



CHRONOLOGY OF THE VIRGINIA RAILWAY EXPRESS

--1964 to Present--

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INTRODUCTION

The Richmond, Fredericksburg and Potomac Railroad (RF&P) ended commuter rail service along what is now the I-95 Corridor in Northern Virginia in January, 1957. Commuter service had been discontinued on the Washington and Old Dominion Railroad in what is now the I-66 Corridor in April, 1941; it was resumed briefly in March, 1943 because of wartime travel demand, but ceased again in May, 1951. As summarized below, the idea for restoring commuter rail service on the tracks of the Richmond, Fredericksburg and Potomac Railroad and the Norfolk Southern Railway connecting Fredericksburg and Manassas to Union Station in the District of Columbia is certainly not new. When the Virginia Railway Express (VRE) commenced service on June 22, 1992 to Manassas and July 20, 1992 to Fredericksburg, a long and sometimes frustrating process at last reached a successful conclusion.

Prior to the start of VRE service, over the entire life of the Northern Virginia Transportation Commission (which dates to 1964) and the Potomac and Rappahannock Transportation Commission (1986), far-sighted and dedicated local and state government officials struggled to overcome funding shortfalls, indemnification hurdles and opposition from private railroads. At the same time, NVTC helped to build the regional Metrorail system, conducted the highly successful demonstration of express buses on the Shirley Highway, and helped secure federal, state and regional funding sources that make it possible to construct and operate the region's successful public transit systems. PRTC initiated heavily used commuter and local bus systems and has expanded its boundaries to include new jurisdictions that previously had no involvement with public transportation.

The information reported below has been gleaned from the minutes of monthly NVTC meetings, board resolutions, research reports and discussions with staff, commissioners and consultants. This chronology has not been formally approved by NVTC, PRTC or VRE and the interpretation of events is that of the author.



How VRE Was Established

VRE's mission statement is:

The Virginia Railway Express, a joint project of the Northern Virginia Transportation Commission and the Potomac and Rappahannock Transportation Commission, will provide safe, cost-effective, accessible, customer-responsive, reliable rail passenger service as an integral part of a balanced, intermodal regional transportation system.

Planning began in earnest for VRE in 1984 following a regional feasibility study by R.L. Banks and Associates, Inc. for the Metropolitan Washington Council of Governments. Service on two lines eventually began in June and July of 1992. Discussions about the potential of commuter rail service in Northern Virginia had occurred as early as 1964 at the Northern Virginia Transportation Commission. Earlier efforts faltered due to opposition from the freight railroads whose tracks offered ready access to core employment areas.

NVTC, a regional transportation district commission established by the Virginia General Assembly, took the lead in seeking to implement what became VRE. Its original members since its creation in 1964 were the cities of Alexandria, Fairfax and Falls Church and the counties of Arlington and Fairfax. Loudoun County joined in 1990.

By 1986, it became apparent that the jurisdictions outside of NVTC could not reach agreement on how to support VRE by joining NVTC so a separate commission was created for Prince William and Stafford counties as well as the city of Manassas. Legislation established a two percent motor fuels tax within that new district (known as the Potomac and Rappahannock Transportation Commission). This source of revenue could be used to support VRE expenses (as well as other transportation investments).

By 1988 NVTC and PRTC established a VRE Operations Board, consisting of three voting members plus alternates from each of the two commissions, plus a voting representative of the Commonwealth of Virginia (currently a representative of the Director of the Virginia Department of Rail and Public Transportation). The two commissions delegated certain functions to the Board (e.g. initially spending of \$100,000 or less per item, annual budget preparation).



In 1989 NVTC and PRTC executed a Master Agreement with the several jurisdictions participating in the VRE project (all of the above except Loudoun and Arlington counties and the cities of Alexandria, Fairfax and Falls Church). The participating jurisdictions agreed to pay for VRE through a formula that weighted ridership by jurisdiction of residence with a factor of 90 percent and population with a factor of 10 percent. Arlington and Alexandria agreed to contribute to the project of their own free will and have in fact paid each year approximately what their formula share would be. The cities of Fredericksburg and Manassas Park joined PRTC in 1990 and signed the VRE Master Agreement and became VRE participating jurisdictions in 1992.

VRE remains a joint project of the two commissions with no independent legal standing. Agreements with the commonwealth help provide indemnification to the freight railroads whose tracks VRE uses as well as passengers and other parties. NVTC has issued and refinanced \$150 million of appropriations-based bonds for VRE. The commissions, whose board members are comprised primarily of local and state elected officials, approve VRE's policies, fares, budgets and major spending decisions.



Organizational and Governance Structure

The VRE Operations Board hires a Chief Executive Officer for the Operations Group staff of about 40 persons. That position is now known as Chief Executive Officer, but it has evolved through various titles such as rail manager, rail director and chief operating officer.

The two commissions co-own all the VRE assets (rolling stock, stations in the District of Columbia, etc.) valued at the end of FY 2007 at almost \$170 million (net of \$63 million of accumulated depreciation). Local jurisdictions also have invested in VRE stations and parking in their territories. VRE leases access to almost 100 route miles of track from CSXT and Norfolk Southern, and leases access to Washington Union Terminal and mid-day storage from Amtrak. Amtrak provides VRE's crews and light maintenance under contract.

Because the two commissions created VRE and own its assets, staffs of the commissions have played important roles in the success of VRE. NVTC continues to process VRE's state grants while PRTC does the same for VRE's federal grants. Employees of VRE's operations group are technically employees of PRTC for administrative purposes. VRE's budget reimburses the commissions for staff time and expenses devoted to VRE support.

Through the years the functions performed by the VRE staff have grown (e.g. now including legislative advocacy, capital asset accounting) while commission staffs have significantly reduced their involvement in everyday operational matters.



VRE's organizational structure was established out of necessity. It is undeniably cumbersome, with some actions starting with VRE's Audit and Finance Committee and moving through the VRE Operations Board separately to the two commissions for final approval. On the other hand, this lengthy process does allow for careful vetting of controversial issues so that the jurisdictions are comfortable with and not surprised by the results.

Another feature of VRE is its interlocking directorate. VRE's Operations Board and commissions share many of the same local elected officials who sit on the board of the Washington Metropolitan Area Transit Authority, the Northern Virginia Transportation Authority and the Transportation Planning Board of the National Capital Region (which is the Metropolitan Planning Organization). These individuals have developed solid expertise in transportation and finance and are effective advocates for a balanced regional transportation system with a prominent role for VRE.

Funding

As stated, VRE's participating and contributing jurisdictions share subsidies using a formula described in the Master Agreement. A ridership survey is taken each year for this purpose. Currently VRE operates 32 weekday trains and carries up to 16,000 daily trips, providing very significant relief in the highly congested I-66 and I-95/395 commuting corridors of Northern Virginia.

Initially fares provided a third, local governments a third and the commonwealth a third of VRE's capital and operating expenses (virtually no federal funds were used). As of FY 2009 fares provide about \$21.5 million (29 percent), local governments about \$17.3 million (23 percent), the commonwealth about \$13.9 million (19 percent) and federal formula and discretionary grants about \$20.5 million (28 percent) of VRE's total operating and capital budget of \$73.7 million.



Keys to VRE Success

VRE had a prolonged and difficult birth. Of necessity its organizational structure is complex. It does not own its rights-of way and has limited leverage in negotiating with the freight railroads for the opportunity to operate additional trains. Overcoming these obstacles has required an extraordinary commitment on the part of its board members, staff and funding partners.

VRE has required great perseverance, resilience and tenacity. When federal financial assistance was sought initially the agency administrator refused, calling VRE “a subsidy sucker.” When seemingly suitable railcars were indentified, a federal agency ruled they were unsafe. When the Virginia General Assembly provided a solution for VRE’s in-state liability concerns, the statute was inadvertently allowed to expire due to a sunset clause. When a hostile railroad eventually selected a CEO with some sympathy for VRE, he died soon after taking control.



When Congress passed a law establishing a liability ceiling for VRE, the President vetoed it. When a long-planned ceremonial train ride for the Governor was ready to leave the station, it only proceeded because at the last minute insurance for the trip was procured from an agent with a fax machine in his garage in Indiana. When VRE finally began to operate, a nationwide railroad strike halted service in the first week. When a new source of regional funding promised \$25 million annually for VRE, the Virginia Supreme Court ruled that the General Assembly had violated the commonwealth’s constitution and the flow of funds was halted.

In confronting these setbacks the perfect has not been allowed to be the enemy of the good. For example, VRE must accept onerous indemnification provisions protecting freight railroads against any claims resulting from accidents that would not have occurred “but for the presence of VRE” even when such an incident is due to the gross negligence of the freight railroad. Thankfully, VRE’s safety record so far has been outstanding.

Throughout its life, VRE has striven to develop a reputation as customer friendly and focused. Innovations have included free ride certificates for 30-minute delays, payment of day care fines for late pickups due to VRE delays, guaranteed ride home subsidized mid-day taxi fares, and real time GPS tracking of each VRE train

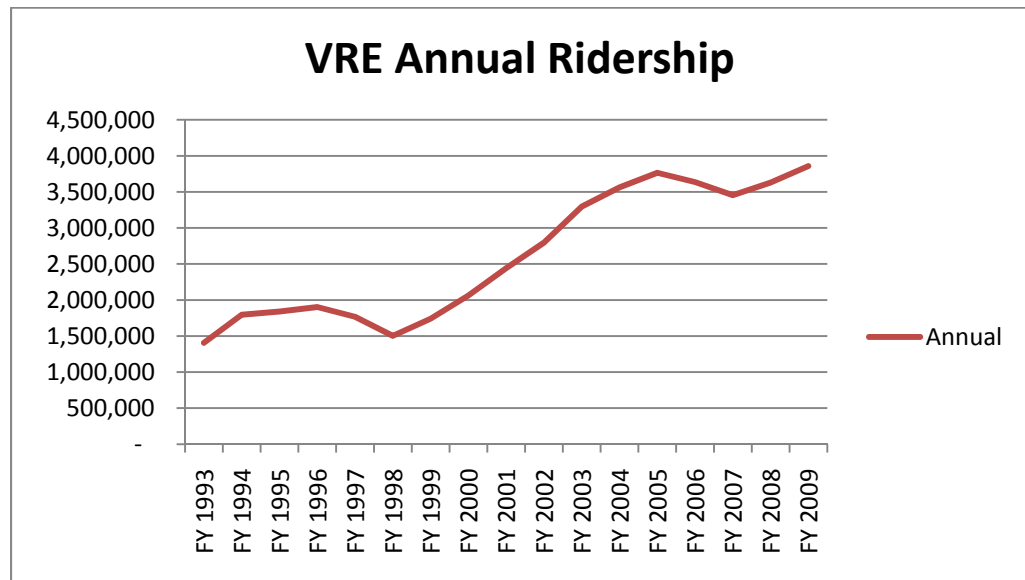
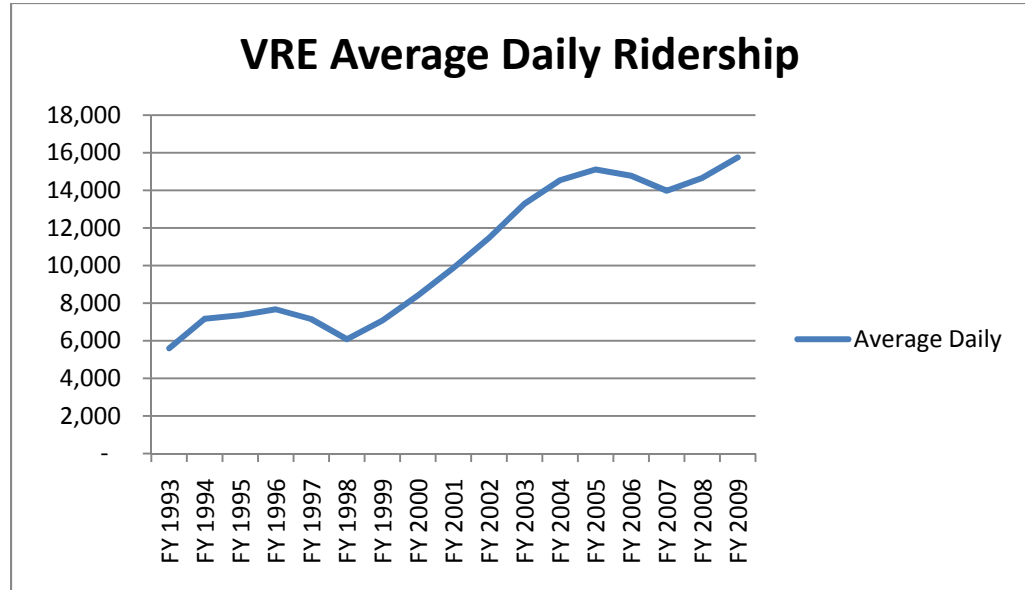
on VRE's web-site, among others. This emphasis on customer service and communication has served VRE well during some hard times (e.g. freight derailments, heat-related speed restrictions) and other calamities affecting on-time performance.

