

**NVTC COMMISSION MEETING
THURSDAY, JANUARY 6, 2005
8:00 PM.**

NVTC CONFERENCE ROOM

AGENDA

1. Minutes of NVTC Meeting of December 2, 2004.

Recommended Action: Approval.

2. Election of 2005 Officers and Oath of Office.

NVTC's Executive Committee, serving as a nominating committee, has presented a slate of nominations for NVTC Chairman, Vice-Chairman and Secretary-Treasurer.

Recommended Action: Elect officers. Chairman Euille will administer the oath of office to the newly elected officers. The new chairman will present a small gift to Chairman Euille to honor him for his service.

3. Selection of NVTC Representatives to Boards and Committees.

NVTC's commissioners serve on the WMATA, VRE and Virginia Transit Association Boards. NVTC also has standing Executive and Legislative committees, with the Executive Committee to also serve as an audit committee.

Recommended Action: Act on the recommendations of NVTC's jurisdictions to elect two principal and two alternate members of the WMATA Board. Elect three principals and at least one alternate to the VRE Operations Board. Elect two principals and at least three alternate members of the VTA Board. Executive Committee membership is determined by the NVTC By-Laws while the new NVTC Chairman will appoint the Chairman and members of the Legislative Committee.

4. Designation of NVTC Signatories and Pension Trustees.

Each year NVTC designates its new Secretary-Treasurer to join selected staff as signatories and pension trustees.

Recommended Action: Approve Resolution #1056.

5. Public Hearing on and Approval of NVTC's 2005 Workprogram.

The draft workprogram has been available for review by the public for a month on NVTC's website and was reviewed by local staff in November and discussed on December 2nd by the commission. Staff will provide a brief review of the proposed workprogram and proposed performance objectives and measures preceding a public hearing.

Recommended Action: After a public hearing and consideration of the comments made by the public, approve the workprogram for 2005 to be used to measure progress in meeting explicit performance goals and objectives during the year.

6. WMATA Items.

A. Metro Board Digest for December, 2004.

B. Blue Ribbon Panel on Metro Funding.

C. Metrochek Transit Benefits Rise to \$105 Monthly.

D. Proposed FY 2006 and 2007 Operating and Capital Budgets.

E. Final EIS for Dulles Corridor Rail Project.

F. Table of Average Metrorail Fares and Subsidies.

Recommended Action: Approve comments on the report of the Blue Ribbon Panel.

7. NVTC Draft FY 2005 Budget

A preliminary version was discussed in September, 2004 and forwarded to NVTC's jurisdictions. Action will be requested at the commission's February meeting. Budget expenditures and state and local contributions are virtually unchanged from FY 2005. The performance objectives and measures described in the 2005 workprogram are an integral part of this budget.

Discussion Item.

8. Legislative Items.

Staff will describe recent developments prior to the start of the 2005 General Assembly session.

Discussion Item.

9. Regional Transportation Items.

A. Second Report of the High-Occupancy Vehicle Enforcement Task Force.

B. Communications from Citizens.

Discussion Item.

10. NVTC Financial Reports for November, 2004.

Information Item.

11. VRE Items.

A. Report from the VRE Operations Board (with minutes of the meeting of December 17, 2004) and from VRE's CEO--
Information Item.

B. Outreach to Outlying Counties—Information Item.

C. Audited VRE Financial Reports for FY 2004—Action Item/Resolution #1057.

D. FY 2005 VRE Budget and FY 2005 Budget Revisions—Action Item/Resolution #1058.

- E. Quantico Station Construction Contract Amendment—Action Item/Resolution #1059.
- F. General Security Services Contract Authorization—Action Item/Resolution #1060.
- G. Norfolk Southern Access Agreement Extension—Action Item/Resolution #1061.
- H. CSXT Access Agreement Extension—Action Item/Resolution #1062.
- I. Richmond Event—Action Item/Resolution #1063.

MINUTES
NVTC COMMISSION MEETING – DECEMBER 2, 2004
NVTC CONFERENCE ROOM - ARLINGTON, VIRGINIA

The meeting of the Northern Virginia Transportation Commission was called to order by Vice Chairman Ferguson at 8:14 P.M.

Members Present

David Albo
Sharon Bulova
Gerald Connolly
Adam Ebbin
Paul Ferguson
Ludwig Gaines
Tanya Husick (DRPT)
Dana Kauffman
Elaine McConnell
Gary A. Reese
David F. Snyder
Mick Staton

Members Absent

Jeannemarie Devolites Davis
William D. Euille
Jay Fisette
Catherine M. Hudgins
Timothy Hugo
Scott Silverthorne
Mary Margaret Whipple
Christopher Zimmerman

Staff Present

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

Minutes of NVTC's Meetings of October 7, 2004 and November 4, 2004

On a motion by Mr. Connolly and a second by Mr. Gaines, the commission unanimously approved the minutes. The vote in favor was cast by commissioners Albo, Bulova, Connolly, Ferguson, Gaines, Husick, Kauffman, McConnell, Reese, Snyder and Staton.

FY 2004 NVTC Audited Financial Reports

Mr. Taube introduced Mike Garber and Betsy Hedrick, representatives from NVTC's auditors, PBGH LLP. Mr. Garber reported that prior to the commission meeting, the auditors met with NVTC's executive/audit committee to review the audit reports in detail. Mr. Garber reported that the audit produced three clean opinion letters. Both control issues discussed in last year's audit management letter have been addressed by NVTC staff. He stated that this year's audit was a very good and clean audit.

Mr. Connolly moved, with a second by Mrs. McConnell, to accept and authorize distribution of the audited financial reports. The vote in favor was cast by commissioners Albo, Bulova, Connolly, Ferguson, Gaines, Husick, Kauffman, McConnell, Reese, Snyder and Staton.

NVTC and VRE State and Federal Legislative Agendas for 2005

Mr. Connolly, chairman of the legislative committee, reported that the legislative committee met on November 30th to develop its recommended 2005 state and federal legislative agenda.

Mr. Kauffman suggested the following wording change to #3: "NVTC emphasizes the critical need for a permanent transit funding solution, but supports proposals to use unallocated state budget funds for transit capital and one-time operating initiatives."

Mr. Connolly observed that PRTC's legislative agenda has been included for review, since it is important to have coordination between the two commissions.

With the change proposed by Mr. Kauffman, Mr. Connolly moved to approve the legislative agenda and to forward it to member jurisdictions and Northern Virginia's General Assembly and congressional delegations. Mr. Kauffman seconded.

In response to a question from Mr. Staton, Vice Chairman Ferguson stated that there still is time to comment on the recommendations by the Blue Ribbon Panel. Mr. Taube explained that NVTC's legislative agenda states that

NVTC supports the work of the panel, but is waiting for the recommendations to evaluate them.

Mr. Staton stated that he will abstain from the vote because he personally has an issue with looking at dedicated sources of funding without considering fare increases. Mr. Taube stated that #8 of the legislative agenda was modified to recognize Mr. Staton's concerns, stating that transit fare levels are being examined. Mr. Connolly stated that #8 is a reaffirmation of a past NVTC position. Mr. Kauffman observed that the farebox recovery ratio for Metrorail is at 72-75 percent, which is the highest in the United States. WMATA has recently had back-to-back fare increases. WMATA has begun pursuing more advertising opportunities to bring in additional revenues.

Mrs. Bulova stated that there is a perception difference in which transit is viewed as having a subsidy, while one doesn't talk about subsidizing the highways, even though they are paid for with taxes. Mr. Staton stated that he understands these issues but for him it's a philosophical issue of not raising taxes.

The commission then voted on the motion and it passed. The vote in favor was cast by commissioners Bulova, Connolly, Ferguson, Gaines, Husick, Kauffman, McConnell and Snyder. Commissioners Albo, Reese and Staton abstained.

Mr. Taube explained that the commission is also asked to consider VRE's legislative agenda, which has been recommended by the VRE Operations Board.

Delegate Ebbin arrived at 8:26 P.M.

Mrs. Bulova moved, with a second by Mrs. McConnell, to approve VRE's legislative agenda. The vote in favor was cast by commissioners Bulova, Connolly, Ferguson, Gaines, Husick, Kauffman, McConnell and Snyder. Commissioners Albo, Ebbin, Reese and Staton abstained.

Draft NVTC Workprogram for 2005

Mr. Taube reported that the commission is asked to authorize staff to release the workprogram for public review and comment, including posting it on NVTC's website. A public hearing will be scheduled at NVTC's January 6th meeting and the commission will be asked to approve the final version then. He explained that there are no major new initiatives proposed since staff is fully occupied in managing many on-going projects.

Mr. Taube explained that one scheduling concern is the February 3rd meeting date, which apparently conflicts with VML Lobby Day in Richmond. Staff will contact commissioners to inquire about their availability for that meeting.

Delegate Albo suggesting adding to the work program the development of a transparent budget. This type of budget is done in Prince William and Fairfax counties. Mr. Staton stated that Loudoun County is moving towards this type of budget, too. Vice Chairman Ferguson stated that it may be helpful for the commission to have an off-site working retreat to develop this type of budget, possibly at the Fairfax Government Center. Delegate Reese stated that the term for this is a "performance-based budget." Delegate Albo stated that it should be a long-term goal to develop a performance-based budget, with specific goals, measurements and outcomes. Mr. Taube agreed to add this to the draft work program to begin to look at how to develop this type of budget. Delegate Albo suggested looking at the "Future of Virginia" website. He also suggested initially applying this methodology to only one aspect of the budget. Mr. Connolly stated that this is a good suggestion.

Mrs. McConnell agreed with Vice Chairman Ferguson that doing a working retreat would be a good idea. Mr. Connolly reminded commissioners that it would need to be scheduled when the General Assembly isn't in session. Mr. Reese cautioned that it will be more complicated than just setting goals. It will be important to set objectives, measure them and to have outside oversight of those objectives.

Mrs. Bulova provided more information about Fairfax County's new budget approach, which includes this type of budget. Mr. Connolly stated that it may be helpful for the commission to have a brief presentation on how the county implemented its budget. Vice Chairman Ferguson suggested waiting until April until the General Assembly Session has ended. He observed that the consensus of the commission is to consider a work session in Fairfax County for NVTC's April meeting.

Mr. Connolly suggested that the draft-meeting schedule in the workprogram be changed to provide specific topics for each meeting.

Mr. Connolly moved, with a second by Mr. Staton, to authorize staff to post the draft work program on NVTC's website with a request for public comments and to announce a public hearing at NVTC's January 6th meeting prior to action on the final version. The vote in favor was cast by commissioners Albo, Bulova, Connolly, Ebbin, Ferguson, Gaines, Husick, Kauffman, McConnell, Reese, Snyder and Staton.

Mr. Taube asked the commission to consider taking agenda Item #11 out of order, which is the only action item left. There were no objections.

VRE Items

Report from the VRE Operations Board. Mrs. Bulova urged commissioners to read the minutes of the VRE Board meeting of November 19, 2004.

CSX Force Account Services for Quantico Creek Bridge. Mrs. Bulova reported that the VRE Operations Board recommends commission approval of Resolution #1049. This resolution would authorize VRE's CEO to enter into an agreement with CSXT to undertake track improvements for the Quantico Creek Bridge Project. The maximum cost would be \$4,671,000, including contingency, using state and federal grants. CSXT requires that it perform this work to design and construct the track signal system for the bridge and the new interlocking at North Possum Point.

Mrs. Bulova moved, with a second by Mrs. McConnell, to approve the resolution (copy attached). The vote in favor was cast by commissioners Albo, Bulova, Connolly, Ebbin, Ferguson, Gaines, Husick, Kauffman, McConnell, Reese, Snyder and Staton.

Modify Lease Agreement with RailWorld Locomotive Leasing LLC. Mrs. Bulova stated that VRE's Operations Board recommends approval of Resolution #1050, which would authorize VRE's CEO to modify an existing lease with RailWorld Locomotive Leasing LLC to add one locomotive at a price not to exceed \$76,650 annually for a term of two years plus an option for two additional years. This transaction will provide a replacement for a locomotive that suffered a "catastrophic failure" on August 27, 2004. Funds are available in VRE's FY 2005 operating budget.

On a motion by Mrs. Bulova and a second by Mrs. McConnell, the commission unanimously approved Resolution #1050 (copy attached). The vote in favor was cast by commissioners Albo, Bulova, Connolly, Ebbin, Ferguson, Gaines, Husick, Kauffman, McConnell, Reese, Snyder and Staton.

GEC IV Task Order for Fleet Maintenance Strategy and Yard Requirements. Mrs. Bulova stated that VRE's Operations Board recommends approval of Resolution #1051. This resolution would authorize VRE's CEO to award a task order to Parsons Brinckerhoff Quade and Douglas under VRE's fourth General Engineering Contract to develop a detailed fleet maintenance strategy. The strategy will include the necessary associated physical improvements at VRE's yards. The cost will not exceed \$279,400 of CIP federal grant funds, including a 10 percent contingency.

Mrs. Bulova moved, with a second by Mrs. McConnell, to approve the resolution. The vote in favor was cast by commissioners Albo, Bulova, Connolly, Ebbin, Ferguson, Gaines, Husick, Kauffman, McConnell, Reese, Snyder and Staton.

Mr. Staton observed a typographical error in the resolution, which lists the amount as \$729,400 instead of \$279,400. There was unanimous consent to amend the resolution to reflect the correct amount.

Amended Award of Contract for Quantico Creek Bridge Construction Support. Mrs. Bulova reported that the VRE Operations Board recommends

approval of Resolution #1052. This resolution would amend a previous action to increase a new contract up to \$1.2 million from \$1 million. Since the original contract is being closed out with unexpended funds, there is no change to the total budget for the combined contracts.

Mrs. Bulova moved, with a second by Mrs. McConnell, to approve the resolution (copy attached). The vote in favor was cast by commissioners Albo, Bulova, Connolly, Ebbin, Ferguson, Gaines, Husick, Kauffman, McConnell, Reese, Snyder and Staton.

Task Order for General Fleet Maintenance. Mrs. Bulova explained that the VRE Operations Board recommends approval of Resolution #1053. This resolution would authorize a task order to STV, Inc. for general fleet maintenance from January 1 through July 31, 2005. The amount would not exceed \$533,720, including a 10 percent contingency. After July 31st, Amtrak is expected to assume these responsibilities using subcontractors. Funds are available in VRE's FY 2005 operating budget.

Mrs. Bulova moved, with a second by Mrs. McConnell, to approve the resolution (copy attached). The vote in favor was cast by commissioners Albo, Bulova, Connolly, Ebbin, Ferguson, Gaines, Husick, Kauffman, McConnell, Reese, Snyder and Staton.

Task Order for Administrative Services Related to Rolling Stock. Mrs. Bulova reported that the VRE Operations Board recommends approval of Resolution #1054, which would authorize a task order to STV for general and administrative services related to rolling stock. Activities within this task order must be specifically requested by VRE staff and cannot be billed by STV without such requests. VRE's Audit and Finance Committee has requested quarterly reports from staff on such G&A activities. The task order amount in this case is \$438,103, including contingency, with grant funds designated for this purpose in VRE's approved CIP.

Mrs. Bulova moved, with a second by Mrs. McConnell, to approve the resolution (copy attached).

Mr. Snyder asked what kind of administrative services would be included in this task order. Mr. Zehner replied that it would include such tasks as attending meetings, generating special reports and analysis of equipment. STV is an engineering firm and VRE staff doesn't have this type of expertise. It's more cost effective to have STV perform these duties.

The commission then voted on the motion and it passed. The vote in favor was cast by commissioners Albo, Bulova, Connolly, Ebbin, Ferguson, Gaines, Husick, Kauffman, McConnell, Reese, Snyder and Staton.

Emergency Procurement Policy. Mrs. Bulova explained that the VRE Operations Board recommends commission approval of Resolution #1055. This

resolution would authorize a policy to be followed when emergency procurements are required. It establishes conditions that must be met by VRE's CEO to justify any action under this policy. For example, advance notice must be given to VRE's Chairman and his/her concurrence received after consultation with VRE's legal counsel, in addition to after the fact action by the full board or commissions.

In response to a question from Mrs. McConnell, Mr. Zehner explained that if the VRE Chairman were not available, the Vice Chair would be contacted. Mr. Kauffman explained that the VRE Operations Board discussed this item at length and requested that legal counsel also be consulted. Mrs. Bulova stated that this policy will give VRE's CEO more flexibility in the event of an emergency.

On a motion by Mrs. Bulova and a second by Mrs. McConnell, the commission unanimously approved the resolution. The vote in favor was cast by commissioners Albo, Bulova, Connolly, Ebbin, Ferguson, Gaines, Husick, Kauffman, McConnell, Reese, Snyder and Staton.

Interim Report on NVTC's Metrorail Station Area Emergency Response Planning Sessions

Jana Lynott gave a presentation on the progress of a series of workshops at which transit operators, police, fire, EMT and others have examined key Metrorail station areas in Northern Virginia and cooperatively developed specific response plans. The monthly workshops have proven to be very valuable in introducing key personnel to each other and in solidifying communications channels. Results are being shared with the regionwide transit operators group meeting at WMATA, with MWCOG staff and with attendees at the annual regional emergency response conference each fall.

Ms. Lynott explained that the focus of the group's work has been to develop emergency responses to day-to-day incidents (i.e. fires, service disruptions, track failures, suicides) as opposed to the major catastrophic events, such as terrorism. TPB has been working on responses to these types of events.

Ms. Lynott gave an overview of the multi-pronged emergency response for the Rosslyn Metrorail station. An incident could impact 20,000 riders during the rush hour period. For Rosslyn, besides providing bus service, passenger would be encouraged to walk from the Foggy Bottom Metrorail station to the Courthouse Metrorail station. Mr. Connolly asked how many people would realistically be capable of walking this distance. Ms. Lynott agreed that this three-mile walk is not an easy walk, but it does provide an alternative. If there is traffic congestion around the station and enough buses can't get in to form an effective bus bridge, people would have to wait over an hour for a bus. Instead, they could walk. Jim Hamre of Arlington County staff reminded commissioners that the emergency responses are designed to provide alternatives (bus bridges,

pedestrian access, etc) since 20,000 people may be affected by an incident and there will need to be many alternatives. Mr. Snyder stated in the event of a major incident, the only way people will be able to move is to walk because traffic will be so congested. It is important that people understand that the transportation system will break down very quickly in the event of a major incident. That's why it's so important to have many alternatives.

Mrs. McConnell stated that it is very important that VRE have a place at the table of the new communications center. In the event of a terrorist attack, riders will need to be rerouted to other forms of transit.

Mr. Kauffman asked if there is an agency in charge of dealing with victim's families in the event of multiple fatalities. Ms. Lynott explained that these workshops have steered away from death incidents and focused on day-to-day operational incidents.

In response to a question from Mr. Connolly, Mr. Snyder stated that work is being done at the regional level at MWCOCG on how to educate the public beforehand on what to do in the event of an emergency. It is important to develop communication among the different agencies during the event, as well. Mr. Hamre stated that WMATA staff will be the primary spokespersons on behalf of transit in the event of an emergency.

Mrs. McConnell expressed her opinion that the region is not prepared for nuclear incidents, such as suitcase bombs, where the damage can impact a wide radius (up to 20 miles). There's only a small amount of time to move people out of the area. Fallout is a major problem, as well as cleanup. The region hasn't really prepared for this type of attack. All agencies need to be involved in response initiatives.

Delegate Albo observed that it is important that these response plans aren't distributed to the public so that terrorists can disrupt responses. They should be available to the staff and officials that need them. Ms. Lynott answered that there are no plans to post these plans publicly.

In response to a question from Vice Chairman Ferguson, Ms. Lynott stated that these emergency response plans are being prepared for eight key Metrorail station in Northern Virginia, including Rosslyn, Pentagon, Ballston, King Street, Huntington, Franconia/Springfield, Vienna and West Falls Church.

Mr. Snyder stated that this is very valuable work. Major catastrophes are being addressed at the regional level. TPB just approved a "24/7" coordinating entity to make sure agencies are coordinating and functioning together. Public education is still a major issue.

FY 2004 Northern Virginia Transit Ridership

Mr. Taube reported that overall transit ridership has shown a healthy increase in Northern Virginia of three percent with some systems displaying sharp growth (e.g. VRE 10 percent; Loudoun County Transit 43 percent; and ART 170 percent).

Mr. Connolly observed that total annual Metrorail passenger trips for Virginia were almost 88 million. He stated that he hopes that NVTC's General Assembly members convey this information in Richmond.

Transit Funding Fact Sheet

Mr. Taube explained that information is compiled by staff to support legislative advocacy for additional funding. For FY 2004, of the approximately \$400 million spent on transit (both operating and capital) in Northern Virginia, local funds, including fare revenues, comprised 56 percent of the total. When NVTC's gas tax revenues are added it brings it to over 60 percent. The federal share is 13.9 percent, leaving the state with 24 percent. Mr. Connolly asked, by way of contrast, how this would compare to Maryland. Mr. Taube replied that it would basically be reversed because Maryland pays almost the entire amount. Mr. Connolly stated that the distinction between Maryland and Virginia will become important as the region looks at the recommendations made by the Blue Ribbon Panel.

WMATA Items

Metro Matters. On October 21, 2004, the WMATA Board approved the Metro Matters jurisdictional funding agreements and provided authority to exercise the option for 120 series 6000 railcars.

Improving Service Reliability and Customer Service. WMATA staff presented a paper to the Board's Operations and Safety Committee. It generated substantial board discussion. The Board asked staff to return to ING to negotiate free rush hour bus and MetroAccess fares as well as the free rail fares the company had offered as a special promotion.

WMATA's Improved Website. There's a new look at www.MetroOpensDoors.com, which emphasizes the improved Metro Trip Planner and ability to download schedules to web-enabled PDA's or wireless phones.

Request for Report on the Metrorail Collision of November 3, 2004. Mr. Taube explained that Mr. Snyder has requested a report from NVTC's WMATA Board members on the actions of the Board and management with respect to the events of November 3rd and related operational issues. Mr. Kauffman stated that

the NTSB is investigating and nothing can be reported at this time. Mr. Snyder stated that it would be helpful to have a report when it's convenient, including the recent management changes at WMATA.

Blue Ribbon Panel on Dedicated Sources of WMATA Funding. Mr. Taube reported that the panel has discussed its draft final report. The panel hasn't issued its report yet. Jurisdictions and agencies will have a chance to comment on the report.

Delegate Reese observed that if one does examine the incidence by jurisdiction, almost half of the tax (48 percent) would be collected in Virginia, whereas Virginia's allocated share of the costs is less than 25 percent. Mr. Connolly speculated that Loudoun and Prince William counties might have been included, although they are not part of the Metro Compact. It has surprised some in the region as to how powerful the retail presence is in Northern Virginia, with Tysons Center and Potomac Mills among others. There needs to be an equitable formulation of the burden that reflects the level of service Northern Virginia is getting.

Delegate Reese asked if WMATA has undergone performance-based and budget management evaluations before justifying any recommendations. Mr. Kauffman stated that WMATA is bringing in outside operational experts to audit the Metro organization. He also stated that the District of Columbia is unified in the concept that they think they are paying too much. Mr. Connolly responded that Fairfax County, with the largest population in the region (twice the District's population), has five Metrorail stations while the District has 38 stations.

In response to a question from Mr. Staton, Mr. Taube stated that the panel assumed that the federal government would pay half of the gap, since federal employees comprise almost half of the peak period Metrorail riders. Since existing federal transit programs do not provide for such payments, such a contribution would come from general revenues and per capita federal income tax payments in Northern Virginia probably exceed those of Maryland and the District, again raising the issue of the relative impact of the panel's recommendations on each jurisdiction. Mr. Staton wanted to make sure this was not a payroll tax. Mr. Kauffman stated that this is one alternative being considered.

Mr. Snyder stated that local officials and General Assembly members need to work closely together on this issue. The current funding situation is not acceptable because the system is falling apart. The system needs to be adequately funded, otherwise it will not only impact transit riders but those using the highways as well. Northern Virginia is projected to add 600,000-650,000 new jobs between 2000 and 2030 and they need to be supported by an adequate transit infrastructure. Due to the funding formulas, jobs in the Northern Virginia area result in a tremendous amount of tax revenues for the rest of the commonwealth. He hoped that the case could be made to the rest of the state as well as locally that Metro needs funding for its infrastructure.

Delegate Reese stated that those urban centers, such as Tysons Corner and Dulles Corridor, are currently unserved by transit and these needs should be addressed. Mr. Connolly observed that Fairfax County's recent transportation bond referendum had the highest percentage of votes in favor (78 percent) with the majority of the funds being used for Metro. Polling data countywide had rail to Dulles as the single most popular transportation project in the county (70 percent public approval rating).

Delegate Albo stated that we might want to reserve a certain percentage of the income generated from a new job in a locality and leave it in that locality for a certain amount of time. This could be added to the mix when talking about funding Metro.

Regional Transportation Items

Forecast Effects of Alternative Fuels and Better Efficiency on Gas Tax Receipts. Research by Cambridge Systematics for the Transportation Research Board [as reported in Roads and Bridges (Oct. 15, 2004)] concluded that alternative fueled vehicles powered by fuels such as hydrogen, electricity and natural gas have a very low probability of capturing appreciable shares of the U.S. automobile fleet by 2020. Regarding fuel efficiency increases, if Congress were to act to reverse the current trend (a gradual decrease), the effect would be gradual because it takes about 12 years for the current fleet to turn over. The report also notes that gasoline consumption will increase by 19 percent between 2000 and 2010 and by 37 percent from 2000 to 2020.

A different study by Booz Allen Hamilton, as reported in the Wall Street Journal (October 14, 2004 at D-3), concluded that hybrid automobiles will reach 20 percent of the market by 2010. This is because the \$3-5,000 extra cost will be offset in only five years by gas savings (at prices near \$2 per gallon) and tax rebates. If these hybrid engines grow as fast as air bags and anti-lock brakes when they were introduced, hybrids could capture 80 percent of the market by 2015.

Wendell Cox and LOWER: Washington Metro After a Quarter Century: Billions for Transit and More Congestion. Wendell Cox has issued another report blaming growing traffic congestion on Metrorail and offers the unsupported assertion that "the problem in Washington is that so many planned freeways were cancelled." He opines, "...transit is about down town and the core—the pre-automobile city and nothing more." He ignores heavy reverse commuting on Metrorail, (32,000 weekday morning peak trips to Northern Virginia's non-core stations) effective neighborhood feeder bus service in the suburbs, and heavy current use of BRT-level bus service in the Dulles Corridor (15,000 person trips each weekday). He states that at the metropolitan level, Metro's impact is virtually absent. NVTC's own study by KPMG Peat Marwick reports on the economic benefits of Metrorail, and nowhere does Mr. Cox mention the clean air or fuel savings benefits attributable to Metrorail, nor the \$1.2 billion annual

reduced costs for auto drivers from congestion relief as calculated by the Texas Transportation Institute.

Rail Transit in America: A Comprehensive Evaluation of Benefits. Mr. Taube stated that Todd Litman of the Victoria Transport Policy Institute has completed a report that evaluates rail transit performance in major U.S. cities. In cities, including the Washington, D.C. area, that have large rail systems, there are significantly higher per capita transit ridership, lower per capita auto ownership and mileage, less traffic congestion (reduced by half), lower traffic death rates, lower consumer expenditures on transportation, all compared to cities without rail transit service.

Paying the Price for Inadequate Roads in Virginia. The report examines the cost to motorists in reduced safety, lost time and increased vehicle wear, and was completed by The Road Information Program (TRIP) in October, 2004. TRIP estimates statewide losses due to the lack of desirable safety features, inadequate highway and bridge capacity and poor pavement conditions totaling \$4.4 billion statewide each year. This averages \$2,131 per driver in the Washington, D.C. area. Of this amount \$1.5 billion statewide is due to congestion delays, or \$1,278 per driver in this region.

While this study does not address transit needs, it does reinforce the findings of the Texas Transportation Institute's 2004 Urban Mobility Report that determined congestion-related costs to automobile drivers in the Washington, D.C. metropolitan area would be \$3.5 billion annually, but are reduced by a third to about \$2.3 billion due to this region's investments in an effective transit system. The remaining congestion costs per peak auto traveler are \$1,212 (very close to the \$1,278 calculated by TRIP).

Transportation Statistics Annual Report (September, 2004). The Bureau of Transportation Statistics (USDOT) has just released its annual STAR document. It contains a wide variety of informative national transportation performance indicators.

Report to the Governor of the Commission on Rail Enhancement for the 21st Century in the Commonwealth of Virginia. The commission, chaired by Sharon Bulova, met in Richmond on November 16, 2004 to review its draft final report. NVTC has provided detailed comments to the rail commission, which were due on December 1st. NVTC's draft legislative agenda reiterates the position of NVTC, primarily with respect to the need to avoid diverting existing transit resources to benefit private freight railroads. NVTC's legislative agenda also emphasizes the responsibilities of those freight railroads to protect the public interest if they are to benefit from new state funding.

Mrs. Bulova stated that the final recommendations were very supportive of multimodalism. Among the many goals for the rail system cited by the commission are increases in capacity along interstate corridors, expansion of VRE and establishing the Trans Dominion Express intercity passenger service.

Recommendations include the use of DRPT and CTB to initiate the recommendations while creating a new Rail Advisory Board; including freight and passenger rail in state and regional planning processes; and pursuing dedicated funding for rail enhancements.

In response to a question from Delegate Reese, Mrs. Bulova explained that the rail commission has recommended seeking an amendment to provide a matching requirement or in-kind contribution for partnerships with private railroads on rail preservation projects.

VTrans 2025. This final report makes a very clear call for more revenues and greater support of public transit.

Senate Finance Committee Staff Transportation Presentation. A detailed 107-page briefing was provided to the committee by its staff. The material is packed with information, much of it from VTrans 2025, about the shortfalls of transportation funding and what that means for the future.

NVTC Financial Reports for September and October, 2004

The financial reports were provided and commissioners had no comments.

NVTC's Nominating Committee for 2005 Officers

Vice Chairman Ferguson stated that Chairman Euille has asked the Executive Committee to serve as the Nominating Committee. The slate of nominees will be provided to commissioners in advance of the January 6, 2005 meeting at which the election of officers will occur.

NVTC's 40th Anniversary Time Capsule

Kala Quintana announced that to wrap up NVTC's commemoration of its 40th anniversary, commissioners, transit systems and staffs were invited to submit items for a time capsule. Commissioners were asked to write a prediction for the year 2044 regarding transit to put in the capsule.

Adjournment

Without objection, Vice Chairman Ferguson adjourned the meeting at 9:55 P.M.

Approved this sixth day of January, 2005.

Chairman

Secretary-Treasurer

RESOLUTION #1049

SUBJECT: CSX Force Account Services for Quantico Creek Bridge.

WHEREAS: In order to alleviate the bottleneck condition at Quantico Creek, a new mainline track bridge over Quantico Creek must be constructed;

WHEREAS: The Virginia Railway Express, in collaboration with CSXT and DRPT, has completed the design for a new double track bridge over Quantico Creek; and

WHEREAS: In order for the bridge project to be completed, CSX Transportation requires that certain portions of the work be performed under its direct supervision.

NOW, THEREFORE BE IT RESOLVED the Northern Virginia Transportation Commission authorizes the VRE Chief Executive Officer to enter into an agreement with CSX Transportation for construction associated with the Quantico Creek Bridge Project at a price not to exceed \$4,671,000 including contingencies.

Approved this 2nd day of December, 2004.

William Euille
Chairman

Gerald Connolly
Secretary-Treasurer

RESOLUTION #1050

SUBJECT: Modify Lease Agreement with RailWorld Locomotive Leasing LLC.

WHEREAS: VRE is seeking to modify an existing lease with RailWorld to add one EMD F-40 locomotive to replace the one that suffered a catastrophic engine failure; and

WHEREAS: VRE currently leases two other F-40 locomotives from RailWorld and is building a parts inventory to support this type of locomotive.

NOW, THEREFORE BE IT RESOLVED the Northern Virginia Transportation Commission authorizes the VRE Chief Executive Officer to modify an existing lease agreement with RailWorld Locomotive Leasing LLC to add one locomotive at a price not to exceed \$76,650 per unit annually, with a term of two years and an option for two additional years.

Approved this 2nd day of December, 2004.

William Euille
Chairman

Gerald Connolly
Secretary-Treasurer

RESOLUTION #1051

SUBJECT: GEC IV Task Order for Fleet Maintenance Strategy and Yard Requirements.

WHEREAS: VRE's fleet is growing and pressure from Amtrak to move the maintenance functions to the outlying yards is mounting;

WHEREAS: It is necessary for VRE to have a detailed fleet maintenance plan that includes yard requirements; and

WHEREAS: Parsons, Brinckerhoff, Quade and Douglas (PBQ&D) completed a high level analysis of these issues as part of the Phase 2 VRE Strategic Plan and is uniquely qualified to do this more detailed analysis.

NOW, THEREFORE BE IT RESOLVED the Northern Virginia Transportation Commission authorizes the VRE Chief Executive Officer to award a task order to PBQ&D for the development of a detailed fleet maintenance strategy and associated yard requirements, with the cost not to exceed \$254,000 plus a 10 percent contingency of \$25,400, for a total of \$279,400.

Approved this 2nd day of December, 2004.

William Euille
Chairman

Gerald Connolly
Secretary-Treasurer

RESOLUTION #1052

SUBJECT: Amended Contract for Quantico Bridge Support.

WHEREAS: Pursuant to the memorandum of understanding with CSXT, and in order to alleviate the railroad bottleneck at Quantico Creek, a new railroad bridge over Quantico Creek must be constructed;

WHEREAS: On July 1, 2004 the commissions authorized the Chief Executive Officer to award a construction support services contract for an amount not to exceed \$1,000,000; and

WHEREAS: Ralph Whitehead and VRE are now opting to close a previous design contract with unspent funds and amending the new contract at a higher value.

NOW, THEREFORE BE IT RESOLVED the Northern Virginia Transportation Commission authorizes the VRE Chief Executive Officer to increase the previously authorized construction support services contract with Ralph Whitehead from \$1,000,000 to an amount not to exceed \$1,200,000, while retaining unspent funds from the previous contract for no change in the total project budget.

Approved 2nd day of December, 2004.

William Euille
Chairman

Gerald Connolly
Secretary-Treasurer

RESOLUTION #1053

SUBJECT: Task Order for General Fleet Maintenance

WHEREAS: VRE requires maintenance services beyond those Amtrak is able to provide;

WHEREAS: The VRE Mechanical Engineering Consultant Is capable of performing these services; and

WHEREAS: STV requires a task order to initiate this work.

NOW, THEREFORE BE IT RESOLVED the Northern Virginia Transportation Commission authorizes the VRE Chief Executive Officer to issue a task order to STV, Inc. for General Fleet Maintenance in an amount not to exceed \$485,200 plus a 10 percent contingency of \$48,520 for a total of \$533,720 for the period of January 1 through July 31, 2005.

Approved 2nd day of December, 2004.

William Euille
Chairman

Gerald Connolly
Secretary-Treasurer

RESOLUTION #1054

SUBJECT: Task Order for Administrative Services Related to Rolling Stock.

WHEREAS: STV is required by VRE to provide general and administrative services for rolling stock including technical input and preparation of reports;

WHEREAS: STV may not bill without express authorization from VRE staff.

NOW, THEREFORE BE IT RESOLVED the Northern Virginia Transportation Commission authorizes the VRE Chief Executive Officer to issue a task order to STV, Inc. for General and Administrative services related to rolling stock through calendar year 2005, in an amount not to exceed \$398,275, plus a 10 percent contingency of \$39,828, for a total of \$438,103; and

BE IT FURTHER RESOLVED THAT VRE'S CEO should report quarterly to VRE's Audit and Finance Committee on activities in this and other G&A task orders.

Approved 2nd day of December, 2004.

William Euille
Chairman

Gerald Connolly
Secretary-Treasurer

RESOLUTION #1055

SUBJECT: VRE Emergency Procurement Policy.

WHEREAS: VRE's Chief Executive officer has spending authority in an amount not to exceed \$30,000;

WHEREAS: All purchases of more than \$30,000 require prior Operations Board/Commission approval without exception;

WHEREAS: Emergencies arise that could necessitate a purchase on an expedited basis in excess of \$30,000; and

WHEREAS: Purchases made on an emergency basis must comply with the full disclosure requirements of the Virginia Public Procurement Act.

NOW, THEREFORE BE IT RESOLVED the Northern Virginia Transportation Commission authorizes a VRE Emergency Procurement Policy as follows:

- The Operations Board Chairman (or Vice Chairman in the Chairman's absence) after consultation with VRE's legal counsel must concur that an emergency is present warranting the exception;
- All Operations Board members need to be immediately advised of the purchase as an informational matter;
- The Operations Board/Commission would be asked to formally approve the purchase, after-the-fact, at its next regularly scheduled meeting; and

- Notification requirements must be adhered to as detailed in the Virginia Public Procurement Act (2.2-4303F) when this exception is made:

In case of emergency, a contract may be awarded without competitive sealed bidding or competitive negotiation; however, such a procurement shall be made with such competition as is practicable under the circumstances. A written determination of the basis for the emergency and for the selection of a particular contractor shall be included in the contract file. The public body shall issue a written notice stating that the contract is being awarded on an emergency basis, and identifying that which is being procured, the contractor selected, and the date on which the contract was or will be awarded. This notice shall be posted in a designated public area or published in a newspaper of general circulation on the day the public body awards or announces its intention to award the contract, whichever comes first, or as soon thereafter as practicable. Public notice may also be published on the Department of General Services' central electronic procurement website and other appropriate websites.

Approved 2nd day of December, 2004.

William Euille
Chairman

Gerald Connolly
Secretary-Treasurer

MEMORANDUM

TO: Chairman Euille and NVTC Commissioners
FROM: Rick Taube
DATE: December 30, 2004
SUBJECT: Election of NVTC Officers for 2005 and Oath of Office

NVTC's executive committee, serving as a nominating committee, has recommended the following slate of officers for NVTC for 2005.

Chairman: Hon. Paul Ferguson
Vice-Chairman: Hon. Gerald Connolly
Secretary-Treasurer: Hon. David Snyder

The commission should vote to select its 2005 officers. Chairman Euille will administer the following oath to the new officers:

I do solemnly swear that I will support the Constitution of the United States and the Commonwealth of Virginia and that I will faithfully discharge all the duties incumbent upon me as an officer of the Northern Virginia Transportation Commission, according to the best of my ability.

The newly elected chairman will present a gift to Chairman Euille.

MEMORANDUM

TO: Chairman Euille and NVTC Commissioners
FROM: Rick Taube
DATE: December 30, 2004
SUBJECT: Selection of NVTC Representatives to Boards and Committees

The new NVTC chairman will announce NVTC nominations for the WMATA, VRE and VTA boards to be acted upon by the commission. The chairman will also announce his committee assignments. Incumbents are listed below:

WMATA Board

Principals

Hon. Dana Kauffman
Hon. Chris Zimmerman

Alternates

Hon Catherine M. Hudgins
Hon. William Euille

VRE Board

Principals

Hon. Sharon Bulova
Hon. Dana Kauffman
Hon. Elaine McConnell

Alternates

Hon. Chris Zimmerman

Virginia Transit Association Board of Directors

Principals

Hon. Sharon Bulova
Hon. Chris Zimmerman

Alternates

Hon. David F. Snyder
Hon. Mary Margaret Whipple
Richard K. Taube

NVTC Legislative Committee

Hon. Gerald Connolly (Chairman)
Hon. Gary Reese (House of Delegates)
Hon. Mary Margaret Whipple (Senate)
Hon. William Euille
Hon. Paul Ferguson
Hon. Scott Silverthorne
Hon. David F. Snyder
Hon. Mick Staton

NVTC Executive Committee

Hon. Paul Ferguson, Chairman (nominated)
Hon. Gerald Connolly, Vice Chairman (nominated)
Hon. David F. Snyder, Secretary-Treasurer (nominated)
Hon. Dana Kauffman, WMATA Board
Hon. Christopher Zimmerman, WMATA Board
Hon. Mary Margaret Whipple, General Assembly
Hon. William Euille, Immediate Past Chairman

MEMORANDUM

TO: Chairman Euille and NVTC Commissioners
FROM: Rick Taube
DATE: December 30, 2004
SUBJECT: Designation of NVTC Signatories and Pension Trustees

After NVTC's new Secretary-Treasurer is elected, NVTC should adopt the attached resolution #1056. The resolution will establish that the new officer is eligible to sign NVTC documents (including financial transactions) and to serve as trustee of NVTC's Employees' Pension Trust.

RESOLUTION #1056

SUBJECT: Designation of NVTC Signatories and Pension Trustees.

WHEREAS: The Honorable _____ has been elected Secretary-Treasurer of NVTC for 2005; and

WHEREAS: NVTC desires that the person holding the office of Secretary-Treasurer be designated as an official signatory as well as a pension trustee.

NOW, THEREFORE BE IT RESOLVED that the Northern Virginia Transportation Commission hereby selects the following persons to serve as NVTC signatories (who are eligible to sign individually for any transaction of less than \$5,000 and with one other signatory for transactions of \$5,000 or greater) and the same individuals shall serve as NVTC employees' pension trustees.

Hon.
Richard K. Taube
Scott C. Kalkwarf
Colethia Quarles

Secretary-Treasurer
Executive Director
Director of Finance and Administration
Assistant Financial Officer

Approved 6th day of January, 2005.

Chairman

Secretary-Treasurer

MEMORANDUM

TO: Chairman Euille and NVTC Commissioners
FROM: Rick Taube
DATE: December 30, 2004
SUBJECT: Public Hearing on and Approval of NVTC's 2005 Workprogram

Two attachments are provided for your information, including:

- 1) Draft 2005 NVTC Workprogram and Schedule as reviewed and revised by NVTC on December 2, 2004 and posted on NVTC's website (this document includes NVTC's mission statement, seven goals and over 60 specific actions for 2005); and
- 2) End of Year Report on Progress on Significant NVTC Projects, by NVTC's project managers, including project budgets, milestone accomplishments and projected milestones for 2005.

A PowerPoint presentation by staff will precede the public hearing, which summarizes progress leading into the 2005-workprogram proposals. A separate PowerPoint will describe a recommended process for initiating performance-based budgeting.

Staff has assembled materials describing performance-based budgeting including the Fairfax County manual. The NVTC draft workprogram for 2005 has been revised to incorporate several performance measures and staff anticipates working with commissioners during the coming year to implement this technique further.

Such an approach will likely require more continuous feedback from board members and staff is working with NVTC's executive committee to devise an initial survey to that end.

Following the public hearing, the commission is asked to approve the 2005 workprogram with whatever revisions are appropriate based the public's

input. The 2005 meeting schedule should also be approved. It should be noted that no meeting is scheduled jointly this year with PRTC, given past difficulties in attracting quorums from both organizations.

END-OF-YEAR REPORT ON PROGRESS ON SIGNIFICANT NVTC PROJECTS

— December, 2004 —

PROJECT NAME: NTD Technical Assistance

PROJECT MANAGER: Adam McGavock

DESCRIPTION OF PROJECT: In order to bring additional federal transit funding to the region, transit systems in Northern Virginia must complete the annual National Transit Database report. The National Transit Database report collects extensive information on all aspects of a transit system's existence, including operating statistics (trips, miles, hours, passenger miles,) financial information, safety statistics, staffing, and funding sources. Although the new online reporting system is an improvement, the task is still very time-consuming. The purpose of this project is to assist the local transit systems with the more complex aspects of completing their annual NTD reports.

The consulting team puts together sampling plans, collects ridership data, completes NTD reporting forms, and performs any other tasks as requested by the individual systems. Annual costs for this consulting assistance are negotiated each year.

Funding comes from a change in NVTC's subsidy allocation, which provides state aid funds "off the top" of NVTC's funding.

MILESTONE ACCOMPLISHMENTS TO DATE:

Proposals Evaluated and Contract Awarded - May 2003

Technical Advisory Committee assembled with representation from DRPT, Arlington, Alexandria, Fairfax County, Loudoun County, and the city of Fairfax. – June 2003

Kick-off meeting – June 2003

Create work plan for FY04 – July 2003

Negotiate price for FY04 work plan – July 2003

Compile stop lists and update routes – October 2003

Create work plan for FY 05 – June 2004

Negotiate price for FY 05 work plan – June 2004

Completion of FY 04 sampling – June 2004

FY 05 sampling begins – July 2004

MILESTONES REMAINING:

Repeat for subsequent years (three year contract with two year option)

PROJECT BUDGET STATUS:

George Hoyt and Associates FY 05 contract: \$160,075 (\$137,117 remaining)

ISSUES:

None at this time.

KEY PERFORMANCE MEASURES:

At an annual cost of \$160,000, the NTD contract provides assistance to the local jurisdictions in completing their annual NTD filings. These filings generate over five million dollars annually in FTA formula funds for WMATA, which represents a very strong return on the investment.

For FY 2004, completed NTD reports are due to be submitted to FTA before January 1, 2005.

END-OF-YEAR REPORT ON PROGRESS ON SIGNIFICANT NVTC PROJECTS

— December, 2004 —

PROJECT NAME: Regional Electronic Fare Payment System (SmarTrip)

PROJECT MANAGER: Adam McGavock

DESCRIPTION OF PROJECT: The Regional Electronic Fare Payment System project (more commonly known as SmarTrip) involves the purchase and installation of 387 SmarTrip compatible fareboxes on the buses of Arlington County ART, Alexandria DASH, City of Fairfax CUE, Fairfax County Connector, Loudoun County Transit, and PRTC's OMNIRide and OMNILink. The project also includes the integration of SmarTrip payment with the VRE fare collection system. All local systems will be connected to the Regional Customer Service Center (RCSC) through garage computer systems communicating through a Data Network Concentrator. The fareboxes and garage computer systems are being purchased from Cubic Transportation Systems Inc. WMATA is also planning to purchase and implement a network of Point-of-Sale devices to sell and add value to SmarTrip cards at participating retail locations throughout the WMATA compact area. NVTC has secured DRPT funding to purchase and operate 19 Point-of-Sale devices in Loudoun and Prince William counties. The SmarTrip project also includes a contract with the IBI Group to provide technical assistance for the installation of the fareboxes, garage computers, and fare payment integration.

MILESTONE ACCOMPLISHMENTS TO DATE:

NVTC executes contract with Cubic Transportation Systems – November 2001
NVTC executes contract with IBI Group, Inc. – November 2001
Loudoun County added to farebox and tech. assistance contracts – April 2002
Completed WMATA First article testing – August 2002
Began WMATA in service qualification testing – November 2002
Completed garage inspections in Northern Virginia – April 2003
Completed preliminary and final design review of equipment to be installed in Northern Virginia – April 2003
Secured DRPT grant to purchase and operate POS network for PRTC and Loudoun – June 2003
Secured additional DRPT funding for Technical Support contract – May 2004
Participating in design review process for RCSC and DNC – ongoing through January 2005

MILESTONES REMAINING:

Completing design review process for RCSC and DNC – January 2005
Farebox and garage installations in Northern Virginia – Summer 2005
Data system integrity test – 2005

Final acceptance – 2006

PROJECT BUDGET STATUS:

Farebox purchase contract: \$5,250,042 (\$3,590,953 remaining) Funding from VDRPT grant of \$4,074,712, FTA grant of \$1,000,000 (with \$250,000 in matching VDRPT funds), and \$198,293 from Arlington County for additional fareboxes
IBI Technical Asst. contract: \$320,884 (\$210,523 remaining) Funding from FTA grant of \$200,000 (with VDRPT matching funds of \$50,000) and VDRPT grants of \$34,184 and \$36,700

ISSUES:

On June 9th, NVTC received an unexpected grant cancellation notice from FTA. This cancellation notice affects approximately \$100,000 of remaining funding for the technical consulting contract with the IBI Group. NVTC staff worked with NVTC board members, and members of Virginia's Congressional Delegation, to convince FTA to re-instate the funds that had been rescinded. In December of 2004, NVTC staff received official notice from FTA that the funds had been re-instated.

In November of 2004, the Maryland Transit Administration began their 90-day In Service Qualification Testing (ISQT) of SmarTrip fareboxes and garage computers. This is important to Northern Virginia, because this is the software that will be installed in our fareboxes and garages. The timing of our installation depends on the successful completion of the MTA ISQT. Early reports from MTA are very promising, and we are hopeful that their testing will continue smoothly. If everything goes as planned, installations in Northern Virginia should start in June of 2005.

KEY PERFORMANCE MEASURES:

NVTC's primary role in this project is to manage the contract for the purchase of the fareboxes, and the technical assistance contract. Over the past six months, with the technical assistance contract held up by FTA, NVTC staff has represented the region in the design review process. This process determines the design and operation of the Regional Customer Service Center, financial clearing, and business rules for the other interactions between the regional agencies. NVTC staff will also play a central role in coordinating the installation process.

In terms of evaluating the performance of NVTC staff on this project, one could look at the outcome of the farebox installations this summer. If the installations proceed smoothly, that would be an indication that NVTC did an effective job in preparing the region. If there are no major problems with the fareboxes and garage computers, it would indicate that NVTC did an effective job of monitoring the testing processes, and ensuring the proper configuration for the installed devices. Judging NVTC's performance in the design review process will prove to be more difficult. It may take

several years of operations before one could conclusively whether or not NVTC staff did an effective job of protecting the interests of the Northern Virginia systems during the design process.

NVTC's project manager is responsible for the \$5.5 million project budget.

END-OF-YEAR REPORT ON PROGRESS ON SIGNIFICANT NVTC PROJECTS

— December, 2004 —

PROJECT NAME: Transit Performance Database

PROJECT MANAGER: Adam McGavock

DESCRIPTION OF PROJECT: The Transit Performance Database provides monthly and/or annual performance data for transit systems operating in the NVTC jurisdictions. The database is accessible by the public through the NVTC website, and allows anyone to obtain performance information on these transit systems without having to make multiple calls, or disturb the transit system employees. Currently, the Transit Performance Database contains operating and revenue information for VRE, WMATA (Northern Virginia only), Alexandria DASH, Loudoun County Transit, Fairfax Connector, CUE, and GEORGE.

MILESTONE ACCOMPLISHMENTS TO DATE:

Annual and/or monthly data on revenue miles, revenue hours, one-way passenger trips, passenger miles, and passenger revenues posted on website – January 2003

Update of monthly data – June 2003

Update of monthly data – December 2003

Update of monthly and annual data – April 2004

Update of monthly and annual data – December 2004

MILESTONES REMAINING:

Updates of annual performance data, to coincide with Annual Performance Update – December 2005

Updates of monthly performance data (VRE, WMATA, DASH) – June 2005

PROJECT BUDGET STATUS:

Administrative function of NVTC, approximately 20 hours of staff time each quarter

ISSUES:

There is a great variation among local transit providers on how much operating information they provide to the public. Some systems only provide information through NTD reports, which lag far behind in terms of publication (the most current data available at this time from the NTD site is FY 2002). Other systems, such as DASH and VRE, provide comprehensive data to the public on a monthly basis. Ideally, NVTC

would like to receive this level of detail from all of the systems in the jurisdictions. There are also difficulties with the WMATA ridership information for Northern Virginia. WMATA does not provide breakdowns of Metrorail ridership by jurisdiction, which means that these numbers have to be aggregated and estimated from system-wide reports. In terms of Metrobus ridership, WMATA used to provide “highest average daily ridership” figures on a monthly basis for each of the bus routes operating in Northern Virginia. These provided a reasonable estimate of monthly Metrobus ridership in Northern Virginia. With the recent system-wide installation of the new SmarTrip fareboxes, WMATA should be able to provide more accurate and detailed ridership information for Northern Virginia Metrobus service, but apparently there have been some difficulties during the transition.

KEY PERFORMANCE MEASURES:

NVTC’s role in creating the Transit Performance Database is to collect data from local transit providers in a timely and accurate manner with minimal demands on the time of the employees at the local transit systems, and distribute this data via the NVTC website. The goal is to provide information to the public, and also to give local transit systems a place to which they can direct requests for data.

END-OF-YEAR REPORT ON PROGRESS ON SIGNIFICANT NVTC PROJECTS

— December, 2004 —

PROJECT NAME: City of Falls Church GEORGE Bus Service

PROJECT MANAGER: Adam McGavock

DESCRIPTION OF PROJECT: This project involves the purchase of four clean diesel buses for the GEORGE bus service in the city of Falls Church. The buses are equipped with state of the art, low-pressure exhaust gas re-circulation systems and particulate filters, which provide for dramatically reduced emissions. For example, the GEORGE buses will emit 50% less NOx than standard diesel buses, 80% less carbon monoxide, and 90% less particulate matter. The demonstration project also covers 18 months of operating costs for the GEORGE system, with WMATA providing the drivers, maintenance, and garage facilities. In addition, project funding covered initial marketing and promotional expenses for the GEORGE service. Originally, there were plans to include a hybrid-electric bus in the GEORGE fleet, as a six-month demonstration. Unfortunately, the manufacturer of the hybrid buses (AVS) has declared bankruptcy, and will not be fulfilling its contractual obligation to provide a vehicle. NVTC has filed a claim against AVS and is awaiting a ruling from the bankruptcy court.

MILESTONE ACCOMPLISHMENTS TO DATE:

Start of Project - February 1997

Secured final \$250,000 in 5309 funds for project - December 2002

Purchased four Thomas 30 foot Clean Diesel Buses and four low pressure exhaust gas recirculation filters - December 2002

Buses titled to WMATA - December 2002

SmarTrip fareboxes installed at WMATA as part of ISQT at Arlington garage - December 2002

Clever Devices Stop Annunciators and Automatic Passenger Counters installed at WMATA - December 2002

First Low-pressure exhaust gas recirculation and particulate filters installed - January 2003

Remaining EGR filters installed – April 2003

Free fare service began December 15, 2002

Revenue service began January 12, 2003

Operating Agreement with WMATA signed- April 2004

On-board survey of customer preferences completed – October 2004

Grant funds completely expended – anticipated January 2004

Initial monthly ridership - 1,100 (January 2003)

Current monthly ridership - 7,500 (September, 2004)

MILESTONES REMAINING -

NVTC staff is nearing completion of the evaluation of the GEORGE bus demonstration project. The history of the project and evaluation of the APC system (according to NVTC's recently developed ITS evaluation criteria) have been completed and distributed to the MAC group for comments. The passenger survey has been completed and tabulated, and the results will be presented in January. The remaining components of the evaluation should be completed and distributed in February.

Project Budget Status

Capital funds expended:	\$1,014,604
Capital funds remaining:	\$9,184
Operating funds expended:	\$1,183,332
Operating funds remaining:	\$24,882
Total remaining funds:	\$34,066
NVTC In-Kind Administrative Expenses	\$106,000

Capital Funding Sources:

1999 Federal Grant	\$384,381
2001 Federal Grant	\$250,000
1998 State Grant (VDRPT/TEIF)	\$153,950
Recovery from Manufacturer #2	\$202,810
Recovery from Manufacturer #1	\$32,647

Operating Funding Sources

1998 State Grant (VDRPT/TEIF)	\$190,562
1999 Federal Grant (CMAQ)	\$564,000
1999 State Grant (VDRPT/TEIF)	\$310,900
Falls Church Contributions @ \$40,000/year for three years	\$115,057
Recovery from Manufacturer #1	\$27,695
Interest on Recovery #1& #2& Falls Church Contributions	\$3,131

ISSUES: With the WMATA operating agreement signed, and the billings now fully up to date, the GEORGE bus system is ready to transition from a demonstration project to a locally funded transit system. As the remaining demonstration funds are exhausted in the first quarter of CY 05, the City of Falls Church will assume full responsibility for the funding and administration of the GEORGE bus system.

KEY PERFORMANCE MEASURES:

NVTC's role in this project has been one of planning, coordination, and assistance. Over the last three years, NVTC's major task was the acquisition of state and federal funding, and the coordination of those funds for bus purchases and operations. NVTC has also provided technical assistance to the City of Falls Church in the designing of the routes (and the subsequent re-designs of the routes) and its dealings with WMATA. In addition, NVTC has been responsible for monitoring the performance of the vehicles and the innovative technologies deployed in the demonstration.

One way to evaluate NVTC's major task in the project, the acquisition and coordination of state and federal funding, is to examine the results of our work. Four buses were purchased, delivered, and titled to WMATA (leased for a nominal fee), painted with the City's chosen graphics, and fitted with state of the art, exhaust gas-recirculation systems, all in the space of about 75 days. The GEORGE bus demonstration was scheduled to last 18 months, but the operations funding secured by NVTC was sufficient to cover the cost of operations for an additional nine months. When these funds are exhausted in the first quarter of 2005, Falls Church staff is ready to assume full responsibility for managing the operations and funding of the GEORGE bus system.

Input Measures: \$ budget per \$ of NVTC Administrative Costs
 = \$2,232,002 / \$106,000 = 21.05

Output Measure: Annual bus hours of service provided = 6,200

Outcome Measure: Ridership Satisfaction (to be provided from survey)

Impact on the mobility and livability in the City of Falls Church

Impact on demand for parking at East and West Falls Church
Metrorail Stations

END-OF-YEAR REPORT ON PROGRESS ON SIGNIFICANT NVTC PROJECTS

— December, 2004—

PROJECT NAME: Northern Virginia Regional Transportation Plan Update

PROJECT MANAGER: Jana Lynott

DESCRIPTION OF PROJECT:

NVTC was requested by the NVTA to procure a consultant for the Northern Virginia Regional Transportation Plan Update. The 2030 Plan will serve as regional vision for investments in priority transportation improvements. Ms. Lynott is responsible for contract negotiations and ensuring that \$1 million in RSTP project funds are expended according to the approved work plan, budget and schedule. She works closely with Mr. Rick Canizales of Prince William County, who is the NVTA Interim Technical Committee's subcommittee chair, in overseeing the technical work of the project team.

MILESTONE ACCOMPLISHMENTS TO DATE:

- Ms. Lynott's Request for Proposal provided a multi-modal framework for the planning process by introducing to the region innovative multi-modal and transit level of service analyses.
- Ms. Lynott led a multi-agency selection team to identify a preferred consultant. This team made its selection within one month of receipt of proposals.
- Ms. Lynott successfully negotiated a \$900,000 contract with BMI-SG. A subsequent scope amendment was negotiated per the request of the NVTA to add a scientific telephone survey to the contract. In order to remain within the original budget, NVTC, under the leadership of Ms. Lynott, has accepted responsibility for the completion of \$50,000 worth of public involvement tasks, including the design and programming of a web-based presentation and questionnaire and media outreach.
- The NVTA provided final approval of the public involvement program on December 16, 2004, and all other components of the work plan on October 14, 2004.

MILESTONES REMAINING:

- Formal project kick-off through public outreach venues: media outreach, website, and list-serves (February 2005)
- Completion of Project Inventory (January 2005)
- Completion of Project Analysis: travel demand modeling, transit/multi-modal LOS analysis (April 2005).
- Community Events (Summer 2005)
- Project Prioritization (September 2005)

- Project Wrap-Up: public meeting, summary brochure, NVTA approval of final document (November 2005)

KEY PERFORMANCE MEASURES:

- Schedule adherence: Despite delays in federal approvals the contract was signed within five months of the release of the RFP.
- Outcome: NVTA should approve in November 2005 a 2030 Plan that meets the approved scope of work and has not exceeded the \$1 million RSTP grant budget.
- For FY 2004, NVTC's administrative costs were under \$10,000 for the roughly \$1 million grant, or about \$0.01 per grant dollar. The target for FY 2005 is \$0.03, given extensive follow up negotiations with the contractor during the first few months of FY 2005.

PROJECT BUDGET STATUS:

- No invoices submitted to date. 100% of \$1 million project budget remains.

ISSUES:

NVTC has less control over the progress of the work under this contract than other contracts, due to a number of factors. First, project management is a shared responsibility between NVTC's contract manager and the NVTA ITC subcommittee's chairman. Second, execution of a portion of the public involvement program will depend on "volunteers" from the NVTA ITC. Overall, this will ensure a better product, but it does require a higher level of effort on part of the project managers to keep everyone informed and obtain feedback prior to decisions being made.

The NVTA has established a goal of reaching a broad cross-section of the general public. As such, the public involvement program was retooled to provide a number of standard and less common avenues for public input and outreach, including a scientific telephone survey, information booths and activities at community events such as county fairs, a website presentation and questionnaire, a toll free hotline, newsletters, and media outreach.

END-OF-YEAR REPORT ON PROGRESS ON SIGNIFICANT NVTC PROJECTS

— December, 2004 —

PROJECT NAME: Transit Emergency Response Planning

PROJECT MANAGER: Jana Lynott

DESCRIPTION OF PROJECT:

At the urging of member jurisdictions, NVTC staff agreed in November 2003, to host a series of planning meetings to develop emergency response plans for key Metrorail station areas in Northern Virginia. These plans outline alternative staging areas for buses should the Metrorail station be shut down. Plans include instructions on bus stop locations and signage and schedule information, public information, and supervision of operations to adjust to changing traffic patterns. Procedures for instituting bus bridges also are being verified. In addition, participants identify issues for regional discussion such as the retiming of traffic signals and parking enforcement. The final product will be a series of approximately five-page summary plans that outline the recommended emergency plan for each key station area. The product will be shared with the Regional Transit Operators Emergency Preparedness Group and MWCOG as input to its regional planning effort. NVTC is co-sponsoring these sessions with the local jurisdictions containing the station areas under discussion. NVTC staff is convening stakeholders, facilitating the discussions, keeping a record of the discussions, and drafting emergency response plans for each station area. Representatives of NVTC member jurisdictions, police, fire, local transit operators, WMATA, and MWCOG are participating in these discussions.

MILESTONE ACCOMPLISHMENTS TO DATE:

- Draft report describing the process completed June 2004.
- Eleven, two-hour emergency planning meetings held at NVTC to date
- Final draft plans have been developed for Pentagon and Rosslyn station areas.
- Ms. Lynott has delivered presentations at an NVTC board meeting, the Regional Incident Management Conference, the Regional Transit Operators Emergency Preparedness Group, and the WMATA JCC.
- Montgomery County has requested WMATA to execute a similar planning effort modeled upon NVTC's work for key Metrorail station areas in D.C. and Maryland.

MILESTONES REMAINING:

Final emergency response plans will be developed for Ballston, West Falls Church, Vienna, King Street, Huntington, and Franconia-Springfield Metro Stations during 2005.

NVTC will formally submit emergency response plans to WMATA for approval and implementation. Plans will be submitted as they are completed, beginning with the Pentagon Station in January 2005. NVTC will call for a debriefing session after all major incidents in the transit system to collectively evaluate performance against the plan.

KEY PERFORMANCE MEASURES:

- 10 emergency response meetings will be convened in 2005.
- Eight station area plans will be submitted incrementally to WMATA for approval in 2005.
- Once plans have been submitted and approved by WMATA, all participants will evaluate whether the plan has been used effectively as a guide for responding to incidents at particular stations.
- Successful implementation of the plans is dependent upon the buy-in from many different institutional actors and individuals. Probable buy-in can be predicted by the attendance record of essential stakeholders expressed as a percentage of emergency planning meetings: (Metrobus operations 100%, and Metrorail operations 100%, Metro transit police 82%, local jurisdiction planning and operations staff 100%, local police 64%, local fire and rescue 45%). These targets are based on actual attendance in 2004.

PROJECT BUDGET STATUS:

The cost of this project is absorbed into NVTC's administrative budget. DRPT awarded NVTC a \$1,140 scholarship to cover incidentals, such as GIS maps.

ISSUES:

On the one hand, the success of this project depends on well-informed transit and emergency response personnel, as well as transit customers who have been educated in advance about how to respond to emergency scenarios. On the other hand, widespread advance knowledge of recommended response strategies could facilitate planning by those attempting to disrupt the transit system. NVTC's planning efforts are focused on more of the "day-to-day" incidents that affect the transit system; however, NVTC's project manager is involved in the larger regional effort coordinated by the MWCOG's and TPB, whose focus has been on catastrophic events. Her involvement in both efforts will ensure that agency efforts avoid planning gaps, as well as duplication of effort.

END-OF-YEAR REPORT ON PROGRESS ON SIGNIFICANT NVTC PROJECTS

— December, 2004 —

PROJECT NAME: Senior Mobility Study

PROJECT MANAGER: Jana Lynott

DESCRIPTION OF PROJECT:

NVTC received a state grant of \$114,000 effective July 1, 2004, to complete a study aimed at better understanding the mobility needs and preferences of Northern Virginia's seniors and the potential impact an aging population and its travel patterns will have on the transportation system, environment, and social well-being of seniors. Through the study, the consultant, advisory team, and NVTC staff will identify service improvements and estimate the costs to the region of providing those services.

MILESTONE ACCOMPLISHMENTS TO DATE:

- Convened first advisory team meeting with representatives from each of NVTC's jurisdiction's transit systems and social service agencies (September 29, 2004)
- Wrote and released two RFPs for consultant services (November 12, 2004)

MILESTONES REMAINING:

- Convene proposal selection team and identify preferred contractors (January 2005)
- Obtain NVTC approval on consultant contracts (February 3, 2005)
- Complete demographic analysis (August 2005)
- Complete survey and focus group analysis (August 2005)
- Complete cost analysis (January 2006)
- Complete final report (February 2006)
- Share report conclusions region-wide (local boards and councils, TPB, WMATA, etc.) (February - December, 2006)

KEY PERFORMANCE MEASURES:

- By applying its GIS tools on the demographic analysis, NVTC staff anticipates reducing the need for paid consulting by \$17,000.
- Four advisory team meetings will be held in 2005
- Sign consulting contracts within four months of RFP release (March 2005)
- Complete project by February 2006
- \$114,000 budget managed per employee.

PROJECT BUDGET STATUS:

No billings of the \$114,000 have been issued to date

ISSUES:

As the recommendations are developed for how member jurisdictions, transit systems, and other agencies should respond, NVTC staff will need to coordinate transit responses so that the outcome of the study will result in improved transit service at affordable costs.

END-OF-YEAR REPORT ON PROGRESS ON SIGNIFICANT NVTC PROJECTS

— December, 2004 —

PROJECT NAME: GIS Mapping and Analysis

PROJECT MANAGER: Jana Lynott

DESCRIPTION OF PROJECT:

NVTC's goal for 2004 was to expand its use of GIS mapping and analysis to new projects (see below). There are almost limitless possibilities for Geographic Information Systems applications related to the mission of NVTC. GIS allows visualization of information in new ways that reveal relationships, patterns, and trends not visible through standard analyses. Any planning problem that has some relationship to a geographic point could potentially benefit from GIS.

MILESTONE ACCOMPLISHMENTS TO DATE:

GIS mapping and analysis is now an integral piece of the planning services offered by NVTC. NVTC has made considerable investments in GIS this past year with hardware and software upgrades to ArcGIS 9.0, a computer workstation to support the new software, and the hiring of a GIS intern, who has a degree in geography from GMU with a minor in GIS. These investments have allowed NVTC to perform mapping and analysis that would have previously been done by local jurisdiction staff, through an outside contractor, or not at all. It has also allowed NVTC to delve into new analysis not previously permitted by project budgets or jurisdictional staff time constraints. As a result of investments in this area NVTC has been able to:

- Engage in detailed emergency planning activities through routing analysis and mapping;
- Increase the scope of work for the senior mobility study by doing the demographic analysis, using ArcGIS, in-house;
- Prepare a web-based project presentation and online questionnaire for the 2030 plan that otherwise could not have been afforded under the contractor's public involvement budget.

MILESTONES REMAINING:

- Expand GIS capabilities to gas tax revenue accounting when the Department of Taxation data are provided.
- Develop formal storage structure for GIS data files and projects

KEY PERFORMANCE MEASURES:

- \$50/hour savings by having in-house intern perform work as opposed to contracting it out to engineering firm's GIS specialist. An estimate across all projects for 2005 is \$40,000; or an average of \$10,000 savings for the four projects (Senior mobility study, 2030 Plan update, emergency planning, gas tax revenue mapping).
- \$450 in hardware/software upgrades spent per project benefited

PROJECT BUDGET STATUS:

GIS mapping and analysis is a service that spans across several projects. Costs are absorbed by the respective project budgets or where not directly billable, within NVTC's administrative budget. Total estimated expenditures in 2004 were \$1800 for software and hardware upgrades. Total estimated expenditures for 2005 are \$2500.

ISSUES:

GIS hardware and software are constantly evolving and NVTC staff needs to keep up with these changes through timely evolution of product purchases, training, and hardware upgrades.

END-OF-YEAR REPORT ON PROGRESS ON SIGNIFICANT NVTC PROJECTS

— December, 2004 —

PROJECT NAME: Air Quality Code Red Free Bus Fares

PROJECT MANAGER: Jana Lynott

DESCRIPTION OF PROJECT:

As part of a continuing regional air quality improvement strategy, this project provides free bus service on forecast Air Quality Code Red Ozone Action Days as an enticement to travelers to take public transportation. Participating providers include Arlington Transit, DASH, Fairfax Connector, CUE, Loudoun County Transit, Virginia Regional Transportation Association, Falls Church George, and WMATA's Metrobus.

NVTC is responsible for administering the CMAQ funds received for this project. Since project inception in 1999, CMAQ funds totaling \$2,230,000 have been made available to NVTC.

MILESTONE ACCOMPLISHMENTS TO DATE:

- Two forecast Code Red Days occurred in 2003 (June 25 and 26) and none in 2004.
- The NVTA approved the Interim Technical Committee's recommended list of FY 2006 CMAQ and RSTP projects on December 16, 2004, which includes \$694,000 of additional CMAQ money for the project.
- NVTC's project manager provided training presentations on the importance of accurate ridership counts to Metrobus and Fairfax Connector drivers (Spring 2004).

MILESTONES REMAINING:

Administer program during 2005 Ozone Season.

KEY PERFORMANCE MEASURES:

- Speed of processing invoices: NVTC will submit grant billings on the 20th of the month in which invoices are received from providers.
- Prepare accurate forecasts of daily costs of free fares within 5% of actual costs to reduce likelihood of over- or under-budgeting CMAQ dollars.
- \$1,626,000 managed per employee
- Administrative costs charged to project = \$0
- During FY2004, administrative costs within NVTC's budget were about \$11,000 compared to funds administered in that year of \$725,000, for a ratio of \$0.015 per grant dollar. For FY 2005, the target is \$0.01.

PROJECT BUDGET STATUS:

The current project budget of \$932,000 is available for free fare reimbursements in summer 2005. Based on an estimated weekday average cost of \$82,000 per day, which takes into account the increased fares and ridership, we have sufficient funds to cover eleven forecast Code Red Days. The NVTA approved an FY06 CMAQ budget for free bus fares on Code Red days of \$694,000. This additional funding will not be available until summer 2006.

