2 million), the contribution to the VPRA Long Bridge project (\$7.5 million), the twenty-one New Railcars project (\$4.3 million), the Fredericksburg Station rehab project (\$2.9 million), the Broad Run station & platform project (\$2.7 million), the Manassas Park parking expansion project (\$0.7 million), and the Crossroads MSF expansion project (\$0.5 million).

Additional information on VRE's capital assets and contractual commitments can be found in Notes 3 and 11 to the financial statements

Prior Year

During fiscal year 2022, capital assets increased approximately \$28.1 million or 8.6 percent, as the combined result of new project construction, implementation of the GASB 87 Lease standard and the recognition of annual depreciation and amortization. Completed projects totaling approximately \$0.5 million were transferred from construction in progress to their respective capital accounts and an additional \$11,100 was charged directly to the capital accounts. A small parcel of real property (land) was sold at the Quantico station for \$18,000 in fiscal year 2022.

The major completed projects during the fiscal year were the S&B Fare Collection System Validators purchase (\$0.3 million) and the Broad Run and Crossroads LED Yard Lighting Replacement (\$0.2 million).

The major additions to construction in progress during the fiscal year were costs related to the Crossroads Lifecycle and Overhaul and Upgrade Facility (\$19.4 million), the twenty-one New Railcars project (\$13.1 million), the Quantico station improvement project (\$6.7 million), the Rolling Road station platform extension project (\$2.7 million), the Broad Run station improvement project (\$1.7 million), the VRE Headquarters Office Renovation project (\$0.9 million), the Manassas Park parking expansion project (\$0.8 million) and the Enterprise Resource Planning (ERP) system development (\$0.7 million).

Additional information on VRE's capital assets and contractual commitments can be found in Notes 3 and 11 to the financial statements.

Debt Administration

At June 30, 2023, VRE had total debt outstanding of \$153,544,036.

The Northern Virginia Transportation Commission (NVTC) and the Potomac and Rappahannock Transportation Commission (PRTC) are co-lessees of the private placement note payable for rolling stock, which is secured by the related equipment.

The promissory note for the purchase of 60 Gallery railcars was issued by NVTC, but both NVTC and PRTC were signatories. This note was previously designated to the Federal Railroad Administration (FRA) as lender but was delegated to the Build America Bureau of the United States Department of Transportation in fiscal year 2017. This delegation had no effect on the terms of the note. The note was secured by the revenues of VRE and the rolling stock.

In fiscal year 2018, VRE entered into a financing agreement with the Virginia Resources Authority (VRA) for the purposes of refunding the FRA promissory note and reducing VRE's debt service costs. As required by the authorizing resolutions of the Commissions and jurisdictions, the VRA refunding loan did not extend the term of the original borrowing and achieved net present value debt service savings of not less than three percent. The FRA note was refunded in full with the proceeds of the VRA financing, and VRE has pledged its revenues to the repayment of the principal, premium, and interest on the local bond purchased by VRA.

In fiscal year 2022, VRE and NVTC successfully issued \$115,670,000 (par value) in Transportation District Special Obligation Revenue Bonds (“Series 2022 Bonds”). The bonds are limited obligations of NVTC and payable solely from pledged revenues of the Commuter Operating and Capital Fund (C-ROC), a special non-reverting fund in the state treasury on the Commonwealth of Virginia. The bond proceeds were used to fund a debt service reserve for the Series 2022 Bonds, to pay issuance and finance costs of the Series 2022 Bonds, and to finance contributions to the Virginia Passenger Rail Authority (VPRA) to assist with VPRA’s purchase of rail right-of-way from CSX Transportation.

	2023	2022	2021
Bonds payable	\$ 148,210,000	\$ 152,965,000	\$ 39,770,000
Private placement note payable	3,650,870	5,355,739	6,984,969
Leases payable	1,381,122	1,640,618	-
Subscription liability	302,044	-	-
Total	\$ 153,544,036	\$ 159,961,357	\$ 46,754,969

See Note 4 for additional information related to long-term debt activity.

Economic Factors and Next Year’s Budget

Population growth in Northern Virginia, especially in the outer suburbs served by VRE, continues to remain robust. Traffic congestion on many major highways has returned to or even surpassed pre-pandemic levels, which should continue to support long-term demand for VRE’s service as an alternative travel option. The constraining factors to VRE growth in the near-term are the effects on ridership demand resulting from increased use of remote work, as well as train scheduling, yard storage capacity, and the availability of operating funds to support changes in service to address new markets and travel patterns.

The local subsidy for fiscal year 2024 increased by \$2,455,878 or 18.1 percent to \$16,000,000. Fares were held constant; the previous general fare increase was 3.0 percent in fiscal year 2020. In fiscal year 2019 VRE began to receive funding from the Commonwealth of Virginia Commuter Rail Operating and Capital (C-ROC) Fund, which will continue in fiscal year 2024. Additional sources of funding will be available in fiscal year 2024 from federal, state and regional sources, although the amounts received will continue to vary from year to year.

Requests 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, Suite 202, Alexandria, Virginia 22314-2730 or by e-mail to mschofield@vre.org.

Basic Financial Statements

VIRGINIA RAILWAY EXPRESS

STATEMENTS OF NET POSITION

June 30, 2023 and 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2023	2022
Current Assets:		
Cash and cash equivalents	\$ 80,010,886	\$ 92,348,142
Accounts receivable:		
Federal Due from PRTC	32,091,015	22,615,359
Federal CARES Act	3,264,673	4,637,278
Commonwealth of Virginia grants	37,323,122	30,021,278
Commonwealth Rail Operating and Capital (C-ROC) Fund	2,500,000	2,500,000
Trade receivables, net of allowance for doubtful accounts	373,999	469,433
Other receivables	3,987,992	1,603,242
Inventory	3,165,942	3,148,774
Prepaid expenses and other	572,705	474,445
Restricted cash, cash equivalents and investments	35,423,290	145,841,405
Total current assets	198,713,624	303,659,356
Noncurrent Assets:		
Capital assets:		
Construction in progress	121,202,856	80,340,785
Intangible right-to-use lease buildings	1,463,568	1,385,031
Intangible right-to-use lease parking lots	273,503	579,328
Intangible right-to-use lease tower	99,581	99,581
Right-to-use subscription assets	1,534,524	-
Rolling stock	286,777,390	285,303,075
Vehicles	151,340	145,560
Facilities	119,028,802	112,979,178
Track and signal improvements	100,108,269	100,108,269
Equipment and software	13,917,147	13,370,290
Equity in property of others	124,946,482	5,787,287
Furniture, equipment and building improvements	7,532,000	6,259,838
	777,035,462	606,358,222
Less accumulated depreciation and amortization	(274,339,485)	(252,186,861)
Total capital assets, net	502,695,977	354,171,361
Leases receivable, noncurrent portion	1,059,727	1,402,949
Net pension asset	67,453	891,393
Total noncurrent assets	503,823,157	356,465,703
Total assets	702,536,781	660,125,059
Deferred Outflows of Resources:		
Loss on refunding	300,853	331,710
Pension plan	694,950	1,032,127
Other postemployment benefits	88,910	92,101
Total deferred outflows of resources	1,084,713	1,455,938
Total assets and deferred outflows of resources	\$ 703,621,494	\$ 661,580,997

VIRGINIA RAILWAY EXPRESS

STATEMENTS OF NET POSITION (Continued) June 30, 2023 and 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2023	2022
Current Liabilities:		
Accounts payable	\$ 9,045,422	\$ 7,370,602
Payable to the Commissions	1,937,977	1,687,982
Compensated absences	52,732	131,776
Accrued expenses	3,682,809	1,801,975
Accrued interest	913,781	482,987
Unearned revenue	1,266,371	1,202,584
Contract retainage	1,473,173	1,563,989
Current portion of bonds payable	4,565,000	4,755,000
Subscription liability	195,558	-
Lease liability	175,438	359,824
Current portion of private placement note payable	1,784,022	1,704,870
Total current liabilities	25,092,283	21,061,589
Noncurrent Liabilities:		
Other postemployment benefits	328,073	305,585
Bonds payable	159,591,000	164,626,477
Private placement note payable	1,866,848	3,650,869
Subscription liability	106,486	-
Lease liability	1,205,684	1,280,794
Compensated absences	932,458	866,596
Total noncurrent liabilities	164,030,549	170,730,321
Total liabilities	189,122,832	191,791,910
Deferred Inflows of Resources:		
Leases	1,029,445	1,402,949
Pension plan	582,225	1,761,605
Other postemployment benefits	83,998	141,064
Total deferred inflows of resources	1,695,668	3,305,618
Net Position:		
Net investment in capital assets	322,715,330	290,402,387
Restricted for liability insurance plan	10,147,403	10,022,903
Restricted for debt service	22,521,722	14,122,731
Restricted grants or contributions	2,754,165	2,536,576
Restricted pension asset	67,453	891,393
Unrestricted net position	154,596,921	148,507,479
Total net position	512,802,994	466,483,469
Total liabilities, deferred inflows of resources and net position	\$ 703,621,494	\$ 661,580,997

VIRGINIA RAILWAY EXPRESS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenues:		
Passenger revenue	\$ 13,940,102	\$ 10,517,221
Equipment rentals and other	310,758	116,857
Total operating revenues	14,250,860	10,634,078
Operating Expenses:		
Contract operations and maintenance	30,866,478	28,495,740
Other operations and maintenance	20,661,998	17,763,617
Property leases and access fees	18,436,123	17,283,411
Insurance	7,732,360	7,431,921
Marketing and sales	1,175,036	795,787
General and administrative	13,214,162	10,558,848
Total operating expenses	92,086,157	82,329,324
Operating loss before depreciation and amortization	(77,835,297)	(71,695,246)
Depreciation and Amortization	(22,480,189)	(21,552,764)
Operating loss	(100,315,486)	(93,248,010)
Nonoperating Revenues (Expenses):		
Subsidies:		
Commonwealth of Virginia grants	42,011,586	21,975,609
Federal grants – with PRTC as grantee	9,289,764	8,070,012
Federal CARES Act	20,267,695	47,232,405
Jurisdictional contributions	13,544,122	4,756,658
Commuter Rail Operating and Capital (C-ROC) Fund	15,000,000	15,000,000
Interest income:		
Operating funds	1,069,411	101,474
Insurance trust	183,169	19,451
Commonwealth Rail Operating and Capital (C-ROC) Fund	1,894,380	139,208
Leases	19,778	29,174
Other restricted funds	636,585	(12,812)
Interest, amortization and other nonoperating expenses, net	(7,285,456)	(2,908,408)
Increase in fair value of investments	15,835	-
Total nonoperating revenues, net	96,646,869	94,402,771
Capital Grants and Assistance:		
Commonwealth of Virginia grants	27,879,245	25,604,500
Federal grants – with PRTC as grantee	20,406,397	17,603,912
Regional transportation funding (NVTa)	1,702,500	875,805
Local contributions	-	62,269
Total capital grants and assistance	49,988,142	44,146,486
Change in net position	46,319,525	45,301,247
Net Position, beginning of year	466,483,469	421,182,222
Net Position, ending	\$ 512,802,994	\$ 466,483,469

VIRGINIA RAILWAY EXPRESS

STATEMENTS OF CASH FLOWS Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Receipts from customers	\$ 14,252,225	\$ 10,054,329
Payments to suppliers	(82,754,681)	(73,135,971)
Payments to employees	(9,019,027)	(8,496,495)
Net cash used in operating activities	(77,521,483)	(71,578,137)
Cash Flows from Noncapital Financing Activities:		
Governmental subsidies	81,116,539	83,196,830
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(166,991,329)	(43,893,625)
Capital grants and assistance	51,183,285	20,423,389
Proceeds from bond issuance	-	129,521,695
Proceeds from sale of capital assets	-	18,000
Private placement note payable	(1,704,869)	(1,629,230)
Principal paid on bonds	(4,755,000)	(2,475,000)
Lease liability	(359,710)	(423,322)
Subscription liability	(197,809)	-
Interest paid on private placement note payable	(211,845)	(302,128)
Interest paid on bonds and notes	(7,095,831)	(1,716,641)
Interest paid on leases	(44,234)	(50,937)
Interest paid on subscription liability	(4,084)	-
Bond issuance cost	-	(1,147,071)
Net cash provided by (used in) capital and related financing activities	(130,181,426)	98,325,130
Cash Flows from Investing Activities:		
Interest received on investments	3,830,999	247,321
Increase (decrease) in cash and cash equivalents	(122,755,371)	110,191,144
Cash and Cash Equivalents, beginning	238,189,547	127,998,403
Cash and Cash Equivalents, ending	\$ 115,434,176	\$ 238,189,547
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:		
Operating loss	\$ (100,315,486)	\$ (93,248,010)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	22,480,189	21,552,764
Write-off of construction in progress to expense	704,293	-
(Increase) decrease in:		
Accounts receivable	95,434	(182,244)
Inventory	(17,168)	(265,305)
Prepaid expenses and other	(98,260)	110,680
Lease receivable	(30,282)	
Deferred outflows of resources – pension	337,177	218,309
Deferred outflows of resources – other postemployment benefits	3,192	13,316
Deferred inflows of resources - pension	(1,179,380)	1,750,193
Deferred inflows of resources - other postemployment benefits	(57,066)	104,847
Pension asset	823,940	(2,120,377)
Other postemployment benefits	22,488	(130,428)
Increase (decrease) in:		
Accounts payable and accrued expenses	(225,767)	1,015,623
Unearned revenue	(64,787)	(397,505)
Net cash used in operating activities	\$ (77,521,483)	\$ (71,578,137)
Schedule of Noncash Capital Activities:		
Capital assets acquired through accounts payable	\$ 6,157,795	\$ 4,755,232
Capital assets acquired through accrued liabilities	3,160,495	562,821
Right-to-use assets acquired through subscriptions	583,559	-
Intangible right-to-use assets acquired through leases	100,277	2,063,940
Premium on bond acquired via debt issuance	-	12,136,265

VIRGINIA RAILWAY EXPRESS

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 revenue alone to produce positive operating income. In addition to fares, the system is financed with proceeds from the Commuter Rail Revenue Bonds, a federal loan (refinanced in fiscal year 2018 to a bond), lease financing, Federal (with PRTC as grantee) and Commonwealth of Virginia (with NVTC as grantee) grants, NVTA regional 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.

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.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

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.

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 fares paid by 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 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 Position when expended. 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), is reported at amortized cost.

Restricted cash and cash equivalents: Restricted cash, cash equivalents and investments of \$35,423,290 and \$145,841,405 at June 30, 2023 and 2022, respectively, are comprised of funds related to a property transfer with restricted future uses; a refund of the credit risk premium of a retired Railroad Rehabilitation & Improvement Financing (RRIF) loan; a small liability claims account; a debt service reserve fund for the Virginia Resources Authority (VRA) 2018A financing; a Liability Insurance Plan; a revenue fund, bond debt service fund, net proceeds project fund, debt service reserve fund, revenue stabilization fund, and cost of issuance (COI) fund related to the Series 2022 bond issuance; and a residual fund containing excess funds from the Series 2022 bond revenue fund that are restricted in use in accordance with the Funding Agreement between VRE and the Virginia Passenger Rail Authority (VPRRA).

Allowance for uncollectible accounts: VRE calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. The allowance was \$70,000 and \$53,000 at June 30, 2023 and 2022, respectively.

Inventory: VRE has purchased an inventory of spare parts for rolling stock that is maintained and managed at the Commission’s warehouse located at the Crossroads yard and warehouse facility. Inventory is stated at cost, which approximates market, and is valued using the first-in-first-out method.

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.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting (Continued)

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 acquisition 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 and other infrastructure (“equity in property of others”) recognizes the right of access for commuter rail patrons granted to the Commissions. This category represents investments in Amtrak infrastructure and facilities, as well as the recent contributions to the Virginia Passenger Rail Authority (VPRA) for the CSX right-of-way purchase and Long Bridge project, all which provide primary benefit to the commuter rail service and an expectation of continued use by the VRE.

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.

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

Rolling stock	8-25 years
Vehicles	5 years
Facilities	30-40 years
Track and signal improvements	5-30 years
Equipment and software	3-5 years
Equity in property of others	3-35 years
Furniture, equipment and building improvements	3-10 years
Intangible right-to-use lease assets and subscription assets	2-15 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, 2023 and 2022.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting (Continued)

Lessee: For new or modified contracts, VRE determines whether the contract is a lease. If a contract is determined to be, or contain, a lease with a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), VRE records a lease asset and lease obligation which is calculated based on the value of the discounted future lease payments over the term of the lease. If the interest rate implicit in the lease is not readily determinable, VRE will use the applicable incremental borrowing rate in the calculation of the present value of the lease payments.

Leases with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and expense is recognized as incurred over the lease term. At the commencement of a lease, VRE measures the lease liability at the present value of payments expected to be made during the lease term and then reduces the liability by the principal portion of lease payments made. The lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs, then amortized on a straight line basis over a period that is the shorter of the lease term or the useful life of similar capital assets. Lease payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

Key estimates and judgements related to leases include the determination of a discount rate, lease term, lease payments, and residual value guarantees or other provisions as follows:

Discount Rate:	When readily available or easily determinable, VRE uses the interest rate charged by the lessor. If not readily available or easily determinable, VRE uses its estimated incremental borrowing rate.
Lease Term:	The lease term includes the non-cancellable period of the lease.
Lease Payments:	Lease payments included in the measurement of the lease liability are comprised of fixed payments and, if applicable, the purchase option price VRE is reasonably certain to exercise.

Lease assets are reported with other capital assets as intangible right-to-use lease assets and lease liabilities are reported with current and noncurrent liabilities on the statement of net position.

Lessor: For new or modified contracts, VRE determines whether the contract is a lease. If a contract is determined to be, or contain, a lease with a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), VRE will record a lease receivable and a deferred inflow of resources which is calculated based on the value of the discounted future lease payments over the term of the lease. If the interest rate implicit in the lease is not clear, VRE may apply the guidance for imputation of interest as a means of determining the interest rate.

VRE will not recognize a lease receivable and a deferred inflow of resources for leases with a noncancellable term of less than 12 months, and income is recognized as incurred.

At the commencement of a lease, VRE will measure the lease receivable as the present value of payments expected to be received during the lease term and will reduce the receivable by the principal portion of lease payments received after satisfaction of accrued interest on the lease receivable, calculated using the effective interest method. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date, then recognized on a straight-line basis as revenue over the lease term.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting (Continued)

Lessor (continued): Key estimates and judgements related to leases include the determination of a discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

Discount Rate: When readily available or easily determinable, VRE uses the interest rate charged by the lessor. If not readily available or easily determinable, VRE uses its estimated incremental borrowing rate.

Lease Term: The lease term includes the non-cancellable period of the lease.

Lease Payments: Lease receipts included in the measurement of the lease receivable is comprised of fixed payments from the lessee.

Subscription based information technology arrangements (SBITAs): VRE adopted GASB Statement No. 96 on July 1, 2022.

For new or modified contracts, VRE determines whether the contract is a SBITA. If a contract is determined to be, or contain, a SBITA with a non-cancellable term in excess of 12 months (including any options to extend or terminate the subscription when exercise is reasonably certain), VRE records a right-to-use subscription asset and subscription liability which is calculated based on the value of the discounted future subscription payments over the term of the subscription. If the interest rate implicit in the subscription is not readily determinable, VRE will use the applicable incremental borrowing rate in the calculation of the present value of the subscription payments.

VRE recognizes a subscription liability and subscription asset on the Statements of Net Position. Subscriptions with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and expense is recognized as incurred over the subscription term.

At the commencement of a SBITA, VRE measures the subscription liability at the present value of payments expected to be made during the subscription term and then reduces the liability by the principal portion of the subscription payments made. The subscription asset is measured at the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs, then amortized on a straight-line basis over the subscription term.

Subscription payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

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.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting (Continued)

Deferred outflows/inflows of resources: In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. VRE has several items that qualify for reporting in this category. The first item relates to the deferred loss on refinancing. The remaining items relate to the pension plan and group life insurance program (GLI) other postemployment benefits (OPEB) plan. See Notes 6 and 7 for details regarding these items.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. VRE has several items that qualify for reporting in this category. See Notes 5, 6 and 7 for details regarding these items.

Pensions: The Virginia Retirement System (VRS) Political Subdivision Retirement Plan (the VRE's retirement plan) is a multi-employer, agent plan. For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) VRE's Retirement Plan and the additions to/deductions from the VRS VRE's Retirement Plan fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Since VRE is combined with PRTC for reporting purposes to VRS, amounts and disclosures included in this report are for PRTC as a whole unless otherwise indicated.

Health Insurance Credit Program: VRE's Political Subdivision Health Insurance Credit (HIC) Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance for retired political subdivision employees of participating employers. The HIC Program was established pursuant to Section 51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provide the authority under which benefit terms are established or may be amended. For purposes of measuring both HIC Programs' total OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the HIC Programs OPEB, and the HIC Programs OPEB expense, information about the fiduciary net position of the HIC Program; and the additions to/deductions from the HIC Programs fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Group life insurance program (GLI): The VRS GLI is a multiple employer, cost-sharing OPEB plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI was established pursuant to Section 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI is a defined benefit plan that provides a basic GLI benefit for employees of participating employers. For purposes of measuring the net GLI OPEB Liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI OPEB and the additions to/deductions from the VRS GLI OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting (Continued)

Net position flow assumption: Sometimes the VRE will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

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.

Subsequent events: VRE has evaluated subsequent events through November 7, 2023, which was the date the financial statements were available to be issued.

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 percent to 130 percent 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.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

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, 2023 and 2022, the book balance of VRE's deposits with banks was \$16,958,351 and \$4,399,846, respectively.

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. Interest rate risk does not apply to LGIP since it is an external investment pool classified in accordance with GASB Statement No. 79.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash, Cash Equivalents 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, 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%

At June 30, 2023 and 2022, VRE had investments of \$65,865,854 and \$90,541,767, respectively, 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. VRE's investments in the LGIP are stated at amortized cost and classified as cash and cash equivalents. The LGIP has been assigned an "AAAm" rating by Standard & Poor's. The maturity of the LGIP is less than one year.

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, 2023 and 2022, VRE had \$10,088,248 and \$9,966,010, respectively, invested in the Insurance Trust. In fiscal years 2023 and 2022, earnings on the Insurance Trust in the amount of \$183,169 and \$19,451, respectively, were credited to VRE. The Insurance Trust Fund has not been assigned a rating.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

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

Concentration of credit risk (continued): In accordance with the requirements of the Financing Agreement between the Virginia Resources Authority (VRA) and NVTC, a debt service reserve fund (DSRF) was established for the benefit of VRA. On the closing date of the VRA financing, VRE transferred \$2 million into the DSRF from its existing cash reserves. The funds in the DSRF shall be used solely to cure any deficiencies in the payment by VRE of any principal, premium, or interest associated with the VRA financing. The funds in the DSRF are held in custody at U.S. Bank and are managed by PFM Asset Management LLC through the Virginia State Non- Arbitrage Program (SNAP). The Virginia Treasury Board sponsors SNAP to provide comprehensive investment management, accounting and arbitrage rebate calculation services for the proceeds of tax- exempt borrowings and other financings of Virginia Issuers subject to Section 148 (and related sections) of the Internal Revenue Code. The funds in the DSRF are invested in U.S. Treasury notes rated AA+ by Standard and Poor's maturing in under two (2) years and in the SNAP Fund, a AAAM rated local government investment pool that complies with GASB Statement 79. At June 30, 2023 and 2022, VRE had \$2,012,087 and \$1,985,231, respectively, invested in the VRA Debt Service Reserve Fund.