Currently VRE's future looks bright. Ridership is strong and growing, major capital investments have come on line (Quantico Bridge, new parking decks in Manassas and Burke Centre, new bi-level railcars) and service expansion (both additional trains and extended routes) are being actively planned. The following chronology provides a step-by-step account along the winding path to VRE's current success.



Ridership

	VRE Ridership	
	Average Daily	Annual
FY 1993	5,597	1,404,961
FY 1994	7,170	1,795,225
FY 1995	7,361	1,840,140
FY 1996	7,670	1,902,142
FY 1997	7,150	1,766,137
FY 1998	6,081	1,501,915
FY 1999	7,078	1,741,094
FY 2000	8,414	2,061,412
FY 2001	9,877	2,439,511
FY 2002	11,467	2,798,016
FY 2003	13,291	3,296,272
FY 2004	14,540	3,562,299
FY 2005	15,115	3,763,740
FY 2006	14,785	3,637,043
FY 2007	13,982	3,453,561
FY 2008	14,662	3,628,563
FY 2009	15,754	3,857,646



CHRONOLOGY

1964

The Northern Virginia Transportation Commission was created by the Virginia General Assembly. The Transportation District Act was passed; it defined the powers of commissions such as NVTC.

1965

The commission acted to oppose abandonment of the Washington and Old Dominion Railway (current I-66 corridor) because of its potential for regional transportation, and sought financing to purchase the railroad for rapid rail and freight purposes, with emphasis on continued private enterprise operation.

During reconstruction of the Shirley Highway (I-395), commissioners called for the use of the RF&P for experimental commuter rail service to relieve congestion. Self propelled, rail diesel cars (RDC's) were suggested, with service from outlying areas to connect with the planned subway system (Metrorail). The commission voted to conduct discussions with the RF&P and hire staff to accomplish feasibility studies. Second-hand, good condition RDC's were located.

A consultant (Transit Engineer for the City of Philadelphia) recommended initial service with RDC's and to accommodate future growth, diesel locomotive-hauled trains and ultimately electric trains. Initial service would include workday (and one Saturday) trips extending to Lorton and Woodbridge, and eventually to Quantico and Fredericksburg. Fares would be 3-cents per mile plus a 15-cent boarding charge (a trip to the current L'Enfant VRE station from Franconia/Springfield would be about 50-cents one way).

The commission also considered a proposal from an Alexandria company for a monorail connection for National Airport/Crystal City/Pentagon, estimated as a \$5 million project.

Representatives of private bus companies (AB&W and D.C. Transit) agreed to cooperate in providing feeder bus service to commuter rail, using joint fares. A proposed train schedule was submitted to the RF&P. Federal agencies agreed to poll their employees to help NVTC estimate patronage.

The commission urged Loudoun and Prince William counties to join NVTC.

1966

Staff discussions with the RF&P continued. Possibilities of operating pooled service with the B&O Railroad, providing direct links between Franconia and Rockville, were explored. In response to many requests from Fairfax County residents, the scope of the study was expanded to include the Southern Railway.

Commissioners suggested that commuter rail services could be integrated into the planning efforts of the Washington Metropolitan Area Transit Authority, which was created by Interstate Compact in this year.

The commission voted to commend the RF&P for its "splendid cooperation" in preparing cost estimates and requested that the railroad help to provide a test train with borrowed RDC's from the B&O.

1967

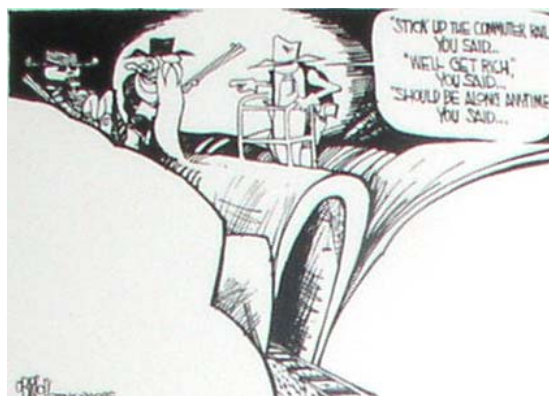
Plans were discussed for a six-year demonstration of commuter rail service on the RF&P between Franconia and Washington, D.C., with one-third of the costs to come from local governments. Commuter rail service could be replaced by proposed rapid rail service at the end of the six-year period. NVTC requested that WMATA apply for a federal demonstration grant.

The commission proposed a test network to be part of WMATA planning for three commuter rail lines: 1) RF&P, Franconia to D.C.; 2) Southern Railway, Alexandria to Sideburn in Fairfax County; 3) W&OD, and new and abandoned rights-of-way, between Crystal City and Herndon, Vienna and the city of Fairfax. Capital costs would be \$400 million, including rolling stock.

The commission, noting great similarities between Northern Virginia and the Toronto Metropolitan Area, agreed to send observers to the initiation of GO-Transit commuter rail service.

The commission approved the final report of its commuter rail consultant on feasibility of the RF&P project, and asked staff to continue discussions with the railroad to implement the service.

In a telegram to the commission, the President of the RF&P objected to the proposal to bring freight and passenger trains from the W&OD right of way into Washington Terminal via the RF&P, and called the proposal "operationally infeasible." NVTC staff argued that about \$20 million would be needed to upgrade the W&OD, but WMATA's



General Manager put the figure at over \$70 million, with an operating deficit per passenger of \$1.25, and service inferior to the rapid rail service proposed by WMATA's consultants for that corridor. He went on to warn that if commuter rail service is provided by NVTC in the RF&P corridor, a 10-year delay in providing Metrorail service would result since the corridor would be given a lower rapid rail priority.

1968

WMATA staff completed their evaluation of NVTC's proposed six-year commuter rail demonstration on the RF&P. Capital costs would be \$12.3 million, with a \$4.6 million salvage value. Operating costs would total \$14.7 million over six years, with passenger revenue less bus feeder costs totaling \$5.4 million. The net project cost was estimated at \$17 million, with trains at 15-minute headways over two-hour morning and evening rush periods, plus every 60 minutes mid-day, evenings and Saturday. The subsidy would be \$1.23 per rider, for about 9,000 work day trips.

WMATA staff warned that seeking federal funding for the six-year experiment could jeopardize funding for the proposed regional rapid rail system. Commissioners responded that it is wise to experiment with commuter rail service while new rapid transit lines are being designed, financed and built. The initial cost of commuter rail was minimal compared to rapid transit, and it could be integrated with rapid transit and extended outward as demand grows. Consultants informed the commission that at least two years would be required to order rolling stock, build stations and parking lots, and rearrange tracks.

Following extended discussions and public hearings, NVTC voted to support a regional transit system for Northern Virginia with rapid transit in the three proposed commuter rail corridors, and only interim commuter rail service. In adopting the regional system plan, the WMATA Board omitted the W&OD corridor but called for a staff study of interim commuter rail services.

1969

A Senate Public Works Committee report reiterated the feasibility of commuter rail service along the RF&P. The commission voted to urge WMATA to "redouble" its efforts to investigate the integration of commuter rail service into its rapid transit network, since the Franconia/Springfield Metrorail station was not planned to open until 1978. Commissioners continued to comment on the difficulties of simultaneously seeking federal funding for WMATA's rapid transit network and interim commuter rail service. The commission formed a subcommittee to work with WMATA and the Transportation Planning Board to implement commuter rail service, and another to identify consultants to reconcile different conclusions of the Public Works Committee and WMATA regarding commuter rail costs.

1970

No significant activity.

1971

USDOT Secretary Volpe favored the use of existing rail rights of way for commuter rail service, and his staff undertook a feasibility study of such service in Northern Virginia and Southern Maryland.

1972

A consultant's study (the fourth in five years) was presented to the commission. Four daily trains would carry 2,500 passengers in Virginia (and additional service would capture 4,200 daily riders in Maryland). By comparison, NVTC's Shirley Busway demonstration was carrying almost 18,000 daily riders at that time. Capital costs would be \$9.5 million with used rolling stock, or \$16 million with new, and first year net operating subsidies would be \$500-750,000. It was reported to the Commission that the private railroads were **not** interested in undertaking such service.

1973

The commission discussed \$1.8 million appropriated by Maryland for state purchase of a commuter rail system. NVTC supported similar action in Virginia and asked the WMATA Board to report to NVTC by January, 1974 on the concept of including commuter rail service in its Mass Transit Plan, as was proposed in pending federal legislation.

1974

An Amtrak official contacted the commission, suggesting that it was possible to obtain funding (one-third from Amtrak and two-thirds from the District of Columbia) for a rail line from Frederick, Maryland to Richmond, permitting commuter service in Virginia as far south as Quantico.

Transportation Planning Board staff urged NVTC to work with WMATA, Prince William County and environmental groups to provide a concrete proposal for commuter rail service to include in TPB's plans and programs.

Prince William County officials developed a proposal for service on the Southern Railway and the RF&P after speaking with the Presidents of those railroads. Both were believed to have surplus locomotives and railcars that could be refurbished. The county intended to seek \$700,000 of grants to help buy rolling

stock and finance parking lots and shelters. Operating costs would be met from passenger fares for the single daily round trip. Stops on the Manassas line would be at Clifton and Burke on the way to the District of Columbia. On the RF&P, service would originate at Quantico with stops at Woodbridge and one site in Fairfax County before reaching the District. An anticipated 600-800 daily riders would pay \$1800 to \$2400 per day to cover the \$1200-\$1500 daily operating costs. If no capital grants were obtained and instead equipment were leased, fares would be \$3.00 per round-trip to cover the \$2.69 per passenger daily operating costs, assuming 90 percent of the available seats were filled.

The county did not seek NVTC's support or participation.

Maryland initiated commuter rail service on the B&O's Brunswick Line.

1975

No significant activity.

1976

No significant activity.

1977

No significant activity.



1978

The commission reviewed the status of commuter rail proposals. The RF&P was reported to be "totally disinterested" in any commuter rail service, in light of its heavy freight schedules. Also, difficulties in financing the Maryland system were cited as grounds not to proceed with further in-depth studies on this line. The commission contacted Southern Railway regarding possible service from Culpepper, Manassas and Burke Centre to King Street Metrorail in Alexandria.

1979

No significant activity.

1980

Two percent motor fuels tax legislation was approved for NVTC and dedicated to WMATA operating costs. However, jurisdictions forming or joining a transportation district commission contiguous to NVTC would be eligible to levy this tax for any transportation purpose.