ISSUES:

Because of a schedule shift in approval of the regional TIP and STIP, NVTC can no longer rely on being able to draw down upon the following year's CMAQ grant if there are more Code Red days than projected. Close attention to the budget will be needed during the summer months to avoid running out of funds mid-ozone season. In the event that funding begins to run low, NVTC's project manager will request a CMAQ funding exchange with another project.

END-OF-YEAR REPORT ON PROGRESS ON SIGNIFICANT NVTC PROJECTS

— December, 2004 —

PROJECT NAME: Air Quality Code Red Free Bus Fares Evaluation Project

PROJECT MANAGER: Jana Lynott

DESCRIPTION OF PROJECT:

At the request of NVTC's Board members, staff obtained \$105,000 in the CMAQ grant funding to evaluate the effectiveness of offering free bus fares on Air Quality Code Red Days. This project is particularly timely given the challenges the region faces, both in meeting air quality requirements and addressing budget constraints. The evaluation includes a telephone survey targeted to the general population, an on-board bus survey of bus riders, and an analysis of emissions reductions.

MILESTONE ACCOMPLISHMENTS TO DATE:

During the spring and summer of 2003, NVTC procured a consultant (BMI-SG) to evaluate the program's effectiveness through the administration of a telephone survey, on-board survey and assessment of emissions reductions resulting in the use of the program. The telephone survey to test the public's general level of awareness was completed in August, 2003. The on-board survey was pre-tested on the first forecast Code Red Day of the season (June 25, 2003). Because the survey instrument was not complete on June 26, the second and last forecast Code Red Day of the season, the on-board survey could not be completed. Because of an absence in forecast Code Red days in 2004, the on-board survey could not be completed in 2004 and is scheduled for summer 2005. The on-board bus survey is intended to assess whether free fares lead to ridership increases on days the promotion is offered. Origin and destination data obtained from respondents will be used to estimate emissions reductions resulting from increased ridership on area buses.

The consultant prepared an interim report in December 2003 based on the findings of the telephone survey and initial analysis of reported ridership gains to provide a rough estimate of emissions reductions.

The consultant conducted an on-board bus survey of a sample of routes to gather baseline ridership data for a typical non-Code Red day.

MILESTONES REMAINING:

Execute on-board survey on three Air Quality Code Red Days (Summer 2005)

Analyze final survey results (Fall 2005)

Complete final report (December 2005)

KEY PERFORMANCE MEASURES:

- Completed surveys/money expended with a target of 900 completed written on-board surveys
- The resulting analysis will reveal whether offering free bus fares meets NVTC staff's success benchmark—the cost per ton of emissions reduced ratio should fall below the 50th percentile in comparison to all other regional emissions reductions measures that target episodic ozone incidents, in other words, the program would cost less than 50% of all other regional projects per ton emissions reduced.
- \$100,000 managed per employee

PROJECT BUDGET STATUS:

\$75,000 of the \$100,000 consultant budget has been invoiced and paid.

ISSUES:

Completion of project will depend on the occurrence of one or more Code Red days in 2005.

END OF YEAR REPORT ON PROGRESS ON SIGNIFICANT NVTC PROJECTS

-- DECEMBER, 2004 --

PROJECT NAME: Electronic Transit Schedules and Electronic Text Messaging

PROJECT MANAGER: Kala Quintana

DESCRIPTION OF PROJECT: Convert NVTC jurisdictional bus and VRE schedules into an easy to access format that can be accessed and downloaded to both Personal Digital Assistants (PDA's), and Hand Held Computers, as well as cell phones with internet access. This value-added free service will be beneficial to Northern Virginia riders and could potentially attract more riders to the area's transit systems by placing the most up to date bus schedule information literally in the palm of their hand. The text messaging component was added to the e-schedules project and has sparked significant interest by all jurisdictions. This will allow operators to communicate to customers directly in "real time".

MILESTONE ACCOMPLISHMENTS TO DATE:

1. Consultant created e-schedules for all area transit systems and updated in a timely fashion. Original grant funds have been spent for updating old schedules throughout the year and creating new schedules.
2. Worked closely with Arlington County to develop a "hand-held technology" marketing campaign. Arlington County invested \$50K in regional poster promotion launched Summer, 2004.
3. Met with Jane Taylor, Director of Marketing at WMATA to expand the schedule downloads to Metro routes in DC and Maryland. WMATA has implemented e-schedules for specific routes.
4. PRTC expanded this service to their jurisdiction in Spring, 2004.
5. e-schedules continue to grow in popularity.
6. Brought in experts in the text messaging fields, currently providing this service to the transportation industry, to discuss issues, best practices, technology, costs and feasibility for local transit systems.

MILESTONES REMAINING:

1. Secure grant funding to further market the technology regionally to area residents.
2. Secure jurisdictional support, funding and contract for Text Messaging creation.
3. Implement Text messaging region wide in the next two years.
4. Secure funding to continue e-schedules

PROJECT BUDGET STATUS:

Budget depleted. Additional funds are needed to continue progress. Project total: \$45,000.

ISSUES:

A persuasive case for jurisdictions to join together in a regional portal for text messaging has not occurred because some have their own version and others have none and are not certain of the value added potential.

PERFORMANCE MEASURES:

1. Using Arlington County data, estimates are 4,368 page requests per day.
2. 100% schedule accuracy of schedules to be maintained (by anticipating all schedule changes and ensuring the consultant has entered them into the database at the time the schedule change takes effect).
3. Increase traffic to the e-schedules page by at least 25% to over 5,100 hits per day on average.

END OF YEAR REPORT ON PROGRESS ON SIGNIFICANT NVTC PROJECTS

-- DECEMBER, 2004 --

PROJECT NAME: NVTC WEB SITE DEVELOPMENT

PROJECT MANAGER: Kala Quintana

DESCRIPTION OF PROJECT:

Update NVTC's website under the domain name: www.thinkoutsidethecar.org thereby continuing to establish NVTC as "*The* leading source of information on public transportation issues in Northern Virginia."

MILESTONE ACCOMPLISHMENTS TO DATE:

1. Website is running and updated on an as needed basis;
2. Continued to add reports and data
3. Continued to improve site navigation and ensure that information is better organized;
4. Archived data and reports—approximately 76 newly scanned documents, archival photos, slides and memorabilia dating from 1964 - 2004;
5. Enhanced interactivity, radio interviews, commercials, brochures, ListServ, contact form and request for information forms;
6. Converted historic films to MPEG format to be added to the web page;
7. Created special password protected area for Emergency Preparedness group hosted by NVTC.
8. Created web maintenance guidelines.
9. Hired new intern to maintain web page and to create maps using software for NVTC research projects.
10. Created and added 20 transit "nuggets" to the web page which currently scroll at the top of the current home page.
11. Average hits per day of 20.

MILESTONES REMAINING:

1. Will continue to archive historical data, maps, reports and photographs to store on the NVTC web site. Thus providing easier access to the information by staff, users and visitors and safely preserving and securing the information in perpetuity.
2. Continued updates and enhancements to the site as needed.
3. Examine web pages for any needed updates weekly.

PROJECT BUDGET STATUS:

Work has been completed at a cost of \$18,000 for outside consulting. Ongoing maintenance will be included in NVTC's annual administrative budgets at \$3 - \$5,000 per year.

ISSUES:

Keeping the "What's New" section current requires vigilance by staff. Measuring the number of site visits, collecting feedback from site users and spreading the word about the availability of the information on the site are ongoing challenges.

PERFORMANCE MEASURES:

1. All NVTC board items posted in easily printable PDF format within 24 hours of mailing to commissioners.
2. All outdated items edited and purged on a weekly basis.

END OF YEAR REPORT ON PROGRESS ON SIGNIFICANT NVTC PROJECTS

-- DECEMBER, 2004 --

PROJECT NAME: LEGISLATIVE INITIATIVES

PROJECT MANAGER: Kala Quintana

DESCRIPTION OF PROJECT:

NVTC's Legislative Committee is chaired by the Hon. Gerry Connolly, and consists of one member from each NVTC jurisdiction plus a member of the Virginia Senate and a member of the House of Delegates. Each year the commission adopts a legislative agenda and pursues it actively at the state and federal levels, including letters and personal contact with legislators. The commission also supports the work of the Virginia Transit Association and Rick Taube chairs VTA's legislative committee.

MILESTONE ACCOMPLISHMENTS TO DATE:

1. Kala Quintana co-chaired the second annual Transit Education Day in Richmond, VA on February 10, 2004: "We are the Faces of Public Transportation!"
 - a. Hosted over 50 attendees in Richmond;
 - b. Organized legislators to speak to the group;
 - c. Distributed more than 40 dozen doughnuts to Assembly members and staff—including the Lt. Governor.
 - d. Attendees visited with legislators and passed out 250 packets of information about the benefits of public transportation;
 - e. Held a rally on the grounds of the capitol;

- f. Attendees and participating transit organizations were recognized on the House and Senate floors for our commitment to public transportation;
2. VTA Legislative Committee met in August and December, 2004.
3. Renewed and distributed passwords for Lobbyist-in-a- Box (VIPNet) to monitor legislation for the 2005 Gen Assembly Legislative session.
4. Updated information on NVTC's web site legislative page.
5. Created draft VTA legislative agenda for 2005 and secured consensus on the final version.
6. Served as an information resource for VTA staff and assisted in the preparation of formal presentations.
7. Participated in various events in Richmond during the General Assembly to encourage support of transit.

MILESTONES REMAINING:

- Continued enhancement and addition of legislative information to NVTC's web page before 2005 General Assembly session.
- Tracking reauthorization of TEA-21 and advocating favorable actions for transit.
- Advocating legislation affecting transportation issues in the 2005 legislative sessions

PROJECT BUDGET STATUS:

NVTC Staff Time totaling about 80 hours annually plus VTA membership dues of \$800 and access to Legislative Alert Service at \$600.00.

ISSUES:

Ongoing need for more funding for transit from state and federal partners.

PERFORMANCE MEASURES:

1. Obtain approval of VTA 2006 legislative agenda by November, 2005.
2. Obtain approval of NVTC 2006 legislative agenda by December, 2005.
3. Through legislative initiatives supported by NVTC and VTA, secure at least a five percent increase in state funding for transit received by NVTC in FY2006 versus 2005.

END OF YEAR REPORT ON PROGRESS ON SIGNIFICANT NVTC PROJECTS

-- DECEMBER, 2004 --

PROJECT NAME: PUBLIC OUTREACH

PROJECT MANAGER: Kala Quintana

DESCRIPTION OF PROJECT:

Continue to establish NVTC as "The leading source of information on public transportation issues in Northern Virginia" through the use of Press Releases; Submission of Op-Eds to area print media like the Washington Post and The Northern Virginia Journal; Letters to the Editor and columnists like Steve Eldridge and Dr. Gridlock; participation with the TAGS executive board and other TMA's; support for local outreach initiatives; and testimony and comment to CTB and other boards, commissions and task forces.

MILESTONE ACCOMPLISHMENTS TO DATE:

- Press Releases
 - Second annual Transit Education day (Jan 04)
 - VRE to seek new CEO (Jan 04)
 - NVTC Calls on the General Assembly (Jan 04)
 - New NVTC officers and Work Program for 2004 (Jan 04)
 - Who says no one is riding transit? (Feb 2004)
 - Northern Virginia Transportation Celebrates 40th Anniversary April 1, 2004 (March 04)
 - Code Red Season kicks off (May 2004)
 - NVTC supports creation of Blue Ribbon Panel (Sep 04)
- Transportation Nuggets
 - Created 20 new nuggets and posted to web page.
- Op-eds
 - Northern VA Journal

- Letter from NVTC on the needs for balanced transportation system (May 04)
 - Numerous articles written to local publications bringing transportation issues to the attention of the public, a few spawned news stories and kept the “buzz” going about the need for a dedicated funding source for transportation.
 - Served as a resource for transit numbers and statistics for approximately four articles.
 - Connection Newspapers
 - Numerous articles bringing attention to transportation related challenges.
 - Serve as a resource for transit numbers and statistics for approximately eight articles.
- TAGS Executive Board
 - Re- Elected Secretary of the TAGS Board.
 - Assisted in the re-design of the TAGS brochure with Fairfax County Connector.
 - Chaired Marketing/Image development
 - Prepared survey for riders
 - Created Communications plan
 - Created work program
- Referendum Outreach recommendations
 - Contributed suggestions to the “Referendum recap” report submitted by staff to highlight elements of an outreach campaign that could be implemented in order to ensure a positive outcome.
- Jurisdictional Support
 - Reached out to DATA and LINK to define and support their workprograms.
 - Prepared communication tool comparison for all jurisdictions
 - Participated in VRE’s annual survey of passengers

- Supporting the efforts of Virginians for Better Transportation, securing board members for their panels.
 - Serving on 511 feasibility committee
 - Served as a volunteer for the Fairfax Connector's outreach effort to promote expansion and changes to the Fairfax County Bus system.

- Presentations
 - Multi-media NVTC Anniversary presentation
 - CTB Presentation on behalf of NVTC on Sept 22, 2004
 - Comments to State Rail plan and to the State Rail Commission

- Grants
 - Submitted a VDRPT grant proposal that included an initiative for Multicultural Outreach, continued promotion of new technologies in transit, bus fare buy downs for Route 1, as well as HOV and Rideshare initiatives.

- Other
 - Created new NVTC logo in honor of 40th anniversary
 - Secured proclamations from both houses of the General Assembly for NVTC's 40th anniversary.
 - Framed historical photos and documents for display at NVTC
 - Attracted over 100 former commissioners and local leaders to NVTC's anniversary.

MILESTONES REMAINING:

1. Continue to secure positive media coverage for NVTC and to communicate messages regarding transit. Write at least one press release a month and one op-ed per quarter. Secure more electronic media coverage of events and issues.

2. Secure grant for public outreach initiatives; prepare presentations as needed. Gas Tax Brochure to be updated, re-printed and distributed to all Northern VA Gas station retailers as an education tool (Spring 05)
3. Will participate in DATA activities and attend their meetings in 2005

PROJECT BUDGET STATUS:

NVTC staff has utilized all available marketing funds from the VDRPT Marketing Grant. Additional funds are needed for multicultural outreach.

ISSUES:

More funding for outreach efforts is needed but as capital and operating funding is squeezed, "discretionary" outreach and marketing funds become very scarce.

PERFORMANCE MEASURES:

1. Will issue 12 or more press releases on substantive transit matters and submit at least one op-ed to major publications each quarter.
2. Will prepare and distribute 50 nuggets of information on transit performance and funding throughout the year
3. Depending on the results of the NVTC board member's surveys, will obtain media attendance at at least half of NVTC's meetings in 2005.

END-OF-YEAR REPORT ON PROGRESS ON SIGNIFICANT NVTC PROJECTS

- DECEMBER, 2004 -

PROJECT NAME: Motor Vehicle Fuels Sales Tax Audit and Collection Improvements

PROJECT MANAGER: Scott Kalkwarf

DESCRIPTION OF PROJECT: The purpose of this ongoing project is to enhance the Motor Vehicle Fuels Sales Tax revenue (MVFST) collected by NVTC on behalf of each member jurisdiction. This is accomplished in several ways, including NVTC's monitoring of MVFST revenues, and active coordination with MVFST Field Representatives and Taxation Department staff. The annual yield of tax revenues for NVTC is presently about \$24 million.

MILESTONES ACCOMPLISHMENTS TO DATE:

- At NVTC's request, the Department has created and recently filled a new position for the MVFST, the Assistant Motor Fuels Specialist. One of the position's primary responsibilities is the creation and maintenance of an inventory of gas stations using various external sources such as the local jurisdiction business licensing departments, the DMV and the Department of Agriculture, and continually comparing this inventory to the Department's tax registration records. In addition, the employee assists the Field Representatives with various collection, inspection, administrative and follow-up tasks. The employee is based equally out of NVTC and PRTC's offices and will also spend some time in the field performing discovery work.
- NVTC continually monitors the gross MVFST collections, adjustments and deductions by reviewing and analyzing monthly detailed reports received directly from the Department of Taxation. These procedures have allowed NVTC to identify fluctuations and unusual activity for the MVFST Field Representatives to investigate further resulting in reallocation of revenues among jurisdictions. In addition, discovered funds due to erroneous deductions have been refunded to NVTC.
- A working relationship has been established with the MVFST Field Representatives through regular meetings and frequent communications. The meetings provide an opportunity for the Field Representatives to discuss audit and collection results as well as issues and obstacles they face while performing their daily tasks. These discussions include ways in which NVTC can assist the Field Representatives in being more effective and other ideas to maximize revenue collected.

- Established good contacts within senior management of the Department of Taxation and have communicated directly with Commissioner Thorson.
- At NVTC's request, the Department of Taxation has quickly filled vacant MVFST Field Representative positions with experienced auditors, most recently in May of 2004. Failure to keep these positions filled with experienced auditors most likely would result in decreased tax collections.
- As a result of NVTC communications with Department of Taxation supervisory staff, Field Representatives now receive timely customized reports from the Department, where previously they could not. In addition, the Field Representatives are now required to report their time by task and audit result to their supervisors, where previously they were not.
- With the assistance of the MVFST Field Representatives, NVTC developed and distributed a MVFST brochure. The primary purpose of this brochure is to educate gas station owners of their responsibilities in collecting and remitting the tax.

MILESTONES REMAINING:

- Work with the Field Representatives and the new Assistant Motor Fuels Specialist to fully develop this new position with the focus on increasing motor fuels collections and the correct posting to the jurisdictions' accounts.
- Upon NVTC's repeated requests, the Department has recently begun to provide detailed MVFST activity reports in electronic format, and NVTC is in the process of developing a database to capture and maintain this monthly information. Upon collection and posting to the database, a comprehensive analysis of expected and actual activity on a taxpayer level will be performed using several established formulas. It is expected this process will greatly increase the likelihood of identifying misreporting and posting of taxpayer activity on a jurisdiction basis, as well as identifying underreporting and non-reporting for follow-up by the Field Representatives.
- While developing the inventory of gas stations, NVTC will continue to explore the possibility of using GIS mapping capabilities to help analyze the revenue reporting of gas stations. The goal of this project is to increase the accuracy of station reporting by jurisdiction.
- Complete the development of a MVFST collection database with the ability to import and post monthly taxpayer data and to use formulas to analyze this information in a complete and efficient manner.

- Regular meetings will continue to be held with Department of Taxation personnel to determine ways that MVFST collections can be enhanced.

PROJECT BUDGET STATUS:

Funding for this project is primarily from the NVTC general and administrative budget. The salary and related costs for the MVFST Field Representatives and the Assistant Motor Fuels Specialist are deducted from the gross MVFST collections. Increased collections as a result of this project accrue to NVTC's jurisdictions' trust accounts.

ISSUES:

Department of Taxation staff has often been slow in responding to NVTC's requests, causing delays in implementing improvements. Through maintaining and improving the working relationship that has been established with the Field Representatives and other Department of Taxation staff, NVTC hopes to increase the level and speed of cooperation in the future.

KEY PERFORMANCE MEASURES:

The ultimate performance measure of this project is the increase in revenue as a result of implementing NVTC's ideas. It is difficult to readily determine the impact of most of the improvements individually and in total. For example, the Field Representatives have told NVTC they have received several calls as a result of the MVFST brochure. So the brochure, which NVTC prepared and distributed at minimal cost, no doubt has helped to educate the gas station owners of their responsibilities for collecting and remitting this tax; however, the increase in collections as a direct result cannot be determined.

Another performance measure is the number of ideas that have been developed as a result of NVTC's involvement in the MFVST area, which are listed above. The Field Representatives have communicated to NVTC that our involvement has made their jobs more efficient and effective in maximizing the revenue collected on behalf of the jurisdictions, although they are unable to quantify this.

It is expected that the newly created Assistant Motor Fuels Specialist position will have a significant impact on increasing collections and the proper allocation of revenue. NVTC is presently working with the Department to develop performance measures for the effectiveness of this new position. Examples may include the increase in audits and collection activities by the Field Representatives as a result of the new position. In addition, discoveries made by the Assistant Motor Fuels Specialist resulting in increased revenue will be able to be measured.

- Provide monthly charts at every commission meeting that show the MVFST collections by jurisdiction, as reported by the Department of Taxation.

- Notify jurisdiction staff within one week of NVTC discovering and confirming with the Department of Taxation reporting issues or errors.
- Monitor the administrative costs passed through by the Department of Taxation, and seek an explanation for changes in excess of 5% on an annual basis. Report this information to jurisdiction staff for review. Presently the administrative costs are approximately \$60,000, or 0.3% of collections.
- Conduct at least quarterly meetings with Field Representatives to review collection and audit results, and to discuss ways in which NVTC can assist in their efforts.
- Ensure that each jurisdiction's local taxing officers are contacted at least annually by the Assistant Motor Fuels Specialist for the purpose of comparing tax and license registration information.
- Once the electronic database has been completed, on a monthly basis perform calculations to flag deviations from pre-established thresholds on a taxpayer and jurisdiction level, and contact MVFST staff within one week for further investigation.

END-OF-YEAR REPORT ON PROGRESS ON SIGNIFICANT NVTC PROJECTS

- DECEMBER, 2004 -

PROJECT NAME: FY 2005 and FY 2006 Transit Financial Assistance Allocation

PROJECT MANAGER: Scott Kalkwarf

DESCRIPTION OF PROJECT: Transit financial assistance received by NVTC on behalf of the member jurisdictions is allocated using the Subsidy Allocation Model (SAM) and held in trust for the restricted use by the member jurisdictions individually to support the programs of their respective governments. The revenue received and allocated by the SAM includes state operating and capital assistance for the Virginia jurisdictions' share of the WMATA operating and capital subsidies, state operating and capital assistance for the Virginia local system's operating and capital needs, VTA Metro Rail replacement and rehabilitation funds, Metro Capital Improvement Program bond proceeds (MCIP), and Motor Vehicle Fuels Sales Tax revenue (MVFST). For FY 2005, this is expected to equal about \$110 million.

The SAM formula is defined and established by NVTC board resolutions and the Code of Virginia. It is maintained and updated annually using the latest available budgeted and projected data for the upcoming fiscal year. Revenue recognized and received in a fiscal year is allocated by the SAM in effect for that fiscal year.

A SAM manual is maintained which includes for each fiscal year the detailed formula calculations, analysis of the component changes in the allocation percentages from the preceding year, the data sources including Metro and local budgeted operating and capital needs, projected MVFST revenue, and all other data needed to compute the formula. Also included in the manual are the historical allocation factors, NVTC board resolutions defining the formula, notes of MAC discussions regarding the formula, implementation steps and formula development and maintenance procedures.

Cash flow projections are prepared about 45 days prior and again about 30 days prior to the due date of the quarterly WMATA subsidy billings. These projections allow the jurisdiction staff to plan the amount and type of trust fund balances available for the upcoming WMATA payment. In addition, quarterly statements of the actual Trust Fund activity is provided to the jurisdiction staff for their use and review.

MILESTONE ACCOMPLISHMENTS TO DATE:

- Preliminary FY 2005 SAM calculations were prepared during the spring, with the final calculation prepared and approved by jurisdiction staff in September.

- Cash flow projections have been provided to jurisdiction staff in advance of the first three quarters of FY 2005.
- An accounting of the actual Trust Fund activity on a cash basis for the first two quarters of FY 2005 has been provided to jurisdiction staff for their review.
- Approximately \$50 million in revenue has been allocated to the jurisdictions during the first half of FY 2005.

MILESTONES REMAINING:

- Allocate revenue, provide cash flow projections, and provide actual Trust Fund accounting to the jurisdiction staff for the remainder of the 2005 fiscal year.
- Provide the final FY 2005 SAM, Trust Fund allocations and activity to NVTC's auditors for examination in conjunction with the FY 2005 audit and compliance process.
- Gather input data needed to perform the preliminary FY 2006 calculation. This data includes local capital and operating budgets, WMATA preliminary capital and operating budgets, motor vehicle fuels sales tax projections, and projected FY 2006 grant funding from DRPT.
- The final FY 2006 SAM formula is expected to be calculated in August 2005, and distributed to jurisdiction staff for their review. Once accepted, the formula will be used to allocate revenue received and recognized by NVTC during FY 2006 to the member jurisdictions. Reporting the projected and actual activity to the jurisdiction staff will continue during the fiscal year.

PROJECT BUDGET STATUS:

Costs relating to the transit financial assistance allocations are included in the NVTC general and administrative budget.

KEY PERFORMANCE MEASURES:

The most important performance measure relating to the development of the SAM, the allocation of revenue and the accurate recording of all Trust Fund activity is the outcome of NVTC's required annual audit. As part of the annual audit and compliance process, NVTC's audit firm examines the allocation formula and Trust fund activity, as well as reviews and assesses the adequacy of the internal controls in place. Since at least FY 2001 when Scott Kalkwarf was hired as the Director of Finance and Administration, no adjustments relating to the SAM or Trust Fund activity, material or otherwise, were identified by the auditors. In addition, no material deficiencies in internal control were discovered and no management letter comments relating to the SAM and Trust fund activity were issued.

Additional key performance measures include:

- NVTC will process 100% of the available Trust fund grant reimbursement requests within one week of receiving proper approved documentation. This will maximize the Trust investment earnings on the reimbursed funds.
- NVTC will disburse the WMATA subsidy payments on behalf of the member jurisdictions on the due date 100% of the time. This will allow the jurisdictions to maximize the Trust investment earnings and at the same time not be charged interest by WMATA for late payments.
- NVTC will provide cash flow projections to the jurisdictions within 25 days of the quarterly WMATA billing due date, allowing the jurisdictions to plan and approve the sources for their quarterly WMATA payments.
- NVTC will provide the actual Trust fund activity to the jurisdictions within 15 days of the end of each quarter. This allows for the reconciliation of jurisdiction records with NVTC on a timely basis.
- During FY 2004, NVTC's Trust Fund received approximately \$55 million per accounting staff employee.

ISSUES:

The final SAM formula for each fiscal year is dependent upon the approved capital and operating budgets from WMATA and the local systems, the contracted state capital and operating assistance including amounts carried over from preceding fiscal years, actual MVFST revenue generated through June (received by NVTC in August), and the best projection of MVFST revenue for the upcoming fiscal year. Generally all of this data necessary for the final SAM formula is not available until August of each year.

The SAM formula itself is quite complex since it involves numerous hold harmless calculations that have been added over the years to help resolve concerns with the equity of the formula.

END-OF-YEAR REPORT ON PROGRESS ON SIGNIFICANT NVTC PROJECTS

- DECEMBER, 2004 -

PROJECT NAME: FY 2005 and FY 2006 State Grant Applications

PROJECT MANAGER: Scott Kalkwarf

DESCRIPTION OF PROJECT: NVTC applies for state capital and operating assistance on behalf of the member jurisdictions. This includes assistance for the Virginia jurisdictions' share of the WMATA operating and capital subsidies and assistance for the Virginia local systems' operating and capital needs. In addition, demonstration and technical assistance is often requested for NVTC projects. Upon approval by DRPT, NVTC enters into the project agreements as the grantee and recipient of the project funds.

NVTC also applies for capital and operating assistance on behalf of VRE. Upon approval by DRPT, NVTC enters into the project agreements as the grantee.

MILESTONES ACCOMPLISHMENTS TO DATE:

For FY 2005 assistance:

- Notified jurisdiction staff to provide the local systems' operating and capital budgets to NVTC by January 20, 2004.
- Requested that WMATA provide detailed preliminary budget information by January 20, 2004 including jurisdiction's operating subsidies by mode, detailed operating budgets by mode, jurisdiction's capital requirements by program, and detailed capital budgets including federal funding requirements.
- Calculated the jurisdiction's share of WMATA's operating revenue and expenses and categorize expenses according to the state operating assistance requirements.
- Calculated the jurisdiction's share of WMATA's capital budgets, including the federal share and type of assistance attributable to the jurisdiction's subsidies.
- Reviewed operating and capital budgets submitted by jurisdiction staff.
- Determined the amount of assistance provided for WMATA capital subsidies in previous years available for carryover to the current fiscal year.
- Reviewed the operating, capital and other assistance requests prepared by VRE.
- Prepared summaries of the operating, capital and other assistance to be requested and review this information with the Management Advisory Committee at the January meeting.
- Applied for over \$179 million in eligible operating, capital and project assistance for NVTC and VRE from DRPT by February 2, 2004

- Calculated the jurisdiction's share of the actual FY 2003 WMATA operating expenses and submit the Certification of Operating Expenses to DRPT by February 2, 2004.
- Reviewed the actual FY 2003 local systems operating expenses and submitted the Certification of Operating Expenses or verified that the certification was submitted for each system to DRPT by February 2, 2004.
- Obtained commission approval for submitting assistance requests.

For FY 2006 assistance:

- Notified jurisdiction staff to provide the local systems' operating and capital budgets for FY 2006 to NVTC by January 11, 2005.
- Requested that WMATA provide detailed preliminary budget information by January 11, 2005 including jurisdiction's operating subsidies by mode, detailed operating budgets by mode, jurisdiction's capital requirements by program, and detailed capital budgets including federal funding requirements.

MILESTONES REMAINING:

- The milestones remaining for FY 2006 assistance are similar to those listed as accomplished for FY 2005, with the exception of the two accomplishments listed for FY 2006.

PROJECT BUDGET STATUS:

Costs relating to the FY 2005 and FY 2006 state grant applications are included in the NVTC general and administrative budget.

ISSUES:

The operating and capital budgets from WMATA used to calculate the assistance requests are preliminary and the local subsidy requirements may change with the approved budget. Accordingly, the capital and operating assistance that NVTC requests may be different than the local subsidies billed by WMATA.

The assistance application deadline was moved from March 1st to the first business day in February beginning with the FY 2005 grant applications. The earlier that assistance applications are required to be filed, the greater the probability that actual needs will not match the assistance applied for.

Given the grant expiration dates and the restrictive nature of some grants, there is the potential for jurisdictions to be unable to spend all of their allotted funds. So far, NVTC has been very successful (with DRPT's assistance) in avoiding the lapse of project funds.

KEY PERFORMANCE MEASURES:

- Prepare and file assistance applications and certifications by the February due date.
- Provide outstanding capital grant schedules to jurisdiction staff on at least a quarterly basis.
- With DRPT, encourage local staff to promptly submit documentation to NVTC for grant invoicing so that local reimbursements may be received timely, and that grant contracts are fully drawn down by the expiration date.
- Process 100% of the available Trust fund grant reimbursement requests within one week of receiving proper approved documentation. This will maximize the Trust investment earnings on the reimbursed funds and maximize cash flow.
- Adhere to all requirements included in the grant contracts with DRPT, as measured by NVTC receiving from their auditors, unqualified compliance and audit opinions, and no management letter comments as related to the grant process.

NVTC'S 2005 GOALS, OBJECTIVES AND WORKPLAN

--REVISED: December 30, 2004--

2005 NVTC MEETING SCHEDULE
[Meetings at 8:00 P.M.]

<u>MONTH</u>	<u>DATE</u>	<u>AGENDA</u>
January	6	Elect officers. Select WMATA and VRE Board members, VTA representatives and NVTC Legislative Committee members. Conduct a public hearing and approve 2005 goals, schedule and workprogram. Approve FY 2006 VRE budget. Discuss draft NVTC FY 2006 budget.
February	3*	Approve FY 2006 NVTC budget. Review progress on state and federal legislative agenda. Approve NVTC and VRE state grant applications.
March	3	Review progress on state and federal legislative agenda. Review progress on WMATA budget for FY 2006.
April	7	Review NVTC's mission.
May	5	Approve comments on WMATA FY 2006 budget.
June	2	Analyze transit issues.
July	7	Review progress on NVTC workprogram. Approve DRPT contracts for NVTC and VRE FY 2006 grants.
August		No meeting
September	1	Forward preliminary NVTC FY 2007 budget to local jurisdictions.
October	6	Resolve transit issues.
November	3	Approve FY 2005 NVTC and VRE audits.
December	1	Select NVTC Nominating Committee for 2006 officers. Approve legislative agenda for 2006. Review progress on 2005 goals and workprogram and release draft 2006 workprogram for public review and comment.

* February 3rd date may be changed due to a conflict.

NVTC EXECUTIVE COMMITTEE
2005 MEETING SCHEDULE

[All meetings 7:00 - 8:00 P.M. prior to NVTC meetings in small conference room.]

<u>MONTH</u>	<u>DATE</u>	<u>Subject</u>
January	6	Legislative items. Consider NVTC commissioner survey.
February	3*	Legislative items. Review of NVTC and VRE FY 2006 grant applications.
March	3	Review General Assembly session.
April	7	Analyze transit issues.
May	5	Consider NVTC priorities.
June	2	Examine performance based budget.
July	7	Mid-year review of progress on workplan.
August		No meeting
September	1	Preliminary NVTC FY 2007 budget. Executive director performance review.
October	6	Analyze transit issues.
November	3	FY 2005 NVTC and VRE audits.
December	1	Select NVTC Nominating Committee for 2006 officers. Consider 2006 legislative agenda. Review progress on 2005 workprogram and preview 2006 workprogram.

* February 3rd date may be changed due to a conflict.

NVTC MISSION STATEMENT

To serve the public by providing a forum for elected officials to achieve an effective regional transportation network. Focusing primarily on transit, NVTC will develop strategies, identify funding sources, advocate for additional funding, prioritize allocations, oversee transit systems such as VRE and WMATA, and pursue new transit programs. NVTC will work to improve mobility, reduce traffic congestion, protect the environment and stimulate the regional economy by increasing transit and ridesharing use.

GOALS AND ACTIONS FOR 2005

1. DEVELOP POLICY AND ADVOCATE FAVORABLE LEGISLATION

Goal: Devise and implement legislative strategies based on sound policy analysis to increase transit ridership, obtain adequate funding, and coordinate priorities with members and other agencies.

Actions:

1. With the support of local staff, identify transit issues that require policy decisions and assemble data and perform policy analyses to facilitate those decisions (e.g. fare integration, development of new technology, service expansion, customer safety and system security). Work with local legislative liaisons to develop strategies for improved transit funding and to educate General Assembly members about Northern Virginia's transit needs.
2. Adopt a state and federal legislative agenda and work with local jurisdictions, Virginia Transit Association (VTA) and other groups, as appropriate, to implement the agenda and the supporting NVTC policies. Work with delegations in Richmond and in Washington D.C. as needed to promote NVTC's approved agendas. Obtain reduced rate for on-line legislative monitoring service and share access with member jurisdictions. Provide legislative alerts to commissioners and local staff during the session. Focus on transit funding.
3. Participate on the American Public Transportation Association's (APTA) legislative and commuter rail committees to define and implement a federal legislative strategy as part of a broad, nationwide pro-transit coalition. Provide special assistance to areas contemplating new commuter rail service. Focus on improved public access to freight rail facilities. Survey commuter rail CEO's on establishing an on-line database of contracts with freight railroads and work with APTA staff to establish it. Seek opportunities to influence Congress on transit issues. Work with local and state staff for federal funding of the region's transit projects in the reauthorization of TEA-21.
4. Participate on VTA's executive, legislative and ad hoc committees to help define and implement an effective state legislative strategy for the transit industry and strengthen VTA as an organization and keep it responsive to Northern Virginia's concerns. Co-chair the annual Transit Day rally in Richmond and chair VTA's Legislative Committee and assist transit systems in special legislative promotions.
5. Prepare written testimony and/or appear at the CTB's annual pre-allocation hearings on public transit funding priorities and at the Transportation Planning Board (TPB) and other hearings as appropriate. Advocate NVTC's policies including balanced transportation and stable and reliable funding.

2. SEEK AND ADVOCATE FUNDING

Goal: Identify and implement cooperative strategies with member governments to gain additional transit revenues and work to obtain adequate, flexible, stable and reliable financial support from the federal government and the commonwealth and the private sector.

Actions:

1. Through NVTC's Management Advisory Committee, coordinate with WMATA and local transit systems potential CMAQ and RSTP transit project applications to be submitted to the Northern Virginia Transportation Authority (NVTA) each year. Apply for funds and prepare air quality analyses at the request of NVTC's jurisdictions (e.g. Air Quality Code Red free bus fares).
2. Produce financial projections and analyze alternative funding mechanisms to bridge the growing gap between transit operating and capital needs versus available financial resources. Actively participate in regional and statewide efforts to define public transit needs and identify funding sources, such as corridor studies, TPB's vision plan, VTrans 2025 and related items such as the regional transportation funding adequacy report, and Northern Virginia's 2020 transportation plan update. Analyze funding proposals produced by those studies and identify policy issues for consideration by the commission.
3. Identify and seek to implement stable, reliable, permanent and dedicated funding sources for operating and capital expenses for WMATA, VRE and local transit systems. Safeguard the current sources of transit funding available to NVTC's local governments.
4. Organize improved information sharing between local governments and the Virginia Department of Taxation and more effective auditing to facilitate efficient collection of NVTC's two percent motor fuels tax and increased knowledge of taxpayer responsibility on the part of gas station owners. Use ArcView GIS tools to map databases of gas station locations to help monitor compliance by analyzing trends and deviations, using data to be supplied by the Department of Taxation. Provide office space for an administrative employee of the Department to assist in monitoring compliance. Employ database and spreadsheet models to identify unanticipated deviations for particular stations and jurisdictions.
5. Serve as the central point of contact for Northern Virginia transit system financial information. Periodically update NVTC's guidebook on sources of funding for transit projects. Work to make the detailed information in this guidebook more accessible. Identify and obtain funding for new transit projects that are recommended by NVTC's jurisdictions.

3. COORDINATE TRANSIT SERVICE

Goal: Work with all public and private transit providers to coordinate all transit service within Northern Virginia, with emphasis on understandable fares, convenient schedules, proper information, good customer service, efficient performance and access by disabled persons. Help to clarify roles of respective agencies and governments to avoid overlaps or gaps in jurisdiction. Work to improve the safe and orderly flow of people and goods, primarily by encouraging greater use of integrated public transit and ridesharing systems. Involve the public in identifying problems and solutions. Use NVTC's management advisory committee as a forum to work out cooperative solutions and keep local governments fully informed. Emphasize better bicycle and pedestrian access to transit facilities and services.

Actions:

1. Complete a demonstration project evaluation report for GEORGE bus service in Falls Church, including passenger survey data.
2. Work with local governments to coordinate collection and dissemination of performance data for FTA's National Transit Database reports. Collect performance data and create a shared database that uses NTD and other sources. Manage consultants to continue NTD data collection for all of Northern Virginia's transit systems and oversee collective funding of this work that brings at least \$5 million of federal revenues to this region.
3. In cooperation with the Virginia Department of Rail and Public Transportation (DRPT), implement the detailed workprogram for NVTC's grant-funded project to install compatible fare collection systems for WMATA, VRE, and local bus systems, using SmarTrip technology. Manage \$5 million local transit system procurement of SmarTrip-compatible fareboxes from WMATA's contract with Cubic/GFI, new contracts for additional fareboxes and a separate contract for technical consulting on fare collection issues. Expend federal grant funds by the close of FY 2005 and report to FTA on an evaluation of the project.
4. Manage a related contract with DRPT for SmarTrip point-of-sale devices for Loudoun County.
5. Publicize the success of WMATA's regional fare simplification and integration initiative and serve on the executive team implementing the regional SmarTrip customer service center/clearinghouse. Assist Northern Virginia's transit systems in planning for a regional test center.
6. Manage the region's ongoing CMAQ-funded program to provide free bus fares during forecast Air Quality Code Red Ozone alerts. Complete an ongoing consultant evaluation of the effectiveness of this program and recommend improvements if needed.

7. Assist transit systems in coordinating communications with customers, including establishing web-based text messaging via cellphones and other personal communications devices.
8. Continue an ongoing project to provide free electronic transit schedules to persons using personal digital assistants and pocket computers. Ensure that transit schedules are kept current, work to expand to the entire metropolitan region and report on performance.
9. Support the ongoing regional pedestrian safety initiative. Encourage bicycle and pedestrian use. Publicize and seek to expand "bike on rail" opportunities. Encourage all agencies to incorporate bike and pedestrian access at major transit centers and transfer locations. Assist VDOT in ensuring that the recommendations from its Northern Virginia Regional Bikeway and Trail Network study that focus on connections to transit are implemented. Support initiatives of such groups as the National Center for Bicycling and Walking and its Walkable Communities Workshops.
10. Assist NVTC jurisdictions, employers and transit operators in responding to job access and reverse commute opportunities by identifying funding and specific projects to demonstrate innovations.
11. In coordination with the affected jurisdictions, work to obtain funding to implement recommendations of NVTC's consultant study of Route 1 transit coordination in the Richmond Highway/ Jefferson Davis Highway corridor of Fairfax and Prince William counties. Cooperate with ongoing studies by VDOT and Fairfax County in this corridor.
12. Serve on regional task forces examining options for improved transit, such as WMATA's Regional Mobility Panel and the Pike Transit initiative.
13. Assist Northern Virginia's transit systems in monitoring progress on 511 traveler information telephone systems.

4. MANAGE GRANTS, CONTRACTS AND TRUST FUNDS

Goal: Facilitate the fair and equitable allocation of costs among governments, persons using transportation services and facilities and others who benefit. Manage grants fairly and effectively, according to state and federal laws and NVTC's policies. Invest trust fund assets prudently to maximize returns consistent with safety.

Actions:

1. Use NVTC's subsidy allocation model to incorporate the most recent WMATA and local budget information on transit costs, revenues and subsidies. Using NVTC's adopted allocation formula, determine each local government's share of NVTC assistance. Use their percentages to apportion shares of local contributions to NVTC's administrative budget. Maintain detailed spreadsheets to calculate NVTC's formula. Provide early estimates each year to assist local governments in budget planning.
2. Prepare and submit NVTC and VRE state grant applications (approximately \$80 million) due in February, 2005, using the new automated OLGA system.
3. Manage state grants to prepare proper billings, obtain timely reimbursements and file quarterly progress reports. Reprogram funds as needed, in consultation with NVTC's Management Advisory Committee, to be certain grant funds are spent on eligible projects within the state time limits. Work with grantor agencies to achieve the maximum feasible flexibility in using the funds in order to meet expiration deadlines with no loss of funds.
4. Prepare timely and accurate quarterly cash flow forecasts of transit assistance sources and uses for NVTC's local jurisdictions. Assist local jurisdictions in spending promptly the proceeds of state bond issues.
5. Prepare financial reports for NVTC's annual audit. Manage a multi-year audit services contract. Accomplish an unqualified auditors' opinion and provide to the appropriate regulatory agencies. Anticipate concerns of outside auditors and work to alleviate in advance any such concerns. Develop and implement appropriate responses to any concerns of auditors contained in management letters.
6. Maintain up-to-date compilations of state and federal grant regulations. Ensure staff is adequately trained in grant and project management and alerted to any changes in regulations. Maintain current procurement documents to facilitate prompt release of authorized requests for proposals and invitations for bids.
7. Promote NVTC as an effective grant-management agency to assist NVTC's jurisdictions. Approach other agencies to have NVTC apply for and manage such grants as CMAQ/ RSTP and TEIF (a recent example is managing the procurement of consultants for NVTA's 2030 Plan Update).

8. As procurement officers, manage grant reimbursals for the consultant contract for the NVTA 2030 update of Northern Virginia's Transportation Plan, and assist the Interim Technical Committee in managing the work tasks, as requested.
9. Recognizing the aging population, manage grant-funded research on Senior Mobility trends in this region, tied to recommendations for transit systems to take advantage of these evolving markets. Use ArcView GIS tools for analysis and to illustrate results and recommendations. Procure consulting assistance for surveying and analyses.
10. To facilitate NVTC management accountability, work with NVTC staff and board members to evaluate the applicability of performance-based budgeting at NVTC and devise and report on appropriate performance measures.

5. PROVIDE OVERSIGHT FOR WMATA AND VRE

Goal: Exercise leadership on issues pertaining to oversight of the WMATA and VRE systems, particularly budget and finance, to reduce costs and control the growth of local subsidies and fares while improving service quality. Effectively manage ongoing transit services for which NVTC is responsible and develop efficient management structures that facilitate regional cooperation and support.

Actions:

1. In January, appoint Virginia's two principal and two alternate members of the WMATA Board of Directors. Provide staff support to WMATA Board members. As needed, facilitate caucuses of Virginia's Board members and their staffs to develop consensus positions prior to committee and board meetings. Keep NVTC commissioners informed of pending WMATA Board decisions of regional significance.
2. Monitor the development of WMATA's budget. Provide recommendations to local jurisdictions and the WMATA Board, as appropriate.
3. Participate actively on WMATA's Jurisdictional Coordinating Committee.
4. Work with NVTC's MAC group to monitor WMATA's MetroAccess, focusing on cost sharing and performance issues.
5. Assist local and state officials in understanding and responding to the report of the Blue Ribbon Panel on Metro Funding (January 6, 2005).
6. As co-owner of VRE, with assets of \$169 million and annual operating/capital budgets of over \$50 million, appoint NVTC's three principals and one alternate member of the VRE Operations Board, maintain close communications with PRTC and VRE staff, coordinate presentation of action items to the VRE Board and commissions, and monitor ongoing operations for consistency with the Master Agreement and approved budgets, customer service quality and NVTC jurisdictions' interests.
7. Support the VRE team as it negotiates with DRPT, CSXT, Norfolk Southern and Amtrak to agree on multi-year access and operations contracts and to clarify and accomplish rail service priorities in the Richmond-Washington, DC corridor.
8. Support annual VRE customer service surveys each spring and ridership surveys each October, by reviewing the design of the survey, providing on-board survey personnel, and processing results, including zip code verification.
9. As agreed with VRE management, assist in implementation of VRE projects as well as in the implementation of the VRE strategic plan and other initiatives.

10. Assist VRE in determining the best means to integrate with the regional SmarTrip fare collection system.
11. Assist VRE in determining locations and obtaining contracts for temporary parking during emergencies.

6. SUPPORT COORDINATED REGIONAL EFFORTS

Goal: Support coordinated regional efforts to improve air quality, conserve energy, and integrate land use and transportation. Pursue new transit opportunities.

Actions:

1. Seek opportunities to act on NVTC's policy of preserving future transit rights-of-way (e.g. on I-66) and WMATA's and VRE's policies promoting transit oriented development.
2. Monitor the implementation by VDOT and the Virginia State Police of revised and improved policies for lifting HOV restrictions during traffic emergencies with the involvement of WMATA and other transit operators. Support enhanced enforcement on all HOV facilities.
3. Participate in planning, preliminary engineering and environmental analysis for transit in the Dulles Corridor and other locations such as the Capital Beltway as requested by WMATA and/or DRPT. Serve on the Dulles Corridor Task Force and chair its ITS committee.
4. Advocate coordination of the transit, vanpool and ridesharing components of planning studies by MWCOG, VDOT, DRPT, NVTA and others, and provide data if applicable.
5. Assist NVTC commissioners who are members of NVTA, TPB, and other regional groups and provide data, responses, NVTC meeting summaries and recommendations to these organizations as appropriate.
6. Work to establish NVTC as the chief advocate of Intelligent Transportation Systems (ITS) investments for transit, not by competing for scarce funding but by conducting low-cost demonstrations, evaluating the results, and more actively encouraging all of NVTC's transit providers to adopt similar technologies. Examples include: web-based automated bus stop information signs; on-board bus stop enunciators; passenger counters; automated maintenance devices; and alternative fuel technologies. Promote joint procurements for uniformity and cost savings. Help educate the public.
7. Test a web-based process for evaluating the performance of transit ITS investments in this region. Consider implementing periodic customer surveys.

8. Develop information from research and other regions to help NVTA, WMATA and other transit organizations define lower-cost strategies for meeting congestion challenges in the short term using such mechanisms as exclusive transit lanes, bus rapid transit, priority lanes, queue jumping, jitneys, route-deviation transit, and real-time information devices. Publicize the results and work to achieve public acceptance. Work with the local jurisdictions to initiate appropriate demonstrations of these mechanisms, such as mobile-phone based automated vehicle location systems for dial-up bus arrival information at bus stops.
9. From various published forecasts, plans and corridor studies, assemble mode split and other data to provide a convenient source of comprehensive transit market performance data. Use the data to encourage efficient transit management, expanded transit ridership and greater public awareness. Advocate statistically significant traffic counts by MWCOG/TPB of persons traveling in Northern Virginia's major corridors in both peak flow and reverse commute directions. Make this information available in user-friendly formats on NVTC's website.
10. Promote telework as a means to reduce peak period travel and conserve transit core capacity. Emphasize documentation of emissions benefits.
11. Assist transit systems, VDOT, DRPT, TPB, MWCOG and others in developing and testing coordinated regional emergency response plans. Focus on developing a unified transit position to facilitate these plans. Conduct a series of transit emergency response planning workshops to focus on key station areas in Northern Virginia. Considerations include bus re-routing, traffic signalization, signs, and communications. Provide written summaries to assist transit operators and MWCOG in its regionwide program.
12. Examine public-private HOT lane proposals for the Beltway, I-95 and elsewhere and work to ensure adequate transit access and the use of toll revenues to help support transit operations.

7. DELIVER PUBLIC INFORMATION, MARKETING AND CUSTOMER SERVICE

Goal: Reach out to transit customers and the general public, listen to customer concerns and implement improvements to boost regional transit ridership.

Actions:

1. Serve as the central point of contact for the news media, interest groups and the general public for transit issues in Northern Virginia, making referrals to other transit agencies and local governments when appropriate. Initiate contacts with media representatives via calls and visits. Provide NVTC's reports, analyses and policies with easy to understand explanations of their content and significance. Help transit systems prepare to respond effectively to media and other public inquiries during emergencies and at other times by sponsoring seminars on best practices.
2. Provide the following resources to the public:
 - a. Maintain and improve NVTC's website, to focus on informing the public about opportunities to be involved in regional transit and ridesharing planning;
 - b. Distribute NVTC's brochure, reports and agendas to encourage more public involvement, again emphasizing easy-to-use web-based applications;
 - c. Publish electronically an annual NVTC Handbook to provide a detailed description of the commission's history, mission and accomplishments, including the commission's workprogram, policies and by-laws;
 - d. Link to other regional transit databases to provide information about regional transit services to better inform the public;
 - e. Maintain a transit system performance database;
 - f. Publish electronically NVTC's annual public transit performance update;
 - g. Prepare NVTC faxed/e-mailed alerts to persons wishing to be kept informed on some or all transit issues in Northern Virginia, with direct links to NVTC's website;
 - h. Distribute periodic "transit nuggets" with information about transit's success in a catchy format that can be posted on web-sites and used by transit advocates in educating the public;
 - i. Provide draft letters on NVTC's website for the use of citizens wishing to support NVTC's legislative and policy positions. Provide links to other groups supporting these positions; and

- j. Continue distribution of NVTC's monthly meeting materials primarily via NVTC's website with e-mailed notices.
- 3. Survey WMATA, VRE and local jurisdictions to compile innovative marketing activities, host coordination meetings, facilitate the Marketing and Outreach Specialists Consortium and report at least annually to the commission and jurisdictions.
- 4. Continue technical support for transit stores and Transportation Management Associations (e.g., serve on Boards of Directors and consultant selection committees). Assist with logo design, marketing, consultant selection, performance evaluation, fare collection, and customer service issues.
- 5. Look for opportunities to partner in order to stage events that will promote the effectiveness of transit and ridesharing and the need for additional transit funding.
- 6. Survey NVTC board members and other elected officials as well as transit organizations and the public to evaluate NVTC's performance, using specific measures. Apply this ongoing source of information to refine NVTC's performance-based budget initiative.



NVTC PERFORMANCE MEASURES FOR 2005



--Draft January 6, 2005--



PROCESS FOR REFINING NVTC PERFORMANCE MEASUREMENT

1. Review current status– January, 2005
 2. Proposed Survey of Commissioners– February, 2005
 3. Extended review– April, 2005
 4. Incorporate additional agreed-upon measures into NVTC budget for FY 2007– September, 2005
 5. Year-end review (scoreboard using the measures with possible new annual board member survey)– December, 2005
 6. Incorporate additional measures into 2006 workprogram– January, 2006
 7. Incorporate additional measures into final FY 2007 NVTC budget—February, 2006
 8. Using the measures, hold staff fully accountable in their periodic performance reviews and adjust their compensation accordingly– July, 1, 2006
- 



TOOLS FOR APPLYING NVTC PERFORMANCE MEASURES

1. NVTC Workprogram:

Annual listing of mission, goals and actions.
Staff will add more quantifiable objectives and performance measures for 2006.



TOOLS FOR APPLYING NVTC PERFORMANCE MEASURES

2. NVTC Semi-Annual Progress Reports:

For major projects, an ongoing compilation by each project manager of milestones accomplished and pending together with budget details and issues (explicit performance measures are being added beginning with the January, 2005 report).



TOOLS FOR APPLYING NVTC PERFORMANCE MEASURES

3. **Periodic Project Reports:**

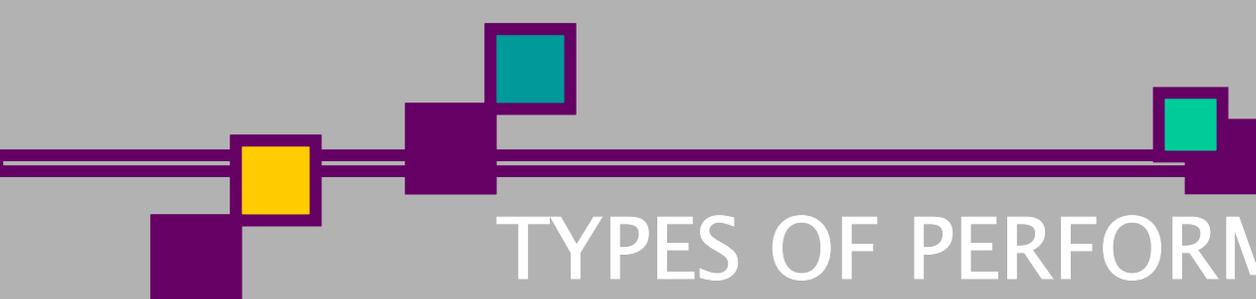
As developments warrant, project managers report directly to the commission and seek guidance from the board. Greater emphasis will be placed in these reports on identifying and reporting on measurable indicators of performance.



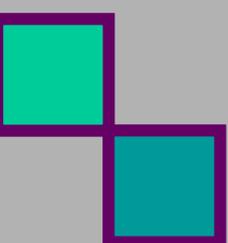
TOOLS FOR APPLYING NVTC PERFORMANCE MEASURES

4. NVTC Administrative Budget:

Given NVTC's small staff, relatively constant level of expenditures and steady funding sources, the budget document has been relatively simple and straight forward. In preparing the FY 2007 draft budget, NVTC staff will incorporate to the extent possible performance measures to justify line item expenditures.



TYPES OF PERFORMANCE MEASURES



Goal: Intended accomplishment. NVTC has 7 in its workprogram originating from a board retreat.

Objective: Measurable intended accomplishment. NVTC has many included in over 60 action statements detailed in its workprogram.

Input Measure: Budget or actual expenditures per employee.

Output Measure: Amount of accomplishment achieved.

Efficiency Measure: Cost per unit of accomplishment.

Service Quality Measure: Degree of satisfaction, accuracy or timeliness.

Outcome Measure: Percent of objective achieved.





EXAMPLES OF NVTC PERFORMANCE MEASURES

Administrative

1. Respond to inquiries from the public and board and jurisdictions within 24 hours using phone and e-mail logs (with additional follow up for more information if necessary).
2. Respond to mailed inquiries within one week (with further follow up if necessary).
3. Provide to the NVTC board within one one month, 100% of written communications from the public with an appropriate response.



EXAMPLES OF NVTC PERFORMANCE MEASURES

Administrative

4. Measure satisfaction with board members and jurisdiction financial staff surveys; and the public (via the NVTC web-site). After agreeing on a measuring scale, achieve at least 85 percent favorable rating with at least two percent improvement each year.
5. Posting on web-site of materials: Monthly board meeting materials will be posted in easily printed PDF format within 24-hours of mailing packages to commissioners. Outdated material will be edited and/or removed at least weekly.



EXAMPLES OF NVTC PERFORMANCE MEASURES

Project Specific

1. *Financial Management*

- No subsidy allocation or trust fund adjustments required by auditors as well as no material deficiencies in internal controls and no related management letter comments.
- All trust fund grant reimbursement requests from jurisdictions with proper documentation processed within one week in order to maximize investment earnings.
- 100% timely subsidy payments on behalf of jurisdictions to avoid any late payment penalties.



EXAMPLES OF NVTC PERFORMANCE MEASURES



Project Specific

1. *Financial Management* (Continued)
 - Accurate cash flow forecasts provided to each jurisdiction no later than 25 days prior to each WMATA quarterly billing.
 - Effectively manage \$55 million of trust fund revenues per NVTC accounting employee at a cost of \$0.12 per capita or \$0.03 per dollar of assets.
 - Effectively manage up to \$90 million of grant revenues at an administrative cost of \$0.12 per capita or \$0.02 per dollar of revenue.
- 



EXAMPLES OF NVTC PERFORMANCE MEASURES



1. *Financial Management* (Continued)

- Co-own \$168 million of gross VRE assets at a management fee to VRE of \$90,000, or \$0.0005 per gross asset dollar.
 - Manage up to \$10 million of specific planning and demonstration projects at an average cost of less than \$0.02 per contract/grant dollar.
 - No lapsed grant funds.
 - Monitor the administrative costs passed through the Department of Taxation on NVTC's gas tax collections and provide an explanation for any variation in excess of five percent from the current annual average of \$60,000 (0.3% of total collections).
- 



EXAMPLES OF NVTC PERFORMANCE MEASURES

Project Specific

2. *Regional SmarTrip Fareboxes*

- 100% of 387 fareboxes successfully installed in Summer, 2005
- \$5.5 million contracts managed per NVTC employee (project manager) at \$0.004 per contract dollar.



EXAMPLES OF NVTC PERFORMANCE MEASURES

Project Specific

3. *GEORGE Bus Demonstration*

- \$2.2 million project funds managed at \$21 per \$1 of NVTC in-kind administrative expense (\$0.047 cents per project dollar).
- Complete evaluation report in early 2005 and achieve 85% or better customer satisfaction measured by on-board survey.



EXAMPLES OF NVTC PERFORMANCE MEASURES

Project Specific

4. *National Transit Database Reports*

- By assisting Northern Virginia jurisdictions in meeting the January 1 deadline for annual reporting achieve \$5 million in additional FTA formula funds for WMATA per \$160,000 NVTC expenditure on data collection (\$31.25 to \$1 ratio).
- Manage contract at administrative costs per contract dollar of \$0.02.



EXAMPLES OF NVTC PERFORMANCE MEASURES

Project Specific

5. *Electronic Transit Schedules*

- Increase hits on the e-schedules page by at least 15% to over 5,100 average per day (from 4,400 currently).

6. *Legislative Initiatives*

- Through legislative initiatives supported by NVTC and VTA, secure at least a five percent increase in state funding for transit received by NVTC in FY 2006 versus FY 2005.



EXAMPLES OF NVTC PERFORMANCE MEASURES

7. *Public Outreach*

- Issue 12 or more media releases on substantive transit matters and submit at least one op-ed to major publications each quarter.
- Will prepare and disseminate at least 50 “transit nuggets” on transit performance and funding in 2005.



EXAMPLES OF NVTC PERFORMANCE MEASURES

8. *Northern Virginia 2030 Transportation Plan Update*

- \$900,000 consulting contracts managed per employee (contract manager).
- Administrative cost per contract dollar for FY 2005: \$0.03 (versus \$0.01 n FY 2004).



EXAMPLES OF NVTC PERFORMANCE MEASURES

9. *Transit Emergency Response Planning*

- Ten monthly emergency response planning meetings at NVTC with 100% attendance by Metrorail and Metrobus operations, 82% by Metro transit police, 100% by local jurisdiction planning and operations, 64% by local police, 45% by local fire and rescue, based on actual attendance in 2004.



EXAMPLES OF NVTC PERFORMANCE MEASURES

10. *Senior Mobility Study*

- \$114,000 budget managed per employee (contract manager)
- NVTC GIS analysis will reduce the need for paid consulting by \$17,000.



EXAMPLES OF NVTC PERFORMANCE MEASURES

11. *GIS Mapping and Analysis*

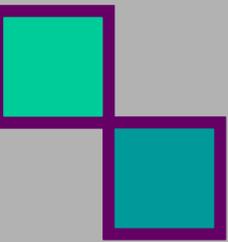
- \$50 per hour savings of paid consultants by using NVTC's intern to total about \$40,000 for four projects, compared to investments made by NVTC of \$2,500 in software and hardware upgrades expected in 2005.



EXAMPLES OF NVTC PERFORMANCE MEASURES



12. *Air Quality Code Red Free Bus Fares*

- \$2.2 million of CMAQ funds provided to date per one NVTC employee (project manager).
 - Administrative cost per grant dollar managed: FY 2005 target of \$0.01 versus FY 2004 actual of \$0.015.
 - Prepare estimates of transit systems daily revenue lost from free fares within five percent of actual costs to enable accurate budgeting of CMAQ funding. The estimate for 2005 is \$82,000 per day.
 - Based on the results of a consultant evaluation including on-board survey, the cost per ton of emissions reduced in this project should be less than 50 percent of all other regional emissions reduction programs.
- 
- 

MEMORANDUM

TO: Chairman Euille and NVTC Commissioners
FROM: Rick Taube
DATE: December 30, 2004
SUBJECT: WMATA Items

A. Metro Board Digest for December, 2004.

The digest is attached for your information.

B. Blue Ribbon Panel on Metro Funding.

The panel has completed its report and will hold a media conference on the morning of January 6th. Several items are attached to guide the commission's discussion of this item, including a memorandum describing some concerns, a draft set of comments for action by the commission, a transmittal letter from the Panel and excerpts from the report. The full report is available at the MWCOCG website (www.mwcog.org).

C. Metrochek Benefits Rise to \$105 Monthly.

As of January 1, 2005, the maximum tax-free transit benefit has been adjusted upward by \$5 per month by the IRS. Currently about 151,800 federal workers receive the benefit. Maximum parking benefits also rise by \$5 to \$200 per month.

D. Proposed FY 2006 and 2007 Operating and Capital Budgets.

Attachments describe the two-year budget proposals. Given early deadlines for state aid applications, the adoption of a two-year budget would assist NVTC in submitting accurate grant requests, among other benefits.

E. Final EIS for Dulles Corridor Project.

The final Environmental Impact Statement is complete and excerpts are provided from the executive summary. The full report is available from NVTC staff on a CD and the entire executive summary can be viewed at www.dullestransit.com. Following circulation and review, the Federal Transit Administration will issue a "Record of Decision" which will complete the federal environmental review process.

F. Table of Average Metrorail Fares and Subsidies.

The attached table shows how Metrorail maximum and average fares have moved upward since FY 1978, at a much greater rate than the average subsidy per passenger. When FY 2004 data are available, another jump in fares will be shown. This table is provided in response to a discussion by commissioners at the December 2nd meeting.

(A)



December 16, 2004

MEMORANDUM FOR: Chairman and Members of the Board

SUBJECT: December Board Digest

Morgan Boulevard and Largo Town Center Stations To Open On Saturday

Metro will open the Blue Line extension to Largo to the public on Saturday, December 18. Metrorail's 85th and 86th stations, Morgan Boulevard and Largo Town Center, add three miles to the system, which will soon cover 106.1 miles, and are the first stations to extend beyond the Capital Beltway in Prince George's County, Maryland. The Blue Line extension also includes a rail car storage area for 36 Metrorail cars, a 2,200-space parking structure at Largo Town Center and 500 parking spaces at Morgan Boulevard.

Saturday's activities begin at 10 a.m. with the dedication of the Morgan Boulevard Metrorail station and dedication of the Metrorail bridge between Morgan Boulevard and Largo Town Center stations in honor of former Board member Decatur Trotter. Following the dedication, participants will take a ceremonial ride on the Blue Line to Largo Town Center Metrorail Station where the opening ceremony starts at 11:30 a.m.

The day's activities will bring together community residents and leaders, Prince George's County, Maryland, and federal officials, and members of the Morgan and Trotter families. Invited speakers include Prince George's County Executive Jack Johnson, Maryland Lt. Governor Michael S. Steele, U.S. Senator Paul S. Sarbanes, and Maryland congressional delegates.

**Washington
Metropolitan Area
Transit Authority**

600 Fifth Street, NW
Washington, DC 20001
202/962-1234

*By Metrorail:
Jockey Square Red Line
Gallery Place Chromalox
Red, Green and
Yellow Lines*

*A District of Columbia,
Maryland and Virginia
Rapid Rail Partnership*

In preparation for the station openings, Metro staff held a community day at the Boulevard at the Capital Centre in Landover, Maryland, last Saturday, December 11, as part of our continuing efforts to reach out to the community and our customers. Metro employees met Prince George's County residents, answered their questions about Metro services and distributed Metrorail, Metrobus, safety and other Metro information.

Metro Begins On-Line Chats With Customers

Tomorrow, December 17, I will serve as the first guest host of our new online chat sessions with customers. Our goal is to hold two on-line chats a month, from noon to 1 p.m. The Internet forum will give customers the opportunity to pose questions and make suggestions to Metro staff. We started this initiative as one way to improve communications with customers and give them a more direct line of reaching us.

Like most other online forums, chat participants will have to register online before submitting any questions, in part to ensure that we are not spammed. Viewers who do not want to submit questions do not need to register.

We anticipate that the regular online chats on our MetroOpensDoors Web site will help customers get immediate answers, provide another way for us to hear from our customers and drive more people to our Web site.

Plan Aims To Tackle Snow And Ice This Winter

Long before temperatures began to drop across the region, Metro started planning for the inevitable threat of snow and ice during the winter months. For significant snowstorms of eight or more inches, we will suspend above ground Metrorail service. Metrobus service also will be impacted by street conditions. However, any amount of snow and ice can hamper rail service when it gets into the undercarriage of the rail cars, covers the third rail, creates slippery conditions in stations and on buses, and/or produces slick road conditions. We will keep customers informed about bus or rail service disruptions through a variety of means, including postings on the Web site, e-Alerts, the local media, and through e-mails sent to area employers and event venues.

A major part of our snow plan is the creation of a Snow Fighting Fleet. The fleet includes 498 rail cars with snow-hardened motors, or motors that are resistant to damage from snow ingestion and electrical shorts. In addition, we will place de-icing units on revenue trains and equip other rail cars with ice-scraper collector shoes.

We are also in the process of installing nearly 8,000 feet of heater tape on the third rail in several locations, including West Falls Church, Vienna, Silver Spring, Brentwood to Rhode Island Ave, and Ronald Reagan Washington National Airport. Heater tape keeps the third rail warm enough to avoid a build-up of ice. We had hoped to have completed this project by now, but a delay in the procurement process postponed the installation. However, the process is well underway and all of the heater tape should be in place by the end of next week.

Further efforts to increase service reliability during inclement winter weather, include storing additional rail cars underground during snowstorms and beginning a snow cleaning program to clear snow and ice from door thresholds in anticipation of preventing some door malfunctions.

On Monday, December 13, we conducted a "snow and tell" event at our Brentwood Rail Yard for members of the news media. The media were told about our snow plan and saw the equipment we have to fight snow and ice this winter.

Metro Gears Up For Presidential Inauguration

Amidst the balls, swearing-in ceremonies and parades, Metrorail and Metrobus will be key to hundreds of thousands of people attending events surrounding the January 20, 2005, presidential inauguration. Historically, Inauguration Day has been a high ridership day for Metrorail, whether taking place on a weekday or weekend. Two recent inaugurations have yielded robust ridership numbers for Metrorail. In 2001 when George W. Bush was inaugurated, 601,839 trips were taken on Metrorail. The inauguration took place on a Saturday, a day when typical ridership averages 250,000 customer trips. Bush's inauguration was our third highest Saturday ridership day in history. For Bill Clinton's inauguration in 1993, Metrorail ridership topped 811,000—Metro's second-highest ridership day ever. Weekday ridership falls in the 650,000 to 670,000 range. With the 2005 inauguration on a Thursday,

Metro anticipates high ridership as it is a regular workday for many area residents, although many individuals may have the day off.

In late November, Metro staff began working with District of Columbia and federal officials to plan for the inaugural events. Increased security in and around inaugural events, and the parade route between the U.S. Capitol and The White House will cause numerous street closures and Metrobus detours. City officials also will promote Metro as the way of getting around Washington for the inauguration. Internally, we have assembled a working group to develop our bus and rail service plan, safety and security measures, communications strategy and contingency plans for what will be a heavy ridership day for Metro.

2004 Annual Employee Awards Recognize Excellence

On December 1, we paused to celebrate and recognize the outstanding achievements of Metro employees at the 22nd Annual Employee Awards Ceremony. This year's theme, "Commanding Excellence," highlighted the efforts of both individuals and teams who have excelled in their professional roles during the previous year.

While we celebrated the achievements of all of the employee award recipients, one individual stands out: Metrobus Operator Lamont Henry. Mr. Henry saved a child's life, responding to a dangerous situation with courage and unselfishness. On September 20, Mr. Henry was returning from Laurel Hospital where he had received treatment after his bus had been hit by van. Mr. Henry was riding with his supervisor and while they were on the Baltimore Washington Parkway he noticed that the car in front of them was smoking and on fire. Mr. Henry signaled for the woman driving the car to stop. She pulled over to the side of road and got out of the burning car. The car's electrical system locked the doors and windows of the car. The woman screamed that her baby was still locked in the car. Without regard for himself, Mr. Henry broke out the rear window with his bare hands, reached into the car which was engulfed in flames and rescued the baby. Mr. Henry's courageous act earned him the 2004 Award for Valor and a roaring standing ovation from his fellow employees gathered at the ceremony.

The employees recognized at the annual awards ceremony were selected by their peers and colleagues. The 2004 Annual Employee Award winners are:

Jackson Graham Memorial Award for Extraordinary Achievement
Curtis Ziegler, Rail Superintendent

Carmen E. Turner Memorial Award for Extraordinary Achievement
Carol O'Keeffe, Acting General Counsel

Award for Meritorius Achievement
Flonorial Merritt, Department of Operations/Bus Maintenance

100% Customer Service Award
Cheryl Cooper-Cockerham, Department of Operations/Rail
Transportation

Award for Valor
Lamont Henry, Department of Operations/Bus Transportation

Award in Equal Employment Opportunity
Jack Requa, Department of Operations/Bus

Award for Safety & Security
Carl Byers, Department of Operations/Rail Transportation

Corporate Culture Change Leadership Award
Terry Consavage, Department of Operations/Office of Chief Engineer

CEO's Award for Teamwork—Alternative Discipline Team
Gail Robinson, Department of Operations; D. Richard Froelke,
Department of Workforce Development and Diversity Programs; Alice
Redding, Department of Operations; Jay Naughton, Department of
Communications; John Sporgitas, Department of Communications;
Robert McFerron, Department of Operations; Steven Saville,
Department of Operations; Janice White, Department of Operations;
Edwin Waleryszak, Department of Workforce Development and
Diversity Programs; Tom Epps, Department of Communications;
James Gallagher, Department of Operations; and Jennifer Barnes,
Department of Communications.