In accordance with the issuance of the Northern Virginia Transportation Commission (NVTC) Transportation District Special Obligation Revenue Bonds (Transforming Rail in Virginia Program) Series 2022 (Green Bonds), a Debt Service Reserve Fund (DSRF), Revenue Stabilization fund (RS) and Cost of Issuance (COI) fund were established for the benefit of NVTC. The DSRF and RS are held in custody by U.S. Bank as the Trustee for the Series 2022 bonds. On the closing date of the bond transaction, VRE transferred \$7.5 million into the DSRF from the proceeds of the bond issuance. The funds in the DSRF and RS shall be used solely to cure any deficiencies in the payment by NVTC of any principal, premium, or interest associated with the NVTC financing. The funds held in COI are for payment of issuance costs incurred. At June 30, 2023 and 2022, VRE had \$7,445,493 and \$7,500,000 invested in the Debt Service Reserve Fund, \$3,884,111 and \$3,750,000 in the Revenue Stabilization Fund, and \$0 and \$887,500 in the Cost of Issuance Fund.

At June 30, 2022, the funds in the DSRF and RS were invested in a JP Morgan US Government Money Market Fund. In July 2022, the DSRF and RS were re-invested in the Virginia State Non-Arbitrage Program (SNAP), with management of the funds provided by PFM Asset Management LLC. The COI funds were invested in SNAP as of the closing of the bond transaction. The Virginia Treasury Board sponsors SNAP to provide comprehensive investment management, accounting and arbitrage rebate calculation services for the proceeds of tax-exempt borrowings and other financings of Virginia Issuers subject to Section 148 (and related sections) of the Internal Revenue Code. The funds in the DSRF are invested in U.S. Treasury notes rated AA+ by Standard and Poor's maturing in under two (2) years and in the SNAP Fund, a AAAM rated local government investment pool that complies with GASB Statement 79.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

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

As of June 30, 2023 and 2022, the carrying values and maturity of VRE's investments were as follows:

Investment Type	2023	
	Fair Value	Maturities Less than 1 Year
LGIP	\$ 65,865,854	\$ 65,865,854
Insurance trust fund - pooled funds	10,088,248	10,088,248
Series 2022 debt service fund	913,493	913,493
Series 2022 debt service reserve fund	7,445,493	7,445,493
Series 2022 revenue stabilization fund	3,884,111	3,884,111
Series 2022 revenue fund	8,266,539	8,266,539
VRA debt service reserve fund	2,012,087	2,012,087
Total investments	\$ 98,475,825	\$ 98,475,825

Investment Type	2022	
	Fair Value	Maturities Less than 1 Year
LGIP	\$ 90,541,767	\$ 90,541,767
Insurance trust fund - pooled funds	9,966,010	9,966,010
Series 2022 bond proceeds	119,159,195	119,159,195
Series 2022 debt service reserve fund	7,500,000	7,500,000
Series 2022 revenue stabilization fund	3,750,000	3,750,000
Series 2022 cost of issuance fund	887,500	887,500
VRA debt service reserve fund	1,985,231	1,985,231
Total investments	\$ 233,789,703	\$ 233,789,703

When applicable, VRE categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

VRE has the following investment subject to fair value measurements:

- Securities issued or guaranteed by the U.S. government and other commercial instruments of \$22,521,723 as of June 30, 2023, which are valued using quoted prices in an active market for identical assets (Level 1 inputs).

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	* Beginning Balance	Increases	Deletions	Transfers	Ending Balance
Capital assets not being depreciated or amortized:					
Construction in progress	\$ 80,340,785	\$ 51,856,763	\$ (835,464)	\$ (10,159,228)	\$ 121,202,856
Capital assets being depreciated or amortized:					
Intangible right-to-use lease buildings	1,385,031	100,277	(21,740)	-	1,463,568
Intangible right-to-use lease parking lots	579,328	-	(305,825)	-	273,503
Intangible right-to-use lease tower	99,581	-	-	-	99,581
Right-to-use subscription assets	583,559	-	-	950,965	1,534,524
Rolling stock	285,303,075	-	-	1,474,315	286,777,390
Vehicles	145,560	5,780	-	-	151,340
Facilities	112,979,178	-	-	6,049,624	119,028,802
Track and signal improvements	100,108,269	-	-	-	100,108,269
Equipment and software	13,370,290	107,327	-	439,530	13,917,147
Equity in property of others	5,787,287	119,159,195	-	-	124,946,482
Furniture, equipment and building improvements	6,259,838	27,368	-	1,244,794	7,532,000
Total capital assets being depreciated or amortized	526,600,996	119,399,947	(327,565)	10,159,228	655,832,606
Less accumulated depreciation or amortization for:					
Intangible right-to-use lease buildings	135,275	118,551	(21,740)	-	232,086
Intangible right-to-use lease parking lots	292,896	231,732	(305,825)	-	218,803
Intangible right-to-use lease tower	38,547	38,548	-	-	77,095
Right-to-use subscription assets	-	498,284	-	-	498,284
Rolling stock	128,362,012	11,674,598	-	-	140,036,610
Vehicles	134,175	9,110	-	-	143,285
Facilities	54,530,757	3,238,435	-	-	57,769,192
Track and signal improvements	47,522,780	5,575,677	-	-	53,098,457
Equipment and software	11,424,168	654,618	-	-	12,078,786
Equity in property of others	4,462,285	164,593	-	-	4,626,878
Furniture, equipment and building improvements	5,283,966	276,043	-	-	5,560,009
Total accumulated depreciation or amortization	252,186,861	22,480,189	(327,565)	-	274,339,485
Total capital assets being depreciated or amortized, net	274,414,135	96,919,758	-	10,159,228	381,493,121
Total capital assets	\$ 354,754,920	\$ 148,776,521	\$ (835,464)	\$ -	\$ 502,695,977

*The beginning balance was restated for recording of right-to-use subscription assets as of July 1 in accordance with GASB 96.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2022 was as follows:

	*Beginning Balance	Increases	Deletions	Transfers	Ending Balance
Capital assets not being depreciated or amortized:					
Construction in progress	\$ 33,184,419	\$ 47,793,430	\$ (132,169)	\$ (504,895)	\$ 80,340,785
Capital assets being depreciated or amortized:					
Intangible right-to-use lease buildings	1,385,031	-	-	-	1,385,031
Intangible right-to-use lease parking lots	579,328	-	-	-	579,328
Intangible right-to-use lease tower	99,581	-	-	-	99,581
Rolling stock	285,279,918	-	-	23,157	285,303,075
Vehicles	145,560	-	-	-	145,560
Facilities	112,809,451	-	(18,000)	187,727	112,979,178
Track and signal improvements	100,108,269	-	-	-	100,108,269
Equipment and software	13,031,118	11,100	-	328,072	13,370,290
Equity in property of others	5,787,287	-	-	-	5,787,287
Furniture, equipment and building improvements	6,258,646	-	-	1,192	6,259,838
Total capital assets being depreciated or amortized	525,484,189	11,100	(18,000)	540,148	526,017,437
Less accumulated depreciation or amortization for:					
Capital assets being depreciated or amortized:					
Intangible right-to-use lease buildings	-	135,275	-	-	135,275
Intangible right-to-use lease parking lots	-	292,896	-	-	292,896
Right-to-use lease tower	-	38,547	-	-	38,547
Rolling stock	116,737,972	11,600,883	-	23,157	128,362,012
Vehicles	119,903	14,272	-	-	134,175
Facilities	51,443,376	3,076,532	-	10,849	54,530,757
Track and signal improvements	41,946,828	5,575,952	-	-	47,522,780
Equipment and software	10,921,450	502,718	-	-	11,424,168
Equity in property of others	4,297,692	164,593	-	-	4,462,285
Furniture, equipment and building improvements	5,131,678	151,096	-	1,192	5,283,966
Total accumulated depreciation or amortization	230,598,899	21,552,764	-	35,198	252,186,861
Total capital assets being depreciated or amortized, net	294,885,290	(21,541,664)	(18,000)	504,950	273,830,576
Total capital assets	\$ 328,069,709	\$ 26,251,766	\$ (150,169)	\$ 55	\$ 354,171,361

* The beginning balance was restated for recording of intangible right-to-use lease assets as of July 1 in accordance with GASB 87.

The chart reflects several asset-related adjustments completed as part of VRE's transition of financial systems in fiscal year 2022.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2023:

	* Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Private placement note payable	\$ 5,355,739	\$ -	\$ (1,704,869)	\$ 3,650,870	\$ 1,784,022
Bonds payable	152,965,000	-	(4,755,000)	148,210,000	4,565,000
Premiums	16,416,477	-	(470,477)	15,946,000	-
Subscription liability	499,853	-	(197,809)	302,044	195,558
Lease liability	1,640,618	100,214	(359,710)	1,381,122	175,438
	176,877,687	100,214	(7,487,865)	169,490,036	6,720,018
Compensated absences	998,372	542,400	(555,582)	985,190	52,732
	\$ 177,876,059	\$ 642,614	\$ (8,043,447)	\$ 170,475,226	\$ 6,772,750

*The beginning balance was restated for recording of subscription liability as of July 1 in accordance with GASB 96.

Federal arbitrage regulations apply to the Gallery IV private payment placement note payable.

Private Payment Placement Note Payable – Gallery IV (11 cars)

\$25,100,000 private payment placement note payable; \$965,679 due semi-annually, including interest at 4.59%, maturing in 2025, collateralized with Gallery IV railcars with a carrying value of \$9,569,200.

\$ 3,650,870

Future minimum payments as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest
2024	\$ 1,784,022	\$ 147,336
2025	1,866,848	64,509
	<u>\$ 3,650,870</u>	<u>\$ 211,845</u>

Note Payable – Gallery IV (60 cars)/VRA Bond Payable

In fiscal year 2008, VRE entered into an agreement with the Federal Railroad Administration (FRA) 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 balances on the individual notes were combined into a consolidated note. The note was secured by the revenues of VRE and the railcars.

In fiscal year 2018, VRE entered into a financing agreement with the Virginia Resources Authority (VRA) for the purposes of refunding the FRA consolidated promissory note and reducing VRE's debt service costs. As required by the authorizing resolutions of the Commissions and jurisdictions, the VRA refunding loan did not extend the term of the original borrowing and achieved net present value debt service savings of not less than three percent. The FRA note was refunded in full with the proceeds from the VRA financing, and VRE has pledged its revenues to the repayment of the principal, premium, and interest on the local bond purchased by VRA.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Obligations (Continued)

VRA Bond payable, \$46,640,000 Bond, due in variable bi-annual amounts, plus a bi-annual variable interest rate of 3.13% to 5.13% through October 1, 2032. The carrying value of the railcars was \$46,910,034 at June 30, 2023.

\$ 34,690,000

NVTC Bond payable, \$115,670,000 Bond, due in variable annual amounts, plus a bi-annual interest rate of 5.00% through June 1, 2052.

\$ 113,520,000

Mandatory debt service on Bonds payable requirements as of June 30, 2023 are as follows:

Years Ending June 30,	NVTC Bond		VRA Bond		Total Required	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 1,820,000	\$ 5,676,000	\$ 2,745,000	\$ 1,548,572	\$ 4,565,000	\$ 7,224,572
2025	1,910,000	5,585,000	2,885,000	1,404,303	4,795,000	6,989,303
2026	2,010,000	5,489,500	3,040,000	1,252,475	5,050,000	6,741,975
2027	2,110,000	5,389,000	3,200,000	1,092,575	5,310,000	6,481,575
2028	2,215,000	5,283,500	3,365,000	924,347	5,580,000	6,207,847
2029-2033	12,845,000	24,641,750	19,455,000	2,001,384	32,300,000	26,643,134
2034-2038	16,390,000	21,093,500	-	-	16,390,000	21,093,500
2039-2043	20,925,000	16,565,000	-	-	20,925,000	16,565,000
2044-2048	26,710,000	10,782,750	-	-	26,710,000	10,782,750
2049-2052	26,585,000	3,404,000	-	-	26,585,000	3,404,000
Subtotal	113,520,000	103,910,000	34,690,000	8,223,656	148,210,000	112,133,656
Unamortized premium	12,063,949	-	3,882,051	-	15,946,000	-
Total	\$ 125,583,949	\$ 103,910,000	\$ 38,572,051	\$ 8,223,656	\$ 164,156,000	\$ 112,133,656

Subscriptions Liability

During the current fiscal year, VRE had multiple subscription agreements as lessee for software ranging from two to three years. In accordance with the implementation of GASB Statement 96, an initial subscription liability was recorded in the amount of \$499,853 during the current fiscal year. As of June 30, 2023, the balance of the subscription liability was \$302,044.

VRE is required to make annual principal and interest payments ranging from \$1,458 to \$106,762. The subscriptions have an interest rate ranging from 2.35% to 2.8%. The value of the intangible right-to-use subscription assets as of the end of the current fiscal year was \$1,534,525 and had accumulated amortization of \$498,284.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Obligations (Continued)

Annual requirements to amortize subscription obligations are as follows:

Subscription liability for an enterprise resource planning (ERP) system. VRE is required to make annual principal and interest payments in the amount of \$106,762 through August 2025. The subscription has an interest rate of 2.35%. An initial subscription liability was recorded in the amount of \$311,754. The ERP system has an estimated thirty-eight month useful life. The value of the right-to-use subscription asset as of the end of the current fiscal year was \$1,284,748 and had accumulated amortization of \$405,710. \$ 206,214

Subscription liability for an ERP module. VRE is required to make annual principal and interest payments of \$2,240 through August 2025. The subscription has an interest rate of 2.80%. An initial subscription liability was recorded in the amount of \$5,823. The ERP module has an estimated thirty-one month useful life. The value of the right-to-use subscription asset as of the end of the current fiscal year was \$5,823 and had accumulated amortization of \$1,092. 4,338

Subscription liability for Microsoft. VRE is required to make annual principal and interest payments in the amount of \$93,645 through February 2025. The subscription has an interest rate of 2.35%. An initial subscription liability was recorded in the amount of \$182,276. The subscription has an estimated thirty-one month useful life. The value of the right-to-use subscription asset as of the end of the current fiscal year was \$243,953 and had accumulated amortization of \$91,482. 91,492

\$ 302,044

The following table summarized the total minimum subscription payments due:

Year Ending June 30,	Principal	Interest
2024	\$ 195,558	\$ 7,089
2025	106,486	2,516
Total minimum subscription payments	<u>\$ 302,044</u>	<u>\$ 9,605</u>

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Leases

Details of leases in which VRE is the lessee are as follows:

	<u>2023</u>	<u>2022</u>
Lease obligation for a building. VRE is required to make monthly principal and interest payments of \$1,697 through July 2022. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$21,740. The building has an estimated one year useful life. The intangible-right-to-use asset had an ending lease date in July 2022, and therefore as of the end of the current fiscal year had a value of \$0.	\$ -	\$ 1,693
Lease liability for a tower. VRE is required to make monthly principal and interest payments of \$3,418 through January 2024. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$99,581. The tower has an estimated useful life of thirty-one months. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$99,581 and had accumulated amortization of \$77,095.	23,692	62,665
Lease liability for a building. VRE is required to make monthly principal and interest payments ranging from \$10,299 to \$13,438 through April 2033. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$1,363,291. The building has an estimated 141 month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$1,363,291 and had accumulated amortization of \$230,415.	1,200,812	1,282,558
Lease liability for a parking lot. VRE is required to make monthly principal and interest payments of \$9,717 through December 2023. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$273,503. The parking lot has an estimated thirty month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$273,503 and had accumulated amortization of \$218,803.	57,791	168,852
Lease obligation for a parking lot. VRE is required to make monthly principal and interest payments of \$15,782 through February 2023. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$305,825. The parking lot has an estimated nineteen month useful life. The intangible-right-to-use asset had an ending lease date in February 2023, and therefore as of the end of the current fiscal year had a value of \$0.	-	124,850
Lease liability for a building roof. VRE is required to make monthly principal and interest payments of \$650 through March 2038. The lease has an interest rate of 3.40%. An initial lease liability was recorded in the amount of \$100,214 during the current fiscal year. The building roof has an estimated 180 month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$100,277 and had accumulated amortization of \$1,671.	98,827	-
	<u>\$ 1,381,122</u>	<u>\$ 1,640,618</u>

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Leases (Continued)

The following table summarized the total minimum lease payments due:

Years Ending June 30,	Principal	Interest
2024	\$ 175,438	\$ 38,798
2025	100,610	35,126
2026	107,580	31,994
2027	114,880	28,647
2028	122,718	25,076
2029-2033	717,052	62,859
2034-2038	42,844	3,487
Total minimum lease payments	\$ 1,381,122	\$ 225,987

VRE is a lessor for a lease related to a communication tower. The lease term is for 43.5 years. The exercise of lease renewal options is at VRE's discretion. VRE monitors changes in circumstances that would require a re-measurement of a lease and will re-measure the lease receivable and related deferred inflows of resources if changes occur that are expected to significantly affect the amount of the lease receivable. VRE will receive annual payments ranging from \$26,222 to \$86,843 through December 2064. An initial lease receivable was recorded in the amount of \$1,437,167. During fiscal year 2023, there was a remeasurement of the lease receivable due to a contract amendment that resulted in a lease receivable of \$1,088,174.

VRE has a deferred inflow of resources associated with its lease that will be recognized as revenue over the term of the lease. As of June 30, 2023, the balance of the deferred inflow was \$1,029,445. Lease revenue for the year ended June 30, 2023 was \$24,511 and lease interest income for the same year was \$19,778.

Future minimum lease amounts as of June 30, 2023 are as follows:

Years Ending June 30,	Principal	Interest
2024	\$ (5,169)	\$ 31,792
2025	(4,526)	31,947
2026	(3,839)	32,083
2027	(3,107)	32,198
2028	(2,327)	32,291
2029-2033	1,873	161,981
2034-2038	29,834	160,118
2039-2043	66,655	153,552
2044-2048	114,448	140,832
2049-2053	175,774	120,165
2054-2058	253,733	89,342
2059-2063	352,066	45,651
2064	84,312	2,529
Total minimum lease payments	\$ 1,059,727	\$ 1,034,481

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

All full-time, salaried permanent employees of the VRE are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	About Plan 2 Same as Plan 1	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none">• The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Eligible Members Members are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund.</p> <p><i>Hybrid Opt-In Election</i> VRS non-hazardous duty-covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 1 or ORP.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Eligible Members Members are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><i>Hybrid Opt-In Election</i> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>Eligible Members Members are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees.* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p><i>* Non-Eligible Members</i> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Retirement Contributions Members contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Service Credit Same as Plan 1.</p>	<p>Service Credit <i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><i>Defined Contribution Component:</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <i>Defined Benefit Component:</i> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><i>Defined Contribution Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required, except as governed by law.</p>

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1. <i>Defined Contribution Component:</i> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier <i>VRS:</i> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	Service Retirement Multiplier <i>VRS:</i> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier <i>Defined Benefit Component:</i> <i>VRS:</i> The retirement multiplier for the defined benefit component is 1.0%. For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Normal Retirement Age VRS: Age 65.	Normal Retirement Age VRS: Normal Social Security retirement age.	Normal Retirement Age <i>Defined Benefit Component:</i> VRS: Same as Plan 2.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age and have at least 5 years (60 months) of service credit or when their age plus service credit equals 90.	Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Normal Social Security retirement age and have at least 5 years (60 months) of service credit or when their age plus service credit equals 90. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.	Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Age 60 with at least five years (60 months) of service credit.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. <i>Eligibility:</i> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. <i>Exceptions to COLA Effective Dates:</i> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. 	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%. <i>Eligibility:</i> Same as Plan 1. <i>Exceptions to COLA Effective Dates:</i> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement <i>Defined Benefit Component:</i> Same as Plan 2. <i>Defined Contribution Component:</i> Not applicable. <i>Eligibility:</i> Same as Plan 1 and Plan 2. <i>Exceptions to COLA Effective Dates:</i> Same as Plan 1 and Plan 2.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Continued) <u>Exceptions to COLA Effective Dates (continued):</u> <ul style="list-style-type: none"> • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. • The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <i>Defined Contribution Component:</i> Not applicable.

B. Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	38
Inactive members:	
Vested	28
Non-vested	25
Active elsewhere in VRS	8
Total inactive members	61
Active members	92
Total covered employees	191

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

C. Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

VRE's contractually required contribution rate for the year ended June 30, 2023 was 6.49% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from VRE were \$313,029 and \$272,381 for the years ended June 30, 2023 and 2022, respectively.

D. Net Pension Asset/Liability

VRE's net pension asset/liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

E. Actuarial Assumptions

The total pension liability for VRE's retirement plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal Actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

E. Actuarial Assumptions (Continued)

Mortality Rates

Mortality Rates:	15% of deaths are assumed to be service-related.
Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

F. Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

F. Actuarial Assumptions (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
			7.83%

* The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

G. Discount Rate

The discount rate used to measure the total pension asset was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

H. Changes in the Net Pension (Assets)/Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension (Asset) Liability
Balances at June 30, 2021	\$ 24,312,977	\$ 25,801,577	\$ (1,488,600)
Changes for the Year:			
Service cost	781,338	-	781,338
Interest	1,668,067	-	1,668,067
Difference between expected and actual experience	(239,320)	-	(239,320)
Contributions – employer	-	454,868	(454,868)
Contributions – employee	-	435,662	(435,662)
Net investment income	-	(41,059)	41,059
Benefit payments, including refunds of employee contributions	(764,428)	(764,428)	-
Administrative expense	-	(15,836)	15,836
Other changes	-	608	(608)
Net changes	1,445,657	69,815	1,375,842
Balances at June 30, 2022	\$ 25,758,634	\$ 25,871,392	\$ (112,758)

The information above is derived from the actuarial valuation report for the Potomac and Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for VRE. VRE has recorded a net pension asset of \$67,453 on its Statements of Net Position based on a percentage of contributions to the plan for fiscal year 2023. VRE's percentage of total contributions to the plan was 59.82 percent. This percentage was used to allocate a portion of the net pension asset to VRE.

I. Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate

The following presents VRE's portion of the net pension asset/liability, using the discount rate of 6.75 percent, as well as what VRE's net pension asset/liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
VRE's net pension liability (asset)	\$ 2,144,828	\$ (67,453)	\$ (1,851,225)

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

J. Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended June 30, 2023, VRE recognized pension expense of \$294,600. At June 30, 2023, VRE also reported deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 134,336	\$ (164,089)
Change in assumptions	247,585	-
Net difference between projected and actual earnings on pension plan investments	-	(418,136)
Employer contributions subsequent to the measurement date	313,029	-
Total	\$ 694,950	\$ (582,225)

The \$313,029 reported as deferred outflows of resources related to pensions resulting from VRE's contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2024	\$ 38,425
2025	(138,048)
2026	(314,411)
2027	213,730
	\$ (200,304)

K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report is publicly available through the About VRS link on the VRS website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Postemployment Benefits – Group Life Insurance Program

A. Plan Description

The VRS Group Life Insurance Program (GLI) is another postemployment benefits (OPEB) plan. All full-time, salaried permanent employees of VRE are automatically covered by the GLI upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI. For members who elect the optional GLI coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from the members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p><i>Eligible Employees</i></p> <p>The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.</p> <p>Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p><i>Benefit Amounts</i></p> <p>The benefits payable under the GLI have several components.</p> <ul style="list-style-type: none">• Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.• Accidental Death Benefit – The accidental death benefit is double the natural death benefit.• Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Seat belt benefit○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option
<p><i>Reduction in Benefit Amounts</i></p> <p>The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p><i>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</i></p> <p>For covered members with at least 30 years of service credit, there is a minimum benefit payable under GLI. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.</p>

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Postemployment Benefits – Group Life Insurance Program (Continued)

B. Contributions

The contribution requirements for the GLI are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from VRE were \$36,026 and \$32,036 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2023, VRE reported a liability of \$328,073 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was \$32,002 or 0.04462% as compared to \$32,036 or 0.04294% at June 30, 2021.

For the year ended June 30, 2023, VRE recognized GLI OPEB expense of \$13,289. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,980	\$ (13,162)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(20,500)
Change in assumptions	12,236	(31,956)
Changes in proportionate share	14,668	(18,380)
Employer contributions subsequent to the measurement date	36,026	-
Total	\$ 88,910	\$ (83,998)

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Postemployment Benefits – Group Life Insurance Program (Continued)

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

The information above is derived from the actuarial valuation report for the Potomac and Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for VRE. VRE has recorded a net GLI OPEB liability of \$328,073 on its Statements of Net Position based on a percentage of contributions to the plan for fiscal year 2022. VRE's percentage of total contributions to the plan was 61.06 percent. This percentage was used to allocate a portion of the net GLI OPEB liability to VRE.

The \$36,026 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2024	\$ (6,107)
2025	(8,544)
2026	(19,291)
2027	2,907
2028	(79)
Total	<u><u>\$ (31,114)</u></u>

D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation:	
Locality – general employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Postemployment Benefits – Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

Pre-retirement:	Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.
Mortality Improvement Scale	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Postemployment Benefits – Group Life Insurance Program (Continued)

E. Net GLI OPEB Liability

The net OPEB Liability (NOL) for the GLI represents the program's total OPEB Liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the GLI are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 3,672,085
Plan fiduciary net position	2,467,989
GLI net OPEB liability	\$ 1,204,096

Plan fiduciary net position as a percentage of the total GLI OPEB liability 67.21%

The total GLI OPEB Liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB Liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

F. Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long- Term Expected Rate of Return	Weighted Average Long- Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
			7.83%

* Expected arithmetic nominal return

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Postemployment Benefits – Group Life Insurance Program (Continued)

* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

G. Discount Rate

The discount rate used to measure the total GLI OPEB Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by employers for the VRS GLI OPEB Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined rate. From July 1, 2022, on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

H. Sensitivity of VRE's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents VRE's proportionate share of the net GLI OPEB Liability using the discount rate of 6.75%, as well as what VRE's proportionate share of the net GLI OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
VRE	\$ 477,383	\$ 328,073	\$ 207,408

I. Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 8. Operating Leases and Agreements

Operating Access Agreements with CSX Transportation 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 track access for commuter rail service. For the years ended June 30, 2023 and 2022, annual track usage fees totaled approximately \$11,923,000 and \$11,207,000, respectively, and facility and other identified costs totaled approximately \$465,000 and \$443,000, respectively. The increase in track usage fees primarily reflects normal annual increases to the base fees. The decrease in facility and other costs is primarily due to changes in station lease agreements with CSX and VPRA.

The agreement between Amtrak and the Commissions for access to and storage of equipment at Union Station and midday services and electrical power became effective on July 1, 2015. For the years ended June 30, 2023 and 2022, costs for track access and equipment storage totaled approximately \$6,513,000 and \$6,060,000, respectively, and midday maintenance, utility and other services totaled approximately \$4,326,000 and \$4,095,000, respectively. Cost adjustments will be made in fiscal year 2024 to reflect changes to various published cost indices and the number of trains that have access to and are stored and serviced at the terminal. After October 1, 2015, charges for terminal access are determined in accordance with the cost-sharing arrangement for the Northeast Corridor passenger rail infrastructure mandated by the Passenger Rail Investment and Improvement Act of 2008 (PRIIA).

The Commissions signed a contract with Keolis Rail Services Virginia, LLC, for train operations and maintenance for a five-year period beginning July 1, 2015. Separate contracts for maintenance of equipment and facilities became effective for the period beginning July 1, 2016. In May 2020, the Commissions authorized the Chief Executive Officer to amend the contract for Operating Services for Commuter Rail with Keolis Rail Services Virginia, LLC (KRSV) thereby exercising the second five-year option period, effective July 1, 2020 through June 30, 2025.

Subsequently, in May 2021, the Commissions authorized the Chief Executive Officer to amend the contract for Maintenance Services for Commuter Rail with Keolis Rail Services Virginia, LLC (KRSV) thereby exercising the first five-year option period, effective July 1, 2021 through June 30, 2026. The cost of train operations and maintenance for the years ended June 30, 2023 and 2022 totaled approximately \$26,586,000 and \$24,450,000, respectively. Costs are based on an annual budget prepared in advance. Costs for fiscal year 2024 will be adjusted for service additions or deletions and annual changes to the Consumer Price Index.

Note 9. Related Party Transactions

VRE reimburses the Commissions for expenses made on behalf of VRE. During 2023 and 2022, these payments included \$9,254,014 and \$8,235,703 of salary-related costs and \$31,828 and \$10,513 of administrative costs, respectively, which are functionally classified with similar payments made directly to vendors and contractors. In addition, VRE pays the Commissions for direct labor and associated indirect costs incurred for services rendered under budgeted activities for VRE. These staff support payments totaled \$80,000 to NVTC for both periods, and \$90,179 and \$74,034 to PRTC during 2023 and 2022, 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 \$3,259 and \$1,397 in 2023 and 2022, respectively. Amounts payable to NVTC and PRTC were \$7,720 and \$1,930,257, respectively, at June 30, 2023, and \$14,186 and \$1,673,796, respectively, at June 30, 2022.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 10. 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 VRE's own need for liability and property coverage. The Commissions indemnify each of the railroads in an amount up to the passenger rail liability cap (currently approximately \$323 million) 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 \$56,300 at June 30, 2023 and \$65,300 at June 30, 2022.

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. Activity in the Insurance Trust Fund for the years ended June 30, 2023 and 2022 was as follows:

	2023	2022
Beginning balance, July 1	\$ 9,966,010	\$ 10,196,192
Insurance premiums paid	(7,100)	(6,950)
Claims mitigation and losses incurred	(19,392)	(216,187)
Investment income	183,169	19,451
Actuarial and administrative charges	(34,439)	(26,496)
Ending balance, June 30	<u>\$ 10,088,248</u>	<u>\$ 9,966,010</u>

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

Note 11. Contingencies and Contractual Commitments

At June 30, 2023, there were disputes between VRE and certain vendors. The amounts of any settlements, should they occur, are not determinable at this time. However, such amounts are not expected to be material in relation to the recorded amounts.

The Commissions have outstanding commitments for construction of facilities and equipment. A combination of Federal and Commonwealth of Virginia grants and local funds will be used to finance these capital projects. The following is a summary of the more significant contractual commitments, net of expenses incurred as of June 30, 2023:

Stations and Parking Lots	\$ 46,672,740
Rolling Stock	71,696,725
Maintenance and Layover Yards	3,199,049
Other Administrative	<u>324,352</u>
Total	<u><u>\$ 121,892,866</u></u>

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 11. Contingencies and Contractual Commitments (Continued)

The Commissions 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 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.

The Master Agreement for the use of Commonwealth of Virginia Transportation Funds controls 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 12. Pending GASB Statements

At June 30, 2023, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the VRE reporting entity. The statements which might impact VRE are as follows:

GASB Statement No. 99, *Omnibus 2022*, provides guidance to enhance comparability in accounting and financial reporting for derivative instruments, leases, financial guarantees, and a wide range of other accounting and financial reporting issues that have been identified during the implementation and application of certain GASB statements. The requirements related to GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* and terminology updates related to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* are effective upon issuance. The requirements related to GASB Statement No. 87, *Leases*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* will be effective for the PRTC beginning with its year ending June 30, 2023. The requirements related to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* will be effective for the PRTC beginning with its year ending June 30, 2024.

GASB Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*, prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. Statement 100 will be effective for the VRE beginning with its year ending June 30, 2024.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 12. Pending GASB Statements (Continued)

GASB Statement No. 101, *Compensated Absences*, provides guidance to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement 101 will be effective for the VRE beginning with its year ending June 30, 2025.

VRE has not yet determined the effect of these statements on its financial statements.

Note 13. Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. An adjustment has been made to the Statement of Net Position for fiscal year ended June 30, 2022, to restrict Net Pension Asset in the amount of \$891,393 and decrease Unrestricted Net Position. This change in classification does not affect previously reported net position within the Statement of Net Position.

Note 14. Subsequent Events

In July 2023, the VRE Operations Board authorized the Chief Financial Officer to execute a Sole Source Contract with Wabtec Corporation of Cedar Rapids, Iowa for Cloud Positive Train Control (PTC) Hosting and WabtecOne PTC Performance Analytics in the amount of \$4,454,930, plus a 10 percent contingency of \$445,493, for a total amount not to exceed \$4,900,423, for a five year term.

In August 2023, the Lifecycle Overhaul and Upgrade (LOU) Facility was placed into service with a total cost of \$52,878,484. The facility, featuring 33,000 square feet of maintenance space will allow VRE to cost-effectively maintain rolling stock, as well as systems and components, in a state of good repair.

In September 2023, the VRE Operations Board authorized the Chief Executive Officer to execute a contract with Vanasse Hangen Brustlin, Inc. (VHB) of Washington, DC for Engineering and Environmental Services for VRE L'Enfant Track and Station Improvements in the amount of \$3,072,448, plus a 10% contingency of \$307,245, for a total not to exceed \$3,379,693.

Required Supplementary Information

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Contractually required contribution (CRC)	\$ 460,763	\$ 478,465	\$ 419,283	\$ 413,760	\$ 354,543	\$ 323,989	\$ 421,362	\$ 454,868	\$ 523,279	
Contributions in relation to the CRC	460,763	478,465	419,283	413,760	354,543	323,989	421,362	454,868	523,279	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered payroll	\$ 7,265,941	\$ 7,785,947	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,619	\$ 8,866,711	\$ 9,705,606	\$ 10,928,358	
Contributions as a percentage of covered payroll	6.34%	6.15%	4.86%	4.66%	3.91%	3.61%	4.75%	4.69%	4.79%	

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.
- (2) The information on this schedule 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.

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF CHANGES IN NET PENSION (ASSET) LIABILITY AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Total Pension Liability										
Service cost	\$ 722,134	\$ 743,258	\$ 778,686	\$ 756,831	\$ 796,518	\$ 747,243	\$ 766,964	\$ 718,141	\$ 781,338	
Interest	763,704	850,266	942,652	1,051,830	1,132,348	1,233,409	1,339,757	1,481,325	1,668,067	
Changes of assumptions	-	-	-	(243,263)	108,387	631,239	-	803,822	-	
Differences between expected and actual experience	-	92,275	284,843	38,724	-	312,560	743,287	(221,363)	(239,320)	
Benefit payments, including refunds of employee contributions	(222,525)	(275,932)	(456,078)	(436,912)	(470,829)	(716,216)	(676,419)	(829,005)	(764,428)	
Net change in total pension liability	1,263,313	1,409,867	1,550,103	1,167,210	1,566,424	2,208,235	2,173,589	1,952,920	1,445,657	
Total pension liability - beginning	11,021,316	12,284,629	13,694,496	15,244,599	16,411,809	17,978,233	20,186,468	22,360,057	24,312,977	
Total pension liability - ending (a)	\$ 12,284,629	\$ 13,694,496	\$ 15,244,599	\$ 16,411,809	\$ 17,978,233	\$ 20,186,468	\$ 22,360,057	\$ 24,312,977	\$ 25,758,634	
Plan Fiduciary Net Position										
Contributions - employer	\$ 528,296	\$ 460,763	\$ 478,465	\$ 419,283	\$ 413,760	\$ 354,543	\$ 323,989	\$ 421,362	\$ 454,868	
Contributions - employee	414,844	494,240	375,574	407,825	411,106	414,063	419,869	399,479	435,662	
Net investment income	1,697,173	603,590	259,738	1,829,732	1,265,980	1,249,744	378,372	5,570,288	(41,059)	
Benefit payments, including refunds of employee contributions	(222,525)	(275,932)	(456,078)	(436,912)	(470,829)	(716,216)	(676,419)	(829,005)	(764,428)	
Administrative expense	(8,482)	(7,442)	(8,396)	(9,970)	(10,415)	(11,937)	(12,621)	(13,494)	(15,836)	
Other	89	(131)	(107)	(1,654)	(1,150)	(791)	(457)	530	608	
Net change in plan fiduciary net position	2,409,395	1,275,088	649,196	2,208,304	1,608,452	1,289,406	432,733	5,549,160	69,815	
Plan fiduciary net position - beginning	10,379,843	12,789,238	14,064,326	14,713,522	16,921,826	18,530,278	19,819,684	20,252,417	25,801,577	
Plan fiduciary net position - ending (b)	12,789,238	14,064,326	14,713,522	16,921,826	18,530,278	19,819,684	20,252,417	25,801,577	25,871,392	
PRTC's net pension (asset) liability - ending (a) - (b)	\$ (504,609)	\$ (369,830)	\$ 531,077	\$ (510,017)	\$ (552,045)	\$ 366,784	\$ 2,107,640	\$ (1,488,600)	\$ (112,758)	
Plan fiduciary net position as a percentage of the total pension liability	104.11%	102.70%	96.52%	103.11%	103.07%	98.18%	90.57%	106.12%	100.44%	
Covered payroll	\$ 6,582,460	\$ 7,265,941	\$ 7,785,947	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,619	\$ 8,866,711	\$ 9,705,606	
PRTC's net pension (asset) liability as a percentage of covered payroll	-7.67%	-5.09%	6.82%	-5.91%	-6.22%	4.04%	23.49%	-16.79%	-1.16%	

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.
- (2) The information on this schedule 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.

See Notes to Required Supplementary Information – Virginia Retirement System

VIRGINIA RAILWAY EXPRESS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – VIRGINIA RETIREMENT SYSTEM Year Ended June 30, 2023

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except that change in the discount rate, which was VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF THE VRE'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,					
	2017	2018	2019	2020	2021	2022
Total Group Life Insurance OPEB Liability						
The Commission's Portion of the Net GLI OPEB Liability	0.04678%	0.04670%	0.04626%	0.04360%	0.04294%	0.04462%
The Commission's Proportionate Share of the Net GLI OPEB Liability	\$ 703,000	\$ 709,000	\$ 752,773	\$ 727,613	\$ 499,938	\$ 537,268
The Commission's Covered Payroll	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,619	\$ 8,866,711	\$ 9,705,606
The Commission's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.15%	7.99%	8.29%	8.11%	5.64%	5.54%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%	51.22%	52.00%	52.64%	52.64%	67.21%

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.
- (2) The information on this schedule 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.

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF THE VRE'S CONTRIBUTIONS – OPEB GROUP LIFE INSURANCE PROGRAM

Last Ten Fiscal Years

	Fiscal Year June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution (CRC)	\$ 34,887	\$ 38,509	\$ 41,266	\$ 44,865	\$ 46,151	\$ 47,196	\$ 46,660	\$ 47,879	\$ 52,410	\$ 58,998
Contributions in relation to the CRC	34,887	38,509	41,266	44,865	46,151	47,196	46,660	47,879	52,410	58,998
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 6,582,460	\$ 7,265,941	\$ 7,785,947	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,619	\$ 8,866,711	\$ 9,705,606	\$ 10,928,358
Contributions as a percentage of covered payroll	0.48%	0.48%	0.48%	0.52%	0.52%	0.52%	0.52%	0.54%	0.54%	0.54%

Note to Schedule:

- (1) The information on this schedule 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.

VIRGINIA RAILWAY EXPRESS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS

Year Ended June 30, 2023

Note 1. Group Life Insurance Program

A. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System benefit provisions since the prior actuarial valuation.

B. Changes of Assumptions

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except that change in the discount rate, which was VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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Statistical Section



STATISTICAL SECTION

This portion of Virginia Railway Express' Annual Comprehensive 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 VRE's overall financial health. Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how VRE's financial performance has changed over time.	73– 76
Other Statistical Information	
These schedules and service area map provide other information useful to certain readers of VRE's financial statements.	77 – 78
Demographic and Economic Information	
These schedules offer demographic and economic indicators to assist the reader understand the environment within which VRE's financial activities take place.	79 – 81
Debt Service Requirements	
These schedules provide information regarding the VRE's debt service requirements related to the 2018 Virginia Resource Authority Bonds.	82 – 83

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF CHANGE IN NET POSITION

Last Ten Fiscal Years

(Unaudited)

	June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Operating Revenues:										
Passenger revenue	\$ 13,940,102	\$ 10,517,221	\$ 7,251,796	\$ 34,701,955	\$ 41,990,599	\$ 42,221,002	\$ 42,280,669	\$ 37,696,913	\$ 36,700,191	\$ 37,093,476
Equipment rentals and other	310,758	116,857	165,478	267,816	314,236	269,168	301,621	240,052	418,569	197,915
Total operating revenues	14,250,860	10,634,078	7,417,274	34,969,771	42,304,835	42,490,170	42,582,290	37,936,965	37,118,760	37,291,391
Nonoperating Revenues:										
Subsidies:										
Commonwealth of Virginia grants	42,011,586	21,975,609	14,110,733	18,712,734	17,447,509	17,145,270	18,265,581	16,572,077	14,401,957	19,330,105
Federal grants - with PRTC as grantee	9,289,764	8,070,012	21,741,238	15,271,669	15,229,460	15,362,802	15,937,225	13,917,534	13,688,723	15,931,876
CARES Act Federal Aid	20,267,695	47,232,405	28,305,131	2,688,095	-	-	-	-	-	-
Jurisdictional contributions	13,544,122	4,756,658	18,300,780	17,767,748	17,767,748	17,250,240	17,250,240	16,428,800	16,456,986	16,428,800
Commuter Rail Operating and Capital (C-ROC) Fund	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	-	-	-	-	-
Regional transportation funding (NVTa)	-	-	-	-	194,506	766,586	461,889	542,671	-	-
Capital Grants and Assistance:										
Commonwealth of Virginia grants	27,879,245	25,604,500	2,339,034	2,110,561	1,417,527	13,010,326	3,033,657	9,826,429	14,694,277	-
Federal grants - with PRTC as grantee	20,406,397	17,603,912	8,738,493	3,696,057	3,541,398	9,559,056	15,204,474	22,125,460	17,764,759	5,420,552
Regional transportation funding (NVTa)	1,702,500	875,805	528,067	1,758,116	2,304,206	615,190	651,163	-	-	-
In-kind and other local contributions	-	62,269	518,086	-	-	12,842	162,839	851,659	1,079,885	2,637,809
Interest income:										
Operating funds	1,069,411	101,474	89,187	1,009,626	1,360,241	616,228	285,495	93,677	34,337	27,860
Insurance trust	183,169	19,451	67,921	18,621	221,184	132,037	98,560	69,444	-	-
Commuter Rail Operating and Capital (C-ROC) Fund	1,894,380	139,208	50,085	294,176	117,075	-	-	-	-	-
Lease	19,778	29,174	-	-	-	-	-	-	-	-
Other restricted funds	636,585	(12,812)	6,701	48,899	63,483	797	402	197	59	196
Increase in fair value of investments	15,835	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of assets	-	-	-	-	-	(551,457)	3,500	-	(60,293)	1,500
Total nonoperating revenues	153,920,467	141,457,665	109,795,456	78,576,302	74,664,337	73,919,917	71,355,025	80,427,948	78,060,690	59,778,698
Total revenues	168,171,327	152,091,743	117,212,730	113,546,073	116,969,172	116,410,087	113,937,315	118,364,913	115,179,450	97,070,089
Operating Expenses:										
Contract operations and maintenance	30,866,478	28,495,740	28,125,410	28,076,445	26,946,284	26,917,081	25,873,933	24,082,615	22,782,752	23,151,332
Other operations and maintenance	20,661,998	17,763,617	15,603,856	15,446,821	16,579,038	17,492,047	14,461,209	13,662,606	14,334,954	14,891,502
Property leases and access fees	18,436,123	17,283,411	17,354,979	17,425,916	16,698,897	16,693,442	16,236,606	15,175,732	14,318,788	13,924,017
Insurance	7,732,360	7,431,921	7,100,216	4,370,863	3,945,668	3,766,321	3,970,753	4,046,198	3,964,673	3,991,969
Marketing and sales	1,175,036	795,787	979,335	2,189,698	2,574,583	2,529,388	2,532,214	2,393,332	2,267,729	2,012,321
General and administrative	13,214,162	10,558,848	12,659,432	11,015,700	10,937,062	11,651,412	10,904,945	10,514,343	7,968,298	7,793,040
Depreciation and amortization	22,480,189	21,552,764	21,118,165	19,690,320	18,542,805	18,201,071	17,737,170	16,953,565	15,391,195	14,706,458
Total operating expenses	114,566,346	103,882,088	102,941,393	98,215,763	96,224,337	97,250,762	91,716,830	86,828,391	81,028,389	80,470,639
Nonoperating (Revenues) Expenses:										
Interest and amortization	7,285,456	2,908,408	1,904,569	2,089,883	2,188,383	3,147,164	3,217,756	3,384,762	3,534,644	4,026,724
Total nonoperating expenses	7,285,456	2,908,408	1,904,569	2,089,883	2,188,383	3,147,164	3,217,756	3,384,762	3,534,644	4,026,724
Special items	-	-	-	(1,372,379)	-	-	-	1,882,945	-	3,660,786
Total expenses	121,851,802	106,790,496	104,845,962	98,933,267	98,412,720	100,397,926	94,934,586	92,096,098	84,563,033	88,158,149
Change in net position	\$ 46,319,525	\$ 45,301,247	\$ 12,366,768	\$ 14,612,806	\$ 18,556,452	\$ 16,012,161	\$ 19,002,729	\$ 26,268,815	\$ 30,616,417	\$ 8,911,940

Source: VRE's Audited Financial Statements.