1981

The State Rail Plan contained an element concerning commuter rail service for Northern Virginia. TPB asked NVTC to consider coordinating a further study, in light of indications from the Virginia Department of Highways and Transportation that the RF&P might now be amenable to allowing commuter rail service on its tracks. Proposals for additional passenger service to Newport News and Busch Gardens might lead to new opportunities for commuter service.

Commissioners commented on the results of earlier studies that identified high costs of refurbishing rolling stock and entry into Union Station, as well as the reluctance of private railroads, as stumbling blocks. Staff was directed to update previous studies and report back to the Commission.

1982

No significant activity.

1983

The Metropolitan Washington Council of Governments completed Phases I and II of a Northern Virginia commuter rail study, which analyzed travel demands, capital requirements, operations issues and institutional problems. Service contemplated in the study would link with outer Metrorail stations and not continue into the District of Columbia. MWCOG requested that NVTC and local governments express interest before Phase III of the study was undertaken. NVTC staff recommended against further study, citing opposition of the railroads and limited funds, among other reasons. Some commissioners urged that the study proceed, since private conversations with rail officials indicated willingness for further discussions.

1984

The third phase of a state-sponsored commuter feasibility study was completed by R.L. Banks and Associates, for MWCOG. The cost of the study totaled \$125,000. It called for service to King Street Alexandria using new equipment at a capital cost of \$45 million, plus contingencies. Using new locomotives and railcars, with service terminating at Alexandria, about 3,000 daily riders (6,000 one-way trips) were expected. No new yards were contemplated.

NVTC staff introduced the concept to the commission, together with a Prince William County member of the House of Delegates. NVTC's new executive director was directed to report back regarding the terms and conditions required by the RF&P and Southern, since strong railroad opposition had doomed earlier commuter rail efforts.

Steve Roberts of NVTC's staff was assigned to lead most staff efforts to pursue commuter rail and he continued in that role until a new rail manager was hired in 1990. Thereafter Mr. Roberts continued to have major leadership responsibilities and was selected to head the Virginia Railway Express Operations Group in 1993.

1985

Monthly briefings were initiated for commissioners by NVTC staff. VDH&T representatives reported that the RF&P was amenable to further discussions if no railroad subsidy would be required. In April NVTC staff proposed two-year experimental service with used railcars and locomotives and with reduced crews at significant savings. A two-year budget and five year pro forma financial statement were provided. Eight trains would operate during rush hours. An NVTC resolution endorsed the plan and provided staff's findings to a new Subcommittee on Commuter Rail of the Virginia General Assembly to be used to help determine the willingness of local jurisdictions and the commonwealth to participate financially. Staff was directed to seek reduced crew size agreements to contain costs.

Staff was also directed to undertake a study of commuter bus alternatives. The commuter bus report reviewed existing studies, described current operations and proposed a two-year experimental budget comparable to that of the commuter rail experiment. For an 80-bus operation to carry



3,000 daily passengers in the two corridors, net costs for the two-year period would be \$12 million, or only \$5 million if leased buses and a private operator (at a contract rate of \$3.55 per revenue mile) were used. The net cost of the two-year rail experiment with used equipment was stated to be about \$8 million annually, plus \$2 million in start-up costs. A public meeting with citizens, government officials and private bus operators was convened by NVTC in Manassas to discuss the report and related issues.

Despite the advantage in costs, staff and commissioners were concerned that bus service would not attract single-occupant automobile drivers as effectively as would commuter rail service.

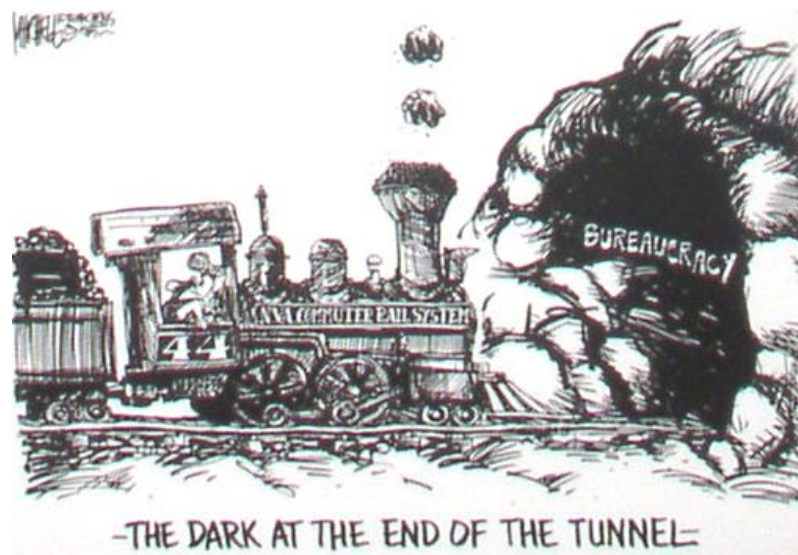
The commission adopted a resolution approving a detailed scope of work to implement the commuter rail experiment.

NVTC staff accompanied federal and state officials to examine used railcars and locomotives in Pontiac, Michigan and Toronto. It generated significant local media coverage. Suitable used railcars could not be located (for example, some potential railcars did not meet FRA fire regulations) although locomotives were readily available for rehabilitation.

By 1989 the situation was reversed when locomotives suitable for rehabilitation were in very short supply due to their use in hauling missile trains throughout the U.S.

A draft Master Agreement was negotiated with several local jurisdictions, and a basis for sharing costs and revenues was agreed to. Stations were identified. Discussions occurred between NVTC and outlying jurisdictions regarding joining NVTC. Meetings with organized labor provided a hope that reduced crew sizes might be acceptable.

Robert L. Banks and Associates, Inc. was hired to provide overall project consulting. The firm reevaluated the NVTC staff budget and two-year operating plan and found it sound. Consulting costs were shared by local jurisdictions in the service territory. Among the issues identified for further analysis was insurance.



A Fairfax County Supervisor arranged a trip by rail along the RF&P with that railroad's president to explore the potential for commuter rail service. A proposal resulted to operate a single commuter rail train (Amtrak's "Virginian") as a pilot. The Urban Mass Transportation Administration promised a grant. NVTC arranged for Greyhound to accept commuter rail tickets on parallel routes. Congressman Parris set a target of Labor Day, 1986 for the start of pilot service using Amtrak's train the "Virginian". Amtrak refused to allow the use of its insurance for the "Virginian" and the proposal died.

1986

Public hearings on state and federal capital grants for the project were held and grant requests were filed. Costs for the full eight-train demonstration were estimated at over \$7 million of net local subsidy per year. Amtrak was asked to provide a precise cost estimate for operating the schedule provided by NVTC staff, and for including NVTC's service in Amtrak's self-insurance program.

A March 17, 1986 Rail Rally arranged by a commissioner drummed up popular support using a group known as the "Friends of the Virginia Railway Express."

In June, Governor Baliles committed the Commonwealth to financial support of commuter rail in a speech to NVTC.

In July the commission acted to proceed with the pilot service using Amtrak's "Virginian," including sending the draft Master Agreement to the jurisdictions for further comment. Contracts with the RF&P and Amtrak were to be negotiated. Construction could not proceed until UMTA provided a "letter of no prejudice" for its \$1 million grant for parking and platforms.



In September, the General Assembly, acting in special session, increased NVTC's transit assistance substantially.

Liability insurance problems with Amtrak prevented the pilot train from operating, since commercial insurance was not available at any price.

Work began on establishing a self-insurance trust, with a \$5 million state

contingent loan and \$150,000 grant.

The actuarial firm Tillinghast, Nelson and Warren was hired to perform a study of expected insurance claims for the commission's commuter rail service. They repeated their calculations in 1987, 1988 and 1993.

NVTC sought to store railcars owned by Go-Transit of Toronto (that had been used by MARC in Maryland) to give the commission time to arrange for leasing, but liability insurance for storage could not be obtained.

Negotiations proceeded with organized labor for a 13(c) labor protection agreement to permit receipt of a federal grant.

Discussions among NVTC's jurisdictions and neighboring jurisdictions about joining NVTC to accomplish a regional commuter rail system were not successful. The Potomac and Rappahannock Transportation Commission (PRTC) was created with an amendment to the Transportation District Act. A two percent motor fuels tax would help pay for the commuter rail project but could be used for any transportation purpose.

In the Virginia General Assembly, discussions of the need to revamp the liability structure of state law to facilitate the project raised suspicions among some legislators that the freight railroads were seeking changes for their own purposes. Locally, some project advocates began to call for the state to condemn railroad property (or at least track time) to facilitate the project.

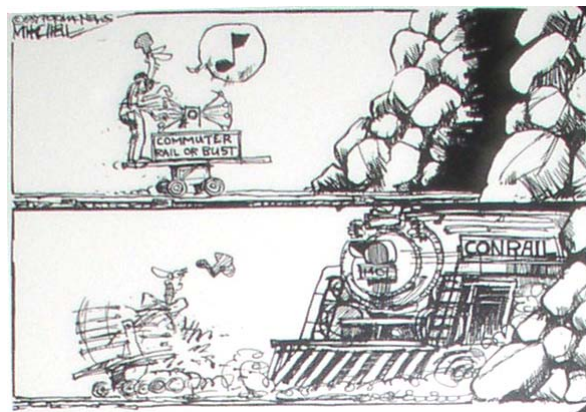
Legislation that would have capped liability failed in the Virginia House of Delegates' Courts of Justice Committee; instead, NVTC's liability was clearly established so that it could agree to indemnify the railroads (i.e., issues of sovereign immunity were resolved and the commuter rail project had its liability cap removed).

Negotiations continued on terms of the draft Master Agreement.

1987

The devastating Chase, Maryland accident between a Conrail locomotive and Amtrak train called into question the enforceability of Amtrak's no fault insurance plan. Conrail withdrew its support for the project despite two years of active cooperation.

A ridership study completed by R.H. Pratt raised earlier estimates to almost 4,000 daily, depending on the amount of parking, and provided station-specific estimates.



VDOT provided \$3.2 million for capital and administrative costs.

VDOT agreed to undertake parking lot design and construction.

Work began with several federal and District of Columbia government agencies regarding the proposed L'Enfant Station.

NVTC approved 13(c) agreements with organized labor.

NVTC and PRTC endorsed the Master Agreement in concept.



A detailed financial plan was developed with financial advisors, bond counsel and underwriters. A

Commonwealth Transportation Board resolution provided a stable financial basis for planned borrowing by NVTC. An insurance broker of record was selected by the commissions.

Agreement was reached with Amtrak on an operating contract that provided modest crew reductions.

Drafting of specifications began for the competitive procurement of rolling stock. Up to 38 railcars and eight locomotives were to be purchased. Proposals were received for locomotives that far exceeded the available budget, so the proposals were rejected.

NVTC contracted with a team of consultants to study commuter bus alternatives in Northern Virginia. Prince William County undertook a complimentary study also encompassing Manassas and Stafford County.

1988

NVTC and PRTC participated in a year-long effort to produce a transportation plan for Northern Virginia through the year 2010, including identifying commuter rail corridors.

The commuter rail project became known as the Virginia Railway Express (VRE) with a distinctive, historical logo. The color scheme matched the Virginia state flag (blue, cardinal and white).

At the insistence of the private railroads, a plan for a self-insurance-trust was developed that would provide up to \$100 million in liability protection for the participating railroads although the commissions' actuarial study indicated a level of \$30 million would be sufficient. The plan would be administered by the Commonwealth's Division of Risk Management.