CEO's Award for Teamwork—Metro Matters Communication Team
Scott Kubly, Department of Planning and Strategic Programs; Mark
Pohl, Office of General Counsel; Sara Procacci Wilson, Office of

Secretary and Chief of Staff; **Alvin Doehring**, Department of Finance; **Joel Washington**, Department of Planning and Strategic Programs; **Gary Drake**, Department of Communications; and **Paul DiNapoli**, Department of Planning and Strategic Programs

Corporate Culture Change Teamwork Award—Administrative Coordinators Team

Holly Overton, Department of Workforce Development and Diversity Programs; **Deborah Porter**, Department of Operations; **Tanya Downtin**, Metro Transit Police Department; **Annette Harris**, Department of Operations; **Leila Rashti-Deutschman**, Office of the General Manager and CEO; **Louise B. Capotosto**, Department of Operations; **Mildred Allen**, Department of Finance; **Mary Knight**, Department of Capital Projects Management; **Maria Wallace**, Department of Planning and Strategic Programs; **Mary Douglas-Brown**, Department of System Safety and Risk Protection; **Sherry Hamilton**, Office of General Counsel; **Carmelia Hogan**, Department of Communications; and **Cassandra Barr**, Office of Secretary and Chief of Staff

Departmental Employees of the Year

Bruno Hernandez, Department of Capital Projects Management; **Richard Bloom**, Department of Finance; **John Stokes**, Department of Finance; **Clement Nedd**, Department of Communications; **Ivonne Teano**, Office of General Counsel; **Steven Smith**, Metro Transit Police Department; **Anthony Weaver**, Metro Transit Police Department; **Perfecto Sanchez**, Department of Operations/Elevator and Escalator Maintenance; **Douglas Crafton**, Department of Operations/Bus Maintenance; **Robert Knowles**, Department of Operations/Bus Transportation; **Stanley Tibbs**, Department of Operations/Rail Systems Maintenance; **Curtis Zeigler**, Department of Operations/Rail Transportation; **Bonnie Johnson**, Department of Planning and Strategic Programs; **Mary W. Douglas-Brown**, Department of System Safety and Risk Protection; **Sara Wilson**, Office of Secretary and Chief of Staff; **M. Cassandra Graves**, Department of Workforce Development and Diversity Programs

Metrobus Million Mile Club

*78 Metrobus Operators have driven one million miles or more
without an operating incident or accident*

Bladensburg Division

Johnny I. Adams, 2 million miles; Kermit G. Barbour, 2 million miles; Kenneth W. Blunt, 1 million miles; Johnnie D. Bouknight, 2 million miles; James W. Beale, 2 million miles; Carlton D. Butler, 1 million miles; Willis C. Daniels, 1 million miles; Michael G. Fitzgerald, 2 million miles; Bobby Enoch, 2 million miles; Tony A. Jones, 2 million miles; William R. Green, 2 million miles; Isaiah Herron, 2 million miles; Curtis Jordan, 2 million miles; Jerome Jones, 2 million miles; Moye N. Jones, 1 million miles; Allen M. Johnson, 1 million miles; James E. Kearney, 2 million miles; Booker T. McArthur, 2 million miles; Robert M. Squirewell, 1 million miles; Marshall E. Timberlake, 1 million miles; Courtney N. Williams, 1 million miles

Northern Division

Leroy Bundy, 1 million miles; Harvey W. Clark, 1 million miles; Shurland C. Corriea, 1 million miles; David L. Ennis, 1 million miles; Alice Headley, 1 million miles; Robert R. Scott, 1 million miles; Benjamin Sington, 1 million miles; Craig E. Smallwood, 1 million miles; Eugene E. Sutton, 1 million miles; Melvin D. Whiefield, 1 million miles

Western Division

Benjie Byers, 1 million miles; John P. Bush, 1 million miles; Angelo Cox, 2 million miles; James Geer, 1 million miles; Edward Latney, 2 million miles; Michael Myrick, 2 million miles; John C. Nelson, 2 million miles; Keith W. Perry, 1 million miles; Edmond N. Singleton, Jr., 2 million miles

Southeastern Division

Willis M. Boone, 1 million miles; James E. Dickens, 1 million miles; James E. Farar, Jr., 1 million miles; Dean K. Mingo, 1 million miles

Montgomery Division

Joseph Moore, 2 million miles; Lloyd F. Hart, 1 million miles; Edward L. Nutt, 1 million miles; Billy A. Wilkins, 1 million miles; James E.

Alford, 1 million miles; **Bernardo Amaguana**, 1 million miles; **Riley Brothers, Jr.**, 1 million miles; **Odell S. Carter**, 1 million miles

Landover Division

Fred D. Anthony, 2 million miles; **Rudolph E. Gardner**, 1 million miles; **Verneal L. Mallory**, 2 million miles; **R.L. Miles**, 2 million miles; **Narise Foreman**, 1 million miles; **Gregory Norris**, 2 million miles; **J.A. Washington**, 2 million miles

Arlington Division

Napoleon Hilliard, 1 million miles; **Roger Lee Hooker**, 1 million miles; **James M. Matthews**, 2 million miles; **Reginald J. Patterson**, 1 million miles; **Harry A. Richard, Jr.**, 1 million miles; **Leonard Smith**, 1 million miles; **Haywood Washington**, 2 million miles

Four Mile Run Division

Harry L. Anderson, 1 million miles; **Lancelot H. Campbell**, 1 million miles; **Ray Conquest, Jr.**, 1 million miles; **Robert Frisby**, 2 million miles; **Charles G. Hart**, 2 million miles; **Robert F. Irber**, 2 million miles; **Henry S. Ivory**, 1 million miles; **Alfred B. Lewis**, 2 million miles; **Robin G. Lytle**, 1 million miles

Royal Street Division

Stanley Taylor, 2 million miles; **Floyd Allen, Jr.**, 2 million miles; **Melvin Neville**, 1 million miles

Metrobus Roadeo

Operator: **Robert L. Miles**, New Carrollton Division
Maintenance Team: **Truc Hoang**, **Ruben Ortiz**, **Wendell Warffemius**,
Bladensburg Heavy Overhaul Facility

Metrorail Rodeo

Operator: **James W. Coleman**, New Carrollton Division
Maintenance Team: **Royce Wist**, **William Young**, **Sayed Deen**,
Greenbelt Division

Former Board Member Carlton Sickles Remembered

Metro, Montgomery County and Music Center at Strathmore officials gathered to remember Carlton Sickles, former Board member and

Strathmore Foundation member, and dedicated a pedestrian bridge in his honor on November 22. The 330-foot Carlton S. Sickles Sky Bridge connects the parking structure at the Grosvenor-Strathmore Metrorail station with the music center. Those gathered at the ceremony, including Montgomery County Executive Doug Duncan and Sickles' wife, Jacqueline, remembered Sickles as an arts patron and founding father of Metro. Sickles served on the WMATA Board of Directors from 1967 to 1973, 1975 to 1978, and from 1981 to the time of his death in January 2004.

Take Metro to the Movies

Regal Entertainment Group, the company that operates the cinema in the new Gallery Place retail complex adjacent to our Gallery Pl-Chinatown Metrorail station, has partnered with Metro to promote taking Metrobus and Metrorail to the movies. Along with joint advertising, the company will offer special promotions to Metro-riding moviegoers. Beginning in January, the entertainment company will advertise its Regal Cinemas on bus cards, rail cards, station banners and dioramas. The company also will promote Metro through on-screen advertisements on 14 screens at Regal's Gallery Place cinema and up to 13 other cinemas in the Washington region. Regal also will publicize Metro on its electronic sign on Seventh Street, N.W., with a message that says, "Buy your Metro SmarTrip card on wmata.com." Metro customers can get free popcorn or earn points for free movie tickets with their SmarTrip cards, farecards or bus transfers. Metro employees also can get in on the deal and get free popcorn when they present their WMATA identification card at the Regal Cinemas Gallery Place Stadium 14 on Seventh Street during the month of January. Through this promotion, we anticipate increasing ridership and Regal aims for attendance growth at its new downtown theater.

Chairman and Members of the Board
Page 10

Upcoming Events

December 18

Blue Line Extension to Largo opening; Morgan Boulevard Metrorail station, 10 a.m.; Largo Town Center Metrorail Station, 11:30 a.m.

January 7

Metro Behind the Scenes Seminar; lobby level meeting room, Jackson Graham Building; 10 a.m.

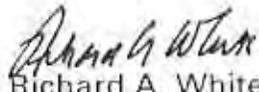
January 12

Annual Martin Luther King, Jr. celebration; lobby level board and meeting rooms, Jackson Graham Building; 10 a.m.

January 20

Presidential Inauguration

If you have any questions, please let me know. Thank you.



Richard A. White

General Manager and Chief Executive Officer

NEWS RELEASE

For Immediate Release

December 21, 2004

Contact:

Steven Taubenkibel
or Lisa Farbstein
202-962-1051

Metro Offers 2004 Year-End Review

As 2004 comes to a close, the Washington Metropolitan Area Transit Authority (Metro) would like to take the opportunity to review this year's achievements, while looking ahead to 2005 with optimism and an emphasis on safety, reliability, cleanliness and improved customer service outreach.

Nearly 310 million passenger trips were made on Metrorail and Metrobus combined in 2004. And while 2004 has not been easy for Metro, its core customers who use Metro's services regularly have continued to ride in record numbers.

"We overcame a year of tough challenges that hampered service reliability and caused frustration among a rising number of customers," says General Manager and CEO Richard A. White.

"While challenges will always test us, it's important to stop and savor the many successes we achieved in 2004, including the \$3.3 billion Metro Matters funding agreement, three new rail stations, SmarTrip capability on all Metrobuses, continued ridership growth and good stewardship on our budget resources."

A summary of Metro's accomplishments during Calendar Year 2004 are attached.

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Metro's Accomplishments in 2004

- The approval of a six-year, \$3.3 billion funding agreement from the region's state and local governments to help pay for Metro's short-term capital needs, known as "Metro Matters." The \$3.3 billion includes \$1.8 billion in previously pledged funding and \$1.5 billion for basic infrastructure improvements, purchasing 120 new rail cars for eventual 8-car train operations, and 185 buses to meet continuing demand. The short-term needs include critical security enhancements which require federal funding.
- Metro launched an aggressive service reliability, customer service and corporate accountability initiative to win back customer confidence and regional support. The "back to basics" approach recommits Metro's resources from the front office to the front lines, to improving service reliability and customer satisfaction. This measure was taken in light of declining service reliability and back-to-back fare increases.
- Metro opened its 84th passenger rail station, New York Ave-Florida-Ave-Gallaudet U Metrorail station on the Red Line. The station, which opened one month early, was the first station in Metro's 28-year history to be constructed between two existing, operating rail stations – Union Station and Rhode Island Avenue.
- Metro opened its 85th and 86th passenger rail stations, a 3.1-mile, two-station, \$456 million extension of the Blue Line to the Morgan Boulevard and Largo Town Center Metrorail Stations.
- The District of Columbia and Metro broke ground on the Anacostia Light Rail Demonstration project, to serve the Anacostia area in Southeast, D.C. The project, 2.7 miles of new track and six new stations is scheduled to begin service in the fall of 2006.
- Metrobus riders saw the new high-tech SmarTrip fareboxes on all 1,450 buses this summer. The new fareboxes allow customers to touch their card to pay the bus fare, making it as easy to use as a Metrorail station faregate.
- Metro's Board of Directors hosted its first Town Hall meeting that drew more than 350 attendees.
- Fairfax County and Metro opened a new six-level, \$13 million, parking structure at the West Falls Church-VT/UVA Metrorail station with 1,200 parking spaces.
- Montgomery County and Metro opened a new six-level \$28 million parking structure at the Grosvenor-Strathmore Metrorail station with 1,500 parking spaces, making a net increase of 1,200 parking spaces.

■ Fairfax County, the City of Alexandria and Metro initiate the “REX” limited stop express bus service along the Richmond Highway corridor. The special service utilizes bus priority traffic signals, low-floor buses and SmartCard technology and operates between Fort Belvoir and the Huntington and King Street Metrorail stations.

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Page Three

■ Metrorail customers set a new all-time record ridership level as 850,636 passenger trips were recorded on June 9, a day that people flocked to the District of Columbia to pay their respects to former President Ronald Reagan.

■ Metro took final delivery of its series 5000 rail cars, with the last 42 of 192 cars distributed to the Red Line. Metro also continues to place its series 2000/3000 BRENDA rehabilitated rail cars into service, with 80 in service by December.

■ The Metrorail system began opening at 5 a.m. on weekdays in September, providing customers in suburban Maryland and Northern Virginia with a half-hour jumpstart on their daily commutes.

■ The Metro Transit Police Department launched a Metro Citizen Corps program to provide Metro-specific training ranging from rail safety and emergency preparation and response to identification of terrorist activity. The two-step program involves Metro Transit Police officers, Metro employees and area residents who have participated in specialized training within their local jurisdictions, and participate in a day-long interactive coordination 'train-the-trainer' sessions.

■ The Metro Transit Police launches the "Hey, is that your bag?" campaign, designed to increase customer readiness for terrorist threats.

■ Metro installed a new real-time traffic camera system inside its Bus Operations Control Center, allowing Metrobus supervisors to monitor regional roadways to improve rerouting needed to move customers when incidents cause road closures.

■ Metro started construction on new parking structures at New Carrollton, College Park and White Flint.

■ Construction began on the expansion of the King Street Metrorail station, including a new elevated walkway, two new elevators and a stairway to provide access to the elevated walkway; a new canopy, above the station platform that will go over the uncovered portion of the platform; a new station kiosk; and more farecard machines.

■ Construction began on the placement of additional elevators at the Ballston-MU Metrorail station to provide for greater access into and out of the station.

NEWS RELEASE

For Immediate Release

December 21, 2004

Contact:

Steven Taubenkibel
or Lisa Farbstein
202-962-1051

What's in Store for Metro in 2005?

***Metro Looks Ahead to 2005 With a Back-to-Basics Approach:
Safety, Reliability, Cleanliness and Enhanced Customer Service***

The Washington Metropolitan Area Transit Authority (Metro) is looking ahead to 2005 with a back-to-basics approach that will focus on safe, reliable, clean, and enhanced customer-focused service for the 1.3 million customers who use Metrorail, Metrobus and Metroaccess each weekday.

“At different points in our history, Metro was a construction-focused organization, then an operations-focused organization,” said Richard A. White, Metro GM/CEO. “Today, we must become a customer-focused organization to meet our customers’ needs and expectations. The reliability and customer service initiatives we announced in November, together with the fiscal year 2006 budget we proposed earlier this month, reflects our commitment to that customer service focus. I am confident that our customers will see a different kind of Metro organization in the coming year than they have been used to seeing and our customers will be the better for it.”

Here is some of what Metro has planned in 2005.

CUSTOMER SERVICE/RELIABILITY ENHANCEMENTS:

In 2005, Metro will move forward on an aggressive service reliability, customer service and corporate accountability initiative to improve customer confidence. The “back-to-basics” approach recommitments Metro’s resources from the front office to the front lines, and improves service reliability and customer satisfaction. The initiative was taken in light of recent declining service reliability, back-to-back fare increases and increased customer concerns.

The broad outline of changes in 2005 that are now underway include:

More...

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Service Reliability Initiatives

- Modify internal work processes to provide improved organizational support to our operating departments.
- Reorganize Metro's transit services, beginning with rail to provide for rail line ownership. This will be accomplished by establishing specific line managers for Red Line, Orange/Blue lines and Green/Yellow lines; and providing customer-focused quality control.
- Improve Operations Control Center (OCC), train operator and line supervisor troubleshooting training.
- Conduct independent external reviews of Metro reliability, safety and human factors performance.

Customer Service Initiatives

- Improve front-line service for station managers and police officers through new training.
- Open new channels of communication with customers.
- Provide a faster and more streamlined response to customer comments and questions.
- Improve information to customers about service disruptions.
- Simplify the process for fare problem resolution.

METRO'S OPERATING BUDGET

In 2005, Metro's Board of Directors will review a proposed fiscal year 2006 \$1 billion operating and capital budget, making it the first time in Metro's 28-year history that a proposed budget has topped the \$1 billion mark. As part of the \$1 billion budget proposal, Mr. White has requested additional funding to support a variety of service enhancements for safety, service reliability, cleanliness and customer service. Some of these enhancements include:

- Maintain rail safety by adding 14 track inspectors for closer inspection of Metrorail track to enhance rail system performance and safety.
- Maintain service reliability by: adding 10 personnel to complement the increase in track inspections; add seven platform supervisors at major station transfer locations to aid in train loading, door and crowd management issues; add 10 station managers to support high volume stations during peak weekdays and weekend "hot spots"; add two mechanics to improve the reliability of bus electronic destination signs; add support to ensure continuous service of the SmarTrip vending machines in rail stations; and add six janitors to improve the visibility of train arrival lighting fixtures and improve overall lighting conditions in rail stations.
- Improve the cleanliness of the Metrorail system by doubling the staff assigned to clean rail cars at the ends of major rail lines; add 10 cleaners to allow for greater cleanings inside high volume stations; create a second special project crew for special response cleaning needs at rail stations; and improve bus

cleanliness by reducing the frequency of specialized interior bus cleanings from bi-weekly to weekly.

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- Improve customer service by adding 16 positions to provide more efficient customer service and address increased customer complaints; pair customer service personnel with front line operations personnel to respond to customer issues; support town hall meeting and on-line internet discussions; focus greater attention to improving response to letters and phone calls; and create a quality assurance program to monitor calls, e-mail and letters to ensure appropriate response and satisfaction.

In addition to customer service and reliability initiatives, Mr. White's FY 2006 budget proposal includes a request to utilize additional funds from the enhanced advertising programs recently approved by the Board of Directors to be used for the following:

- Improving the passenger information display signs (PIDS) by installing a remote monitoring system for the PIDS that go blank so that maintenance response actions can be accelerated.
- Installing explosive resistant trash receptacles on rail station platforms and mezzanines to reduce trash accumulation.
- Enhancing the customer call processing system by installing an interactive voice recognition system for phone calls to provide for a more timely response to telephone calls and to better serve Spanish-speaking riders by adding a Spanish language capability to the Trip Planner voice recognition system.

“Our proposed FY 2006 budget places a strong emphasis on improvements in the areas of customer satisfaction and service reliability,” said Mr. White.

INDEPENDENT REVIEWS

In 2005, Metro will undergo several independent external review for its Department of Operations and Metro Transit Police. The reviews of policies, procedures and programs are part of Metro's initiatives to improve bus and rail reliability and customer service.

The Operations Department will undergo two professional service reviews. One will assess bus and rail reliability programs, maintenance contracts, and develop

reliability program metrics. A second review will highlight personnel and customer service issues related to hiring, training and development efforts through the use of “out of industry” sources of guidance and assessments. Metro will also convene an American Public Transportation Association (APTA) peer review of rail and bus operations, central control operations and operations training.

The Metro Transit Police will hire the Police Executive Research Forum to examine policing policies and procedures. This review will help customers and transit police officers understand each other’s expectations, help promote stronger relationships between customers and Transit Police officers, and broaden the spectrum of problem-solving strategies for officers. The goal is to strike a balance between customers’ expectations and the judicious enforcement of laws.

The Operations and Metro Transit Police reviews will cost approximately \$650,000.

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METRORAIL:

- In late summer 2005, Metro will take initial delivery of 20 of its 62 new series 6000 rail cars, manufactured by ALSTOM. The cars will have an interior design to improve customer flow.
- Throughout the year, Metro will continue to reintroduce into service its modernized series 2000/3000 BREDA rail cars. In 2005, Metro will accept 144 of these cars which look very similar to the series 5000 rail cars. In 2000, Metro awarded a contract to Alstom Transportation Inc., to modernize 364 rail cars. With many of these rail cars in service for nearly 20 years, Metro needed to modernize these cars to extend their life cycle. The completion of the entire contract is scheduled for spring 2006.
- Next summer, Metro will open a new six-level, 1,250-space parking structure at the College Park Metrorail station and a six-level, 1,250-space parking structure at the White Flint Metrorail station.
- In late 2005, Metro will open an eight-level, 1,800-space parking structure at the New Carrollton Metrorail station.
- Next year, construction will continue on the first phase of enhancements for the eastern end of the Ballston Metrorail station. These enhancements include installing an additional elevator next to the existing elevator on the north side of Fairfax Drive, and two new elevators and a connecting underground passageway beneath the south side of Fairfax Drive. This project is expected to be completed

in the summer 2006. Under the same contract, the new Shirlington Bus Station will be completed by the end of 2005. The bus station will be operated by Arlington County to serve both Arlington and Metro buses.

- By the end of 2005, Metro will have completed construction on the new King Street Metrorail station mezzanine entrance with a platform, canopy extension, and 200 feet of new walkway.

- In 2005, Metro will make the following changes to its Metrorail Passenger Information Display System (PIDS):

- Early 2005, improve customer satisfaction by redesigning the PIDS signs to provide information about the next three arriving trains on one display.

- Spring 2005, upgraded software installation to begin on the reducing “dark display” PIDS signs.

- Summer 2005, upgrade the server software to enhance reliability, provide the capability to use different font sizes.

METROBUS:

- In summer 2005, Metro will complete renovations and construction of its Four Mile Run Bus facility in Arlington, VA, in preparation to service and maintain 250 new Compressed Natural Gas buses, which are scheduled to arrive later in the year.

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- In 2005, Metro will place an order for 217 additional replacement buses; 117 clean diesel and 100 hybrid buses.

- The District of Columbia, in cooperation with Metro will unveil its new DC Circulator Bus Service in the summer. One route will operate from Union Station to Georgetown via K Street, with a second route operating from Mount Vernon Square-Convention Center to the DC Waterfront area.

- In 2005, Metro will move ahead with the Bus Enhancement Program to include the design, fabrication and installation of 940 site-specific bus system maps to be installed in Metrorail stations and at Metro-owned bus shelters.

METROACCESS

- Metro will implement the recommendations of the Paratransit Regional Task Force for improving service and lowering cost.

ESCALATORS/ELEVATORS

- In early 2005, Metro will commence construction of canopies at 26 Metrorail stations as part of the Comprehensive Escalator Canopy Program. The entire program is scheduled to be completed by the end of the year.
- In 2005, Metro plans to modernize 19 elevators as part of its ongoing Elevator Rehabilitation Program with key units being the completion of all six elevators at Forest Glen, as well the traction elevators at Friendship Heights and Woodley Park-Zoo/Adams Morgan. This is part of a six-year program to overhaul 75 elevators, Metro will reach that goal by the end 2008.
- By the end of 2005, Metro will also complete the modernization of 31 more escalator units, concluding the fifth phase of the multi-year Escalator Rehabilitation Program. At that point, 178 station entrance escalators will have been modernized, since the inception of this program in 2000. The sixth and next phase of escalators to be modernized will begin in August 2005 with 41 escalators slated for rehabilitation including units at West Falls Church, Cheverly, White Flint and Grosvenor-Strathmore. Also, controller upgrades will begin on 20 escalators located throughout the system, with key stations including Franconia-Springfield and Gallery Place.
- _____The Office of Elevator and Escalator Maintenance will open a training lab at the Carmen E. Turner Maintenance Facility in spring 2005. It will incorporate two operating elevators and an operating escalator for training Elevator and Escalator maintenance personnel as well as other Metro personnel and Fire Departments that may get involved with the escalators and elevators in the system.

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SAFETY AND SECURITY IMPROVEMENTS

As part of its ongoing effort to improve safety and security, Metro will implement the following safety and security measures in 2005:

- In 2005, construction of a new Metro Transit Police Department substation at Fort Totten will begin. It is scheduled to be completed by mid-2006.
- Metro Transit Police presence will be enhanced with the addition of four explosive detection canine teams including necessary training.

· Throughout 2005, Metro will host emergency preparedness events throughout the Metrorail system on the first Wednesday of each month at a transfer, terminal, or other high-volume station. The goal of the events is to have a dialogue with customers and to create a heightened awareness on their part about personal safety. Metro personnel will discuss with customers safety issues, answer questions, address concerns and challenge them to join Metro in its ongoing mission to create a safe transit environment.

PROJECT DEVELOPMENT

· In 2005, construction will continue on the Anacostia Light Rail Demonstration Project. The District of Columbia Department of Transportation in cooperation with Metro, is constructing a six-station, 2.7-mile passenger rail demonstration project to serve Southeast, Washington. The light rail service, will use existing CSX right-of-way, and the service will extend along the east side of the Anacostia River between Bolling Air Force Base and Pennsylvania Avenue, near the John Phillip Sousa Memorial Bridge. Service is expected to begin in the fall of 2006.

· In 2005, preliminary engineering work will continue on providing rail service to the Dulles Corridor. Metro is providing technical oversight under the direction of the Commonwealth of Virginia and is working with its PPTA Contractor, Dulles Transit Partners.

BLUE RIBBON REGIONAL PANEL ON DEDICATED FUNDING

Last fall, the Metropolitan Washington Council of Governments (COG), along with the Greater Washington Board of Trade (GWBOT) and the Federal City Council (FCC), appointed 13 experts to serve on a panel established to research funding options for Metro.

The panel was tasked to examine alternative sources of funding for Metro while it continues to face budget shortfalls. A draft report is now being issued and a final report is scheduled to be released to the public in early January. Metro intends to work proactively with the GWBOT and the FCC during 2005 to help advance the level of public understanding of the very important set of findings and recommendations.

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Metro's funding needs are outlined in the "Time to Act" brochure released by the Transportation Planning Board in February 2004. A separate report issued by the Brookings Institute in June 2004 titled "Washington Metro: Deficits by Design," found that Metro's unprecedented lack of dedicated funding sources necessitates an over-reliance on funding from state and local governments.

METRO MATTERS

In October 2004, Metro adopted Metro Matters, an historic \$3.3 billion, six-year capital program to fund Metro's most urgent infrastructure priorities. Although the total 10-year capital program is estimated at \$12 billion, the Metro Matters funding agreement will enable Metro to rehabilitate aging equipment and facilities, purchase 120 new railcars to introduce eight-car trains on one-third of its rush hour service, expand bus service to relieve overcrowding and to accommodate growing ridership, and further target-harden Metro's assets against the threat of terrorism.

As part Metro Matters, the following infrastructure enhancements will occur in 2005:

Metro Matters Rail Program

- Initiate procurement of 120 additional rail cars to support 33 percent eight-car train operations.
- Continue maintenance and rail yard storage facility improvements.
- Continue system improvements including traction power to accommodate eight-car trains.

Metro Matters Bus Program

- Initiate procurement of up to 185 new buses for expanded service.
- Design and construction of a new Metrobus maintenance facility.
- Improve bus passenger information systems and bus stops.

"In 2005, we are going to be focused on improving customer service and reliability, and improving the way we provide customer service and outreach," said Mr. White. "Next year, we are going to work hard to regain the confidence of our customers and our regional stakeholders."

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MEMORANDUM

TO: Chairman Euille and NVTC Commissioners
FROM: Rick Taube
DATE: December 14, 2004
SUBJECT: Blue Ribbon Panel on Dedicated WMATA Funding

The panel discussed its draft final report at a meeting on December 14. Comments are due by the end of this month with a formal release of the report at a news conference in the morning of January 6, 2005.

The following observations are not meant as criticism since the panel faced a difficult challenge and consisted of very knowledgeable and dedicated members assisted by skilled consultants and staff.

A uniform sales tax will be recommended at a rate of about a quarter cent, with the proceeds dedicated to WMATA. This will be characterized as a new and dedicated regional source of funding so that the incidence of the tax by jurisdiction can be ignored. The boundaries of the taxation district would include only current compact members, excluding Loudoun County.

If one does examine the incidence by jurisdiction, almost half of the tax (48%) would be collected in Virginia, whereas Virginia's allocated share of the costs is less than 25 percent. One panelist (from D.C.) opined that "the world has changed and Virginia should be prepared to pay more" than when the cost allocation formulas were originally negotiated. Others added that the District could never agree to maintain the current formulas into the future.

The gap to be filled by the new tax is an average of about \$300 million annually but with a range from about \$3.5 to \$450 million. This is only a modest portion of WMATA's total funding needs. To compute the gap, steady growth in local subsidies is assumed (although a new scenario is to be included in an appendix in which the local subsidy is capped at the current level). Fares are assumed to grow enough to maintain the current 57 percent cost recovery ratio. Assuming 5.3 percent annual growth in local subsidies does narrow the financial funding gap to be addressed by the new regional tax but does not resolve the financial pressure on local governments. Since the state of Maryland pays all of Maryland's share of WMATA's costs, but in Virginia the local governments pay

most of Virginia's share, the choice to not address the entire WMATA budget has greater consequences for local taxpayers in Northern Virginia.

Metro Access costs are forecast to double to 12% in 2015 from 6% in 2005 of WMATA's operating budget, but the panel does not address this issue, arguing that it is a societal obligation that should be funded from non-transportation sources. In Virginia, this funding obligation could continue to fall on the local governments as well.

The panel assumed that the federal government would pay half of the gap, since federal employees comprise almost half of the peak period Metrorail riders. Since existing federal transit programs do not provide for such payments, such a contribution would come from general revenues and per capita federal income tax payments in Northern Virginia probably exceed those of Maryland and D.C., again raising the issue of the relative impact of the panel's recommendations on each jurisdiction.

The panel also agreed to deduct Dulles corridor operating costs from the gap, leaving that funding to be solved by others. But the Dulles corridor financial plan provides for Virginia jurisdictions to cover capital costs while assuming that operating costs will be shared by all jurisdictions, just as Virginia is paying its full share of the operating costs of Metrorail extensions in other jurisdictions. And, as the Dulles project comes online, Virginia's share of total WMATA costs will rise under the existing allocation formulas. This is because the funding formulas are dynamic and include factors such as population, ridership and stations. Excluding Dulles operating costs from the gap means Virginia's disproportionate revenue contributions won't be counted toward its rising share of WMATA's remaining costs. Consequently, the implications of this decision by the panel should be considered carefully.

From the range of revenue alternatives that were considered, a minority of members favored a payroll tax (also applied to federal employees) and one member called for assessments on commercial property. Gas taxes and parking fees were eliminated from further consideration, although one member argued that parking fees could be conveniently levied as property tax surcharges. One member called for a new institutional structure with a funding agency to administer the new funding. Also, one member argued that the federal government would insist on joining WMATA's board, but the panel strongly voted down any such discussion in its report.

In summary, the panel has tried to be realistic in some ways by taking only a small step toward complete regional dedicated funding (thereby only partially scrapping WMATA's carefully negotiated cost allocation formulas), rather than recommending a complete and immediate transformation. But it has also tried to transcend political reality by calling for 50 percent federal funding of the gap and

emphasizing that as citizens of the region we should discount the fact that the incidence of the new tax falls disproportionately on Virginia.

Recognizing that in November, 2002 Northern Virginia's voters did not agree to impose a half-cent sales tax whose proceeds would stay entirely in Northern Virginia, it is difficult to imagine that the General Assembly would impose such a tax now with a disproportionate burden on Virginia to be dedicated to WMATA.

In considering how to react to these recommendations when they are released, NVTC's member jurisdictions may want to consider alternatives. In one approach, the proceeds of the tax could go to the jurisdictions (or NVTC in Virginia), not directly to WMATA. New funds would then be used to pay WMATA bills just as with the existing NVTC two percent gas tax which is already dedicated to WMATA. To fund the entire gap in D.C. and Maryland, a larger uniform tax rate would be needed but since the gap only comprises a small portion of WMATA's total costs, the fact that Northern Virginia's proceeds would yield more than the minimum target should not be a problem. This approach would involve the least change to the panel's recommendation.

Another alternative might be to allow differential sales tax rates in each jurisdiction to match WMATA's current cost allocation shares. Or, a menu of funding alternatives could be offered to each jurisdiction to recognize the different implementation prospects in each jurisdiction.

The greatest danger in the current recommendation of a uniform tax rate across all jurisdictions is that the excellent work of the panel, including findings of serious WMATA financial needs, strong performance and substantial benefits, will be overshadowed by the very obvious result that Virginia would be required to pay twice as much of the funding gap as it would pay under the existing allocation formulas.

January 6, 2005

David Robertson
Executive Director
MWCOG
777 North Capitol Street, NE, #300
Washington, DC 20002-4239

Re: Comments on the Report of the Blue Ribbon Panel on
Metro Funding.

Dear Mr. Robertson:

NVTC is the agency charged with appointing WMATA's board members from Virginia. We receive the proceeds of Virginia's existing two percent tax dedicated to WMATA and also receive tens of millions of dollars from other sources to help our jurisdictions pay their allocated WMATA costs. The deadline of the Blue Ribbon Panel did not allow our commission to vote on a set of comments, so we are transmitting to you a short statement developed by NVTC and jurisdiction staff and adopted by the full commission.

We applaud the dedication and skill of the Panel in compiling a draft report filled with important facts, findings and recommendations about WMATA's financial future. Unfortunately, the report has a fatal flaw that, in our view, will make it unlikely that local jurisdictions and General Assembly members in Virginia will be able to support the recommendations. We do have an easy remedy, however.

The obvious flaw is that Virginia's allocated share (about 24 percent) of the funding gap identified by the Panel is only half as great as the revenue to be collected in Virginia from the tax it recommended (about 48 percent). In other words, the Panel is recommending that the carefully negotiated WMATA cost allocation formulas be scrapped for the portion of WMATA's needs it identified. The formulas remain in place for most of WMATA's total needs and the dynamic factors in those formulas (e.g. ridership, population,

stations) will tilt the allocation more heavily to Virginia in the future. In effect, the Panel is asking Virginia to pay twice its share for the funding gap while it is removing a likely revenue source from Virginia's arsenal that otherwise could be used to cover its growing share of WMATA's remaining costs.

The Panel's decision to combine recommendations on sources of funds (part of its mission) with a sharp change in WMATA's method of allocating costs (not part of its mission) will make it much easier for critics to steer the public discussion toward unfairness for Virginia instead of shining the spotlight on the need for more revenue to meet Metro's crucial needs.

We do have a solution to offer. The Panel could have simply specified that the proceeds of the new dedicated uniform regional tax will go in the first instance to the jurisdictions in which the tax is collected to be used as a dedicated source of revenue to pay WMATA's costs allocated using the existing formulas. This is exactly the approach used currently for NVTC's own two percent motor fuels tax, which is dedicated to WMATA.

Please feel free to contact me with any questions.

Sincerely,

William Euille
NVTC Chairman

cc: NVTC Commissioners
NVTC Jurisdictions
Secretary Whittington Clement

December 17, 2004

David Robertson
Executive Director
Metropolitan Washington Council of Governments
777 North Capitol Street, NE, Suite 300
Washington, DC 20002

Robert Peck
President
Greater Washington Board of Trade
1727 Eye Street, NW, Suite 200
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Executive Vice President
Federal City Council
1156 Fifteenth Street, NW, Suite 600
Washington, DC 20005

Gentlemen:

I am pleased to transmit the Draft Report of the Panel on the Analysis of and Potential for Alternate Dedicated Revenue Sources for WMATA, reviewed and authorized on December 14. This draft has been disseminated this date for public comment. A final report, including public comment, will be published on January 6, 2005.

The Panel would like to thank the three sponsoring organizations for advancing the critical issue of dedicated funding for WMATA and their support for the Panel. In the three months since its creation, the Panel has formally met six times, and has communicated substantively a number of times informally. It has been well served by Mort Downey, its professional staff director, by representatives of the three sponsoring organizations, and by representatives of the Brookings Institution, GAO, Congress, the Department of Transportation, and WMATA, itself.

Among the primary findings, conclusions, and recommendations of the Draft Report are:

- There is, and will continue to be, an expanding shortfall of revenues available to address both capital needs and operational subsidies of the Metrorail and Metrobus systems.
- Federal needs require the federal government to significantly participate in addressing these shortfalls, particularly for capital maintenance and system enhancement.
- The compact jurisdictions of Maryland, Virginia, and the District of Columbia should mutually create and implement a single regional dedicated revenue source to address these shortfalls.

- The most viable dedicated revenue source that can be implemented on a regional basis is a sales tax.
- Federal and regional authorities should address alternate methods of funding MetroAccess, or paratransit, needs of the region.

These issues and many others are addressed in detail in the Panel's report and supporting documentation.

At its December 14 meeting endorsing the draft report, the Panel agreed to circulate the report for public comment through December 31. Comments may be submitted to the Panel in writing or online through the COG web site, www.mwcog.org. The Panel will release the report and a summary of public comments at a press conference tentatively scheduled for January 6. The Panel also urged that the co-sponsoring organizations --- COG, the Greater Washington Board of Trade, and the Federal City Council --- advance the work of the Panel by aggressively advocating on behalf of the Panel's findings, conclusions and recommendations and take a lead role in building a coalition to support a dedicated revenue source for WMATA.

Members of the Panel are gratified for this opportunity to advance public discussion and consideration of a potential solution to the critical needs of Metropolitan Washington's most important regional resource. We stand behind the efforts of our sponsors to convince Washington area citizens and businesses, and the governments of Maryland, Virginia, and the District of Columbia, as well as Congress and the Executive Branch to create a dedicated funding source for WMATA.

Sincerely,

Rudolph G. Penner
Chairman
Panel on the Analysis of and Potential for
Alternate Dedicated Revenue Sources for WMATA

Report of the Metro Funding Panel

**FINAL DRAFT FOR PUBLIC RELEASE
AND COMMENT**

December 17, 2004

**Sponsors: Metropolitan Washington Council of Governments
Federal City Council
Greater Washington Board of Trade**

DRAFT – December 17, 2004

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Introduction

After a quarter century, Metro is succeeding beyond expectations in ridership, has become an integral part of the region, and yet is literally falling apart. The idea was visionary, but its successful execution has been hampered by an outmoded funding arrangement. To review this issue, the Panel on Metro Funding (Panel) was formed in September 2004 by the Metropolitan Washington Council of Governments (COG), the Greater Washington Board of Trade (BOT) and the Federal City Council to examine dedicated funding for the Washington Metropolitan Area Transit Authority (WMATA or Metro). It operates under a charter from the Board of Directors of COG with a mission to research funding options for the region's major public transit operator and report to its sponsors and to the elected officials of the District of Columbia, Maryland and Virginia.¹ This report is intended to fulfill the Panel's responsibility to review underlying financial and legal assumptions, catalog and analyze potential dedicated revenue sources, and provide findings and recommendations on their legal and financial feasibility.

This effort was undertaken in response to the substantial ongoing operating and capital funding shortfalls experienced by WMATA as it operates, maintains, renews and expands the region's major public transportation assets, including the Metrorail and Metrobus systems. The Panel's 13 voting members and 2 federal observers who did not participate in the Panel's votes provide expertise in economics, political science, public finance and regional transit.² The Panel's work included review of already published studies³, collection of data from WMATA and preparation of specific analyses by the Panel staff. Particular focus was put on the comparison of WMATA's financial structure with those of comparable transit agencies around the country. Much of this work is reflected in this report, including copies of key material provided for the Panel. The Panel held six public meetings between October and December 2004, including one with opportunity for public comment. The report also was circulated before publication to allow further stakeholder comment.⁴

The Panel concludes that WMATA's transportation services play a vital role in the economic and social life of the Washington region. In addition to its important role in carrying federal employees to and from work, it is a key component of the region's emergency response system. Continued success in this role is at material risk by failure to invest adequately in the system's capital needs and to provide funding for critical operating requirements with a resulting decline in the system's condition and unacceptable levels of performance. WMATA's current financing mechanism, focused on annual commitments by participating jurisdictions for funding needs, is a factor in such decline. Projecting forward with reasonable assumptions as to fare increases and subsidy growth, there is a shortfall totaling \$2.4 billion over the next ten years, mainly in

¹ See Appendix A for the Panel charter.

² See Appendix B for the biographies of Panel members.

³ See Appendix C for a list of prior studies.

⁴ See Appendix D for a summary of public comments received at the meeting and submitted before publication.

funds for necessary capital investment. Timely action on the recommendations in this report is critical. WMATA has in place interim capital revenues that will cover their needs for the next year or two. They have proposed a balanced operating budget for the next fiscal year. The funding gaps they face will grow rapidly after 2007. The region needs to use this window of relative stability to assure that WMATA has the long term funding it needs for the rest of the decade so that necessary investments can be planned and financed to maintain a quality service.

Accordingly, the Panel recommends that elected officials in the region take immediate steps to provide a significant degree of dedicated funding for Metro on a regional basis. Such dedicated funding will allow a greater degree of advance planning for system needs and support the management actions needed to turn these plans into reality. While maintenance of current local, state and federal effort will be needed, new sources of dedicated funding will assure that the system can continue to maintain a state of good repair while meeting growing demand for its services. In addition, the Panel recommends that the federal government play a greater continuing role in the support of Metro, given the significant contribution of Metro transportation services to the effective functioning of the government as well as the substantial environmental, economic and social benefits Metro service creates for the National Capital Region.

Key Findings, Recommendations and Conclusions

The Panel finds that the development of Metro and implementation of its rail and bus services have had positive measurable effects the Washington Metropolitan Region—development, economic growth and environmental enhancement. A variety of benefits are enjoyed by all those have helped pay WMATA's costs over the years, including the federal, state and local governments, regional businesses and the region's citizens. All those beneficiaries have shared in the development and operation of the system, with those costs divided fairly equally among the federal government, the riders and the state and local jurisdictions (see chart on page 36). Sustaining this progress will be important to the region's future.

Commitments of new resources will be required if this progress is to continue. The Panel finds that, even with reasonable assumptions about maintenance of effort by the federal, state and local governments, and a continued level of farebox support that exceeds that in most metropolitan areas, WMATA's finances are insufficient to insure continued effective Metrorail and Metrobus service. Particularly disturbing is the lack of sufficient capital funding to sustain the existing system and support an enhancement of services to meet growing demand. There is also a need for additional operating support, dependent in part on the level to which the region maintains the subsidy formulas now in place.

In addition to needs of an expanding Metro system, the Panel concludes that the expenses for MetroAccess the door-to-door transportation service operated by WMATA for the benefit of the region's disabled population are a significant and rapidly growing portion of the projected gap in Metro's operating results. The Panel finds that MetroAccess is an essential service to its users, but that the needs of this service should be met from other than transportation system revenues. It has therefore not included these needs in its consideration for uses of dedicated revenue, but views the projected \$1.1 billion project shortfall in MetroAccess funding through 2015 as an urgent matter that requires the attention of the federal government, WMATA and the entire region. To include the MetroAccess subsidy as part of the gap to be met from WMATA resources would unduly burden riders of the core system with this added expense.

Compounding the need for resources is the fact that very little of the WMATA budget has any level of year-to-year assurance. Most regional transportation agencies around the country derive a significant level of their support from regionally dedicated revenue sources. As shown in Appendix G, 22 of the nation's largest transit systems have a greater degree of dedicated tax revenue than does Metro. Western cities such as Los Angeles, Houston or Seattle derive more than half their budget in that way. Comparable Eastern cities such as New York, Boston, and Chicago have tax support in the 20% to 30% range. The Panel finds that WMATA would benefit significantly from similar treatment.

The mix of sources and shares for future WMATA support has been and will continue to be the subject of discussion by elected officials and the public in the region, but the time

for definitive action is now. Present operating and capital arrangements have created a short period of stability, but more permanent arrangements should be put in place soon if Metro is to avoid a downward spiral in its condition and performance. Transit systems that have entered into such a spiral find it difficult and expensive to recover. The failure to act promptly would have severe consequences on the region's economy and security.

The many parties who benefit from the existence of quality Metro service should share in those costs. The Panel identifies a number of revenue measures which could meet these needs. It finds that the federal government, whose workforce is the mainstay of Metro ridership, is the largest single beneficiary of this service and should continue to share in the costs of the system. State and local governments and riders (both residents and visitors) will contribute to meeting the system's needs, but the Panel finds the need for some dedicated revenues to assure that the projected WMATA gaps are closed, whether through new taxes or dedication of existing ones.

In light of the regional nature of Metro service and wide distribution of benefits received from that service, the Panel believes that revenue measures would most appropriately be enacted at a regional level rather than allocated among the jurisdictions.

Ultimate consideration of these revenue measures is the province of federal, state and local elected officials, and successful execution of a plan in the interests of the region will fall to the WMATA Board. The Panel notes that similar efforts around the country have succeeded, especially when there is clarity as to what will be accomplished and a rational basis of management accountability to the public for service and results. The passage of referenda to fund transportation improvements in areas as diverse as Phoenix, Denver, San Diego or Austin, as well as the overwhelming support for Metro bond financing in Arlington and Fairfax shows the degree of voter support when tangible results are offered. (See Appendix L). The Panel also notes the concerns that have been raised in recent months about WMATA's management culture and effectiveness, as is aware of steps management is taking to achieve a higher standard of results. These steps are timely and necessary. Progress in this regard will be critical in achieving public acceptance of the need for new revenues.

Based on these findings, the Panel concludes and recommends as follows:

1. The Compact jurisdictions of Maryland, Virginia, and the District of Columbia should mutually select, authorize, and implement a regional dedicated revenue source sufficient to address the projected shortfall for capital maintenance and system enhancement necessary to service the public transit needs of those persons living in, working in, and visiting the area of the WMATA Compact. This regional dedicated revenue source would be significantly less if the federal government participates in proportion to the benefit it receives.

2. The most desirable, workable, and acceptable dedicated revenue source that the compact jurisdictions can utilize, particularly since it captures funds not only from regional residents but from visitors to the area, is an increase of the sales taxes applicable to the area covered by the compact. The Panel recommends that a sales tax increase of 0.50% (½ of one percent) applicable to goods and services sold within the Compact area would be sufficient to meet the projected shortfall. This amount would be reduced to as little as 0.25% (¼ of one percent) if the federal government participates as strongly as the Panel believes it should. Jurisdictions would have the option of reducing their current sales tax level so as not to generate a net tax increase if their fiscal circumstances permitted. There is also the option of enacting a higher level of tax to substitute for increased local contributions necessary under the current allocation formulas. The Panel offers that option as one which local elected officials might consider. Localities are also urged to take whatever actions they deem appropriate to reduce the impact of such increases on those less able to pay. In this regard, the Panel notes that the provision of good transit service is a policy with strong positive outcomes for lower income and other transit dependent residents.

3. Fare increases should be implemented in a way that maintains the current farebox operating ratio averaging 57%, while taking into account the need to maintain healthy ridership levels.

4 The federal government should participate significantly in addressing the projected shortfall for capital maintenance and system enhancement, since Metro service is a critical service for effective federal operations. A significant portion of the federal workforce uses the service to and from work at locations convenient to Metro stations. Metro is a critical component of the homeland security response system for our nation's capital, as well as a service to the capital's many visitors. For purposes of financial projections and analyses, the Panel identified a federal participation level of up to fifty percent of the projected shortfall, subject to future negotiations as to appropriate shares and sources.

5. If the Compact jurisdictions conclude that a regional sales tax is not the most financially and politically viable dedicated revenue source, the Panel recommends that the compact jurisdictions mutually select, authorize, and implement a regional payroll tax, mutual and equivalent increases in ad valorem property taxes, or a

special real property assessment based upon accessibility to mass transit in sufficient amount, together with federal contributions, to meet the WMATA shortfall.

6. With respect to MetroAccess, the Panel recommends a concerted effort, perhaps involving the formation of a new panel with expertise on this issue to focus on existing federal, state and local social service funding. The Panel agrees with the importance of this service but not with the premise that its financing is solely a WMATA burden. The Panel views this as a societal expense that should be borne through social service funding rather than as a transportation cost.

Defining WMATA's Needs

In support of the Panel's work, WMATA was asked to provide multi-year forecasts of its capital and operating needs. These forecasts, summarized below, were the basis for the Panel's considerations. In line with its charter, the Panel did review the underlying assumptions in the WMATA forecasts and offered its views on certain key issues. The assumptions that underlie the forecasts are shown in Table 1.

Table 1
Blue Ribbon Panel Assumptions

Operating

- **Minimum Cost Recovery** – WMATA will maintain a combined 57% cost recovery for Metrobus and Metrorail
- **MetroAccess Subsidies**—not included pending review by others of funding policies and opportunities.
- **“Maintenance of Effort”** – State/local contributions to meet WMATA's base system subsidy requirements for the current system and extensions (~5.3% growth per year).
- **Mix of Dedicated Revenues and New Federal Funding** – A mix of new funds sufficient to cover the subsidy requirements of core capacity enhancement projects - \$501M (\$61M/Year FY08-FY15)
- **Optional Case**-An additional amount of new funding to permit “capping” of state/local subsidy requirements.

Capital

Funding Requirements

- Metro Matters Program (FY05-10) \$3.3B to meet renewal needs, provide 120 additional rail cars, 185 buses
- “Maintenance of Effort” (FY11-FY15) \$2.2B – continue core system renewal
- Mix of Dedicated Revenues and New Federal Funding -\$1.88B or (\$235M/year FY08-FY15) to meet remaining capital program needs.

Capital Projects

- Balance of Metrorail system included in ongoing renewal program
- 130 Rail Cars supported by power and facilities to permit 75% of all trains to operate as 8-car consists, utilizing 90% of Metrorail design capacity.
- Station Enhancements (additional elevators/escalators, expanded mezzanines, etc.) at Union Station, Gallery Place, and Metro Center
- Station Connections (Farragut North to Farragut West; Gallery Place to Metro Center)
- Bicycle/Pedestrian Improvements at approximately 25 stations
- 275 Buses and 3 Bus Garages (2 new, 1 replacement)
- 140 Miles of Bus Corridor Improvements

Total Dedicated/New Federal Funding-Operating and Capital

- Total funding shortfall of \$2.36B between FY2008 and FY2010 (~\$296M/Year).
- To be met by a combination of new dedicated revenues enacted at the state and local level and a new commitment of federal funds. For analytical purposes, allocated 50/50

Table 2: Projected Operating Requirements Through 2015 Under Baseline Assumptions

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
FY2005 to FY2015 Operating Requirements												
Revenue												
Base System	\$ 534.5	\$ 552.5	\$ 567.0	\$ 581.3	\$ 596.1	\$ 611.2	\$ 622.4	\$ 633.6	\$ 645.1	\$ 656.9	\$ 668.8	\$ 6,669.5
Capacity Enhancement	\$ -	\$ 2.0	\$ 4.1	\$ 6.5	\$ 9.8	\$ 15.2	\$ 15.3	\$ 20.3	\$ 25.3	\$ 31.6	\$ 38.3	\$ 168.5
Extensions	\$ -	\$ -	\$ 0.3	\$ 0.4	\$ 0.4	\$ 0.4	\$ 24.9	\$ 25.5	\$ 26.4	\$ 27.2	\$ 54.4	\$ 159.8
Fare Action	\$ -	\$ -	\$ 4.0	\$ 26.8	\$ 43.4	\$ 56.9	\$ 81.6	\$ 101.3	\$ 122.0	\$ 161.5	\$ 192.9	\$ 790.4
Subsidy	\$ 354.5	\$ 398.0	\$ 422.2	\$ 441.5	\$ 459.4	\$ 475.6	\$ 519.6	\$ 535.7	\$ 553.2	\$ 553.1	\$ 595.9	\$ 5,308.7
Total	\$ 889.0	\$ 952.6	\$ 997.6	\$ 1,056.5	\$ 1,109.1	\$ 1,159.3	\$ 1,263.7	\$ 1,316.4	\$ 1,372.1	\$ 1,430.2	\$ 1,550.4	\$ 13,096.9
Expense												
Base System	\$ 889.0	\$ 950.3	\$ 991.5	\$ 1,047.7	\$ 1,096.9	\$ 1,141.7	\$ 1,187.3	\$ 1,234.8	\$ 1,284.5	\$ 1,336.1	\$ 1,389.7	\$ 12,549.5
Capacity Enhancement	\$ -	\$ 5.2	\$ 16.0	\$ 29.0	\$ 40.5	\$ 55.4	\$ 57.1	\$ 73.7	\$ 89.9	\$ 140.2	\$ 162.4	\$ 669.3
Extensions	\$ -	\$ 0.3	\$ 2.0	\$ 2.3	\$ 2.4	\$ 2.4	\$ 61.1	\$ 61.3	\$ 62.2	\$ 62.5	\$ 122.4	\$ 378.9
Total	\$ 889.0	\$ 955.8	\$ 1,009.5	\$ 1,079.0	\$ 1,139.8	\$ 1,199.5	\$ 1,305.5	\$ 1,369.8	\$ 1,436.6	\$ 1,538.8	\$ 1,674.5	\$ 13,597.7
Funding Shortfall	\$ -	\$ 3.2	\$ 11.9	\$ 22.5	\$ 30.7	\$ 40.2	\$ 41.8	\$ 53.4	\$ 64.5	\$ 108.6	\$ 124.1	\$ 500.8
Total	\$ -	\$ 3.2	\$ 11.9	\$ 22.5	\$ 30.7	\$ 40.2	\$ 41.8	\$ 53.4	\$ 64.5	\$ 108.6	\$ 124.1	\$ 500.8
Additional Funding Requirements												
MetroAccess												
Revenue	\$ 4.0	\$ 4.9	\$ 6.0	\$ 7.3	\$ 9.0	\$ 11.0	\$ 13.5	\$ 16.5	\$ 20.2	\$ 24.7	\$ 30.2	\$ 147.1
Expense	\$ 51.7	\$ 51.1	\$ 56.7	\$ 71.4	\$ 90.1	\$ 114.0	\$ 129.6	\$ 147.2	\$ 167.3	\$ 190.2	\$ 216.1	\$ 1,285.3
Shortfall	\$ (47.7)	\$ (46.2)	\$ (50.7)	\$ (64.0)	\$ (81.1)	\$ (103.0)	\$ (116.1)	\$ (130.8)	\$ (147.2)	\$ (165.5)	\$ (185.9)	\$ (1,138.2)

Source: WMATA

Table 3: Projected Capital Requirements

FY2005 - FY2015 Capital Requirements

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Capital Revenue												
State/Local	\$ 102.5	\$ 132.0	\$ 141.7	\$ 164.8	\$ 178.7	\$ 198.0	\$ 203.5	\$ 209.1	\$ 214.8	\$ 220.7	\$ 226.8	\$ 1,992.4
Federal Formula	\$ 159.4	\$ 173.3	\$ 183.6	\$ 195.1	\$ 210.2	\$ 227.3	\$ 233.5	\$ 240.0	\$ 246.6	\$ 253.3	\$ 260.3	\$ 2,382.4
Federal Discretionary	\$ -	\$ -	\$ 65.0	\$ 65.0	\$ 65.0	\$ 65.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 260.0
IGF	\$ 31.3	\$ 13.7	\$ 19.7	\$ 6.0	\$ 6.0	\$ 6.0	\$ 6.0	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 93.9
Debt Issuance	\$ 48.2	\$ 154.6	\$ 201.4	\$ 115.4	\$ 56.6	\$ 34.6	\$ 0.0	\$ 8.3	\$ 78.8	\$ 52.3	\$ 30.1	\$ 780.5
Total	\$ 341.3	\$ 473.7	\$ 611.3	\$ 546.2	\$ 516.5	\$ 530.9	\$ 443.0	\$ 458.6	\$ 541.5	\$ 527.6	\$ 518.5	\$ 5,509.2
Capital Expense												
Metro Matters	\$ 341.3	\$ 473.7	\$ 611.3	\$ 546.2	\$ 516.5	\$ 530.9	\$ 252.4	\$ 184.2	\$ 131.8	\$ 81.1	\$ 70.0	\$ 3,739.4
Infrastructure Renewal Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 435.0	\$ 435.0	\$ 435.0	\$ 435.0	\$ 435.0	\$ 2,175.0
Capacity Expansion	\$ -	\$ -	\$ -	\$ 84.2	\$ 84.2	\$ 84.2	\$ 84.2	\$ 278.4	\$ 278.4	\$ 278.4	\$ 278.4	\$ 1,450.5
Total	\$ 341.3	\$ 473.7	\$ 611.3	\$ 630.4	\$ 600.6	\$ 615.1	\$ 771.5	\$ 897.6	\$ 845.2	\$ 794.6	\$ 783.4	\$ 7,364.8
Shortfall												
IRP Shortfall	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (244.3)	\$ (160.5)	\$ (25.3)	\$ -	\$ -	\$ (430.1)
Capacity Shortfall	\$ -	\$ -	\$ -	\$ (84.2)	\$ (84.2)	\$ (84.2)	\$ (84.2)	\$ (278.4)	\$ (278.4)	\$ (278.4)	\$ (278.4)	\$ (1,450.5)
Total	\$ -	\$ -	\$ -	\$ (84.2)	\$ (84.2)	\$ (84.2)	\$ (328.5)	\$ (439.0)	\$ (303.7)	\$ (278.4)	\$ (278.4)	\$ (1,880.6)

Source: WMATA

number of specific steps that can be explored with each level of government and with the agencies responsible for social services. A number of these options are discussed in an appendix to this report.¹¹ Consideration might also be given to the creation of a special entity to keep focus on the cost and service implications of paratransit.

- *Replacement of Current Subsidies with Dedicated Revenues:* While the Panel focused primarily on closing the gap between WMATA's revenues and expenses, it recognizes that elected officials, in considering a new dedicated revenue, might wish to substitute that revenue for some of the general fund operating contribution now provided to WMATA from the jurisdictions. Therefore, the Panel has included estimates of the tax levels necessary to "cap" the overall local subsidy contributions at either the dollar level expended in 2005 or at a level of 3.5% per year increase, consistent with recent history of subsidy growth. Such a substitution would add even more fiscal stability to WMATA albeit at the expense of a higher tax level and a redistribution of the subsidy shares around the region.

Based on these assumptions by the Panel, the residual need for funding is shown in Table 4 below, totaling \$500.8 million in operating shortfall and \$1,880.6 million in capital shortfall over the period through 2015.

Table 4: WMATA Total Shortfall Through 2015

<i>WMATA Projected Shortfall Assuming No Special Federal Participation (\$M)</i>											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Operating Shortfall	\$3.2	\$11.9	\$22.5	\$30.7	\$40.2	\$41.8	\$53.4	\$64.5	\$108.6	\$124.1	\$500.8
Capital Shortfall	\$0.0	\$0.0	\$84.2	\$84.2	\$84.2	\$328.5	\$439.0	\$303.7	\$278.4	\$278.4	\$1,880.6
Total Shortfall	\$3.2	\$11.9	\$106.7	\$114.9	\$124.4	\$370.3	\$492.4	\$368.2	\$387.0	\$402.6	\$2,381.4

Notes: Excludes MetroAccess costs and includes operating costs for the Dulles Extension and Anacostia Light Rail.

Excluding the early years in which the gaps are small, the average need during the period FY2008-FY2016 is approximately \$296 million. The Panel recommendations are intended to define federal, state and local sources of revenue and meet a gap of this magnitude over the period through 2015. To summarize, this shortfall takes into account the unfunded need for capital to renew and increase capacity of the system, as well as the net operating shortfall of the expanded system. It assumes that a fare recovery ratio comparable to today's ratio will be maintained, and that subsidy contributions continue with moderate growth. It does not include the unfunded costs of MetroAccess or the capital costs of the specially funded extension programs.

¹¹ See Appendix J-Findings of the Metro Regional Task Force on Paratransit Service.

In general, the fee levels are relatively small, given the fact that only \$148 million per year is being raised region-wide. For example, if a sales tax were chosen, a rate of approximately 0.25% would generate \$148 million a year. The table also shows the amounts that would be needed if only the average annual capital shortfall of \$118 million were to be closed by the new revenue source, making the levies proportionally lower. On the other hand, as noted above, if a policy decision were reached both to fund the shortfalls and to replace some or all of the present operating contributions, the rate would be much higher. If regional officials were to determine that a greater proportion of WMATA's operating subsidy should be provided from the dedicated revenue source, additional tax revenues would be required.

**Table 5: Local Revenue Sources to Close WMATA Shortfall
(Assumes 50% Federal Contribution)**

<i>Preliminary Estimates of Potential WMATA Dedicated Revenue Sources (Current WMATA Compact Area)</i>		
	Region-Wide Fee Level Required to Meet the Average Total Shortfall of \$148M	Region-Wide Fee Level Required to Meet the Average Capital Shortfall of \$118M
Access Fee ¹	\$0.30/square foot/year	\$0.24/square foot/year
Gas Tax ²	\$0.111/gallon	\$0.088/gallon
Property Tax ³	\$0.0344 per \$100 of assessed value	\$0.0274 per \$100 of assessed value
Parking Tax ⁴	\$0.59/day (\$147/year)	\$0.48/day (\$121/year)
Payroll Tax ⁵	0.16% (\$58/employee/year)	0.13% (\$46/employee/year)
Sales Tax ⁶	0.25%	0.20%

Notes: Average calculation based on years 2008 to 2015. 2006 and 2007 are considered outliers due to significantly lower shortfall requirements. By including 2006 and 2007 in the calculation the average total shortfall would be \$120M and the average capital shortfall would be \$94M. Excludes MetroAccess costs and includes operating costs for the Dulles Extension and Anacostia Light Rail. Loudoun County, while in the WMATA Compact, has been excluded from the analysis due to lack of rail service until at least 2015.

¹ Includes 395M square feet of federal (170M sf) and commercial (209M sf) space and hotels (16M sf) in areas that are broadly served by the Metrorail system. Fees are estimated to grow 2.88% annually based on historical inflation. New building equivalent to 1% annual growth assumed.

² Based upon a 2010 forecast of the annual vehicle miles of travel in the area and applying the estimated fuel economy for cars/light trucks of 24 mpg, an estimated 1.3 billion gallons will be consumed. Assumes 325 days of vehicle use per year.

³ Property Tax (rate per \$100 of assessed value) in addition to and collected on parity with existing property taxes on residential and commercial real estate. Tax assessed on entire compact area, assumes 2.7% average annual growth of property values, based on historical assessed value growth.

⁴ It is assumed that users will pay the fee. Based upon an analysis using the regional travel model, is estimated that about 1.15 million commuter parking spaces will be utilized and pay the fee. The costs of increased transit service to accommodate the additional demand was estimated at about \$40 million per year, which reduces the net revenues. Additional revenue from increased transit service is estimated to be half of the associated cost, or \$20 million. Fees are estimated to grow 2.88% annually based on historical inflation.

⁵ Based on COG Round 6.3 total employment forecast for 2000 to 2015 for the Compact Area, averaging 1.4% annual growth. Employment is stratified into income categories based on median household income data for the Compact Area, obtained from the US Census. Individual's annual income below \$15,000 and above \$100,000 is not taxed. Annual income growth of 2.88% is assumed based on historical inflation.

⁶ Taxable sales base estimates based on historical tax revenue and tax base data from counties and cities in the WMATA Compact Area.

To "cap" the contributions at their 2005 level would require that the dedicated tax amount increase from the \$148 million per year assumed above to a level of \$310 million. At this level, federal contributions would be covering one-half the basic shortfall, while local contributions finance the other half plus the capping of subsidy. A sales tax of approximately 0.50% would be required. An intermediate option would be to cap the

the need in the early years and fall short in the later ones, under the assumption of a robust federal contribution. If a larger levy were applied because of a federal shortfall or in order to shift subsidy costs from the jurisdictional formula, the result would be the same for the larger amount. However, the total revenues over the ten-year period, if the tax is enacted in 2006, are more than adequate to cover the needs and provide for a transition into the next ten years.

The adequacy of the new revenue beyond 2016 will depend on factors such as the growth of WMATA's costs and needs as compared with the growth of the base for the tax. Similarly, period adjustments would be necessary to any federal contribution.

Table 7: Projected Sales Tax Revenues

<i>Preliminary Estimates of a Potential Dedicated 0.25% Sales Tax Assuming 50% Special Federal Participation</i>										
(\$ millions)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Annual Need	\$1.6	\$5.9	\$53.3	\$57.5	\$62.2	\$185.1	\$246.2	\$184.1	\$193.5	\$201.3
Annual Revenue	\$117.3	\$122.1	\$127.2	\$132.5	\$138.0	\$143.7	\$149.7	\$155.9	\$162.5	\$169.2
Annual Surplus/(Deficit)	\$115.7	\$116.2	\$73.8	\$75.0	\$75.8	(\$41.4)	(\$96.5)	(\$28.1)	(\$31.0)	(\$32.0)
Fund Balance	\$115.7	\$231.8	\$305.7	\$380.7	\$456.5	\$415.0	\$318.6	\$290.4	\$259.4	\$227.3

Note: Taxable sales base estimates based on historical tax revenue and tax base data from counties and cities in the WMATA Compact Area (excluding Loudoun County).

Region-Wide vs. Local Implementation

In the Panel's charter, it was also asked to consider whether the revenue sources contemplated would be appropriate for enactment on a "mix and match" basis, with each jurisdiction selecting its own preferred options. As noted above, the Panel recommends strongly that a regional solution is the most desirable outcome, given the interconnected economy of the area and the broad importance of Metro. It is possible to allocate the costs of the system by jurisdiction and make some correlation with the places where revenues are generated. It is the panel's view that such a process would unduly prolong the debates that have occurred over decades about cost and benefit allocation. However, in light of the obvious interest in comparing the incidence of future taxation with the current system of allocating WMATA subsidy needs by jurisdiction, the Panel did generate analyses of the intra-regional impacts of various potential revenue sources. These estimates are contained in an appendix to the report.¹³

Federal Contribution

The Panel concludes that the case is strong for a special federal contribution towards the WMATA revenue gap. As noted above, the federal government and federal policy goals derive substantial benefit from the existence of the Metro system. Over the past 50 years, every Administration has supported a Metro system because of its essentiality to federal operations in the National Capital region.

¹³ See Appendix L "Intra-regional Distribution of Proposed Revenue Sources."

APPENDIX L

INTRA-REGIONAL DISTRIBUTION OF PROPOSED REVENUE SOURCES

In the Panel's charter, it was asked to consider whether the revenue sources contemplated would be appropriate for local enactment on a "mix and match" basis, with each jurisdiction selecting its own preferred options. As stated in the report, the Panel's firm view is that this would clearly be an unattractive outcome, possibly leading to results similar to the "stable and reliable" initiative in the early 1980's. It would be preferable, from the Panel's view to treat WMATA as a truly regional entity and provide for its needs as much as possible on a regional basis. To allow each jurisdiction to enact its own set of taxes requires that a "quota" of funding for each be established, rather than allowing the incidence of the activity being taxed across the region to drive the contributions. It would mean continued negotiation of the cost allocation formulas as the basis for revenue collection, recognizing that these formulas are likely to change as the system grows and matures (e.g., inclusion of additional mileage and stations as the Dulles extension comes on line.).

However, to facilitate the discussion of the issue, the Panel did review the implications of such a local choice approach. As shown in the tables below, the location where these revenues would be raised (District of Columbia, Maryland, and Virginia) as compared with the current allocation of operating subsidies under the current formula does vary on a tax-by-tax basis. The current complex formula involves factors such as miles of route, number of stations, population, density, etc. It has changed and will change as the system evolves. Especially large changes will occur as the extension of service to Dulles Airport and beyond comes on line. As shown in Table 1, the present subsidy distribution of 38.1% to the District of Columbia, 37.4% to Maryland and 24.5% to Virginia will tilt further in Virginia's direction.

Percentage Distribution of WMATA Operating Subsidy (Metrorail)

Timeframe	Washington DC	Maryland	Virginia
Current	32.9%	37.7%	29.4%
2011 (Operations to Wiehle Ave)	32.9%	36.0%	31.1%
2015 (Operations to Dulles & Beyond)	31.6%	34.2%	34.3%
2020 (Operations to Dulles & Beyond)	31.5%	34.3%	34.2%

Note: Includes allocation for the Metrorail system only

Taking these subsidy distributions as a template, the various revenue sources were allocated (where possible) to the jurisdiction from which they would be collected, as measured by current patterns to economic activity. It should be noted that, just as the system will grow, so will the patterns of collection. These estimates do not reflect the future allocation of taxes to Loudoun once that county becomes a paying member of the Compact.

With the exception of the access fee, each of the proposed taxes would shift the burden away from the District of Columbia towards the Maryland and Virginia suburbs. A separate table shows the allocation of the payroll tax from the point of view of employee work place as contrasted with employee residence.

Table 2: Estimated Geographic Distribution of Region-Wide Taxes

<i>Preliminary Estimates of the Geographic Distribution of Potential WMATA Dedicated Revenue Sources (Current WMATA Compact Area)</i>			
	District of Columbia	Maryland	Virginia
Access Fee	58%	22%	20%
Gas Tax	9%	49%	42%
Property Tax	16%	37%	47%
Parking Tax	16%	39%	45%
Payroll Tax	24%	36%	40%
Sales Tax	20%	32%	48%

Notes: Loudoun County, while in the WMATA Compact, has been excluded from the analysis due to lack of rail service until at least 2015. Parking tax federal distribution based on employment data.

An alternative perspective on regional distribution is provided by looking at the tax rates required within each jurisdiction to provide an allocated share of the WMATA shortfall. To undertake this analysis, it was assumed that the current distribution of subsidies, i.e., 38.1% to the District of Columbia, 37.4% to Maryland and 24.5% to Virginia would be the allocation, although that would likely change in the future. Based on those percentages, the share of the \$148 million annual average shortfall to be funded locally translates to \$57 million from the District, \$55 million from Maryland, and \$36 million from Virginia. The various potential revenue sources were then calculated in terms of the tax rate required in each area in order to meet the respective funding requirement. As shown in the table below, these rates vary substantially. The District would need a 44¢ gas tax in contrast of a rate of 7¢ in Virginia. A similar differential would exist for the sales tax—0.48% for the District vs. 0.13% in Virginia. In contrast, the access fee in the District would be 20¢ a square foot vs. 49¢ in Maryland. Presumably, in a “mix and match” case, each area would choose the tax most attractive from its own local consideration, although there then would be intra-regional competitiveness considerations created.

Table 3: Required Tax Rates for Local Contribution

<i>Preliminary Estimates of Potential WMATA Dedicated Revenue Sources (Current WMATA Compact Area)</i>			
\$148M Shortfall	District of Columbia	Maryland	Virginia
<i>Current WMATA Subsidy Allocation</i>	<i>38.1%</i>	<i>37.4%</i>	<i>24.5%</i>
Access Fee ¹	\$0.20/square foot/year	\$0.49/square foot/year	\$0.37/square foot/year
Gas Tax ²	\$0.444/gallon	\$0.084/gallon	\$0.065/gallon
Property Tax ³	\$0.0800 per \$100 of assessed value	\$0.0350 per \$100 of assessed value	\$0.0177 per \$100 of assessed value
Parking Tax ⁴	\$1.35/day (\$337/year)	\$0.54/day (\$135/year)	\$0.31/day (\$78/year)
Payroll Tax ⁵	0.22% (\$92/employee/year)	0.17% (\$70/employee/year)	0.11% (\$46/employee/year)
Sales Tax ⁶	0.48%	0.30%	0.13%

Notes: Average calculation based on years 2008 to 2015. 2006 and 2007 are considered outliers due to significantly lower shortfall requirements. By including 2006 and 2007 in the calculation the average total shortfall would be \$130M. Excludes MetroAccess costs and includes operating costs for the Dulles Extension and Anacostia Light Rail. Loudoun County, while in the WMATA Compact, has been excluded from the analysis due to lack of rail service until at least 2015.