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF COMPONENTS OF NET POSITION

Last Ten Fiscal Years (Unaudited)

	June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Net investment in capital assets	\$ 322,715,330	\$ 290,402,387	\$ 274,934,995	\$ 279,674,828	\$ 282,554,207	\$ 289,271,966	\$ 279,920,481	\$ 274,136,653	\$ 254,085,092	\$ 220,069,396
Restricted for liability insurance plan	10,147,403	10,022,903	10,252,938	10,320,199	10,527,621	10,536,336	10,470,506	10,439,990	10,487,532	10,454,171
Restricted for debt service	22,521,722	14,122,731	1,998,519	2,016,642	2,029,382	1,996,544	-	-	-	6,731,166
Restricted grants or contributions	2,754,165	2,536,576	2,530,013	2,526,137	1,120,762	1,094,246	779,223	779,223	-	-
Restricted pension asset	67,453	891,393	-	-	-	-	-	-	-	-
Unrestricted net position	154,596,921	148,507,479	131,465,757	114,277,648	97,970,676	72,747,104	68,885,778	55,697,393	50,211,820	46,973,386
Total net assets										
Total net position	\$ 512,802,994	\$ 466,483,469	\$ 421,182,222	\$ 408,815,454	\$ 394,202,648	\$ 375,646,196	\$ 360,055,988	\$ 341,053,259	\$ 314,784,444	\$ 284,228,119

Note: Fiscal year 2012 balance restated to comply with GASB 63.

Source: VRE's Audited Financial Statements.

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF OUTSTANDING DEBT Last Ten Fiscal Years (Unaudited)

	June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenue Bonds:										
\$31,700,000 Commuter Rail Revenue Bond, Series 1998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,555,000
Bonds Payable:										
\$46,640,000 Virginia Resources Authority (VRA) Bond 2018	34,690,000	37,295,000	39,770,000	42,120,000	44,360,000	46,640,000	-	-	-	-
\$5,972,388 Unamortized Premium on VRA Bond 2018	3,882,052	4,280,212	4,678,371	5,076,530	5,474,689	5,872,848	-	-	-	-
\$115,670,000 Transportation District Special Obligation Revenue Bonds (Transforming Rail in Virginia) Series 2022 (Green Bonds)	113,520,000	115,670,000	-	-	-	-	-	-	-	-
\$12,136,265 Unamortized Premium on Series 2022 Bonds	12,063,948	12,136,265	-	-	-	-	-	-	-	-
Private Placement Notes Payable:										
\$25,100,000 Private Placement Note - Gallery IV Cars	3,650,870	5,355,739	6,984,969	8,541,916	10,029,785	11,451,643	12,810,417	14,108,906	15,349,786	16,535,611
\$74,425 Prive Placement Note - Equipment	-	-	-	-	2,628	17,559	34,287	50,048	64,331	-
Leases Payable:										
\$1,385,031 Intangible right-to-use asset - buildings	1,200,812	1,284,251	-	-	-	-	-	-	-	-
\$579,328 Intangible right-to-use asset - parking lots	57,791	293,702	-	-	-	-	-	-	-	-
\$99,581 Intangible right-to-use asset - tower	23,692	62,665	-	-	-	-	-	-	-	-
\$100,277 Intangible right-to-use asset -roof	98,827	-	-	-	-	-	-	-	-	-
Subscription Payable:										
\$311,753 Intangible right-to-use ERP system	206,214	-	-	-	-	-	-	-	-	-
\$5,823 Intangible right-to-use ERP module	4,338	-	-	-	-	-	-	-	-	-
\$182,276 Intangible right-to-use Microsoft office	91,492	-	-	-	-	-	-	-	-	-
Notes Payable:										
\$63,844,842 FRA Notes	-	-	-	-	-	-	53,440,159	55,628,942	57,709,856	59,698,580
Outstanding as of June 30	<u>\$ 169,490,036</u>	<u>\$ 176,377,834</u>	<u>\$ 51,433,340</u>	<u>\$ 55,738,446</u>	<u>\$ 59,867,102</u>	<u>\$ 63,982,050</u>	<u>\$ 66,284,863</u>	<u>\$ 69,787,896</u>	<u>\$ 73,123,973</u>	<u>\$ 82,789,191</u>
Debt per Capita:										
Outstanding as of June 30	\$ 169,490,036	\$ 176,377,834	\$ 51,433,340	\$ 55,738,446	\$ 59,867,102	\$ 63,982,050	\$ 66,284,863	\$ 69,787,896	\$ 73,123,973	\$ 82,789,191
Total Participating Jurisdictional Population	N/A	1,231,993	2,437,252	2,416,813	2,387,125	2,358,994	2,337,904	2,318,025	2,306,154	2,282,668
Debt per Capita	<u>N/A</u>	<u>\$ 143.16</u>	<u>\$ 21.10</u>	<u>\$ 23.06</u>	<u>\$ 25.08</u>	<u>\$ 27.12</u>	<u>\$ 28.35</u>	<u>\$ 30.11</u>	<u>\$ 31.71</u>	<u>\$ 36.13</u>
Outstanding Debt as a Percentage of Personal Income:										
Outstanding as of June 30	\$ 169,490,036	\$ 176,377,834	\$ 51,433,340	\$ 55,738,446	\$ 59,867,102	\$ 63,982,050	\$ 66,284,863	\$ 69,787,896	\$ 73,123,973	\$ 82,789,191
Total Personal Income	N/A	92,522,314,000	196,809,487,000	188,053,401,000	178,301,505,000	169,718,231,000	163,990,714,000	158,645,003,000	158,047,748,309	152,421,795,000
Total Outstanding Debt as a Percentage of Personal Income	<u>N/A</u>	<u>0.19%</u>	<u>0.03%</u>	<u>0.03%</u>	<u>0.03%</u>	<u>0.04%</u>	<u>0.04%</u>	<u>0.04%</u>	<u>0.05%</u>	<u>0.05%</u>

The population data for each participating jurisdiction can be found in the following reports.

- (1) Fairfax County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 4.0-D, page 305
- (2) Prince William County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 16, page 283
- (3) City of Manassas fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 14, page 200
- (4) City of Manassas Park fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 13, page 199
- (5) Stafford County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table S-15; page 180
- (6) City of Fredericksburg fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 15, page 203
- (7) Spotsylvania County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table S-13, page 190
- (8) City of Alexandria fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table XI and Table XIV, page 234 and Page 236
- (9) Arlington County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table K, page 290

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF JURISDICTIONAL CONTRIBUTIONS

Last Ten Fiscal Years

(Unaudited)

	June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fairfax County	\$ 4,721,011	\$ 1,658,006	\$ 6,379,017	\$ 6,253,022	\$ 5,385,794	\$ 6,099,300	\$ 5,160,910	\$ 4,847,284	\$ 4,852,953	\$ 4,747,684
City of Fredericksburg	271,677	95,412	367,089	321,028	436,568	417,278	483,524	439,366	581,244	427,728
City of Manassas	597,421	209,813	807,234	694,742	785,898	684,586	749,372	766,491	686,944	757,804
City of Manassas Park	346,629	121,735	468,364	405,485	511,311	474,718	511,777	576,699	401,762	574,709
Prince William County	4,389,276	1,541,501	5,930,777	6,098,311	6,183,745	5,363,372	5,968,406	5,309,674	5,485,333	5,748,203
Stafford County	1,833,319	643,856	2,477,175	2,352,820	2,475,127	2,344,514	2,647,221	2,855,607	2,689,391	2,529,281
Spotsylvania County	1,112,905	390,849	1,503,754	1,285,670	1,632,635	1,520,191	1,382,749	1,303,888	1,401,382	1,313,600
City of Alexandria	110,384	38,767	149,151	144,807	144,807	140,589	140,589	133,894	133,894	133,894
Arlington County	161,500	56,719	218,219	211,863	211,863	205,692	205,692	195,897	195,897	195,897
Total contributions	\$ 13,544,122	\$ 4,756,658	\$ 18,300,780	\$ 17,767,748	\$ 17,767,748	\$ 17,250,240	\$ 17,250,240	\$ 16,428,800	\$ 16,428,800	\$ 16,428,800

Source: VRE's Department of Finance

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF MISCELLANEOUS STATISTICS

Last Ten Fiscal Years

(Unaudited)

	June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Rolling Stock (Owned or Leased)										
Locomotives	20	20	20	20	20	20	20	20	20	20
Railcars	100	100	100	100	100	100	98	100	93	91
Total rolling stock	120	120	120	120	120	120	118	120	113	111
Stations	19	19	19	19	19	19	19	19	18	18
Parking Spaces (1)	10,842	10,842	10,763	10,763	10,795	10,796	10,796	10,743	9,243	9,030
Employees	56	56	55	50	50	50	49	45	39	37
Ridership and Fare Revenue Data (2):										
Total Ridership	1,466,480	821,828	341,662	3,273,884	4,477,266	4,705,529	4,761,035	4,441,858	4,618,169	4,547,911
Average Daily Ridership	5,866	3,314	1,389	12,922	18,053	18,974	18,968	17,767	18,547	18,119
Average Fare Per Trip	\$ 9.51	\$ 12.82	\$ 21.23	\$ 10.60	\$ 9.38	\$ 8.97	\$ 8.88	\$ 8.49	\$ 7.95	\$ 8.16

(1) Ridership in the fourth quarter of fiscal year 2020 was negatively affected by the COVID-19 Novel Coronavirus pandemic. Ridership continued to be impacted by the COVID-19 Novel Coronavirus pandemic in fiscal year 2021, 2022, and 2023.

(2) VRE conducted fare free Fridays from June 2nd to September 1st.

Source: VRE staff



VIRGINIA RAILWAY EXPRESS

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

Employers	2022			2013		
	Rank	Employees	Percentage of Total Jurisdictional Employment	Rank	Employees	Percentage of Total Jurisdictional Employment
Federal Government (1) (3) (4) (6)	1	43,764	N/A	1	30,921-31,420	N/A
Fairfax County Public Schools (1)	2	25,570	N/A	2	24,232	N/A
Fairfax County Government (1)	3	11,984	N/A	3	12,302	N/A
Inova Health System (1) (6)	4	11,700-13,700	N/A	5	7,000-10,000	N/A
Amazon (1)	5	5,000-9,999	N/A	-	-	N/A
Booz-Allen Hamilton (1)	6	5,000-9,999	N/A	4	7,000-10,00	N/A
Capital One (1)	7	5,000-9,999	N/A	-	-	N/A
Federal Home Loan Mortgage (1)	8	5,000-9,999	N/A	8	4,000-6,999	N/A
George Mason University (1)	9	5,000-9,999	N/A	-	-	N/A
Science Applications International Corp. (1)	10	5,000-9,999	N/A	10	4,000-6,999	N/A
Lockheed Martin (1) (7)	-	-	N/A	6	5,100-8,099	N/A
Mary Washington Healthcare (9)	-	-	N/A	7	4,335	N/A
Northrop Grumman (1)	-	-	N/A	9	4,000-6,999	N/A

Sources:

(1) through (9) extracted and combined from the following sources:

- (1) County of Fairfax fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 4.2, page 306
- (2) County of Arlington fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table L, page 291 - Number of Employees not Included
- (3) County of Prince William fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 17, page 284
- (4) County of Stafford fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table S-17, page 182
- (5) County of Spotsylvania fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table S-14, page 191
- (6) City of Alexandria fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table XIX, page 241
- (7) City of Manassas fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 15, page 201
- (8) City of Manassas Park fiscal year 2022 and 2013 Annual Comprehensive Financial Report, Statistical Section, Table 14, page 201 and 120 respectively
- (9) City of Fredericksburg fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 16, page 204

DEMOGRAPHICS AND ECONOMIC STATISTICS OF PARTICIPATING JURISDICTIONS

Fiscal Years 2013 to 2022

(Unaudited)

	Fairfax County (1)	Prince William County (2)	City of Manassas (3)	City of Manassas Park (4)	Stafford County (5)	City of Fredericksburg (6)	Spotsylvania County (7)	City of Alexandria (8)	Arlington County (9)
2022									
Population	N/A	484,472	N/A	17,002	156,927	27,596	144,796	163,400	237,800
Personal Income (in thousands)	N/A	\$35,456,728	N/A	\$605,577	\$7,975,775	\$1,639,588	\$7,974,904	\$14,894,033	\$23,975,709
Per Capita Personal Income	N/A	\$59,812	N/A	\$35,618	\$50,825	\$59,414	\$55,077	N/A	100,823
Unemployment Rate	N/A	2.8%	2.7%	2.4%	2.8%	3.5%	3.0%	2.4%	2.3%
2021									
Population	1,170,033	488,629	42,708	17,219	153,392	28,500	139,971	161,300	235,500
Personal Income (in thousands)	\$105,777,709	\$33,168,415	\$2,682,489	\$591,059	\$7,643,245	\$1,569,964	\$7,300,517	\$14,665,740	\$23,410,349
Per Capita Personal Income	\$88,971	\$58,765	\$62,810	\$34,326	\$49,828	\$55,077	\$52,157	N/A	99,407
Unemployment Rate	3.5%	4.5%	4.4%	4.3%	4.3%	5.3%	4.4%	4.3%	4.3%
2020									
Population	1,171,848	467,935	42,772	17,478	151,689	28,532	138,449	159,467	238,643
Personal Income (in thousands)	\$100,944,159	\$31,075,084	\$2,558,279	\$549,159	\$7,410,183	\$1,449,140	\$7,221,134	\$14,127,927	\$22,718,336
Per Capita Personal Income	\$86,141	\$56,238	\$59,812	\$31,420	\$48,851	\$50,790	\$55,077	\$93,835	\$95,198
Unemployment Rate	5.6%	8.9%	8.8%	9.9%	7.5%	9.4%	8.6%	8.3%	1.9%
2019									
Population	1,166,965	463,867	41,085	17,307	149,110	29,144	136,447	156,800	226,400
Personal Income (in thousands)	\$96,205,762	\$29,870,606	\$2,315,797	\$512,997	\$7,141,369	\$1,422,897	\$7,116,715	\$13,455,505	\$20,259,857
Per Capita Personal Income	\$82,441	\$55,356	\$56,366	\$29,641	\$47,893	\$48,823	\$52,157	\$89,884	\$89,487
Unemployment Rate	2.3%	2.6%	2.6%	2.1%	2.7%	3.5%	2.9%	2.2%	2.0%
2018									
Population	1,152,873	459,966	41,641	16,528	145,699	28,360	134,227	154,500	225,200
Personal Income (in thousands)	\$90,357,574	\$28,845,521	\$2,276,430	\$489,907	\$6,841,181	\$1,339,443	\$6,795,518	\$12,958,210	\$19,814,447
Per Capita Personal Income	\$78,376	\$54,740	\$54,668	\$29,641	\$46,954	\$47,230	\$50,627	\$87,761	\$87,986
Unemployment Rate	2.4%	3.0%	2.8%	2.7%	3.3%	4.3%	3.2%	2.4%	2.5%
2017									
Population	1,142,888	456,126	41,501	16,591	144,612	28,297	132,889	152,200	222,800
Personal Income (in thousands)	\$86,834,344	\$27,420,200	\$2,196,606	\$478,667	\$6,657,002	\$1,313,009	\$6,505,098	\$12,692,748	\$19,896,040
Per Capita Personal Income	\$75,978	\$52,555	\$52,929	\$28,851	\$46,034	\$46,401	\$48,951	\$83,477	\$89,300
Unemployment Rate	3.0%	3.5%	3.4%	3.4%	3.6%	4.6%	3.7%	2.8%	2.6%

DEMOGRAPHICS AND ECONOMIC STATISTICS OF PARTICIPATING JURISDICTIONS

Fiscal Years 2013 to 2022

(Unaudited)

	Fairfax County (1)	Prince William County (2)	City of Manassas (3)	City of Manassas Park (4)	Stafford County (5)	City of Fredericksburg (6)	Spotsylvania County (7)	City of Alexandria (7)	Arlington County (8)
2016									
Population	1,138,652	449,864	41,483	15,827	142,380	28,118	131,401	149,900	220,400
Personal Income (in thousands)	\$85,311,224	\$26,426,685	\$2,128,617	\$456,625	\$6,425,740	\$1,256,818	\$6,247,711	11,789,823	\$18,601,760
Per Capita Personal Income	\$74,923	\$51,354	\$51,313	\$28,851	\$45,131	\$44,698	\$47,547	\$81,887	\$84,400
Unemployment Rate	3.2%	3.7%	3.4%	3.9%	4.0%	4.8%	4.1%	2.9%	2.9%
2015									
Population	1,142,234	441,627	41,764	15,625	142,299	28,213	130,042	147,650	216,700
Personal Income (in thousands)	\$85,675,546	\$25,621,570	\$2,101,356	\$440,063	\$6,296,162	\$1,201,676	\$6,024,994	12,071,851	\$18,614,530
Per Capita Personal Income	\$75,007	\$50,355	\$50,315	\$28,164	\$44,246	\$42,593	\$46,331	\$82,253	\$85,900
Unemployment Rate	3.1%	4.4%	4.1%	4.4%	5.2%	6.2%	4.7%	3.5%	3.4%
2014									
Population	1,137,538	433,621	42,081	14,992	138,423	28,132	128,881	144,000	215,000
Personal Income (in thousands)	\$81,620,627	\$24,587,457	\$2,042,822	\$420,586	\$6,091,966	\$1,215,809	\$5,772,816	12,115,212	\$18,554,500
Per Capita Personal Income	\$71,752	\$48,962	\$48,545	\$28,054	\$44,010	\$43,218	\$44,792	\$80,506	\$86,300
Unemployment Rate	3.5%	4.8%	5.0%	4.5%	5.2%	5.9%	5.4%	4.6%	3.5%
2013									
Population	1,130,924	425,681	41,725	15,125	135,311	27,307	127,449	142,200	221,045
Personal Income (in thousands)	\$80,982,075	\$23,468,904	\$1,973,426	\$407,528	\$5,900,913	\$1,116,665	5,566,129	11,760,450	\$18,234,223
Per Capita Personal Income	\$71,607	\$47,296	\$47,296	\$26,944	\$43,610	\$40,893	\$43,673	\$77,419	\$82,491
Unemployment Rate	3.7%	5.2%	5.4%	5.0%	5.1%	8.2%	6.1%	4.7%	4.0%

Note: Data for participating jurisdictions not available for 2022.

Sources:

- (1) Fairfax County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 4.0-D, page 305
- (2) Prince William County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 16, page 283
- (3) City of Manassas fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 14, page 200
- (4) City of Manassas Park fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 13, page 199
- (5) Stafford County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table S-15; page 180
- (6) City of Fredericksburg fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 15, page 203
- (7) Spotsylvania County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table S-13, page 190
- (8) City of Alexandria fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table XI and Table XIV, page 234 and Page 236
- (9) Arlington County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table K, page 290

VIRGINIA RAILWAY EXPRESS

PLEDGED REVENUE COVERAGE

Beginning Fiscal Year 2018

(Unaudited)

Fiscal Year Ended June 30,	Revenues ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Revenues Available for Debt Service	Annual VRA Debt Service	Coverage
2023	\$ 110,897,729	\$ (92,086,157)	\$ 18,811,572	\$ 4,293,572	4.38
2022	105,036,849	(82,329,324)	22,707,525	4,290,841	5.29
2021	103,184,481	(81,823,229)	21,361,252	4,289,481	4.98
2020	103,891,456	(78,525,443)	25,366,013	4,290,400	5.91
2019	107,517,658	(77,681,532)	29,836,126	4,290,993	6.95
2018	90,065,509	(79,049,691)	11,015,818	N/A	N/A

Notes:

(1) Includes operating and net non operating revenues (subsidies and interest income)

(2) Net of depreciation and amortization

VIRGINIA RAILWAY EXPRESS

WORKING CAPITAL RESERVE FUND

Beginning Fiscal Year 2018

(Unaudited)

Fiscal Year Ended June 30,	Cash & Cash Equivalents	Operating Expenses	Less:		90 Days of Cash Expenses (25%)	Ratio
			Depreciation/ Amortization	Cash Expenses		
2023	\$ 80,010,886	\$ 114,566,346	\$ (22,480,189)	\$ 92,086,157	\$ 23,021,539	3.5x
2022	92,348,143	103,882,088	(21,552,764)	82,329,324	20,582,331	4.5x
2021	113,216,934	102,941,394	(21,118,165)	81,823,229	20,455,807	5.5x
2020	97,142,781	98,215,763	(19,690,320)	78,525,443	19,631,361	4.9x
2019	75,278,280	96,224,337	(18,542,805)	77,681,532	19,420,383	3.9x
2018	51,186,348	97,250,762	(18,201,071)	79,049,691	19,762,423	2.6x

Compliance Section



**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 Operations Board Members and Commissioners
The Northern Virginia Transportation Commission
The Potomac and Rappahannock Transportation Commission

We have audited, 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, the financial statements of Virginia Railway Express (VRE), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise VRE's basic financial statements, and have issued our report thereon dated November 7, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered VRE's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VRE's internal control. Accordingly, we do not express an opinion on the effectiveness of VRE's internal control.

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 VRE's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether VRE's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of VRE's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VRE's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
November 7, 2023



A TRANSPORTATION PARTNERSHIP





VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

Agenda Item 9-A
Action Item

To: Chair Walkinshaw and the VRE Operations Board

From: Rich Dalton

Date: November 17, 2023

**Re: Acceptance of the Fiscal Year 2023 Audited Financial Statements
and Auditor's Report and Authorization to Forward to the
Commissions**

Recommendation:

The VRE Operations Board is asked to accept the Fiscal Year (FY) 2023 Annual Comprehensive Financial Report (ACFR) and associated information from the auditors and to authorize the Chief Executive Officer to forward this information to the Commissions for their consideration.

Summary:

The audit of VRE's FY 2023 financial statements has been completed and the auditors have issued an unmodified opinion. The opinion letter states the VRE statements, in all material respects, fairly and accurately present the financial position of the organization. This opinion is the best outcome of a financial audit.

Background:

The FY 2023 audit was conducted by the firm of PBMares, LLP. A jointly procured three-year contract with PBMares for the audits of the VRE, PRTC and NVTC financial statements was approved by the Operations Board in April 2022, with up to four years of optional renewals. The audit of FY 2023 represents the second year of financial auditing services provided under this contract.

The audited financial statements and associated reports were forwarded to all members of the Operations Board prior to the November Operations Board meeting. The auditors also met with



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Arlington, VA 22201
703-524-3322



Virginia Railway Express
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Alexandria, VA 22314
703-684-1001
VRE.org



Potomac and Rappahannock
Transportation Commission
14700 Potomac Mills Road
Woodbridge, VA 22192
703-580-6121

the VRE Audit Committee on November 17, 2023, prior to the Operations Board meeting, to review the statements and their opinion.

Fiscal Impact:

There is no fiscal impact to the presentation of these audited financial statements.

**Virginia Railway Express
Operations Board Resolution**

9A-11-2023

**Acceptance of the Fiscal Year 2023 Audited Financial Statements and Auditor's
Report and Authorization to Forward to the Commissions**

WHEREAS, the VRE Operations Board has contracted with the firm of PBMares, LLP for the audit of VRE's financial statements; and,

WHEREAS, the audit of the VRE Fiscal Year 2023 financial statements has been completed; and,

WHEREAS, the auditors have issued an unmodified opinion that the VRE statements, in all material respects, fairly and accurately present the financial position of the commuter rail operation;

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board accepts the Fiscal Year 2023 Annual Comprehensive Financial Report (ACFR) and associated information from the auditors and hereby authorizes the Chief Executive Officer to forward this information to the Commissions for their consideration.