Railcar and locomotive procurement continued. Staff established a target of March, 1989 to start service but stressed that well over a year was needed from the time equipment contracts were signed. Locomotives were in very short supply and only one suitable bid was received. A railcar supplier was chosen and a losing bidder filed suit over the choice of stainless steel over aluminum car bodies. Since agreement with the railroads was not achieved on the indemnification plan the existing procurements were terminated and the suit was dropped. New procurements were initiated.

A detailed report on the status of all station sites was provided by commission staff to local chief executive officers.

In an effort to encourage smaller properties to join together in negotiations with potential contract operators (such as Amtrak), NVTC, PRTC, R.L. Banks and APTA co-sponsored the first annual North American commuter rail conference held in Rosslyn (Arlington).



New Virginia legislation permitted the commissions to purchase off-shore captive insurance to help establish the self-insurance trust. Also, enforcement of honor system fare collection was enabled through new state legislation that made boarding a train without paying a Class 4 misdemeanor. Conductors were empowered to make arrests.

The Commonwealth's Division of Risk Management was assigned the role as the project's risk manager by the Governor and the General Assembly.

A quarterly VRE newsletter called the "Track Record" was issued to an extensive mailing list.

Financial advisors, bond counsel and bond underwriters advised the commissions on a financial plan and \$79 million debt issue to purchase 38 railcars and 10 locomotives while funding the Self-Insurance Trust.

All six participating and contributing jurisdictions endorsed the Master

Agreement and financial plan in concept. Fredericksburg decided not to participate.

Amtrak, the Southern Railway and the RF&P finally agreed to the Self-Insurance-Trust (SIT), as did the Division of Risk Management, at a level of \$200 million per occurrence.

Amtrak's Graham Claytor presented the SIT plan to Conrail. Conrail refused to consider the plan, since a federal judge had ruled in the case of the January, 1987 Chase, Maryland accident that a similar arrangement was not enforceable.

A new chief executive officer, Richard Sanborn, took over at Conrail. He agreed to work out an operating agreement with the commissions but continued to insist that it be contingent on settling Conrail's concern that the SIT provide iron-clad coverage. After a month on the job, Mr. Sanborn passed away, and negotiations ceased. Other remedies were considered by the commissions, including ICC intervention and terminating service at Crystal City.

The commissions began another railcar procurement process, but were forced to suspend it indefinitely since Conrail would not agree to terms.

The commissions appointed members and VRE's Operations Board began to meet monthly, and selected its officers. The Board was empowered to act on procurements up to \$100,000 per item.

UMTA provided a formal grant award of \$750,000 but required the project to be implemented by October, 1989, or most of the grant would be lost.

1989

Southern Railroad provided a draft operating agreement which the commissions hoped to use as a model for RF&P and Conrail.

Negotiations were resumed with Conrail under the auspices of its new chief executive, James Hagen.

Federal legislation was introduced by Senator Robb and Representative Boucher to resolve Conrail's concerns with the enforceability of the commissions' indemnification contract.

The Operations Board called for the two commissions to recommence the purchase of railcars and locomotives, issue the tax-free debt, and establish the SIT. The proposal called for the Master Agreement and financial plan to be revised to include a contingency for service terminating in Crystal City, if Conrail would not otherwise cooperate. New patronage estimates were prepared for this option, employing a fare discount for passengers transferring to Metrorail to cross the Potomac River. The cost of the new study was \$125,000. Also, R.L. Banks reexamined its initial recommendations from 1984 (at a cost of \$50,000.)

A study was completed re-examining actuarial issues at a cost of \$75,000.

After refusing to consider enlarging its First Street Tunnel since 1985, Amtrak agreed to investigate the possibilities and the commissions contracted to do so. Enlarging the tunnel would permit high-capacity railcars to be used at significant savings to the project.

New Virginia legislation strengthened the commissions' powers to plan and operate VRE service. For example, legislation made possible the establishment of an Insurance Plan acceptable to all parties. Protection of the assets of NVTC's members held in trust by the commission was included in the biennial budget. Language clarifying terms by which Loudoun County would join NVTC was included in the Transportation District Act.

The Northern Virginia Transportation Plan was completed, and called for doubling VRE service frequencies along existing corridors. A \$7 billion funding shortfall for highway and transit projects was identified, through the year 2010. NVTC led a regional consulting effort to identify sources of funds.

Fairfax County proposed that NVTC issue contract revenue bonds to fund completion of the Fairfax County Parkway. This approach was challenged in court and ultimately reached the Virginia Supreme Court. The court's initial ruling jeopardized most lease-purchase transactions throughout the commonwealth but NVTC prevailed on appeal. VRE ultimately relied on several leveraged lease transactions that were threatened by the initial ruling in this case.

In October, 1989 the commissions voted to execute the VRE Master Agreement, Liability Insurance Management Agreement, and operating agreements with Amtrak, Southern Railway, RF&P, and Conrail (although Conrail would not execute the agreement until federal legislation was in force providing indemnification). The agreements were signed in a special ceremony and train ride on October 27, 1989. The cost for access to almost 100 miles of double-track class I railroad would be less than \$1 million annually, at rates ranging from \$2.59 per train-mile (NS), \$4.78 (RF&P/CSXT) to \$7.50 (Conrail). Separate Master Leases were signed for railroad property at VRE stations.



Shortly before the railroad operating agreements were signed, RF&P decided to rip up a two-track bridge over Quantico Creek and replace it with a single-track bridge. This subsequently became a bottleneck and VRE was required to build a

new bridge (ultimately completed in 2007) as a condition of expanding service frequency.

The insurance plan was administered by Virginia's Division of Risk Management and capitalized with a fund approaching \$20 million. VRE retained liability for the first \$5 million (self-insured retention), and commercial insurance and captive insurance was purchased to provide protection up to \$200 million per occurrence. The Virginia Code had to be amended to permit investment in the off-shore captive companies.

NVTC initiated the Ballston Transit store as a demonstration. Under Arlington County's subsequent permanent operation, several additional stores were added (and the Crystal City store ultimately handled VRE mail order and walk-in ticket sales and Metrochek transactions under contract to VRE).

1990

After a year of negotiation, Loudoun County joined NVTC, but was not a participant or contributor to either the commuter rail project or WMATA.

An architect/engineering consulting team was hired to design platforms and stations. A modular design was created that would preserve a distinctive look for VRE but allowed local neighborhoods to help select details and colors.

Following an exhaustive investigation of the low-bidder in the railcar procurement, the commissions awarded the contract to Mitsui and Company (USA) Inc. and its Brazilian partner, Mafersa S.A. Prior to the award the commission executive directors and two board members traveled to the production facility in Brazil and met with general managers of transit and commuter rail systems there who used Mafersa equipment. Operating and maintenance records were examined for verification. Talks were held with the U.S. Commercial Attaché and several multi-national firms doing business with Mafersa. They met with officers of the Brazilian Development Bank to verify financial health. A Brazilian law firm was retained to assist in the investigation. All railcars were due to arrive in 24 months, with sufficient railcars to start service due by October, 1991. At \$700,000 per car, the purchase price was \$300,000 less per car than similar cars on the market.

Staff pursued the purchase and rehabilitation of F10 locomotives from the MBTA in Boston, but Amtrak refused on potential safety grounds to agree to operate the units.

An award for 10 rehabilitated railcars purchased from MBTA (Boston) was made to Morrison-Knudsen. The cost was \$320,000 per cab car and \$210,000 per trailer.

The commission's \$79 million bond issue closed on February 7, 1990. NVTC staff led the team of bond counsel, underwriter, financial advisors and local financial

staff. Each participating and contributing jurisdiction approved this debt. NVTC used "appropriations-based debt" backed with bond insurance to achieve an investment grade rating.

Fredericksburg and Manassas Park agreed to join PRTC and become full participants in the VRE project. Discussions with Fauquier County officials were hindered by the refusal of the Norfolk Southern to entertain any extension of VRE service beyond Manassas.

NEW ISSUE

Subject to the qualifications described under the section entitled "TAX EXEMPTION," in the opinion of Bond Counsel, under current law, interest on the Series 1990 Bonds (1) will not be includable in the gross income of the owners for federal income tax purposes, (2) will not be treated as a specific item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (3) will be exempt from Virginia income taxation.



\$79,350,000

Northern Virginia Transportation District Commission
Commuter Rail Revenue Bonds, Series 1990
 (Virginia Railway Express Project)

Dated: Date of Delivery

Due: July 1, as shown below

The Series 1990 Bonds will be issued only in book-entry form initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Investors will not receive certificates representing their interest in the Series 1990 Bonds purchased. Individual purchases will be in principal amounts of \$5,000 or any integral multiple thereof. The Series 1990 Bonds will bear interest from the date of delivery, payable January 1 and July 1, commencing July 1, 1990. Payments of principal, interest and redemption premium, if any, will be paid by Central Fidelity Bank, Richmond, Virginia, as Trustee, to DTC, or its nominee, Cede & Co., which will then remit such payments to the DTC Participants, for subsequent disbursement to the beneficial owners of the Series 1990 Bonds. The Series 1990 Bonds will be subject to redemption before maturity as described herein.

Pursuant to the terms of a Master Agreement, as described herein, Fairfax County, Virginia, the City of Manassas, Virginia, Prince William County, Virginia, and Stafford County, Virginia (the "Participating Jurisdictions"), each has agreed to include in its proposed annual budget an amount sufficient to pay its allocable share of the costs of the Virginia Railway Express (including debt service on the Series 1990 Bonds). Payments by the Participating Jurisdictions under the Master Agreement constitute the primary security for the Series 1990 Bonds and are subject to annual appropriation by such jurisdictions. The Series 1990 Bonds also will be secured by a Debt Service Reserve Fund in an amount equal to the maximum annual debt service on the Series 1990 Bonds.

Payment of principal of and interest on the Series 1990 Bonds when Due for Payment which is unpaid by reason of Nonpayment (as such terms are defined in the Financial Guaranty Bond) will be guaranteed as further described herein by a Financial Guaranty Bond to be issued simultaneously with the delivery of the Series 1990 Bonds by

CAPITAL GUARANTY INSURANCE COMPANY



THE SERIES 1990 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OF THE COMMONWEALTH OF VIRGINIA OR OF ANY OF ITS POLITICAL SUBDIVISIONS, OR A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF VIRGINIA OR OF ANY OF ITS POLITICAL SUBDIVISIONS. THE ISSUANCE OF THE SERIES 1990 BONDS DOES NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE COMMONWEALTH OF VIRGINIA OR ANY OF ITS POLITICAL SUBDIVISIONS TO LEVY ANY TAXES OR MAKE ANY APPROPRIATIONS FOR THEIR PAYMENT.

MATURITIES, AMOUNTS, RATES AND PRICES
 \$16,955,000 Serial Bonds

Maturity	Amount	Interest Rate	Price	Maturity	Amount	Interest Rate	Price
1993	\$1,700,000	6.00%	100%	1997	\$2,160,000	6.40%	100%
1994	1,805,000	6.10	100	1998	2,295,000	6.50	100
1995	1,910,000	6.20	100	1999	2,445,000	6.60	100
1996	2,030,000	6.30	100	2000	2,610,000	6.70	100
\$16,005,000 7% Term Bonds due July 1, 2005 — Price 99.25% \$22,445,000 7% Term Bonds due July 1, 2010 — Price 98.25% \$23,945,000 6% Term Bonds due July 1, 2014 — Price 87.75%							

The Series 1990 Bonds are offered when, as and if issued and received by the Underwriters. Legal matters with respect to the validity and tax-exempt status of the Series 1990 Bonds are subject to the approval of McGuire, Woods, Battle & Boothe, Richmond, Virginia, Bond Counsel. Certain legal matters will be passed upon for the issuer by McGuire, Woods, Battle & Boothe, for the Participating Jurisdictions by their respective counsel and for the Underwriters by their counsel, Hunton & Williams, Richmond, Virginia. It is expected that definitive Series 1990 Bonds will be available for delivery in New York, New York, on or about February 8, 1990.