¹ Includes 395M square feet of federal (170M sf) and commercial (209M sf) space and hotels (16M sf) in areas that are broadly served by the Metrorail system. Fees are estimated to grow 2.88% annually based on historical inflation. New building equivalent to 1% annual growth assumed.

² Based upon a 2010 forecast of the annual vehicle miles of travel in the area and applying the estimated fuel economy for cars/light trucks of 24 mpg, an estimated 1.3 billion gallons will be consumed. Assumes 325 days of vehicle use per year.

³ Property Tax (rate per \$100 of assessed value) in addition to and collected on parity with existing property taxes on residential and commercial real estate. Tax assessed on entire compact area, assumes 2.7% average annual growth of property values, based on historical assessed value growth.

⁴ It is assumed that users will pay the fee. Based upon an analysis using the regional travel model, is estimated that about 1.15 million commuter parking spaces will be utilized and pay the fee. The costs of increased transit service to accommodate the additional demand was estimated at about \$40 million per year, which reduces the net revenues. Additional revenue from increased transit service is estimated to be half of the associated cost, or \$20 million. Fees are estimated to grow 2.88% annually based on historical inflation.

⁵ Based on COG Round 6.3 total employment forecast for 2000 to 2015 for the Compact Area, averaging 1.4% annual growth. Employment is stratified into income categories based on median household income data for the Compact Area, obtained from the US Census. Individual's annual income below \$15,000 and above \$100,000 is not taxed. Annual income growth of 2.88% is assumed based on historical inflation.

⁶ Taxable sales base estimates based on historical tax revenue and tax base data from counties and cities in the WMATA Compact Area.



FY06/07 Proposed Budget

***FY 2006 & FY2007 Operating
Budget Proposal***



**Budget Committee
December 9, 2004**



FY06/07 Proposed Budget

Guidance Review

Base Budget Proposal follows

September Board guidance in the context of our situation...

- ✓ Baseline expense growth of 6.5% above FY05 operating expense budget, as amended
 - Approximately 75% for base services
 - Approximately 25% for new/enhanced services
 - Covers annualization of services initiated in FY05 and FY06 new services
- ✓ Revenue growth projection of 3.5%
- ✓ Growth in total local subsidy of 10.4%, with 75% for base services and 25% for new/enhanced services
- ✓ As desired by individual jurisdictions, allow a portion of subsidy for preventive maintenance to be billed as capital, per FTA guidelines on preventive maintenance
- ✓ **NO CHANGE IN FARES OR FEES**
- ✓ In addition, propose provisions for the relief of bus & rail overcrowding
- ✓ Expedite coordination of budget development with jurisdictional staff
- ✓ Propose a FY07 budget to allow for potential adoption of a two-year budget...
...this could provide for a two year commitment to fare stability



	FY05 Amended Budget	FY06 Proposed Base Budget	Change
Revenue	\$541.5	\$560.5	\$19.0 3.5%
Expense	\$943.7	\$1,004.4	\$60.7 6.5%
Subsidy	<u>\$402.2</u>	<u>\$443.9</u>	<u>\$41.7 10.4%</u>

\$ Millions

**Basic Guidance Achieved
No Fare Increase**



FY06/07 Proposed Budget

Budget Overview

Metro's Operating Budget is Now Exceeding \$1 Billion Per Year...

- Service area = 1,600 square miles
...Larger than the State of Rhode Island
- 350 million customers to be served in FY06
...Equivalent to 1 ride for every person in the US and Canada
- Subway ridership is equal to the sum of BART, MARTA and SEPTA
- 1,450 buses travel 49 million miles per year and 950 rail cars travel 67 million miles per year
...Metro vehicles travel the equivalent distance of one round trip to the moon per weekday
- 10,000 times per day that train track switches are operated
- 33,000 train station stops per day
- Metro train car door leafs open and close a million times per day
- Over 12,000 bus stops per day
- 86 subway stations in operation
...1.5 million square feet of station platform
- Metro has nearly 60,000 parking spaces
... Metro is second only to Disney Corp
- 350,000 cars taken off the road save, avoiding the need for 4 million barrels of imported oil per year
- 1,400 lane miles of roadway, which is the equivalent of three I-495 Capital Beltways
- 3 tons of newspapers collected in the trash each month - Recycle appx. 40 tons of newspaper per year
- 550 acres of landscaping to maintain
...Equivalent to 500 FedEx Fields
- 800 acres of walkways and parking lots to clear of snow



What does a \$1B budget do?

- **Continues to provide a baseline of service that is the 4th largest in the United States –
Constitutes 75 percent of baseline budget**
- **Provides for expanded service and programs –
Constitutes 25 percent of base line budget**
- **Recommends an approach to support system safety, and to enhance service reliability and system cleanliness, within approved budget subsidy guidance levels**
- **Recommends methods to improve customer service and outreach within approved budget subsidy guidance levels**
- **Does so with no fare increase**
- **A two year budget is recommended to stabilize fares for both FY2006 and FY2007**



FY06/07 Proposed Budget

FY2006 Capital Budget

FY2006-FY2011 Capital Improvement Program

Metro Matters FY2006 Annual Work Plan



Capital Program Budget

Uses and Sources of Capital Funds

Use of Capital Funds: FY2005-2011

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2005-10	FY 2011	Total FY 2006-11
Metro Matters:									
Program Elements	\$ 350,760	\$ 499,995	\$ 630,681	\$ 544,141	\$ 480,953	\$ 303,773	\$ 2,810,303	\$ 391,732	\$ 2,851,275
Debt Service	12,181	26,261	36,872	45,806	231,988		353,108	48,834	401,942
Subtotal	\$ 350,760	\$ 512,176	\$ 666,942	\$ 581,013	\$ 526,759	\$ 535,761	\$ 3,163,411	\$ 440,566	\$ 3,253,217
Reimbursable & Expansion	22,561	7,500	3,000	3,000	3,000	3,000	42,061	3,000	22,500
Total	\$ 373,321	\$ 519,676	\$ 669,942	\$ 584,013	\$ 529,759	\$ 538,761	\$ 3,205,472	\$ 443,566	\$ 3,275,717

Note: FY2011 includes residual expenditures from FY2005-2010 programming, and expenditures from new programming in FY2011.
Reference: Metro Matters Funding Agreement - Attachment 4A for FY2005-2010, and Attachment 4B for FY2011.

Additional details, including distribution of state and local funds, are available in the appendix.

Source of Capital Funds: FY2005-2011

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2005-10	FY 2011	Total FY 2006-11
Metro Matters:									
Federal Funds	\$ 168,850	\$ 211,830	\$ 294,170	\$ 294,850	\$ 265,450	\$ 297,130	\$ 1,552,280	\$ 233,530	\$ 1,616,960
State and Local Funds	102,457	132,017	141,652	164,782	178,661	198,021	917,590	200,991	1,016,124
Misc. Sources	31,280	13,700	19,700	6,000	6,000	6,000	82,680	6,000	57,400
Debt Service	48,173	154,629	201,420	115,381	56,648	34,610	610,861	0,045	562,733
Subtotal	\$ 350,760	\$ 512,176	\$ 656,942	\$ 581,013	\$ 526,759	\$ 535,761	\$ 3,163,411	\$ 440,566	\$ 3,253,217
Reimbursable & Expansion									
Federal Funds	2,900						2,900		
State and Local Funds	19,661	7,500	3,000	3,000	3,000	3,000	39,161	3,000	22,500
Subtotal	\$ 22,561	\$ 7,500	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 42,061	\$ 3,000	\$ 22,500
Total	\$ 373,321	\$ 519,676	\$ 659,942	\$ 584,013	\$ 529,759	\$ 538,761	\$ 3,205,472	\$ 443,566	\$ 3,275,717

Note: Federal Funds include both Federal Discretionary and Federal Security funds which are not presently available.



FY06/07 Proposed Budget

FY05 – FY06 Operating Subsidy

<u>Subsidy Allocation</u>	<u>FY05 Budget</u>	<u>Change</u>	<u>FY06 Budget</u>
District of Columbia	\$153.4	\$16.8	\$170.2
Montgomery County	\$71.8	\$6.1	\$77.9
Prince George's County	<u>\$79.2</u>	<u>\$9.8</u>	<u>\$89.0</u>
Maryland Total	\$151.0	\$15.9	\$166.9
City of Alexandria	\$16.2	\$1.6	\$17.8
Arlington County	\$26.8	\$3.3	\$30.1
City of Fairfax	\$0.8	\$0.2	\$1.0
Fairfax County	\$52.8	\$3.8	\$56.6
Falls Church	<u>\$1.2</u>	<u>\$0.1</u>	<u>\$1.3</u>
Virginia Total	\$97.8	\$9.0	\$106.8
Total Operating Subsidy	<u>\$402.2</u>	<u>\$41.7</u>	<u>\$443.9</u>

\$ Millions



FY06/07 Proposed Budget

FY06 Operating Subsidy Detail

FISCAL 2006 PROPOSED BUDGET SUMMARY OF STATE/LOCAL OPERATING REQUIREMENTS

	DISTRICT OF COLUMBIA	MONTGOMERY COUNTY	PRINCE GEORGE'S COUNTY	CITY OF ALEXANDRIA	ARLINGTON COUNTY	FAIRFAX CITY	FAIRFAX COUNTY	FALLS CHURCH	TOTAL
METROBUS OPERATING SUBSIDY									
REGIONAL SUBSIDY	\$93,684,814	\$31,186,994	\$33,880,829	\$10,161,530	\$15,920,062	\$391,597	\$23,984,548	\$813,306	\$206,023,679
NON-REGIONAL	\$23,788,233	\$6,390,927	\$13,005,325	\$575,889	\$430,131	\$0	\$6,665,415	\$0	\$50,885,921
TOTAL BUS OPERATING	\$113,473,047	\$37,577,921	\$46,886,154	\$10,737,419	\$16,350,193	\$391,597	\$30,679,963	\$813,306	\$266,909,600
							11.9%	0.3%	
METRO RAIL OPERATING SUBSIDY									
BASE ALLOCATION	\$45,917,526	\$24,920,967	\$25,754,384	\$6,261,018	\$13,242,742	\$406,858	\$19,220,871	\$359,084	\$136,083,451
MAX FARE SUBSIDY	\$274,906	\$2,200,380	\$965,363	\$110,144	\$76,080	\$42,169	\$1,012,832	\$12,675	\$4,694,549
TOTAL RAIL OPERATING	\$48,192,432	\$27,121,348	\$26,719,747	\$6,371,162	\$13,318,822	\$449,027	\$20,233,703	\$371,760	\$140,778,000
	32.8%	19.3%	19.0%	4.5%	9.5%	0.3%	14.4%	0.3%	
PARATRANSIT SUBSIDY									
	\$10,549,400	\$13,224,900	\$15,358,000	\$643,300	\$457,700	\$125,200	\$5,718,000	\$149,500	\$46,226,000
	22.8%	28.6%	33.2%	1.4%	1.0%	0.3%	12.4%	0.3%	
SUBTOTAL OPERATING SUBSIDY	\$170,214,879	\$77,924,168	\$88,963,901	\$17,751,881	\$30,126,715	\$965,824	\$56,631,666	\$1,334,566	\$443,913,600
DEBT SERVICE									
	\$10,331,300	\$4,867,500	\$4,872,900	\$1,418,200	\$2,740,200	\$46,700	\$3,169,900	\$38,500	\$27,464,200
TOTAL PROPOSED SUBSIDY	\$180,546,179	\$82,791,668	\$93,836,801	\$19,170,081	\$32,866,915	\$1,012,524	\$59,800,565	\$1,373,066	\$471,397,800
	38.3%	17.6%	19.9%	4.1%	7.0%	0.2%	12.7%	0.3%	

FEDERAL TRANSIT ADMINISTRATION • VIRGINIA DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY • in cooperation with the FEDERAL AVIATION ADMINISTRATION

Dulles Corridor Rapid Transit Project Final Environmental Impact Statement and Section 4(f) Evaluation



Executive Summary

December 2004

Inside Compact Disc of the Full Final EIS, Volumes I-IV



Moving Forward

In January 2001, the 103-mile Adopted Washington Regional Metrorail System was completed, successfully fulfilling a vision for a world-class transit system that was conceived almost 50 years ago. To meet the needs of continued, robust growth beyond the service area of the Metrorail system, new investment in regional transportation improvements is needed where existing and planned facilities can no longer support the demands of businesses and communities. One such area is the Dulles Corridor, which lies west of the nation's capital in Northern Virginia in Fairfax and Loudoun counties. The Dulles Corridor is a vibrant, diverse mix of businesses, neighborhoods, recreational amenities and an international airport that continues to attract population and employment growth at almost twice the rate of the region.

To respond to this increasing travel demand, the Federal Transit Administration (FTA), the Virginia Department of Rail and Public Transportation (DRPT), and the Washington Metropolitan Area Transit Authority (WMATA), in cooperation with the Federal Aviation Administration (FAA), are proposing a 23-mile extension of Metrorail in the Dulles Corridor. The proposed extension will enhance the overall transportation system, improving transit service, ridership, and transit travel times, while supporting the existing and future land uses and economic development. It will assist in maintaining the regional competitiveness of the corridor and in preserving the quality of the environment that makes the Dulles Corridor attractive to residents, businesses, and visitors alike. Equally important, the proposed extension will provide high-quality, high-capacity transit service between Washington Dulles International Airport and the region's core via a direct connection to the existing Metrorail system.

The Final EIS is a decision tool for shaping the future of the Dulles Corridor. It describes:

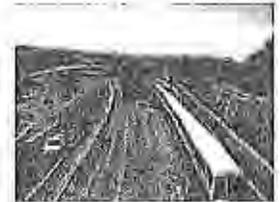
- Why transportation improvements are needed;
- Why Metrorail extension has been selected to meet these needs;
- What other alternatives were considered;
- What the economic, environmental, and social impacts of the extension would be;
- How much the extension would cost; and
- Actions required to make the proposed extension a reality.

Its purpose is to assist decision-makers and the public in selecting a transportation investment strategy for the Dulles Corridor and the region, consistent with federal, state and local goals and with environmental and community initiatives.

The Final EIS has been prepared in accordance with the provisions of the National Environmental Policy Act of 1969 (NEPA), as amended. FTA is the lead federal agency for the Dulles Corridor Rapid Transit Project, and the Federal Aviation Administration (FAA) is a federal cooperating agency. The Final EIS is being circulated to inform decision-makers and the public about the selection of the Metrorail extension and on the potential consequences of implementing the proposed extension in the corridor. Overall, the potential adverse impacts of the extension on the human and natural environment are expected to be minor given the complexity of the project. Coordination with the public, stakeholders, resource agencies, and local governments has confirmed these findings.

The proposed extension would be constructed in two phases in order to reduce annual funding needs by spreading the construction costs over a longer period of time. The first

New transit investment in the Dulles Corridor will link the region's key activity centers serving growth and development beyond the completed regional Metrorail system.



Washington Metrorail System

Investment in efficient and reliable transportation facilities to meet travel needs will contribute to the area's economic, social, and environmental quality.

The Final EIS documents the evaluation process and findings used by decision-makers to select the appropriate transportation improvements needed to secure the future of the Dulles Corridor in light of the potential effects on the social, economic and natural environment.

The potential adverse effects of the project are expected to be relatively low as a result of the use of existing transportation rights-of-way given the complexity and length of the project.



Traffic Congestion

The central and eastern portions of the corridor currently experience some of the region's worst traffic congestion.

The proposed extension would be constructed in two phases in order to reduce annual funding needs by spreading the construction costs over a longer period of time.

phase of 11.6 miles would commence from a seamless connection with the existing Orange Line near West Falls Church, serve Tysons Corner, and reach Reston at Wiehle Avenue. It is anticipated that this first phase, named the Wiehle Avenue Extension, would begin operations in 2011. The second phase of 11.5 miles would continue westward from Wiehle Avenue and serve Reston, Herndon, Dulles Airport, and eastern Loudoun County by 2015.

The extension would be funded by FTA, the Commonwealth of Virginia, Fairfax County, Loudoun County, and the Metropolitan Washington Airports Authority (MWAA), along with possible private sector funding. At this time, FTA is considering only the first phase of construction (i.e., the segment between the Orange Line near West Falls Church and Wiehle Avenue) for New Starts funding from the pending six-year reauthorization of the New Starts program. FTA may consider the subsequent phase for federal funding in the future, but has made no commitment to do so. Furthermore, FTA has determined that the first phase now being considered for funding has independent transportation utility even if the subsequent phase is never built. (The first phase serves the high employment area of Tysons Corner.) Therefore, FTA will make a decision on funding the first phase without regard to the possible future phase.

In the Final Environmental Impact Statement (EIS), the alternative formerly known as "LPA Phase I" in the October 2003 Supplemental Draft EIS and Section 4(f) Evaluation has been renamed the Wiehle Avenue Extension and is expected to begin operations in 2011. This change reflects the federal approach to the project's funding under the FTA's New Starts program. It will assure consistency among the environmental, engineering and financial documents during the project's development.

In the October 2003 Supplemental Draft EIS and Section 4(f) Evaluation, as well as this Final EIS, the term "full LPA" represents the Wiehle Avenue Extension and the second phase of the Dulles Corridor Rapid Transit Project. This second phase would extend west from Wiehle Avenue to Washington Dulles International Airport and Route 772 and is expected to begin operations in 2015.

The terms "LPA", "proposed action", or "selected LPA" refer to both the Wiehle Avenue Extension and the full LPA collectively.

Overview

The Final EIS is a significant milestone in advancing a solution to address the travel needs and leverage the opportunities in the Dulles Corridor, and to assist the region and corridor in realizing and maintaining its full potential. This Executive Summary provides an overview of the findings and conclusions of the Final EIS in terms of the following:

- Future Needs and Challenges
- Project Description
- The Alternatives Process
- Implementing the Project
- Coordination Opportunities
- Future Actions

The Final EIS contains more information on the topics discussed in this Executive Summary. The following table lists the topics and where further details may be found in the document.

SUMMARY OF THE LOCALLY PREFERRED ALTERNATIVE

The Final EIS provides detailed analysis of the No Build Alternative, the full LPA and its first phase, the Wiehle Avenue Extension. For easy comparison, the following table highlights the results of those analyses.

Summary of the Locally Preferred Alternative

Measures	No Build Alternative (2025)	Metrorail Extension Project		Full LPA (2025)
		Wiehle Avenue Extension (2011)	Wiehle Avenue Extension (2025)	
Transit Operations				
Number of Metrorail Stations	Base	5	5	11
Opening Year Ridership (Average Weekday Riders)	Base	62,800	Not Applicable	Not Applicable
Opening Year New Trips	Base	29,100	Not Applicable	Not Applicable
Forecast Year Total Ridership (Average Weekday Riders)	Base	Not Applicable	73,300	91,200
Forecast Year New Trips	Base	Not Applicable	34,400	47,800
Costs				
Capital Costs (Year of Expenditure)	\$0	\$1.5B	\$1.5B	\$3.5B
Capital Funding Sources	Not Applicable	50% Federal 50% Non Federal	50% Federal 50% Non Federal	50% Federal 50% Non Federal
Incremental Annual O&M Costs (YOE)	Base	\$47.5M	\$67.6M	\$117.9M
Social Effects				
Consistent with Comprehensive Plans	No	Partially	Partially	Yes
Residential Displacements (No.)	0	0	0	0
Commercial Displacements (No.)	0	3	3	3
Residential Properties Partially Acquired (No.)	0	11	11	11
Shifts in Population and Employment	Unlikely	Likely	Likely	Likely
Overall Visual Impacts	Continues Current Conditions	Minimal	Minimal	Minimal
Cultural Resources (Adverse Effect)	0	0	0	1
Section 4(f) Direct Use (No.)	0	0	0	1
Environmental Effects				
Streams Impacts (Linear feet)	0	0	0	245
Wetlands Impacts (Acres)	0	0	0	5.2
Floodplains Impacts (No. of 100-year crossings)	0	3	3	5
Air Quality - NAAQS Violations	None	None	None	None
Noise Receptors Above FTA Criteria Before Mitigation	0	184	184	183
Vibration Receptors Above FTA Criteria Before Mitigation	0	7	7	7
Hazardous Materials Generators Potentially Affected	0	4	4	11
Economic Effects				
Corridor Development Potential	304,638,650 SF	Not Applicable	+5%	+13%
Corridor Employment	403,857	+3%	+6%	+16%

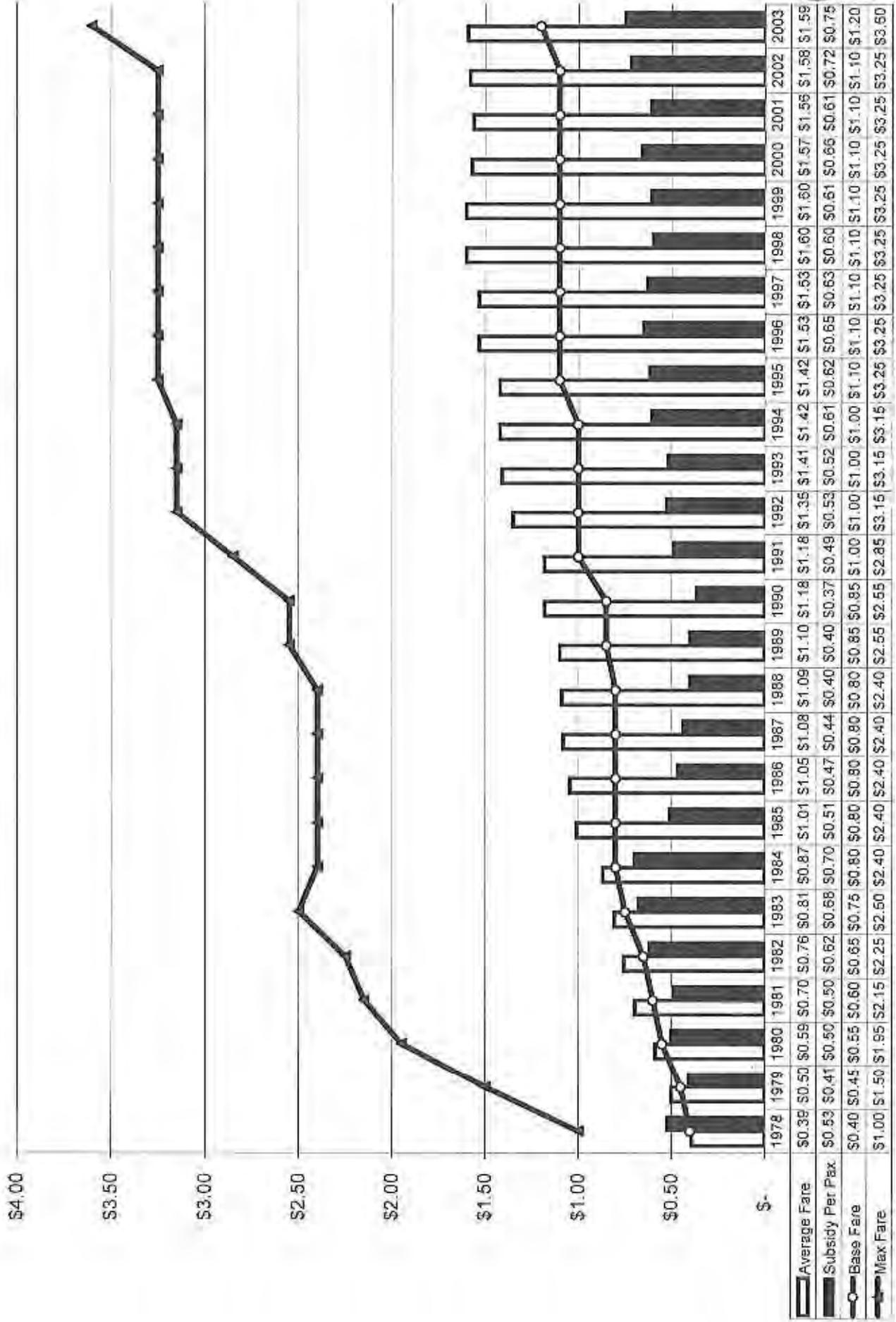
Measures	Metrorail Extension Project			
	No Build Alternative (2025)	Wiehle Avenue Extension (2011)	Wiehle Avenue Extension (2025)	Full LPA (2025)
Property Values Near Station Areas	Continues Current Conditions	Likely to Increase	Likely to Increase	Likely to Increase
Transportation Effects				
Transit Capacity (at Tysons Central 123 Station)	400	7,680	8,640	8,640
Transit Mode Share (at Tysons Corner)				
- Home Based Work Trips Attracted to Corridor	8.4%	11.9%	11.6%	12.6%
- Home Based Work Trips Produced in Corridor	25.9%	33.5%	34.3%	34.4%
Number of intersections at LOS F (pm peak)	16	3	6	16
Existing and Planned Parking Spaces at Park-and-Ride Stations	4,800	5,600	6,300	14,350

Below is a summary of major mitigation measures. A more comprehensive listing of proposed mitigation measures is presented in Chapter 2 of the FEIS.

Mitigation of Effects

Area	Summary of Mitigation Measures
Land Use and Socioeconomics	Assist Fairfax and Loudoun counties and the Town of Herndon to pursue transit-oriented development and joint development opportunities. Fairfax County will incorporate the park-and-ride requirements (500 spaces) for the Tysons West station into the Fairfax County Comprehensive Plan.
Property Acquisition and Displacements	All property acquisitions would be conducted in accordance with the Uniform Relocation Assistance and Real Property Acquisition Act, as amended.
Visual and Aesthetic Conditions	Minimize the potential visual and aesthetic effects through sensitive design of the Metrorail facilities and landscaping.
Cultural Resources	Preserve and enhance the historic design features of the Dulles Airport Historic District through appropriate design and activities to increase public awareness of the district's unique historic characteristics.
Parklands	Design the proposed Metrorail overpass in the W&OD Railroad Regional Park according to the NVRPA Guideline for the Development of W&OD Trail Bridge Crossings. Maintain public use of the W&OD Railroad Regional Park and minimize disruption of Pimmit Run Stream Valley Park, Scotts Run Stream Valley Park, and Difficult Run Stream Valley Park during construction.
Safety and Security	Conform WMATA's Safety and Security Program with Dulles Airport measures and develop mutual aid agreements with local jurisdictions. Where the alignment traverses airport property, there would be no tunnel exits of any kind in the secure zone of the airport.
Water Resources	Plant riparian buffers to protect affected surface waters and water quality, provide compensatory mitigation for unavoidable wetlands impacts associated with the S&I Yard on Dulles Airport property and the Route 28 station, and avoid changes in floodplain elevations(s) of more than 1 foot. Coordinate with Fairfax and Loudoun counties to ensure consistency with local stream protection policies and coordinate with FAA to control potentially hazardous wildlife interference of airport operations.
Noise	Install parapet and trackside noise barriers near sensitive areas, reduce noise impacts of the improved West Falls Church Yard facilities, and comply with WMATA, FTA, and local regulations and policies. Analyze reflective highway noise impacts to the Hallcrest Heights residential community during preliminary engineering and/or final design.
Vibration	Utilize dampening materials or devices under switches and crossovers near sensitive receptors.
Transportation Effects	Construct roadway improvements, such as new turn and acceleration lanes, to increase access to the Tysons Central 123, Wiehle Avenue, Route 606 stations, and the Yard Site 15 facilities and to mitigate traffic impacts at the Tysons East, Wiehle Avenue, Reston Parkway, Herndon-Monroe, and Route 606 stations.
Construction Effects	Prepare plans for erosion and sediment control and maintenance of traffic, and use applicable Best Management Practices. Comply and coordinate with relevant local, state and federal regulations and agencies to address construction-related activities. Communicate and coordinate with affected local businesses and communities.

Figure 1: Average Metrorail Fare, Subsidy Per Passenger, Base Fare, Maximum Fare, 1978 - 2003



MEMORANDUM

TO: Chairman Euille and NVTC Commissioners
FROM: Rick Taube and Scott Kalkwarf
DATE: December 30, 2004
SUBJECT: NVTC Draft FY 2006 Administrative Budget

All its September, 2004 meeting the commission discussed the preliminary FY 2006 administrative budget and authorized staff to forward it to NVTC's member jurisdictions to assist in their budget preparations. Traditionally, NVTC discusses its budget again each January prior to formal action in February.

You will recall that the attached budget would hold local contributions to the same amount (\$310,000) as in the past several years. Total expenditures also are virtually unchanged from the previous fiscal years. Each local jurisdiction is required by statute to pay a share of the budget that is proportional to the financial assistance received from NVTC. The requested shares are shown on page one of the budget.

At the December 2nd NVTC meeting, commissioners expressed an interest in examining "performance based budgeting." The current budget does not reflect that change but several performance measurement concepts have been presented by staff as part of NVTC's 2005 workprogram.



PRELIMINARY BUDGET

**FISCAL YEAR
2006**

(July 1, 2005 – June 30, 2006)

September 2, 2004

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
ESTIMATED FISCAL YEAR 2006 REVENUE
Preliminary

	FY 2004 <u>Actual</u>	Approved Budget FY 2005	Preliminary Budget FY 2006	FY 2006-2005 Budget Increase (Decrease)	Percentage Change
1 Commonwealth of Virginia	\$ 654,800	\$ 658,150	\$ 602,185	\$ (55,965)	-8.5%
2 Alexandria	51,600	49,918	47,780	(2,138)	-4.3%
3 Arlington	75,672	72,236	73,323	1,087	1.5%
4 City of Fairfax	5,973	6,301	6,196	(105)	-1.7%
5 Fairfax County	160,694	166,577	164,683	(1,894)	-1.1%
6 Falls Church	2,563	2,602	3,197	595	22.9%
7 Loudoun	13,497	12,366	14,821	2,455	19.9%
Total Local Jurisdictions	<u>309,999</u>	<u>310,000</u>	<u>310,000</u>	<u>-</u>	<u>0.0%</u>
8 Total Commonwealth of Virginia and Local Jurisdictions (Note 1)	964,799	968,150	912,185	(55,965)	-5.8%
9 Interest Earned	3,089	5,000	4,000	(1,000)	-20.0%
10 Project Chargebacks (Note 2)	90,000	90,000	80,000	(10,000)	-11.1%
11 Project Grant Billings	4,878	15,000	-	(15,000)	-100.0%
12 Appropriated Surplus (Note 3)	(116,650)	20,000	109,000	89,000	445.0%
Total Revenue	<u>\$ 946,116</u>	<u>\$ 1,098,150</u>	<u>\$ 1,105,185</u>	<u>\$ 7,035</u>	<u>0.6%</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SCHEDULE OF FISCAL YEAR 2006 EXPENDITURES
PRELIMINARY

	FY 2004 Actual	Approved Budget FY 2005	Preliminary Budget FY 2005	FY05 - FY05 Budget Increase (Decrease)	Percentage Change
Personnel Costs					
1 Salaries (Note 4)	\$ 543,173	\$ 625,800	\$ 582,384	\$ (43,416)	-6.9%
2 Intern	-	-	30,000	30,000	N/A
3 Temporary Employee Services	-	1,000	1,000	-	0.0%
Total Personnel Costs	543,173	626,800	613,384	(13,416)	-2.1%
Benefits					
Employer's Contributions					
4 FICA	36,442	44,900	40,869	(4,031)	-9.0%
5 Group Health Insurance (Note 5)	52,211	77,000	92,749	15,749	20.5%
6 Retirement (Note 6)	53,997	52,500	48,000	(3,700)	-7.0%
7 Workman's & Unemployment Compensation	2,858	2,000	3,000	1,000	50.0%
8 Life Insurance	3,672	3,300	3,150	(150)	-4.5%
9 Long Term Disability Insurance	2,738	3,450	3,902	452	13.1%
Total Benefit Costs	151,918	183,150	192,470	9,320	5.1%
Administrative Costs					
10 Commissioners Per Diem (Note 7)	12,800	15,250	13,800	(1,450)	-9.5%
Rents:					
11 Office Rent (Note 8)	152,605	160,000	167,481	7,481	4.7%
12 Parking / Metrocheck	143,354	148,500	156,681	8,181	5.5%
	9,331	11,500	10,000	(700)	-6.1%
Insurance:					
13 Public Official Bonds	3,362	3,850	3,850	-	0.0%
14 Liability and Property	1,983	2,000	2,000	-	0.0%
	1,379	1,850	1,850	-	0.0%
Travel:					
15 Conference Registration	14,733	25,000	23,000	(2,000)	-8.0%
16 Conference Travel	345	3,000	2,000	(1,000)	-33.3%
17 Local Meetings & Related Expenses (Note 9)	2,076	5,500	5,000	(500)	-9.1%
18 Training & Professional Development (Note 10)	10,832	12,000	12,000	-	0.0%
	1,480	4,500	4,000	(500)	-11.1%
Communication:					
19 Postage	9,201	13,800	12,500	(1,300)	-9.4%
20 Telephone - LD	4,285	7,000	6,000	(1,000)	-14.3%
21 Telephone - Local	888	1,800	1,500	(300)	-16.7%
	4,028	5,000	5,000	-	0.0%
Publications & Supplies					
22 Office Supplies	17,042	24,500	29,100	4,600	18.8%
23 Duplication (Note 11)	2,908	5,300	5,000	(300)	-5.7%
24 Public Information (Note 12)	12,616	13,200	14,100	900	6.8%
	1,518	6,000	10,000	4,000	66.7%
Operations:					
25 Furniture and Equipment (Capital) (Note 13)	14,169	23,500	23,500	-	0.0%
26 Repairs and Maintenance	7,410	8,000	8,000	-	0.0%
27 Computer Operations (Note 14)	433	1,000	1,000	-	0.0%
	6,326	14,500	14,500	-	0.0%
Other General and Administrative					
28 Subscriptions	11,688	6,300	6,400	100	1.6%
29 Memberships	427	500	500	-	0.0%
30 Fees and Miscellaneous	974	1,200	1,300	100	8.3%
31 Advertising (Personnel/Procurement) (Note 15)	9,390	2,300	2,600	300	13.0%
	897	2,300	2,000	(300)	-13.0%
Total Administrative Costs	235,680	272,200	279,631	7,431	2.7%
Contracting Services					
32 Auditing (Note 16)	15,345	14,000	17,700	3,700	26.4%
33 Consultants - Technical	-	1,000	1,000	-	0.0%
34 Legal	-	1,000	1,000	-	0.0%
Total Contract Services	15,345	16,000	19,700	3,700	23.1%
Total Operating Program	\$ 946,116	\$1,098,150	\$1,105,185	\$ 7,035	0.6%

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
Explanatory Notes to
Preliminary Fiscal Year 2006 Budget

1. Commonwealth of Virginia and Local Jurisdictional Contributions

Each NVTC jurisdiction is assigned a share of the local portion of NVTC's administrative budget based on its share of revenue received by NVTC on behalf of jurisdictions from all sources in the previous year. This procedure is required by state statute and results in changes in contributions from one year to another that vary for each jurisdiction depending on relative shares of revenue received. The allocation in this FY 06 budget is based on the FY 05 Subsidy Allocation Model.

2. Project Chargebacks

This line consists primarily of charges for NVTC staff support for the VRE project and reimbursed from VRE's budget.

3. Appropriated Surplus

Included as a source of revenue in the FY 06 budget is a projected excess accumulated surplus that is available to offset the proposed operating budget expenses. This surplus is in excess of the commission's anticipated minimum operating requirements.

4. Salaries

Salaries for fiscal year 2006 are budgeted to include merit increases for the existing staff. Step increases for merit incentive raises are included up to 5%, but no cost of living adjustments are provided. Each 1% of merit increases costs approximately \$5,900. Merit increases within the budget amount are awarded at the discretion of the executive director. The FY 06 budget includes eight regular staff positions, which is one less position than the FY 05 approved budget.

5. Group Health Insurance

Experience over the past several years indicates accelerating cost of as much as 31 percent annually. An average of the last two year increases has been used to estimate the expense for FY 06.

6. Retirement

Employer pension contributions show a decrease from the FY 05 budget due primarily to the reduction of a staff position offset by anticipated salary increases. The calculations for the target benefit plan are based on the salaries projected for FY 06.

7. Commissioners' Per Diem

The statutory rate is \$50 per meeting. The budgeted amount for FY 06 is based upon the regular meeting schedules.

8. Office Rent

The administrative office lease was renewed during fiscal year 2001 for the period January 2001 through December 2010. Rent expense is budgeted based upon the fixed costs of the lease, with a provision for increases in common area expenses due to rising costs.

10. Local Meetings and Related Expenses

NVTC hosts numerous regional meetings for the benefit of member jurisdictions. Costs of accommodating numerous meetings are the largest component of this line item, which also includes the costs of NVTC staff traveling to meetings elsewhere in the region.

11. Training and Professional Development

Actual expenditures fluctuate with the changing needs of staff. While FY 04 expenditures were well below the budgeted level, a provision is maintained in the FY 06 budget for future staff training.

12. Duplication

Duplication costs are budgeted based upon a five year fixed price contract entered into during FY 2001. Because the contract expires in December 2005, a provision has been included in the FY 2006 budget for increased costs. The duplication expense of paper and staples which are not included in the contract have been budgeted based upon estimated usage levels.

12. Public Information

Public information includes the cost of various public outreach projects. For FY 06 an increase has been provided as a result of the expiration of NVTC's marketing grant.

13. Furniture and Equipment

This budget category provides for the replacement and acquisition of office furniture and equipment, including computer hardware. It is expected that during FY 06, computer hardware will need to be replaced or upgraded to support the operations of the commission.

14. Computer Operating Expense

Computer operating expenses include outside network consulting and services, software upgrades and supplies, and web hosting fees.

15. Advertising (Personnel/Procurement)

The FY 2006 budget includes a provision for personnel and procurement advertising. An average of prior year costs was used to develop the budgeted amount as this category fluctuates from year to year.

16. Auditing

The FY 06 budget includes auditing fees according to the five-year contract with the present auditors plus a contingency for additional services. The FY 06 budget also includes the contracted fees for the pension plans bi-annual audit.

MEMORANDUM

TO: Chairman Euille and NVTC Commissioners

FROM: Rick Taube

DATE: December 30, 2004

SUBJECT: Legislative Items

NVTC's approved Legislative Agenda for 2005 has been distributed to the Northern Virginia General Assembly delegation, local jurisdiction legislative liaisons and other interested parties. As of this date the biggest news from Richmond is Governor Warner's transportation funding proposals. They include \$40 million for Metro railcars, \$20 million for VRE railcars, \$23 million for infrastructure partnerships with freight railroads and \$10 million for statewide bus purchases, all of which would be of immediate benefit to NVTC and its jurisdictions. More details about the Transportation Partnership Act of 2005 are provided in the attachments.



COMMONWEALTH OF VIRGINIA
Office of the Governor

Mark R. Warner
Governor

FOR IMMEDIATE RELEASE
December 9, 2004

Contact: Ellen Qualls
Phone: (804) 786-2211, x2379
Cell Phone: (804) 393-9429
Internet: www.governor.virginia.gov

Pierce Homer
Deputy Secretary of Transportation
(804) 786-8032, x3013

**GOVERNOR WARNER PROPOSES \$824 MILLION
TRANSPORTATION INITIATIVE**

-Package continues reforms, offers new support for rail & transit, PPTAs, local control-

RICHMOND – Governor Mark R. Warner today proposed the Transportation Partnership Act of 2005, which provides \$824 million in new funding to jump-start promising public-private partnerships, promote greater use of rail and transit, encourage local oversight of road projects and eliminate deficits on completed projects in Virginia's six-year transportation program.

Eighty percent of the new revenues will come from one-time funding sources: \$374 million is a proposed repayment from the General Fund to the Transportation Trust Fund, and the remaining \$450 million will come from additional state and federal transportation revenues that Virginia will receive in the current budget cycle.

"Today I am pleased to announce the next step in our continuing efforts to reform VDOT and strengthen transportation in Virginia," Governor Warner said. "This plan will improve the quality of our citizens' lives, ease traffic congestion, and help sustain Virginia's rebounding economy."

The following is a breakdown of how the \$824 million will be invested:

- ***End deficit financing: \$256.4 million***

This initiative will clean the slate from past deficit-financing practices. When the Warner administration halted the practice in 2002, accumulated transportation deficits on completed projects totaled \$867 million. Deficits have been substantially reduced over the last two years, and the Governor's transportation package will eliminate the remaining \$256 million in deficits on projects completed as of July 1, 2004. Legislation also will be proposed to eliminate deficit-financing practices in all future six-year programs.

"Cleaning up the books isn't just the right thing to do from some abstract, accounting point of view. By paying off debts, we hasten the day when new projects can move from the drawing board to construction to actual completion," Governor Warner said. "That is good news for

families stuck in traffic, for small businesses losing time and money while their employees are delayed, and for communities trying to attract new jobs to the Commonwealth.”

- ***Transportation projects: \$147 million***

Governor Warner's budget will provide additional funding for projects and programs in Virginia's six-year program.

“This new revenue is the result of sustainable, long-term revenue growth, and the Commonwealth Transportation Board will use the existing transportation allocation formula to distribute these funds to ports, airports, transit providers, and highways by July 2005,” Governor Warner said.

- ***Promote public-private partnerships: \$140 million***

This initiative establishes a revolving loan fund to encourage private firms to invest their resources in PPTA projects. This Private Partnership Fund will support no-interest loans of up to \$30 million, provided the terms are part of a comprehensive agreement under the PPTA and are no more than seven years in duration.

“This proposal will encourage more public-private partnerships to build projects quicker and with less public funding,” Governor Warner said. “These venture loans will reduce carrying costs on expensive, front end items, or allow a tax district or toll facility revenue stream more time to mature.”

- ***Create rail partnerships: \$23 million***

This proposal will promote upgrades in Virginia's rail system, providing the first-ever dedicated revenue source of \$23 million annually to improve rail. Currently there is no dedicated funding source for passenger or freight rail improvements.

- ***Strengthen local partnerships: \$80 million***

This initiative will help localities manage, design, build, operate and maintain roads within their boundaries. This will ease administrative burdens, build up local road-building capacity and encourage local control of important local projects.

“This initiative recognizes that all wisdom does not reside in Richmond,” Governor Warner said. “Through these local partnerships, we can reduce bureaucracy in our road-building program and bring additional projects to localities that need and want them.”

- ***Invest in transit partnerships: \$80 million***

This initiative increases funding for transit, allowing for more rail cars and buses. The Governor is proposing the direct funding of four major transit capital projects: Metrorail rail cars

(\$40 million), Virginia Railway Express rail cars (\$20 million), Virginia Beach bus rapid transit (\$10 million), and \$10 million for statewide bus purchases.

- *Maintain bridges and highway: \$97.4 million*

This proposal provides more funding to maintain and operate Virginia's highways, bridges and neighborhood streets. With the aging transportation infrastructure and the lack of adequate funding to expand capacity for traffic, maintenance needs continue to soar.

In addition to proposing the transportation package, Governor Warner pledged that his administration will continue to work to fully restore public confidence in the integrity of the Virginia Department of Transportation (VDOT). This year, VDOT will complete 80 percent of its construction projects within budget and more than 60 percent on time – a vast improvement compared to 2001, when only 51 percent of projects were finished within budget and 20 percent on time.

VDOT is improving performance with 1,000 fewer people, avoiding \$50 million in annual payroll and benefit costs. In the last two years, VDOT has reorganized its workforce, gotten its financial house and order, developed business tools to measure and manage projects and operated business in the public eye.

"Our Transportation Partnership Act of 2005 is not business-as-usual. This is changing how we do business," Governor Warner said. "These new partnerships are critical to the success of our economy and our communities, and we will continue to work to fix the longstanding problems in our transportation agencies. If we do both, we will be making a better and stronger Virginia."

###

Governor Warner's Transportation Partnership Act of 2005

	General Funds		Federal	State Transportation FY 06	Total New Revenues
	FY 05	FY 06			
One-Time General Funds	\$350.0	\$0.0	\$0.0	\$0.0	\$350.0
No Transportation Support for GF Activities	0.0	23.6	0.0	0.0	23.6
One-Time Transportation Revenues	0.0	0.0	146.4	150.4	296.8
Recurring Transportation Revenues	0.0	0.0	81.9	71.7	153.6
Total Revenues	\$350.0	\$23.6	\$228.3	\$222.1	\$824.0

Total General Funds: \$373.6 million
 Total Transportation Revenues: \$450.1 million
 Total New Revenues: \$824.0 million

Total Use by Source

Private Partnership Revolving Fund	\$140.0	\$0.0	\$0.0	\$0.0	\$140.0
Mass Transit Partnership Fund	80.0	0.0	0.0	0.0	80.0
Rail Partnership Fund	0.0	0.0	0.0	23.2	23.2
Local Partnership Fund	40.0	0.0	0.0	40.0	80.0
Increased Maintenance & Operations Funding	0.0	0.0	97.4	0.0	97.4
Pay Off Completed Highway Projects	90.0	0.0	120.7	45.7	256.4
Formula Allocations & Other Adjustments	0.0	0.0	10.2	136.8	147.0*
Total Use By Source	\$350.0	\$0.0	\$228.3	\$245.7	\$824.0

*\$23.6 million GF becomes HMO funding

MEMORANDUM

TO: Chairman Euille and NVTC Commissioners
FROM: Rick Taube
DATE: December 30, 2004
SUBJECT: Regional Transportation Items

A. Second Report of the High-Occupancy Vehicle Enforcement Task Force.

It is anticipated that the report will be released to the public in the near future and that it will contain recommendations for legislative action. If it is available by January 6th excerpts will be provided to commissioners. NVTC staff has been participating in the deliberations of the task force.

B. Communications from Citizens.

Letters received by NVTC are attached for your review and discussion.

E.L. TENNYSON, P.E.
2233 ABBOTSFORD DRIVE, RFD. 55
VIENNA, VA 22181-3220

REGISTERED
PROFESSIONAL ENGINEER

(703) 281-7533

Mr. Richard K. Taube,
Executive Director,
Northern Virginia Transportation Commission,
4350 North Fairfax Drive, suite 720
Arlington, VA. 22203

December seventh 2004

RECEIVED DEC 7 10 2004

Dear Rick:

At your December meeting, Commissioner Connolly asked me to send him the transit election results across the country that he did not have time to study in his docket. He was particularly interested in the 119-mile program passed in Denver for \$ 4.7 Billion.

In my letter to him, I included a table on efficiency and effectiveness as Commissiner Connolly was concerned about the new Commissioners that wanted to be assured that WMATA and VRE were doing as well as they could.

That table of data is enclosed herewith. It says that WMATA and VRE are the best there are. New York City would show up better, but it is not comparable to other areas because of its 100-story buildings, scarce and costly parking spaces, limited roadway capacity, high flat fares and low auto ownership.

Only six categories were included to keep it simple. Washington was obvious. It is our area. Baltimore is next nearest and has the best bus performance, except for Los Angeles. SEPTA is the nearest area to ours of equal size. Saint Louis is included because of its old rust belt city status, past history of success and exemplary Light Rail operation. Pittsburgh has the most extensive BusWay operation and is relatively nearby. FTA covers everything.

Note that WMATA-VRE has the highest ridership, by far. Annual passenger-miles per capita are used to avoid double counting transfers and to recognize the much longer trips on VRE. The passenger-miles per vehicle-mile are the Load Factor, the crucial measure of airline efficiency. Passenger-miles per employee recognize productivity regardless of wage scale and the labor cost per employee denotes who pays high or low wages plus benefits. Your staff may want to check my data and, if you wish, publish it themselves. They know the FTA-APTA sources. Your new Commissioners should know just how well we are doing.

However, we are not doing as well as we should. We can do better if we work on it.

Respectfully suggested,



PLANNING + ECONOMICS

URBAN TRANSIT PERFORMANCE MEASURES

Mode and Area	Cost / Pasgr-mile	Pasgr-mil/ Vehicl-mile	Revenue Cost	Psgr-mil/ Employee	Labor Cost / Employee	Psgr-mi /Capita
WMATA -bus	76.0 cts	11.9	26.2 %	111,948	\$ 61,059	
Ride-On bus	88.0 cts	7.0	22.3 %	73,405	\$ 50,000	
WMATA - rail	32.0 cts	27.6	61.6 %	263,993	\$ 66,382	492
Va.Ry.Exp - rail	25.4 cts	54.7	55.2 %	541,411	\$ 77,514	
SEPTA - bus	78.8 cts	12.1	37.0 %	80,850	\$ 58,713	
SEPTA - Lt.Rail	77.7 cts	18.0	33.8 %	76,919	\$ 57,376	
SEPTA - subway	31.5 cts	24.0	58.6 %	193,756	\$ 58,942	286
SEPTA - R.R.	41.4 cts	26.3	32.3 %	231,543	\$ 71,463	
Md.TA - bus	57.6 cts	14.0	30.6 %	112,944	\$ 52,209	
Md.TA - Lt.Rail	56.5 cts	21.5	19.4 %	154,762	\$ 49,814	
Md.TA - subway	60.2 cts	13.9	26.3 %	146,004	\$ 54,475	240
Md.TA - MARC	29.4 cts	39.8	37.2 %	350,318	\$ 77,373	
St.Louis - bus	81.5 cts	7.3	21.2 %	94,316	\$ 46,115	
St.L. - Light Rail	26.8 cts	24.6	28.2 %	603,211	\$ 58,009	127
Pittsburgh-bus	72.8 cts	9.7	24.2 %	104,742	\$ 57,706	180
Pgh -Light Rail	part of system shut down for reconstruction					
FTA- nat'l bus	64.4 cts	10.4	29.2 %	101,672	\$ 46,139	
FTA- " Lt.Rail	54.4 cts	23.9	29.0 %	188,428	\$ 81,327	
FTA " subway	31.2 cts	22.6	58.4 %	281,925	\$ 69,920	230
FTA " R.R.	31.6 cts	36.7	48.2 %	389,641	\$ 85,620	

Unless noted, data is from 2002. Employee and riding habit data from 1998.

NOTES:

Passenger-miles per capita is the most important data as that is the purpose of public transit. It can not be measured here by sub-mode.

Cost per passenger-mile is second most important as funding to provide service is limited. Passenger-miles per vehicle mile (the load factor) help determine cost per vehicle-mile. The passenger-miles per employee is productivity and also helps determine cost per passenger-mile.

The labor cost per employee may be fixed by local conditions but is provided for reference to relate to cost per passenger-mile.

Revenue to cost ratio is not significant as it varies with subsidy policy, fare policy and free transfer use.

E. L. TENNYSON, P.E.
2233 ABBOTSFORD DRIVE, RFD 55
VIENNA, VA 22181-3220

REGISTERED
PROFESSIONAL ENGINEER

(703) 281-7533

Mr. Richard K. Taube,
Executive Director, NVTC
Northern Virginia Transport'n Com'n
4350 North Fairfax Drive, suite 720
Arlington, V A. 22203

December tenth 2004

RECEIVED DEC 1 2004

Dear Rick:

Enclosed is a twenty-fifth anniversary story on the Ballston-Rosslyn Corridor in case you did not see it, with MetroRail data added to confirm the rhetoric.

Also, ACCESS, the University of California transportation magazine has reported on the demise of the Highway 91 private HOT lanes between Orange and Riverside counties in California. They have not worked out as well as we have been told. Perhaps you receive ACCESS. See page 29 of the Fall 2004 issue.

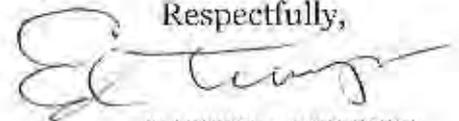
Only ten miles of Hwy 91 were provided with HOT lanes in the 30 miles between Orange and Corona where there are no parallel roads through the canyon in the Santa Ana mountains. The contract required a no-competition agreement in a three mile wide corridor, but there are two commuter rail routes in the canyon. CPTC, the private company was recovering only 90 percent of its cost but will not disclose its records, even though its profit (if any) is regulated.

At first, in 1996, the HOT lanes were deemed a great success with 40-minute time savings due to 17 mile-an-hour travel on the free lanes. That permits a \$ 4 toll. A picture shows a \$ 3.40 toll. With competition, our Greenway can't get that much. The success and growth restored congestion so Cal-Trans designed a connecting toll road with merging lanes to modify a devastating accident record. NO WAY! The anti-competition agreement prevented safety and traffic relief. To solve the problem, the Orange County Transportation Authority (the local NVTC) bought the toll road from the private interests for \$ 10 million per lane mile and eliminated the legal problems. The commuter trains remain the only congestion-free way through the canyon. They were new about four years before the toll road opened and, like VRE, more cars are being acquired.

The private financing was successful in raising capital funds to build more lanes, but were not fully financially successful, nor could the no-competition agreement endure. Without that unfortunate clause, funding would not have been possible. We should be guided accordingly.

Thank you for your work in 2004 and best wishes for 2005.

Respectfully,



Opening of Metro Corridor 25 Years Ago Set Stage for Significant Economic Growth

by RYAN SELF
Staff Writer

An anniversary passed Wednesday without much fanfare, but it marked an event that local officials say shaped Northern Virginia as we know it: the opening of Ballston, Virginia Square, Clarendon and Court-House Metro stations.

Twenty-five years ago this week — Dec. 1, 1979 — Metro officials added 2.6 miles to the three-year-old rail system in order to bring service from Rosslyn west to Ballston. The three additional stations also opened that day as intermediate stops.

Although it would be nine more years until the subway system extended as far west as Vienna, officials said the opening of the Arlington sector was key to

helping fuel a development boom that continues to this day.

While Arlington County Board members at the time knew that the station openings would enhance development in what came to be known as the "Rosslyn-Ballston Corridor," even they admit that they couldn't have expected the economic boom that the strip has experienced.

"I don't think anyone could have anticipated exactly what would happen," said Ellen Bozman, who was on the Arlington County Board when the stations opened. "However, we knew that Ballston had just started to develop, and we wanted to see more of that."

Bozman added that she can remember attending the grand opening of the Clarendon station, and seeing nothing but "a very flat

landscape." Today, much of the corridor has evolved into a high-density mixed-use corridor.

As surprising as it may sound to anyone currently living in the crowded Metro corridor, officials were not always so certain that Metro would turn the areas into what they are today.

Joseph Wholey, who served on the County Board and was a Northern Virginia representative to the Metro board of directors in the run-up to the stations' openings, said his colleagues considered a range of eventualities, from explosive population growth to no growth at all.

"We had been losing retail and commercial ground to Fairfax for a long time," Wholey said. "We looked at a lot of ways that Arlington

"I don't think you can quantify the impact, but it's a big number," said Chamber of Commerce president Rich Doud. "Without it, we wouldn't have anything close to the growth we have — it's clearly one of the top economic engines."

Metro

ton could develop around the subway."

(When planning for the Metro system got underway in the 1960s, few envisioned that Tysons Corner would grow into the economic centerpiece that it is today. As a result, there is still no subway service there, although planning for future service continues. So too does planning to extend the subway system to Reston, Herndon and Washington Dulles International Airport.)

Today, of course, government and business leaders say no words can express the full impact that the Orange Line had on Arlington.

"Metro has been the cornerstone around which we've grown the community," said County Board Chairman Barbara Favola. "It's the reason we've been one of the few localities that has grown without suffering the same traffic congestion."

In 1975 with no MetroRail service, MetroBus carried 122,841,746 passengers. In 2004, with 103 miles of MetroRail added, transit carried 257,538,510 passengers, an increase of 110 percent, more than double. Fares increased far more, from \$ 56,638,527 to \$ 373,981,700, up an amazing 560 %. Fare increases accounted for 215 % and new riders 345 %. Rail riders take longer rides so pay higher fare than bus riders. The urban modal split of travel was 28 % by bus in 1975 and 37 % by transit in 2000, up 32 percent. Transit passenger-miles traveled increased 246 percent, i.e. more than tripled.

Rosslyn corridor, MetroRail use increased 51% from 1980 to 2002. If bus data were available for 1978, the increase would be much larger. Rosslyn grew from 12,752 each weekday to 14,816 entries, plus an equal number of exits. Court House grew from 2,825 to 6,695, Clarendon from 1,849 to 2,935. Virginia Square from 1,728 to 2,623 and Ballston from 9,352 to 11,214 plus 3,209 bus transfers shifted from Ballston to Vienna in 1986. Tax rates dropped almost 40%.

Specifically, in the Ballston -

MEMORANDUM

TO: Chairman Euille and NVTC Commissioners
FROM: Scott Kalkwarf and Coletia Quarles
DATE: December 30, 2004
SUBJECT: NVTC Financial Reports for November, 2004.

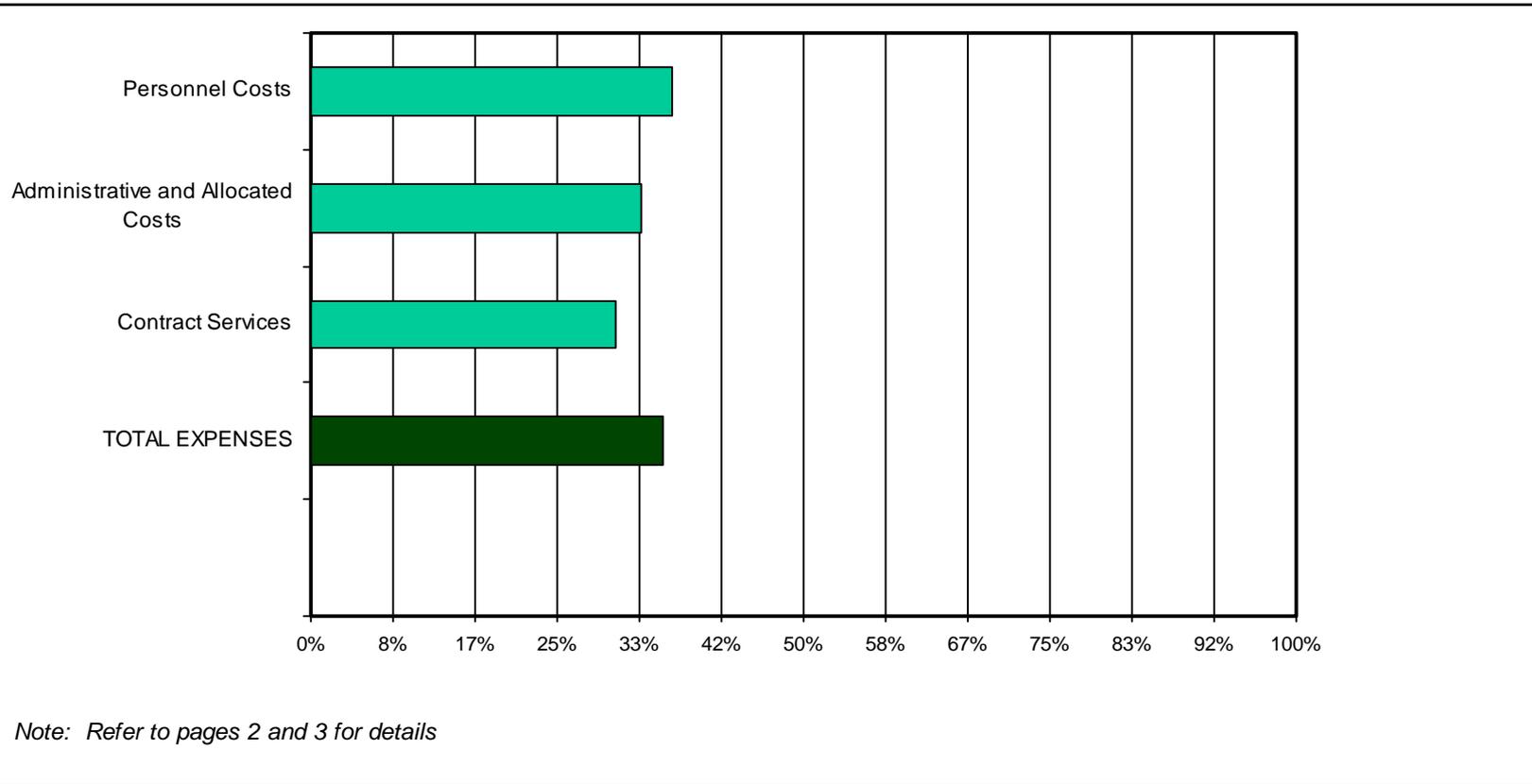
The financial reports are attached for your information.