Approved this 17th day of November 2023

James Walkinshaw
Chair

Ralph Smith
Secretary

RESOLUTION #2526

SUBJECT: Authorize the VRE CEO to Submit VRE Applications to the NVTC I-66 Commuter Choice FY2025-2026 Program

WHEREAS: On October 6, 2023 the Northern Virginia Transportation Commission (NVTC) opened a call for projects for the I-66 Commuter Choice FY 2025-2026 funding program;

WHEREAS: VRE staff have identified capital and operating improvements as proposed Commuter Choice applications, including \$6,570,000 for capital funding (Alexandria Station Improvements Project) and \$5,766,000 for operating funding (\$4,766,000 for Service Enhancements on the Manassas Line and \$1,000,000 for Manassas Line Step-Up Service Reinstatement), that support and implement planned service enhancements authorized through the Transforming Rail in Virginia initiative;

WHEREAS: VRE staff consider the proposed capital and operating improvements strong candidates for Commuter Choice funding due to their ability to move more people more efficiently through the I-66 corridor and expand commuters' travel options; and

WHEREAS: The VRE Operations Board, in accordance with VRE procedures for grant applications, recommends that the Commissions authorize submission of the applications for evaluation and funding consideration based on applicable project selection criteria.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission hereby authorizes the VRE Chief Executive Officer to submit, on behalf of the Commissions, VRE applications to the I-66 Commuter Choice FY 2025-2026 program; to make any necessary corrections to the project amount or descriptions in the applications; and execute all project funding agreements that may result from consideration of the VRE applications.

BE IT FURTHER RESOLVED that the Commission's action does not constitute approval of any VRE applications or eliminate the need for the VRE applications to qualify for funding based on an objective evaluation using criteria established for the adopted I-66 Commuter Choice project selection process.

Approved this 7th day of December 2023.

Dalia Palchik
Chair

David F. Snyder
Secretary-Treasurer



VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

Agenda Item 9-G
Action Item

To: Chair Walkinshaw and the VRE Operations Board

From: Rich Dalton

Date: November 17, 2023

**Re: Recommend Authorization to Submit a VRE Application to the NVTC
I-66 Commuter Choice FY2025-2026 Program**

Recommendation:

The VRE Operations Board is asked to recommend the Commissions authorize the VRE Chief Executive Officer to submit, on behalf of the Commissions, a VRE application(s) to the I-66 Commuter Choice FY 2025-2026 Program, to make any necessary corrections to the project amount or descriptions in the application(s) and execute all project funding agreements that may result from consideration of the VRE application(s).

Summary:

VRE has identified capital and operating improvements to support planned service enhancements identified in the Transforming Rail in Virginia (TRV) initiative that benefit toll payers, maximize person throughput, and provide enhanced multimodal choices in the I-66 travel corridor. If authorized, VRE will apply for funding for these improvements from the I-66 Commuter Choice FY25-26 Program.

Background:

On October 6, 2023, the Northern Virginia Transportation Commission (NVTC) opened a call for projects for the I-66 Inside the Beltway Commuter Choice FY 2025-2026 funding program. I-66 Inside the Beltway Commuter Choice reinvests toll revenues from a portion of I-66 Inside the Beltway toll revenues, augmented by a portion of the annual transit payments to the Commonwealth from I-66 Express Mobility Partners, funding multimodal improvements selected by NVTC and approved by the Commonwealth Transportation Board (CTB) that benefit I-66 Inside the Beltway toll-payers by moving more people more efficiently through the corridor



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and expanding commuters' travel options. NVTC administers the overall Commuter Choice program with bi-annual calls for projects for I-66 toll revenue-funded project applications.

Applications are due by December 18, 2023. All eligible projects are evaluated and scored under a technical evaluation process that emphasizes how well projects support the improvement goals for the corridors. The most significant factor in project scoring is the efficiency by which the project moves additional persons through the corridor in the weekday peak period. The Commissions select projects to fund, and the CTB approves the program for inclusion in the Six Year Improvement Program in June 2024.

A wide range of transportation capital improvements are eligible for Commuter Choice funding. Eligible capital projects are limited to asset acquisition (e.g., vehicles or land) and construction; studies or design are not eligible. The program also funds transit operating costs, net of any fare revenues received, for a maximum of 24-months at a time. Commuter Choice can only support new or expanded service efforts; funds may not be used to supplant other funding for an existing service. The minimum funding award for any Commuter Choice project is \$200,000 and the maximum is \$20 million.

VRE staff have identified a group of capital and operating improvements that support and implement planned service enhancements authorized in the TRV initiative. Consistent with VRE procedures for grant applications, the Operations Board must recommend the submission of grant applications to the Commissions for their authorization. The pending Commissions authorization does not confer endorsement of any VRE application(s) in relation to the adopted I-66 Commuter Choice project selection process.

They include:

- **Service Enhancements on the Manassas Line (Priority 1)**
Enhancements will be made to the VRE Manassas Line AM peak period service to improve AM peak headways. Due to schedule adjustments made in 2021, there is a 65-minute gap between trains in the Manassas Line morning peak-of-the-peak service which has been cited by current and former VRE riders as a deterrent to riding VRE. The proposed enhancements will eliminate this gap and restore Manassas Line AM service to consistent 25 minute average headways. These enhancements include the operation of an additional train consist (e.g., locomotive plus six coaches) for Manassas Line service. Commuter Choice funding is proposed to offset the cost (net of fare revenue) associated with the service enhancements and the additional Manassas Line train consist. A Commuter Choice application for a total amount of \$4,766,000 for a 24-month period is proposed.
- **Step-Up Service Restart on the Manassas Line and Fare Buy-Down (Priority 2)**
VRE Step-Up service via Amtrak trains has been suspended since the start of the COVID pandemic. VRE is in discussions with Amtrak to restart the service. Step-Up service would be available on state-sponsored Amtrak trains seven days per week. Commuter

Choice funding is proposed to buydown the cost of a Step-Up ticket that VRE pays Amtrak to a nominal amount, the specific amount to be determined, for VRE Multi-Ride ticketholders and implement a robust marketing campaign to draw new riders to the service. A Commuter Choice application for a total amount of \$1,000,000 for a 24-month period is proposed. Due to Amtrak policy limitations and concerns about competition, Step-Up riders would be required to purchase a VRE multi-ride ticket (e.g., 7-day, 10-ride, 31-day, Monthly), at their expense, in addition to the Step-Up ticket.

- Capital Funding for VRE Alexandria Station Improvements (Priority 3)

This project must be constructed in advance of the fourth track and Long Bridge projects being implemented by the Virginia Passenger Rail Authority. Commuter Choice funding in the amount of \$6,570,000 is proposed to fill the budget shortfall and enable this project to proceed to construction on its current schedule.

Fiscal Impact:

There is no fiscal impact associated with this request. The Commuter Choice Program will provide 100% of the requested funds and no match is required. If selected for Commuter Choice funding, an amendment to the FY 2025 Operating and Capital Budget and/or item in the FY2026 Operating and Capital Budget to reflect the receipt of the Commuter Choice funds would be presented to the Operations Board for approval and referral to the Commissions.

**Virginia Railway Express
Operations Board Resolution**

9G-11-2023

**Recommend Authorization to Submit a VRE Applications to the NVTC I-66
Commuter Choice FY2025-2026 Program**

WHEREAS, On October 6, 2023 the Northern Virginia Transportation Commission (NVTC) opened a call for projects for the I-66 Commuter Choice FY 2025-2026 funding program; and,

WHEREAS, VRE staff have identified a group of capital and operating improvements, including \$6,570,000 for capital (the Alexandria Station Improvements Project) and \$5,766,000 for operating funding (\$4,766,000 for Service Enhancements on the Manassas Line and \$1,000,000 for Manassas Line Step-Up Service Reinstatement), that support and implement planned service enhancements authorized through the Transforming Rail in Virginia initiative for a proposed Commuter Choice application; and,

WHEREAS, staff considers the proposed capital and operating improvements strong candidates for Commuter Choice funding due their ability to move more people more efficiently through the I-66 corridor and expand commuters' travel options;

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board does hereby recommend the Commissions authorize the VRE Chief Executive Officer to submit, on behalf of the Commissions, VRE applications to the I-66 Commuter Choice FY25-26 Program, to make any necessary corrections to the project amount or descriptions in the application(s), and execute all project funding agreements that may result from consideration of the VRE application(s).

Approved this 17th day of November 2023

James Walkinshaw
Chair

Ralph Smith
Secretary

TO: Chair Palchik and NVTC Commissioners
FROM: Kate Mattice
DATE: November 30, 2023
SUBJECT: Department of Rail and Public Transportation (DRPT)

At the December meeting, DRPT Director Jen DeBruhl will give her report. The [monthly DRPT Report](#), which provides updates on DRPT programs and initiatives, is attached.



COMMONWEALTH of VIRGINIA

Jennifer B. DeBruhl
Director

DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION
600 EAST MAIN STREET, SUITE 2102
RICHMOND, VA 23219-2416

(804) 786-4440
FAX (804) 225-3752
Virginia Relay Center
800-828-1120 (TDD)

TO: Chair Palchik and NVTC Commissioners

FROM: Jennifer DeBruhl, Director

DATE: November 30, 2023

SUBJECT: Virginia Department of Rail and Public Transportation (DRPT) Update

The Commonwealth Transportation Board (CTB) did not meet in November. The final CTB meeting of the year will be held on December 4-5 in Richmond. At the meeting, DRPT will be requesting an update to the FY 24 Six-Year Improvement Plan (SYIP) to reflect new federal and state funding for a Federal Railroad Crossing Elimination grant and to award \$4.4 million in mid-cycle FY 24 Transit Ridership Incentive Program (TRIP) funding. The City of Alexandria and Arlington County are both being recommended for TRIP funding for bus stop improvements, which is a new category for TRIP eligibility. The SYIP update will be both a workshop item and an action item in December. The agenda and meeting materials will be posted prior to the workshop.

As of November 15, DRPT's legacy grants management system, OLGA, is no longer available for grant-related actions by DRPT funding recipients. However, OLGA will be available until February 1, 2024 for reference after which it will be taken offline completely. During this interim period, DRPT funding recipients are encouraged to download copies of important documents.

DRPT's new grants management system, WebGrants, will launch on December 1. At that time, every public transportation and rail partner agency that receives DRPT funding will be required to register an authorized user and also provide an updated W-9 to DRPT. New funding applications and reimbursement requests cannot be submitted until registration is complete in WebGrants. FY 25 state funding application creation and submission starts on December 1, 2023, and the application period closes on February 1, 2024.

Information about the new system, including links to recordings and slide decks of prior webinars about the new system, are available on the [WebGrants](#) Information page on DRPT's website. Along with the launch of WebGrants, DRPT will begin a new transit performance data reporting process. A [webinar](#) was held on November 30 for transit systems to learn about this new process. An archived recording will be posted on DRPT's [YouTube](#) page. The November 30 deadline for submitting performance data from October 2023 will be postponed until December 15th to allow for the introduction of the new reporting system.

Also, DRPT has three important staff announcements. Please join me in welcoming Jen Monaco to DRPT's Alexandria office as the Senior Program Manager for Major Capital Investments (WMATA). Jen joins us from the City of Alexandria where she had worked since 2019 as a Senior Transportation Planner and the City's WMATA representative. Also, Tiffany Dubinsky has been promoted to Director of Transit Planning. Tiffany joined DRPT in 2017 as a Statewide Transit Planner and works in the Richmond office. Finally, I have informed the Youngkin administration of my intent to retire from state service effective July 1, 2024, with my last day in the office being

June 4, 2024. Secretary Miller has asked me to assist him with the selection of the next Director. We are aligned in the view that this agency is on the right track. Serving as the Director of the DRPT and working with the people in this agency have been the greatest honor and privilege of my 30 years in public service.

TO: Chair Palchik and NVTC Commissioners
FROM: Kate Mattice
DATE: November 30, 2023
SUBJECT: Executive Director Report

A. Executive Director Newsletter

NVTC's Executive Director Newsletter provides updates on specific NVTC projects and programs and highlights items of interest at the federal and state levels and among jurisdictional and regional partners.

The December 2023 Executive Director Newsletter will be provided to Commissioners at the Commission meeting and posted online at <https://novatransit.org/news-and-media/newsletter/>.

B. NVTC Financial Reports

The [October 2023 Financial Reports](#) are provided as information.



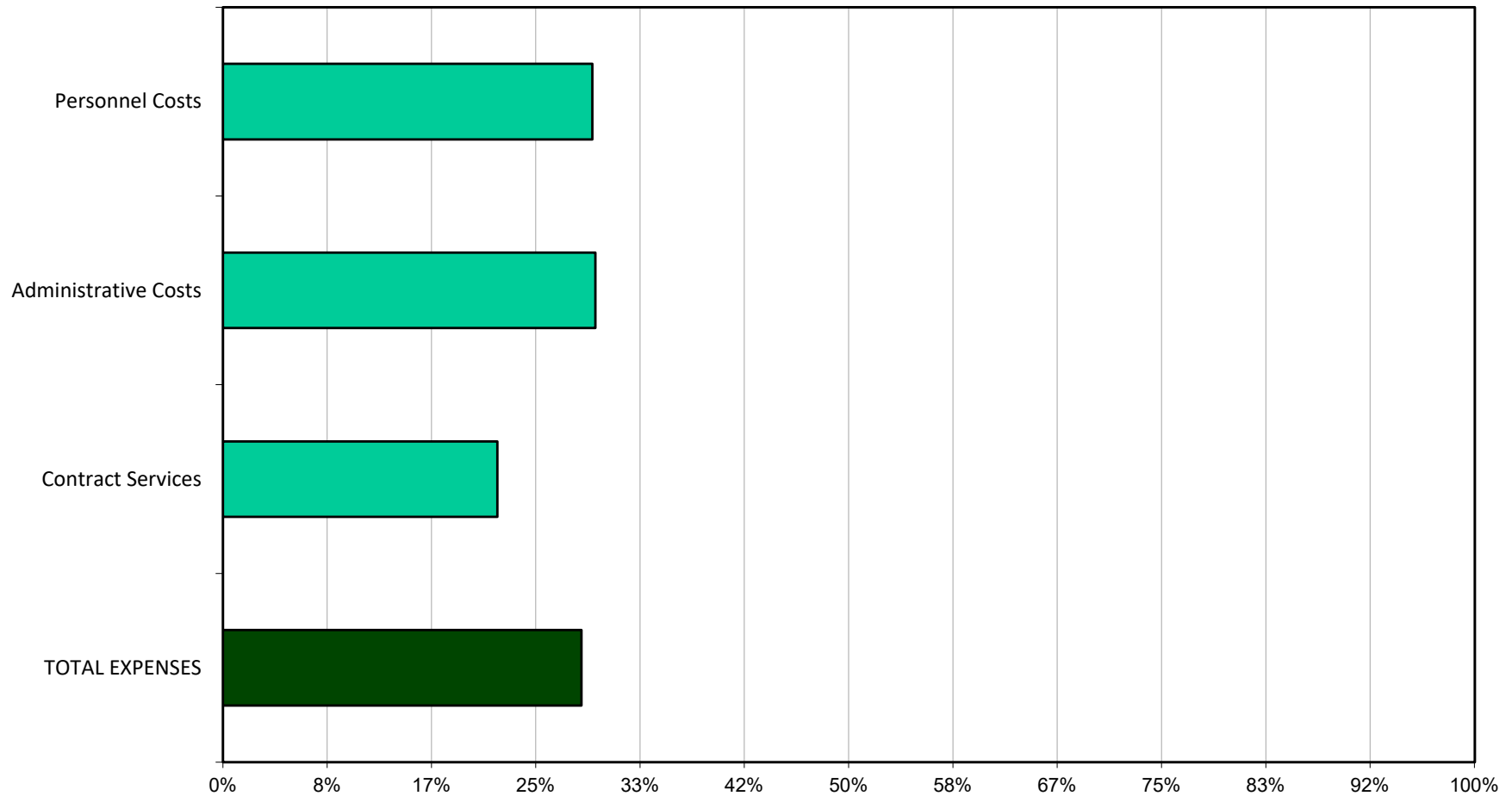
Northern Virginia Transportation Commission

Financial Reports
October 2023

PERCENTAGE OF FY 2024 NVTC ADMINISTRATIVE BUDGET USED

October 2023

(TARGET 33.3% OR LESS)



Note: Refer to pages 2 and 3 for details

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
G&A BUDGET VARIANCE REPORT
October 2023

	<u>Current Month</u>	<u>Year To Date</u>	<u>Annual Budget</u>	<u>Balance Available</u>	<u>Balance %</u>
<u>Personnel Costs</u>					
Salaries and Wages	\$ 207,356.32	\$ 774,268.65	\$ 2,644,000.00	\$ 1,869,731.35	70.7%
Temporary Employee Services	-	-	-	-	
Total Personnel Costs	<u>207,356.32</u>	<u>774,268.65</u>	<u>2,644,000.00</u>	<u>1,869,731.35</u>	<u>70.7%</u>
<u>Benefits</u>					
Employer's Contributions:					
FICA	12,495.02	57,279.04	180,700.00	123,420.96	68.3%
Group Health Insurance	14,503.09	57,534.91	205,900.00	148,365.09	72.1%
Retirement	14,167.00	56,668.00	170,000.00	113,332.00	66.7%
Workmans & Unemployment Compensation	232.70	742.02	6,000.00	5,257.98	87.6%
Life Insurance	323.90	759.77	6,800.00	6,040.23	88.8%
Long Term Disability Insurance	1,249.56	5,529.44	15,000.00	9,470.56	63.1%
Total Benefit Costs	<u>42,971.27</u>	<u>178,513.18</u>	<u>584,400.00</u>	<u>405,886.82</u>	<u>69.5%</u>
<u>Administrative Costs</u>					
Commissioners Per Diem	1,550.00	4,450.00	14,000.00	9,550.00	68.2%
<i>Rents:</i>	<i>35,423.45</i>	<i>137,020.09</i>	<i>433,000.00</i>	<i>295,979.91</i>	<i>68.4%</i>
Office Rent	33,009.15	131,741.44	408,800.00	277,058.56	67.8%
Parking & Transit Benefits	2,414.30	5,278.65	24,200.00	18,921.35	78.2%
<i>Insurance:</i>	<i>467.35</i>	<i>1,969.40</i>	<i>8,000.00</i>	<i>6,030.60</i>	<i>75.4%</i>
Public Official Bonds	-	100.00	2,500.00	2,400.00	96.0%
Liability and Property	467.35	1,869.40	5,500.00	3,630.60	66.0%
<i>Travel:</i>	<i>7,977.09</i>	<i>17,513.32</i>	<i>64,800.00</i>	<i>47,286.68</i>	<i>73.0%</i>
Conference / Professional Development	7,687.81	15,369.38	47,100.00	31,730.62	67.4%
Non-Local Travel	-	159.00	2,500.00	2,341.00	93.6%
Local Travel, Meetings and Related Expenses	289.28	1,984.94	15,200.00	13,215.06	86.9%

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
G&A BUDGET VARIANCE REPORT
October 2023

	Current Month	Year To Date	Annual Budget	Balance Available	Balance %
<i>Communication:</i>	1,506.69	6,139.15	17,800.00	11,660.85	65.5%
Postage	-	242.46	1,400.00	1,157.54	82.7%
Telephone and Data	1,506.69	5,896.69	16,400.00	10,503.31	64.0%
<i>Publications & Supplies</i>	974.35	5,347.87	29,500.00	24,152.13	81.9%
Office Supplies	-	590.27	2,500.00	1,909.73	76.4%
Duplication and Paper	806.00	3,413.73	9,500.00	6,086.27	64.1%
Public Engagement	168.35	1,343.87	17,500.00	16,156.13	92.3%
<i>Operations:</i>	4,270.68	14,253.71	59,700.00	45,446.29	76.1%
Furniture and Equipment (Capital)	1,264.42	2,520.42	25,500.00	22,979.58	90.1%
Repairs and Maintenance	53.05	212.20	1,000.00	787.80	78.8%
Computer Operations	2,953.21	11,521.09	33,200.00	21,678.91	65.3%
<i>Other General and Administrative:</i>	470.95	3,072.16	11,100.00	8,027.84	72.3%
Memberships	85.67	728.35	1,600.00	871.65	54.5%
Fees and Miscellaneous	385.28	2,343.81	8,000.00	5,656.19	70.7%
Advertising (Personnel/Procurement)	-	-	1,500.00	1,500.00	100.0%
Total Administrative Costs	<u>52,640.56</u>	<u>189,765.70</u>	<u>637,900.00</u>	<u>448,134.30</u>	<u>70.3%</u>
<u>Contracting Services</u>					
Auditing	-	9,940.00	25,850.00	15,910.00	61.5%
Contract Services and Support					
Commuter Choice	9,417.49	12,109.29	152,500.00	140,390.71	92.1%
Research Support	37,364.87	59,069.82	200,000.00	140,930.18	70.5%
Other Technical	6,334.84	24,738.69	120,000.00	95,261.31	79.4%
Legal	<u>2,500.00</u>	<u>10,000.00</u>	<u>30,000.00</u>	<u>20,000.00</u>	<u>66.7%</u>
Total Contract Services	55,617.20	115,857.80	528,350.00	412,492.20	78.1%
 Total Gross G&A Expenses	<u><u>\$ 358,585.35</u></u>	<u><u>\$ 1,258,405.33</u></u>	<u><u>\$ 4,394,650.00</u></u>	<u><u>\$ 3,136,244.67</u></u>	<u><u>71.4%</u></u>

NVTC
RECEIPTS and DISBURSEMENTS
October 20223

October 20223

			Virginia LGIP				
Date	Payer / Payee	Purpose	Wells Fargo Checking	Wells Fargo Savings	NVTC G&A / Project	Commuter Choice	Trusts
RECEIPTS							
2	Alexandria	G&A contribution		\$ 10,916.25			
2	VRE	Reimbursement for staff support		21,997.34			
3	DMV	Motor Vehicle Fuels Sales tax					2,622,446.90
3	DMV	CROC			1,250,000.00		
4	DRPT	Capital grant receipt - VRE			543,851.00		
4	DRPT	Capital grant receipt - City of Fairfax			18,185.00		
4	DRPT	Toll revenue - I-66 Commuter Choice program				5,253,125.00	
11	DRPT	Capital grant receipt - VRE			1,600,000.00		
11	DRPT	Capital grants receipts - Fairfax					109,186.00
16	DRPT	Capital grants receipts - VRE			2,387,290.00		
18	PRTC	60th anniversary sponsorship		5,000.00			
19	DRPT	Technical assistance - ZEB project			20,875.00		
23	DRPT	Capital and operating assistance - WMATA					17,543,393.00
24	Audacy	Refund		21,910.00			
24	Falls Church	G&A contribution		2,087.00			
26	VDOT	Toll revenue - I-66 Commuter Choice program				3,184,137.00	
26	Cardinal Infra	60th anniversary sponsorship		500.00			
31	DMV	Motor Vehicle Fuels Sales tax					2,963,803.18
31	DMV	CROC			1,250,000.00		
31	Banks	Investment earnings		134.77	7,266.44	348,312.59	1,760,563.09
TOTAL RECEIPTS			-	62,545.36	7,077,467.44	8,785,574.59	24,999,392.17