MORGAN STANLEY & CO.
 Incorporated

CRAIGIE INCORPORATED

KIDDER, PEABODY & CO.
 Incorporated

January 19, 1990

The VRE Operations Board recruited a rail operations manager, Thomas Waldron. A small staff was added and co-located in NVTC's offices. NVTC continued to provide accounting and other financial services. NVTC's executive director continued to serve as project officer for most procurement such as rolling stock and system stations while PRTC's executive director also provided project direction for stations and parking within PRTC's district.

After a year-long effort in Congress, Conrail indemnification for VRE was included in the Amtrak reauthorization bill. But President Bush vetoed it, reportedly due to language that interfered with a leveraged buy out of the Chicago Northwestern Railroad by Japonica Partners. Congress failed to override the veto. Shortly thereafter, a new bill passed and was signed by the President. It did not address the CNW buyout. The Conrail operating agreement was then executed.

The Americans with Disabilities Act (ADA) was signed into law, requiring extensive modifications to stations and accessible rolling stock. The commissions planned to provide accessibility with mobile lifts at each station.

Using a sale/leaseback transaction, fare collection equipment (40 units) was ordered from Schlumberger, to accept credit cards only (no cash). These cost \$15,000 each, plus two CPU's at \$25,000 each and software at \$6,250 per unit. A subsequent order of 20 "talking" machines cost \$20,000 each in 1994, in order to comply with the Americans with Disabilities Act. Additional machines would validate tickets for the proof-of-payment system. These cost \$2,500 each.

Ft. Belvoir officials announced plans to bring an additional 6,000 people to that location, and to use a connection to VRE to help relieve congestion. The commissions did not consent to such plans.

Two new ridership forecasting studies were undertaken to confirm that sufficient rolling stock had been ordered.

A proposed Virginia constitutional amendment to allow the commonwealth to issue pledge bonds for transportation projects was defeated in a statewide referendum.

Norfolk Southern proposed to retire 11.5 miles of track north of Manassas unless VRE paid to keep the track in service.

The commissions initiated discussions with MBTA in Boston regarding procuring surplus, used stainless steel railcars instead of exercising the option for 14 new railcars from Mitsui.

The commissions began to discuss the VRE fare structure and related policies.

1991

The commissions' limited waiver of sovereign immunity was reenacted by the General Assembly after a sunset provision had taken effect.

The General Assembly acted to establish fines for VRE fare evasion of \$150 to \$250 plus court costs.

Deliveries of Mitsui's railcars were delayed. A delegation of NVTC/PRTC executive directors and board members returned to Brazil to investigate the delays, recommend remedies, and stress the urgency of meeting contractual milestones.

Rehabilitated locomotives were completed ahead of schedule by Morrison Knudsen and some were leased to other operators (Maryland's MARC) pending start-up of VRE service. At \$1.1 million each, the locomotives were like new at half the cost.

Serious negotiations began for up to 25 surplus stainless steel railcars from MBTA. Discussions with UMTA failed to yield a solution that would permit transfer of the railcars in time to meet the planned October, 1991 starting date. Late in the year, MBTA did agree to sell 21 coaches to the commissions. Morrison Knudsen was chosen to rehabilitate the units in Hornell, New York.

The commissions agreed to pay to keep the Norfolk Southern track north of Manassas in place for VRE operating flexibility, since replacing the track in the future would cost \$500-\$600,000 per mile. The annual payment by VRE to Norfolk Southern was about \$150,000.

The purchase of ticket vending machines from Schlumberger was converted to a capital lease on favorable terms to improve cash flow.

Bids for construction of 11 VRE stations were rejected, since the lowest bid was \$4 million above the engineering estimate for a \$7 million budget. Despite value engineering, a rebid yielded a total cost \$2 million above estimates. The contract was awarded to Keystone Builders with funding from other budget line items.

NVTC and PRTC agreed to cooperate with the Northern Virginia Planning District Commission (NVPDC) in a federally funded study of the land use implications of VRE. The study would examine the baseline conditions as of the start of service in 1992.

A contract was awarded to Henderson Construction for construction of two layover yards at almost \$1 million less than the engineering estimate (which was \$4 million).

A contract is awarded to Wang Laboratories for VRE's automated customer information system, known as TRACS. It cost \$100,000 plus \$5,000 per station for installation of speakers.

A contract was awarded for 16 mobile wheelchair lifts with options for additional units, to comply with the Americans with Disabilities Act. The commissions also authorized solicitation of bids for on-board wheelchair lifts.

Revised ridership estimates were provided by R.H. Pratt, increasing expectations to about 4,500 daily riders. JHK and Associates completed a survey research study that confirmed these estimates but suggested as many as 13,000 riders may choose to use VRE each workday.

Unsuccessful negotiations continued with UMTA to permit spending approved grant funds on the project.

Public hearings were held on VRE's proposed fare structure. In considering VRE's zone fare proof of payment system, NVTC board members were careful to require pricing VRE at a higher fare than Metrorail/Metrobus for comparable trips, since those jurisdictions did not wish to subsidize competing transit systems. Also, an effort was made to keep the overall price of VRE trips below the cost of downtown D.C. paid parking (roughly \$8 per day).

Contracts with Facchina Construction for L'Enfant Station in the District of Columbia (to be used by 60 percent of VRE's riders) and with Amtrak for Ivy City yard improvements were awarded.

Cross-border leases for VRE's rolling stock were pursued following a favorable Attorney General's opinion, but no lease arrangement was consummated.

DeLeuw Cather was awarded a contract to manage construction at VRE's stations and yards.

A staffing plan was approved for VRE by the commissions providing up to 11 employees for the Operations Group. Management and policymaking responsibilities were defined.

"The Express" was selected as a system nickname. The slogan was "You've got a train to catch."

The commissions agreed to help sponsor the new Crystal City Transit Store to sell VRE tickets and help respond to telephone inquiries.

Congress approved the Intermodal Surface Transportation Efficiency Act which offered significant flexible funding increases and provided new opportunities for environmentally friendly projects such as VRE.

CSX acquired part of the RF&P, which split into two organizations, one with land assets and the other with railroad assets. Accordingly, the commissions had to deal with three organizations versus one.

1992

The first two Mitsui/Mafersa railcars arrived from Brazil in January and more followed later in the year. At about \$700,000 each, the railcars were a bargain while providing superior ride quality.



Separate offices were established for the VRE Operations Group near the Backlick VRE station.

Staff prepared a \$228 million six-year capital improvement program (CIP) including track improvements, additional rolling stock, new parking, and extended services. If the region determined that it wished to use VRE as part of an aggressive strategy to meet federal Clean Air Act mandates, approximately 32,000 daily riders could be served as a result of the investments included in this plan.

Amtrak completed the Operational and Emergency Handbook for VRE. Disaster drills were conducted with local first responders each year thereafter.

Opening dates were chosen: June 22, 1992 for the Manassas Line and July 20, 1992 on the Fredericksburg Line. The inaugural trip, including the Governor, was set for June 12, 1992, with local station celebrations preceding the openings.

The combined cost of consulting and staff studies from 1983 to the start of VRE service was approximately \$500,000. VRE professional staff costs for the past four and a half years averaged about \$300,000 annually, plus untold hours of local, regional and state staff essential to effective coordination.

Overall, VRE raised about \$122 million of capital funds prior to the start of service, including the \$79 million bond issue. Other sources included \$7 million of local funds, \$23 million from the commonwealth, investment income of \$14 million, and less than \$1 million of federal funds. Uses of the funds included \$20 million for the insurance reserve, \$25 million for future capital projects, \$34 million for rolling stock, \$18 million for system stations and \$5 million of equity in stations built by local governments, \$20 million of working capital, and the remainder for other uses. Local governments provided an additional \$22 million for their stations and parking.

As service began, combined budgeted capital and operating costs each year were covered by the commonwealth, local governments and fare-paying customers

in equal shares. The fare-box recovery requirement set in the Master Agreement was 50 percent (ratio of operating revenues to operating costs).

The commissions co-sponsored the annual APTA Commuter Rail conference in Washington D.C., including a test ride for delegates on April 12, 1992 to Fredericksburg.

Service began as scheduled, but brief nation-wide rail strike interrupted service during the first week.

Ridership in the first full month averaged about 3,000 trips per day.

A September passenger survey revealed very high customer satisfaction, especially with the performance of crews.



An October survey was used to allocate local subsidy shares of the proposed FY 1994 budget.

VRE completed its key station plan for compliance with ADA.

Manassas Park and Fredericksburg signed the Master Agreement and became participating jurisdictions.

FY 1993 ridership: 5,597 average weekday and 1,404,961 annual.



1993

Ridership reached 7,800 average daily trips by the end of the calendar year and overcrowding became a problem on some trips.

VRE sought to expand service to include mid-day and additional peak trains, but CSXT refused to agree without a substantial increase in base payments. The commissions approached several associations with a plan to create a national forum to resolve such disputes, including the American Association of State Highway and Transit Officials and the American Public Transit Association.

Stafford County called for a new passenger survey to allocate shares of subsidy, which was performed in March.

A new budget process featuring close involvement by Chief Administrative Officers of local jurisdictions was created for the GY 1995 budget cycle.

The commissions agreed to purchase 10 additional Boise Budd railcars from the Massachusetts Bay Transportation Authority. Federal Funds were obtained to rehabilitate these cars and to purchase two additional rehabilitated locomotives. Two more rehabilitated locomotives were obtained from closing out the Mitsui/Mafersa railcar contract. These transactions authorized a fleet of 69 railcars and 14 locomotives.



Marketing initiatives included two baseball trains operated to Oriole Park at Camden Yards.

VRE's Operations Director, Tom Waldron, resigned and was replaced by Steve Roberts. NVTC and PRTC conducted an analysis of the organizational strengths and weaknesses. VRE's operations group included 13 positions with commission staff performing many administrative functions for VRE.

NVTC refinanced its VRE bonds issued initially in 1990.

Customer communications techniques in place at VRE included an automated customer information system for station announcements (TRACS), seat notices, meet-the management days, and a quarterly newsletter “Expressions.”

A group of state, local and regional staff began to meet each month to examine issues pertaining primarily to VRE’s budgets, finances, marketing, capital improvements, long-term planning and data gathering. It was called the “VRE Task Force” and later was known as the VRE Coordinating Committee.

NVPDC’s December report on VRE’s land use effects showed 43 percent of 1992 house purchases in VRE’s service territory were influenced by proximity to VRE stations.

FY 1994 ridership: 7,170 average weekday and 1,795,225 annual.

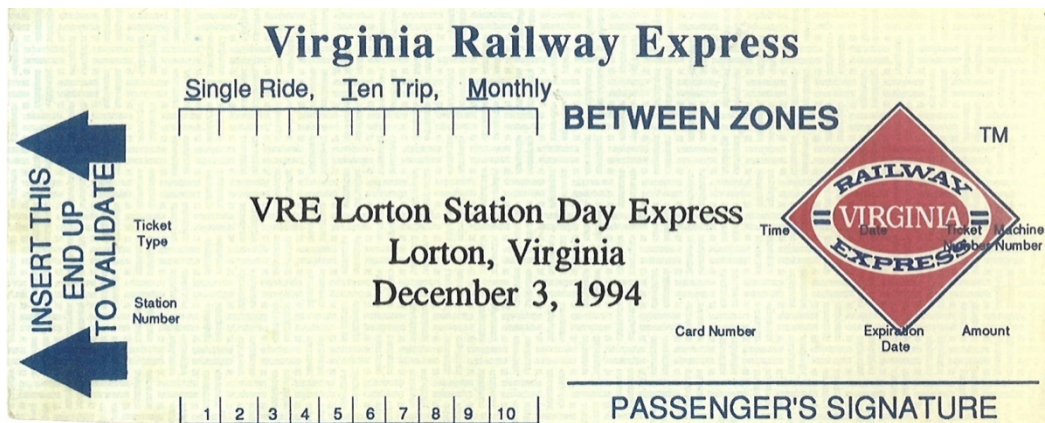
1994

First quarter ridership reached over 8,000 average daily trips.