Northern Virginia Transportation Commission

Financial Reports

November, 2004

Percentage of FY 2005 NVTC Administrative Budget Used
November, 2004
(Target 41.67% or less)



NORTHERN VIRGINIA TRANSPORTATION COMMISSION
G&A BUDGET VARIANCE REPORT
November, 2004

	<u>Current Month</u>	<u>Year To Date</u>	<u>Annual Budget</u>	<u>Balance Available</u>	<u>Balance %</u>
<u>Personnel Costs</u>					
Salaries	\$ 42,547.51	\$ 232,011.88	\$ 625,800.00	\$ 393,788.12	62.9%
Temporary Employee Services	-	-	1,000.00	1,000.00	100.0%
Total Personnel Costs	42,547.51	232,011.88	626,800.00	394,788.12	63.0%
<u>Benefits</u>					
Employer's Contributions:					
FICA	2,583.46	15,554.44	44,900.00	29,345.56	65.4%
Group Health Insurance	4,475.58	26,219.56	77,000.00	50,780.44	65.9%
Retirement	5,263.00	19,957.10	52,500.00	32,542.90	62.0%
Workmans & Unemployment Compensation	20.04	1,243.54	2,000.00	756.46	37.8%
Life Insurance	805.68	1,365.55	3,300.00	1,934.45	58.6%
Long Term Disability Insurance	-	891.43	3,450.00	2,558.57	74.2%
Total Benefit Costs	13,147.76	65,231.62	183,150.00	117,918.38	64.4%
<u>Administrative Costs</u>					
Commissioners Per Diem	950.00	4,500.00	15,250.00	10,750.00	70.5%
<i>Rents:</i>					
Office Rent	12,660.18	64,609.90	160,000.00	95,390.10	59.6%
Parking	400.00	3,595.00	11,500.00	7,905.00	68.7%
<i>Insurance:</i>					
Public Official Bonds	462.00	1,112.00	2,000.00	888.00	44.4%
Liability and Property	-	298.20	1,850.00	1,551.80	83.9%
<i>Travel:</i>					
Conference Registration	577.12	3,752.25	25,000.00	21,247.75	85.0%
Conference Travel	-	-	3,000.00	3,000.00	100.0%
Local Meetings & Related Expenses	-	-	5,500.00	5,500.00	100.0%
Training & Professional Development	577.12	3,657.25	12,000.00	8,342.75	69.5%
	-	95.00	4,500.00	4,405.00	97.9%
<i>Communication:</i>					
Postage	339.00	2,942.16	13,800.00	10,857.84	78.7%
Telephone - LD	-	960.11	7,000.00	6,039.89	86.3%
Telephone - Local	-	247.69	1,800.00	1,552.31	86.2%
	339.00	1,734.36	5,000.00	3,265.64	65.3%
<i>Publications & Supplies</i>					
Office Supplies	1,137.29	6,513.09	24,500.00	17,986.91	73.4%
Duplication	144.17	732.51	5,300.00	4,567.49	86.2%
Public Information	993.12	5,780.58	13,200.00	7,419.42	56.2%
	-	-	6,000.00	6,000.00	100.0%

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
G&A BUDGET VARIANCE REPORT
November, 2004**

	<u>Current Month</u>	<u>Year To Date</u>	<u>Annual Budget</u>	<u>Balance Available</u>	<u>Balance %</u>
<i>Operations:</i>	-	4,788.14	23,500.00	18,711.86	79.6%
Furniture and Equipment	-	2,339.75	8,000.00	5,660.25	70.8%
Repairs and Maintenance	-	-	1,000.00	1,000.00	100.0%
Computers	-	2,448.39	14,500.00	12,051.61	83.1%
<i>Other General and Administrative</i>	330.78	2,700.72	6,300.00	3,599.28	57.1%
Subscriptions	-	-	500.00	500.00	100.0%
Memberships	130.00	1,362.00	1,200.00	(162.00)	-13.5%
Fees and Miscellaneous	200.78	862.76	2,300.00	1,437.24	62.5%
Advertising (Personnel/Procurement)	-	475.96	2,300.00	1,824.04	79.3%
40th Anniversary	-	-	-	-	0
Total Administrative Costs	<u>16,456.37</u>	<u>91,216.46</u>	<u>272,200.00</u>	<u>180,983.54</u>	<u>66.5%</u>
<u>Contracting Services</u>					
Auditing	-	5,000.00	14,000.00	9,000.00	64.3%
Consultants - Technical	-	-	1,000.00	1,000.00	100.0%
Legal	-	-	1,000.00	1,000.00	100.0%
Total Contract Services	<u>-</u>	<u>5,000.00</u>	<u>16,000.00</u>	<u>11,000.00</u>	<u>68.8%</u>
 Total Gross G&A Expenses	 <u>\$ 72,151.64</u>	 <u>\$ 393,459.96</u>	 <u>\$ 1,098,150.00</u>	 <u>\$ 704,690.04</u>	 <u>64.2%</u>

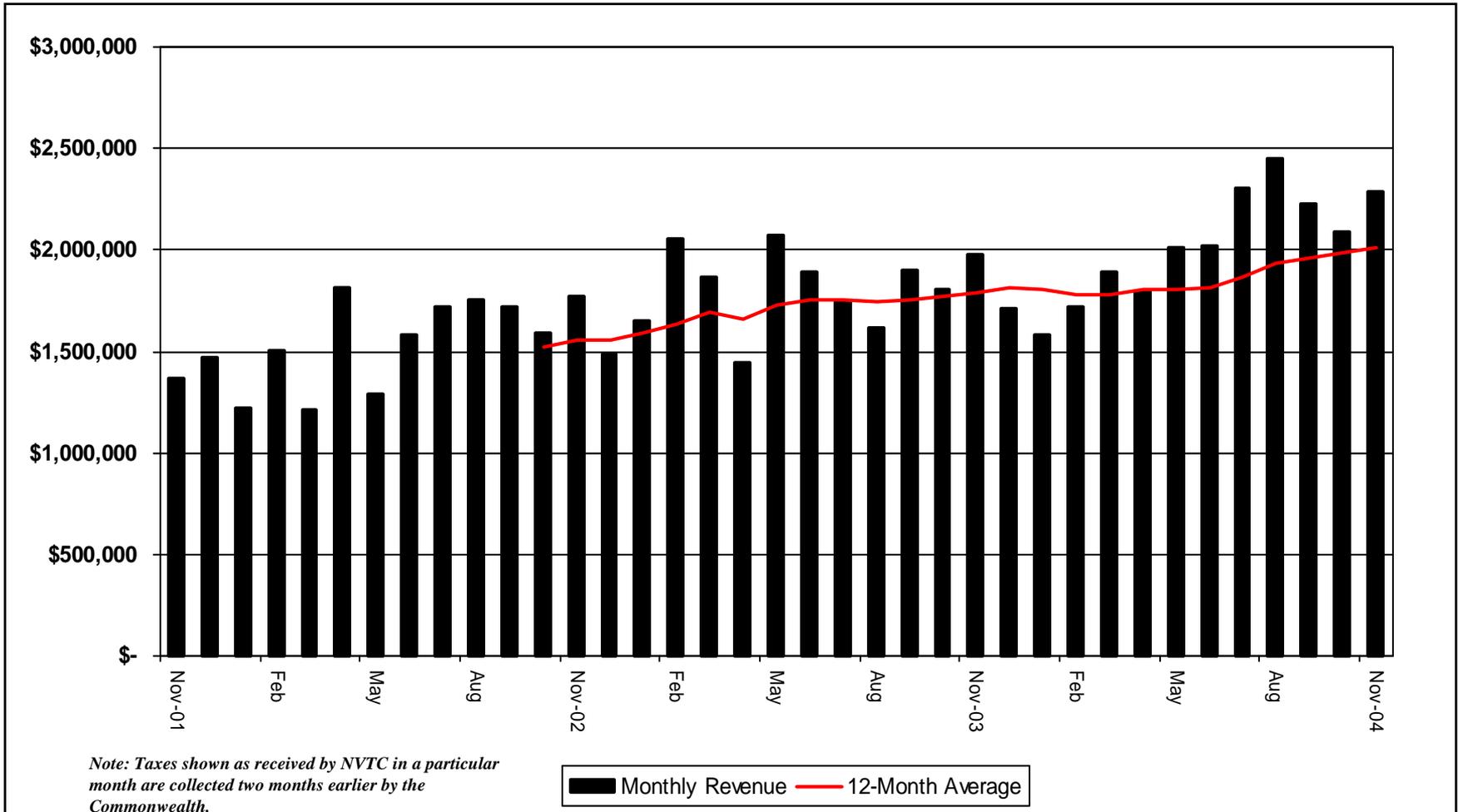
**NVTC
RECEIPTS and DISBURSEMENTS
November, 2004**

<u>Date</u>	<u>Payer/ Payee</u>	<u>Purpose</u>	<u>Wachovia (Checking)</u>	<u>Wachovia (Savings)</u>	<u>VA LGIP</u>	<u>VA SNAP</u>
RECEIPTS						
1	Dept of Taxation	Motor Vehicle Fuels Sales Tax receipt			\$ 112,959.51	
2	DRPT	Code Red grant receipt			2,180.00	
5	VRE	Reimbursement for staff support		8,042.48		
5	Staff	Reimbursement for expenses		25.41		
8	VRE	Reimbursement for staff support		7,912.96		
12	Dept of Taxation	Motor Vehicle Fuels Sales Tax receipt			2,286,178.13	
12	DRPT	Intern grant receipt			1,563.00	
17	DRPT	FTM/Admin grant receipt			4,460,949.00	
30	Banks	November interest income		28.88	89,260.97	
			-	16,009.73	6,953,090.61	-
DISBURSEMENTS						
1-30	Various	NVTC project and administration	(83,038.23)			
5	City of Fairfax	Other capital			(20,533.47)	
5	City of Fairfax	Other operating			(97,382.29)	
23	George Hoyt	Consulting - Falls Church bus project	(10,363.69)			
23	George Hoyt	Consulting - Bus data project	(22,957.61)			
30	Wachovia Bank	November service fees	(46.89)	(15.16)		
			(116,406.42)	(15.16)	(117,915.76)	-
TRANSFERS						
9	Transfer	From LGIP to checking	20,000.00		(20,000.00)	
19	Transfer	From LGIP to checking	33,322.00		(33,322.00)	
24	Transfer	From LGIP to checking	44,000.00		(44,000.00)	
			97,322.00	-	(97,322.00)	-
NET INCREASE (DECREASE) FOR MONTH			\$ (19,084.42)	\$ 15,994.57	\$ 6,737,852.85	\$ -

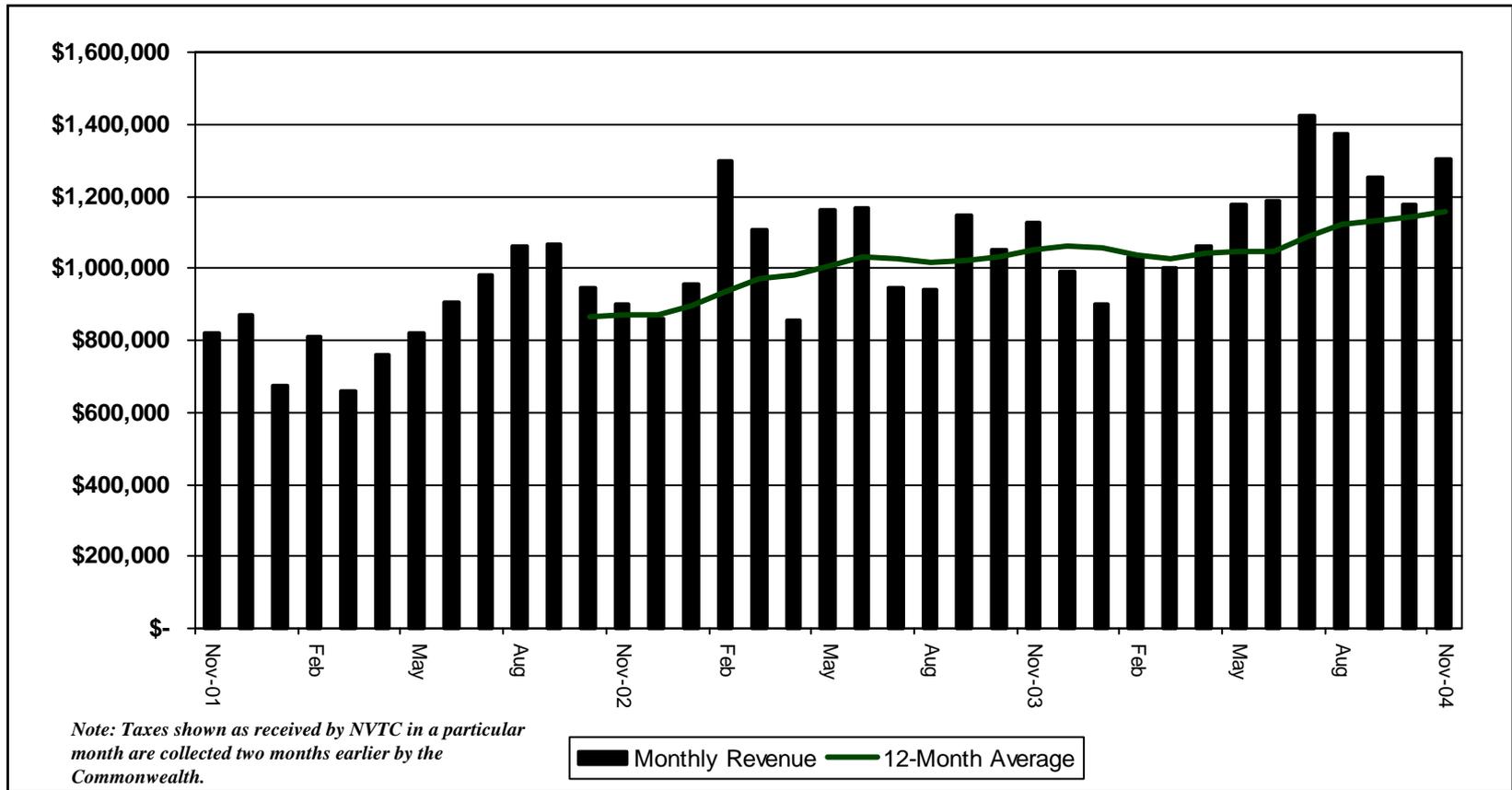
**NVTC
INVESTMENT REPORT
November, 2004**

<u>Type</u>	<u>Rate</u>	<u>Balance 10/31/2004</u>	<u>Increase (Decrease)</u>	<u>Balance 11/30/2004</u>	<u>NVTC G & A</u>	<u>Jurisdictions Trust Fund</u>	<u>Loudoun County</u>
<u>Cash Deposits</u>							
Wachovia: NVTC Checking	N/A	\$ 37,673.58	\$ (19,084.42)	\$ 18,589.16	\$ 18,589.16	\$ -	\$ -
Wachovia: NVTC Savings	0.83%	28,556.39	15,994.57	44,550.96	44,550.96	-	-
<u>Investments - State Pool</u>							
Nations Bank - LGIP	1.84%	55,670,889.17	6,737,852.85	62,408,742.02	702,840.95	41,604,558.70	20,101,342.37
		<u>\$ 46,380,968.96</u>	<u>\$ 6,734,763.00</u>	<u>\$ 62,471,882.14</u>	<u>\$ 765,981.07</u>	<u>\$ 41,604,558.70</u>	<u>\$ 20,101,342.37</u>

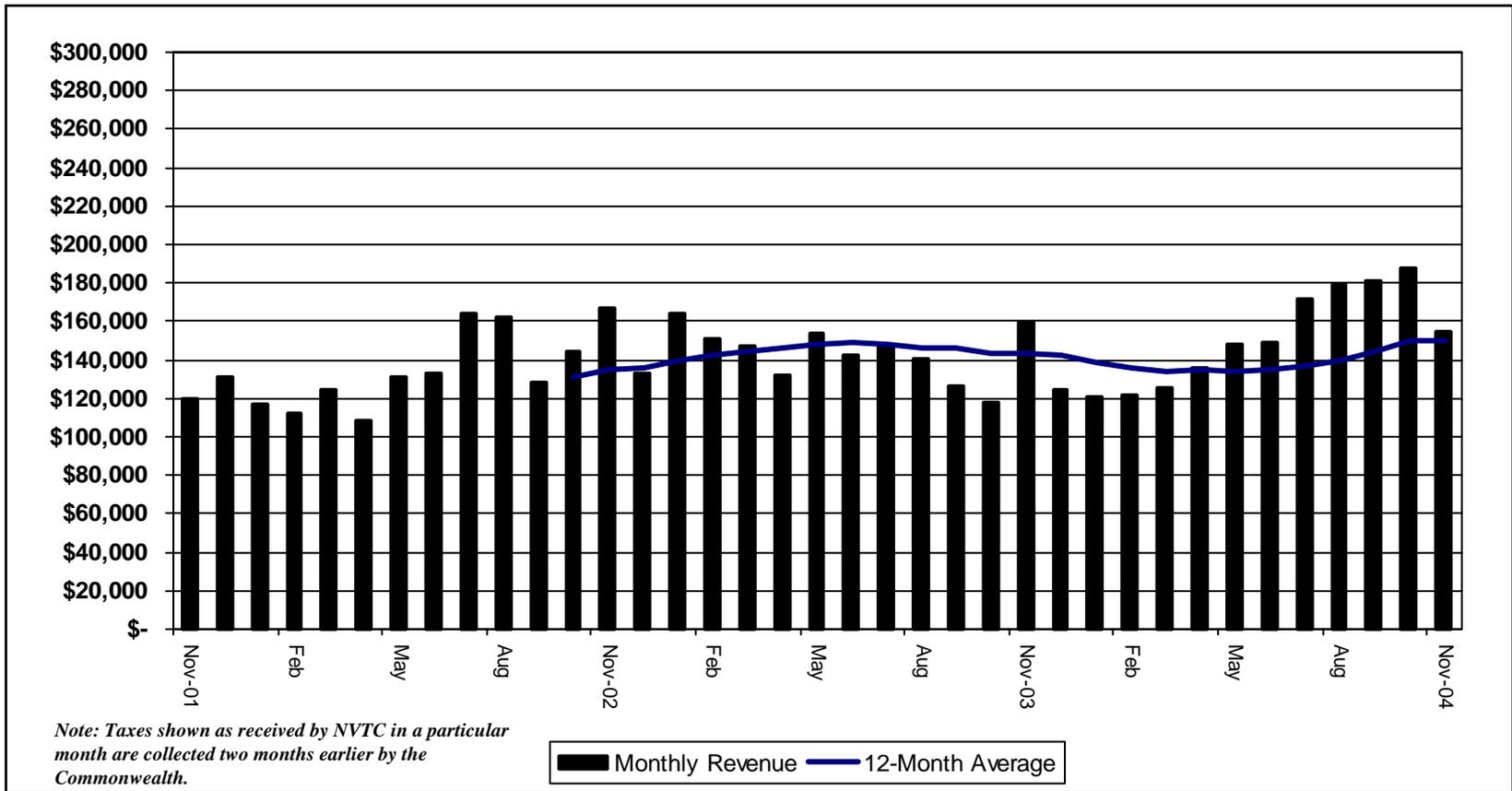
NVTC MONTHLY GAS TAX REVENUE ALL JURISDICTIONS FISCAL YEARS 2002-2005



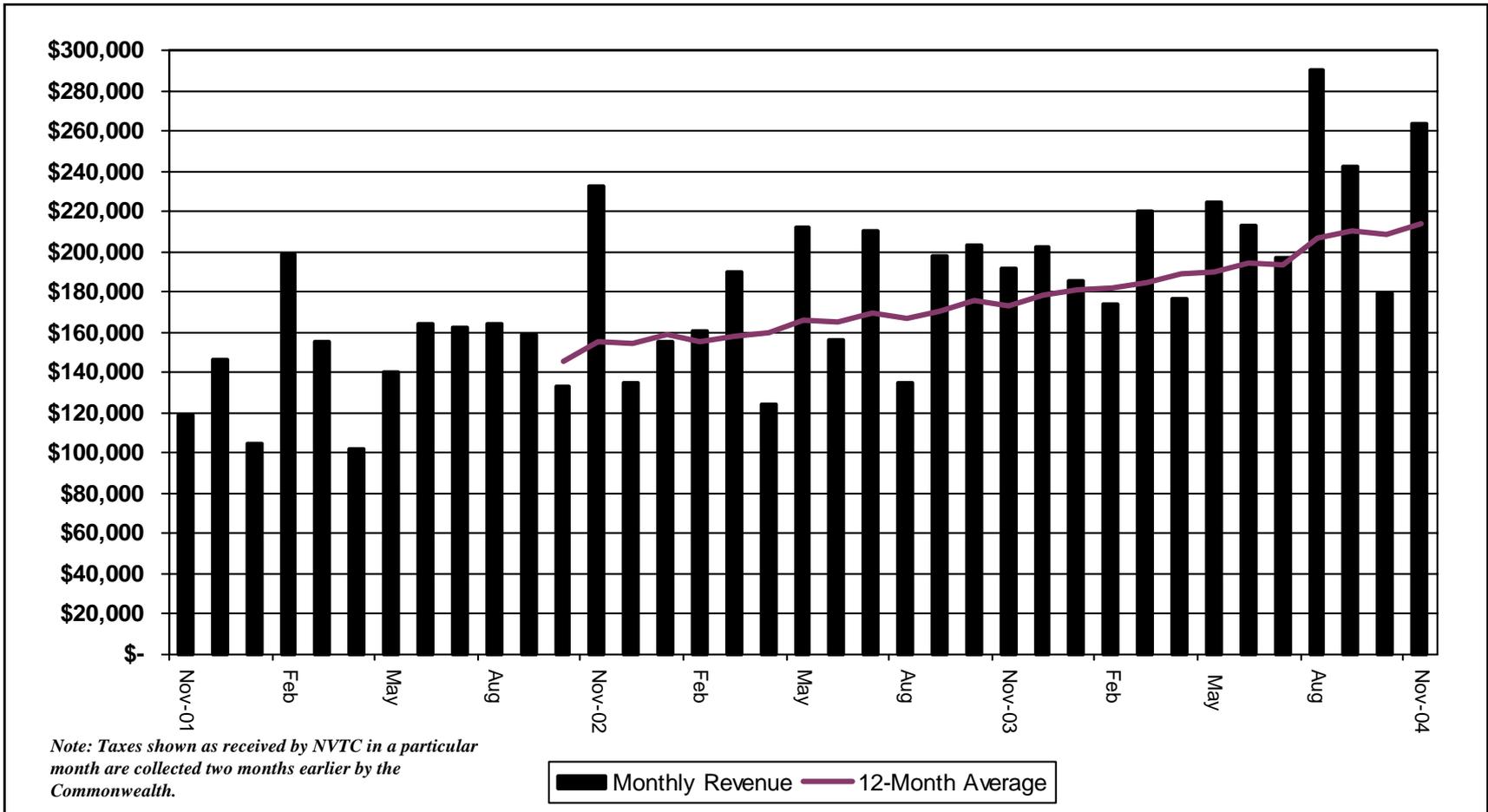
NVTC MONTHLY GAS TAX REVENUE FAIRFAX COUNTY FISCAL YEARS 2002-2005



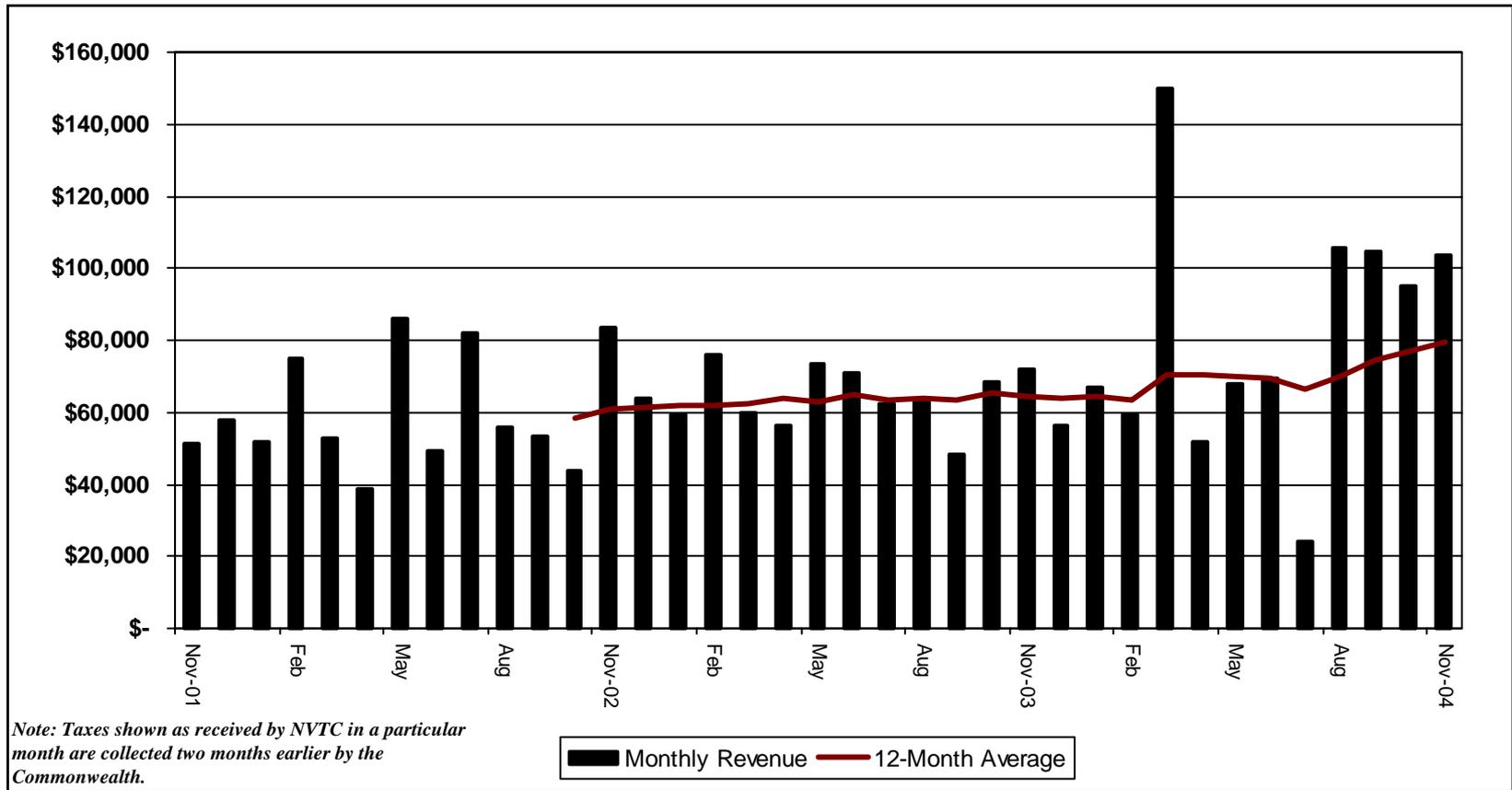
NVTC MONTHLY GAS TAX REVENUE CITY OF ALEXANDRIA FISCAL YEARS 2002-2005



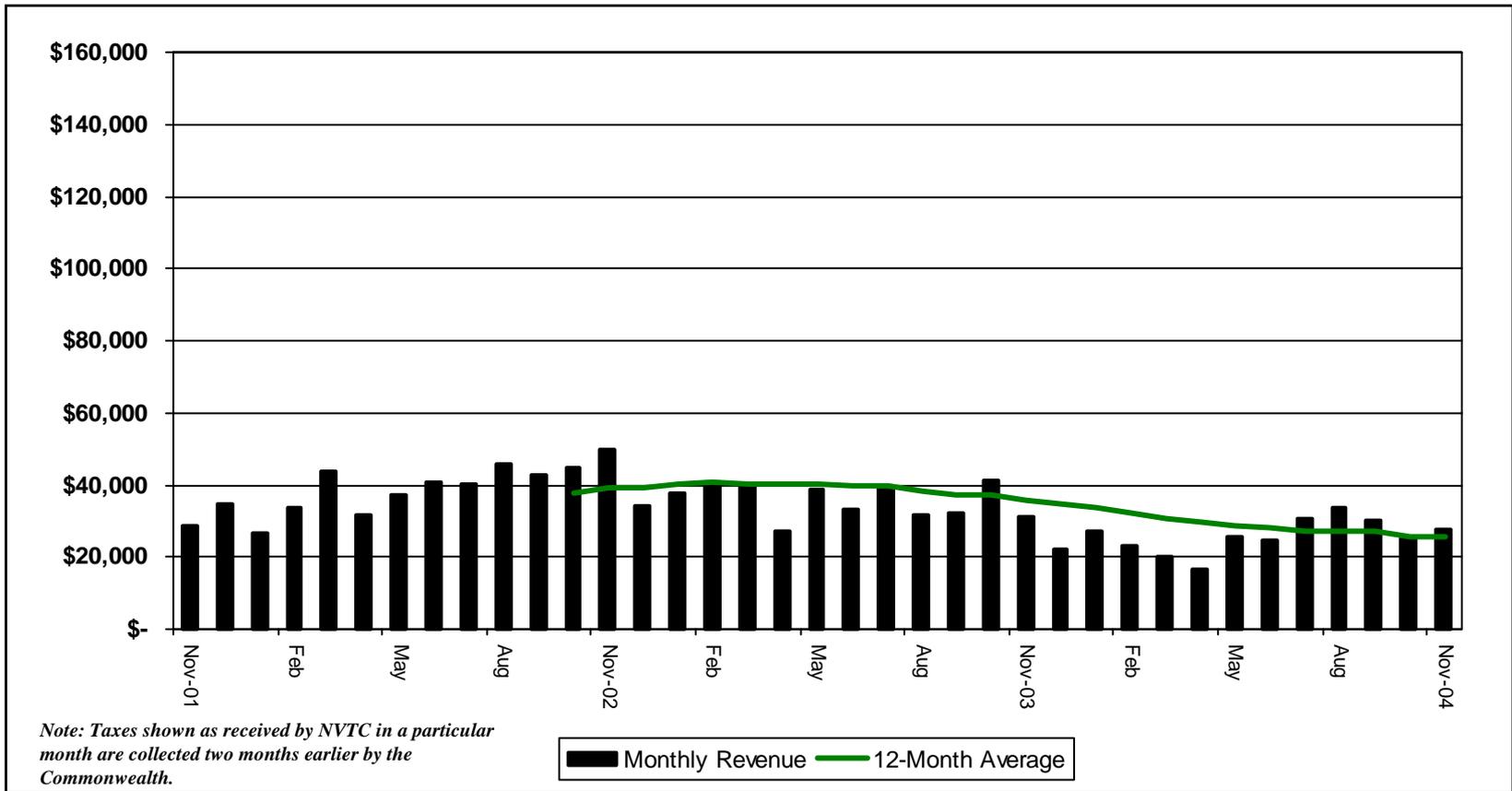
NVTC MONTHLY GAS TAX REVENUE ARLINGTON COUNTY FISCAL YEARS 2002-2005



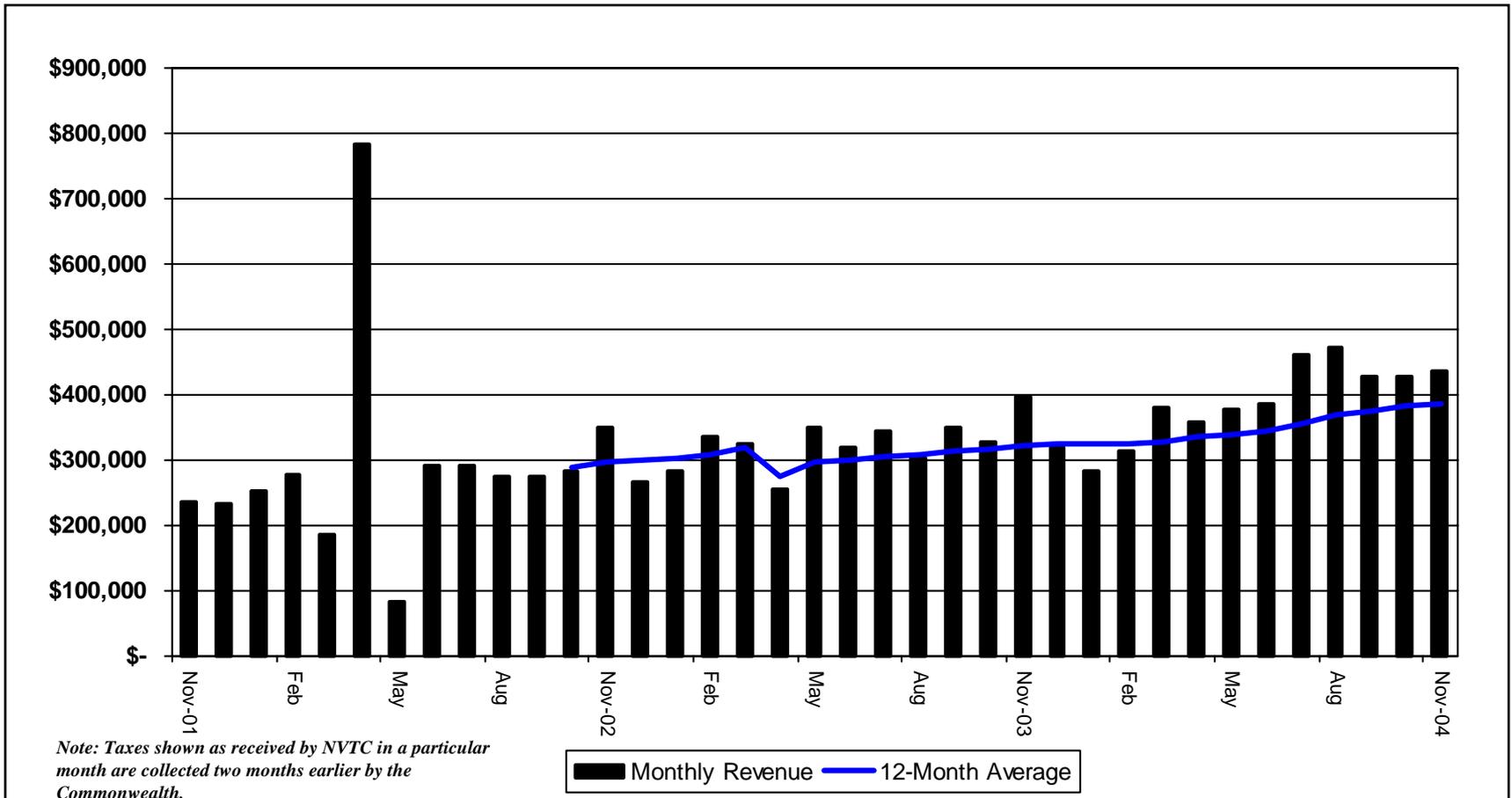
NVTC MONTHLY GAS TAX REVENUE CITY OF FAIRFAX FISCAL YEARS 2002-2005



NVTC MONTHLY GAS TAX REVENUE CITY OF FALLS CHURCH FISCAL YEARS 2002-2005



NVTC MONTHLY GAS TAX REVENUE LOUDOUN COUNTY FISCAL YEARS 2002-2005



MEMORANDUM

TO: Chairman Euille and NVTC Commissioners
FROM: Rick Taube
DATE: December 30, 2004
SUBJECT: VRE Items.

- A. Report from the VRE Operations Board (with minutes of the meeting of December 17, 2004) and from VRE's CEO—Information Item.
- B. Outreach to Outlying Counties—Information Item.
- C. Audited VRE Financial Reports for FY 2004—Action Item/Resolution #1057.
- D. FY 2005 VRE Budget and FY 2005 Budget Revisions—Action Item/Resolution #1058.
- E. Quantico Station Construction Contract Amendment—Action Item/Resolution #1059.
- F. General Security Services Contract Authorization—Action Item/Resolution #1060.
- G. Norfolk Southern Access Agreement Extension—Action Item/Resolution #1061.
- H. CSXT Access Agreement Extension—Action Item/Resolution #1062.
- I. Richmond Event—Action Item/Resolution #1063.

Report from the VRE Operations Board and CEO

Minutes are attached from the board meeting of December 17,2004. The VRE CEO's report is also attached with reports on ridership and on-time performance.



MINUTES

VRE OPERATIONS BOARD MEETING PRTC HEADQUARTERS – PRINCE WILLIAM COUNTY, VIRGINIA DECEMBER 17, 2004

**VIRGINIA RAILWAY
EXPRESS**

**OPERATIONS BOARD
MEMBERS**

**JOHN D. JENKINS
CHAIRMAN**

**ELAINE MCCONNELL
VICE CHAIRMAN**

**JOHN GRZEJKA
SECRETARY**

**DANA KAUFFMAN
TREASURER**

HILDA BARG

SHARON BULOVA

**MAUREEN S.
CADDIGAN**

WALLY COVINGTON

ROBERT GIBBONS

WILLIAM GREENUP

KAREN RAE

**CHRISTOPHER
ZIMMERMAN**

**DALE ZEHNER
CHIEF EXECUTIVE
OFFICER**

1500 King Street, Suite 202
Alexandria, VA 22314-2730
(703) 684 – 1001
FAX: (703) 684 – 1313
Web Site: www.vre.org

MEMBERS PRESENT	JURISDICTION
Sharon Bulova (NVTC)	Fairfax County
Robert Gibbons (PRTC)	Stafford County
John Grzejka (PRTC)	City of Manassas
John D. Jenkins (PRTC)	Prince William County
Dana Kauffman (NVTC)	Fairfax County
George Conner	VDRPT

MEMBERS ABSENT	JURISDICTION
Elaine McConnell (NVTC)	Fairfax County

ALTERNATES PRESENT	JURISDICTION
Maureen Caddigan (PRTC)	Prince William County
Wally Covington (PRTC)	Prince William County
William Greenup (PRTC)**	City of Fredericksburg/VHSRDC

ALTERNATES ABSENT	JURISDICTION
Hilda Barg (PRTC)	Prince William County
Christopher Zimmerman (NVTC)	Arlington County

STAFF AND GENERAL PUBLIC	
Tamara Ashby – VRE	Bob Liebbrandt – Prince William County
George Billmyer – citizen	Wendy Lemieux – VRE
Donna Boxer – VRE	Betsy Massie – PRTC staff
Don Chism – VRE	Deborah Montgomery – VRE
Erica Cobb – VRE	Sirel Mouchantaf – VRE
Mensel Dean – PBGH	Dick Peacock – citizen
Mike Garver – PBGH, LLC.	Mark Roeber – VRE
Anna Gotthardt – VRE	Rick Taube – NVTC staff
Alfred Harf – PRTC staff	Dale Zehner – VRE
Betsy Hedrick – PBGH, LLC.	
Ann King – VRE	
Mike Lake – Fairfax DOT	

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

Chairman Jenkins called the meeting to order at 9:25 A.M. Following the Pledge of Allegiance, roll call was taken.

Approval of the Agenda

Mr. Grzejka moved, with a second by Ms. Bulova, to approve the agenda. The vote in favor was cast by Board Members Bulova, Conner, Gibbons, Grzejka, Jenkins and Kauffman.

Minutes of the November 19, 2004 VRE Operations Board Meeting

Mr. Grzejka moved, with a second by Mrs. Bulova, to approve the minutes. The vote in favor was cast by Board Members Bulova, Conner, Gibbons, Grzejka, Jenkins and Kauffman. Ms. Caddigan abstained since she wasn't present at the November meeting.

Chairman's Report

Chairman Jenkins stated that it has been a great honor and pleasure to serve as the Board's chairman this past year. He looks forward to the new slate of officers for 2005. He expressed his opinion that the entire VRE staff does an outstanding job and Mr. Zehner has met the requirements of his job description.

Chairman Jenkins presented a VRE five-year pin to Ms. Caddigan and a 10-year pin to Mr. Gibbons. On behalf of the Board, Chairman Jenkins thanked them for their service.

Chief Executive Officer's Report

Mr. Zehner introduced Donna Boxer, VRE's new Director of Finance, who will begin work on January 3, 2005. He reported that the Santa Trains went extremely well, with about 6,800 people riding the trains. Over 1,000 toys were collected, with one family donating 12 bicycles. VRE also collected \$8,600 and 1,100 toys on the trains on December 16th for Toys for Tots. VRE riders have been very generous. Mr. Gibbons suggested submitting a "letter to the editor" in the newspaper thanking VRE's riders for their participation in the Toys for Tots program. Chairman Jenkins directed staff to do so with the *Potomac News*, *Washington Post*, *Stafford Sun* and *Fairfax Journal*.

Mr. Zehner reported average daily ridership for November was 15,150, which is three percent higher than last year. On-time performance has been good on the Manassas Line, but has been suffering on the Fredericksburg Line due to interference with heavier freight traffic and a broken rail near Fredericksburg.

Mr. Zehner stated that VRE staff met with representatives from Caroline County about a piece of property adjacent to the rail line for a potential site for a rail station. The county has expressed some interest in joining VRE. He will keep the Board informed on this issue.

Mr. Kauffman asked about train utilization and observed that train #334 on the Manassas Line was low. Mr. Zehner explained that this train leaves at 10:30 A.M. and about 70-100 people ride this train. Parking is very difficult at that time of the morning because the lots are already full in Manassas. Chairman Jenkins reminded Board members that as parking at Broad Run is completed, it will help relieve parking congestion in the City of Manassas.

Mr. Kauffman offered his assistance if VRE has any difficulties with discussions with WMATA concerning SmarTrip technical support.

VRE Riders' Comments – 7

Mr. Billmyer stated that he just spent four weeks in Australia and New Zealand, where he rode their commuter trains. They have very efficient systems. He stated that when VRE goes to eight-car trains, it would simplify things to have a sign stating that only the last six cars will unload passengers.

[Mr. Greenup arrived at 9:55 A.M.]

Mr. Billmyer stated that for the FY 2006 budget, VRE should look at fare evasion. He expressed his opinion that, since the last fare increase was six percent, this time it would be fair for the jurisdictions to cover the budget increase. If Spotsylvania and Fauquier counties joined VRE, that would cover half of the budget increase. If VRE expanded out to Haymarket, higher ridership could pay for the expansion.

Mr. Billmyer stated that although Free Ride Certificates aren't that important to some VRE riders, VRE should still offer them. He suggested increasing the time from a half hour to 90 minutes.

Mr. Peacock expressed his concerns about on-time performance on the Fredericksburg Line. During the summer months when there were heat restrictions, VRE had better on-time performance on this line. Now, on-time performance is even worse. He'd like to see CSX not initiate heat restrictions until it reaches 95 degrees, as opposed to the current 90 degrees.

Mr. Peacock stated that he is pleased that Governor Warner has set aside \$20 million for new VRE railcars, but he thinks the state needs to be more involved in supporting VRE. VRE has an excellent safety record. He expressed his opinion that the state should help fund a new rail station in Gainesville, Haymarket or the Spotsylvania area.

Recommend Authorization of the FY 2004 Audited Financial Statements and Management – 8A

Mr. Zehner introduced Mensel Dean from PBGH, LLC, VRE's audit firm. Mr. Dean reported that the audit of VRE's FY 2004 financial statements has been completed and his firm has issued an unqualified opinion on the report. PBGH has met with VRE's Audit and Finance Committee and provided a detailed report of the audit. He gave a brief overview of the audit. Chairman Jenkins stated that the charts in the audit were very helpful.

On a motion by Mr. Grzejka and a second by Ms. Bulova, the Board unanimously approved Resolution #8A-12-2004, which would authorize VRE's CEO to present to the Commissions VRE's financial statements for FY 2004 as audited, as well as the management letter for consideration. The vote in favor was cast by Board Members Bulova, Conner, Gibbons, Grzejka, Jenkins and Kauffman.

In response to a question from Mr. Taube, Mr. Zehner stated that he will be responding to the management letter in the next week and will provide it to the Commissions before their next meetings.

Referral of the Revised FY 2005 and Recommended FY 2006 VRE Operating and Capital Budget to the Commissions and Localities – 8B

Mr. Zehner reported that the Operations Board is being asked to adopt the revised FY 2005 budget and the recommended FY 2006 VRE Operating and Capital Budget and refer them to the Commissions for their considerations. The Commissions would then refer them to the jurisdictions for their formal review and appropriation. Resolution #8B-12-2004 would accomplish this.

Mr. Zehner gave a presentation on the budget. Three budget alternatives were presented and discussed with the CAO Task Force and the Audit and Finance Committee: 1) No fare increase and a subsidy increase of \$1,058,450; 2) A fare increase of 5.46 percent with no subsidy increase; and 3) A combined fare increase of 2.75 percent and subsidy increase of \$525,060. The Task Force and Audit and Finance Committee recommend Alternative #3.

Mr. Zehner explained that the CAO Task Force has made six recommendations for FY 2006. The first recommendation is that VRE should implement a combined 2.75 percent fare increase and a \$525,060 local subsidy increase to ensure that funding is available to meet capital match requirements for federal grants and increasing operating costs. This increase is primarily due to increased fuel costs, an estimated increase in Amtrak access fees and a \$500K contribution to the Insurance Trust Fund.

Secondly, VRE should resolve implementation issues with Amtrak and begin to collect the \$1 surcharge (step-up ticket), which the VRE Operations Board authorized for VRE passengers using Amtrak trains on June 28, 2004. Mr. Zehner stated that he is continuing to work with Amtrak to resolve this issue.

The third recommendation is that VRE should continue to aggressively pursue non-farebox sources of revenue, such as advertising and vending machines on station platforms. Staff is also looking at sales of merchandise/train collectibles, as well as working with filming companies.

Mr. Zehner reported that the fourth recommendation is that VRE should conduct a study, or present other empirical evidence, to determine if there is a problem with fare evasion on VRE trains.

Mr. Zehner stated that the fifth recommendation is that VRE staff should provide the Operations Board with a recommendation on whether to retain, modify or eliminate the Free Ride Certificate (FRC's) Program. He explained that this program is becoming difficult to administer, especially with the bi-level railcars. Also, many delays are outside of VRE's control. However, staff is concerned that the elimination of this program in conjunction with capacity and on-time performance issues could significantly affect customer satisfaction. As a result, VRE staff does not recommend that this program be discontinued immediately. Instead, a plan for elimination should be developed that considers the timing of such an action, as well as alternative forms of incentives that could replace FRC's.

The last recommendation is that VRE should prepare another six-year financial forecast after the Federal formula and discretionary funding levels from TEA-21 reauthorization are known. This analysis should be part of any financing plan for additional railcars.

Mr. Zehner stated that during the discussion with the CAO Task Force, staff agreed to do a detailed analysis of access to the stations, to include paid parking, kiss-and-ride, pedestrian and bike access, bus access, and management of the stations.

In response to a question from Mr. Harf about the assumptions implicit in the out-years of the budget about funding for additional rolling stock as required by VRE's strategic plan. Ms. Straub stated that the out-years assume the rolling stock will be financed rather than purchased outright. Ms. Straub also confirmed that federal participation for this rolling stock acquisition is assumed to amount to 80%. Mr. Harf observed that 80% federal participation is a very optimistic assumption. Mr. Covington asked if deployment of the planned additional rolling stock on extensions like Gainesville/ Haymarket would be wise as a way of gaining more political support for the acquisition. Mr. Zehner stated that it would cost an additional \$88 million to extend the line to Gainesville/Haymarket -- \$88 million that is not in the out-years of the budget. In response to a question from Mr. Gibbons, Mr. Zehner stated that it would cost \$33 million to expand to Bealeton, but Bealeton does not have the ridership potential that Gainesville/Haymarket does.

Mr. Gibbons asked for a list of those members who attended the CAO Task Force meetings.

Mr. Kauffman suggested that on-time performance measures should be asterisked to recognize that many of the delays are out of control of VRE. Mr. Gibbons stated that he is troubled by the on-time performance of the Fredericksburg Line. Chairman Jenkins stated that once the Quantico Bridge Project is complete, on-time performance should drastically improve.

Ms. Bulova stated that Fairfax County has endorsed the hybrid budget option (2.75 fare increase and local subsidy increase) and asked what other jurisdictions have done. Chairman Jenkins replied that this issue hasn't come before the Prince William Board of Supervisors yet.

Ms. Bulova moved approval of Resolution #8B-12-2004, which includes the hybrid option. Mr. Grzejka second. The Board voted on the motion and it passed. The vote in favor was cast by Board members Bulova, Conner, Grzejka, Jenkins and Kauffman. Mr. Gibbons abstained.

Authorization to Amend the Quantico Station Construction Contract Authorization – 8C

Mr. Zehner explained that Resolution #8C-12-2004 would recommend that the Commissions authorize the VRE Chief Executive Officer to amend the construction contract authorization with Manarc Construction, Inc. by \$203,795 for a total value not to exceed \$1,051,618. Upon starting rehabilitation work in October 2004, the contractor discovered asbestos containing structural panels that support the roof. The most cost effective solution is to replace the roof panels with a corrugated metal roof. This added work will lengthen the project schedule by approximately one month, with a completion date in February 2005.

Ms. Caddigan thanked VRE for this work. The roof panels are a setback, but once the station is completed it will be a tremendous benefit to the town, the Marines and VRE riders. She looks forward to the dedication in February.

Ms. Caddigan moved, with a second by Mr. Covington, to approve the resolution. The vote in favor was cast by Board members Bulova, Conner, Gibbons, Grzejka, Jenkins and Kauffman.

Authorization to Amend the General Security Services Contract – 8D

Mr. Zehner explained that after the March 2004 commuter rail bombings in Madrid, Spain, VRE requested that additional services be added to the Virginia Uniformed Security Services contract to provide for such security measures as bomb sweeps of equipment at both Broad Run and Crossroads each weekday morning. As the threat

level continues to be elevated, VRE staff recommends increasing the authorization level of this contract so that additional security can be added as needed. Resolution #8D-12-2004 would recommend that the Commissions authorize the CEO to increase the contract authorization for general security services with Virginia Uniformed Security Services by \$100,000 for each year of the three-year contract. This action would increase the authorization limit to \$350,000 annually.

On a motion by Ms. Caddigan, and a second by Ms. Bulova, the Board unanimously approved the resolution. The vote in favor was cast by Board members Bulova, Conner, Gibbons, Grzejka, Jenkins and Kauffman.

Extension of Amended Operating/Access Agreement with Norfolk Southern – 8E

Mr. Zehner reported that the access agreement with Norfolk Southern expires on January 15, 2005. While preliminary conversations have occurred, detailed negotiation sessions have not been held with Norfolk Southern representatives on the terms of a new, long-term agreement. Norfolk Southern has not asked for any changes to their terms and conditions, but VRE has asked that instead of an annual four percent increase that it be tied to some kind of index. Norfolk Southern has not yet provided a response to VRE on these issues. Therefore, negotiation sessions have not been scheduled. He stated that a six-month extension, rather than a year is being requested so as not to prolong the negotiations longer than necessary. Resolution #8E-12-2004 would recommend that the Commissions authorize the VRE CEO to execute an extension of the existing Amended Operating/Access Agreement with Norfolk Southern through July 31, 2005.

Mr. Grzejka moved, with a second by Ms. Caddigan, to approve the resolution. The vote in favor was cast by Board members Bulova, Conner, Gibbons, Grzejka, Jenkins and Kauffman.

Extension of Amended Operating/Access Agreement with CSXT – 8F

Mr. Zehner stated that Resolution #8F-12-2004 would recommend that the Commissions authorize the CEO to execute an extension of the existing Amended Operating/Access Agreement with CSXT to July 31, 2005. Numerous negotiations have been held with CSXT representative on the terms of a new, long-term agreement. Progress has been slowed because of insurance and liability related issues.

Ms. Bulova moved, with a second by Mr. Grzejka, to approve the resolution.

In response to a question from Ms. Bulova, Mr. Zehner replied that CSXT purchased terrorism insurance for almost \$1 million for one year. VRE is working toward getting Federal legislation that would cap liability. The General Assembly may also consider similar legislation.

The Board then voted on the motion and it passed. The vote in favor was cast by Board members Bulova, Conner, Gibbons, Grzejka, Jenkins and Kauffman.

Authorization to Execute a Siltation and Erosion Control Agreement and Post Escrow With Prince William County for Construction of Broad Run Inspection Pit Project – 8G

Mr. Zehner explained that the Prince William County Planning Office has approved plans to construct the inspection pit at Broad Run. Prior to the issuance of a Site Development Permit by the county, VRE is required to execute an agreement and post an escrow account for the full value of siltation and erosion control required for the project. The agreement and escrow insures that siltation and erosion control measures are constructed per the approved plans. He explained that the escrow money would be returned to VRE if there were no problems with construction. Resolution #8G-12-2004 would authorize VRE's CEO to execute a siltation and erosion control agreement and post escrow with Prince William County in an amount not to exceed \$69,857.

On a motion by Mr. Covington, and a second by Ms. Caddigan, the Board unanimously approved the resolution. The vote in favor was cast by Board members Bulova, Conner, Gibbons, Grzejka, Jenkins and Kauffman.

Nominating Committee for VRE Officers – 8H

Chairman Jenkins stated that Mr. Grzejka served as Chairman of the Nominating Committee. Mr. Grzejka announced that the committee recommends the following nominations for officers for 2005:

Chairman: Elaine McConnell
Vice Chair: Maureen Caddigan
Treasurer: Robert Gibbons
Secretary: Dana Kauffman

There were no further nominations. Mr. Covington moved to close the nominations. Ms. Bulova seconded. The motion passed with the vote in favor cast Board members Bulova, Conner, Gibbons, Grzejka, Jenkins and Kauffman.

Ms. Bulova moved, with a second by Mr. Covington, to approve the nominations as recommended by the Nominating Committee. The vote in favor was cast by Board members Bulova, Conner, Gibbons, Grzejka, Jenkins and Kauffman.

Chairman Jenkins announced that the new officers will be sworn in at the January 2005 meeting.

Other VRE Business

Chairman Jenkins requested that VRE's CEO work with Prince William County, especially the Planning Office, on the County's plans for project Innovation. There is a transit center being planned for that project.

Chairman Jenkins also announced that Mr. Zehner will be on vacation and Ms. Straub will serve as Acting CEO while he is gone.

Transportation Partnership Act of 2005 – 9A

Mr. Zehner stated that on December 9th, Governor Warner unveiled his transportation initiative for the upcoming legislative session. The Transportation Partnership Act (TPA) of 2005 would provide \$824 million in new funding for transportation needs throughout the Commonwealth. The Governor has proposed direct funding of \$20 million for VRE railcars. Other elements of the Governor's initiative will also benefit VRE. A rail partnership would be created, that would provide \$23 million to promote upgrades in Virginia's rail system (commuter and freight rail).

Mr. Zehner stated that it is important for VRE to advocate for this funding. He suggested the idea of running a train down to Richmond to promote VRE and hold a reception for General Assembly members.

Ms. Bulova moved, with a second by Ms. Caddigan, to request Commission approval to run a special train down to Richmond to advocate for VRE funding. The event would not exceed \$25,000.

Ms. Bulova observed that the \$23 million would be annual dependable funding for partnerships with the railroads. It is also funding that wouldn't be available unless there is a public benefit. VRE should also be advocating for the proposed \$40 million for Metro funding since many of VRE riders transfer to Metro. Mr. Gibbons stated that VACO wants to keep VRE a separate issue. Southwest Virginia will probably fight the Metro money, but there seems to be a lot of support for VRE. He will abstain from this vote because Fredericksburg will not tie it to Metro and will keep VRE separate. Chairman Jenkins stated that it is important to support all transit. Ms. Caddigan stated that she doesn't think that VRE will be jeopardized. Legislators need to know how important Metro is too.

Ms. Bulova also suggested having some VRE riders participate in the train going to Richmond. Mr. Zehner stated that this may cause scheduling problems with CSX but he will discuss it with CSX. Ms. Caddigan suggested that this outreach effort be done in January. Mr. Zehner stated that one date that has been proposed by VDRPT staff is January 19th, but Inauguration Day is the 20th. Chairman Jenkins stated that it is important to do it before Crossover.

Mr. Harf stated that it is his assumption that VRE would like to make the most favorable impression with its best equipment. Mr. Zehner stated that he would propose having each type of railcar present (Gallery, bi-level, Kawasaki) so they can see the different equipment. Mr. Greenup stated that there is a real need for grassroots support during this Session and expressed his concern that VRE not put all its “eggs in one basket” with this event.

The Board then voted on the motion and it passed. The vote in favor was cast by Board members Bulova, Conner, Grzejka, Jenkins and Kauffman. Mr. Gibbons abstained.

[Ms. Caddigan left at 11:04 A.M.]

Fare Collection Update – 9B

Mr. Zehner stated that VRE has been unable to accept the new fare collection system due to a series of issues. VRE is confident that the remaining outstanding issues will be resolved and a system test can begin on January 13, 2005. If the 60-day test is successful, VRE will be able to accept the system in March 2005.

Fauquier County Update – 9C

Mr. Zehner stated that he will accompany Mr. Gibbons, Mr. Covington, and Mr. Harf to a Fauquier County Board work session on January 13, 2005, to discuss the options for transit service (bus and rail) in Fauquier, as well as the financial implications of joining PRTC and VRE. Mr. Covington asked to be included in this meeting.

Closed Session – 10A

Mr. Grzejka moved, with a second by Ms. Bulova, the following motion:

Pursuant to the Virginia Freedom of Information Act (Section 2.2-3711A. (1) of the Code of Virginia), the VRE Operations Board authorizes discussion in Closed Session concerning one personnel matter.

The vote in favor was cast by Board Members Bulova, Conner, Gibbons, Grzejka, Jenkins and Kauffman

The Board entered into Closed Session at 11:07 A.M. and returned to Open Session at 11:45 A.M. On a motion made by Mr. Grzejka, and a second by Ms. Bulova, the Board unanimously approved the following certification:

The VRE Operations Board certifies that, to the best of each member's knowledge and with no individual member dissenting, at the just concluded Closed Session:

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

The vote in favor was cast by Board Members Bulova, Conner, Gibbons, Grzejka, Jenkins and Kauffman.

Chairman Jenkins wished everyone a Merry Christmas and a Happy New Year. Ms. Bulova observed that this is Mr. Grzejka's last meeting and she congratulated him on the outstanding job he has done serving on the Board. Mr. Grzejka thanked the Board and VRE staff for giving him the opportunity to serve on the Operations Board. Chairman Jenkins asked Mr. Grzejka to come back for the January meeting for a presentation.

Adjournment

On a motion by Mr. Kauffman, and a second by Mr. Greenup, the Board unanimously agreed to adjourn. Chairman Jenkins adjourned the meeting at 11:47 A.M.

Approved this 21st day of January 2005.

Chairman

Secretary

CERTIFICATION

This certification hereby acknowledges that the minutes for the December 17, 2004, Virginia Railway Express Operations Board Meeting have been recorded to the best of my ability.

Rhonda Gilchrest

Rhonda Gilchrest



CHIEF EXECUTIVE OFFICER'S REPORT

December 2004

RIDERSHIP TIGHT

Ridership continues to grow, though we are noticing constraints on ridership based on our limited capacity. Today VRE is operating over half of our peak trains at or near capacity. With no new service, nor the ability to add equipment in the foreseeable future, our options are limited. For the third straight month, the average daily ridership in November topped 15,000 trips per day. This record tracks with the "September Surge" phenomenon discussed in August.

MONTHLY REVIEW OF RIDERSHIP	AVERAGE DAILY RIDERS
VRE November 2004 Average Daily Riders	15,150
VRE November 2003 Average Daily Riders	14,885
PERCENTAGE INCREASE	3%

Our average growth percentage continues to be stronger on the Manassas line, where despite the lack of parking, the average grew 5.7%. Conversely, the Fredericksburg line only increased 0.28%. These increases represent nearly 250 more daily riders than we had only one year ago.

During November, we exceeded 15,000 average daily passenger trips thirteen times and 16,000 once (out of a total of nineteen service days). Cumulatively, for the month of November, VRE made 290,897 passenger trips.

ON-TIME PERFORMANCE

Despite an increase in the number of train delays, we posted an overall OTP for November of 82%. The Manassas Line trains were 91% on-time for November while the Fredericksburg Line continued to be plagued by delays and was only on-time an average of 73%.

MONTHLY ON-TIME PERFORMANCE	ON-TIME PERCENTAGE
VRE November 2004 Fredericksburg OTP Average	73%
VRE November 2004 Manassas OTP Average	91%
VRE NOV 2004 OVERALL ON-TIME PERFORMANCE	82%

The critical difference from previous months is that the principal cause for delays in November, especially on the Fredericksburg line, was the combination of switch and signal failures and greater interference from freight trains. Almost 27 percent of all train delays we experienced during the month were a result of freight trains. These figures speak to the larger problem that we continue to work with VDRPT and CSX officials, of making necessary improvements to the corridor infrastructure to reduce crowding. These infrastructure improvements, as outlined in the MOU, are designed to increase capacity on the system and will reduce the continual problems with switches and signals that seem to routinely cause operational delays. As cited below, the Quantico Bridge project, which is being managed by VRE, is underway and on schedule. There is no doubt that when this particular project is completed, on-time performance for all trains on the Fredericksburg line will improve.

November 2004 Train Delays	REASON	TOTALS	PERCENT
	Signal/Switch Failure	5	5%
	Slow Orders	12	12%
	M/W	5	5%
	Train Interference	47	46%
	AMTRAK	10	21%
	Freight	27	57%
	VRE	10	21%
	Mechanical Failure	6	6%
	Late Turn	3	3%
	PAX Handling	9	9%
	Weather	0	0%
	Crew Related	0	0%
Other	14	14%	
TOTAL	101	100%	

Another leading cause of delays during November was passenger handling. The crews attributed this to significant loading issues as many trains are standing room only, making entering and exiting the trains that much harder.

QUANTICO BRIDGE

On December 3, 2004, VRE held an on-site construction tour for the local media to highlight the construction activity of the Quantico Creek Bridge project. The general contractor (Abernathy Construction) began construction activities during the second week of September 2004 and will continue to maintain a schedule that should position us to complete the bridge within budget and on time.

At the December 3rd site tour, we were able to get the media on-site and explain the nuances of the construction of the bridge, show them the test borings, walk the causeway and see firsthand the dynamics of bridge construction. I think it was very beneficial from both an educational standpoint, as well as a public perception standpoint because people will now clearly see that VRE, CSX and the Commonwealth are working together to make a difference in the region.

Currently, VRE is finalizing an agreement with CSX Transportation to perform work incidental to the bridge project. This agreement will incorporate the scope of work to be provided by CSXT, such as flagging, signal work, supplying track materials and construction of the North Possum Point interlocking.

CORRIDOR IMPROVEMENT PROJECTS

VRE continues to work closely with the Commonwealth and CSX to advance the other critical corridor improvements necessary for the expansion of VRE service. It is vitally important that these improvements be done in concert with the Quantico Bridge construction because it not only benefits VRE, but also lays the foundation for potential higher speed intercity passenger rail service in Virginia.

VDRPT has finalized the construction agreement with CSX on the six different design and engineering projects that comprise the majority of the corridor improvements. Upon finalization of the DRPT/CSXT master construction agreement, Arkendale interlocking will be one of the first projects to be constructed. It is expected that construction of the Arkendale interlocking will commence in the spring of next year.

NEW FREE RIDE CERTIFICATE

We are alerting our passengers that Free Ride Certificates (FRCs) issued prior to July 1, 2004 are set to expire as of December 31. VRE staff will exchange all unused, and/or expired FRCs for new stock. FRCs can be exchanged by visiting the VRE office or sending them to us in the mail.

In order to make this process easier, starting in January, staff will hold formal "exchanges" at the Alexandria station. We will notify riders in advance with pertinent information about the exchange process through Train Talk and on-train announcements.

SANTA TRAINS

We are gearing up for our 8th Annual Operation Lifesaver "The Polar Express" Santa Trains. This year we will be operating 10 trains from our Fredericksburg, Leeland Road, Woodbridge, Burke Centre, and Manassas stations. Ticket sales were brisk and within the first hours of sales, all venues were sold out. We anticipate hosting over 7,000 Virginians and their families on December 11th.

We partnered with Warner Brothers this year to bring additional attention to our Santa Trains by tying in with their release of the movie, "The Polar Express." We did a special lottery for the movie premiere, a press announcement on the kick-off of ticket sales and the start of the Toys for Tots program. Lastly, Warner Brothers has donated coloring books and other special goodies for the children that we will hand out on the train.

Santa Trains have really become a community effort, which is embraced by all who participate. In addition to VRE staff, Operation Lifesaver volunteers, and school choral groups will help us bring the spirit of the season to our passengers.

As we have done in the past, Santa will get some help giving toys to needy children as we turn our Santa Train stations into drop off locations for new unwrapped toys. All presents will be donated to the Marine Corps Reserves Toys for Tots program. I will share more on the Santa trains with you at the upcoming Board meeting on the 17th.

EZ BUS UPDATE

On December 12, 2003, VRE, in partnership with Fairfax County and the Commonwealth, launched an experimental and innovative transportation option for people living in Burke Centre and Western Fairfax County communities. At the christening ceremony last year, Secretary of Transportation Whitt Clement even noted the uniqueness of the undertaking. It's hard to believe that a year has gone by already.

Thanks to the continued efforts of Supervisor Bulova and Supervisor McConnell, Fairfax County and VRE are making headway on trying to find ways to make commuting an option of choice, while helping the environment by reducing cold starts of automobiles.

The program was initially funded by the Governor through his Congestion Mitigation Relief Initiative. Fairfax County is working on establishing a permanent funding source for the program.

MANASSAS PARKING

We notified Manassas line commuters this week that it was time to renew their City of Manassas commuter parking permits for 2005. To obtain a permit, riders must fill out an application and mail, fax, or drop it off at the Manassas City Hall Treasurer's office. Applications may be acquired by visiting the VRE website at www.vre.org.

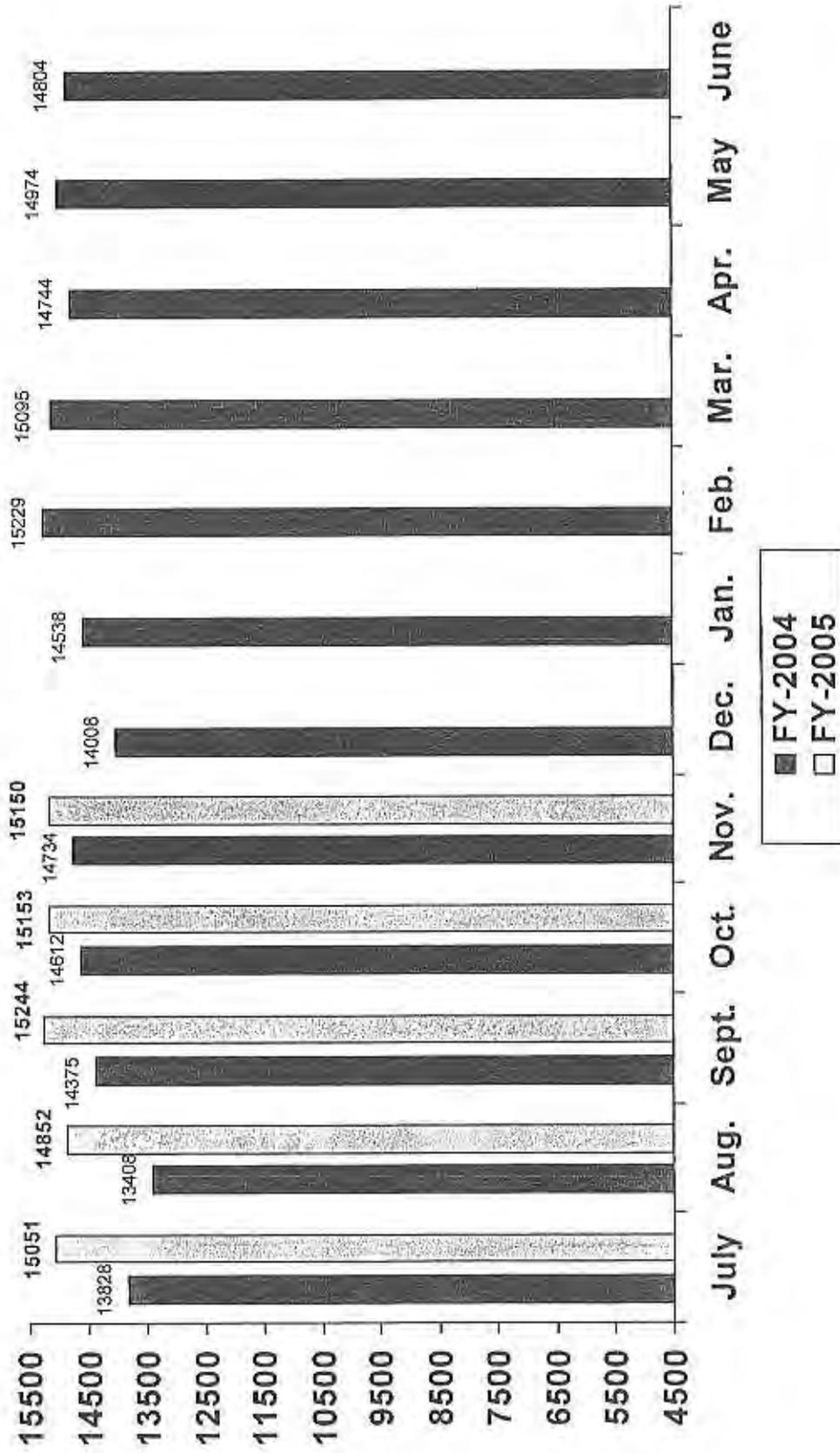
The City of Manassas is now requiring verification of employment on the application. As was the policy last year, riders will either need to have their employer sign the application or provide a copy of a company photo I.D. badge as part of the verification process.

OMNIBUS BILL ADDS MORE MONEY FOR VRE

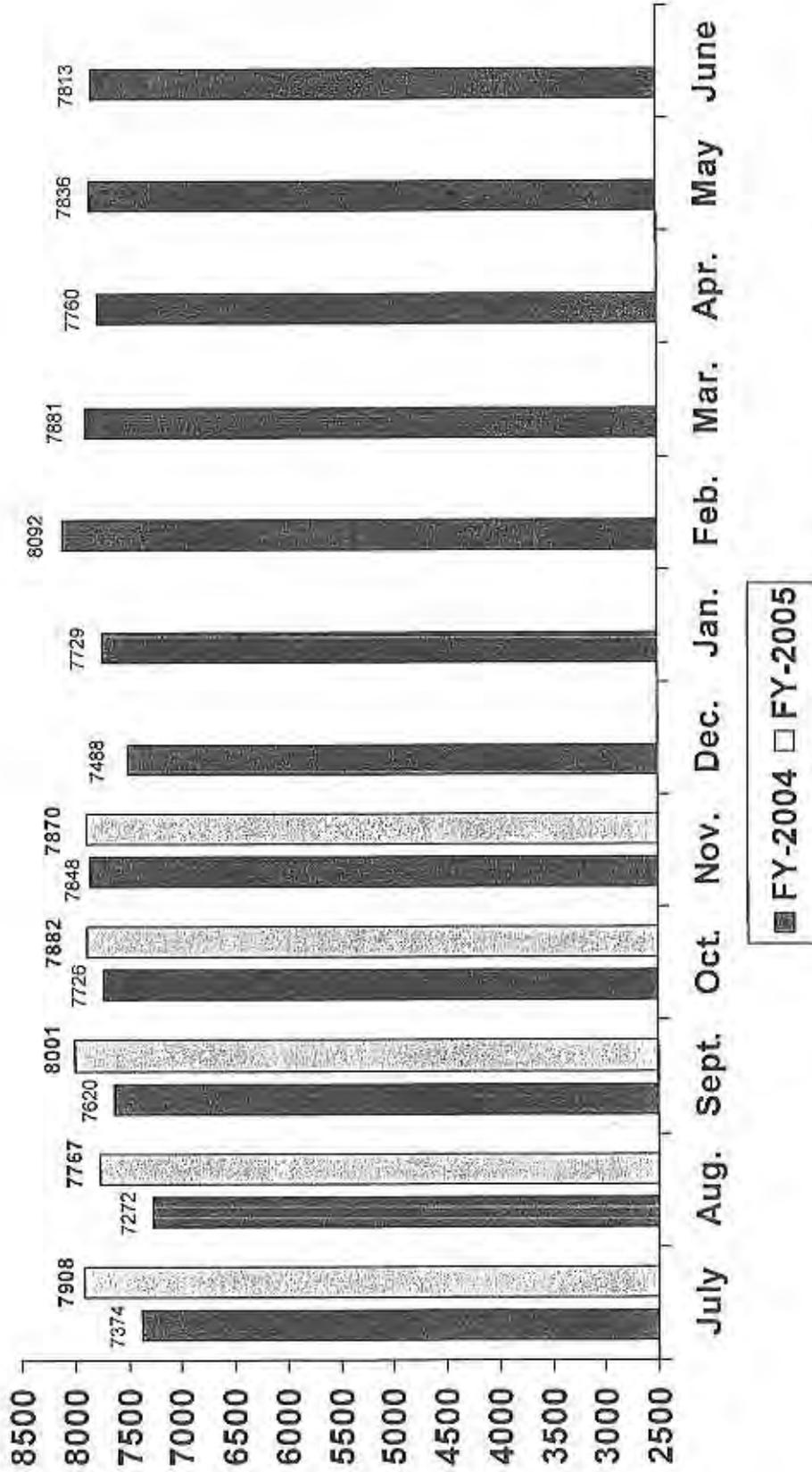
VRE gained additional funding through the final FY 2005 appropriation cycle. Thanks to the diligence of the entire Congressional delegation of Northern Virginia, VRE was able to recapture some monies in the Omnibus bill for the expansion of station parking within the VRE system. VRE advanced several conversations with pertinent staffers from our Congressional delegation and after the Omnibus bill was reported, VRE's final appropriation stood at \$1 million.

This funding comes at a critical time as VRE tries to find ways to fund additional parking capacity at almost every VRE station. Again, VRE is very appreciative to Senators Allen and Warner, Congressmen Davis, Wolf, and Moran, and Congresswoman Davis for their tireless support of VRE.

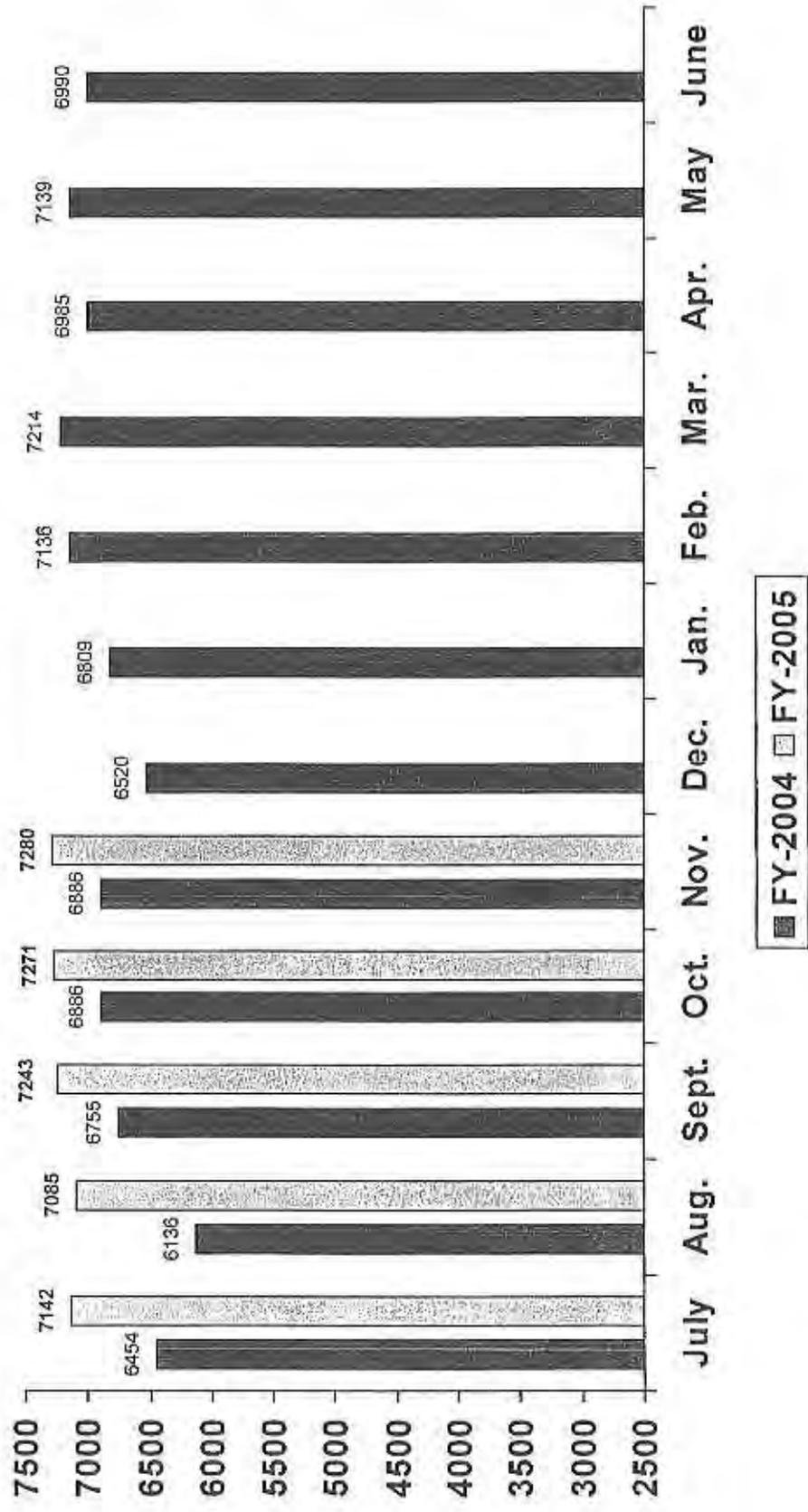
VRE Total Average Daily Ridership



VRE Average Daily Ridership Fredericksburg Line

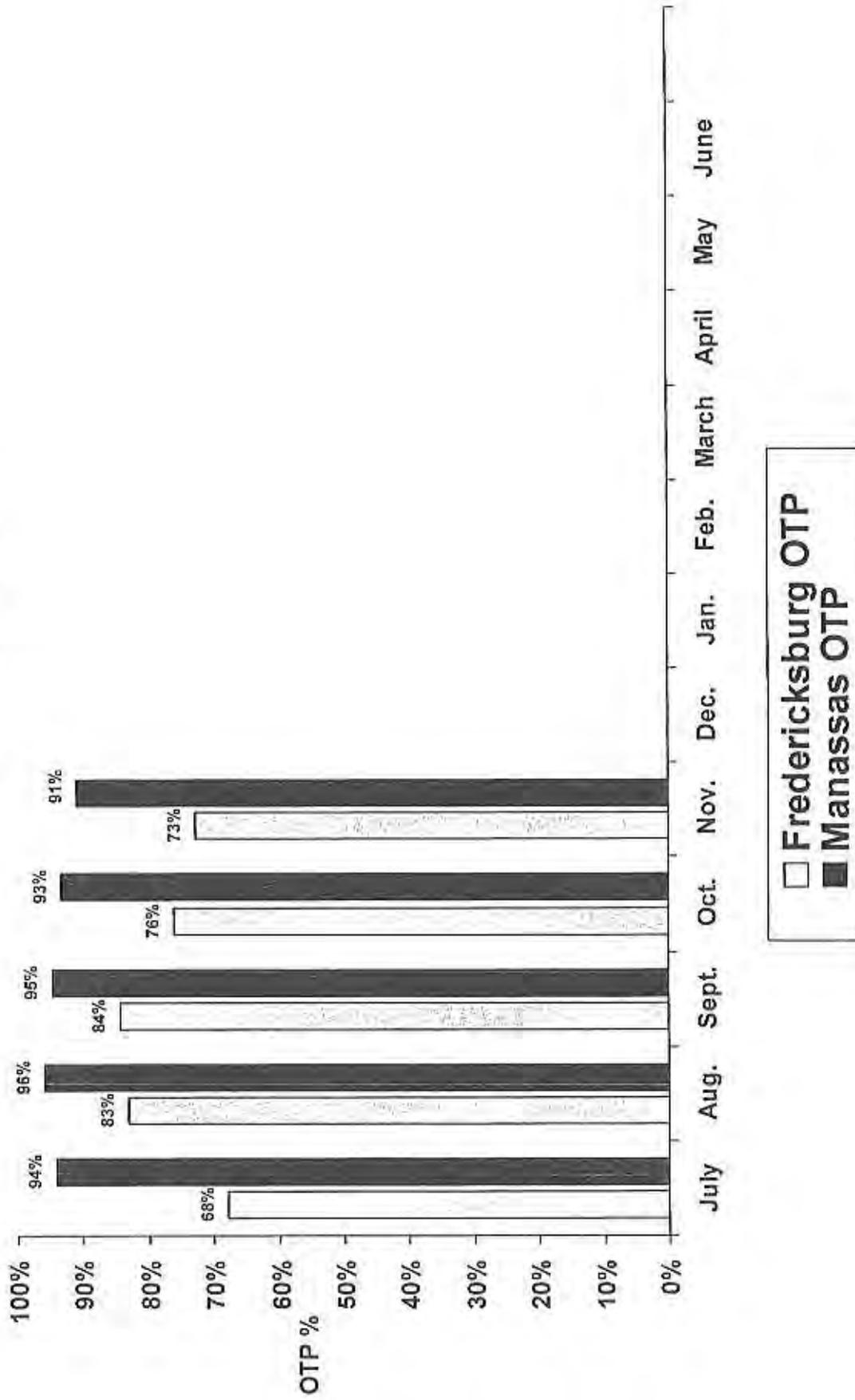


VRE Average Daily Ridership Manassas Line



Average On-Time Performance

FY-2005



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Rail span at creek advances

Quantico railroad bridge makes progress

By **EDIE GROSS**

Date published: **12/4/2004**

QUANTICO--For trains, the single-lane bridge crossing Quantico Creek is the railroad equivalent of the Springfield Interchange.