NVTC
RECEIPTS and DISBURSEMENTS
October 20223

October 20223			Virginia LGIP				
Date	Payer / Payee	Purpose	Wells Fargo Checking	Wells Fargo Savings	NVTC G&A / Project	Commuter Choice	Trusts
DISBURSEMENTS							
1-31	Various	G&A expenses	(315,041.48)				
2	Alexandria	Other capital					(15,244,806.00)
2	WMATA	Metrobus operating					(23,239,508.00)
2	WMATA	Metrorail operating					(27,787,749.00)
2	WMATA	MetroAccess operating					(4,518,118.00)
2	WMATA	Debt service					(3,842,695.00)
2	WMATA	CIP					(647,925.00)
2	WMATA	Project planning					(121,203.00)
2	Kimley-Horn	Consulting - Commuter Choice	(4,412.99)				
3	PRTC	Commuter Choice I-395/95 reimbursement requests				(5,525,744.00)	
3	VRE	CROC			(1,250,000.00)		
4	VRE	Grant revenue			(543,851.00)		
11	VRE	Grant revenue			(1,600,000.00)		
16	VRE	Grant revenue			(2,387,290.00)		
17	Alpha Media	Regional marketing campaign	(2,846.59)				
17	Cambridge System.	Consulting - Regional bus	(37,941.23)				
17	Kimley-Horn	Consulting - Envision Route 7	(5,225.00)				
17	WTOP/WFED	Regional marketing campaign	(16,525.00)				
26	Kimley-Horn	Consulting - WMATA funding and reform	(32,139.87)				
31	VRE	CROC			(1,250,000.00)		
31	Parsons	Consulting - ZEB	(17,711.78)				
31	Banks	Service charges		(52.00)			
TOTAL DISBURSEMENTS			(431,843.94)	(52.00)	(7,031,141.00)	(5,525,744.00)	(75,402,004.00)
TRANSFERS							
6	Transfer	From LGIP to checking	100,000.00		(100,000.00)		
17	Transfer	From LGIP to checking	200,000.00		(200,000.00)		
31	Transfer	From LGIP to checking	100,000.00		(100,000.00)		
NET TRANSFERS			400,000.00	-	(400,000.00)	-	-
NET INCREASE (DECREASE) FOR MONTH			\$ (31,843.94)	\$ 62,493.36	\$ (353,673.56)	\$ 3,259,830.59	\$ (50,402,611.83)

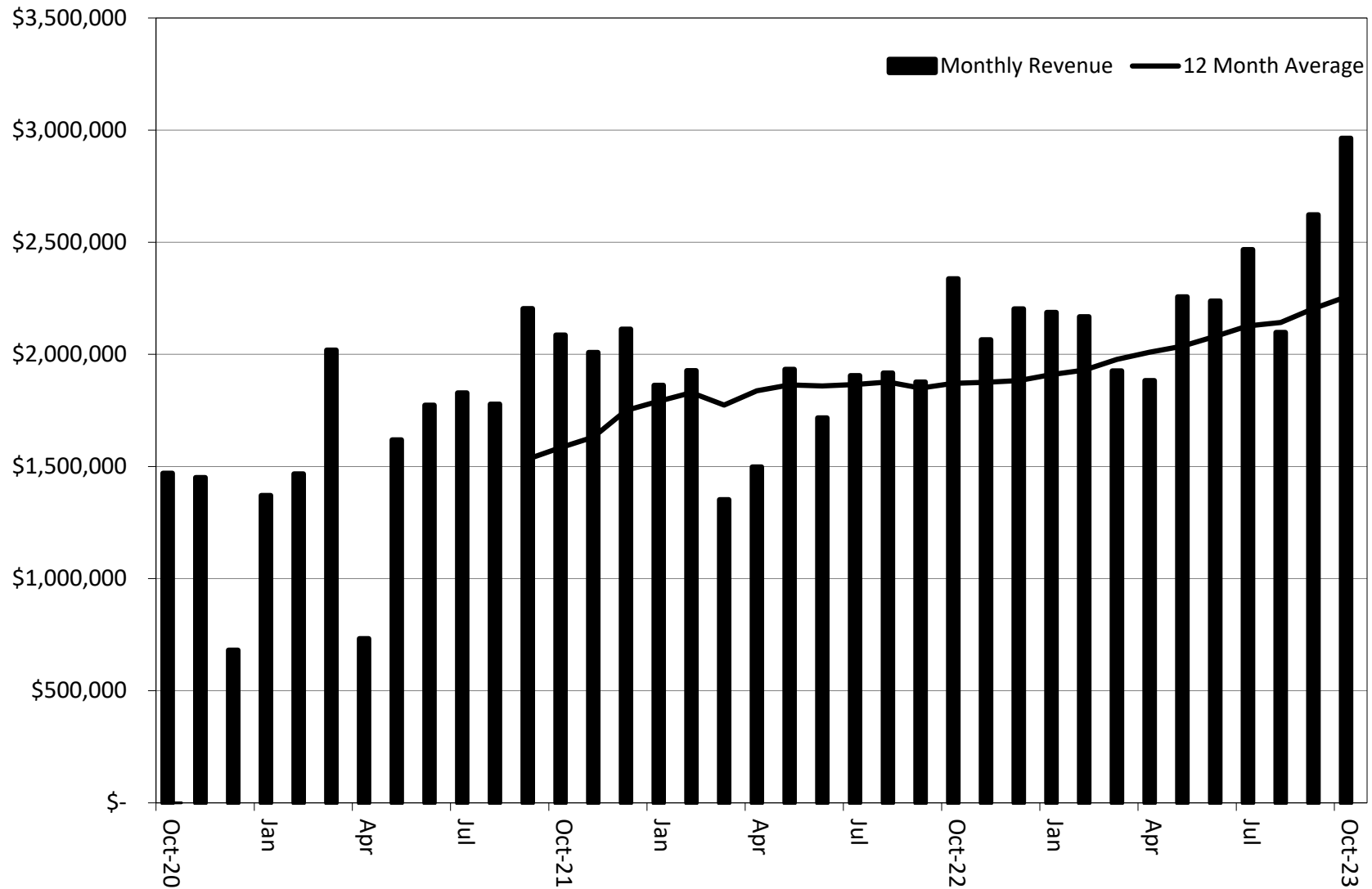
**NVTC
INVESTMENT REPORT
October 2023**

Type	Rate	Balance 9/30/2023	Increase (Decrease)	Balance 10/31/2023	Balance				
					NVTC G&A/Project	Commuter Choice	Jurisdictions Trust Fund	Loudoun Gas Tax Trust Fund	
Cash Deposits									
Wells Fargo: NVTC Checking	N/A	\$ 110,010.86	\$ (31,843.94)	\$ 78,166.92	\$ 78,166.92	\$ -	\$ -	\$ -	
Wells Fargo: NVTC Savings	1.090%	107,444.97	62,493.36	169,938.33	169,938.33	-	-	-	
Investments									
Bank of America: Virginia Local Government Investment Pool	5.646%	520,528,421.43	(47,496,454.80)	473,031,966.63	1,303,000.60	77,913,353.23	329,420,098.55	64,395,514.25	
		\$ 520,745,877.26	\$ (47,465,805.38)	\$ 473,280,071.88	\$ 1,551,105.85	\$ 77,913,353.23	\$ 329,420,098.55	\$ 64,395,514.25	

NVTC MONTHLY GAS TAX REVENUE

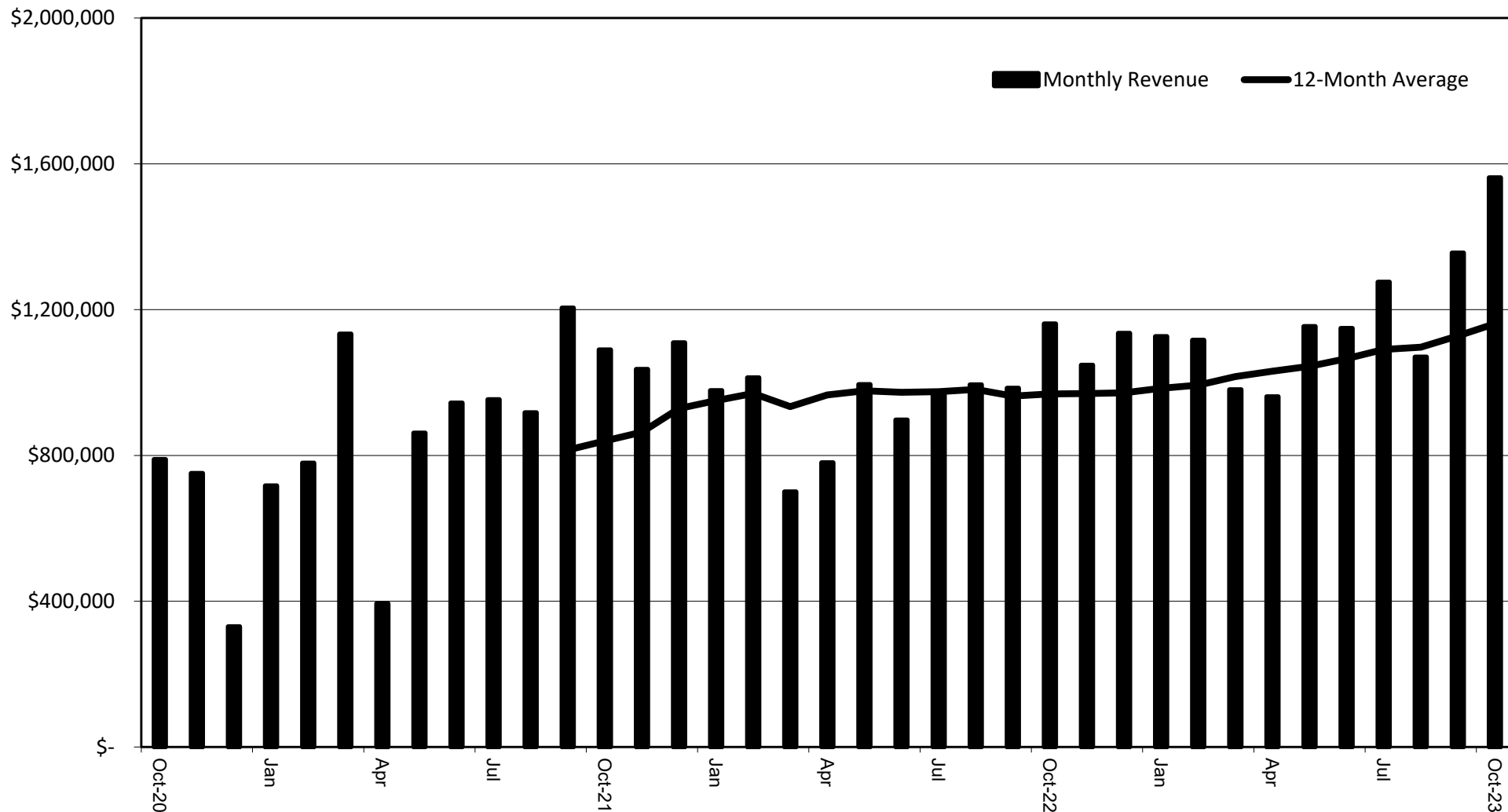
ALL JURISDICTIONS

FISCAL YEARS 2021-2024



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 2021-2024

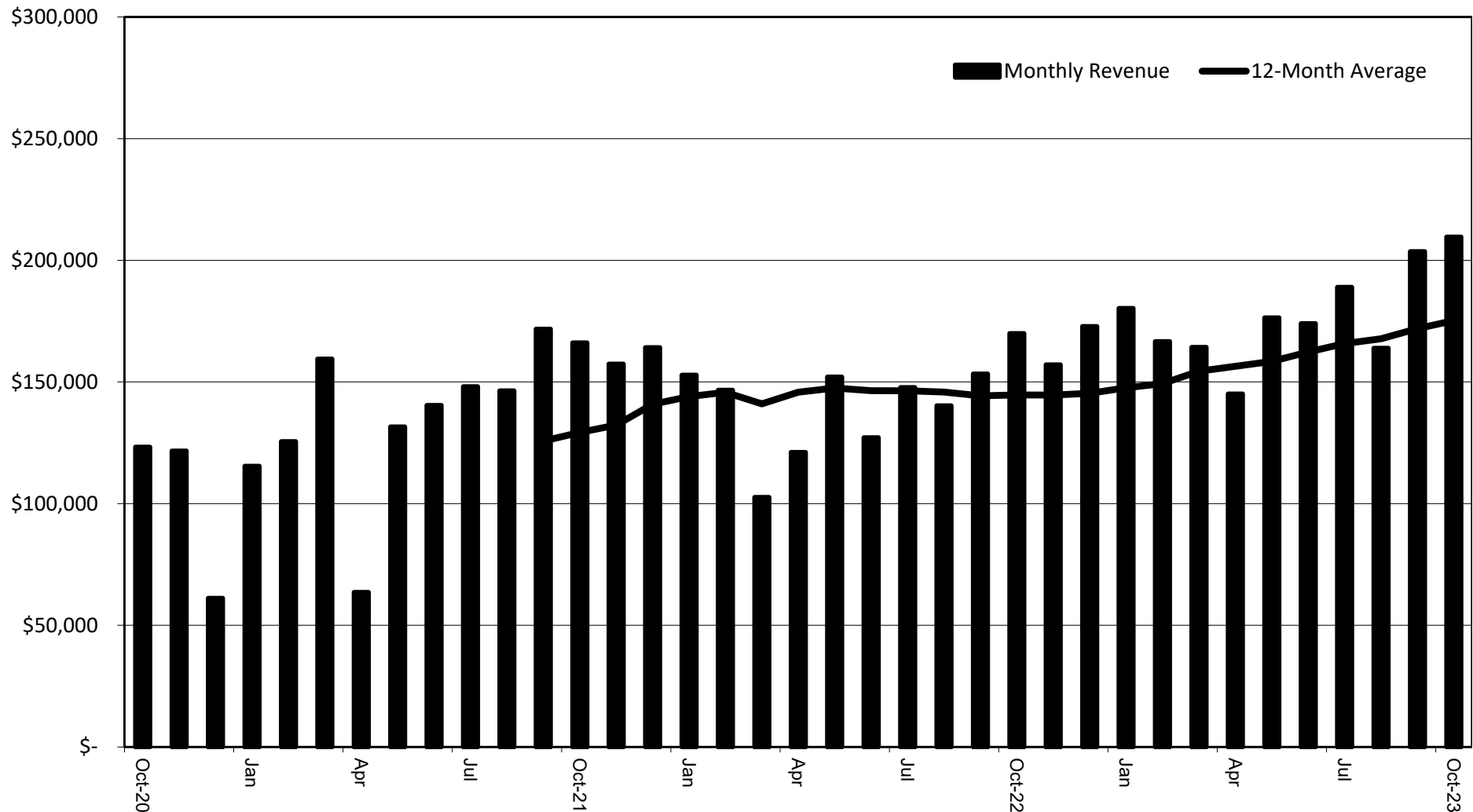


Note: Taxes shown as received by NVTC in a particular month are generated from sales two months earlier.

NVTC MONTHLY GAS TAX REVENUE

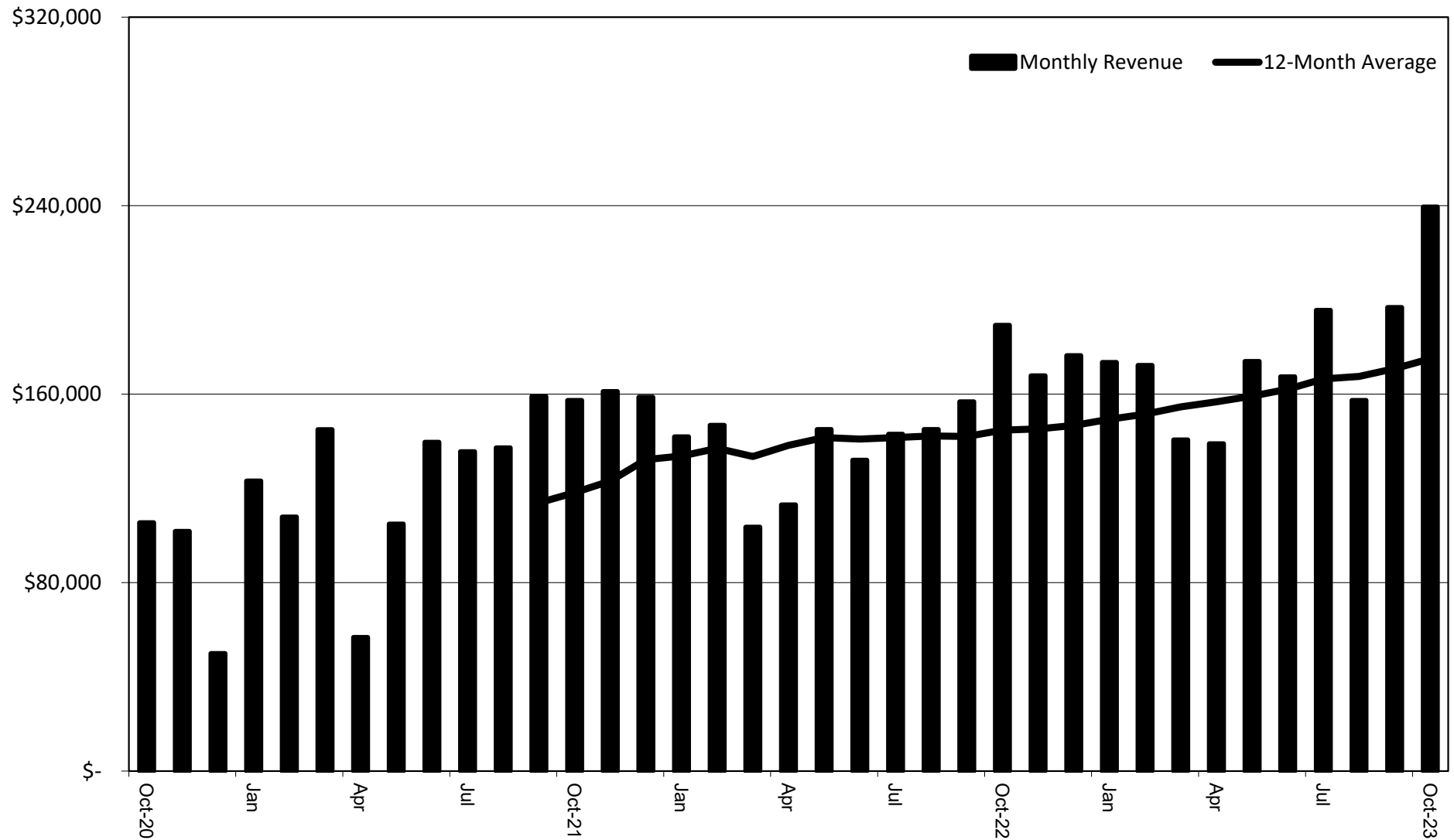
CITY OF ALEXANDRIA

FISCAL YEARS 2021-2024



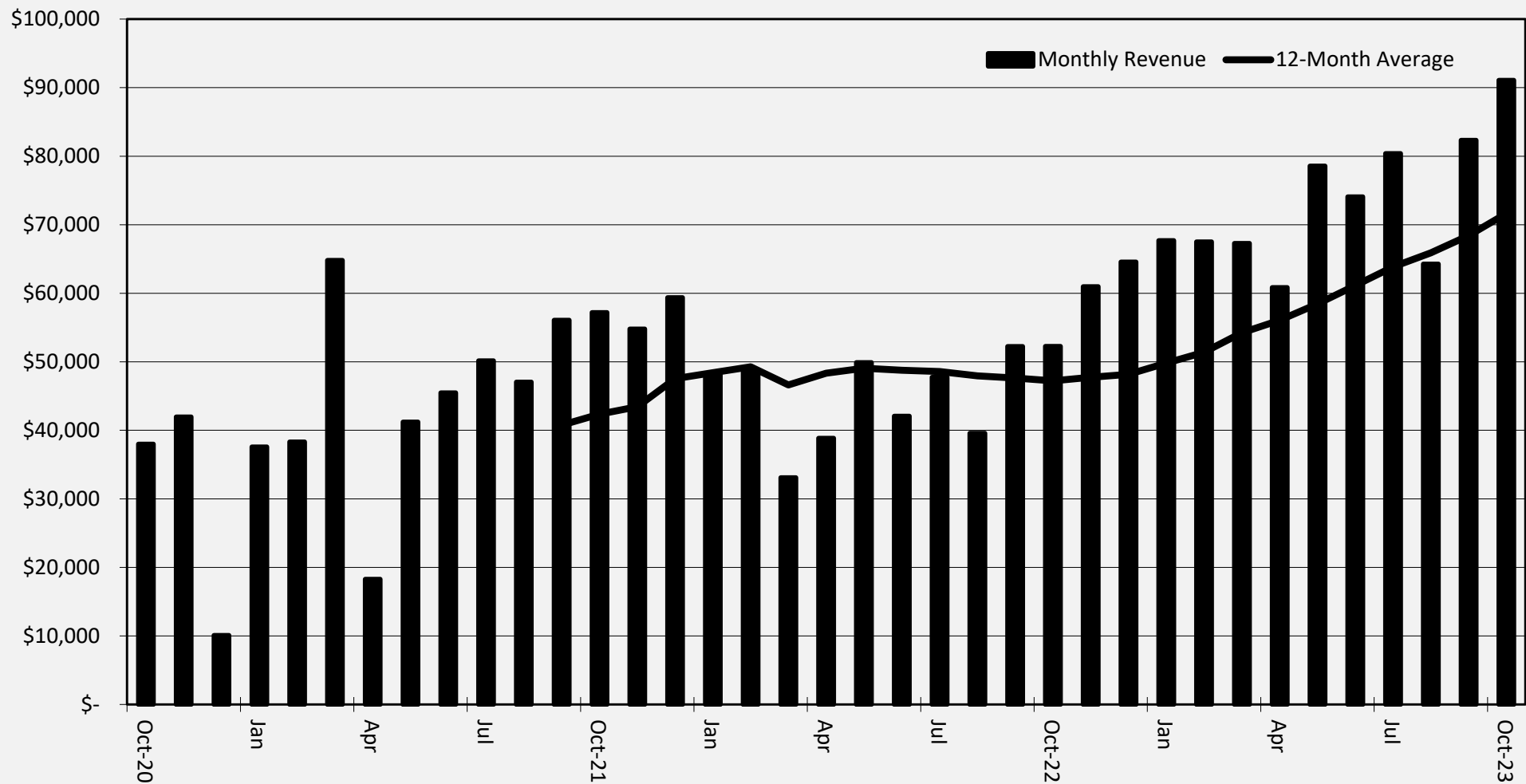
Note: Taxes shown as received by NVTC in a particular month are generated from sales two months earlier.