Amidst widespread customer praise, VRE staff worked to accomplish several service enhancements. Among these were:

- 1) New trains: VRE's approved FY 1995 budget called for adding peak and mid-day trains to relieve over crowding and serve new markets for shoppers and reverse commuters.
- 2) Supplemental bus service: As an immediate relief to overcrowding, VRE sponsored several new early afternoon express bus routes from selected Metrorail and VRE stations that paralleled VRE lines and were free to VRE ticket holders. In addition, several new feeder bus routes to VRE stations were planned.
- 3) Free transfers to connecting buses and Amtrak: VRE offered its ticket holders free transfers to and from selected regional and local buses for a seamless transit commute. VRE customers were able to board five Amtrak trains using VRE tickets for peak, late night and weekend trips along VRE's Fredericksburg line.
- 4) New ticket issuing machines: To provide easier access to VRE tickets at dozens of retail outlets, VRE purchased new desk-top ticket vending machines at \$3,500 each. Customers appreciated the speed and merchants appreciated the reduced paper work when using the machines.

- 5) On-board telephones: Each VRE train was equipped with an on-board telephone for customer use (crews continued to offer access to their cellular phones to customers during delays). VRE shared in the revenue.
- 6) New stations and expanded parking: Two new stations were underway, both in Fairfax County on the Fredericksburg line. One (Lorton) opened later in 1994 and the other (Franconia/Springfield) in 1995. Planning for parking expansion was underway at several other stations. Three historic stations built in the early 1900's were rehabilitated.
- 7) Strategic planning: VRE developed a new ridership forecasting methodology (R.H. Pratt) and a track capacity simulation model in cooperation with state agencies and private railroads. The dispatch simulator model for VRE/CSXT was completed by Wilbur Smith Associates. Extensions toward Richmond and the proposed Disney America theme park were examined, as well as a doubling of VRE frequencies to meet growing customer demand and regional clean air targets.
- 8) Guaranteed ride home: VRE initiated its "Special Delivery" program in January, 1994, providing reimbursal of 90 percent of the taxi fare for customers who must return home during times when VRE trains do not operate. About one person each day used the service for trips of up to 60-miles, primarily for medical emergencies, and the program paid dividends in customer loyalty. One of the first customers to use Special Delivery arrived home in time to escort his wife to the hospital to deliver a baby boy.
- 9) Americans with Disabilities Act: Among the new improvements for persons with disabilities were on-board wheelchair lifts and a new generation of "talking" fare vending machines at each station.
- 10) Baseball Trains: In cooperation with Maryland's MARC commuter rail system, VRE again offered in 1994 four weekend baseball express trains to the gates of Oriole Park at Camden Yards.
- 11) Education Express: In a joint effort with George Washington University, VRE offered short courses (such as effective time management and stress reduction) on selected trains. The courses were available at the university free to VRE crews.



The purchase of services agreement with Amtrak was revised.

A sale-leaseback transaction was completed for two additional VRE locomotives.

FY 1995 ridership: 7,361 average weekday and 1,840,140 annual.

1995

New operating/access and Master Lease agreements were executed with CSXT and NS and new service was added on both lines. For CSXT, the annual per train-mile access fee jumped to \$10.50 from \$4.78 and for NS, the fee jumped to \$11.27 from \$2.59.

[Note: Through 2008 no new agreement was executed with CSXT because of a failure to agree on the amount of liability insurance. CSXT began to demand \$500 million per assurance while VRE continues to provide \$250 million. A series of six-month extensions was used while negotiations continued. In the case of NS, a new agreement was executed in 1999 but six-month extensions have occurred since that agreement expired.]

Two years after commencing operations VRE became eligible for federal formula assistance based on track miles and other formula factors. The funds flowed to the Metropolitan Planning Organization (the Transportation Planning Board of the National Capital Area). After extensive negotiations with staff of WMATA, an agreement was endorsed by the WMATA Board in which NVTC would receive the incremental formula funds generated by VRE's operations. WMATA, Maryland's Mass Transit Administration and NVTC (on behalf of VRE) must agree each year to the split of formula funds coming to TPB. Subsequently, FTA asked that VRE's federal grants be handled by only one agency so PRTC took over federal grant responsibilities and NVTC managed VRE's state grants.

VRE funded construction of a crossover at Manassas and signals at Burke Centre on NS right-of-way.



An agreement was signed with Amtrak to share in the cost of enlarging the First Street Tunnel under the U.S. Capitol building to ultimately permit VRE to operate bi-level railcars.

A contract was approved to overhaul eight Budd railcars purchased from MBTA.

An agreement was reached with RFP for improvements in Potomac Yard to accommodate a fourth mainline track.

Stafford County acted to cap its VRE subsidies below the amounts in VRE's approved budget, so the VRE Board approved public hearings on a contingent one-zone fare surcharge plan. Under the VRE Master Agreement there is a moral obligation to make the requested annual budget appropriation for VRE but there is no legal prohibition on the use of gas tax revenue by PRTC members. However, the PRTC Master Agreement and Founding Ordinance permits use of gas tax revenue only upon the affirmative vote of both the jurisdiction where the revenue was generated and of PRTC. Thus, other PRTC members could veto requests for spending from that source by a VRE member in default. If a jurisdiction failed to make the requested subsidy payment there would likely be adverse effects on that jurisdiction's credit worthiness as well as for the VRE Master Agreement as a financing source. [NVTC members gas tax revenues are reserved for WMATA billings and NVTC does not approve each of its members' decisions to use those funds].

NVTC led a study by R.L. Banks and Associates, Inc. analyzing the NS

corridor to determine if VRE should consider purchasing it. An attorney was retained to assist in the evaluation along with a real estate appraiser, real property appraiser, bridge inspection engineer and environmental auditor.

Improvement projects involving private railroads included CSXT for Lorton/ Auto Train, CSXT for AF interlocking, RF&P for Four Mile Run Bridge, Conrail for Virginia Avenue/RO interlocking and Amtrak for Washington Union Terminal.

Studies began of possible VRE station locations in Clifton (Fairfax County) and improved connections to Ft. Belvoir. Thirteen million dollars of federal funds were obtained from Virginia's CTB for improvements in the Washington-Richmond rail corridor.

NVTC completed an analysis of the costs of building and maintaining the capacity to carry the number of commuters using VRE in 1995 versus the equivalent capacity of interstate highways and automobiles. The analysis concluded that over a 20-year period it was \$260 million less expensive to build and operate commuter rail.

VRE published guidelines for commercial advertising on its property.

Property was acquired for expanded parking at Quantico.

FY 1996 ridership: 7,670 average weekday and 1,902,142 annual.

1996

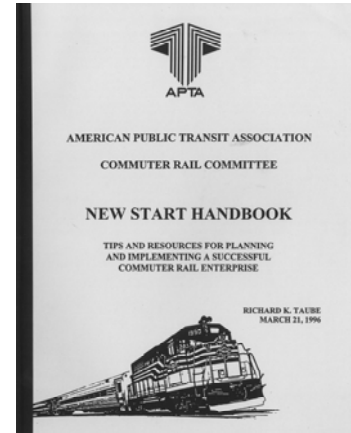
VRE bought an office condominium near its King Street Station in Alexandria.

DRPT conducted a major investment study of the I-66 corridor including VRE extension to Gainesville-Haymarket as one of many alternatives.

The commissions invited Fauquier County (with three percent of VRE ridership) to consider joining VRE as a participating member.

NVTC's executive director was elected to chair the American Public Transportation Association's (APTA) committee for chief executive officers of US and Canadian commuter rail systems. The aftermath of deadly collisions in Maryland and New Jersey required cooperation between this APTA committee and FRA to fashion rules for new mandatory system safety plans. Through negotiations between the committee's chair and APTA's executive director, the status of the Commuter Rail CEO committee was upgraded. The committee then began the development of industry-wide equipment standards. This approach served as a model for subsequent APTA activities by other modal committees.

NVTC's executive director completed the New Start Handbook: Tips and Resources for Planning and Implementing a Successful Commuter Rail Enterprise. It was published by APTA and became a standard reference for many of the 16 potential new commuter rail systems being examined throughout the U.S. It drew heavily on VRE's own start-up experiences but also featured data and anecdotes from 15 of the systems already in operation.



Partly as a result of its successful efforts to initiate VRE service, NVTC was selected by APTA as the outstanding government agency in North America and received an award at APTA's annual conference in Anaheim, California.

A two-year contract extension was signed with NS.

Agreement was reached with RFP and CSXT for construction of a third mainline in Potomac Yard.

VRE sought to acquire 20 new bi-level railcars from Kawasaki using a Maryland contract, but VRE's jurisdictions limited the procurement to 13 with \$23 million of bonds to be issued by NVTC.



A new monthly pass was implemented for access to Metrorail, VRE and MARC.

CSX and NS both competed to acquire Conrail. VRE retained an attorney to pursue strategic opportunities in the merger proceedings before the Surface Transportation Board.

FY 1997 ridership: 7,150 average workday and 1,766,137 annual.

1997

\$23 million in revenue bonds were issued by NVTC to finance the acquisition of 13 new Kawasaki bi-level railcars as an option on a Maryland contract.

VRE awarded a contract to Orbital Sciences for an on-line train locator/patron information system known as TRIP (to replace TRACS).

VRE provided subsidy payments to jurisdictions previously charging for parking so that all VRE lots became free.

VRE equipped four rail cars with café interiors.

Second platforms were constructed at Manassas and Franconia/Springfield.

On July 8th, a CSXT derailment seriously curtailed VRE's ability to operate on time and ridership began to sag. It dropped as low as 5,000 a day. The immediate effect was the loss of \$450,000 of budgeted fare revenue. DRPT provided a special grant to cover half of that initial loss.

VRE's Operations Director dubbed the declining ridership a potential "death spiral."

Design of the Quantico Bridge project began.

FY 1998 ridership: 6,081 average weekday and 1,501,915 annual.

1998

Preliminary environmental work began on the Quantico Bridge.

\$31 million of VRE bonds from 1990 were refinanced by NVTC.

CSXT and NS each acquired portions of Conrail and VRE sought protections from the Surface Transportation Board using exhibits prepared by legal counsel and railroad consultants. The STB did not provide the requested protections.

A new operating agreement was executed with Amtrak for the period March 1, 1998 through June 30, 2003.

FY 1999 ridership: 7,078 average weekday and 1,741,094 annual.



1999

The approved VRE budget for FY 2000 forecast 6,900 average daily riders on 30 trains.

The order of 13 Kawasaki bi-level railcars began to arrive late in the year.

Design of the expansion of Crossroads Yards was initiated to provide added capacity for storage of those new railcars and a construction contract was awarded.

The Virginia Department of Transportation approved funding for an earlier afternoon train on the Fredericksburg line as an element of congestion mitigation for the reconstruction of the Springfield interchange.

Design, engineering and environmental analyses began on VRE's proposed Cherry Hill station in Prince William County.

Agreements were negotiated with Manassas for an expanded parking garage, platform extension and pedestrian access. Parking expansion also began at Leeland Road in Stafford County. Also, an agreement was reached with Manassas Park to allow VRE to add parking. Design, engineering and environmental analyses of improvements at the Woodbridge VRE station in Prince William County began. Additional parking capacity was acquired in Fredericksburg.