It's the No. 1 choke point between Richmond and Washington, forcing trains to wait 15 minutes or more for their turn to cross the tiny creek.

A \$26 million project to build a second railroad bridge across the creek is under way.

The new bridge, slated to be finished in early 2007, should eliminate the bottleneck for the 60 Virginia Railway Express, Amtrak and CSX trains that use the corridor daily.

"Of the 51 miles of track on the Fredericksburg line that VRE operates service, it's the 1,750 feet across Quantico Creek that causes us the most delays," said John Jenkins, a Prince William County supervisor and chairman of the VRE board.

"The reason is simple: This is the only stretch on the entire line between D.C. and Richmond that's single-track," he said, "Every train that comes through here must stop and wait for other trains to clear the bridge."

VRE board members, employees and reporters trooped out to the construction site yesterday for a look at the project.

Right now, two tracks approach the creek on its north and south sides, but they merge into one track just before crossing the water. Trains traveling from one side to the other often must stop and wait for other trains to clear the bridge.

The new steel and concrete bridge, being built by Abernathy Construction Corp. of Glen Allen, will include a second track and room for a third to be added later.

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The new structure is going up just west of the existing bridge. Some of the pilings will be sunk 100 feet or more into the creek bottom.

Crews had originally planned to do most of their work from barges, meaning they would need to dredge 63,000 cubic yards of soil from the shallowest edges of the creek—enough soil to fill the Olympic pool in Sydney, Australia, 13 times.

However, rather than try to bring the heavy barges into the shallow areas, crews built a small "causeway" from the south bank of the creek out into the water.

That way, heavy equipment can be driven out to the barges, which will sit in deeper water. The effort reduced the amount of soil that needs to be dredged there to 11,000 cubic yards, lessening the impact on aquatic life, said Sirel Mouchantaf, director of construction and facilities for VRE.

The commuter rail agency is helping manage the project, which is paid for with \$20 million in federal funds and another \$6 million from the state.

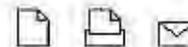
CSX, which owns the railroad tracks, has agreed to let VRE add two more commuter trains each day once this project is finished. Existing VRE trains are down to standing-room only for some commuters.

The second track should eliminate half of the delays now experienced by trains in that corridor, said VRE Chief Executive Officer Dale Zehner.

"I like to call it 'the bridge to more,'" Zehner said. "More trains for us, more speed for us, more economic development and eventually more high-speed rail trains."

To reach EDIE GROSS: 540/374-5428 egross@freelancestar.com

Date published: **12/4/2004**



Local News Updates:

- **Army trainee's secret**
(Wednesday, 13:44, WFLS News)
- **Gas line damaged in North Stafford**
(Wednesday, 12:30, WFLS News)
- **Fredericksburg names new police chief**
(Wednesday, 12:04, WFLS News)
- **Stafford debates developers' fees**
(Wednesday, 01:10, The Free Lance-Star)
- **Prayer solution offered**
(Wednesday, 01:10, The Free Lance-Star)
- **North Anna could get more reactors**
(Wednesday, 01:09, The Free Lance-Star)

AP News Updates:

- **Senate Set to Approve Intelligence Bill**
- **Disgruntled Troops Complain to Rumsfeld**
- **Peterson's Frail Mom Testifies in Court**
- **U.S. Combat Death Toll in Iraq Hits 1,001**
- **Tens of Thousands Cheer Ukrainian Reforms**
- **Chicken Genome Should Boost DNA Research**
- **TV Icon Dick Clark Suffers Mild Stroke**
- **Celebrity Nativity Scene Draws Ire in U.K.**
- **Stock Prices Rise on Stronger U.S. Dollar**
- **5 Pacers, 5 Fans Charged in Detroit Brawl**

Outreach to Outlying Counties

Several attachments describe progress in approaching Spotsylvania and Fauquier counties regarding participation in VRE and membership in PRTC. Ridership on VRE from those two counties alone exceeds 12 percent. While Spotsylvania County is not contiguous to NVTC, Fauquier County is. Commissioners are invited to direct staff as to whether NVTC should be involved in the discussions with Fauquier County regarding participation in VRE and membership in either PRTC, NVTC or both.



Virginia Railway Express

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

October 5, 2004

Henry Connor, Jr.
Chairman, Transportation Committee
County of Spotsylvania
13705 General Slocum Court
Fredericksburg, VA 22407

RECEIVED OCT 6 2004

Dear Chairman Connor:

In response to the recent communication between the Virginia Railway Express and members of the Spotsylvania County Board of Supervisors, the Spotsylvania County Transportation Committee, as well as the County Administrator, I have prepared the following white paper on issues raised at the previous Transportation Committee meeting. The paper attempts to address the concerns expressed regarding Spotsylvania County's possible inclusion in the Virginia Railway Express system. In addition, in this letter I want to address a specific concern I have regarding our Spotsylvania ridership and parking.

As you may be aware, for the past twelve years Virginia Railway Express has been one of the most successful commuter rail operations in America, providing high quality public transportation for Northern and Central Virginia regions. Our goal is to ensure that all of our riders reach their appointed destinations safely, reliably, and efficiently. With the rapid growth in the past four years, VRE is now at capacity with both seats and parking. We are working to add seats by lengthening trains and increasing service when we are able, both of which require the acquisition of rolling stock with a funding plan involving all participating jurisdictions. However, stations and parking expansions have traditionally been funded by each jurisdiction on its own, recognizing that such investments are largely for the benefit of the "host" jurisdiction rather than the system at-large.

Currently, 92% percent of the people boarding at Fredericksburg are Spotsylvania residents. In the last five years, we have increased the number of parking spaces at the Fredericksburg station by 560 spaces. We have no funding available to increase the parking in Fredericksburg any further, and the City of Fredericksburg has made it clear that it will not support further parking expansion. This position reflects strong neighborhood sentiment in the vicinity of the Fredericksburg station that current parking accommodations are straining the area street system and any additional parking would be detrimental to the community.

- A Transportation Partnership -

Northern Virginia
Transportation Commission
4350 North Fairfax Drive, Suite 720
Arlington, Virginia 22203
(703) 524-3322

5-1

Potomac and Rappahannock
Transportation Commission
14700 Potomac Mills Road
Woodbridge, Virginia 22192
(703) 583-7782

Chairman Henry Conner
October 5, 2004
Page Two

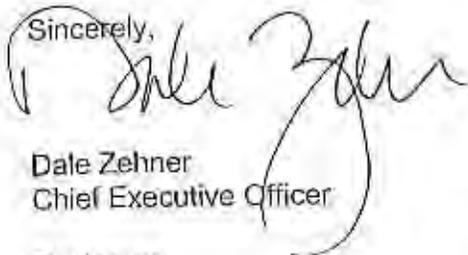
We continue to receive inquiries from Spotsylvania residents who want to ride VRE but are prevented from doing so by the lacking of available parking at the Fredericksburg station. We believe demand for VRE will continue to grow in the Fredericksburg and Spotsylvania areas and the only way to meet the continuing demand is to provide a VRE station in Spotsylvania County. The attached paper outlines potential methods for accomplishing this.

As you may know, VRE has wide reaching benefits for Northern and Central Virginia. We remove the equivalent of one lane of traffic each peak period from I-66 and I-95. Every trip a Spotsylvania resident takes on VRE removes approximately 60 miles of vehicle travel that would have otherwise occurred on I-95 and Route 1. This in turn reduces congestion on those roads and the arterials that feed them, while at the same time improving air quality.

Over time, we have seen countless successes and tremendous growth in our ridership, particularly in jurisdictions such as Spotsylvania County. I believe that an extension of VRE service into Spotsylvania County, made possible by a partnership between Spotsylvania County and the local jurisdictions currently sponsoring VRE, would be a "win-win" for all parties.

It is my hope that the attached paper will address the issues raised by the Board, the Committee, and the Administrator, but should any additional information be needed, please do not hesitate to contact either Mark Roeber or myself. We look forward to future discussions on this matter and to what will hopefully be a long and successful transportation relationship.

Sincerely,



Dale Zehner
Chief Executive Officer

Enclosure

cc: Alfred Harf, Executive Director, PRTC
Richard Taube, Executive Director, NVTC
Stephen A. MacIsaac, Esquire

POTENTIAL METHODS TO ACQUIRE VIRGINIA RAILWAY EXPRESS SERVICE

The eight jurisdictions that are currently part of VRE service contribute financial support and participate in the governance of the VRE system through two regional, multi-jurisdictional transit commissions. The eight jurisdictions are members of either the Northern Virginia Transportation Commission (NVTC) or the Potomac and Rappahannock Transportation Commission (PRTC). These commissions were created by the member local jurisdictions as permitted by the Commonwealth's Transportation District Act (§15.2-4500) and both receive the proceeds of a two percent local motor fuels tax on all fuel sold within their borders as a result of a provision in the Commonwealth's tax code (§58.1-1720). For NVTC's member jurisdictions, the two percent gas tax is entirely reserved for WMATA. In all of the cities and counties comprising PRTC, this levy raises a surplus of funds beyond what is currently needed for VRE; these funds are available for a variety of transportation projects (such the *FRED* system in Fredericksburg).

Should Spotsylvania County decide to join in VRE service, the County can choose from three alternatives, which are listed below.

1. Spotsylvania County could join the Potomac & Rappahannock Transportation Commission.

- A two percent motor fuels tax would automatically begin to be levied on motor fuel sold in Spotsylvania County
- The County would become a member of the PRTC governing body (requiring an amendment to the PRTC founding ordinance) and would participate in the PRTC appointment process to the VRE Operations Board. That process requires PRTC to annually appoint three VRE Operations Board voting members from among the PRTC members supplemented by alternates as PRTC sees fit.
- Spotsylvania County would assume its obligation for PRTC's administrative expense and for VRE's local operating subsidy in accordance with §15.2-4500, the PRTC Founding Ordinance, and the VRE Master Agreement. PRTC's administrative expense is allocated by law based on the proportionate fuel tax yields of each member jurisdiction. VRE's local operating subsidy is allocated by the VRE Master Agreement using a formula that weights the residency of riders at 90% and jurisdictional population at 10%.
- Spotsylvania County's projected motor fuels tax yield is expected to be substantially greater than the combined PRTC/VRE financial obligation, leaving net revenues available for the County to use as it sees fit for allowable transportation purposes. Conservative fuel tax revenue projections based on per capita yields in existing member jurisdictions

indicate that the annual yield in Spotsylvania would amount to about \$2.6 million per year.

- In contrast, Spotsylvania's financial obligation to PRTC and VRE (based on the FY 2005 budget and the use of the foregoing motor fuels tax projection) is \$50,000 and \$503,000, respectively, leaving over two million dollars of net revenue for the County to use for other transportation purposes.
- No legislative action on the part of the Commonwealth is required to join an existing commission.

2. Spotsylvania County could "purchase" VRE service in a "contract service" agreement negotiated with PRTC and NVTC.

- Such a "contract service" agreement would provide for the extension of VRE service to Spotsylvania County (Crossroads) under terms and conditions the parties negotiate – from the commissions' perspective, such terms and conditions could likely include:
 - A commitment by Spotsylvania County to bear a prescribed cost for the operation, calculated with consideration for the additional cost VRE would bear for this service and an allowance for the shared use of VRE's capital assets (e.g., trains).
 - Spotsylvania County bearing the capital costs associated with the extension as outlined above.
- Spotsylvania County would have no governing privileges on PRTC or VRE under a "contract services" agreement, and no PRTC administrative expense obligation. Nor would Spotsylvania County have a two percent motor fuels tax revenue stream to meet its VRE obligations because there would be no such tax in this alternative.
- No legislative action on the part of the Commonwealth is required to initiate contract service.

3. Spotsylvania also has the option to create its own transportation commission with or without other jurisdictions, with a statutory amendment to the Commonwealth's tax code permitting a two percent motor fuels tax to be levied in the third district. In this case there are two possible courses of action for implementing VRE service in Spotsylvania County:

- A "contract services" agreement as described above without representation on VRE's Operations Board, payable from the County's newly legislated two percent motor fuels tax; or

- A change to the VRE governing structure in which three commissions rather than the two as at present have appointment and governing privileges over VRE.
- The latter is the most complicated because it would necessitate a change to the VRE Master Agreement. A change to the VRE Master Agreement requires the unanimous assent of the signatories, and to date the signatories have been very reticent to entertain such changes.

VRE INITIAL COSTS, CAPITAL PROJECTS, & IMPROVEMENTS FUNDING

The "start-up capital costs" of VRE expansion to Spotsylvania County include the construction of a rail station and parking facility, as well the installation of a rail track siding leading to the station and a crossover north of the station. These costs mirror those that were incurred by member jurisdictions when service was established in 1992, and can be considered 40-year investments.

The initial costs to the County of expanding VRE could be offset by seeking public funds (state or federal) or by working to acquire proffers and support from local developers who would benefit from supporting additional transit options in Spotsylvania.

Capital Projects Required for VRE Service to Spotsylvania County (2003 Dollars)

Item	Description	Est. Cost
Construction of a basic station	Basic stations designs include at least a 600 foot platform, a 200 foot canopy partially covering the platform, lighting fixtures, benches, and other hardware.	\$2.5 million
Surface parking lot	1,000 space parking lot. Spotsylvania would also have the option, depending on land costs/availability, to build a parking deck or surface lot. A parking deck has a cost of roughly \$15,000 per space whereas a surface lot costs approximately \$5,000 a space.	\$5 million
Railroad Infrastructure	Railroad siding and associated switches and crossovers. Length would be determined by distance of the proposed station from the main rail line.	\$4 million
	Estimated Total Cost	\$11.5 million

ANNUAL COSTS AND LOCAL SUBSIDIES FOR VRE

The annual costs of VRE service are primarily constituted by the expense of VRE operations: salaries, facilities, maintenance of the VRE system, and servicing financing for capital projects and major system improvements.

The cost of VRE service to jurisdictions is determined by first assessing the projected financial needs of VRE. Then, this cost is apportioned between the individual member jurisdictions through a formula that takes into account:

- The county's or city's population (given a 10% weight)
- The numbers of riders from that jurisdiction (given a 90% weight)
- And the "imputed fare revenue offset amount" (which credits more-distant counties and cities such as Spotsylvania by accounting for the greater distance and higher ticket cost that passengers from that farther municipality incur)

Based upon ridership figures from the most recent VRE ridership survey (October 2003), Spotsylvania's share of VRE operations cost would be approximately \$503,000 a year (assumes FY 2005 budgeted costs). With VRE's expansion into Spotsylvania, the number of Spotsylvania riders would increase due to growth in the county's commuting population and the easier access to VRE that a Spotsylvania extension would provide. Therefore, Spotsylvania's share of the VRE operations cost would grow with ridership growth.

INITIAL DEBT, SUBSEQUENT EXPANSION DEBT, AND SPOTSYLVANIA COUNTY'S RESPONSIBILITIES

Spotsylvania's responsibility for any debt incurred by the founding jurisdictions would have to be negotiated with the Commissions. However, future debt and financing for system needs (railcars, storage, etc.) will be assumed jointly by VRE's member jurisdictions. Often major system projects are largely financed by federal and state grants, earmarked funds, and other case-specific allocations. Necessary matching funds (*i.e.*, the 20% match necessary for federal earmarks) are borne jointly by the participating jurisdictions.

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Regional gas tax gets a fresh look

Region's officials mull gasoline tax

By EDIE GROSS

Date published: 12/1/2004

With state transportation dollars stretched ever thinner, lawmakers have hinted they'll be relying more on localities to maintain and build roads in the coming years.

So now, local officials are turning to state lawmakers with the obvious question: How do you expect us to pay for that?

Officials in the Fredericksburg area may try resurrecting a proposal to allow local governments to levy a 2 percent gas tax, which could then fund regional transportation projects.

The idea first surfaced two years ago, shortly after state budget cuts sliced \$140 million from the six-year transportation plan of VDOT's Fredericksburg District. Local officials looking for a way to recover some of that money for projects suggested forming their own transportation district.

At the time, estimates showed that a 2 percent gas tax in King George, Caroline, Stafford and Spotsylvania counties and the city of Fredericksburg would raise about \$4.2 million a year.

That same tax levied now would probably raise "substantially higher" amounts, said Stephen Manster, executive director of the Rappahannock Area Development Commission.

During a meeting last night, Manster told elected officials from all five communities that he'll bring some sort of transportation-district proposal to them in the coming weeks. "We think we have a proposal that can give our localities a revenue source from which we can accomplish various projects within our region," he said.

Stafford Supervisor Bob Gibbons, who has worked with Manster on the proposal, said communities need to be prepared to take over local roads because state lawmakers seem intent on handing them off.

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"They're going to come back and blame the local road situation on zoning, that the problem with the road system in the commonwealth is us," Gibbons said. "They're going to dump it on the locality. Trust me."

Fredericksburg and Stafford are already members of the Potomac and Rappahannock Transportation Commission and, as such, are allowed to collect a 2 percent gas tax to pay for the Virginia Railway Express and other transportation ventures.

They could create a separate transportation district with King George, Caroline and Spotsylvania relatively easily. But if the new district wanted to levy the 2 percent gas tax, it would need permission from the legislature.

Del. Bobby Orrrock, R-Caroline, sponsored a bill during the General Assembly's 2004 session that would have established a Fredericksburg transportation district and given its members the authority to impose the gas tax.

But the bill failed in the House. Orrrock said yesterday he'd be willing to sponsor a bill again--with some changes.

Rather than giving only the Fredericksburg area the right to create a transportation district, Orrrock said he'd rather pursue legislation to let any group of contiguous localities do the same.

The bill might gain support that way, since it would benefit more communities, Orrrock said. Also, because it would be statewide and not regional, the bill would need fewer votes--a simple majority of 51 instead of a super majority of 67--to pass in the House, he said.

Meanwhile, as lawmakers gear up for the 2005 session, some have suggested giving more control over transportation projects to local governments.

Two weeks ago, in a speech to the Commonwealth Transportation Board, Gov. Mark Warner said that secondary road projects may get done faster and cheaper if local governments take more responsibility for them.

Letting those governments levy a 2 percent gas tax and keep the dividends might be a way to do that, Orrrock said.

"This could be a means to an end," he said.

To reach EDIE GROSS: 540/374-5428 egross@freelancestar.com

Date published: 12/1/2004



Local News Updates:

- **Army trainee's secret**
(Wednesday, 13:44, WFLS News)
- **Gas line damaged in North Stafford**
(Wednesday, 12:30, WFLS News)
- **Fredericksburg names new police chief**
(Wednesday, 12:04, WFLS News)
- **Stafford debates developers' fees**

AP News Updates:

- **Senate Set to Approve Intelligence Bill**
- **Disgruntled Troops Complain to Rumsfeld**
- **Peterson's Frail Mom Testifies in Court**
- **U.S. Combat Death Toll in Iraq Hits 1,001**
- **Tens of Thousands Cheer Ukrainian**

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The Free Lance-Star

Locomotion?

Spotsylvania supervisors would be wise to sign on with the Virginia Railway Express commuter-rail service.

Date published: 11/8/2004

TRAINS ARRIVE AND depart on a regular schedule, and the refrain from Virginia Railway Express backers and others, including us, for Spotsylvania County to join the commuter service has been similarly routine.

It continues--though this (rail) line of reasoning really ought to reach its destination sooner rather than later. VRE officials visited Spotsylvania supervisors on Oct. 26 for the umpteenth time in an effort to persuade the county to join other Fredericksburg-area and Northern Virginia localities in sponsoring commuter trains.

Why should Spotsylvanians, especially those in areas where the ground has so far escaped developers' bulldozers, subsidize trains they will never use? Some supervisors have asked in the past. Well, for the same reason that homeowners all over the area subsidize schools even when they have no children: Being part of a community sometimes requires the selfless support of your neighbors and the overall good. Happily, the current Spotsylvania supervisors seem to understand that concept.

They haven't signed on with VRE just yet, but talks continue. Spotsylvania's government soon will survey county residents on various topics, and one question will ask for opinions on commuter rail. If the county courthouse receives the approving stamps of enough residents, commuter trains could join Amtrak and freight cars on the tracks in Spotsylvania. Those passenger cars would have customers, too: 92 percent of those who board VRE trains in Fredericksburg live in the county.

But what of the money? Spotsylvania's problem with linking arms--or rail cars, really--with its neighbors Fredericksburg and Stafford County has been that the VRE requires member jurisdictions to impose a 2 percent tax on gasoline. Spotsylvania Board of Supervisors Chairman Bob Hagan points out that imposing the tax may not sit well with landowners used to a fiscally conservative government. But VRE officials estimate that the levy would raise \$2.5 million a year, and only a bit more than \$550,000 would be due the VRE. That would leave nearly \$2 million to pay other transportation costs

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in the county.

Indeed, Stafford has netted more than \$1 million annually from its tax in recent years. And the tax certainly hasn't doomed pocketbooks in Fredericksburg, which is home to some of the best petro prices in these parts. Mr. Hagan notes that Spotsylvania has earmarked a portion of its vehicle-decal fees for transportation, and that perhaps that pot could be used in the future to pay for VRE service, saving those who fill up in the county.

A question of fairness might arise if Spotsylvania were granted a special deal, but no one has formally proposed that idea. In any case, county officials may not be yelling, "All aboard!" yet, but at least they're talking.

Date published: 11/8/2004



Local News Updates:

- **Spotsylvania fire, rescue project moves forward amid concerns**
(Friday, 11:29, WFLS News)
- **Colonial Beach students being tested for TB**
(Friday, 09:04, WFLS News)
- **Assembly wary of new road taxes**
(Friday, 01:09, The Free Lance-Star)
- **Stafford grocer brings glitz**
(Friday, 01:08, The Free Lance-Star)
- **K.G. Landfill takes aim at bird bombardment**
(Friday, 01:08, The Free Lance-Star)

AP News Updates:

- **U.S., Iraqi Troops Raid Baghdad Mosque**
- **Diplomats: Iran Reaching Nuke Processes**
- **Leaders Hope to Push \$388B Spending Bill**
- **Thousands Protest Bush Before Chile Summit**
- **Georgia Crematory Operator Pleads Guilty**
- **Sudan, Rebels Pledge to End Civil War**
- **Boston's Big Dig Tunnel Riddled With Leaks**
- **OutKast Top Winner at MTV Europe Awards**
- **Stocks Finish Lower on Greenspan Warning**
- **Angels Trade Jose Guillen to Expos**



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VRE and Spotsylvania Consumer or Owner?

Dale Zehner
Chief Executive Officer

Virginia Railway Express

October 26, 2004





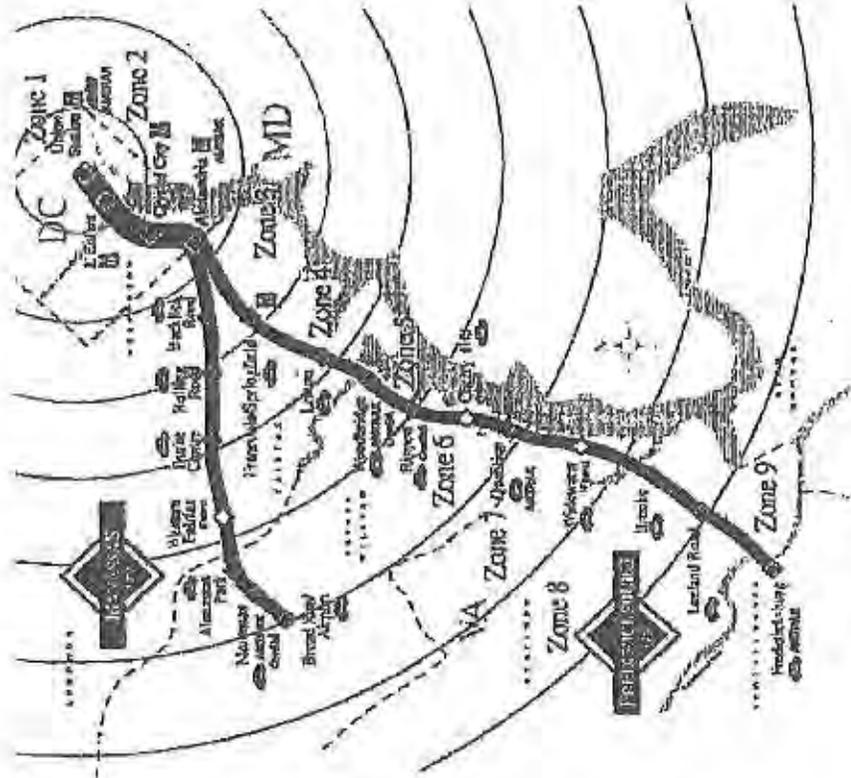
Introduction

- Where you are today – “consumer”
- Where you could be tomorrow – “renter” or “owner”
- How do we get there?
 - Operating costs
 - Capital costs
 - Next steps

What is VRE?



- Has two lines from:
 - Frederickburg
 - Manassas
- Serves 18 Stations in 8 Cities and Counties
- Connects to Metro in 5 convenient locations
- Operates on 89.6 mi. of track



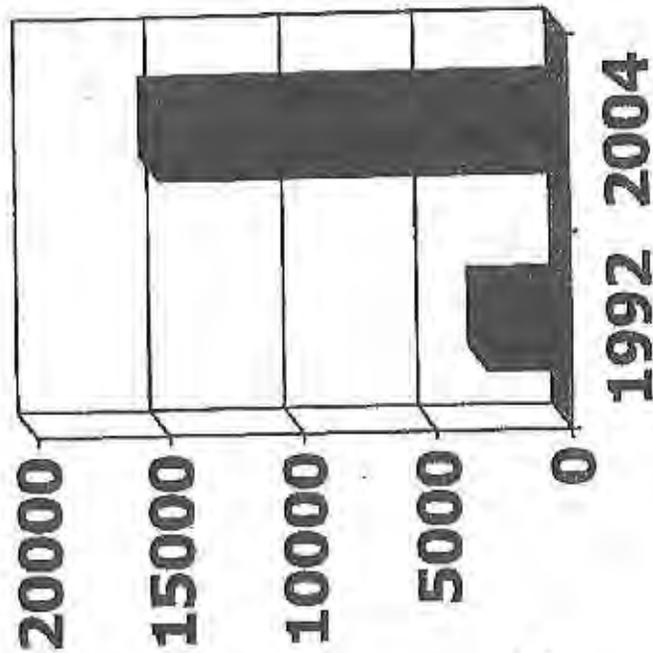


What is VRE?

Commuter rail service that:

- Went from 16 trains and 3,000 daily riders in 1992 to 32 trains & 15,400 daily riders today.
- Recover over 60% of operating cost through the fare box.
- Serves long-haul trips the best
 - Compares favorably with congested interstate on travel time savings

■ Daily Riders



Spotsylvania as a Consumer

- Twelve percent of total VRE ridership is from Spotsylvania.
- Means 900-1000 daily riders (1,800 -2,000 trips) per day - 4th largest jurisdiction.
- VRE strategic plan projects that Spotsylvania ridership demand will continue to grow.
- As a non VRE member, Spotsylvania has no say in the management of VRE; functions as a consumer.

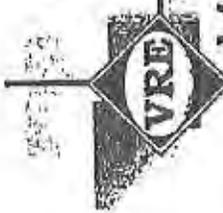


Fredericksburg At Capacity

- 92 percent of the boardings at Fredericksburg are Spotsylvania residents
- 705 parking spaces; 108 reserved for city residents
- Receiving e-mails from Spotsylvania residents demanding more parking
- At capacity - no more parking will be added
- Biggest impact on Spotsylvania – no more riders will be able to board at Fredericksburg.

October 26, 2004

Benefits of VRE



VRE

- VRE station in Spotsylvania would generate up to 1,000 additional trips
 - Without a station, Spotsylvania ridership is capped
- If there were a station in Spotsylvania, VRE would remove between 116,000 and 151,000 vehicle miles of travel every day for Spotsylvania residents
 - Improves air quality and congestion for the region
 - Provides a better quality of life for Spotsylvania residents.

October 26, 2004



Peek into the Future

- 1/3 of work trips from Spotsylvania to central business district on VRE today
- Total work trips to grow 45% by 2025
- I-95 projections show demand well beyond capacity of interstate
- Population growth projected up 100%+ between 2000 and 2030

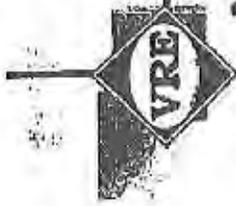
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Consumer to Renter or Owner

■ In order to continue to gain additional benefits from VRE, Spotsylvania has three potential choices:

- Can "rent" or contract for VRE service
- Can join Potomac Rappahannock Transportation Commission (PRTC) – "owner"
- Can form a third transportation commission and either assume an "ownership" interest or "rent" service

1st Option - Renting Service



- Negotiate for contract service with VRE/Commissions
 - No legislative action needed
 - No PRTC obligations
 - No opportunity for two percent gas tax
- Spotsylvania would have no say in the management of VRE

2nd Option – Become Owner



- Spotsylvania could join PRTC
 - Wouldn't require legislation
 - Would require an administrative obligation to PRTC
- Would require a two percent gas tax
 - Based on current estimates, would yield \$2.5 million
 - \$553K -- Spotsylvania's share of PRTC and VRE operating expenses
- Spotsylvania would be an active participant in VRE's management
 - PRTC annually appoints three VRE Operations Board voting members plus alternates

October 26, 2004



3rd Option – Become Owner

- Spotsylvania could create its own transportation commission
 - Creation of commission does not require legislation, however two percent motor fuels tax would
 - No PRTC administrative expense obligation, but there would be one for the new commission
- Two options under this scenario:
 - Amend VRE’s master agreement to permit participation of 3rd commission
 - Extensive legal and political issues
 - Contract for service – no management oversight



Potential Capital Costs

Capital Projects Required for VRE Service to Spotsylvania

(FY 2003 Dollars)

Item	Description	Est. Cost
Construction of basic station	600 foot platform, a 200 foot canopy, lighting fixtures, benches, and other hardware.	\$2.5 million
Surface parking lot	1,000 space parking lot. A parking deck has a cost of roughly \$15,000 per space whereas a surface lot costs approximately \$5,000 a space.	\$5 million
Railroad infrastructure	Railroad siding and associated switches and crossovers.	\$4 million
Estimated Total Cost		\$11.5 million

October 26, 2004

Costs Continued



- Capital projects:
 - Can be funded through a combination of federal, state and local money
 - Can built through proffers or other partnerships
 - Can be phased according to the needs of Spotsylvania
 - For example, a smaller parking lot can be built initially
- Annual operating subsidy (based on FY 2005 budget & motor fuels tax projection)
 - For VRE - \$503,000
 - For PRTC - \$50,000

Plan for Growth



- VRE has a fleet strategy to accommodate ridership growth through the 2011-2014 timeframe.
- The plan is contingent on acquisition of additional fleet and mid-day storage.
- If Spotsylvania joins, will modify the plan to increase capacity to meet additional ridership generated by the extension.



Next Steps

- Would like to continue to keep the dialogue open.
- Potential benefit to both VRE and Spotsylvania County
- Demand for service will continue
- If Spotsylvania becomes a member we will work together on a plan for service that satisfies everyone.

Question # 1: How would you rate the current Board of Supervisors efforts to manage (population) growth and achieve a 2% growth rate?

		Responses as a per cent of total surveys returned (1840)							
NUMBER OF RESPONSES BY DISTRICT	Berkeley (381)	Livingston (221)	Courtland (136)	Chancellor (230)	Salem (443)	Lee Hill (317)	Battlefield (112)	COUNTY AVERAGE	
Good - they are making progress	23.9	24.9	21.3	30.0	20.7	26.8	30.5	24.8	
Not Good - I don't see any difference	40.5	43.9	45.6	40.0	41.5	42.9	40.0	41.8	
I don't think it is a problem to start with	8.6	10.0	5.1	5.7	8.3	2.8	4.5	6.8	
It's too early to tell	25.3	21.3	24.3	25.7	24.6	25.2	25.0	25.6	

Question # 2: Would you support an election process where half of the Supervisors would run for reelection every two years instead of the current system where the entire board runs for election every four years?

		Responses as a per cent of total surveys returned (1840)							
NUMBER OF RESPONSES BY DISTRICT	Berkeley (381)	Livingston (221)	Courtland (136)	Chancellor (230)	Salem (443)	Lee Hill (317)	Battlefield (112)	COUNTY AVERAGE	
Yes, I'd like to see half of the board run for election every two years	71.3	79.2	73.5	75.7	74.5	72.5	67.0	73.6	
No, keep the current system where the entire board runs every four years	27.6	20.0	24.3	25.7	24.6	26.5	33.0	24.6	

Question # 3: Currently, Spotsylvania County does not provide uniform countywide 24/7 ambulance service that fully meets national and state standards for response times. To be able to afford the additional staffing to fully meet standards, which would you support?

		Responses as a per cent of total surveys returned (1840)							
	NUMBER OF RESPONSES BY DISTRICT	Berkeley (381)	Livingston (221)	Courtland (136)	Chancellor (230)	Salem (443)	Lee Hill (317)	Battlefield (112)	COUNTY AVERAGE
	Increase taxes to pay for fully staffing 24/7 service throughout the county	33.4	31.2	40.4	37.0	36.3	38.5	37.5	35.9
RESPONSE	Charge Fees for ambulance service but waive fees for those who cannot afford or whose insurance would not reimburse them	35.8	41.2	41.2	37.8	36.8	35.0	42.9	37.6
	Continuc existing service with no increase in taxes and no ambulance fees	30.2	27.6	18.4	25.2	12.6	24.9	20.5	25.2

Question # 4: Would you support Spotsylvania joining with Stafford and Fredericksburg and enact it's own 2% gas tax to bring VRE to the county? The tax would also provide the county with an additional 2 million dollars a year to improve county roads.

		Responses as a per cent of total surveys returned (1840)							
NUMBER OF RESPONSES BY DISTRICT	Berkeley (381)	Livingston (221)	Courtland (136)	Chancellor (230)	Salem (443)	Lee Hill (317)	Battlefield (112)	COUNTY AVERAGE	
RESPONSE	52.5	52.9	52.9	59.1	58.4	66.2	51.8	57.2	
Yes, I support the 2% gasoline tax for VRE and county road improvements									
RESPONSE	45.9	46.6	44.9	41.3	41.1	33.4	49.1	42.2	
No, I oppose the 2% gasoline tax for VRE and county road improvements									

Question # 5: Would you support an increase in county taxes to go into a dedicated fund for road improvements to congested areas of Spotsylvania County?

		Responses as a per cent of total surveys returned (1840)							
NUMBER OF RESPONSES BY DISTRICT	Berkeley (381)	Livingston (221)	Courtland (136)	Chancellor (230)	Salem (443)	Lee Hill (317)	Battlefield (112)	COUNTY AVERAGE	
RESPONSE	49.3	53.4	56.6	58.3	54.6	52.6	49.1	53.3	
Yes - 2 cent increase that would generate about 1.5 million per year									
RESPONSE	7.1	8.1	14.0	13.3	11.3	14.5	16.0	11.3	
Yes - 5 cent increase that would generate about 4.5 million per year									
RESPONSE	42.6	38.5	27.9	31.3	32.7	33.1	34.8	35.3	
No - I do not support any tax increase to pay for road improvements									



Potomac and Rappahannock
Transportation Commission

November 4, 2004

TO: Chairman Grzejka and Commissioners
FROM: Alfred H. Harf *Alfred Harf*
Executive Director
RE: VRE Participation – Prospective Additions

Three meetings related to this subject occurred this past month. A brief account of each and accompanying presentation materials follow.

The first of the meetings occurred on October 26 at the Spotsylvania Board of Supervisors' Chambers. Messrs. Zehner, MacIsaac, and I were there on behalf of VRE, and PRTC Supervisor Robert Gibbons was also in attendance. Prior to this meeting at the request of Spotsylvania County officials, VRE CEO Dale Zehner had sent an informational paper describing alternative ways for Spotsylvania County to affiliate with VRE and providing a cost estimate for the possible extension of VRE service to Crossroads (attachment one). The meeting on October 26 was also at the request of the Spotsylvania Board of Supervisors, to enable the Supervisors to seek clarification on the informational paper as necessary and answers to questions.

The October 26 meeting began with a brief presentation by Mr. Zehner (attachment two) summarizing the earlier materials. Questions and answers from the ensuing discussion are summarized below:

- Capital cost of the extension. Mr. Zehner was asked whether the \$11.5 million cost estimate might be lowered by further examination and by staging (e.g., not constructing all 1000 parking spaces at once). Mr. Zehner replied that both might be possible.
- Sources of funds for the extension. Mr. Zehner was asked to clarify how the extension might be funded. He reiterated that it could be a combination of federal, state, and local funds, noting that VRE could provide technical assistance in the pursuit of grant funding that Spotsylvania would necessarily take the lead on seeking.

Chairman Grzejka and Commissioners
November 4, 2004
Page 2

- Could Spotsylvania affiliate with VRE without the extension or without the extension on a temporary basis. Mr. Zehner said this is plausible, while noting that proceeding in this fashion would not remedy the parking problem at Fredericksburg.

The Spotsylvania Board of Supervisors expressed its appreciation for the time and effort, indicating that it felt much more informed and in a better position to deliberate about what it wants to do. No commitments were made and no timetable for deciding was given. An accurate account of the meeting appearing in the Free Lance Star is also attached (attachment three).

The second meeting was in Fauquier County on October 27. At the invitation of the Fauquier Transportation Committee, PRTC Chairman John Grzejka presented the materials appearing in attachment four, prompting an animated and enthusiastic reception. The fact that the projected fuel tax revenues would be substantially greater than the financial obligations Fauquier would shoulder for a portion of the VRE subsidy and the PRTC administrative expense was a point of particular interest, recognized as the primary virtue of prospective affiliation. Mr. Grzejka reports that a couple of the Fauquier Supervisors were also present for this meeting.

The third meeting was also on October 27 – a joint meeting of the Prince William Board of Supervisors and the Stafford Board of Supervisors. One of the agenda items discussed at this meeting was the so-called “third transportation district”. Stafford County’s Administrator Steve Crosby opened this discussion by recounting how the “third district” thinking has evolved, emphasizing that the latest thinking does not envision any change to the VRE master agreement or VRE’s current governance arrangements. Mr. Crosby went on to describe the proposal in concept, noting the following:

- The “third district” membership could include the counties of Spotsylvania, King George, Caroline, and Stafford together with the city of Fredericksburg).
- For the purposes of VRE governance/participation, Stafford and Fredericksburg would remain as PRTC members, and the other jurisdictions comprising the new district would join PRTC, meaning that all would be members of two districts. Appointments to the VRE Operations Board would continue to be made by PRTC and NVTC, with the PRTC appointees naturally accounting for the expanded PRTC membership.

Chairman Grzejka and Commissioners
November 4, 2004
Page 3

- All the new members would contribute to VRE in the same manner as existing members, as described in the VRE master agreement.
- Some of the prospective new members are wary of the statutory requirement that PRTC be the keeper of each jurisdiction's fuel tax earnings and the related statutory requirement that the use of fuel tax funds require actions by both the proposing jurisdiction and PRTC, expressing a preference for the idea of the fuel tax funds flowing directly to the earning jurisdiction. Mr. Crosby acknowledged the need for a statutory change to do this.

Responding to a question from the Prince William Board members, Stafford Supervisor Gibbons said that a written proposal would be forthcoming approximately 2-3 weeks after the meeting. He went on to express the hope that an accord could be reached before the start of the General Assembly session so any statutory changes that might be required could be sought at that time.

Attachments: As stated

Audited VRE Financial Reports for FY 2004

VRE's auditors, PBGH LLP (also NVTC's auditors) have reported a "clean" audit of VRE. The VRE Operations Board recommends approval of Resolution #1057, which accepts the 2004 VRE audit and authorizes staff to distribute it to regulatory bodies, bond holders, other agencies and jurisdictions and the public. The auditors met with VRE's Audit and Finance Committee as well as the VRE Operations Board to review their audit.

A letter to management contained several recommendations. VRE management intends to have a response to each point raised by the auditors ready for discussion by the commission on January 6th.

RESOLUTION #1057

SUBJECT: Audited VRE Financial Reports for FY 2004.

WHEREAS: VRE's auditors, PBGH LLP, have examined VRE's FY 2004 financial reports;

WHEREAS: The auditors have provided a "clean" audit; and

WHEREAS: VRE's Audit and Finance Committee and Operations Board have met with the auditors to review their findings.

NOW, THEREFORE BE IT RESOLVED that the Northern Virginia Transportation Commission hereby accepts the audited financial reports and authorizes VRE staff to distribute the audit reports to regulatory bodies, bond holders, other agencies and jurisdictions and the public.

Approved 6th day of January, 2005.

Chairman

Secretary-Treasurer



Mensel D. Dean
Gregory W. Geisert
Herman W. Hale
John L. Vencie, III
Keith L. Wampler
Daniel B. Martin
Sean R. O'Connell
Kevin D. Humphries
Bradford R. Jones
Virginia B. Miller
John E. Zigler, Jr.
Michael T. Kemison

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

In connection with our audit of the financial statements of Virginia Railway Express (VRE) for the year ended June 30, 2004, we have the following comments and suggestions for your consideration.

Cash

VRE's checking account is held at SunTrust Bank. SunTrust confirmed VRE's checking account was not identified by the Bank during fiscal year 2004 as a public deposit and reported to the Department of the Treasury in accordance with the Virginia Security for Public Deposits Act (Section 2.2-4400 et. seq. of the *Code of Virginia*). The purpose of this Act is to protect state and local funds in case of default by the bank. Banks holding public deposits must meet specific collateral and reporting requirements. We recommend management contact SunTrust to ensure VRE's account is identified and reported as a public deposit in order to further safeguard the account.

Information Technology Procedures

We identified three suggestions for improvements in the Information Technology (IT) department from observations made of the department and inquiries made of IT personnel. We noted that VRE does not have a formal IT disaster recovery plan. The recovery plan should include documented, tested procedures, which if followed will ensure the continuity of operations. The plan should address backup facilities, key contacts at such facilities and the sequence of retrieving and restoring files and activities. The written plan should be updated and tested periodically.

Our second suggestion deals with backup procedures. A full backup of files is made on diskettes daily and taken home by IT personnel. When the diskette is brought back, this results in all backups being stored on-site during business hours. If a disaster were to occur, all backups could be lost and may make recovery of the data processing functions extremely difficult. We believe a better procedure would be to store backup files at other VRE-owned facilities other than headquarters and minimize this risk.

We observed that overhead sprinklers are located in the computer room. If possible, we recommend these sprinklers be removed in order to avoid significant damage and loss to computer equipment if they were activated. Alternatively, the sprinkler system could be put on a separate sensor to turn the computer room sprinklers on only if there is fire in that area.

Inventory

During our inventory observation, we performed test counts of VRE's inventory listing. Several of our test counts did not match amounts recorded by Amtrak during Amtrak's count. Amtrak provided us a detail listing of inventory as of July 9, 2004 but claimed they were unable to generate a list as of June 30, 2004. The carrying value of the inventory at June 30, 2004 was approximately \$1,682,000. Subsequent to our audit fieldwork, VRE's management has informed us that they met with Amtrak and all discrepancies noted during our audit were resolved. Management was told that Amtrak performs cyclical counts and that 100% of the inventory is counted within 12 months. We recommend that management continue to monitor Amtrak's counts and address any discrepancies as they are found.

Vacation Policy

Currently, VRE does not have a mandatory vacation policy for key accounting personnel. To enhance internal control within the finance department, individuals with key roles should be required to take time off for at least five consecutive work days. During this time, others within the department should perform that person's duties while they are out. The benefits of requiring such a policy include cross-training of staff, increased productivity from relaxed and well-rested employees and reduced risk of misappropriation or abuse in critical accounting areas.

Procurement Policy

VRE's current procurement policy requires authorization by the Operations Board for purchases over \$30,000 and approval by the Commissions for purchases in excess of \$200,000. Currently, the Chief Executive Officer can approve purchases up to \$30,000. We suggest management consider implementing a policy requiring two approvals for purchases between \$15,000 and \$30,000. By changing the level for necessary approvals, VRE would have added control over large purchases and it may reduce the risk of spending abuse.

Status of Previous Management Advice

In our letter dated October 21, 2003, we encouraged management to research historical cost data on capital purchases and establish a detailed subsidiary ledger that agrees to the general ledger. We also suggested taking a physical inventory of all property and equipment. An inventory tag or identification marker placed on each movable asset can provide a continuing cross-reference to the subsidiary ledger. We recommended VRE purchase capital asset software to maintain the subsidiary ledger of capital assets and calculate depreciation and gains and losses on disposals of property and equipment. This will provide better internal control over existing assets as well as future acquisitions and disposals and eliminate the time it takes to manually calculate depreciation. This recommendation has not been implemented and we think management should consider the cost and benefit of doing so as soon as possible.

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

If you have any questions concerning any of these items, or if we can be of further assistance, please contact us. We thank you for the opportunity to conduct your audit for the year ended June 30, 2004 and express our appreciation to everyone for their cooperation during this engagement.

PBSH, LLP

Harrisonburg, Virginia
August 13, 2004



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Mensel D. Dean
Gregory W. Geisart
Herman W. Hale
John L. Virete, III
Keith L. Wampler
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To the Commissioners
The Northern Virginia Transportation Commission
The Potomac and Rappahannock Transportation Commission

This letter is intended to inform the Commissioners about significant matters related to the conduct of the annual audit of Virginia Railway Express so it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Commissioners.

The following summarizes various matters which must be communicated to you under auditing standards generally accepted in the United States of America.

The Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America

Our audit of the financial statements of Virginia Railway Express for the year ended June 30, 2004 was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States and *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplished that objective.

In accordance with *Government Auditing Standards*, we have also performed tests of controls and compliance with laws and regulations that contribute to the evidence supporting our opinion on the financial statements. However, they do not provide a basis for opining on the Virginia Railway Express' internal control structure or compliance with laws and regulations.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. Estimates significant to the financial statements include such items as future pension obligation, incurred but not reported insurance claims, reserves for bad debts, and lives for depreciable assets. The Commissioners may wish to monitor throughout the year the process used to compute and record these accounting estimates.

Audit Adjustments

There were audit adjustments made to the original trial balance presented to us to begin our audit. Of the adjustments that were recorded, the following is a description of the adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on Virginia Railway Express' financial reporting process.

Increase construction in progress/capital assets for unrecorded projects/capital assets	\$	382,000
Increase accounts receivable and federal revenue		363,000

Uncorrected Misstatements

We also accumulated one uncorrected misstatement, which was discussed with management and was determined by management to be immaterial to the financial statements. The adjustment to correct this misstatement that was not made to the financial statements is summarized in the accompanying schedule.

Accounting Policies and Alternative Treatments

Management and the Commissioners have the ultimate responsibility for the appropriateness of the accounting policies used by Virginia Railway Express. The Virginia Railway Express did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period which should be brought to your attention for approval. Following is a description of significant accounting policies that have been issued but have not been adopted as of June 30, 2004 and that management has not yet determined the effect on Virginia Railway Express' financial statements:

- GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, issued March 2003, will be effective beginning with the year ending June 30, 2005. This Statement establishes and modifies disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. This Statement also establishes and modifies disclosure requirements for deposit risks.

- GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* will be effective beginning with the year ending June 30, 2006. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner.
- GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* provides uniform financial reporting standards for OPEB (Other Postemployment Benefit) plans. The provisions of Statement No. 43 will be effective for periods beginning after December 15, 2007.
- GASB Statement No. 44, *Economic Condition Reporting: the Statistical Section, an amendment of NCGA Statement No. 1*, clarifies and establishes objectives of the statistical section and its five categories of information: financial trends, revenue capacity, debt capacity, demographic and economic, and operating.
- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and required supplemental information. Statement No. 45 will be effective for periods beginning after December 15, 2008.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited basic financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of Virginia Railway Express.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Major Issues Discussed With Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Virginia Railway Express.

This report is intended solely for the information and use of the Commissioners and management and is not intended to be and should not be used by anyone other than the specified parties.

PBGH, LLP

Harrisonburg, Virginia
December 17, 2004

VIRGINIA RAILWAY EXPRESS

SUMMARIZED SCHEDULE OF UNCORRECTED MISSTATEMENTS

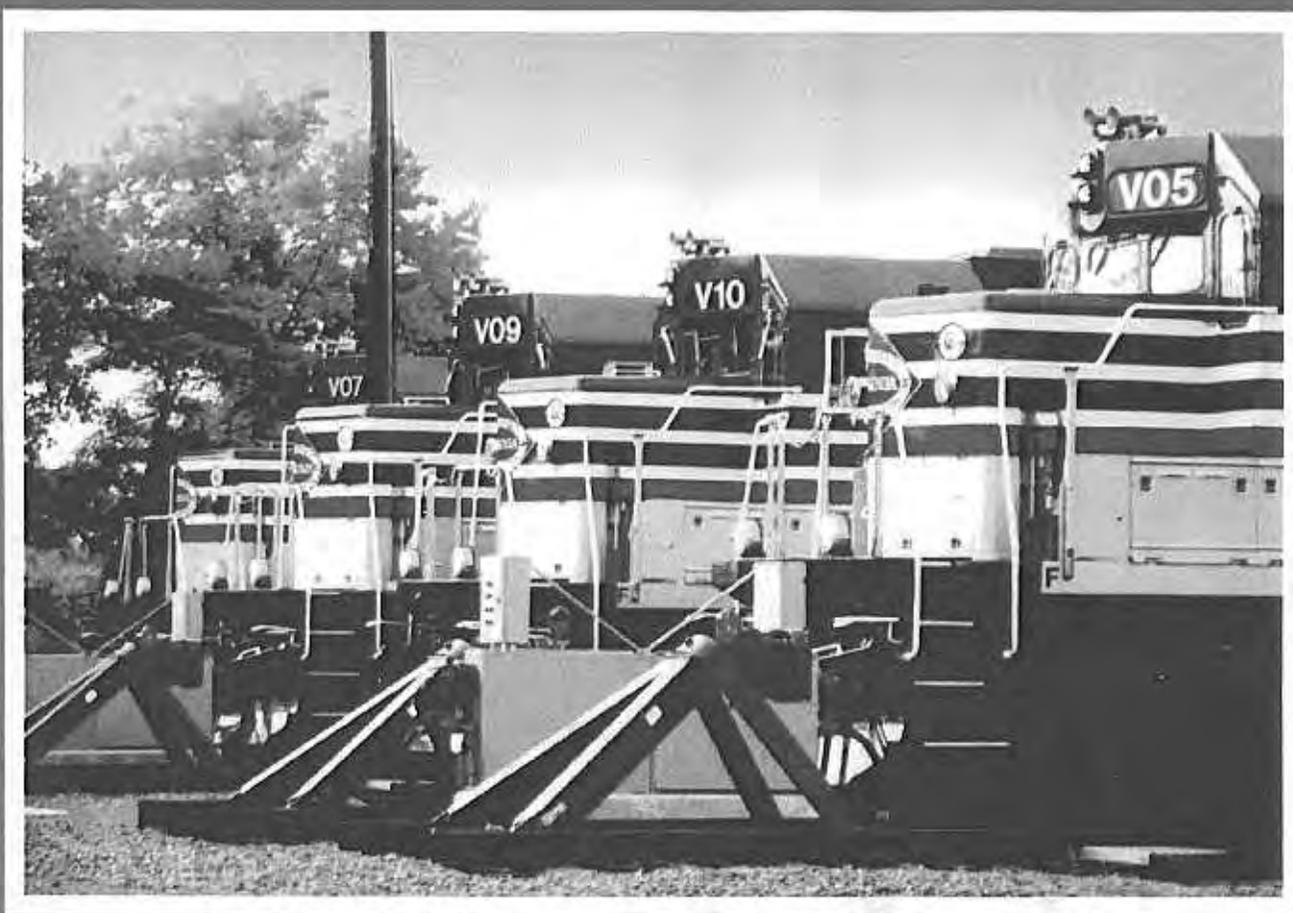
June 30, 2004

Description	Increase (Decrease)				
	Assets	Liabilities	Equity	Revenue	Expenses
Carryover impact from previous years:					
Known error:					
To adjust capital assets and accumulated depreciation	\$ 539,390	\$ -	\$ 539,390	\$ -	\$ -
Current year misstatement:					
Known error:					
To adjust capital assets and depreciation expense	\$ 194,800	\$ -	\$ 194,800	\$ -	\$ (194,800)

Virginia Railway Express

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003



www.vre.org

VIRGINIA RAILWAY EXPRESS

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003



VIRGINIA RAILWAY EXPRESS
Financial Statements for the Years Ended June 30, 2004 and June 30, 2003

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Virginia Railway Express A Transportation Partnership

October 15, 2004

Commissioners

The Northern Virginia Transportation Commission

The Potomac and Rappahannock Transportation Commission

I am pleased to present the Virginia Railway Express' (VRE) audited financial statements for Fiscal Year 2004, ending June 30, 2004. This report conforms to accounting principles generally accepted in the United States of America (GAAP) and provides full disclosure of VRE's financial position and operations for Fiscal Year 2004. The information provided in this report assists the VRE Operations Board, Commissions and other officials in making management decisions and provides all interested parties with comprehensive financial data in a format that will enable them to gain a true understanding of VRE's financial affairs.

This report is presented in four sections. The introductory section includes this transmittal letter and a list of the VRE Operations Board members and key VRE staff. The financial section includes the independent auditors' report, an analysis of the financial operations of VRE during the year, the financial statements, and the footnotes to the financial statements. The statistical section contains tables of revenues and expenses for the past ten years and other useful information intended to provide a more complete picture of VRE. The compliance section contains the independent auditors' report on compliance and internal controls in accordance with *Government Auditing Standards*.

Fiscal Year 2004 Operations

During Fiscal Year 2004, VRE continued its incredible growth, while still providing dependable commuter rail service. Our average daily ridership was 14,491, which was an 7.1 percent increase over the previous year. The on-time performance system wide was 86.8 percent, with 82.2 percent on the Fredericksburg Line and 91.3 percent on the Manassas Line.

Despite these positive statistics, we are seeing the effects of the rapid increase in ridership on our operations. Our growth is slowing as we approach system capacity; this year's growth rate is 3.3 percent less than last year, and 6.5 percent less than the year before. The crowding is not only affecting growth, but our customer satisfaction as well. Approval ratings are still high - 70 percent overall satisfaction rate - but they are

dropping below previous levels. In order to address potential future growth, we completed a Long-Range Strategic Plan this year. The plan identifies the projected ridership demand through 2025, and the capital and operating expenses necessary to meet the demand. It also examined potential network extensions, their impacts on ridership, and the costs of such expansions. The Strategic Plan will provide technical support to make important policy decisions in the upcoming years.

Equipment

With increasing ridership has come the challenge of providing sufficient seats and station parking for our customers. Many of our peak period trains are at or above capacity today. In Fiscal Year 2004, VRE procured 35 used bi-level Gallery cars to replace the 38 single-level Mafersas. Once all these cars have been placed in service by fall of 2004, we will have added 800 more seats for a total of 8,990 seats, capacity for a total of 17,980 round trips, if off-peak trains are included. The Strategic Plan, however, projects average daily ridership demand to be up to 16,200 in Fiscal Year 2005, and continue to increase to 20,000 by Fiscal Year 2010. VRE is procuring 11 new bi-level cab cars to go into service by Fiscal Year 2006 with an option to purchase 50 more bi-level cars to address short-term demand. In addition to railcars, VRE is undergoing a program to overhaul the locomotive head-end power units as well as the major overhaul of several locomotives. These overhauls are a short-term fix to help improve the reliability of VRE's trains. As a longer-term measure, we are exploring the possibility of purchasing new Tier II locomotives so that we will be able to operate longer train consists and reduce locomotive emissions.

Parking

Nine of our 13 parking lots were at or above capacity in 2004. As a result, we have undertaken several projects to alleviate the parking constraint on our system. A leased lot was opened at Rippon in February 2004, and the ribbon was cut on a new surface lot at Woodbridge in the summer of 2004. This year projects were also initiated at Burke Centre and Manassas to construct parking decks to accommodate increasing demand. At the same time, VRE worked with Fairfax County to initiate the EZ Bus, a subscription bus service designed to alleviate parking pressure on the Burke Centre parking lot. The program was successful, with approximately 50 people using the service every day. However, even with these steps, system-wide parking demand still exceeds supply, and we are exploring additional options for improving parking and access to our stations.

Critical Needs

Despite all the improvements VRE has made over the last year, we are still stretched to the limits of our capacity. In order to meet even the minimum estimates of demand, the Strategic Plan calls for a capital investment of approximately \$39.6 to \$51.7 million annually through 2010, up from the current capital program of \$25 million per year. Even at this level of investment VRE will struggle to meet the demand for commuter rail service in the I-66 and I-95/395 corridors.

As part of the recommended capital investment, the Strategic Plan calls for 80 to 110 additional bi-level coaches by 2025 in order to run longer consists and additional trains. New, cleaner, high powered locomotives, additional mid-day storage, and maintenance facilities at the outlying yards will also be necessary before any of this increased service can occur. In addition, the Strategic Plan calls for 7,000 to 9,000 additional parking spaces system-wide by 2010, which is 500 to 2,500 more spaces than we have today.

The focus of the VRE Operations Board and management continues to be providing safe, reliable commuter rail service to the citizens of Northern Virginia. With the Washington, DC metropolitan area designated as an ozone non-attainment area, public transit will play an increasingly vital role in addressing the area's need to improve air quality and reduce congestion. VRE currently takes the equivalent of one full lane of traffic off of both Interstate 95 and Interstate 66 each rush hour. Without continued capital investment, VRE will not be able to continue to offer the high-quality, cost effective service that we have provided for the past 12 years.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dale Zehner". The signature is fluid and cursive, with a large loop at the end of the last name.

Dale Zehner
Chief Executive Officer

Virginia Railway Express

Directory of Principal Officials and Key Personnel

Operations Board

Officers

Chairman	Hon. John Jenkins, Prince William County
Vice-Chairman	Hon. Elaine McConnell, Fairfax County
Secretary	Hon. John Grzejka, City of Manassas
Treasurer	Hon. Dana Kauffman, Fairfax County

Members

Hon. Robert Gibbons, Stafford County
Hon. Sharon Bulova, Fairfax County
Karen Rae, DRPT

Alternates

Hon. Maurcen Caddigan, Prince William County
Hon. Hilda Barg, Prince William County
Hon. Christopher Zimmerman, Arlington County
Hon. William Greenup, City of Fredericksburg
Hon. Wally Covington, Prince William County

Management

Chief Executive Officer	Dale Zehner
Deputy Chief Executive Officer	Vacant
Director of Finance	John H. Tuohy, CPA
Director of Capital Programs	Jennifer Straub
Superintendent of Railroad Services, Safety, and Security	David A. Snyder
Manager of Operations Support	Dennis Larson
Manager of Public Affairs and Government Relations	Mark Roeber
Manager of Customer Service	Wendy Lemieux
Manager of Market Development	Ann King
Manager of Personnel and Administration	Anna Gotthardt
Manager of Information Technology	Don Chism
Manager of Structural and Civil Engineering	Sirel Mouchantaf



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Mensel D. Dean
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Herman W. Hale
John L. Vincke, III
Keith L. Wampler
Daniel B. Martin
Sean R. O'Connell
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Virginia Railway Express, a joint venture of the Northern Virginia Transportation Commission and the Potomac and Rappahannock Transportation Commission, as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Virginia Railway Express' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Virginia Railway Express as of June 30, 2004 and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2004 on our consideration of the Virginia Railway Express' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 8 through 14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying introductory and statistical sections as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

PBGM, LLP

Harrisonburg, Virginia

August 13, 2004, except for Note 11 as to which the date is October 1, 2004.



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the Virginia Railway Express' activities and performance provides the reader with an introduction and overview of the financial statements of the Virginia Railway Express (VRE) for the fiscal year ended June 30, 2004. Following this MD&A are the basic financial statements of the VRE, together with the notes that are essential to understanding the data contained in the financial statements.

Railway Activities and Highlights

For Fiscal Year (FY) 2004, ridership significantly exceeded FY 2003. This is a continuation of a trend of strong year-to-year increases. The table below illustrates VRE's growth:

	2004	2003
Ridership	3,515,660	3,283,079
% Increase	7.1%	16.5%

In addition to continued population growth in the areas served by VRE, the ridership increases may be attributed to the purchase of additional bi-level cars, the addition of parking and traffic congestion on Interstates 95 and 66, two major interstate arterial roadways.

Financial Operations and Highlights

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

- Operating revenues increased by 11.6 percent from \$15,340,348 to \$17,117,885 largely due to an 7.1 percent increase in ridership and a 4 percent fare increase.
- Operating expenses, excluding depreciation, increased by 8.5 percent from \$34,519,342 to \$37,438,289. The major elements of this change are as follows:
 - There are contractually set escalators in the contract with Amtrak, the contract operator, and the track access fees paid to CSX Transportation and Norfolk Southern. These escalators account for approximately half of the increase. Access fees for Washington Union Terminal increased beginning February 2004. This resulted in an increase above last year in access fees to the terminal of 27.5 percent for FY 2004.
 - Insurance expense increased by 34.8 percent. This is the first significant increase in several years.
 - The overall increase in operating expenses was partially offset by decreases in marketing expense (down 13.7 percent) and general and administrative expenses (down 7.7 percent).

The net result of the above was an operating loss, before depreciation, of \$20,320,404. This represents an increase from the previous year of 6.0 percent. Depreciation increased from \$5,837,560 in FY 2003 to \$6,595,698 in FY 2004. The operating loss before non-operating

revenues and expenses increased from a loss of \$25,016,554 to a loss of \$26,916,102. Local, federal and state support is accounted for as non-operating income.

Non-operating revenue increased slightly from \$30,427,047 to \$30,662,001. This was due principally to a decline in capital grants as capital expenditures were lower in FY 2004 than in FY 2003 and a decrease in Federal operating grants due to a change in the computation of the Federal formula. These declines were offset by the purchase of the Chicago METRA rail cars for the bargain price of \$1 per car that resulted in in-kind revenue of \$3,088,319 due to the difference between the value of the cars and the price paid, a decline in bond interest, financing and other costs of \$235,340, and an increase in grants from the Commonwealth of \$539,065. There was a decline in interest income of \$377,503 due to both a decline in interest rates and invested balances during the year.

Summary of Operations

The change in net assets for FY 2004 was \$3,745,899, as compared to \$5,410,493 for FY 2003.

	2004	2003
Operating revenues	\$ 17,117,885	\$ 15,340,348
Operating expenses	37,438,289	34,519,342
Loss before depreciation and non operating income	(20,320,404)	(19,178,994)
Depreciation	(6,595,698)	(5,837,560)
Loss before non operating revenue	(26,916,102)	(25,016,554)
Non operating revenue, net	30,662,001	30,427,047
Change in net assets	\$ 3,745,899	\$ 5,410,493

Financial Position Summary

A condensed summary of VRE's net assets at June 30, 2004, as compared to June 30, 2003 is shown as follows:

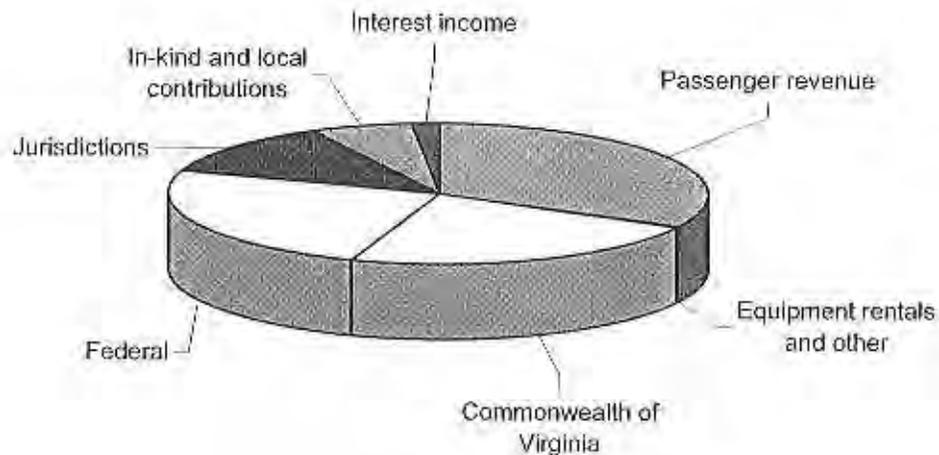
	2004	2003
ASSETS:		
Current and other assets	\$ 33,003,867	\$ 35,656,830
Capital assets	135,342,388	133,494,391
Total assets	168,346,255	169,151,221
LIABILITIES:		
Current portion of long term debt	5,200,987	5,378,718
Other current liabilities	9,165,110	8,519,825
Non-current liabilities	70,224,410	75,242,829
Total liabilities	84,590,507	89,141,372
NET ASSETS:		
Invested in capital assets, net of related debt	59,916,991	51,892,652
Restricted	22,270,529	24,398,620
Unrestricted	1,568,228	3,718,577
TOTAL NET ASSETS	\$ 83,755,748	\$ 80,009,849

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

The portion of VRE's net assets representing insurance trust funds is subject to restrictions on how they can be used.

Revenues

The following chart shows the major sources and the percentage of revenues for the year ended June 30, 2004:

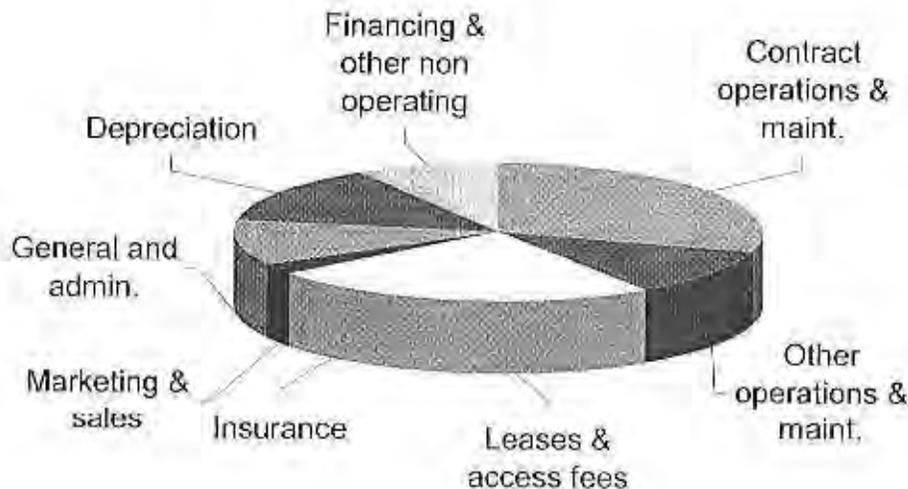


A summary of revenues for the year ended June 30, 2004, and the amount and percentage change in relation to prior year amounts is as follows:

	2004 Amount	Percent of total	Increase (decrease) from 2003	Percent increase (decrease)
Operating revenues:				
Passenger revenue	\$ 16,929,629	32.49%	\$ 1,881,367	12.50%
Equipment rentals and other	188,256	0.36%	(103,830)	(35.55%)
Total operating revenues	<u>17,117,885</u>	<u>32.85%</u>	<u>1,777,537</u>	<u>11.59%</u>
Non operating revenues:				
Subsidies and grants:				
Commonwealth of Virginia	11,691,385	22.44%	539,065	4.83%
Federal	12,916,210	24.79%	(2,849,848)	(18.08%)
Jurisdictional contributions	6,352,890	12.20%	600,000	10.43%
In-kind and other local contributions	3,143,319	6.03%	2,686,170	587.59%
Interest income	881,973	1.69%	(377,503)	(29.97%)
Total non operating revenues	<u>34,985,777</u>	<u>67.15%</u>	<u>597,884</u>	<u>1.74%</u>
Total revenues	\$ <u>52,103,662</u>	<u>100.00%</u>	\$ <u>2,375,421</u>	<u>4.78%</u>

Expenses

The following chart shows the major cost centers and percentage of expenses for the year ended June 30, 2004:



A summary of expenses for the year ended June 30, 2004, and the amount and percentage of change in relation to prior year amounts is as follows:

	2004 amount	Percent of total	Increase (decrease) from 2003	Percent increase (decrease)
Operating expenses:				
Contract operations and maintenance	\$ 14,212,476	29.39%	\$ 1,116,972	8.53%
Other operations and maintenance	5,466,313	11.31%	725,272	15.30%
Property leases and access fees	8,163,632	16.88%	855,727	11.71%
Insurance	3,275,081	6.77%	845,088	34.78%
Marketing and sales	1,279,549	2.65%	(202,582)	(13.67%)
General and administrative	5,041,238	10.42%	(421,530)	(7.72%)
Total operating expenses	<u>37,438,289</u>	<u>77.42%</u>	<u>2,918,947</u>	<u>8.46%</u>
Other expenses:				
Depreciation	6,595,698	13.64%	758,138	12.99%
Interest, financing costs and other	4,323,776	8.94%	362,930	9.16%
Total other expenses	<u>10,919,474</u>	<u>22.58%</u>	<u>1,121,068</u>	<u>11.44%</u>
Total expenses	<u>\$ 48,357,763</u>	<u>100.00%</u>	<u>\$ 4,040,015</u>	<u>9.12%</u>

Financial Statements

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

Capital Acquisitions and Construction Activities

During FY 2004 the VRE expended \$8,443,695 for capital activities. Completed projects totaling \$7,866,532 were closed from construction in progress to their respective capital accounts. The major completed projects were:

Project	Amount
Facilities	\$ 1,214,959
Rolling stock	6,542,958
Office facilities and equipment	108,615
	<u>\$ 7,866,532</u>

Property and equipment are capitalized at cost of acquisition. Acquisitions are funded using a variety of financing techniques, including Federal grants with matching funds from the Commonwealth and from local subsidies. Additional information on the VRE's capital assets and commitments can be found in notes 3, 10, and 11 to the financial statements.