NVTC MONTHLY GAS TAX REVENUE ARLINGTON COUNTY FISCAL YEARS 2021-2024



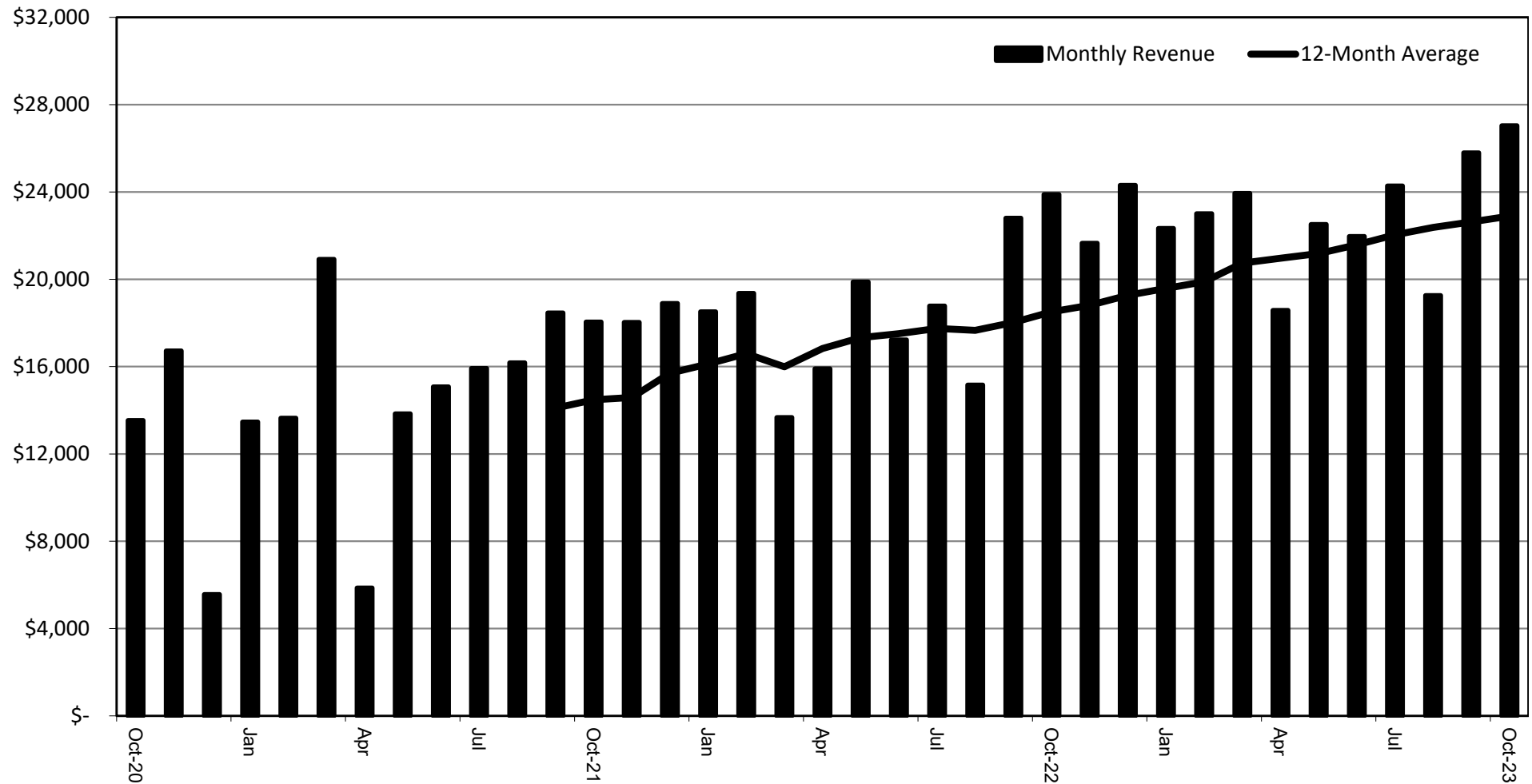
Note: Taxes shown as received by NVTC in a particular month are generated from sales two months earlier.

NVTC MONTHLY GAS TAX REVENUE CITY OF FAIRFAX FISCAL YEARS 2021-2024



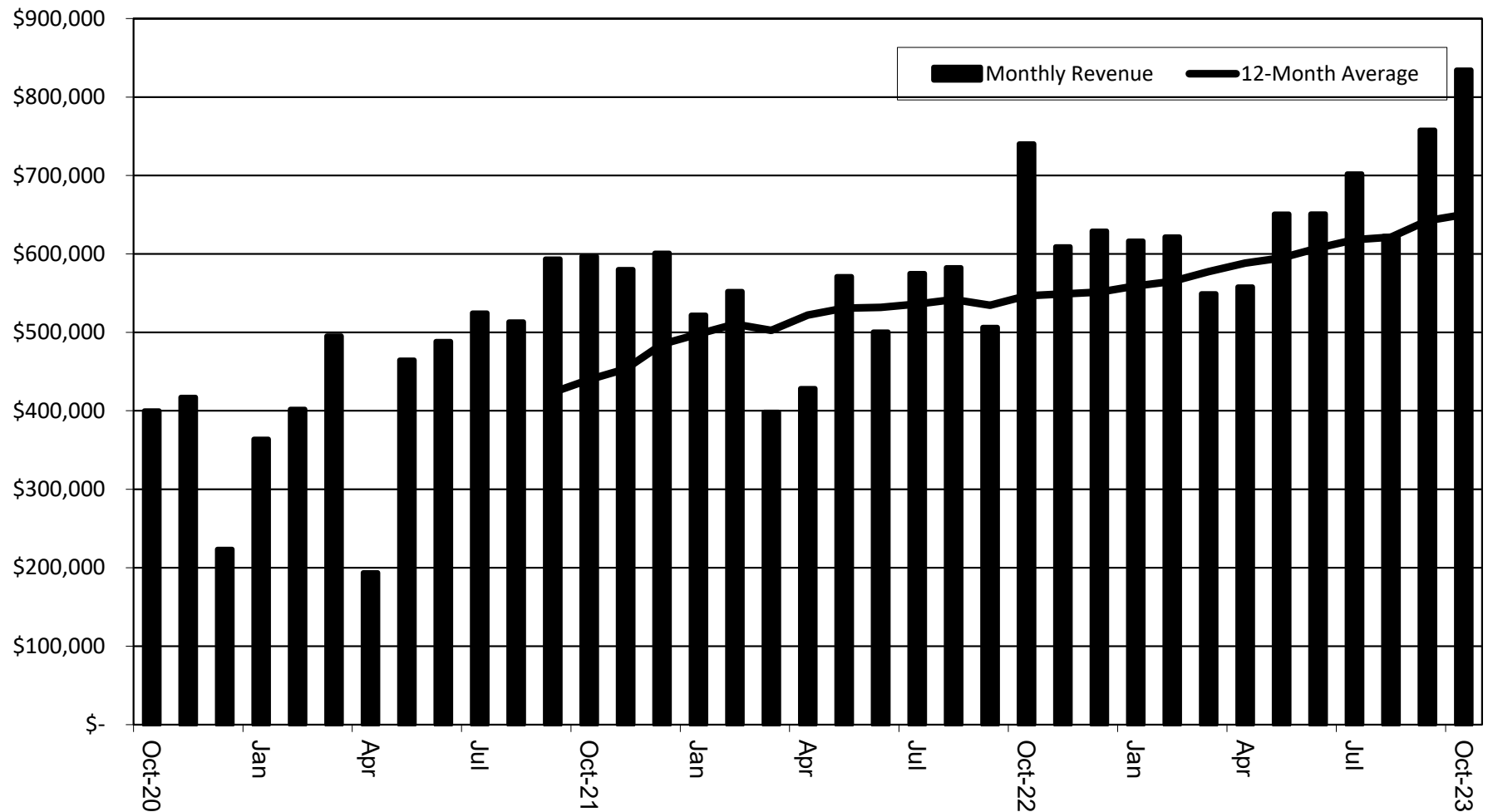
Note: Taxes shown as received by NVTC in a particular month are generated from sales two months earlier.

NVTC MONTHLY GAS TAX REVENUE CITY OF FALLS CHURCH FISCAL YEARS 2021-2024



Note: Taxes shown as received by NVTC in a particular month are generated from sales two months earlier .

NVTC MONTHLY GAS TAX REVENUE LOUDOUN COUNTY FISCAL YEARS 2021-2024



Note: Taxes shown as received by NVTC in a particular month are generated from sales two months earlier.

TO: Chair Palchik and NVTC Commissioners
FROM: Kate Mattice
DATE: November 30, 2023
SUBJECT: Closed Session

At the December meeting, the Commission will convene a Closed Session to discuss the annual performance reviews of VRE CEO Rich Dalton and VRE General Counsel/Chief Legal Officer Steve MacIsaac.

Motion to Enter into Closed Session:

Pursuant to the Virginia Freedom of Information Act, Section 2.2-3711.A.1 of the Code of Virginia, I move that the Northern Virginia Transportation Commission convene a closed meeting for discussion of personnel matters concerning the performance of the VRE chief executive officer and the VRE general counsel/chief legal officer.

Motion for Certification Coming out of Closed Session:

The Northern Virginia Transportation Commission certifies that, to the best of each member's knowledge and with no individual member dissenting, at the just concluded Closed Session:

1. Only public business matters lawfully exempted from open meeting requirements under the Freedom of Information Act were discussed; and
2. Only such public business matters as were identified in the motion by which the Closed Session was convened were heard, discussed or considered.



COMMONWEALTH *of* VIRGINIA
Office of the
SECRETARY *of* TRANSPORTATION

SMART SCALE Process Review Update

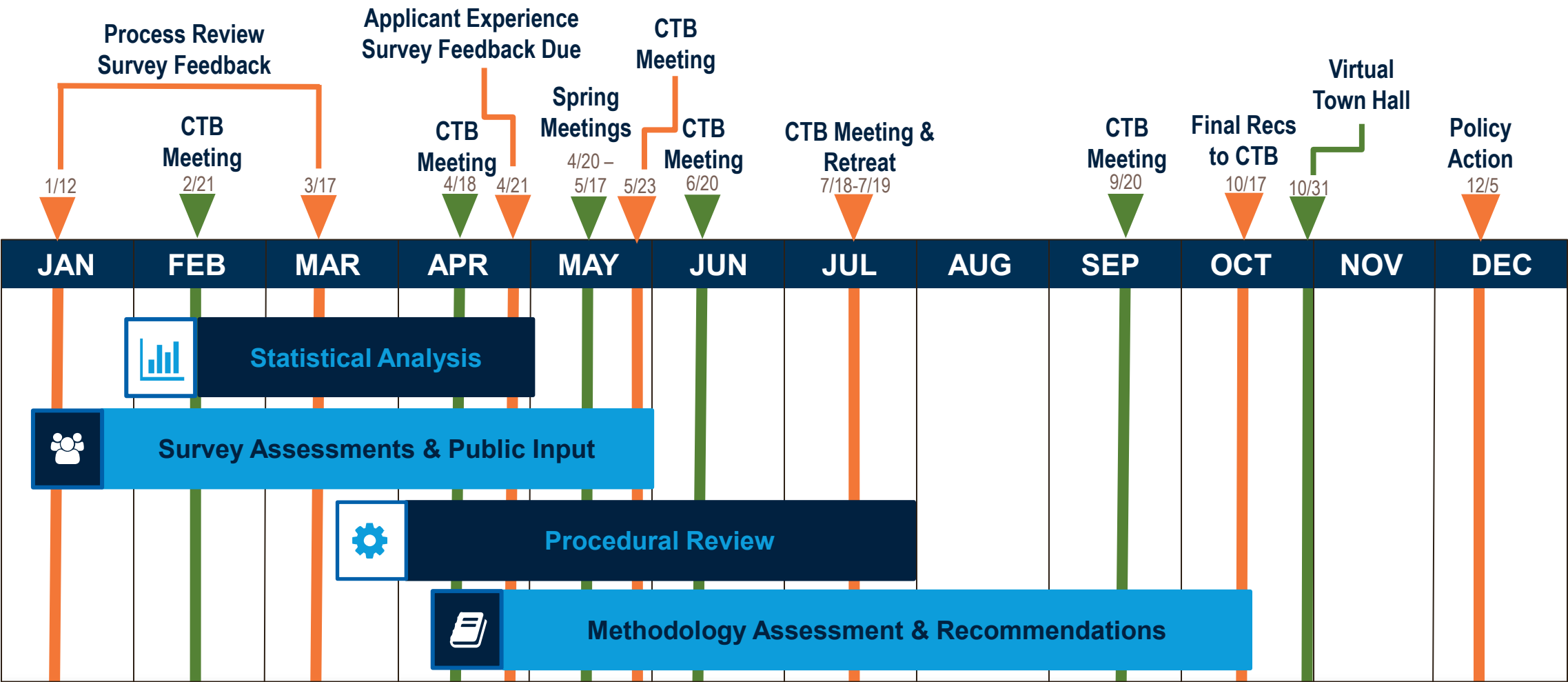
October 17, 2023



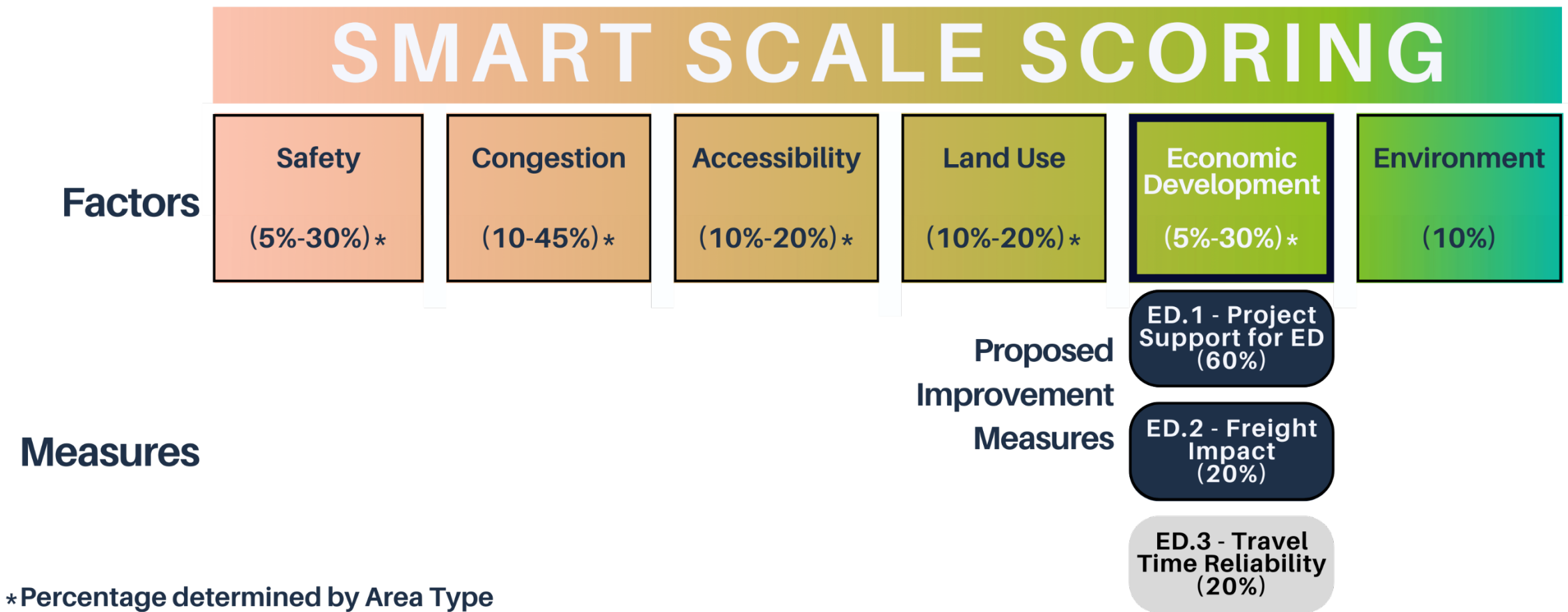
Presentation Topics

- **Overview and Status of SMART SCALE Process Review**
- **Review of Questions and Staff Recommendations**
 - Economic Development Factor Background
 - Economic Development Factor Methodology Changes
 - Summary of ED.1 Recommendations
 - ED.1 Questions from the September CTB Meeting
 - Impact of Economic Development Changes
 - Review Illustrative Impacts of Economic Development Scenarios Based on Round 5 Applications
 - Mid-Level Application Tier Analysis
 - Final Staff Recommendations
- **Public Outreach Updates**
 - Schedule and Next Steps
 - Comments or Questions about the SMART SCALE Review

Since February, the CTB has been engaged in a holistic review of our nationally recognized, data-driven process for prioritizing multimodal transportation investments to determine if SMART SCALE is meeting its goal.



Economic Development Factor Background



Economic Development Factor Methodology Changes

- **Current ED.1 (Project Support for ED) scoring methodology does not incorporate key economic priorities**
 - Needs to better reflect best-in-class economic impact assessments currently used by VEDP
 - Process uses manual process of data entry by applicants and validation by Commonwealth
- **Proposed ED.1 scoring methodology will incorporate key economic priorities, including:**
 - Focus on sites that will attract growth industries, with the inventory captured in a statewide real estate database
 - Job creation and capital investments in sites
 - Estimates potential market demand of sites by including site visits
- **Proposed ED.2 (Freight Impact) scoring methodology focus proposed to shift from freight tonnage moved to freight volume moved**

Summary of ED.1 Recommendations

Score Calculation Step (Weight)	Process
1. Determine which sites are eligible	<ul style="list-style-type: none">Commonwealth determines buffer based on Transportation Project Tier (Table 10.2 Site Eligibility by Transportation Project Tier in SMART SCALE Technical Guide)Pull in VirginiaScan sites based on coordinates and buffer
2. Calculate estimated jobs and capital investment factors (Jobs: 40%, Capital Investment: 25%)	<ul style="list-style-type: none">Input site characteristics (coordinates, acreage) into historical projects modelDetermine estimated job creation and capital investment relative to all projects in the funding round
3. Calculate site funding factor (15%)	<ul style="list-style-type: none">Sites that have received funding from GO Virginia, Tobacco Commission, or Virginia Business Ready Sites Program (VBRSP) receive the full weight of the funding factor
4. Calculate site visit factor (10%)	<ul style="list-style-type: none">Determine the number of company and/or site selector visits that occurred on eligible sites for each project in the last three years
5. Calculate site readiness factor (10%)	<ul style="list-style-type: none">Determine the eligible site with the highest VBRSP Tier<ul style="list-style-type: none">Sites that are VBRSP Tier 4 or 5 receive 5 pts, Tier 3 receive 3 pts, Tier 2 receive 2 pts, Tier 1 receive 1 pt
6. Sum for ED.1 Measure (100%)	<ul style="list-style-type: none">Add the scores from preceding steps

ED.1 Questions from the September CTB Meeting

What are the available tiered properties in Virginia Scan?

Tiering System

1

- Raw land with interested seller
- Not zoned for economic development use

2

- Site marketed for development
- Comp Plan is industrial or commercial land use

3

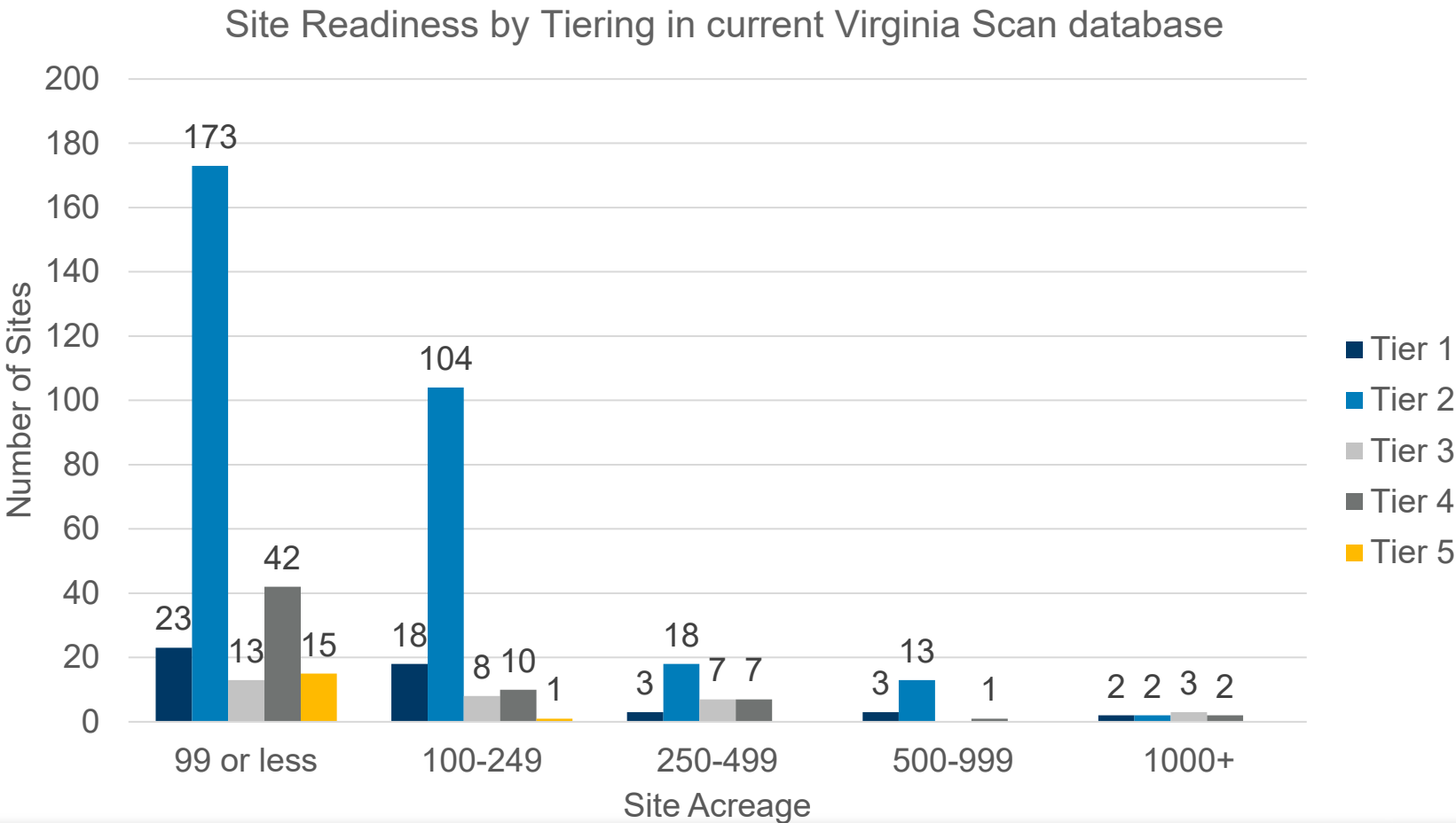
- Zoned for industrial or commercial land use
- Preliminary engineering work completed

4

- Infrastructure permit issues identified
- Plans for necessary infrastructure approved