An agreement was reached with CSXT to permit \$10 million of state-funded improvements to the AF interlocking near Telegraph Road in Alexandria, plus upgrades to signals north to RW interlocking and a third mainline track north of Slater's Lane.

Three additional locomotives were purchased from North Carolina.

Procurement was completed for 10 used bi-level railcars with an option for 10 more.

Two new mid-day trains were started on the Manassas line.

A daycare reimbursement program called "Security Blanket" began in August.

FY 2000 ridership: 8,414 average weekday and 2,061,412 annual.



2000

Preliminary design began for major improvements at VRE's L'Enfant station in D.C. Procurement began for a new fare collection system with the contract awarded to Schiedt and Bachmann. The VRE Board was assured by VRE staff that upgrades would be available to be compatible with the regional Smarttrip fare system.

An inspection pit was added to ongoing construction at Crossroads Yard.

Two additional locomotives were loaned by Amtrak.

VRE's Director of Operations, Steve Roberts, resigned effective June 15, 2000. He was replaced by Steve MacIsaac as the acting director on an interim basis. Peter Sklannik Jr. was hired as the new Director of Operations in July. The VRE project staff totaled 22 with continuing assistance from commission staff.

An additional 10 Gallery cars were purchased and all 20 were overhauled.

VRE achieved its first ever 10,000 plus ridership day with 30 daily trains. The preliminary FY 2002 budget forecast 10 to 12,000 average daily riders. Reasons for the rebound in ridership since 1997 included customer service innovations such as a Manassas line mid-day train, the Security Blanket program, direct responses to e-mail information requests called "Train Talk," "Meet the Management" days on platforms with treats for customers, and guaranteed on-time performance with free ride certificates. VRE surveys showed 91 percent of customers rated overall VRE service as excellent or very good.

Design began for expansion of parking at Broad Run.

FY 2001 ridership: 9,877 average weekday and 2,439,511 annual.



2001

Construction began on a third platform at Manassas.

A consultant was selected for a VRE strategic plan.

Rehabilitation of the Quantico station began.

A mid-afternoon train was added on the Fredericksburg line.

The commissions increased the level of spending authority delegated to the VRE Operation Board to \$200,000 from \$100,000 per item.

The Director of Operations position was retitled Chief Operating Officer.

Six additional used Gallery railcars were acquired.



A train set of six bi-level railcars with locomotive was leased from Sound Transit in Seattle and later in the year two more sets were leased.

An interim access rate was agreed to with CSXT retroactive to November, 2000 for the agreement that expired June 30, 1999. In December, an extension of the 1995 agreement was agreed to through May 3, 2002.

A MOU was executed with CSXT specifying a set of corridor improvement projects that, when completed in phases, would permit additional VRE service.

The preliminary budget for FY 2003 forecast between 12,800 and 13,600 average daily riders.

Free VRE passes were made available to non-uniformed law enforcement personnel (at the meeting following September 11, 2001).

NVTC's executive director completed an analysis of organizational structures and governance of U.S. and Canadian commuter rail systems for presentation to APTA's members. Compared to 21 systems, VRE was among eight that were single-mode agencies (three were owned by states/provinces and ten were part of multi-modal agencies). Only five systems were newer than VRE. Three-quarters of the 21

systems owned their rights-of-way (VRE did not). Only six provided their own crews (VRE did not). Regarding governance, numbers of board members varied from three to 18, with a mean of nine (VRE had seven). Thirteen had at least some elected officials as board members (as did VRE). This analysis also reviewed the current status of 33 planned new start commuter rail systems and 11 planned significant expansions of existing systems.

FY 2002 ridership: 11,467 average weekday and 2,798,016 annual.

2002

DRPT provided \$100,000 to VRE for an assessment of commuter rail service out I-66 in western Prince William County and Fauquier County.

More land was acquired for the ongoing project to add a second platform at Woodbridge and to provide a pedestrian crossover and kiss-and-ride lot.

Parking was expanded at Rippon.

The VRE office condominium was refinanced.

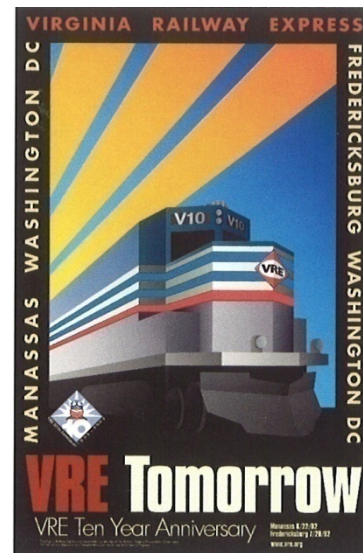
Planning sessions were conducted on Phase I of VRE's strategic plan completed by a consultant with a goal of 18,000 daily riders by 2005 to 2010. Authorization was given to proceed with Phase II, to help determine the ultimate size and extent of the VRE network, the frequency and type of train service and the total level of required investment.

In November, 2002 a referendum was held in Northern Virginia's jurisdictions regarding a sales tax increase. VRE would have received funding for 36 to 45 new high-capacity railcars but the referendum failed overall by 45 percent in favor and 55 percent opposed.

The company rehabilitating VRE's 10 used Gallery cars declared bankruptcy and VRE negotiated a settlement.

FTA insisted that the residency requirement of Manassas Park for its portion of the parking lot improved by VRE with federal funds must be ended.

FY 2003 ridership: 13,291 average weekday and 3,296,272 annual.



2003

Manassas Park agreed to remove its residents only restriction for VRE parking in exchange for VRE agreeing to build a platform extension and sidewalk improvements.

Agreement was reached with the city of Manassas to pursue a jointly funded parking deck.

The operating agreement with Amtrak that was to expire on July 1, 2003 was extended through January 21, 2004. VRE urged Amtrak to provide an acceptable operating agreement proposal by August 1, 2003; if it did not, VRE would issue an RFP for other operators.

VRE's four café cars were not in use and MARC wished to lease them. VRE set a price of \$200 per day per car.

An inspection pit was added at Broad Run Yard.



Leases for Sounder train sets were extended through September, 2004.

VRE's Chief Operating Officer, Pete Sklannik, resigned and was replaced on an interim basis by Dale Zehner.

As part of the recruitment process for a permanent Chief Operating Officer, VRE's strengths and weaknesses were assessed. Among the primary challenges: 1) VRE was at capacity and CSXT was proceeding slowly with infrastructure improvements funded by VRE that would allow VRE to operate more than the current 32 trains per weekday; 2) Mid-day railcar storage was full; 3) Some VRE customers had Metrocheks (employer-provided tax free fare subsidies) while others did not making an equitable fare structure problematic; 4) There were many more riders from jurisdictions outside VRE's funding localities; 5) Uncertainty about Amtrak's future; 6) Difficulties integrating VRE's fare collection system with the regional SmarTrip system.

The preliminary FY 2005 VRE budget forecast 15,000 average daily riders.

The time and scope for Phase II of the strategic plan were extended.

FY 2004 ridership: 14,541 average weekday and 3,561,299 annual.

2004

All VRE holiday service was eliminated to cut costs, except on the day after Thanksgiving.

The Amtrak operating agreement was extended again through June 30, 2005 with a separate provision for access to Washington Union Terminal at \$1.5 million per year.

Effective in June, VRE base fares were increased six percent and VRE initiated a five-day pass.

VRE agreed to sell its 38 original single-level Mafersa railcars to Connecticut DOT, but leased back seven cab cars and also provided an option for five trailer cars to DRPT.



Dale Zehner was selected to be VRE's Chief Executive Officer.

A contract was signed for construction of the Quantico Bridge not to exceed \$16.8 million. Other related contracts followed, including \$4.6 million for CSXT.

VRE acquired 35 used Gallery Cars from Metra in Chicago.

The lease for Sounder trainsets was extended.

Phase II of VRE's strategic plan was completed. It developed travel demand models, identified mid-day storage requirements, provided a detailed parking study and examined possible expansion to Bealeton, Gainesville, Haymarket and Spotsylvania.

The preliminary FY 2006 budget forecast 15,600 average daily riders.

FY 2005 ridership: 15,115 average weekday and 3,763,740 annual.

2005

Enhanced station security monitoring equipment was installed at several VRE stations.

A contract was executed with Sumitomo Corporation of American for 11 new Gallery cab cars with an option to purchase 50 additional cars. The 11 cab cars cost \$23.4 million including contingency. A tax-exempt lease financing agreement

was executed.

Effective June 27th, base fares were increased 2.75 percent.

A new five-year contract was executed effective July 1st with Amtrak for operations, maintenance, and access to and storage at Washington Union Terminal.

Upon completion of a consulting study on the Gainesville-Haymarket extension, the commissions sought additional state funding for a full feasibility study.

A three-year phased transition began to delegate more authority to the VRE Operations Board from the commissions. Spending limits and areas of responsibility would increase.

PRTC's executive director and VRE's CEO led efforts to encourage participation by more jurisdictions and to examine various express bus and VRE service scenarios.



As a result of continuing overtures back and forth between potential new entrants to VRE (Spotsylvania, Fauquier and Caroline counties), the commissions and VRE Operations Board began the lengthy process of considering the pros and cons of new participating members. One issue was whether new entrants should be assessed fees to reflect the value of past efforts by existing members to overcome the significant risks of a startup enterprise. VRE provided greater benefits to all users and non-users the more widespread its scope and use (greater access, cleaner air, fewer cars on the road) but this was only true if existing users did not suffer degraded service from too many new users relative to capacity. Eventually the commissions concluded that a method should be used that evaluated the relative costs (new rolling stock) and benefits (fewer cars on the road).

FY 2006 ridership: 14,785 average weekday and 3,637,043 annual.

2006

In order to exercise the full 50 railcar options with Sumitomo, VRE sought a loan from the Railroad Rehabilitation and Improvement Financing (RRIF) program at FRA in an amount not to exceed \$72.5 million. Delays in approval of this loan required intervention by VRE's congressional delegation and jeopardized the railcar option. However, the railcar option was executed in April for an amount not to exceed \$90.4 million including contingency. The option was financed with a portion of the FRA loan and state grants.

The lease period for two trainsets from Sounder was extended through June and December of 2007, respectively.

Random canine inspections at VRE stations began with a three-year contract with the Virginia State Police.

Base and zone fares increased six percent effective July 3rd.

Funding was provided by DRPT from the U.S. Department of Homeland Security for a new storage track at L'Enfant. CSXT would construct the track.

The next year of the planned increase in delegation of authority to the VRE Operations Board from the commissions called for VRE Board spending authority up to \$1 million (from \$500,000) per item.

FY 2007 ridership: 13,982 average weekday and 3,453,561 annual.



2007

After many months of discussions begun in February, 2006, the Master Agreement was amended to revise VRE's governance. Subsidy allocation was now to be based entirely on ridership (versus 90 percent ridership and 10 percent population). This change was to be phased in over four years beginning with the FY 2008 budget. Also, new members were added to the Operations Board with each participating and contributing jurisdiction receiving at least one vote. Additional voting members were based on tiers of ridership. As a result, Prince William County now had three votes and Fairfax and Stafford two each. In order to obtain approval from all Master Agreement signatories, a negotiated "mitigation accommodation" was agreed to that called for VRE to make additional investments in jurisdictions affected by riders from outside the VRE service area.

Free ride certificates were modified to be available only after a 60-minute delay (up from 30) and Amtrak step up charges were increased. Both measures were undertaken to help reduce an anticipated shortfall in the FY 2008 budget.

The five remaining Mafersa railcars were sold to a Quebec mining company for \$350,000 per car.

A \$6.3 million contract was signed for construction of improvements to Crossroads Yard, setting the stage for VRE to seek competitive bids for operations and maintenance when the current Amtrak contract expires in mid-2010.