Debt Administration

At June 30, 2004 the VRE had total debt outstanding of \$77,113,938. The debt for the VRE is issued under the name of the Northern Virginia Transportation Commission (NVTC). VRE revenues back the bonds and the VRE is responsible for making debt service payments. A financial guaranty bond guarantees payment of each bond series. The note payable is secured by the VRE's office condominium.

		2004		2003
Revenue Bonds	\$	74,315,000	\$	78,875,000
Capital leases		2,018,938		2,777,656
Note Payable		780,000		840,000
Total	\$	77,113,938	\$	82,492,656

VRE's total debt decreased \$5,378,718 during the fiscal year. VRE has access to a line of credit of up to \$1 million with SunTrust Bank. The line was exercised during the year, however there was no outstanding balance as of June 30. For further information, please refer to note 8 in the financial statements.

Economic Factors and Next Year's Budget

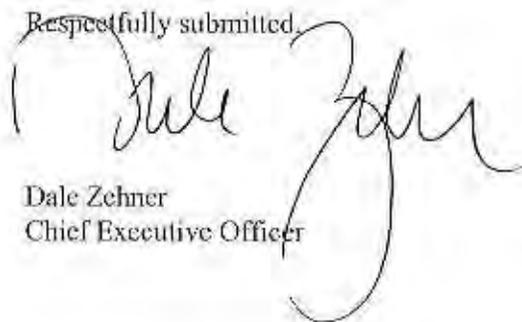
Population growth in Northern Virginia, especially in the outer suburbs, continues to remain robust. In combination with the congestion on major highways and on-going highway construction projects, this growth will fuel demand for VRE service. The constraining factors to VRE growth are station parking and availability of seats. VRE will be placing into service 20 bi-level cars obtained from Chicago METRA to replace all single level cars. These are expected to add approximately 800 additional seats over the next year. VRE has entered into an agreement to sell the single level Mafersa cars to the State of Connecticut. For additional information, see Note 11 in the Financial Statements.

The budget for FY 2005 assumed that the constraints facing VRE will limit ridership growth to 6 percent. The revenue generated by this growth is insufficient to fund the increases expected in expenses and the continued capital investments needed. Therefore, a fare restructuring went into effect on July 1, 2004 that is expected to increase fare revenues by 6 percent.

Request for Information

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dale Zehner". The signature is written in a cursive style with a large, looping "Z" at the end.

Dale Zehner
Chief Executive Officer

VIRGINIA RAILWAY EXPRESS
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

for the years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Passenger revenue	\$ 16,929,629	\$ 15,048,262
Equipment rentals and other	188,256	292,086
Total operating revenues	<u>17,117,885</u>	<u>15,340,348</u>
Operating expenses:		
Contract operations and maintenance	14,212,476	13,095,504
Other operations and maintenance	5,466,313	4,741,041
Property leases and access fees	8,163,632	7,307,905
Insurance	3,275,081	2,429,993
Marketing and sales	1,279,549	1,482,131
General and administrative	5,041,238	5,462,768
Total operating expenses	<u>37,438,289</u>	<u>34,519,342</u>
Operating loss before depreciation	(20,320,404)	(19,178,994)
Depreciation	<u>(6,595,698)</u>	<u>(5,837,560)</u>
Operating loss	<u>(26,916,102)</u>	<u>(25,016,554)</u>
Non operating revenues (expenses):		
Subsidies:		
Commonwealth of Virginia grants	7,453,276	5,002,085
Federal grants	6,226,445	7,168,236
Jurisdictional operating contributions	6,352,890	5,752,890
Capital grants and assistance:		
Commonwealth of Virginia grants	4,238,109	6,150,235
Federal grants	6,689,765	8,597,822
In-kind and other local contributions	3,143,319	457,149
Interest income:		
Operating funds	44,390	87,809
Insurance trust	837,583	1,171,667
Interest, amortization and other non operating expenses, net	<u>(4,323,776)</u>	<u>(3,960,846)</u>
Total non operating revenues, net	<u>30,662,001</u>	<u>30,427,047</u>
Change in net assets	3,745,899	5,410,493
Total net assets, beginning	<u>80,009,849</u>	<u>74,599,356</u>
Total net assets, ending	<u>\$ 83,755,748</u>	<u>\$ 80,009,849</u>

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

VIRGINIA RAILWAY EXPRESS

STATEMENTS OF CASH FLOWS

for the years ended June 30, 2004 and June 30, 2003

	2004	2003
Cash flows from operating activities:		
Receipts from customers	\$ 16,780,584	\$ 15,406,615
Payments to suppliers	(33,778,928)	(34,076,979)
Payments to employees	(3,086,354)	(3,175,532)
Net cash used in operating activities	(20,084,698)	(21,845,896)
Cash flows from noncapital financing activities:		
Governmental subsidies	19,694,980	17,923,211
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(8,443,695)	(9,476,597)
Capital grants and assistance	15,818,247	15,205,206
Principal paid on capital lease obligations	(758,718)	(829,684)
Interest paid on capital lease obligations	(136,917)	(154,920)
Principal paid on bonds and note	(4,620,000)	(4,405,000)
Interest paid on bonds and note	(3,989,211)	(4,200,318)
Net cash used in capital and related financing activities	(2,130,294)	(3,861,313)
Cash flows from investing activities:		
Interest received on investments	881,973	1,259,476
Net decrease in cash and cash equivalents	(1,638,039)	(6,524,522)
Cash and cash equivalents, beginning	25,357,091	31,881,613
Cash and cash equivalents, ending	\$ 23,719,052	\$ 25,357,091
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (26,916,102)	\$ (25,016,554)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	6,595,698	5,837,560
Increase in accounts receivable	(454,003)	(343,641)
Decrease in advances and deposits	-	72,000
Decrease (Increase) in inventory	16,271	(112,952)
Decrease (increase) in prepaid expenses	(62,329)	74,336
Increase (decrease) in accounts payable and accrued expenses	722,629	(2,673,192)
Increase in deferred ticket sales	116,702	409,908
Decrease in contract retainage	(103,564)	(93,361)
Net cash used in operating activities	\$ (20,084,698)	\$ (21,845,896)

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

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

Measurement Focus, Basis of Accounting

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

Revenue Recognition: Intergovernmental revenues, consisting primarily of Federal and Commonwealth of Virginia grants, designated for payment of specific expenses, are recognized at the time that the expenses are incurred. Capital grants and assistance are recognized as additions are made to capital assets and operating resources are included in the

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued:

statements of revenues and expenses when expended. VRE records monetary and in-kind contributions as it assesses matching obligations to the jurisdictions or other construction partners. Any excess of revenues or expenses at year end are recorded as deferred revenue or accounts receivable, respectively. Passenger revenues received in advance are deferred until earned.

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

Restricted Cash and Cash Equivalents: Restricted cash, cash equivalents and investments of \$22,270,530 and \$24,398,620 at June 30, 2004 and 2003, respectively, are comprised of funds related to bond compliance requirements, and the Liability Insurance Plan. Included in this amount are proceeds from release of bond debt service reserve funds, which management has designated for use in VRE's construction programs and proceeds from the lease purchase of the fare collection system that had not been fully disbursed as of June 30, 2004.

Allowance for uncollectible accounts: VRE calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. The allowance was \$91,409 at June 30, 2004.

Inventory: VRE has purchased an inventory of spare parts for rolling stock that is maintained and managed by Amtrak pursuant to its maintenance responsibilities under the Purchase of Services Agreement with the Commissions. Inventory is stated at cost, which approximates market, and is valued using the First-In-First-Out method.

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

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

Costs of improvements to track and signal facilities owned by the railroads have been capitalized in recognition of the increased efficiency afforded VRE operations over their useful lives. The Commissions retain a residual interest in these assets such that net salvage value will be reimbursed by the railroads upon cessation of commuter rail service. Similarly,

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued:

shared investments in jurisdictional facilities ("equity in local properties") recognize the right of access for commuter rail patrons granted to the Commissions.

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

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

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2004.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS, Continued

2. Cash, Cash Equivalents and Investments:

Deposits: All cash of the VRE is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance.

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

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

The Commonwealth of Virginia Department of Treasury manages the VRE Insurance Trust. State statutes govern the portion of assets invested in Commonwealth's pooled accounts, while the remainder is invested by an external portfolio manager.

Investments are categorized below to give an indication of the level of risk assumed by the VRE at year end. Category 1 included investments that are insured or registered or for which the securities are held by the VRE or its safekeeping agent in the VRE's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the broker or dealer bank's trust department or safekeeping agent in the VRE's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent but not in the VRE's name. At year end, the VRE's investment balances were as follows:

	Category			Fair Value
	1	2	3	
US government securities	\$ -	\$ -	\$ 6,856,447	\$ 6,856,447

Investments not subject to categorization:

State Treasurer's Local Government Investment Pool	1,039,065
Insurance trust fund	15,290,158
Total deposits	532,847
Cash on hand	535
Total cash on hand, deposits and investments	\$ 23,719,052

NOTES TO FINANCIAL STATEMENTS, Continued

3. Capital Assets:

Capital asset activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 23,701,581	\$ 5,386,173	\$ (7,866,532)	\$ 21,221,222
Capital assets being depreciated:				
Rolling Stock	73,305,328	3,020,715	6,343,210	82,669,253
Vehicles	-	22,882	-	22,882
Facilities	36,002,866	-	1,205,956	37,208,822
Track and Signal Improvements	27,628,930	-	-	27,628,930
Equipment	4,658,485	17,998	-	4,676,483
Equity in local properties	4,998,368	-	-	4,998,368
Office furniture & equipment	1,949,524	204,678	108,615	2,262,817
Total capital assets being depreciated	148,543,501	3,266,273	7,657,781	159,467,555
Less accumulated depreciation for:				
Rolling Stock	23,328,068	3,791,850	-	27,119,918
Vehicles	-	2,288	-	2,288
Facilities	8,186,331	973,894	-	9,160,225
Track and Signal Improvements	3,200,296	921,038	-	4,121,334
Equipment	1,991,637	605,818	-	2,597,455
Equity in local properties	1,532,957	142,813	-	1,675,770
Office furniture & equipment	511,402	157,997	-	669,399
Total accumulated depreciation	38,750,691	6,595,698	-	45,346,389
Total capital assets being depreciated, net	109,792,810	(3,329,425)	7,657,781	114,121,166
Totals	\$ 133,494,391	\$ 2,056,748	\$ (208,751)	\$ 135,342,388

4. Related Parties Transactions:

VRE reimburses the Commissions for expenditures made on behalf of VRE. During 2004 and 2003, these payments included \$2,747,743 and \$2,674,753 of salary-related costs and \$42,408 and \$38,067 of administrative costs, respectively, which are functionally classified with similar payments made directly to vendors and contractors. In addition, VRE pays the Commissions for direct labor and associated indirect costs incurred for services rendered under budgeted activities for VRE. These staff support payments totaled \$91,574 and \$75,007 to NVTC and \$187,758 and \$292,957 to PRTC during 2004 and 2003 respectively.

NOTES TO FINANCIAL STATEMENTS, Continued

4. Related Parties Transactions (Continued)

VRE also contracts with PRTC for connecting bus service to selected stations on an as needed basis. PRTC bus service costs amounted to approximately \$1,970 and \$59,972 in 2004 and 2003, respectively. Amounts payable to NVTC and PRTC were \$7,870 and \$511,767 at June 30 2004 and \$12,756 and \$594,327, respectively at June 30, 2003.

5. Defined Benefit Pension Plan:

A. Plan description

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

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

The System issues a publicly available comprehensive annual financial report that included financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/2003AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding policy

Plan members are required by title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. VRE has assumed this 5% member contribution. In addition, VRE is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. VRE's contribution rate for fiscal year 2004 was 10.75% of annual covered payroll.

NOTES TO FINANCIAL STATEMENTS, Continued

5. Defined Benefit Pension Plan (continued)

C. Annual pension cost

For Fiscal Year 2004, VRE's annual pension cost of \$241,675 was equal to VRE's required and actual contributions. The required contributions were determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (b) projected salary increases ranging from 4% to 7% per year, and (c) 3% per year cost of living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of the PRTC's assets exceeds modified market value of the assets (VRE's assets are not separated from PRTC's). This method uses techniques that smooth the effects of short term volatility in the market value of assets over a five year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

At June 30, VRE accounted for 37 of the 80 active PRTC employees.

6. Operating Leases and Agreements:

Operating Access Agreements with the CSX and Norfolk Southern provide the Commissions the right to use tracks owned by the railroads in the provision of commuter rail passenger service. These agreements require the Commissions to pay the railroads a monthly base fee and to reimburse the railroads for any incremental cost incurred by the railroads as a result of providing commuter rail service. During 2004 and 2003, annual track usage fees totaled approximately \$5,230,555 and \$4,407,595, respectively, and facility agreements with the railroads totaled approximately \$1,259,544 and \$1,119,343, respectively.

Under the Purchase of Services Agreement, Amtrak operates and maintains the VRE service and rolling stock, and permits the Commissions to use its terminal, station, and equipment maintenance facilities at Union Station, Washington, D.C. Actual costs of these services, which are based on annual budgets prepared in advance by Amtrak, amounted to \$15,269,724 in 2004 and \$13,747,948 in 2003. At June 30, 2004 the agreement with Amtrak had been extended until June 30, 2005.

VRE has entered into a series of operating leases with Sound Transit for a total of eighteen bi-level rail cars and two locomotives. The leases provide for monthly payments in the amount of \$141,089, adjusted annually by the urban CPI, subject to termination upon 120 days notice.

NOTES TO FINANCIAL STATEMENTS, Continued

7. Long-term Debt Obligations:

The following is a summary of long-term liability activity for the year ended June 30, 2004:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue Bonds	\$ 78,875,000	\$ -	\$ (4,560,000)	\$ 74,315,000	\$ 4,775,000
Capital Leases	2,777,656	-	(758,718)	2,018,938	365,987
Note Payable	840,000	-	(60,000)	780,000	60,000
	82,492,656	-	(5,378,718)	77,113,938	5,200,987
Compensated Absences	149,478	25,073	-	174,551	-
	\$ 82,642,134	\$ 25,073	\$ (5,378,718)	\$ 77,288,489	\$ 5,200,987

Revenue Bonds:

\$37,625,000 Commuter Rail Revenue Refunding Bonds, series 1993; due in annual maturities of \$3,765,000 to \$5,065,000 through July 2010, plus semi-annual interest at 4.9% to 5.25%	\$ 30,660,000
\$23,000,000 Commuter Rail Revenue Bonds, series 1997; due in annual maturities of \$910,000 to \$2,115,000 through July 2017, plus semi-annual interest at 4.7% to 6.0%	18,555,000
\$31,700,000 Commuter Rail Revenue Refunding Bonds, series 1998; due in annual maturities of \$100,000 to \$6,555,000 through July 1, 2014, plus semi-annual interest at 4.3% to 5.375%	25,100,000
	<u>74,315,000</u>
Less unamortized:	
Deferred loss	(2,120,953)
Discount	(185,435)
(Premiums)	617,847
Total bonded debt	<u>\$ 72,656,459</u>

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

Years Ended June 30	Principal	Interest	Total Required
2005	\$ 4,775,000	\$ 3,790,058	\$ 8,565,058
2006	5,010,000	3,550,539	8,560,539
2007	5,255,000	3,296,729	8,551,729
2008	5,520,000	3,027,016	8,547,016
2009	5,795,000	2,731,522	8,526,522
2010-2014	34,000,000	8,494,685	42,494,685
2015-2018	13,960,000	1,038,681	14,998,681
	\$ 74,315,000	\$ 25,929,230	\$ 100,244,230

NOTES TO FINANCIAL STATEMENTS, Continued

7. Long-term Debt Obligations, continued

Deferred bond costs, consisting of bond issuance costs and insurance premiums are shown net of accumulated amortization. These costs are amortized on a straight-line basis over the life of the bonds. Amortization of deferred bond costs, approximating \$56,982, is included in interest expense in 2004 and 2003, respectively.

The Indentures of Trust for the 1997 Commuter Rail Revenue Bonds required VRE to maintain a debt service reserve. During fiscal year 2000 VRE purchased a surety in substitution of the debt service reserve fund, releasing the proceeds from the reserve. The Indentures of Trust for the 1997 issue also require the maintenance of an operating reserve equivalent to one-third (33.3%) of annual budgeted operating expenses. As of June 30, 2004 and 2003, VRE designated \$15,916,621 and \$16,167,674 respectively of its cash, the restricted bond interest and principal funds, inventory and receivables as this operating reserve. The reserves represented 51.6% and 58.2% of budgeted operating expenses, respectively.

Funds are invested by the Trustee pursuant to the Indentures of Trust and are classified as restricted. Funds held by the Trustee as of June 30, 2004 and 2003, are as follows:

	2004	2003
Bond Interest Fund	\$ 1,968,456	\$ 2,065,441
Bond Principal Fund	4,887,991	4,560,419
Total Held by Trustee	<u>\$ 6,856,447</u>	<u>\$ 6,625,860</u>

Capitalized leases:

\$2,717,409 capitalized lease obligation due \$39,347 monthly, interest at 5.73%, maturing in 2009, collateralized with a fare collection system with a carrying value of \$2,024,613

\$ 2,018,938

Future minimum lease payments as of June 30, 2004 are as follows:

2005	\$ 472,160
2006	472,160
2007	472,160
2008	472,160
2009	432,811
Total minimum lease payments	<u>2,321,451</u>
Lease amount representing interest	302,513
Present value of lease payments	<u>\$ 2,018,938</u>

NOTES TO FINANCIAL STATEMENTS, Continued

7. Long-term Debt Obligations, continued

Note Payable:

In June 2002, VRE entered into a borrowing with SunTrust Bank in the amount of \$900,000 to refinance a previous borrowing from Wachovia Bank used to purchase the VRE offices. This note carries a repayment schedule of 15 years, with the terms of the note subject to revision June 2007. The current note is secured by the office condominium and bears interest at 68% of the one-month LIBOR plus 47 basis points. Principal of \$5,000 plus interest is payable monthly. The interest rate at June 30 was 1.235%. During FY 2004 VRE paid \$60,000 in principal and \$10,178 in interest.

8. Short Term Debt

VRE uses a revolving line of credit to finance certain grant-funded capital projects prior to the receipt of reimbursements from the granting agencies. Short term debt activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Draws	Repayments	Ending Balance
Line of credit	\$ -0-	\$ 1,665,000	\$ 1,665,000	\$ -0-

9. Liability Insurance Plan:

The Virginia Department of Treasury, Division of Risk Management has established the terms of VRE's Commuter Rail Operations Liability Plan (the Insurance Plan). The Insurance Plan consists of a combination of self-insurance reserves and purchased insurance in amounts actuarially determined to meet the indemnification requirements of the Operating Access Agreements and the Purchase of Services Agreement. The Commissions indemnify each of the railroads in an amount up to \$248,000,000 for any claims against persons or property associated with commuter rail operations.

Division of Risk Management manages the Insurance Trust Fund pursuant to provisions of the Insurance Plan. In fiscal year 2004, approximately one-half of plan assets were invested in the Department of Treasury common pool, and the remainder were invested in a portfolio managed by external financial consultants. Activity in the Insurance Trust Fund for the years ended June 30, 2004 and 2003 was as follows:

	2004	2003
Balance beginning, July 1	\$ 17,648,836	\$ 18,879,816
Insurance premiums paid	(2,961,485)	(2,047,945)
Claims mitigation costs and losses incurred	(116,982)	(340,483)
Investment income	837,583	1,171,667
Actuarial and administrative charges	(117,794)	(14,219)
Balance ending, June 30	\$ 15,290,158	\$ 17,648,836

NOTES TO FINANCIAL STATEMENTS, Continued

9. Liability Insurance Plan, continued

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

10. Contingencies and Contractual Commitments:

At June 30, 2004 there were disputes between the VRE and certain vendors. The amount of any settlements, should they occur, are not determinable at this time. However, such amounts are not expected to be material in relation to the recorded amounts.

The Commissions have outstanding commitments for construction of facilities and equipment. A combination of Federal and Commonwealth of Virginia grants will be used to finance these capital projects. The following is a summary of the more significant contractual commitments, net of expenditures incurred as of June 30, 2004:

Station and parking lots	\$	1,534,082
Maintenance and layover yards		988,887
Track and signal improvements		497,906
Other Administrative		1,213,391
	\$	<u>4,234,266</u>

11. Subsequent Events:

On September 29, 2004 VRE entered into an agreement with the State of Connecticut Department of Transportation to sell thirty-three Mafersa single level rail cars for \$13,250,000 and associated parts inventory for \$200,000. The agreement provides for a lease back of up to seven cab cars to VRE through June of 2006 for \$1 per year. At June 30, 2004 the net book value of the cars was approximately \$16.5 million and the carrying value of the inventory was estimated to be \$400,000.

12. Pending GASB Statements

At June 30, 2004, the Governmental Accounting Standards Board (GASB) had issued statement number 40, *Deposits and Investment Risk Disclosures*, an amendment of GASB Statement Number 3 which requires certain disclosures of investments that are highly sensitive to interest rate risk and modifies the custodial credit risk disclosures of Statement Number 3. The provisions of Statement number 40 will be effective for periods beginning after June 15, 2004.

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* requires evaluation and reporting the effects of capital asset impairments and insurance recoveries when they occur.

NOTES TO FINANCIAL STATEMENTS, Continued

12. Pending GASB Statements, continued

The provisions of Statement No. 42 will be effective for fiscal years beginning after December 15, 2004.

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* provides uniform financial reporting standards for OPEB (Other Postemployment Benefit) plans. The provisions of Statement No. 43 will be effective for periods beginning after December 15, 2007.

GASB Statement No. 44, *Economic Condition Reporting: the Statistical Section, an amendment of NCGA Statement No. 1*, clarifies and establishes objectives of the statistical section and its five categories of information: financial trends, revenue capacity, debt capacity, demographic and economic, and operating.

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

Statistical Section



Virginia Railway Express

Expenses by Function Last Ten Fiscal Years

Fiscal Year	Contract Operations and Maintenance		Other Operations and Maintenance		Property Leases and Access fees		Insurance		Marketing and Sales		General and Administrative		Depreciation		Financing and other Non Operating Costs		Totals	
1995	\$ 8,096,388	\$ 1,316,015	\$ 2,165,913	\$ 1,896,474	\$ 623,942	\$ 1,576,569	\$ 3,806,034	\$ 5,013,699	\$ 24,495,034									
1996	8,327,348	1,757,034	3,106,246	2,013,759	701,502	1,694,394	3,964,793	4,840,251	26,405,327									
1997	9,069,346	1,989,717	3,499,324	1,842,283	719,874	1,678,635	4,475,630	4,658,821	27,933,620									
1998	9,238,341	2,129,560	3,403,352	942,196	719,689	2,036,545	4,697,006	5,868,344	29,035,033									
1999	9,426,764	2,468,107	3,841,159	1,662,073	781,955	2,011,298	4,358,362	5,482,403	30,032,121									
2000	10,861,997	2,927,389	4,451,130	1,596,382	942,040	2,804,978	4,556,921	5,586,847	33,727,684									
2001	11,340,419	4,301,643	5,046,537	1,049,905	1,073,257	3,402,105	5,246,347	5,113,403	36,573,616									
2002	12,188,083	4,558,318	6,308,712	1,340,527	1,549,752	4,496,015	5,261,679	6,250,481	41,933,569									
2003	13,095,504	4,741,041	7,307,905	2,429,993	1,482,131	5,462,768	5,837,560	3,960,846	44,317,748									
2004	14,212,476	5,466,313	8,163,632	3,275,081	1,279,549	5,041,338	6,595,698	4,323,776	48,337,763									

Source: VRE Department of Finance

Virginia Railway Express

Revenues by Source Last Ten Fiscal Years

Fiscal Year	Passenger	Equipment	Subsidies and Grants			Interest	Totals
	Revenue	Rentals & Other	Commonwealth	Federal	Local and Other		
1995	\$ 7,865,974	\$ 668,243	\$ 6,493,034	\$ 3,474,927	\$ 5,865,444	\$ 2,103,812	\$ 26,471,434
1996	8,519,735	760,851	5,898,628	7,487,174	6,370,767	2,097,496	31,134,651
1997	7,650,245	778,798	6,485,430	9,311,521	5,752,891	2,117,111	32,095,996
1998	6,475,680	172,326	6,538,183	10,146,384	5,752,889	5,120,338	32,205,800
1999	7,526,837	140,822	6,323,508	8,469,164	5,752,890	2,803,056	31,016,277
2000	8,761,919	363,972	8,823,209	16,622,941	6,238,306	2,181,406	42,991,753
2001	10,358,548	130,110	11,984,626	21,157,431	7,090,662	1,904,672	52,625,849
2002	12,753,214	206,796	13,281,956	16,224,151	6,452,365	1,417,195	50,335,577
2003	15,048,262	292,086	11,152,320	15,766,058	6,210,039	1,259,476	49,728,241
2004	16,929,629	188,256	11,691,385	12,916,210	9,496,209	881,973	52,103,662

Source: VRE Department of Finance

Virginia Railway Express

Ridership Last Ten Fiscal Years

Fiscal Year	Total Ridership
1995	1,810,042
1996	1,875,411
1997	1,751,210
1998	1,502,845
1999	1,741,922
2000	2,032,147
2001	2,432,317
2002	2,817,405
2003	3,283,079
2004	3,515,660

Virginia Railway Express

Miscellaneous Statistics

Began Operation:	Fredericksburg Line	June 1, 1992
	Manassas Line	July 1, 1992
Number of Stations		18
Rolling Stock:		
	Locomotives	21
	Rail Cars	125
Employees		34
Average Daily Ridership, FY 2004		
	Fredericksburg Line	7,687
	Manassas Line	6,804
Parking Spaces		6,500
Rail car Seats		8,190



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Mensel D. Dean
Gregory W. Geisert
Herman W. Hale
John L. Vencie, III
Keith L. Wampler
Daniel B. Martin
Sean R. O'Connell
Kevin D. Humphries
Bradford R. Jones
Virginia B. Miller
John E. Zigler, Jr.
Michael T. Kennison

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

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

We have audited the financial statements of the Virginia Railway Express as of and for the year ended June 30, 2004, and have issued our report thereon dated August 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Compliance

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

Internal Control Over Financial Reporting

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

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

PBGH, LLP

Harrisonburg, Virginia
August 13, 2004

FY 2004 Audit Corrective Action Plan

Completed items:

Recommendation	Status
Improve IT backup procedures.	A safety deposit box was obtained and back-up tapes are deposited daily in the box.
Contact SunTrust to ensure account is identified and reported as a public deposit in order to further safeguard the account.	SunTrust was contacted and the account identified as a public account.

Items in process at VRE:

Recommendation	Status
Develop and implement a formal IT disaster recovery plan.	Efforts to document this plan are underway. The process for which a disaster would be handled (including a hot site) is established and is currently being developed into a formal plan.
Removal of sprinkler system in the Communications Room.	Have executed a task order for the installation of a fire suppression system. Design has been completed and permitting is underway. Installation is scheduled for completion by February, 2005.
Management of Amtrak inventory counts and address any discrepancies that are found.	Have informed Amtrak that in 2005 VRE would like to conduct inventory observations when auditors are doing fieldwork at VRE and that any discrepancies be resolved prior to the completion of the auditor's fieldwork.
Consider mandatory five consecutive day vacation policies for key accounting staff.	Concur with recommendation and will institute in 2005
Purchase capital asset software to maintain subsidy ledger of capital assets and calculate depreciation and gains and losses on disposals of property and equipment.	A contract for a new accounting system, including capital asset software was executed on December 16, 2004. Installation and training will begin in January 2005 and be completed by June 2005.

Items in process with Operations Board:

Recommendation	Status
Refine procurement policy to strengthen controls over purchases by requiring two approvals for purchases between \$15,000 and \$30,000.	Concur with recommendation and will recommend to the Operations Board that all purchases over \$15,000 require a countersignature from the Deputy CEO or Director of Finance.

FY 2006 VRE Budget and FY 2005 Budget Revisions

VRE's Operations Board recommends approval of Resolution #1058. This resolution approves the FY 2006 VRE budget together with FY 2005 budget revisions and authorizes forwarding the budgets to NVTC's VRE participating and contributing jurisdictions for their consideration under the terms of the VRE Master Agreement. To meet an approximately \$1 million net increase for station maintenance, security, Amtrak access, fuel and insurance, fares would increase by 2.75 percent and subsidies would cover the remainder. This approach was recommended by the Chief Administrative Officers Budget Review Task Force, which has provided some additional recommendations.



RESOLUTION #1058

SUBJECT: FY 2006 VRE Budget and FY 2005 Budget Revisions.

WHEREAS: VRE's Master Agreement provides a process and schedule for producing a proposed budget for the next fiscal year;

WHEREAS: The VRE staff proposal has been carefully reviewed by the Chief Administrative Officers Budget Review Task Force;

WHEREAS: Staff has also proposed adjustments in the FY 2005 budget;

WHEREAS: The VRE Operations Board has reviewed the proposals and recommends approval.

NOW, THEREFORE BE IT RESOLVED that the Northern Virginia Transportation Commission hereby approves the VRE FY 2006 budget and the revisions to the FY 2005 budget, recommends that VRE staff implement all of the recommendations of the Chief Administrative Officers Budget Review Task Force, and authorizes staff to forward the budgets to participating and contributing jurisdictions for action under the terms of the VRE Master Agreement;

BE IT FURTHER RESOLVED that the executive directors of NVTC and PRTC are authorized to submit to TPB and to FTA and other agencies, the appropriate TIP and grant applications for FY 2005 and 2006; and

BE IT FURTHER RESOLVED that the executive director of NVTC is authorized to submit to the commonwealth the approved budget as part of VRE's FY 2006 state aid application.

Approved 6th day of January, 2005.

Chairman

Secretary-Treasurer



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**Draft FY 2006 Budget and
Revised FY 2005 Budget**

*Dale Zehner
December 17, 2004*



FY 2006 Base Budget Assumptions

- Service level constant – 32 trains
- Average daily ridership up from 15,000 to 15,600
 - Results in a 4% increase in fare revenue over FY 05 budget
- Local subsidy used to match capital program
- Funding for capital program \$14 million less than requirements
- Continue to focus on service quality and ridership gains

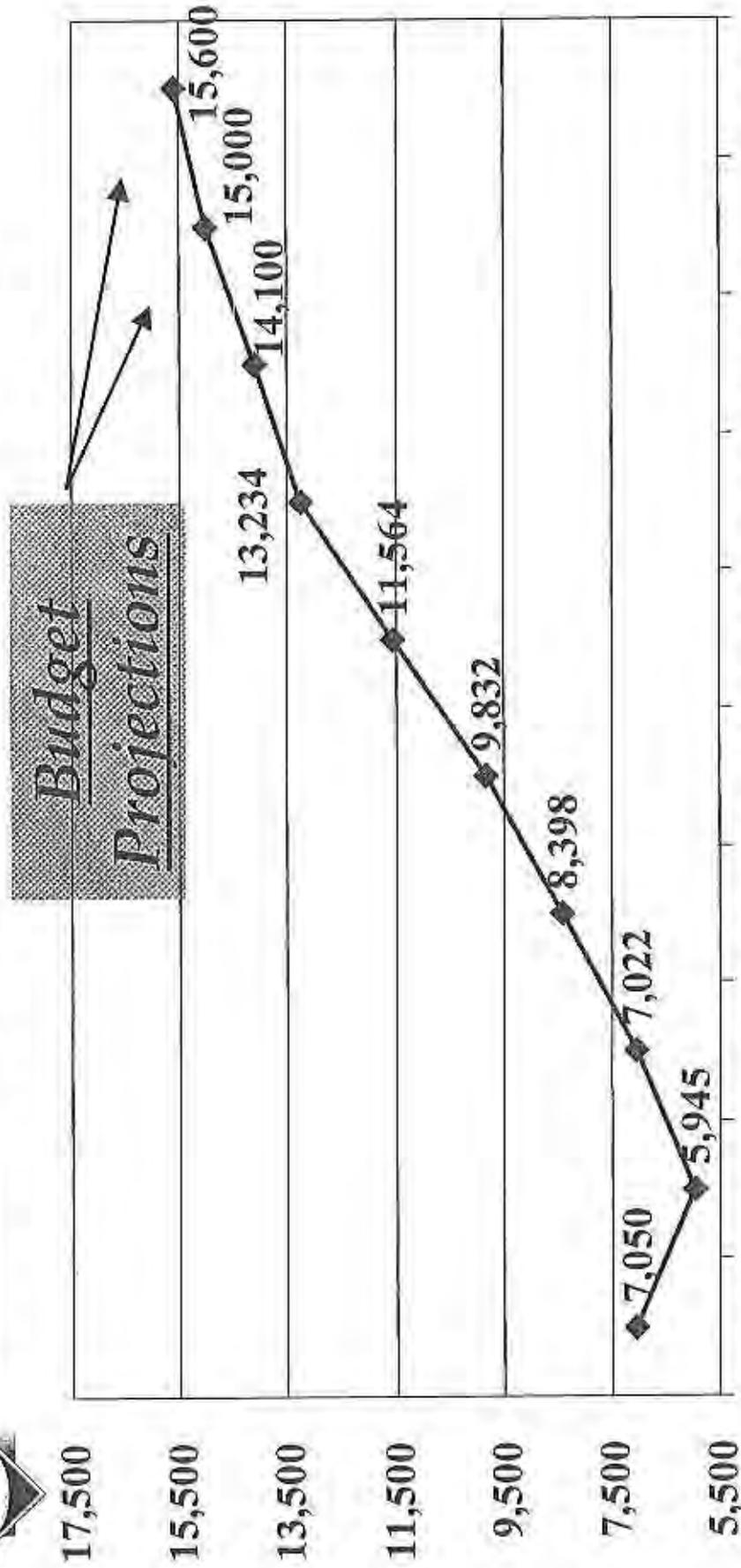


Budget Process

- Board approved budget guidelines
- Developed three budget alternatives
- Met with CAO Budget Task Force over 3 months
 - Iteratively refined budget alternatives
 - Answered over 64 questions
- Met with CAOs on December 3rd
- Met with Audit and Finance Committee on December 7th



Average Annual Daily Riders

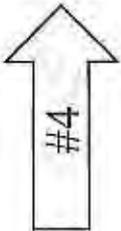


FY 97 FY 98 FY 99 FY 00 FY 01 FY 02 FY 03 FY 04 FY 05 FY 06

Where Do the Riders Come From



Jurisdiction	Passengers	Percent
Prince William County	2,432	32.0%
Fairfax County	1,661	21.8%
Stafford County	1,225	16.1%
Spotsylvania County	821	10.8%
City of Manassas	361	4.7%
City of Manassas Park	268	3.5%
City of Fredericksburg	214	2.8%
Fauquier County	210	2.8%
All others	418	5.5%
Total	7,610	100.0%



FY 2006 Operating and Capital Expenditures



Item	Amount	Percent
Amtrak contract	\$14,058,260	25.4%
Capital program	\$7,196,000	13.0%
Reserve	630,000	1.1%
Bond and Debt payments	\$11,311,539	20.4%
Lease access fees	\$7,393,051	13.3%
Equipment Leases	\$1,951,200	3.5%
VRE Personnel Costs	\$3,196,429	5.8%
Fuel	\$1,788,948	3.2%
All other	<u>\$7,937,577</u>	<u>14.3%</u>
Total	<u>\$55,463,004</u>	



FY 2006 Operating Expenses

- Operating expenses increased 9%
- Major increases in:

Station Maintenance	\$264K
Security	\$100K
Amtrak access	\$525K
Insurance	\$500K
Fuel	\$589K
Total	\$1,978K

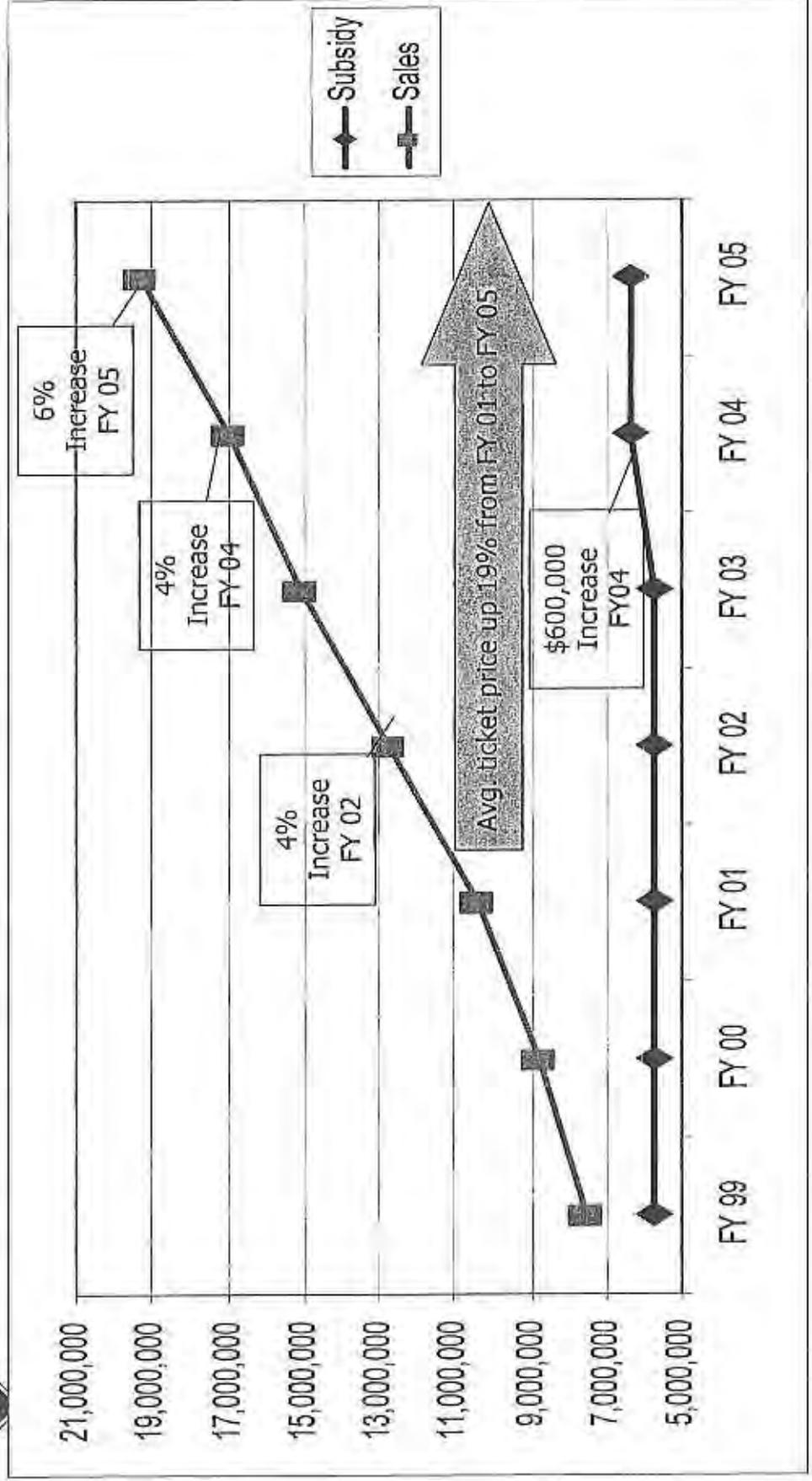
- Total budget deficit: \$1,058 M

VRE Effect of Alternatives on Subsidy

	Alternative 1		Alternative 2		Alternative 3	
	No Fare Increase	5.46% Fare Increase	5.46% Fare Increase	2.75% Fare Increase		
Projected FY 2006 deficit: \$1,058,450						
Increase in Fare Revenue	\$ -	\$1,058,450		\$ 533,390		
Increase in Local Subsidy	1,058,450	-		525,060		
Total Increase	\$ 1,058,450	\$1,058,450		\$ 1,058,450		
Local Subsidy by Jurisdiction:	Incr (Decr)	Total	Incr (Decr)	Total	Incr (Decr)	Total
FY 2005						
Fairfax County	330,967	3,294,787	62,788	3,026,608	195,822	3,159,642
Prince William County	383,656	2,444,664	(29,073)	2,031,935	175,668	2,236,676
Stafford County	203,843	813,065	(21,663)	587,559	90,202	699,424
City of Manassas	37,235	308,159	(25,974)	244,950	5,382	276,306
City of Manassas Park	53,220	202,977	6,478	156,235	29,665	179,422
City of Fredericksburg	37,492	95,035	(4,593)	52,950	16,284	73,827
Arlington County	7,150	150,142	7,150	150,142	7,150	150,142
City of Alexandria	4,887	102,621	4,887	102,621	4,887	102,621
Total All Jurisdictions	\$ 1,058,450	\$ 7,411,450	\$ -	\$ 6,353,000	\$ 525,060	\$ 6,878,060



Changes in Fare and Subsidy





Capital Program

- FY 2006 program (less bond and debt) of \$7,196,000
- Projects included
 - Railcar financing
 - SmarTrip
 - Mid-day storage
 - Maintenance facility

CAO Task Force Recommendations



- Six recommendations
- Discussed recommendations with CAOs
- VRE concurs with all recommendations except one
- Will outline recommendations here

1 Implement the 2.75 percent fare increase & increase local subsidy

- Necessary to fund estimated operating cost increases
 - Fuel costs
 - Amtrak access fees
 - Contribution to insurance trust fund
- Fare increase permits local subsidy to be directed to capital investment
- Shares burden between rider and local jurisdiction
- Will investigate timing of increase with improvements
- VRE staff recommended only subsidy increase

② VRE should study surcharge for passengers using Amtrak trains



- Amtrak charges \$10 per VRE trip on Amtrak train
 - 250+ use this service
 - Step-up would charge passenger \$1.00
- Step-up authorized by Board last June
- Amtrak asked for additional 50 cents per step-up
- Reduces revenue generated by step-up to \$0.25
- Will continue to negotiate with Amtrak and explore option of increasing step-up fee

3 VRE should aggressively pursue non-fare box revenues



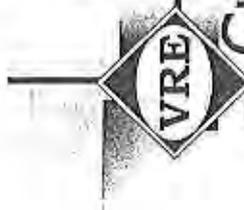
- Non-fare box revenue projections increased from \$103,000 in FY 05 to \$301,000 in FY 06
- Concur with recommendation
- Using WMATA's contract for advertising
 - Will utilize additional space on Gallery cars when all are in service
- Increasing rental of railcars for filming
- Will continue to seek other opportunities

4 VRE should conduct study to determine fare evasion



- Recommends selecting a uniform sample of VRE trains for enhanced ticket enforcement
 - Determine if there is a problem
 - Quantify the magnitude of the problem
- VRE plans to conduct such a study after final acceptance of the fare collection system
 - Final 60-day system test scheduled to begin January 13, 2005.
- Staff will intensify monitoring of existing practices

5 VRE should reexamine the Free Ride Certificate program



- Current program
 - FRC issued to passengers on a train 30 minutes or more behind schedule
 - Most delays beyond VRE's control
 - Cost VRE approximately \$100,000 in lost revenue in FY 2004
 - 64,000 issued, 23,200 redeemed
- Key customer service and retention tool but becoming administratively difficult
- Will develop plan to remove FRC program that will consider
 - Impact on customers
 - Timing
 - Other incentives as replacement

⑥ VRE present a revised six-year plan once Federal funding is known



- Amount of Federal discretionary funding significantly impacts VRE's budget
- Six-year plan includes \$284 million in unfunded capital needs
- Federal funding impacts the amount of local match needed
- Will provide jurisdictions with revised budget once discretionary funding is known



VRE Recommendation

- VRE has an additional recommendation
- Examine station access needs in detail
 - Paid parking potential
 - Bus service
 - Carpool/Kiss-and-Ride
 - Pedestrian/Bicycle Access
- Determine plan to address station access requirements



Future Outlook - Six-Year Plan

Additional funding needed to reach 40 trains by 2011 as planned:

Additional Capital Funds Needed to Reach 40 Trains				
<i>In Millions</i>				
Year	Unfunded Match for Projected Formula Funding	Unfunded System Needs	Unfunded Parking Needs	Total*
2007	\$0.5 M	\$0.0 M	\$2.0 M	\$2.5 M
2008	\$1.1 M	\$4.4 M	\$0.7 M	\$6.2 M
2009	\$0.6 M	\$6.5 M	\$1.2 M	\$8.3 M
2010	\$0.4 M	\$7.0 M	\$1.1 M	\$8.5 M
2011	\$0.3 M	\$5.7 M	\$1.1 M	\$7.1 M

*Excludes any network extensions.



Revised FY 2005 Budget

- Increase in revenues
- Increase in expenses
- Individual budget lines adjusted
 - Increased station maintenance & security
 - Decreased Amtrak & marketing budgets



Summary

- Finance Committee agreed with CAO Task Force recommendation of 2.75% fare increase and \$525,060 increase in local subsidy
- Next steps:
 - Approve FY 2005 revised budget
 - Approve FY 2006 proposed budget
 - Forward FY 2006 proposed budget to Commissions with recommendation for approval
 - Commissions forward budget to jurisdictions for appropriation
 - Will work with jurisdictions to explore fare indexing as part of next year's budget

AGENDA ITEM 8-B
ACTION ITEM

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: DECEMBER 17, 2004

**SUBJECT: REFERRAL OF THE REVISED FY 2005 AND RECOMMENDED
FY 2006 VRE OPERATING AND CAPITAL BUDGET TO THE
COMMISSIONS AND LOCALITIES**

RECOMMENDATION:

The VRE Operations Board is being asked to adopt the revised FY 2005 budget and the recommended FY 2006 VRE Operating and Capital Budget and refer them to the Commissions for their consideration, and that the Commissions, in turn, refer these recommendations to the jurisdictions for their formal review and appropriation.

BACKGROUND:

In accordance with the VRE Master Agreement, which outlines the process for annual budget approval, the preliminary FY 2006 VRE Operating and Capital Budget was submitted for review at the August VRE Operations Board meeting. Since that time, it has been discussed by the Audit and Finance Committee and at several meetings of the CAO Task Force. The CAO Task Force met December 3rd to finalize their recommendations and discuss VRE responses to those recommendations. The CAO Task Force report is presented under separate cover.

DISCUSSION:

This document follows the adopted guidelines of the Board, developed in concert with jurisdictional chief administrative officers. The major elements are:

- Continues the 32-train operation
- Projects average daily ridership of 15,600 passengers
- Assumes that the level of State funding on a percentage basis will be 30%.
- Requires additional funding for FY 2006 of \$1,058,450 primarily due to:
 - Requirement for a \$500K contribution to the Insurance Trust Fund
 - Estimated increase in Amtrak access fees of \$500K
 - Increase in fuel expenditures of at least \$400K
- Programs the following system capital initiatives for FY 2006:
 - Canopy extensions - \$500,000
 - Heavy maintenance and repair facility - \$982,000
 - Mid-day storage - \$2,852,000
 - Rolling stock modifications - \$1,015,000
 - Fleet expansion - \$4,171,000
 - Facilities infrastructure renewal - \$400,000
 - Platform extensions (same side) - \$767,000
 - Security enhancements - \$75,000

Three alternatives were presented and discussed with the CAO Task Force and the Audit and Finance Committee:

- 1) No fare increase and a subsidy increase of \$1,058,450
- 2) A fare increase of 5.46% with no subsidy increase
- 3) A combined fare increase of 2.75% and subsidy increase of \$525,060.

The CAO Task Force and the Operations Board Audit and Finance Committee recommend Alternative 3 - a 2.75% overall fare increase combined with an increase in jurisdictional subsidy of \$525,060.

FISCAL IMPACT

The FY 2006 operating budget is being recommended for full funding through a combination of increased ridership, an increase in fares, and an increase in local subsidy. The budget allows VRE to remain focused on its primary goal of quality service for the existing network.

Also attached is the six-year financial forecast for the period FY 2006 through FY 2011. The six-year forecast indicates that additional funding will be required to

address base program needs, which assumes VRE will reach 40 trains by 2011. The additional operating costs for this expansion are included in the funded out-year requirements, as well as partial funding for the fleet financing and other system requirements needed to expand service to 40 trains.

The table below summarizes the remaining capital funding necessary to move to 40 trains by 2011. The following assumptions were made:

- Eighty percent of both the funded and unfunded needs is provided through federal funding.
- Thirty percent of the non-federal portion of both the funded and unfunded needs is provided by the state.
- The operating budget is fully funded first.

Additional Capital Funds Needed to Reach 40 Trains				
Year	Unfunded Match for Projected Formula Funding	Unfunded System Needs	Unfunded Parking Needs	Total*
2007	\$0.5	\$0.0	\$2.0	\$2.5
2008	\$1.1	\$4.4	\$0.7	\$6.2
2009	\$0.6	\$6.5	\$1.2	\$8.3
2010	\$0.4	\$7.0	\$1.1	\$8.5
2011	\$0.3	\$5.7	\$1.1	\$7.1

**Excludes any network extensions.*

CAO BUDGET TASK FORCE

The Chief Administrative Officers’ Task Force report incorporates the following recommendations for FY 2006. The Task Force is in general agreement with the FY 2006 budget proposals and VRE is in general agreement with the recommendations of the Task Force.

1. VRE should implement a combined 2.75 percent fare increase and a \$525,060 local subsidy increase to ensure that funding is available to meet capital match requirements for federal grants and increasing operating costs.

VRE Response: VRE provided the task force with three scenarios to address the budget shortfall. Alternatives included a fare increase, subsidy increase and combination of both. However, because fares have been raised 10% over the past two fiscal years, VRE did not recommend Alternate 3 (fare increase) to CAO Task Force or the Audit and Finance Committee.

2. VRE should resolve implementation issues with Amtrak and begin to collect the \$1 surcharge (step-up ticket), which the VRE Operations Board authorized for VRE passengers using Amtrak trains on June 28, 2004.

VRE Response: Unfortunately, ongoing negotiations with Amtrak have not provided a mechanism to satisfactorily implement the step-up fee. Amtrak has indicated that it will not allow VRE to implement the step-up fare without increasing our cross honoring fee from \$10.00 to \$10.50. Since this reduces any additional revenue from the step-up fare to \$0.25 after all costs are accounted, staff will continue trying to negotiate other terms with Amtrak. Hopefully a satisfactory agreement can be reached and the step-up fee implemented. If not, we may explore the option of a higher step-up fee.

3. VRE should continue to aggressively pursue non-fare box sources of revenue, such as advertising and vending machines on station platforms.

VRE Response: VRE agrees and will continue to pursue these types of opportunities. In addition to advertising, staff is also pursuing concepts such as the sale of merchandise/train collectables.

4. VRE should conduct a study, or present other empirical evidence, to determine if there is a problem with fare evasion on VRE trains.

VRE Response: VRE has begun planning a study of fare evasion on VRE trains. However, we continue to have problems with the Scheidt-Bachman equipment, which must be resolved before we can move forward with this plan. We anticipate that these problems will be fully resolved by late January, at which time a 60-day system test will begin. If this test is completed successfully, we will accept the system and a study can then be implemented to determine the level of fare evasion. VRE concurs with the CAO task force that this information is needed.

5. VRE should provide the VRE Operations Board with a recommendation on whether to retain, modify or eliminate the Free Ride Certificate Program.

VRE Response: VRE continues to weigh the customer service advantage of Free Ride Certificates against the administrative and monetary cost of the program. While it is true that many delays are outside of VRE's control, they are also outside of our customer's control as well. One of the main tenets of the VRE customer service program is the guarantee that customers will arrive at their destination within 30 minutes of the published arrival time. Staff is concerned that the elimination of this program in conjunction with capacity and on-time

performance issues could significantly affect customer satisfaction. However, we do believe that as VRE grows, this is becoming administratively too difficult to administer. As a result, VRE does not recommend that this program be discontinued immediately. Instead, we recommend that a plan for the elimination be developed that considers the timing of such an action, as well as alternative forms of incentives that could replace FRCs.

6. VRE should prepare another six-year financial forecast after the Federal formula and discretionary funding levels from the Transportation Equity Act of the 21st Century (TEA-21) reauthorization are known. This analysis should be part of any financing plan for additional railcars.

VRE Response: VRE concurs with the recommendation and will prepare an updated six-year forecast once TEA-21 federal funding is known. Once this information is known, a better picture of VRE's unfunded capital needs can be provided.

REVISED FY 2005 CAPITAL AND OPERATING BUDGET

The FY 2005 budget has been revised. There is an increase in both budgeted revenues and expenditures that result in a balanced budget. The fare revenue estimate has been increased 3% and there is an increase in the estimated state allocated Federal funds to cover increased access fees. The capital expenditures and Commonwealth grant estimates are unchanged. The increases to operating expenditures are due to increased fuel expenses and Amtrak contract costs. A transfer of \$500,000 to the Insurance Trust Fund is also budgeted.

VIRGINIA RAILWAY EXPRESS
RECOMMENDED BUDGET
FOR FISCAL YEAR 2006
AND
REVISED BUDGET
FOR FISCAL YEAR 2005

DECEMBER 17, 2004

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MISSION STATEMENT

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.

GOALS FOR FISCAL YEAR 2006

- Achieve at least a 55 percent operating ratio (cost recovery).
- Operate trains on time at least 95 percent of time.
- Achieve at least 15,600 average daily riders for FY 2006.

PERFORMANCE MEASURES FOR FISCAL YEAR 2006

MEASURE	PERFORMANCE MEASURE	TARGET
Safety	Injuries to Passengers	0
On-Time Performance	Percent On-time Each Month	95%
Average Daily Seat Occupancy	Utilization of Available Seating	95%
Operating Ratio	Ratio of Fare Income to Operating Costs	55%
Ridership Growth	Minimum Growth over Prior Year	4%

BUDGET ASSUMPTIONS FOR FISCAL YEAR 2006

Major Issues in FY 2006 Budget:

1. To sustain growth in service and ridership, additional operating funds are necessary over the FY 2005 level. Sources identified include the following:
 - a. Fare Increase
 - b. Increase in State operating funding
 - c. Increase in Federal formula funds for capital

Sources of Funding (\$ in thousands)

The budget shown below assumes the following:

- a. Fare revenue will be \$19.4 million with no fare increase or \$19.9 million with a 2.75% fare increase.
- b. Level of state capital, federal capital and operating funding will be above the FY 2005 level.
- c. State funding for railroad access fees is programmed at \$5.9 million.
- d. Local subsidy allocation increased \$1,058,450 with no fare increase or \$525,060 with a 2.75% fare increase:

	FY2005	FY2006	Change	% change
Alexandria	\$ 97,734	\$ 102,621	\$ 4,887	5.0%
Arlington	142,992	150,142	7,150	5.0%
Fairfax County	2,963,820	3,159,642	195,822	6.6%
Fredericksburg	57,543	73,827	16,284	28.3%
Manassas	270,924	276,306	5,382	2.0%
Manassas Park	149,757	179,422	29,665	19.8%
Prince William County	2,061,008	2,236,676	175,668	8.5%
Stafford County	609,222	699,424	90,202	14.8%
Total	\$ 6,353,000	\$ 6,878,060	\$ 525,060	8.6%

Uses of Funding (\$ in thousands)

Key assumptions implicit in determining the operating expense for all budget alternatives include the following:

- a. Free parking at all VRE stations.

- b. The return on investment of the insurance trust fund is estimated to be between 4.0% and 5.0% and the need for a \$500,000 contribution to the trust fund in FY 2006.
- c. Operation of 32 daily trains with an on-time performance of 95% or better.
- d. Continued incentive and performance agreements with AMTRAK.

SOURCE AND USES OF FUNDS

Fare increase		2.75%
Subsidy increase		\$525,060
Number of Trains		32
Number of Trips/Day		15,600
<u>Sources (\$ in Thousands)</u>		
Fare Income	\$	19,899
Local Subsidy		6,878
State Operating Grant		6,222
State Capital Grant		5,066
Federal Capital Funding		8,878
Additional SSTP Funding		5,914
Other Income		2,606
Total Sources		55,463
<u>Uses (\$ In thousands)</u>		
Operating Expenses	\$	34,525
Debt Service		11,312
Equipment Lease Payments		1,800
Federal Capital Program		7,196
Insurance & Operating Reserve		630
Total uses	\$	55,463

Six-Year Financial Plan

The final FY 2006 budget recommendation includes a six-year financial plan as required by the Master Agreement. The six-year financial plan was developed in conjunction with the VRE Phase II Strategic Plan and reviewed with CAO Budget Task Force. The VRE capital planning process is informed by the results of the Phase II Strategic Plan, which was approved by the Operations Board in May of 2004. Subsequently, planning assumptions through 2025 that are outlined in the Strategic Plan are the foundation of the CIP. The CIP is fiscally constrained and the program of projects is based on reasonably assumed funding only. Parking projects are assumed to be the responsibility of the jurisdiction, with VRE support and assistance, and are therefore not funded in the CIP. Potential earmarks are not shown in this document until after they are fully allocated by the funding agency.

Other Factors

- a. Fares: increase of \$1.3 million over the FY2005 level due to the increase in fares and continued growth in ridership.
- b. Local Subsidy: increase of \$525,060
- c. Inflation: 2 percent
- d. Merit/COLA: 3 percent
- e. Major capital additions
 - Continued introduction of Gallery bi-level coaches
 - Parking lot expansions at Broad Run, Burke Centre and Manassas
 - Continued capacity improvements to stations and railroad facilities
 - Improvements to outlying yards

Virginia Railway Express Allocation Data
 October 20, 2004 - Proposed FY 2006 Budget
 Assumes Fare Increase of 2.75 % and a Subsidy Increase of \$525,060

ALTERNATE 3

<u>Jurisdictions</u>	[Col 1]	[Col 2]	[Col 3]	[Col 4]	[Col 5]	[Col 6]	
	Population 2004 Update	Population %	Contributors' Potential Share of Net Costs %	Contributors' Potential Share of Net Costs \$	Contributors' Maximum Share of Net Costs	5% Increase:	
Contributors:							
Alexandria	137,100	7.4108%	0.7411%	\$167,047		\$102,621	
Arlington	192,900	10.4270%	1.0427%	\$235,036		\$150,142	
Contributors' Total	330,000	17.8378%					
	[Col 7]	[Col 8]	[Col 9]	[Col 10]	[Col 11]	[Col 12]	
Participants:	Population 2004 Update	Population %	- 10% Weight - Participants' Normalized % Population	October Survey Participants' AM Ridership	- 90% Weight - Participants' Ridership %	Participants' [10/90] Aggregate % of Costs	
Fairfax County	1,012,100	54.7081%	66.5855%	1,661	26.9576%	30.9204%	
Fredericksburg	20,600	1.1135%	1.3553%	214	3.4730%	3.2613%	
Manassas	37,100	2.0054%	2.4408%	361	5.8643%	5.5220%	
Manassas Park	12,400	0.6703%	0.8158%	268	4.3421%	3.9895%	
Prince William County	328,100	17.7351%	21.5855%	2,432	39.4753%	37.6864%	
Stafford County	109,700	5.9297%	7.2171%	1,225	19.8876%	18.6205%	
Participants' Total	1,520,000	82.1622%	100.0000%	6,161	100.0000%	100.0000%	
Population Total	1,850,000	100.0000%					
	[Col 12]	[Col 13]	[Col 14]	[Col 15]	[Col 16]	[Col 17]	[Col 18]
<u>Costs</u>	(repeated) Participants' [10/90] Aggregate %	Gross Costs \$	State Aid Interest & Misc Income \$	"System" Fare Revenue \$	Net Costs \$	Contributors' Payments Lesser of Col 6 or 4	Participants' Net Costs \$
Alexandria						\$102,621	
Arlington						\$150,142	
Fairfax County	30.9204%	\$17,149,391	\$8,869,968	\$1,309,642			\$6,891,626
Fredericksburg	3.2613%	\$1,808,797	\$935,542	\$138,132			\$726,880
Manassas	5.5220%	\$3,062,646	\$1,584,055	\$233,884			\$1,230,750
Manassas Park	3.9895%	\$2,212,684	\$1,144,439	\$168,975			\$889,185
Prince William County	37.6864%	\$20,901,990	\$10,810,878	\$1,596,215			\$8,399,640
Stafford County	18.6205%	\$10,327,496	\$5,341,563	\$788,676			\$4,150,191
Total	100.0000%	\$55,463,004	\$28,686,444	\$4,235,525	\$22,541,035	\$252,762	\$22,288,273
	[Col 19]	[Col 20]	[Col 18]	[Col 21]	[Col 22]	[Col 23]	[Col 24]
<u>Subsidy Calculation</u>	Oct Survey Participants' Fare Revenue %	Participants' Fare Revenue \$	(repeated) Participants' Net Costs \$	Proposed FY 2006 Budget Based on 10/20/04 Survey	Actual FY2005 Subsidy	Net Change \$	Net Change %
Alexandria				\$102,621	\$97,734	\$4,887	5.00%
Arlington				\$150,142	\$142,992	\$7,150	5.00%
Fairfax County	23.827%	\$3,731,983	\$6,891,626	\$3,159,643	\$2,963,820	\$195,823	6.61%
Fredericksburg	4.169%	\$653,054	\$726,880	\$73,827	\$57,543	\$16,284	28.30%
Manassas	6.094%	\$954,444	\$1,230,750	\$276,306	\$270,924	\$5,382	1.99%
Manassas Park	4.531%	\$709,764	\$889,185	\$179,422	\$149,757	\$29,665	19.81%
Prince William County	39.347%	\$6,162,964	\$8,399,640	\$2,236,676	\$2,061,008	\$175,668	8.52%
Stafford County	22.031%	\$3,450,767	\$4,150,191	\$699,424	\$609,222	\$90,202	14.81%
Total	100.0000%	\$15,662,975	\$22,288,273	\$6,878,060	\$6,353,000	\$525,060	8.26%
	[Col 25]						
<u>Fares</u>	Participants Residents' "System-wide"	15,662,975.24 4,235,524.76					
FY 2006 Total	\$19,898,500.00						

Virginia Railway Express Allocation Data
December 2nd, 2003

<u>Station</u>	<u>Valid Responses</u>	<u>Response Rate</u>	<u>Ave. Station Counts</u>	<u>Station Response</u>	<u>Avg. Fare</u>
Alexandria	4			1.0000	\$3.80
Backlick Road	52		154	2.9615	\$3.89
Broad Run	707		955	1.3508	\$4.99
Brooke	264		405	1.5341	\$5.55
Burke Center	387		697	1.8010	\$4.24
Crystal City	1			1.0000	\$3.69
Franconia/Springfield	18		41	2.2778	\$4.10
Fredericksburg	952		1253	1.3162	\$5.83
Leeland Road	526		650	1.2357	\$5.40
Lorton	71		220	3.0986	\$4.43
Manassas	395		560	1.4177	\$5.05
Manassas Park	435		875	2.0115	\$4.91
Quantico	186		280	1.5054	\$4.81
Rippon Landing	257		473	1.8405	\$4.59
Rolling Road	205		486	2.3707	\$4.25
Woodbridge	250		560	2.2400	\$4.66
L'Enfant	0		0	#DIV/0!	\$0.00
Union Station	0		0	#DIV/0!	\$0.00
	====		====	====	====
Total	4,710	61.90%	7,609		

<u>Residence - Board</u>	<u>Valid Responses</u>	<u>% Residence</u>	<u>Station Counts</u>	<u>% Residence</u>	<u>Revenue</u>	<u>%</u>
Fairfax - Alexandria	0		0		\$0.00	
Fairfax - Backlick	51		151		\$587.80	
Fairfax - Broad Run	1		1		\$6.75	
Fairfax - Brooke	1		2		\$8.51	
Fairfax - Burke Centre	369		665		\$2,818.36	
Fairfax - Crystal City	0		0		\$0.00	
Fairfax - Francon/Springfield	16		36		\$149.36	
Fairfax - Lorton	71		220		\$974.24	
Fairfax - Manassas	1		1		\$7.16	
Fairfax - Manassas Park	49		99		\$484.25	
Fairfax - Quantico	0		0		\$0.00	
Fairfax - Rolling Road	205		486		\$2,067.49	
Fairfax - Woodbridge	0		0		\$0.00	
Fairfax -Total	764	21.1166%	1660.9	26.9576%	\$7,103.90	23.8268%
	===					

Fred - Alexandria	0		0		\$0.00	
Fred - Brooke	0		0		\$0.00	
Fred - Burke Center	0		0		\$0.00	
Fred - Fredericksburg	159		209		\$1,219.33	
Fred - Leeland Road	2		2		\$13.34	
Fred - Rolling Road	0		0		\$0.00	
Fred - Woodbridge	1		2		\$10.44	
Fred - Total	162	4.4776%	214.0	3.4730%	\$1,243.10	4.1694%
	===					

Virginia Railway Express Allocation Data
December 2nd, 2003

Manassas - Alexandria	0	0	\$0.00		
Manassas - Broad Run	13	18	\$87.69		
Manassas - Burke Center	0	0	\$0.00		
Manassas - Manassas	207	293	\$1,482.05		
Manassas - Manassas Park	25	50	\$247.06		
Manassas - Rippon	0	0	\$0.00		
Manassas - Woodbridge	0	0	\$0.00		
Manassas - Total	245	361.3	\$1,816.80	6.7717%	6.0936%
===					

Man. Park - Burke Center	0	0	\$0.00		
Man. Park - Manassas Park	133	268	\$1,351.05		
Man. Park - Total	133	267.5	\$1,351.05	3.6761%	4.5315%
===					

PWC - Alexandria	1	1	\$3.80		
PWC - Backlick Road	0	0	\$0.00		
PWC - Broad Run	469	634	\$3,163.63		
PWC - Brooke	0	0	\$0.00		
PWC - Burke Centre	1	2	\$7.64		
PWC - Crystal City	1	1	\$3.69		
PWC - Franconia Springfield	1	2	\$9.33		
PWC - Fredericksburg	1	1	\$7.67		
PWC - Leeland	0	0	\$0.00		
PWC - Lorton	0	0	\$0.00		
PWC - Manassas	175	248	\$1,252.94		
PWC - Manassas Park	227	457	\$2,243.34		
PWC - Quantico	41	62	\$296.90		
PWC - Rolling Road	255	469	\$2,154.00		
PWC - Rippon	0	0	\$0.00		
PWC - Woodbridge	248	556	\$2,588.38		
PWC - Total	1420	2432.2	\$11,731.31	39.2482%	39.3473%
===					

Stafford - Alexandria	0	0	\$0.00		
Stafford - Broad Run	5	7	\$33.73		
Stafford - Brooke	251	385	\$2,136.60		
Stafford - Burke Center	2	4	\$15.28		
Stafford - Crystal City	0	0	\$0.00		
Stafford - Franconia Springfield	1	2	\$9.33		
Stafford - Fredericksburg	57	75	\$437.12		
Stafford - Leeland Road	437	540	\$2,914.29		
Stafford - Lorton	0	0	\$0.00		
Stafford - Manassas Park	0	0	\$0.00		
Stafford - Quantico	140	211	\$1,013.80		
Stafford - Rippon	1	2	\$8.45		
Stafford - Woodbridge	0	0	\$0.00		
Stafford - Total	894	1225.3	\$6,568.60	24.7098%	22.0314%
===					

Virginia Railway Express Allocation Data
December 2nd, 2003

<i>All 6 Member Jurisdictions</i>	<i>Total</i>	<i>Total</i>	<i>Total</i>	<i>Total</i>	<i>Total</i>	<i>Total</i>
	3,618	900.0000%	6,161	100.0000%	\$29,814.76	100.0000%
===	===	===	===	===	===	===
Total Riders	3,618	76.8642%	6,161	80.9653%	\$29,814.76	78.7144%
<u>Systemwide Riders</u>						
Alexandria	3		3		\$11.39	
Backlick	1		3		\$11.53	
Broad Run	219		296		\$1,477.26	
Brooke	12		18		\$102.15	
Burke Centre	15		27		\$114.57	
Crystal City	0		0		\$0.00	
Franconia Springfield	0		0		\$0.00	
Fredericksburg	734		966		\$5,628.83	
Leeland Road	87		108		\$580.19	
Lorton	0		0		\$0.00	
Manassas	11		16		\$78.76	
Manassas Park	1		2		\$9.88	
Quantico	4		6		\$28.97	
Rippon	1		2		\$8.45	
Rolling Road	0		0		\$0.00	
Woodbridge	1		2		\$10.44	
Systemwide -Total	1089	23.1358%	1448	19.0347%	\$8,062.40	21.2856%
<hr/>						
Grand total	4,707	100.0000%	7,610	100.0000%	\$37,877.16	100.0000%

VRE - Source and Use Budget Worksheet

LEVEL OF SERVICE FOR FY 2006

32 trains 15,600 average daily riders

USES OF FUNDS	SOURCES OF FUNDS										TOTAL	
	-----STATE-----					-----FEDERAL-----						
	FARE INCOME	INTEREST	EQUIP RENT AND MISC	LOCAL SUBSIDY	OTHER SOURCES	STATE OPERATING	STATE CAPITAL	STATE SSTP	5307	5309		
<u>Operating Expenses</u>	34,525,465	19,898,500	175,000	301,200	650,635	0	6,221,729	95,160	5,914,441	729,600	539,200	34,525,465
<u>Non-Operating Expenses:</u>												
Operating Reserve	130,000	130,000										130,000
Insurance Reserve	500,000			500,000								500,000
Debt Service	8,560,539			4,269,485			2,579,054		1,712,000			8,560,539
Debt Service - new cab cars	2,200,000			308,000			132,000		364,800	1,395,200		2,200,000
Souder Lease/Gallery cars	1,800,000			0			1,800,000		0			1,800,000
Fare Collection II	475,000			66,500			28,500		380,000			475,000
Office Loan	76,000			76,000								76,000
Non-Operating Summary	13,741,539	0	130,000	0	5,219,985	0	0	4,539,554	0	2,456,800	1,395,200	13,741,539
<u>Capital Projects:</u>												
Security enhancements	75,000			10,500			4,500		60,000			75,000
Facilities infrastructure	400,000			56,000			24,000		0	320,000		400,000
Broad Run maintenance facility	433,000			60,620			25,980		270,400	76,000		433,000
CrossRoads extension/maintenance	1,629,000			228,060			97,740		1,303,200			1,629,000
Mid-day storage	490,000			68,600			29,400		0	392,000		490,000
Fleet expansion	106,000			14,840			6,360		0	84,800		106,000
Rolling stock mods	927,000			129,780			55,620		741,600			927,000
Capital project contingency	436,000			61,040			26,160		119,200	229,600		436,000
SmartTrip Integration	2,500,000			350,000	2,000,000		150,000		0			2,500,000
Parking Expansion Development	200,000			28,000			12,000		160,000			200,000
Capital Project Summary	7,196,000	0	0	0	1,007,440	2,000,000	0	431,760	0	2,654,400	1,102,400	7,196,000
TOTAL	55,463,004	19,898,500	305,000	301,200	6,878,060	2,000,000	6,221,729	5,066,474	5,914,441	5,840,800	3,036,800	55,463,004

Lease/Debt grant carryover*: 3,525,000
CIP/Six-Year plan total 58,988,004

VRE – FY 2006 Proposed Budget Worksheet

	FY03 Actual	FY04 Actual	FY05 Adopted	FY06 Proposed
REVENUE:				
<u>VRE - Non-Departmental</u>				
Passenger revenue	-15,048,262	-16,929,629	-18,620,298	-19,898,500
Equipment rentals & other	-292,086	-188,256	-103,200	-301,200
Local Jurisdictions	-5,534,554	-6,123,632	-6,123,632	-6,625,303
Contributing Jurisdictions	-218,336	-229,258	-240,721	-252,757
In-Kind Contributions	-457,149	-3,143,319	0	0
Federal operating grants	-7,168,237	-6,226,445	-7,576,324	-5,914,441
Virginia operating grants	-5,002,085	-7,453,276	-7,239,772	-8,021,729
Federal Capital Grants	-8,597,822	-6,689,765	-12,360,800	-10,877,600
Virginia Capital Grants	-6,150,235	-4,238,109	-3,882,294	-3,266,474
Interest income - Bond/Project	-47,569	-33,222	-12,000	-35,000
Interest income - DSRF/Oper	-40,240	-11,169	-30,000	-270,000
Interest income - Restricted funds	-1,171,667	-837,583	-2,000,000	0
TOTAL REVENUE	-49,728,243	-52,103,662	-58,189,041	-55,463,004
EXPENDITURES:				
<u>VRE - Non-Departmental</u>				
Depreciation	5,837,560	6,595,699	0	0
Insurance	2,429,993	3,275,081	2,000,000	0
Budgeted CIP & Reserves*	0	0	13,885,102	7,826,000
Bond interest & financing costs	4,559,116	4,323,776	9,008,284	11,319,539
Capitalized Interest (contra)	0	0	0	0
Gain/(loss) on Sale/Value of	0	0	0	0
Bond interest/financing costs &	-598,270	0	0	0
TOTAL VRE - Non-Departmental	12,228,400	14,194,555	24,893,386	19,145,539
<u>Office of the Chief Executive Officer</u>				
Salaries & benefits	471,674	172,691	279,893	293,887
Travel, training, & Empl expenses	62,409	25,071	30,900	20,700
Board Member expenses	2,000	2,100	4,500	3,800
Legal and audit services	125,988	204,942	100,000	167,000
Consulting & Professional	501,448	180,203	250,000	150,000
TOTAL Office of the Chief Executive Officer	1,163,519	585,006	665,293	635,387
<u>Administration</u>				
Salaries & benefits	61,855	219,767	255,273	272,537
Travel, training, & Empl expenses	13,346	10,823	4,500	9,400
Communication & Other	124,857	109,118	113,400	113,300
Office administrative expenses	272,902	186,479	228,600	203,800
TOTAL Administration	472,960	526,187	601,773	599,037
<u>Budget & Finance</u>				
Salaries & benefits	458,954	475,995	489,691	514,176
Travel, training, & Empl expenses	10,387	14,377	10,700	11,500
Legal and audit services	28,100	63,835	40,000	60,000
Other repairs and maintenance	0	0	0	0
Consulting & Professional	4,725	0	5,000	0
Ticket sales commissions &	716,824	573,760	529,000	584,000
Bank discounts & settlement fees	153,179	166,917	164,000	180,600
TOTAL Budget & Finance	1,372,169	1,294,884	1,238,391	1,350,276

VRE – FY 2006 Proposed Budget Worksheet

	FY03 Actual	FY04 Actual	FY05 Adopted	FY06 Proposed
<u>Marketing, Planning & Public Affairs</u>				
Salaries & benefits	642,568	710,402	732,979	769,628
Travel, training, & Empl expenses	22,200	25,705	34,000	27,600
Contract operations & maintenance	7,660	85,908	70,000	0
Other repairs and maintenance	49	0	0	0
Bus Services	137,488	3,860	0	8,000
Marketing & PR expenses	612,127	538,872	590,000	594,950
Consulting & Professional	19,715	46,045	10,000	50,300
TOTAL Marketing, Planning & Public Affairs	1,441,806	1,410,792	1,436,979	1,450,478
<u>Operations Support</u>				
Salaries & benefits	116,700	135,832	113,129	231,041
Travel, training, & Empl expenses	26,728	18,921	27,000	22,000
Contract operations & maintenance	58,970	93,452	451,356	550,456
Other repairs and maintenance	779,577	1,187,086	724,500	830,400
Communications	0	400	0	0
Utilities	279,837	267,481	275,600	294,000
Fuel	1,156,996	1,414,188	1,200,000	1,788,948
Materials & Supplies	72,532	29,610	0	37,000
Property leases & access fees	1,780,967	1,673,534	1,800,000	1,951,200
Consulting & Professional	839,505	841,020	1,140,000	913,000
TOTAL Operations Support	5,111,810	5,661,524	5,731,585	6,618,045
<u>Communications & Information Technology</u>				
Salaries & benefits	253,872	317,007	255,345	268,113
Travel, training, & Empl expenses	28,012	34,532	24,000	38,300
Communication & Other	126,954	88,914	59,000	99,000
Office administrative expenses	149,710	101,897	50,000	60,000
Other repairs and maintenance	438,370	153,248	285,000	304,700
Communications	246,192	186,941	197,000	236,900
Materials & Supplies	109,187	60,870	25,000	40,000
Consulting & Professional	0	2,438	0	0
TOTAL Communications & Information Technology	1,352,298	945,845	895,345	1,047,013
<u>PRTC</u>				
Commissions--Salaries, benefits,	285,617	180,589	236,087	199,090
Travel, training, & Empl expenses	7,340	7,169	3,100	7,300
Consulting & Professional	0	0	0	0
TOTAL PRTC	292,957	187,758	239,187	206,390
<u>NVTC</u>				
Commissions--Salaries, benefits,	74,738	1,452	89,500	0
Travel, training, & Empl expenses	269	122	500	0
Consulting & Professional	0	90,000	0	80,000
TOTAL NVTC	75,007	91,574	90,000	80,000
<u>Amtrak</u>				
Contract operations & maintenance	12,764,286	14,033,116	13,226,091	13,978,760
Railroad Payments	0	-1,420	0	0
Utilities	38,214	30,844	38,000	34,000
Fuel	19,577	26,494	24,000	45,500
Property leases & access fees	925,871	1,179,270	974,762	1,500,000
Ticket sales costs	0	0	0	0
TOTAL Amtrak	13,747,948	15,268,304	14,262,853	15,558,260

VRE – FY 2006 Proposed Budget Worksheet

	FY03 Actual	FY04 Actual	FY05 Adopted	FY06 Proposed
<u>Norfolk Southern</u>				
Contract operations & maintenance	0	0	0	0
Railroad Payments	16,857	20,304	21,000	22,500
Other repairs and maintenance	461	0	1,000	0
Property leases & access fees	1,981,067	2,097,070	2,210,912	2,196,961
TOTAL Norfolk Southern	1,998,385	2,117,375	2,232,912	2,219,461
<u>CSXT</u>				
Contract operations & maintenance	264,589	0	0	0
Railroad Payments	65,275	330,101	324,298	361,400
Property leases & access fees	2,620,000	3,213,758	3,780,934	3,312,190
TOTAL CSXT	2,949,863	3,543,860	4,105,232	3,673,590
<u>Operations & Safety</u>				
Salaries & benefits	119,935	136,643	127,467	133,840
Travel, training, & Empl expenses	3,992	1,766	6,250	3,400
Other repairs and maintenance	153,063	335,701	0	350,000
TOTAL Operations & Safety	276,991	474,110	133,717	487,240
<u>Construction and Facilities</u>				
Salaries & benefits	564,558	605,879	624,388	713,207
Travel, training, & Empl expenses	41,712	29,535	24,000	33,400
Other repairs and maintenance	779,516	1,024,879	950,000	1,214,700
Parking Fees	329,929	263,197	334,000	284,000
Utilities	84,850	78,132	70,000	84,981
Materials & Supplies	33,073	54,396	60,000	62,000
Consulting & Professional	0	0	0	0
TOTAL Construction and Facilities	1,833,638	2,056,018	2,062,388	2,392,288
TOTAL EXPENDITURES:	44,317,750	48,357,793	58,189,041	55,463,004

PROPOSED
CAPITAL IMPROVEMENTS PROGRAM
FISCAL YEARS 2006 - 2011
VIRGINIA RAILWAY EXPRESS

December, 2004

Introduction

The Virginia Railway Express (VRE) Capital Improvements Program (CIP) for Fiscal Years 2006 - 2011 is an integrated set of projects and programs that will improve passenger safety, operational efficiency, and expand capacity. The capital improvements described on the following pages are designed to attract more riders through greater reliability, faster operating speeds and improved station access. In addition to project descriptions, this document also provides information on agency cooperation and programming criteria. Projects are included in the CIP as funded, partially funded, or unfunded.