5

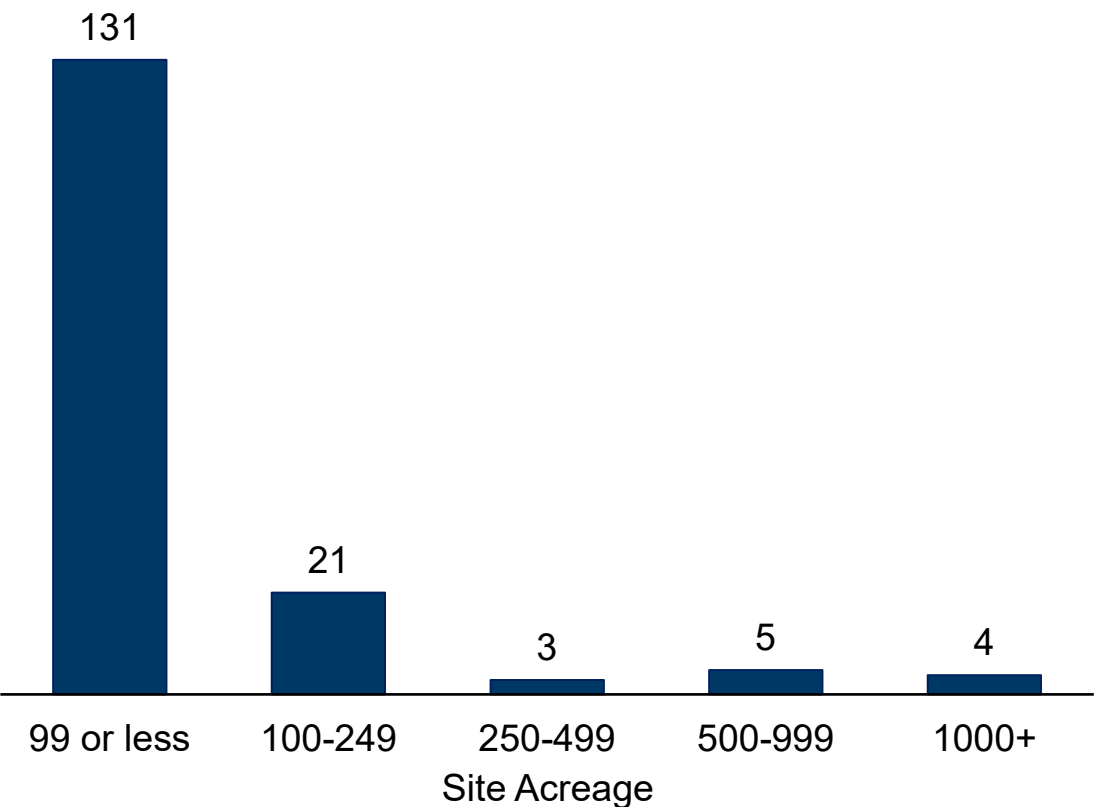
- "Shovel Ready" site cleared & rough graded
- All site permits in place or identified



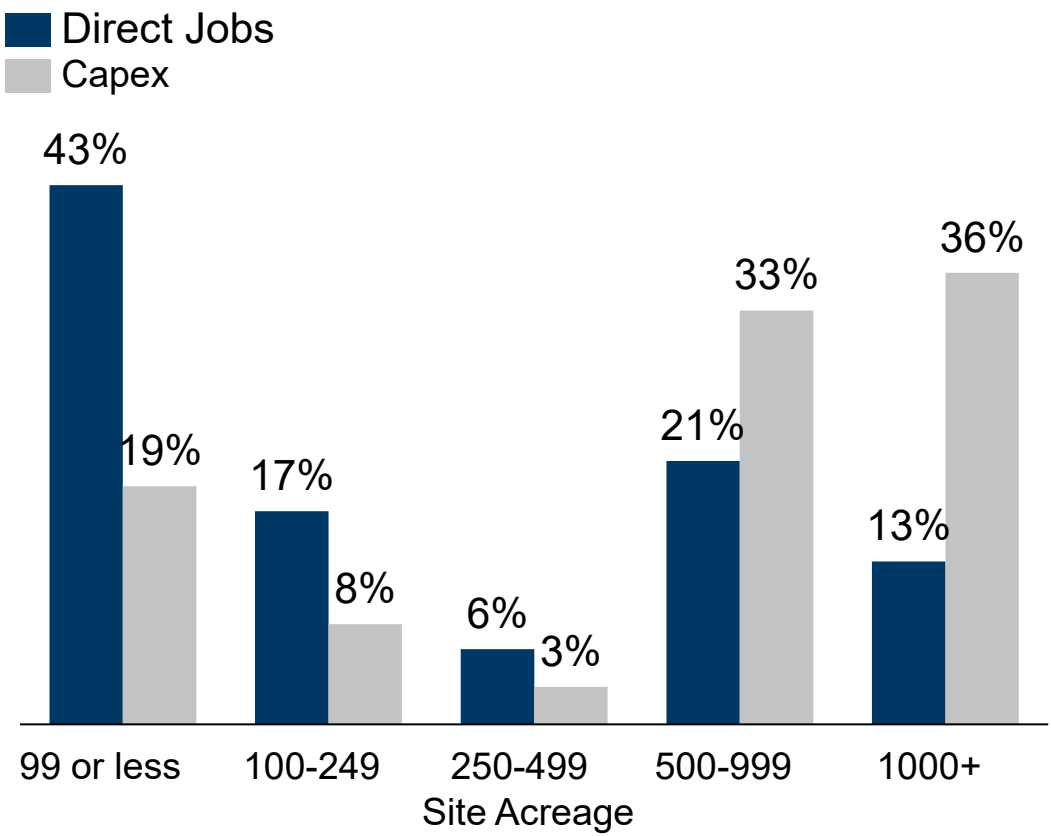
ED.1 Questions from the September CTB Meeting

What is the site demand for properties in Virginia?

Real Estate Demand – FY 2023



Potential Jobs and Capital Investment



ED.1 Questions from the September CTB Meeting

Could private, local, and federal funding be added to the scoring criteria?

- Initially, funding from GO Virginia, Tobacco Commission, or Virginia Business Ready Sites Program (VBRSP) was proposed to demonstrate a state priority.
- Quantifying private, local, and federal funding sources can be included as a manual entry in the application or as a field in the statewide property database for applicant entry.

Impact of Economic Development Changes

- **Top reasons for an increased ED.1 score:**
 - Additional sites were identified using VirginiaScan that the applicant did not include
 - Given land availability, rural areas often have stronger site opportunities
 - VirginiaScan better reflects the value of the site, aligning with the Commonwealth's development priorities
 - Est. jobs, capital investment, meeting market demand, etc.
- **Top reasons for a decreased ED.1 score:**
 - Validation of data using VirginiaScan resulted in sites showing fewer developable square feet than applicants claimed
 - If the property was not listed in VirginiaScan, likely did not have the potential to accommodate high-impact industries
- **ED.2 shift from tonnage to volume did not impact individual project scores but remains the recommended methodology**
- **Economic Development methodology was tested on all 394 applications and the scenario impact was 12 projects added and 9 projects removed**

Review Illustrative Impacts of Economic Development Scenarios Based on Round 5 Applications – Statewide Summary

	Individual Impacts						Cumulative Impacts	
	Official Round 5 Scenario*	Scenario A: Refine HPP Definition	Scenario B: Eliminate Step 2	Scenario C: Future Congestion	Scenario D: Land Use as a Multiplier	Scenario F: ED.1 and ED.2	Scenario E (A+B+C+D): September Staff Recommended Changes	Scenario G (A+B+C+D+F): Final Staff Recommended Changes
Projects Added	-	1	20	5	27	12	28	30
Projects Dropped	-	25	6	5	48	9	67	69
Net SS Award (millions)	\$1,532.1	-\$9.7	\$78.2	\$28.0	\$25.1	\$58.3	\$35.2	\$41.3
Unallocated HPP (millions)	\$90.1	\$99.8	\$11.9	\$74.1	\$23.0	\$34.1	\$13.5	\$3.7

*Official Round 5 Staff Scenario funded 152 projects

Review Illustrative Impacts of Economic Development Scenarios Based on Round 5 Applications – District Example

Individual Impacts

Cumulative Impacts

Application Information											Official Round 5 Staff Scenario Results*		Scenario A: Refine HPP Definition			Scenario B: Eliminate Step 2			Scenario C: Future Congestion			Scenario D: Land Use as a Multiplier			Scenario F: ED.1 and ED.2			Scenario E (A+B+C+D): September Recommended Changes			Scenario G (A+B+C+D+F): Final Staff Recommended Changes		
App Id	Area Type	District	Organization	Title	Principal Improvement	Secondary Improvement	DGP	HPP	Total Cost (millions)		Total Request (millions)	Funded	Program	Funding Result	Program	HPP Eligible?	Funding Result	Program	Funding Result	Program	Change in Rank	Funding Result	Program	Change in Rank	Funding Result	Program	Change in Rank	Funding Result	Program	Change in Rank	Funding Result	Program	Change in Rank
8949	C	LYN	Campbell County	Route 29 Safety Improvements - Southern Section	Highway	None	x	x	\$10.7	\$10.7	\$10.7			Stays Out		X	Stays Out		Stays Out		-10	Added	DGP	84	Added	DGP	164	Added	DGP	78	Added	DGP	205
9139	D	LYN	Pittsylvania County	US Route 29 at Malmaison Road Roundabout	Highway	None	x	x	\$19.0	\$19.0	\$19.0			Stays Out			Stays Out		Stays Out		-8	Added	DGP	88	Stays Out		-16	Added	DGP	84	Added	DGP	66
9193	D	LYN	Danville City	Riverside Dr. Improvements - Arnett Blvd. to Main St.	Highway	BikePed	x	x	\$28.7	-\$28.7	\$28.7	X	DGP	Stays In	DGP		Stays In	DGP	Stays In	DGP	-6	Dropped		-1	Dropped		2	Dropped		-8	Dropped		-10
9327	C	LYN	Amherst County	Route 29B at Amherst Highway - Dillard Road and Lakeview Dr	Highway	BikePed	x	x	\$6.7	-\$6.7	\$6.7	X	DGP	Stays In	DGP		Stays In	DGP	Stays In	DGP	-7	Dropped		-28	Dropped		-2	Dropped		-37	Dropped		-43
9399	D	LYN	Halifax County	US 501/Sunshine Dr Realignment and Pedestrian Improvements	Highway	BikePed	x		\$9.6	\$9.6	\$9.6			Stays Out		X	Stays Out		Stays Out		-5	Stays Out		-130	Added	DGP	62	Stays Out		-130	Stays Out		11
9106	D	LYN	Danville MPO	Piedmont Drive Pedestrian Accommodations	Bike/Pedestrian	None		x	\$6.7	-\$6.7	\$6.7	X	HPP	Dropped			Stays In	HPP	Stays In	HPP	-3	Stays In	HPP	3	Stays In	HPP	1	Dropped		-10	Dropped		-9
9398	D	LYN	Halifax County	Town of Halifax Pedestrian Improvements	Bike/Pedestrian	None	x		\$2.5	-\$2.5	\$2.5	X	DGP	Stays In	DGP		Stays In	DGP	Stays In	DGP	-6	Dropped		-259	Stays In	DGP	-2	Dropped		-261	Dropped		-269

*Official Round 5 Staff Scenario funded 12 projects

Note - CTB Member Consensus Modifications

Unfund from DGP

App ID 9327 Route 29 Business at Amherst Highway - Dillard Road and Lakeview Drive for \$6.7M

Fund with DGP

App ID 9336 Dillard Road Right Turn Lane for \$3.2M

App ID 9354 Manor House Drive Turn Lanes for a reduced amount of \$2.6M

	Official Round 5 Scenario	Scenario A: Refine HPP Definition	Scenario B: Eliminate Step 2	Scenario C: Future Congestion	Scenario D: Land Use as a Multiplier	Scenario F: ED.1 and ED.2	Scenario E (A+B+C+D): September Staff Recommended Changes	Scenario G (A+B+C+D+F): Final Staff Recommended Changes
Projects Added	-	0	0	0	2	2	2	2
Projects Dropped	-	1	0	0	3	2	4	4
Net SS Award (millions)	\$124.8	-\$6.7	\$0.0	\$0.0	-\$8.2	-\$15.1	-\$14.8	-\$14.8
Unallocated HPP (millions)	\$8.9	\$8.9	\$8.9	\$8.9	\$17.1	\$24.0	\$17.1	\$17.1

Note: All 394 scored applications were tested, but the illustrative example only depicts projects impacted by testing in the Lynchburg District example. Funded projects that always remained funded are not shown. Unfunded projects that always remained unfunded are not shown.

Mid-Level Application Tier Analysis

Local Suggestions and Staff Recommendations

- **Staff recommendation is to reduce the number of applications entities can submit to improve application quality**
- **Over 50% of submitted applications are “not ready” for scoring at full app submission (90% at pre-application)**
- **413 applications received and 152 recommended for funding (37% recommended for funding)**
 - Time and effort spent on document preparation on applications that ultimately were not funded
 - More applications are not an indicator of success
 - Scenario indicated that reducing applications would raise the success rate from 37% to 53%
- **Feedback on recommendations from multiple entities has stated concern about proposed limit reduction and one has suggested adding a third tier**

Mid-Level Application Tier Analysis

Local Suggestions and Staff Recommendations

		Tier	Localities	MPO, PDC, or Transit Agency	Max Pre-Applications	Max Full Applications
	Existing	1	< 200,000	< 500,000	5	4
		2	>= 200,000	>= 500,000	12	10
Option 1					4	3
					7	6
Option 2 (Staff Recommendation)					3	2
					6	5
(Revised Staff Recommendation)	Option 3	1	< 100,000	< 250,000	4	3
		2	100,000 - 200,000	250,000 - 500,000	5	4
		3	>= 200,000	>= 500,000	7	6

Mid-Level Application Tier Analysis

Local Suggestions and Staff Recommendations

- Out of 254 potential applicants a third middle tier would impact 15 entities

Cities	Counties	MPO/PDCs	Transit
Roanoke	Stafford	Fredericksburg	Jaunt
Newport News	Brunswick		Loudoun
Hampton	Spotsylvania		Potomac & Rappahannock
Alexandria	Hanover		RADAR
	Albermarle		Williamsburg

Final Staff Recommendations

Staff Recommendation	Improvement	Scenario
Refine High-Priority Projects Program (HPP) Eligibility	Clarify CTB Policy to ensure HPP projects are of statewide or regional significance.	A*
Eliminate Step 2	Distribute all HPP program funds based on statewide rankings of SMART SCALE scores, rather than district-wide rankings.	B*
Calculate congestion benefits for 10 years in the future	Better align with project design requirements that are based on future growth volumes and consider future economic growth.	C
Modify Land Use factor to a multiplier of all other factor areas and modify factor weightings	Reduce the influence of the one-factor majority on the total benefit score to emphasize what the project's benefits are versus where the project is located.	D
Utilize forward-looking economic development factor developed by VEDP	Reflect best-in-class economic impact assessments currently used by VEDP to incorporate key economic priorities of the Commonwealth.	F

*Scenario A & B do not impact the SMART SCALE Score

Final Staff Recommendations

Refine HPP Eligibility

- **Code of Virginia (§ 33.2-370) defines the “where”:**
 - “High-priority projects” means those projects of regional or statewide significance, such as projects that reduce congestion or increase safety, accessibility, environmental quality, or economic development”
 - “Where” is identified as Corridors of Statewide Significance and Regional Networks
- **Recommend refining the definition to include “what” type of projects:**
 - Projects that include the following feature types: New Capacity Highway, Managed Lanes, New or Improved Interchanges, New or Improved Passenger Rail Stations or Service, Freight Rail Improvements, High-Capacity / Fixed Guideway Transit, Transit Transfer Stations, and New Bridge
- **Purpose is to ensure HPP projects are of statewide or regional significance**

Final Staff Recommendations

Refine HPP Eligibility

Examples of Round 5 Funded HPP Projects that are not of Statewide or Regional Significance*

Title	Total Cost	Scope
Rt 17-Woods CrossRd-Davenport Rd Roadway Improvements (RCUT)	\$4.0 M	Singular Restricted Crossing U-Turn (RCUT) with turn lane extensions
FLT/ART Trailhead/Parking Lot	\$3.9 M	Park and Ride lot with 1400 feet of shared use path and pedestrian crossings
Route 419/Electric Road Pedestrian Signal Improvements	\$3.9 M	Approximately 200 feet of sidewalk with upgraded pedestrian crossings
N. Main St Sidewalk (west side) and bike lanes	\$5.9 M	Install less than half mile of sidewalk and bike lanes
US 58 Alt Turn Lane Improvements at Sundown Drive	\$3.6 M	Two 400 feet turn lane extensions with shoulder paving

*Projects would still be eligible for funding under DGP if submitted by a locality

Final Staff Recommendations

Remove Step 2

- **The current funding steps are as follows:**
 - Step 1 allocates each VDOT construction district's grant program funding on a **district-wide basis**.
 - Step 2 allocates HPP funding on a **district-wide basis** for projects that would've been funded through each district's grant program if they had been by a locality.
 - Step 3 allocates HPP funding on a **statewide basis**.
- **HPP program is statewide funding and should be distributed accordingly, not by district**
 - In Round 5 Step 2, 49 percent of HPP funds were distributed with a district focus, not a statewide focus
 - Total of \$557 million available in HPP - \$274 million distributed in Step 2 based on district ranking
- **Discontinue current Step 2 which provides statewide HPP funds to projects based on district rankings**
- **New process would distribute all HPP program funds based on statewide rankings of SMART SCALE scores**

Final Staff Recommendations

Modify Land Use Factor to a Multiplier and Modify Factor Weightings

- Two Step Process

1. Assign current Land Use factor weighting to other factor categories

Staff Recommended Weighting						
Factor	Safety	Congestion	Accessibility	Land Use	Economic Development	Environment
Type A	20% (+15%)	50% (+5%)	15%	Up to 100% Added	5%	10%
Type B	25% (+5%)	25% (+10%)	20%		20%	10%
Type C	30% (+5%)	20% (+5%)	15%		25%	10%
Type D	40% (+10%)	10% (+0%)	10%		30%	10%

2. Use the normalized Land Use factor as a multiplier on all other benefits (1+Normalized Score/100)

Final Staff Recommendations

Staff Recommendation	Improvement
Streamline the SMART Portal process by obtaining OIPI, VDOT, and DRPT approvals prior to submission	Improve application quality and readiness to only score completed applications.
Create a three-tier application limit at 3,4,6. <i>Increased from original staff recommendation of two-tier limit at 2 and 5.</i>	Focuses on applicant priorities to improve overall outcomes and increase application success rate.
Tie consensus funding decisions to performance in delivering projects	Consider applicant deliver performance in final consensus funding decisions

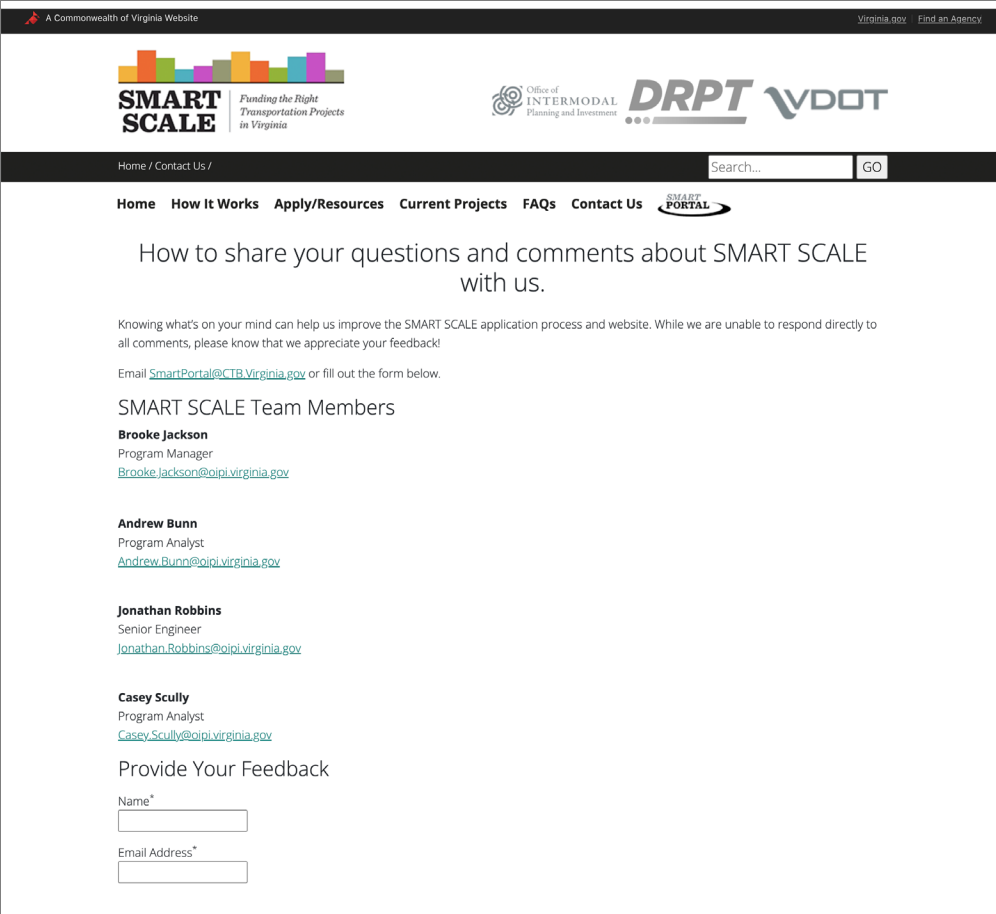
Schedule and Next Steps

- Continue to hold CTB one-on-one meetings as requested

Month	Topics
October 31	Public Virtual Town Hall
December	Board Action on Revised SMART SCALE Policy

Comments or Questions about the SMART SCALE Review

- **Email:**
SmartPortal@CTB.Virginia.gov
- **Contact Form:**
http://smartscale.org/contact_us/default.asp
- **Public comment letters posted to the SMART SCALE Website**



A screenshot of the SMART SCALE website. The header includes the text "A Commonwealth of Virginia Website" and "Virginia.gov Find an Agency". The main header features the SMART SCALE logo with the tagline "Funding the Right Transportation Projects in Virginia", and logos for the Office of INTERMODAL Planning and Investment, DRPT, and VDOT. A navigation bar contains links: Home / Contact Us /, a search bar, and a GO button. Below the navigation bar, the page title is "Home How It Works Apply/Resources Current Projects FAQs Contact Us SMART PORTAL". The main content area starts with the heading "How to share your questions and comments about SMART SCALE with us." followed by a paragraph: "Knowing what's on your mind can help us improve the SMART SCALE application process and website. While we are unable to respond directly to all comments, please know that we appreciate your feedback!" and a line of text: "Email SmartPortal@CTB.Virginia.gov or fill out the form below." The section "SMART SCALE Team Members" lists four individuals: Brooke Jackson (Program Manager, Brooke.Jackson@oipi.virginia.gov), Andrew Bunn (Program Analyst, Andrew.Bunn@oipi.virginia.gov), Jonathan Robbins (Senior Engineer, Jonathan.Robbins@oipi.virginia.gov), and Casey Scully (Program Analyst, Casey.Scully@oipi.virginia.gov). The "Provide Your Feedback" section contains two input fields: "Name*" and "Email Address*", each with a corresponding text box.



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Thank you