The Virginia Division of Risk Management questioned the size of VRE's insurance reserve and demanded that it be restored to at least \$10 million. VRE included some funds for this purpose in its FY 2008 budget. Several amendments to the insurance plan were negotiated with DRM to clarify CSXT's status as an insured party, define the scope of exclusions and for other reasons.

A construction contract was executed for the Manassas parking deck for \$9.2 million. It was jointly funded with Manassas.

Nine additional Gallery cars were sold and the lease on the one remaining Sounder trainset was extended through the end of 2007. Total lease payments for the Sounder equipment reached \$8.7 million.

The refinanced VRE office loan was extended for five years.

The plan of delegation of authority from the commission to the VRE Operations Board was modified somewhat to retain for the commissions full authority over operating/access agreements with CSXT, NS and Amtrak as well as insurance agreements, in addition to the items specified in the December, 2005 plan.

The General Assembly passed H.B. 3202 which gave the Northern Virginia Transportation Authority the ability to levy several regional taxes expected to yield over \$300 million annually, with \$25 million annually reserved for VRE.

In developing VRE's FY 2008 budget, negotiations occurred between VRE staff (which wanted the \$ 25 million to be allocated within the VRE budget) and staff of NVTAs jurisdictions (which favored spending on VRE items within those jurisdictions collecting the tax—excluding Stafford County and Fredericksburg). Eventually two versions of the budget were prepared, depending on whether or not the taxes were available. NVTAs initiated a bond validation suit to test the constitutionality of the taxes.

FY 2008 ridership: 14,662 weekday and 3,628,563 annual.



2008

NVTA began on January 1st to collect the new regional taxes but a few months later the Virginia Supreme Court ruled that the General Assembly had violated the state constitution. So NVTA was compelled to refund the taxes.

A feasibility/alternative analysis with some engineering/environmental work began for the Gainesville/ Haymarket extension with a \$1.5 million contract. The proposed new service would extend approximately 11 miles from VRE's Manassas station to Haymarket in Prince William County along Norfolk Southern's B Line. It could include up to three new stations and could cost approximately \$281 million in 2008 dollars.

A contract was executed for two new locomotives from Motive Power (MP-36) at \$9.6 million with an option for 18 additional locomotives.

Fifteen of the older Gallery cars were sold.

In mid-year, CSXT shifted VRE dispatching from Jacksonville, Florida to Baltimore. VRE had advocated this move for years as a means to make dispatchers more familiar with the VRE territory.

Also in June, VRE achieved its all-time peak ridership day of 16,200, despite a run of below average on-time performance due to weather issues. Rising gas prices have led to increased ridership, more calls to VRE from prospective riders, and standees on some peak trains.



Two new parking garages were dedicated. One was at the Manassas station (322 spaces) and the other at Burke Centre (1292 spaces).

VRE's base fares increased three percent at the end of June. A fare indexing policy was also adopted for future budgets.

A contract for construction of the second platform at Woodbridge was executed for \$3.9 million. Design began in 2002.



Three new track improvements were initiated with CSXT, including 11 miles of third mainline from Powell's Creek to the Arkendale switch, seven miles up the Franconia Hill, and three miles between Fredericksburg and Hamilton.

On September 11th, VRE provided an all-time ridership record of 17,612 trips.

Also in September, the VRE Operations Board authorized staff to issue a Request for Proposals for maintenance and operation of VRE's trains. Amtrak has provided these services since the inception of VRE in 1992.

The last five of the 50 railcar order of 2006 from Sumitomo were delivered and placed in service. The locomotive order from Motive Power was increased to five from two with the contract value raised to \$20.0 million.

Active discussions continued with Spotsylvania County officials regarding the terms of the county's possible admission to PRTC and VRE.

FY 2009 ridership: 15,754 weekday and 3,857,646 annual.



2009

VRE carried 16,000 one-way passenger trips on Inauguration Day after selling 9,000 reserved commemorative roundtrip tickets at \$25.

Due to devastating revenue losses for VRE's state and local funding partners, VRE was compelled to implement its third fare increase in 18 months.

DRPT requested the use of two unused VRE slots in which to operate proposed new intercity trains (with stops at some VRE stations) from Richmond and Lynchburg. VRE has a limited number of trains that it is allowed to operate on CSXT and NS track. Improvements funded by VRE (with significant help by DRPT) allow additional trains to run. After several months of discussions, agreement was reached and the Washington-Richmond Corridor Improvement Project MOU was formally amended. An inaugural run of the Lynchburg train occurred on September 30th and ridership has been stronger than predicted.

Early in the year, Congress enacted a stimulus bill that included a very significant increase in the allowable tax-free monthly transit benefit to \$230, up from \$120. This increase expires on January 1, 2011 unless extended, but it helped to sustain VRE ridership despite the severe economic recession.

A \$4.6 million contract was signed for construction of a maintenance facility at Broad Run, part of VRE's ongoing efforts to prepare for a competitive

maintenance/operation procurement.

In March, with \$9.8 million of federal stimulus funds, plus a \$5 million federal earmark, VRE added four Tier II locomotives to its base order of five. In June, it added three more, and in October added another three. The total contract value reached \$60.6 million, with the first locomotive expected to arrive in July, 2010.

A customer survey in May received almost 5,000 responses. At 75%, customer satisfaction reached its highest level since 2003. Two-thirds of the respondents reported receiving some level of employer subsidy for VRE fares.

In October, VRE awarded a five-year contract to Keolis Rail Services of America for operations and maintenance. The initial amount was \$18.5 million for July 1, 2010 through June 30, 2011. The VRE Board was particularly attentive to preserving the jobs and benefits of current Amtrak employees serving VRE.

Finally, the Spotsylvania County Board approved terms of joining PRTC and VRE as a participating member, effective February 15, 2010. All required actions were completed by the other participating parties as well, including amending the VRE Master Agreement.

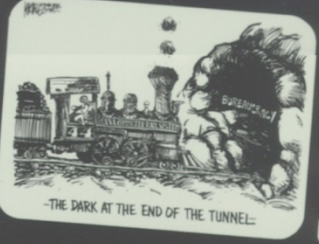
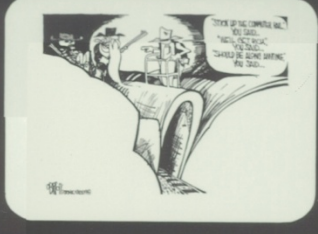
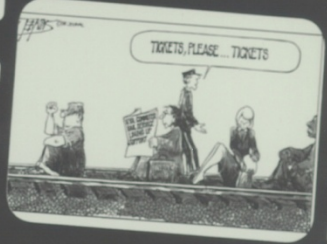


2010

The last of VRE's 71 new Sumitomo railcars were delivered in February. Calendar 2009 ridership reached an all-time high of 3.9 million and on February 16, 2010, daily ridership exceeded 19,000 for the first time.

Public hearings were set for March to examine a proposal to terminate two trains at L'Enfant Plaza in order to permit longer trains to be operated on both lines and to permit a new express train on the Fredericksburg line. By storing some trains during the mid-day at L'Enfant, space would be created to store the longer trains at Ivy City (north of Union Station).

A \$2.8 million contract was signed for environmental and engineering analysis for the Gainesville/Haymarket extension. The work will take up to two years to complete.



NEW ISSUE
Subject to the qualifications discussed under the section entitled "TAX EXEMPTION," in the opinion of Bond Counsel, under current law, interest on the Series 1990 Bonds (1) will not be includable in the gross income of the federal income tax purposes, (2) will not be treated as a specific item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (3) will be exempt from Virginia income taxation.

\$79,350,000

Northern Virginia Transportation District Commission
(Commuter Rail Revenue Bonds, Series 1990)
(Virginia Railway Express Project)

Due July 1, as shown below

Series 1990 Bonds will be issued only in book-entry form (initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, "PTC", New York ("PTC")). Investors will not receive certificates representing their interest in the Series 1990 Bonds purchased. Initial payments will be principal amounts of \$1,000 or any integral multiple thereof. The Series 1990 Bonds will be issued from the date of delivery, on or before January 1, and July 1, commencing July 1, 1990. Payment of principal, interest and redemption proceeds, if any, will be paid by Central Planning Bank, Richmond, Virginia, as Trustee, to PTC, or its assigns, Cede & Co., which will then remit such payments to the DTC Participants, for subsequent payment to the beneficial owners of the Series 1990 Bonds. The Series 1990 Bonds will be subject to redemption before maturity as described herein.

Pursuant to the terms of a Letter Agreement, as described herein, Fairfax County, Virginia, the City of Manassas, Virginia, Loudoun County, Virginia, and Stafford County, Virginia (the "Participating Jurisdictions"), each has agreed to include in its proposed budget for the year ending on or before July 1, 1990, the amount of the Series 1990 Bonds to be issued by the Northern Virginia Transportation District Commission (the "Northern Virginia Transportation District Commission") for the Series 1990 Bonds. Payment by the Participating Jurisdictions under the Master Agreement (including debt service on the Series 1990 Bonds) and are subject to annual appropriation by each Jurisdiction. The Series 1990 Bonds will be issued by the Northern Virginia Transportation District Commission in an amount equal to the maximum annual debt service on the Series 1990 Bonds.

Payment of principal and interest on the Series 1990 Bonds when due for payment which is unpaid by reason of the Series 1990 Bonds will be guaranteed by the Northern Virginia Transportation District Commission. Payment for such bonds will be made simultaneously with the delivery of the Series 1990 Bonds by Financial Guaranty Bond to issued simultaneously with the delivery of the Series 1990 Bonds.

CAPITAL GUARANTY INSURANCE COMPANY
CAPITAL GUARANTY

THE SERIES 1990 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OF THE COMMONWEALTH OF VIRGINIA OR OF ANY OF ITS POLITICAL SUBDIVISIONS, OR A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF VIRGINIA OR OF ANY OF ITS POLITICAL SUBDIVISIONS. THE ISSUANCE OF THE SERIES 1990 BONDS DOES NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE COMMONWEALTH OF VIRGINIA OR ANY OF ITS POLITICAL SUBDIVISIONS TO LEVY ANY TAXES OR MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

MATURITIES, AMOUNTS, RATES AND PRICES
\$99,350,000 Series Bonds

Maturity	Amount	Interest Rate	Price	Amount	Interest Rate	Price
1997	\$1,000,000	6.50%	100%	\$2,200,000	6.40%	100%
1998	2,000,000	6.50%	100	4,200,000	6.30	100
1999	2,000,000	6.50%	100	4,200,000	6.20	100
2000	2,000,000	6.50%	100	4,200,000	6.10	100
2001	2,000,000	6.50%	100	4,200,000	6.00	100
<p>\$10,000,000 7% Term Bonds due July 1, 2002 — Price 99.25%</p> <p>\$22,650,000 7% Term Bonds due July 1, 2003 — Price 98.25%</p> <p>\$22,650,000 8% Term Bonds due July 1, 2004 — Price 87.25%</p>						

The Series 1990 Bonds are offered when, as and if issued and created by the Underwriters. Legal matters with respect to the validity and enforceability of the Series 1990 Bonds are subject to the opinion of McGuire, Wood, Balle & Smith, Richmond, Virginia-based counsel. Certain legal matters will be advised upon for the issuer by McGuire, Wood, Balle & Smith, Richmond, Virginia-based counsel. Certain legal matters will be advised upon for the issuer by McGuire, Wood, Balle & Smith, Richmond, Virginia-based counsel. Certain legal matters will be advised upon for the issuer by McGuire, Wood, Balle & Smith, Richmond, Virginia-based counsel.

MORGAN STEVLEY & CO. Incorporated
January 19, 1990

CRAIGIE INCORPORATED
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