The VRE capital planning process is informed by the results of the Phase II Strategic Plan, which was approved by the Operations Board in May of 2004. Subsequently, planning assumptions through 2025 that are outlined in the Strategic Plan are the foundation of the CIP. The CIP is fiscally constrained and the program of projects is based on reasonably assumed funding only. Parking projects are assumed to be the responsibility of the jurisdiction, with VRE support and assistance, and are therefore not funded in the CIP. Potential earmarks are not shown in this document until after they are fully allocated by the funding agency.

VRE CIP Policy Statement

Policy Statement: The VRE Capital Improvement Program is designed to maintain VRE passenger equipment and facilities in a state of good repair and to accommodate growth within adopted service and safety standards. Federal grants are the principal source of funds for the VRE CIP. Therefore, policies and practices are designed to maximize federal financial participation in VRE capital programs.

VRE CIP Cooperation

VRE CIP activities are performed by staff from the Virginia Railway Express (VRE), Northern Virginia Transportation Commission (NVTC), and Potomac and Rappahannock Transportation Commission (PRTC). Jurisdictional staff, railroad representatives, and Virginia Department of Rail and Public Transportation (VDRPT) staff also participate in planning and CIP programming. A CIP committee made up of staff from VRE, NVTC, PRTC, and VDRPT meets monthly to coordinate these activities.

Programming Process

Project Identification: When considering projects for inclusion in the VRE CIP, a series of programming criteria is used to help organize the process. In order of importance, these criteria include:

- ❖ Provide full funding for adopted CIP projects mandated by legislation.
- ❖ Provide full funding for adopted CIP projects required by agreements with railroads, localities, or related entities.
- ❖ Identify and fund projects that maintain facilities and rolling stock in a state of good repair.
- ❖ Identify and fund projects that advance the VRE mission of increased riders while maintaining safety and reliability standards.
- ❖ Identify and fund projects that improve operational efficiency and costs.

CIP Programming: Within the CIP program, the highest priority projects are programmed for the early years whenever possible. Improvements that will be made by the railroads have been scheduled according to staff's understanding of when railroad forces will be available and mobilized. The CIP groups projects into the following categories:

NS and CSX Track and Signal Improvements
VRE Passenger Facilities
Yard Improvements
Rolling Stock
Administrative and System Projects

Board/Commission Approval: Once the program of projects has been developed, it is forwarded as part of the budget to the Operations Board. With their approval, the package goes to the commissions for final authorization. The VRE budget process begins in the summer, with final approval in January of each year.

CIP Document Organization

The CIP text provides information on construction projects planned for FY 2006 – FY 2011 based on the Phase II Strategic Plan. These project descriptions include a summary regarding budget, funding and schedule. Administrative and/or on-going system projects are grouped together at the end of the document. The CIP is fiscally constrained and the program of projects is based on reasonably assumed funding only. Parking projects are assumed to be the responsibility of the jurisdiction, with VRE support and assistance, and are therefore not funded in the CIP. Potential earmarks are not shown in this document until after they are fully allocated by the funding agency.

NS and CSX Track and Signal Improvements

Project: **Rippon Turnback Track**

Location: Rippon, Virginia

Description: This project will construct a third mainline track on the outboard of the existing platform track, with the existing side platform converted to an island platform. A second side platform on the most westerly track (Track 3) will be added to give VRE universal access to all three tracks. VRE trains could then stop and change direction using the center track, enabling through traffic to use the outer tracks in either direction while the train is at the station. This will enable the operation of zone express service on the Fredericksburg Line.

Current Phase:

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> conceptual | <input type="checkbox"/> preliminary planning | <input type="checkbox"/> environmental |
| <input type="checkbox"/> design/eng. | <input type="checkbox"/> procurement | <input type="checkbox"/> construction |

Schedule: This project is estimated to take approximately 2-3 years to complete.

Budget:

- Total estimated cost: \$6.6 million
- Total CIP budget: \$2.5 million

Funding Source: Funding is made up of VRE federal formula funds. Local match is being provided for using state and local funds.

VRE Passenger Facilities

Project: **Parking Expansion Development**

Description: As VRE ridership grows, passenger demand for parking continues to increase. Due to growing system needs, parking projects are no longer funded using VRE formula funds. This project is designed to allow VRE staff to assist the jurisdictions with seeking funding and considering the priority of future projects.

Current Phase:

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> conceptual | <input type="checkbox"/> preliminary planning | <input type="checkbox"/> environmental |
| <input type="checkbox"/> design/eng. | <input type="checkbox"/> procurement | <input type="checkbox"/> construction |

Schedule: N/A

Budget:

- Total estimated cost: N/A
- Total CIP budget: \$250,000 for FY 2006

Funding Source: Funding is made up of VRE federal formula funds. Local match is being provided for using state and local funds.

Project: **Platform and Canopy Extensions**

Description: As ridership grows, several platforms require extensions due to the need to run longer trains as well as accommodate the volume of people waiting on the platform. Canopies must also be expanded to allow for a covered waiting area for passengers and fare collection equipment. Off-side platforms are also being initiated on the Fredericksburg line beginning in FY 2009.

Current Phase:

- | | | |
|--------------------------------------|--|--|
| <input type="checkbox"/> conceptual | <input checked="" type="checkbox"/> preliminary planning | <input type="checkbox"/> environmental |
| <input type="checkbox"/> design/eng. | <input type="checkbox"/> procurement | <input type="checkbox"/> construction |

Schedule: Design work on the first canopy extension project, Burke Centre, is currently underway. Design work on the first platform extension project, Manassas Park, has been completed and construction is expected to be completed in 2005.

Budget:

- Total estimated cost: \$3.7 million
- Total CIP budget: \$3.7 million

Funding Source: Funding is made up of VRE federal formula funds. Local match is being provided for using state and local funds.

Yard Improvements

Project: **Heavy Maintenance and Repair Facilities at the Broad Run and Crossroads Yards**

Description: The existing rolling stock storage yards at the end of the Manassas and Fredericksburg lines will need to be expanded to accommodate additional rolling stock and performance of maintenance functions. Currently, the yard is overcrowded which makes moving or recoupling the fleet both time and labor intensive. The project scope would also include track expansions, maintenance and car washing facilities.

This project has been accelerated because VRE must perform a growing amount of fleet maintenance. This work is difficult to perform downtown as capacity is constrained. Cost savings opportunities exist if additional services can be performed in VRE owned outlying facilities.

Current Phase:

- | | | |
|--------------------------------------|--|--|
| <input type="checkbox"/> conceptual | <input checked="" type="checkbox"/> preliminary planning | <input type="checkbox"/> environmental |
| <input type="checkbox"/> design/eng. | <input type="checkbox"/> procurement | <input type="checkbox"/> construction |

Schedule: TBD

Budget:

- Total estimated cost: \$50 million
- Total CIP budget: \$13.6 million

Funding Source: Funding is made up of VRE federal formula funds. Local match is being provided for using state and local funds.

Project: **Mid-day Storage**

Description: This project is pursuing opportunities to increase mid-day rolling stock storage in Washington, D.C. adjacent to Washington Union Terminal. Four locations are currently being considered.

Current Phase:

- conceptual preliminary planning environmental
 design/eng. procurement construction

Schedule: TBD

Budget:

- Total estimated cost: \$10 million
- Total CIP budget: \$10.4 million

Funding Source: Funding is made up of VRE federal formula funds. Local match is being provided for using state and local funds.

Rolling Stock

Project: **Capital Fleet Expansion**

Description: As VRE's fleet ages and reaches the end of its useful life, additional equipment will be to be procured. Various options for capacity expansion will be considered, including financing options.

Current Phase:

- conceptual preliminary planning environmental
 design/eng. procurement construction

Schedule: TBD

Budget:

- Total estimated cost: \$141 million
- Total CIP budget: \$42.1 million

Funding Source: Funding is made up of VRE federal formula funds. Local match is being provided for using state and local funds.

Administrative and System Projects

1. Bi-Level Acquisition – this project makes annual finance payments on the 13 bi-level Kawasaki railcars VRE purchased in 1995. The CIP programs an annual payment which represents the cost of financing this equipment over 20 years. *Annual payment in FY 2006 is \$2.2 million.*
2. Capital Project Contingency – funding is allocated to capital projects on an as needed basis due to circumstances such as unforeseen site conditions. Funding is allocated among projects following approval from the CIP Committee. *Annual allocation in FY 2006 is \$217,000.*
3. Construction Management – funding is used to provide construction management services that require more technical expertise not available on staff. Specific needs can include on-site management of construction projects with specific environmental or historical elements. *Annual allocation in FY 2006 is \$350,000.*
4. Facilities Infrastructure Renewal - as VRE ages, some of the original facilities are in need of repairs and/or maintenance. Affecting each station, this project ranges from minor repairs to facility rehabilitation. *Annual allocation in FY 2006 is \$400,000.*
5. Fare Collection II (technical support and lease payments) – the new fare collection system was implemented in August of 2002. Work currently underway includes warranty work and annual lease payments. *Annual payment in FY 2006 is \$546,000.*
6. Fredericksburg Parking Lease Payments – this project funds ongoing lease payments to several small independent parking lots that were leased by VRE for passenger use. Annual lease payments are scheduled through FY06. *Annual payment in FY 2006 is \$44,000.*

7. Grant and Project Management – funding allocated to this project supports staff grant work as well as project management. These expenses are capitalized into grants, reserving operating funds for the provision of service. *Annual allocation in FY 2006 is \$972,000.*

8. Rolling Stock Modifications - project scope includes technical fieldwork that improves passenger travel and crew working conditions. Tasks may also include responding to requests for minor upgrades and safety mandates from the Federal Railroad Administration (FRA). Funding is allocated on an annual basis. *Annual allocation in FY 2006 is \$1,015,000.*

9. Security Enhancements - new to the federal grant appropriation, grantees must certify that at least 1% of funding received each fiscal year is being used for transit security projects. VRE has elected to use this funding to support its security contract which provides safety and security services for stations, parking lots and yards. *Annual allocation in FY 2006 is \$75,000.*

10. Track Lease/Improvements - currently scheduled and proposed increases in commuter rail service have demonstrated the need for capitalized access. These improvements could include long-term leases, capital improvements and increased maintenance on the railroad tracks, stations, and terminals. This project occurs on an annual basis. *Annual allocation in FY 2006 is \$7.6 million.*

Unfunded Potential Projects

As VRE's ridership continues to grow, capital needs have begun to outpace available resources. As a result, not all capital projects can be fully funded using just federal formula funds. While efforts continue to be made to seek funding from other sources, no funding is currently allocated to the following projects identified in the Phase II Strategic Plan.

Capital Project Funding Needed by Fiscal Year :

Project Description	Project Est.	Currently Funded	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Broad Run Parking	\$5.5 million	\$0		600,000	\$1.3 million	\$3.6 million			
Brooke Parking	\$1 million	\$0	600,000	400,000					
Burke Centre Parking Deck	\$30 million	\$17.6 million		12.3 million					
Capital Fleet Expansion	\$182 million	\$42.1 million			\$31.6 million	\$31.6 million	\$35.3 million	\$20.5 million	\$20.5 million
Deck (Broad Run, Manassas, or MP)	\$4.5 million	\$0				600,000	\$1.1 million	\$2.7 million	
Fburg Parking	\$4.5 million	\$0					600,000	\$1.1 million	\$2.7 million
Gainesville Extension	\$39.6 million					\$9.9 million	\$9.9 million	\$9.9 million	\$9.9 million
Heavy Maintenance and Repair Facility	\$50 million					\$10.3 million	\$10.3 million	\$15.7 million	
Leeland Parking	\$1.5 million			\$750,000	\$750,000				
Platform Extensions – Fburg Line	\$18 million					\$4.3 million	\$4.3 million	\$4.3 million	\$4.3 million
Rippon Deck	\$10.5million			600,000	\$2.6 million	\$4.6 million	\$2.5 million		
Rippon Turnback Track	\$6.6 million	\$2.5 million							\$4.1 million
Woodbridge Garage	\$7.5 million						\$3.6 million	\$3.8 million	
TOTAL:	\$361.2 million		600,000	\$14.7 million	\$36.3 million	\$65.1million	\$67.9 million	\$58.3 million	\$41.7 million

VIRGINIA RAILWAY EXPRESS ASSUMPTIONS FOR SIX YEAR FORECAST

1. Operating ratio maintained at 70% or higher
2. Level of Service
 - a. 32 Trains for FY 2006 & FY 2007
 - b. 34 Trains for FY 2008
 - i. Peak period Manassas train added
 - c. 36 Trains for FY 2009
 - i. Peak period Fredericksburg train added
 - d. 38 Trains for FY 2010
 - i. Peak period Fredericksburg train added
 - e. 40 Trains for FY 2011
 - i. Peak period Manassas train added
3. Operating Costs
 - a. Increase in base costs by 5% per year
 - b. Cost for additional trains (FY 2005 costs)
 - i. Crew costs \$395-433K per train
 - ii. Fuel costs \$86-145K per train per year
 - iii. Annual access lease costs for trains added:
 1. Manassas Line: \$318K per year
 2. Fredericksburg Line: \$505K per year
4. Fare Revenue
 - a. Increases through ridership growth
 - b. Fare increases indexed, assumed to be 2% per year
5. Other Revenue:
 - a. Interest income increases at 2% per year
 - b. Other income increases 4% per year
 - c. State operating grant increases at 3% per year
 - d. State capital grant increases at 3% per year
6. Grant Income:
 - a. Access lease funding (SSTP) equal to 80% of access lease expenses – assumes Commonwealth to fund access lease cost for all added trains
 - b. Federal capital program is shown as in six year CIP, funded and unfunded
 - c. No provision for earmarks after FY2005
 - d. Burke Centre parking project not included since match being provided by Fairfax County.
7. Local Subsidy increased to \$6,878,060 for FY06 with no increases shown through FY2011; potential adjustment for future years to be determined

**SIX YEAR FORECAST
WITH EXPANDED SERVICE LEVELS
AND PHASE TWO STRATEGIC PLAN CAPITAL COSTS**

Six year plan - Fares indexed	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	
Number of Trains	32	32	34	36	38	40	
Manassas Line	18	18	18	20	22	22	
Fredericksburg Line	14	14	16	16	16	18	
Average Daily Ridership	15,600	16,473	17,673	18,873	20,073	21,273	Average daily riders
Average Fare Price	\$5.10	\$5.20	\$5.31	\$5.41	\$5.52	\$5.63	Indexed, 2% per year
Potential Operating Ratio	73%	75%	77%	79%	80%	81%	
<u>Use of Funds for Operations</u>							
Operating Expenses	27,132,414	28,489,035	30,491,486	32,497,061	34,602,914	36,911,059	Increased base costs 5% per year
Reserves (Operating + Insurance)	630,000	1,545,273	2,428,951	2,378,997	2,420,775	2,558,276	
Track Lease Expense	7,393,051	7,688,773	8,501,324	9,159,377	9,843,752	10,742,502	Increased base cost 4% per year
Loan Payable	76,000	76,000	76,000	76,000	76,000	76,000	
Sounder Lease	1,800,000	0	0	0	0	0	
New Cab Car Debt + Fare Collection II	2,675,000	2,675,000	2,675,000	2,675,000	2,675,000	2,675,000	Assumes financing of rail cars
Federal portion of debt service	2,140,000	2,140,000	2,140,000	2,140,000	2,140,000	2,140,000	
Debt service (non-Federal)	6,420,539	6,420,539	6,420,539	6,420,539	6,420,539	6,420,539	
Total Operating Costs	48,267,004	49,034,620	52,733,300	55,346,974	58,178,980	61,523,376	
<u>Sources of Funds For Operations</u>							
Fare Revenue	19,898,500	21,423,137	23,443,411	25,535,928	27,702,767	29,946,066	
Interest Income +2%	305,000	311,100	317,322	323,668	330,142	336,745	
Other Income +4%	301,200	313,248	325,778	338,809	352,361	366,456	
State Operating Grant +3.3%	6,221,729	6,427,046	6,639,139	6,858,230	7,084,552	7,318,342	
State Capital Grant - 30% of non-federal Loan/Lease	4,634,714	3,272,662	3,272,662	3,272,662	3,272,662	3,272,662	
Federal Grants:							
Access lease funding - SSTP	5,914,441	6,151,018	6,801,059	7,327,502	7,875,002	8,594,002	
Federal operating funds (Debt service & loans)	3,852,000	4,044,600	4,246,830	4,459,172	4,682,130	4,916,237	
Project Mgmt/Training, F'burg Parking Lease	1,268,800	1,332,240	1,398,852	1,468,795	1,542,234	1,619,346	
Total Operating Revenues	42,396,384	43,275,051	46,445,053	49,584,765	52,841,850	56,369,855	
Surplus/(Deficit) for Operations	(5,870,620)	(5,759,569)	(6,288,248)	(5,762,209)	(5,337,130)	(5,153,521)	
Local Subsidy	6,878,060	6,878,060	6,878,060	6,878,060	6,878,060	6,878,060	
Net subsidy available for capital match	1,007,440	1,118,491	589,812	1,115,851	1,540,930	1,724,539	
<u>Use of Funds for Capital Program</u>							
Capital Cost Base Program	7,196,000	11,229,000	11,819,000	12,552,000	13,399,000	14,214,000	See attached schedule
Unfunded capital needs	600,000	14,744,000	36,331,000	65,109,000	67,926,000	58,379,000	See attached schedule
Total Capital Program Costs	7,796,000	25,973,000	48,150,000	77,661,000	81,325,000	72,593,000	
<u>Sources of Funds for Capital Program</u>							
Federal Grants:							
Federal funding - 80% of base program	80%	80%	80%	80%	80%	80%	
Federal funding - 80% of unfunded needs	5,756,800	8,983,200	9,455,200	10,041,600	10,719,200	11,371,200	
	480,000	11,795,200	29,064,800	52,087,200	54,340,800	46,703,200	
Matching Funds							
State Capital Grants - 30% of non-federal costs (base)	30%	30%	30%	30%	30%	30%	
State Capital Grants - 30% of non-federal costs (unfunded)	431,760	673,740	709,140	753,120	803,940	852,840	
Net local subsidy available for capital match	36,000	884,640	2,179,860	3,906,540	4,075,560	3,502,740	
Total Sources of Funding for Capital Program	1,007,440	1,118,491	589,812	1,115,851	1,540,930	1,724,539	
Add'l funds required to fund Operations and Capital:	7,712,000	23,455,271	41,998,813	67,904,311	71,480,430	64,154,519	
Additional required for operations/base program	0	453,569	1,064,848	641,429	334,930	265,421	
Unfunded system needs by fiscal year	0	(0)	4,431,840	7,872,480	8,393,420	7,088,060	
Unfunded parking needs by fiscal year	84,000	2,064,160	654,500	1,242,780	1,116,220	1,085,000	
Total for fiscal year	84,000	2,517,729	6,151,187	9,756,689	9,844,570	8,438,481	
Cumulative Total	84,000	2,601,729	8,752,916	18,509,605	28,354,175	36,792,656	

Note: "Capital Program" does not include leases, debt service, administrative costs and other operating costs.

Grant Funded - CIP

CAPITAL COST - BASE PROGRAM	Program Total	FY05	FY06	FY07	FY08	FY09	FY10	FY11	Funding Source
NS and CSX Track and Signal Improvements									
Rippon Turnback Track	2,500								
	603							603	5309
	1,897							1,897	5307
Security Enhancements									
	525	75	75	75	75	75	75	75	5307
SmartTrip Integration	2,500								
	2,500	2,500							SSTP - DRPT match CMAQ
Canopy Extensions	500								
<i>(Enhancement Grant \$103,226 - FY04)</i>	500		500						5307
<i>Burke Canopy</i>									5309
Capital Project Contingency	1,738								
	149	149							5307
	1,589	287	217	217	217	217	217	217	5309
Facilities Infrastructure Renewal									
	3,666	400	400	400	400	400	833	833	5309
Parking Expansion Development	1,596	200	250	200	200	200	346	200	5307
Platform Extensions - Same Side									
	767		767						5309
Platform Extensions, Fburg Line - Off Side	495					495			5309
VRE Yard Improvements									
Broad Run Yard Expansion/Maintenance Facility	433								
<i>(project to include washing facilities)</i>	95	95							5309
	338	338							5307
Broad Run Pit (TO \$264K)									5309
Crossroads Yard Extension/Maintenance Facility	1,629	1,629							5307
Heavy Maintenance and Repair Facility (PF)	13,638								
	9,877		982	848	1,000	2,962	2,712	1,373	5307
	3,761					1,191	1,712	858	5309
Mid-Day Storage	9,254								
<i>Engineering Analysis</i>									VTA 2000
	3,091		1,383	695	1,013				5307
	6,163	490	1,469	1,041	1,738	1,425			5309
Rolling Stock									
Capital Fleet Expansion (PF)	39,222								
<i>(Strategic Plan req. 21 loco, 61 cars total cost \$182 million)</i>									FY03 Spending Bill
	23,256	106	2,298	4,412	4,050	3,028	4,362	5,000	5309
	15,966		1,873	2,916	2,844	2,391	2,942	3,000	5307
Rolling Stock Mods									
	600		600						5309
	6,417	927	415	1,015	1,015	1,015	1,015	1,015	5307
5303 Total									
5307 Total	22,330	3,318	2,613	4,206	4,134	3,681	4,378	4,290	
5309 Total	30,253	1,378	5,918	6,070	6,405	5,070	5,412	6,050	
SSTP- 100%									
RSTP									
VTA 2000									
VDRPT									
EARMARKS/OTHER	2,500	2,500							
GRAND TOTAL	70,409	7,196	11,229	11,819	12,552	13,399	14,214	15,071	

*Note 1: Shaded funds are annual federal grants not yet applied for. Track lease fees in FY03 and beyond are assumed but not currently programmed in the Six Year Plan.

Note 2: Future project estimates are in today's dollar.

Note 3: Future years assume a 5% increase in federal formula dollars based on average ridership projections in the strategic plan.

Note 4: Earmarks are not shown in the CIP until after fully allocated.

Grant Funded - CIP

UNFUNDED CAPITAL NEEDS:

Capital Funding Needed by Year									
	FUNDED FY94-2004	FY05	FY06	FY07	FY08	FY09	FY10	FY11	PROJECT TOTAL
System									
Capital Fleet Expansion (PF), Project Est. \$182 million	42,129			31,656	31,656	35,377	20,591	20,591	182,000
Gainesville Network Expansion, Project Est. \$39.6 million					9,900	9,900	9,900	9,900	39,600
Heavy Maintenance and Repair Facility (PF), Project Est \$50 million	13,638				10,300	10,300	15,762		50,000
Platform Extensions, Fburg Line (PF) - Off Side, Project Est. \$18 million	495				4,376	4,376	4,376	4,377	18,000
Rippon Turnback Track, Projectg Est. \$6.6 million	2,500							4,100	6,600
Subtotal				31,656	56,232	59,953	50,629	38,968	296,200
Parking									
Broad Run Parking, Project Est. \$5.5 million			600	1,300	3,600				5,500
Brooke Parking, Project Est. \$1 million		600	400						1,000
Burke Centre Parking (PF), Project Est. \$30 million	17,606		12,394						30,000
Deck (Broad Run/MP/Man), Project Est. \$4.5m					600	1,125	2,775		4,500
Fredericksburg Parking, Project Est. \$4.5 million						600	1,125	2,775	4,500
Leeland Parking, Project Est. \$1.5 million			750	750					1,500
Rippon Deck, Project Est. \$10.5 million			600	2,625	4,677	2,598			10,500
Woodbridge Garage, Project Est. \$7.5 million						3,650	3,850		7,500
Subtotal		600	14,744	4,675	8,877	7,973	7,750	2,775	65,000
TOTAL		600	14,744	36,331	65,109	67,926	58,379	41,743	361,200

Revisions made 11-10-04

Note 5: Potential unfunded capital needs do not yet include assumptions regarding service expansions.

Note 6: Match for annual 5307 and 5309 funding provided for using local funds unless otherwise noted.

PF = partially funded

VIRGINIA RAILWAY EXPRESS

REVISED

FISCAL YEAR 2005

BUDGET

DECEMBER 17, 2004

REVISED BUDGET ASSUMPTIONS FOR FY 2005

General Assumptions:

- Continues 32-train operation
- No change in estimated average daily ridership of 15,000

Revenue

- Fare revenue estimate increased 3% from \$18.6M to \$19.2M based on revised estimates of ticket type sales. A larger than estimated percentage of passengers continue to use 10-Ride tickets.

Expenses

- VRE operating costs increased \$1,513K
 - Amtrak access fees increased \$525K
 - Fuel costs estimate increased \$405K
 - Security increase \$440K

Non Operating Funds

- State operating aid estimate increased \$583K
- Federal grants estimate increased \$420K
- Interest income was increased to include interest on the Operating Reserve Fund

Non-Operating Use of Funds

- Decreased budgeted reserves by \$228K

VRE - Fiscal Year 2005 Revised Budget

	FY 2005 Adopted	Mid-Year Adj.	FY 2005 Revised
REVENUE			
<u>VRE - Non-Departmental</u>			
Passenger revenue	-18,620,298	-558,609	-19,178,907
Equipment rentals & other	-103,200	-110,000	-213,200
Local Jurisdictions	-6,123,632	11,358	-6,112,274
Contributing Jurisdictions	-240,721	-5	-240,726
In-Kind Contributions	0	0	0
Federal operating grants	-7,576,324	-420,191	-7,996,515
Virginia operating grants	-7,239,772	-583,199	-7,822,971
Federal Capital Grants	-12,360,800	0	-12,360,800
Virginia Capital Grants	-3,882,294	0	-3,882,294
Interest income - Bond/Project Funds	-12,000	0	-12,000
Interest income - DSRF/Oper	-30,000	-80,000	-110,000
Interest income - Restricted funds	0	2,000,000	0
TOTAL REVENUE	-56,189,041	1,740,646	-57,929,687
EXPENDITURES			
<u>VRE - Non-Departmental</u>			
Depreciation	0	0	0
Insurance	0	0	0
Budgeted CIP & Reserves*	13,885,102	-227,905	13,657,197
Bond interest & financing costs	9,008,284	0	9,008,284
Capitalized Interest (contra)	0	0	0
Gain/(loss) on Sale/Value of assets	0	0	0
Bond interest/financing costs & other	0	0	0
Total VRE - Non-Departmental	22,893,386	-227,905	22,665,481
<u>Office of the Chief Executive Officer</u>			
Salaries & benefits	279,893	-9,300	270,593
Travel, training, & Empl expenses	30,900	-12,000	18,900
Board Member expenses	4,500	-1,000	3,500
Legal and audit services	100,000	25,000	125,000
Consulting & Professional Services	250,000	-100,000	150,000
Total Office of the Chief Executive Officer	665,293	-97,300	567,993
<u>Administration</u>			
Salaries & benefits	255,273	20,000	275,273
Travel, training, & Empl expenses	4,500	0	4,500
Communication & Other	113,400	0	113,400
Office administrative expenses	228,600	80,000	308,600
Total Administration	601,773	100,000	701,773
<u>Budget & Finance</u>			
Salaries & benefits	489,691	0	489,691
Travel, training, & Empl expenses	10,700	11,000	21,700
Legal and audit services	40,000	10,000	50,000
Other repairs and maintenance	0	0	0
Consulting & Professional Services	5,000	0	5,000
Ticket sales commissions &	529,000	10,000	539,000
Bank discounts & settlement fees	164,000	17,000	181,000
Total Budget & Finance	1,238,391	48,000	1,286,391

VRE - Fiscal Year 2005

	FY 2005 Adopted	Mid-Year Adj	FY 2005 Revised
<u>Marketing, Planning & Public Affairs</u>			
Salaries & benefits	732,979	9,000	741,979
Travel, training, & Empl expenses	34,000	0	34,000
Contract operations & maintenance	70,000	-70,000	0
Other repairs and maintenance	0	0	0
Bus Services	0	5,000	5,000
Marketing & PR expenses	590,000	-135,000	455,000
Consulting & Professional Services	10,000	28,000	38,000
Total Marketing, Planning & Public Affairs	1,436,979	-163,000	1,273,979
<u>Operations Support</u>			
Salaries & benefits	113,129	12,000	125,129
Travel, training, & Empl expenses	27,000	-7,000	20,000
Contract operations & maintenance	451,356	-341,356	110,000
Other repairs and maintenance	724,500	468,000	1,192,500
Communications	0	0	0
Utilities	275,600	4,000	279,600
Fuel	1,200,000	404,600	1,604,600
Materials & Supplies	0	31,000	31,000
Property leases & access fees	1,800,000	100,000	1,900,000
Consulting & Professional Services	1,140,000	-435,000	705,000
Total Operations Support	5,731,585	236,244	5,967,829
<u>Communications & Information Technology</u>			
Salaries & benefits	255,345	0	255,345
Travel, training, & Empl expenses	24,000	0	24,000
Communication & Other	59,000	35,000	94,000
Office administrative expenses	50,000	50,000	100,000
Other repairs and maintenance	285,000	-134,000	151,000
Communications	197,000	-9,000	188,000
Materials & Supplies	25,000	5,000	30,000
Consulting & Professional Services	0	0	0
Total Communications & Information Technology	895,345	-53,000	842,345
<u>PRTC</u>			
Commissions--Salaries, benefits,	236,087	-44,800	191,287
Travel, training, & Empl expenses	3,100	3,700	6,800
Consulting & Professional Services	0	0	0
Total PRTC	239,187	-41,100	198,087
<u>NVTC</u>			
Commissions--Salaries, benefits,	89,500	-89,500	0
Travel, training, & Empl expenses	500	-500	0
Consulting & Professional Services	0	90,000	90,000
Total NVTC	90,000	0	90,000
<u>Amtrak</u>			
Contract operations & maintenance	13,226,091	547,541	13,773,632
Railroad Payments	0	0	0
Utilities	38,000	-5,228	32,772
Fuel	24,000	10,504	34,504
Property leases & access fees	974,762	525,238	1,500,000
Ticket sales costs	0	0	0
Total Amtrak	14,262,853	1,078,055	15,340,908

VRE - Fiscal Year 2005

	FY 2005 Adopted	Mid-Year Adj	FY 2005 Revised
<u>Norfolk Southern</u>			
6100 Contract operations & maintenance	0	0	0
6120 Railroad Payments	21,000	0	21,000
6150 Other repairs and maintenance	1,000	0	1,000
6300 Property leases & access fees	2,210,912	0	2,210,912
Total Norfolk Southern	2,232,912	0	2,232,912
<u>CSXT</u>			
Contract operations & maintenance	0	0	0
Railroad Payments	324,298	0	324,298
Property leases & access fees	3,780,934	0	3,780,934
Total CSXT	4,105,232	0	4,105,232
<u>Operations & Safety</u>			
Salaries & benefits	127,467	0	127,467
Travel, training, & Empl expenses	6,250	-3,000	3,250
Security services	0	440,000	440,000
Total Operations & Safety	133,717	437,000	570,717
<u>Construction and Facilities</u>			
Salaries & benefits	624,388	0	624,388
Travel, training, & Empl expenses	24,000	6,000	30,000
Other repairs and maintenance	950,000	0	950,000
Parking Fees	334,000	27,652	361,652
Utilities	70,000	10,000	80,000
Materials & Supplies	60,000	-20,000	40,000
Consulting & Professional Services	0	0	0
Total Construction and Facilities	2,062,388	23,652	2,086,040
<u>Grant Supported Operations</u>			
5100 Salaries & benefits	0	0	0
5800 Recovery of capital labor	-400,000	400,000	0
Total Grant Supported Operations	-400,000	400,000	0
TOTAL EXPENDITURES	58,189,041	-259,354	57,929,687

Quantico Station Construction Contract Amendment

The VRE Operations Board recommends approval of Resolution #1059. This resolution authorizes VRE's CEO to amend the construction contract with Monarc Construction, Inc. to increase the value by \$203,795 to a total of \$1,051,618. This is required due to the discovery of additional asbestos. Funding is available from federal grants.

NVTC Northern Virginia Transportation Commission

RESOLUTION #1059

SUBJECT: Quantico Station Construction Contract Amendment.

WHEREAS: Remediation and rehabilitation of the Quantico Station building are desired to accommodate an increase in ridership and provide commuters with shelter during waiting periods;

WHEREAS: Operations Board and commission action in August and September 2004 authorized award of a construction contract to Monarc Construction, Inc. in an amount not to exceed \$847,823;

WHEREAS: Additional hazardous materials have been discovered and require abatement; and

WHEREAS: A new roof system is required to replace the existing roof panels being removed.

NOW, THEREFORE BE IT RESOLVED that the Northern Virginia Transportation Commission hereby authorizes the VRE Chief Executive Officer to amend the construction contract with Monarc Construction, Inc. by \$203,795 for a total value not to exceed \$1,051,618, in order to accomplish the additional work described above.

Approved 6th day of January, 2005.

Chairman

Secretary-Treasurer



AGENDA ITEM 8-C
ACTION ITEM

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: DECEMBER 17, 2004

**RE: AUTHORIZATION TO AMEND THE QUANTICO STATION
CONSTRUCTION CONTRACT AUTHORIZATION**

RECOMMENDATION:

The VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to amend the construction contract authorization with Monarc Construction, Inc. by \$203,795 for a total value not to exceed \$1,051,618.

BACKGROUND:

In August and September of 2004, authorization was granted by the Operations Board and Commissions, respectively, to award a construction contract to Monarc Construction, Inc., who was the lowest responsive and responsible bidder. The construction contract was awarded in the amount of \$770,748, plus a 10% contingency of \$77,075, for a total of \$847,823.

Hazardous materials surveys performed in 2001 and 2003 identified the presence of asbestos containing materials (ACM) and lead based paint in several areas of the station, including asbestos containing insulation on the main roof of the station. The identified hazardous materials were removed during the remediation phase of the project, completed in February 2004.

Upon starting the rehabilitation work in October 2004, the contractor discovered that what was previously identified as asbestos containing roof insulation, was in fact asbestos containing structural panels that support the roof. During the

hazardous material survey, the testing agency identified the roof as a multi-ply system made up of the following materials from top to bottom: ballast/rubber membrane/insulation/concrete panels. During demolition of the roof, it was discovered that the roof panels and insulation are actually the same material. Therefore, the roof panels must be removed as they contain asbestos.

The most cost effective solution is to replace the asbestos containing roof panels with a corrugated metal roof. The replacement of the roof is an unforeseen condition that exceeds the available contingency amount. The replacement of the roof will add approximately one month to the project schedule. The project is now scheduled for completion in February 2005.

FISCAL IMPACT:

Funds for the original contract value are included in VRE's CIP as part of the Quantico Station renovation project. Funding for this amendment is available from the FY 2001 and FY 2004 contingency line item provided through federal grants. The local match is provided for using state and local funds.

General Security Services Contract Authorization

The VRE Operations Board recommends approval of Resolution #1060. This resolution increases the contract authorization for Virginia Uniformed Security Services by \$100,000 for each year of its existing three-year contract. The new authorization will be \$350,000 annually. Since March, 2004 (bombing in Madrid), the firm has been providing additional services (such as bomb sweeps at VRE's yards). Funding is available in VRE's operating budget.



RESOLUTION #1060

SUBJECT: General Security Services Contract Authorization.

WHEREAS: VRE equipment and facilities require a high degree of security;

WHEREAS: VRE has entered into a contract for general security services with Virginia Uniformed Security Services; and

WHEREAS: The current security maintenance contract has a \$250,000 annual authorization limit but needs to be increased by \$100,000 annually for additional services.

NOW, THEREFORE BE IT RESOLVED that the Northern Virginia Transportation Commission hereby authorizes the VRE Chief Executive Officer to increase the contract authorization for general security services with Virginia Uniformed Security Services by \$100,000 for each year of the three-year contract bringing the authorization limit to \$350,000 annually.

Approved 6th day of January, 2005.

Chairman

Secretary-Treasurer



AGENDA ITEM 8-D
ACTION ITEM

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: DECEMBER 17, 2004

RE: AUTHORIZATION TO AMEND THE GENERAL SECURITY SERVICES CONTRACT

RECOMMENDATION:

The VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to increase the contract authorization for general security services with Virginia Uniformed Security Services by \$100,000 for each year of the three-year contract. This action will increase the authorization limit to \$350,000 annually.

BACKGROUND:

In September and October of 2003, respectively, the VRE Operations Board and Commissions authorized award of a three-year contract (in one-year renewable agreements) to Virginia Uniformed Security Services. The contract was executed at a cost not to exceed \$250,000 per year.

In March of 2004, the commuter rail bombings in Madrid, Spain created immediate and continuing concern for VRE's security in serving the nation's capitol. VRE requested that additional services be added to the contract such as bomb sweeps of equipment at both Broad Run and Crossroads each weekday morning. As the threat level continues to be elevated, VRE recommends increasing the authorization level of this contract so that additional security can be added as needed.

The scope of the contract includes base services as well as the option for special assignments as requested by VRE. While the original authorization limit included allocation for several one-time events, more regular coverage, as is currently being requested, was not included. As a result, staff is requesting a \$100,000 annual increase to the authorization limit.

FISCAL IMPACT:

Funding for the original security services contract is included in VRE's operating and capital budgets. Funding for this amendment is available from a reduction in the FY 2005 operating budget for marketing and Amtrak security subcontractors.

AGENDA ITEM 9-C
INFORMATION ITEM

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: DECEMBER 17, 2004
RE: FAUQUIER COUNTY UPDATE

Last month, Board Member Grzejka reported that he had given a presentation to the Fauquier County Transportation Committee regarding the options for Fauquier to gain VRE service. Since then, Fauquier County has requested a presentation at a full Board work session.

In response to that request, Mr. Gibbons, Mr. Harf and Mr. Zehner will be attending a Fauquier County Board work session to discuss the potential costs and benefits of joining VRE. The work session is scheduled for January 13, 2005, from 1 – 5 PM. Staff will provide an update in January after the meeting has taken place.

FAUQUIER COUNTY BRIEFING PAPER BY JOHN P. GRZEJKA, PRTC CHAIRMAN
October 27, 2004

The eight jurisdictions that are currently part of VRE service contribute financial support and participate in the governance of the VRE system through two regional, multi-jurisdictional transit commissions. The eight jurisdictions are members of either the Northern Virginia Transportation Commission (NVTC) or the Potomac and Rappahannock Transportation Commission (PRTC). These commissions were created by the member local jurisdictions as permitted by the Commonwealth's Transportation District Act (15.2-4500) and both receive the proceeds of a two percent local motor fuels tax on all fuel sold within their borders as a result of a provision in the Commonwealth's tax code (58.1-1720). For NVTC's member jurisdictions, the two percent gas tax is entirely reserved for WMATA. In all of the cities and counties comprising PRTC, this levy raises a surplus of funds beyond what is currently needed for VRE; these funds are available for a variety of transportation projects. (e.g., commuter parking lots, bus service, road improvements, parking structure, airport access, etc.)

Should Fauquier County decide to join in VRE service, the County can choose from two alternatives, which are listed below.

1. Fauquier County could join the Potomac & Rappahannock Transportation Commission.

- A two percent motor fuels tax would automatically begin to be levied on motor fuel sold in Fauquier County.
- The County would become a member of the PRTC governing body (requiring an amendment to the PRTC founding ordinance) and would participate in the PRTC appointment process to the VRE Operations Board. That process requires PRTC to annually appoint three VRE Operations Board voting members from among the PRTC members supplemented by alternates as PRTC sees fit.
- Fauquier County would assume its obligation for PRTC's administrative expense and for VRE's local operating subsidy in accordance with 15.2-4500, the PRTC Founding Ordinance, and the VRE Master Agreement. PRTC's administrative expense is allocated by law based on the proportionate fuel tax yields of each member jurisdiction. VRE's local operating subsidy is allocated by the VRE Master Agreement using a formula that weights the residency of riders at 90% and jurisdictional population at 10%.
- Fauquier County's projected motor fuels tax yield is expected to be substantially greater than the combined PRTC/VRE financial obligation, leaving net revenues available for the County to use as it sees fit for allowable transportation purposes. Conservative fuel tax revenue projections based on per capital yields in existing member jurisdictions indicate that the annual yield in Fauquier would amount to \$1,429,000 million per year.

PRTC
Estimated Net Fuel Tax
Fauquier

Jurisdiction	Population*	FY04 Net Fuel Tax Collection	Revenue Per Capita	Average Revenue Per Capita
Prince William County	328,100	\$ 6,902,551	\$ 21.04	
Stafford County	109,700	\$ 2,406,683	\$ 21.94	
City of Manassas	37,100	\$ 835,060	\$ 22.51	
City of Manassas Park	12,400	\$ 672,595	\$ 54.24	
City of Fredericksburg	<u>20,600</u>	<u>\$ 1,198,677</u>	\$ 58.19	
Totals	507,900	12,015,566		\$ 23.66
Fauquier	60,400	\$ 1,429,064 est.	\$ 23.66	

*Source of population figures for PRTC member jurisdictions is 2003 provisional figures from Weldon Cooper Center. Used the same source for Fauquier population figures.

- In contrast, Fauquier's financial obligation to PRTC and VRE (based on the FY2005 budget and the use of the foregoing motor fuels tax projection) is \$31,000 and \$189,000, respectively, leaving \$1.2 million of net revenue for the County to use for other transportation purposes.

PRTC Admin Subsidy Calculation

PRTC Jurisdictions	FY03 Net Fuel Tax	Fuel Tax %	FY05 Admin Subsidy without Fauquier*	FY05 Admin Subsidy with Fauquier**	Savings
Plus Fauquier	plus Fauquier est	w/Fauquier			
Prince William	5,805,054	51.28%	142,183	124,234	17,949
Stafford	1,831,579	16.18%	44,861	39,198	5,663
Manassas	815,491	7.20%	19,974	17,452	2,522
Manassas Park	459,551	4.06%	11,256	9,835	1,421
Fredericksburg	979,229	8.65%	23,984	20,956	3,028
	9,890,904				
Fauquier (estimated revenue)	1,429,064	12.62%	0	30,583	(30,583)
Totals	11,319,968		242,258	242,258	

*FY05 admin subsidy without Fauquier is allocated based on the jurisdiction's share of total PRTC FY03 net fuel tax revenue.

**FY05 admin subsidy with Fauquier is allocated based on adding Fauquier's estimated net fuel tax revenue to the 5 PRTC jurisdictions' FY03 net fuel tax revenue.

- No legislative action on the part of the Commonwealth is required to join an existing commission.
2. Fauquier has the option to create its own transportation commission with or without other jurisdictions, with a statutory amendment to the Commonwealth's tax code permitting a two percent motor fuels tax to be levied in the third district. In this case there are two possible courses of action for implementing VRE service in Fauquier County:
- A "contract services" agreement as described above without representation on VRE's Operation Board, payable from the County's newly legislated two percent motor fuels tax; or
 - A change to the VRE governing structure in which three commissions rather than the two as at present have appointment and governing privileges over VRE.
 - The latter is the most complicated because it would necessitate a change to the VRE Master Agreement. A change to the VRE Master Agreement requires the unanimous assent of the signatories, and to date the signatories have been very reticent to entertain such changes.

VRE INITIAL COSTS, CAPITAL PROJECTS, & IMPROVEMENTS FUNDING

The "start-up capital costs" of VRE expansion to Fauquier County include the construction of rail stations, parking facilities, yard facilities, and 2nd track from Nokesville to Calverton and at terminal station. These cost mirror those that were incurred by member jurisdictions when service was established in 1992.

The initial costs to the County of expanding VRE could be offset by seeking public funds (state or federal) or by working to acquire proffers and support from local developers who would benefit from supporting transit options in Fauquier.

Potential Costs Associated with Expansion to Bealeton in 2005 Dollars

Construction Costs

(No source of capital funding at this time)

<u>Track and Facilities</u>	
Seven (7) miles of 2nd track- Nokesville to Calverton	\$17,359,422
Station Track at Fauquier terminal station	\$1,193,460
<u>Yard Facility</u>	\$5,424,819
<u>Station:</u>	\$9,222,193
Three commuter stations, with single side platforms, surface parking	
<hr/>	
Subtotal	\$33,198,895

Fauquier County would need to assume the responsibility for formulating a capital funding plan, though VRE and its parent commissions would be in the position to lend their expertise and knowledge of the federal and state funding processes. The following points are possible funding opportunities:

- The plan could be a combination of federal, state and local funding;
- The federal share (if any) would have to be discretionary funds that Fauquier could seek as an earmark via your Congressional delegation- while VRE and its parent commissions can assist as noted earlier, the discretionary federal funding already being sought as a TEA-21 reauthorization earmark for other system-wide purposes (e.g., rolling stock) and/or member jurisdictional benefit purposes (e.g., Burke parking deck) are higher priorities and their Congressional delegation would need to be told that;

- State funding would be a portion of the non-federal share, most likely a proportionate share of the non-federal like all other capital investments statewide (noting that the state's share is currently 38%); and
- Local funding could be pay-as-you go or (more likely) debt-financed over a twenty (20) year period.

I recognize that without a sizable federal and/or state contribution towards this \$33.2 million cost, the extension is not financially feasible because it would require significantly more funding than the fuel tax funding the County stands to realize for many years to come even if the investment were debt financed. I also realize that the point about federal/state funding prospects seem somewhat dim (especially on the federal side), but I do not want to lead Fauquier down a primrose path – the simple truth is that federal funding prospects are not promising during the TEA-21 reauthorization period. State funding might be more promising depending upon what happens in the upcoming General Assembly session, with all signs pointing to the likelihood of new funding for transportation. If there is serious interest on Fauquier County's part, the County should make a pitch for this to state legislators representing Fauquier before the start of the upcoming session.

ANNUAL COSTS AND LOCAL SUBSIDIES FOR VRE

The annual costs of VRE service are primarily constituted by the expense of VRE operations: salaries, facilities, maintenance of the VRE system, and servicing financing for capital projects and major system improvements.

The cost of VRE service to jurisdictions is determined by first assessing the projected financial needs of VRE. Then, this cost is apportioned between the individual member jurisdictions through a formula that takes into account:

- The county's or city's population (given a 10% weight)
- The numbers of riders from that jurisdiction (given a 90% weight)
- And the "imputed fare revenue offset amount" (which credits more-distant counties and cities such as Fauquier by accounting for the greater distance and higher ticket cost that passengers from that farther municipality incur)

Based upon ridership figures from the most recent VRE ridership survey (October 2003), Fauquier's initial share of VRE operations cost would be approximately \$189,000 a year (assumes FY 2005 budgeted costs). With VRE's expansion into Fauquier, the share based on the FY 2005 budgeted cost would only be approximately \$139,000 (\$50,000 less if service expanded to Bealeton). When expansion was completed, the number of Fauquier riders would increase due to growth in the county's commuting population and the easier access to VRE that a Fauquier extension would provide. Therefore, Fauquier's share of the VRE operations cost would grow with ridership growth.

Annual Operating Costs

Operations: 4 trains north in AM & 4 trains south in PM	\$243,894
Additional crews costs	\$133,132
Additional yard crew	\$84,000
Yard maintenance and standby power	\$28,000
Station and yard office maintenance	\$176,400
Fuel for 8 trips/day (Bealeton to Broad Run)	\$537,480
Railroad Access (Bealeton to Broad Run): 8 trips/day @ 18 miles/trip	
Subtotal	\$1,202,906

Start-Up Costs

Administrative, marketing	\$56,000
Subtotal	\$56,000

Summary

Capital Costs	\$33,199,895
Operating Costs	\$1,258,906
Total Expenditures	\$34,458,801
Estimated Fare Revenue	\$1,119,810
Net Capital Costs	\$33,199,895
Net Operating Costs	\$139,096

Assumptions being used:

Fauquier without extension

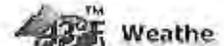
- Average fare at Broad Run was used to calculate fare revenue
- 203 riders currently classified as system riders become Fauquier riders

Fauquier with extension

- 4 peak trains in morning and afternoon
- 3 Stations
- 400 Additional riders (320 of those from Fauquier, the rest system riders)
- Average fare of \$5.43 used to calculate fare revenue (additional fare revenue of \$1,119,810)
- Additional operating costs of \$1,150,275
- No fare increases
- No additional riders, outside of those mentioned above


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County on board

Three supervisors back gas tax for rail service, road upgrades

By Don Del Rosso - Staff Writer

He knows all about the potential pitfalls mass transit poses.

"For years and years, I've heard people say it's going to bring growth, make it happen faster," Supervisor Chester Stribling (Lee District) said, "I can understand that."

But even without commuter rail service, Fauquier continues to develop at a rapid clip, Mr. Stribling said.

"We still got growth and it's still coming. And you know what? We got traffic problems, and they're getting worse."

Three of five supervisors - Mr. Stribling, Ray Graham (Cedar Run District) and Bill Downey (Scott District) - said last week they could support a countywide, 2-percent gasoline tax to fund extension of Virginia Railway Express (VRE) to southern Fauquier.

"We can't ignore what's happening to our roadways," Mr. Downey said. "VRE is one of the best long-term options available to the county to control its destiny."

"We can't just sit here and figure out what we're going to do in the future and do nothing," Mr. Graham said.

A 2-percent fuel tax would generate \$1.4 million annually, according to VRE.

About \$189,000 would go to VRE and \$31,000 to the Potomac and Rappahannock Transportation Commission.

Fauquier would keep \$1.2 million, which could be used to extend VRE and/or upgrade roads, install traffic signals, construct parking lots and parking garages and purchase vehicles for public use.

The revenue also could be used to contract a company to operate a bus service from the Route 29 commuter lot just north of Warrenton to the Gainesville area, Mr. Downey

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said.

The Scott District supervisor called rail service a long-term solution that could be "10 or 15 years out."

But he thinks Route 29 bus service could provide almost immediate relief to commuters and others who use the busy corridor.

Mr. Downey also thinks the gas-tax revenue would help furnish the money needed to make road improvements beyond the means of the financially strapped state.

"I was at a Commonwealth Transportation Board work session recently," Mr. Downey said. "And we were told the situation for funds is not good. There's not any money."

Fuel-tax revenue would provide Fauquier the money to address county road problems, he said.

The three board members' willingness to back a gas tax to fund VRE and other transportation projects signals a major policy and philosophical shift.

Before making a final commitment, Mr. Graham, Mr. Stribling and Mr. Downey want to learn more about the opportunities as well as financial obligations tied to PRTC membership.

The supervisors and PRTC officials will discuss those and other transportation issues during a work session on Thursday, Dec. 9.

Previous boards rejected VRE overtures for reasons related to the tax issue, concern about potential debt and fear that mass transit might accelerate development.

Board Chairman Harry Atherton (Marshall District) last week expressed a number of objections to extending VRE service to Fauquier.

Supervisor Richard Robison (Center District) failed to return a reporter's phone call for comment.

Because of soaring and fluctuating fuel prices, a gas tax largely would go unnoticed by most drivers, Mr. Downey and Mr. Graham said.

"They wouldn't realize it in the up and down scale of price," Mr. Graham said.

Mr. Stribling said he "could go to bat" for a gas tax, provided the supervisors agreed to spend revenue on a comprehensive transportation improvement program.

"If we do impose a tax on the citizens, what are our opportunities for transportation as a whole, not just VRE?" the Lee District supervisor asked.

Mr. Atherton voiced strong objections to a gas tax, a county financed road construction program and whether Fauquier in fact needs or would profit by mass transit.

He framed a 2-percent gas tax partly as an "equity issue."

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Mr. Atherton questions whether most Fauquier drivers should subsidize the relatively small number of county commuters who use VRE.

VRE's 2003 rider survey shows that about 165 Fauquier commuters hop the train at the Broad Run Station south of Manassas each workday.

"I'm not sure the rest of the county should be on the hook to the number of people who would use it," Mr. Atherton said.

Nor does he believe Fauquier commuters in great numbers would use VRE along the Route 28 corridor to justify the capital investment and operating expense.

"VRE in Bealeton, I'm not sure if it does much good, except make an awfully good way to sell real estate," Mr. Atherton said.

Moreover, commuter rail service along Route 28 would be meaningless to his constituents, he said.

"Not to be parochial, VRE doesn't offer much to people in Marshall."

Mr. Atherton thinks it could be a costly and irreversible decision for Fauquier to assume the financial responsibility of building or improving roads.

"The county should be extremely cautious about getting into the road construction business. I sympathize with Bill (Downey). But as a matter of policy, it's a slippery slope."

Mr. Atherton also worries about uncertain and potentially big financial obligations associated with joining the PRTC.

The commission includes Prince William County, Stafford County, the City of Manassas, the City of Manassas Park and the City of Fredericksburg.

Two transportation commissions - PRTC and the Northern Virginia Transportation Commission (NVTC) - govern and fund VRE.

VRE depends on federal and state and commission member contributions to fund the rail system.

Its operating budget stands at \$56.2 million.

A formula factors a county's population and VRE ridership to determine its annual contribution to the system.

Last month, PRTC Chairman John P. Grzejka spoke to the county transportation committee. Mr. Atherton and Mr. Downey served on the committee.

It would cost almost \$33.2 million to extend VRE to Bealeton, Mr. Grzejka told the committee.

"Initial costs" to Fauquier "could be offset by seeking public funds (federal or state) or by working to acquire proffers and support from local developers who would benefit

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from supporting transit options in Fauquier," he said.

But no source of money to extend service to Bealeton exists, according to Mr. Grzejka.

"Those numbers right now are conceptual," Mr. Downey said of the \$33.2 million figure. "There's been nothing done to engineer it."

Fauquier must carefully consider any VRE offer, he said.

"We have to look at it and look long and hard."

Not surprisingly, Fauquier commuters who use VRE back a gas tax to bring service to Bealeton.

Ernie Padgett, a program manager for General Dynamics in Pentagon City, leaves his Bealeton home for the Broad Run station at 4:45 a.m. each day.

"I don't have a problem with taxes that go for what they say they will," Mr. Padgett said Friday moments before boarding the 5:45 a.m. train.

It would "make perfect sense" to extend commuter rail to Bealeton, he said. "I've been after them to do it for years. They've got room for a parking lot two miles from my house. Why wouldn't I want that?" (See sidebar.)

Jeff Clement, who lives near Vint Hill, works for a company that does contract work for a division of the U.S. court system.

A systems engineer, he takes the 6:15 a.m. train from the Broad Run station to Union Station.

"I think it's a good idea" to extend VRE to Bealeton, said Mr. Clement. "There are a lot of people from Fauquier and further west that ride the train."

Tina Durell of Catlett works for the Department of Homeland Security.

Ms. Durell moved to California about two decades ago and returned to Virginia last year.

"I think it would be wonderful," Ms. Durell, awaiting the 6:15 a.m. train last Friday, said of a Bealeton VRE station. "Before I went to California, there wasn't any traffic, only country, the hinterland. But it's changed. A lot of people don't want to live in the city. And we need a better way to get to work."

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put the boxes in churches and businesses.

The aim of the drive is to collect enough foods for some 20 needy families, including a turkey and side dishes for a complete Christmas meal.

The Ruritans of Amissville began the food drive for sick, elderly and needy folks more than 30 years ago. Today, churches and the people at the Amissville Volunteer Fire and Rescue Company join the Ruritans in sponsoring the collection.

Food collection boxes have been set up at Lombardy Restaurant, Mayhugh's and Hackley's stores, Early's Carpets, and the fire hall. Members of Troop 143 will sort collected food on Dec. 21 for delivery around both counties the next day.

Drivers and donations are needed. Those interested can call Dorothy Hackley at (540) 937-4822 or Nancy Nicholas at (540) 937-4470.

Donating to SPCA just got easier

Thanks to changes to its Web site, Friends of the SPCA can now visit <http://www.fauquierspca.com> and donate online. Choices range from the spay-neuter fund; a medical assistance fund (for sick critters); helping to build an outside area for cat exercise; and a memorial fund.

Another way to help is through the "Sponsor a Pet Fund" which helps with day-to-day expenses of caring for an animal at the shelter.

All donations are tax-deductible.

Commuters opinions needed on possible VRE expansion

Fauquier County is considering an expansion of Virginia Rail Express into Bealeton, and possibly some type of commuter bus services.

Residents are asked to respond to the following commuting options survey. Responses can be e-mailed to Pat Hirst at fauquiercommute@yahoo.com.

Q: What type of commuting options would help you get to work on time?

- Bus service from Bealeton, Marshall, or Warrenton to:
 - VRE Broad Run Station
 - Falls Church Metrorail
 - Downtown D.C.
 - Pentagon
- Virginia Railway Express from Bealeton to downtown D.C.

Results will be given to the Fauquier Transportation Committee and the Board of Supervisors.

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Public Transportation Service Prospects in Fauquier County

Alfred Harf
PRTC Executive Director

January 2005

Background

- Here at the County Board of Supervisors' invitation
- Follows October 2004 presentation to Fauquier Transportation Committee by PRTC Chairman John Grzejka
- Presentation has three facets
 - Description of rail and bus service possibilities
 - Costs
 - Prospective ways to fund it

Public Transportation Possibilities -- VRE

- Two possible extensions benefiting portions of Fauquier County
 - To Gainesville / Haymarket
 - Independent of whether Fauquier County affiliates with VRE
 - Unfunded and timing uncertain
 - To Bealeton
 - Only if Fauquier County affiliates with VRE and then only if County wants it

Gainesville / Haymarket VRE Extension

- Two-staged plan
 - Stage One – to Gainesville
 - Stage Two – to Haymarket
 - Second stage to come after Route 29 – I-66 interchange built
- Capital cost (2005 dollars)

- Stage One --	\$40 - \$48 million
- Stage Two --	\$23 - \$30 million
- Total --	\$63 - \$78 million
- Ridership – as many as 5,000 trips/day

Bealeton VRE Extension

- Would be designed to support County's aims (e.g., station locations; parking accommodations; etc.)
- VRE has conceptually defined one possibility
 - 3 stations
 - 600 - 800 parking spaces
 - Capital cost -- \$33.20 million (2005 dollars)
- Estimated increase in ridership – 800 trips per day
 - In addition to the approximately 200 Fauquier residents (400 trips) today

Public Transportation Possibilities

– Commuter Bus Service

- Would be designed to support County's aims
- Four plausible options
 - Service all the way into DC
 - Service connecting with Metrorail
 - Service connecting to PRTC's Gainesville bus service
 - Service connecting with VRE (Broad Run)
- Costs depend on amount of service and how it is provided
 - Staging location (PRTC facility or closer option)
 - PRTC or another contract provider
 - Degree to which the County would want to be involved as a means of lowering cost

A Closer Look at “Metrorail Connecting Service Commuter Bus Service Option

- Assumes
 - PRTC operates from its own facility without County operating involvement
 - Four trips in AM and in PM
 - “Assumptions as stated provide a “high-side” estimate
- Operating subsidy (2005 dollars; without vehicle cost)
 - Gross operating cost -- \$335,000/year
 - Passenger revenue -- \$51,000/year
 - Operating subsidy -- \$284,000 (first year)
 - Operating subsidy -- \$129,000 (third year)
- Vehicle cost depends on how vehicles acquired – lease, purchase, “loaners” at outset
- PRTC prepared to work with County to explore cost-lowering strategies (see next slide)

A Closer Look at Plausible Ways to Lower Bus Service Cost

- Reduce number of scheduled trips
- House buses at secure, County-owned site where they could be fueled, washed, vacuumed, and parked overnight
- County-provided supervisor to see that operators report on-time and pull out as scheduled (who would also serve as relief operator if necessary)

Making the Service(s) Happen -- Options

- **Contract for service(s) without becoming Commission member**
- **Become Commission member**
 - 2% motor fuels tax automatically levied on motor fuel sold in County;
 - Fuel tax yield \$1.4 million/year (est.)
 - County's share of existing (FY 2005) costs if it were a member today -- \$220,000
 - VRE subsidy -- \$190,000 (without extension)
 - PRTC administrative expense -- \$31,000
 - Net fuel tax revenue of approx. \$1.2 million/year available to County to use on transportation investments of its own choosing

Making the Service(s) Happen -- Options

- In either event, County would be responsible for:
 - Capital cost of VRE extension to Bealeton
 - Commuter bus service subsidies as required
- Under “joining” option, County would also be responsible for share of increased VRE subsidy cost
- Operating fees would be negotiated under the “contracting” option
- VRE has to consider impact on entire system
 - Fleet
 - Seats
 - Storage

Summary

- Joining PRTC would net Fauquier County \$1.2 million/year for transportation investments of the County's choosing
- Broad latitude on how this net revenue can be used (e.g.
 - Road repairs
 - Commuter bus service
 - Extended VRE service
 - Traffic control devices

Norfolk Southern Access Agreement Extension

The VRE Operations Board recommends approval of Resolution #1061. This resolution extends the existing access agreement through July 31, 2005 on terms identical to the current agreement which expires January 15, 2005.



RESOLUTION #1061

SUBJECT: Norfolk Southern Access Agreement Extension.

WHEREAS: The commissions currently have an Operating/Access Agreement with Norfolk Southern for VRE operations in the Manassas to Washington D.C. corridor, with said agreement ending on January 15, 2005;

WHEREAS: Staff is currently engaged in discussions with Norfolk Southern concerning a new agreement and does not anticipate conclusion of these discussions prior to the expiration of the Operating/Access Agreement;

WHEREAS: A proposal to extend the existing agreement to July 31, 2005, without any changes to the basic agreement, is expected from NS to allow time to negotiate and resolve any issues relating to a new agreement; and

WHEREAS: Funding has been incorporated into the FY 2005 and FY 2006 budgets to allow VRE to continue its operations over Norfolk Southern tracks via this contract extension.

NOW, THEREFORE BE IT RESOLVED that the Northern Virginia Transportation Commission hereby authorizes the VRE Chief Executive Officer to execute an extension of the Operating/Access Agreement with Norfolk Southern through July 31, 2005 on terms identical to the existing agreement.

Approved 6th day of January, 2005.

Chairman

Secretary-Treasurer





Virginia Railway Express Operations Board

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Web Site: <http://www.vre.org> • E-Mail: gotrains@vre.org

AGENDA ITEM 8-E ACTION ITEM

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: DECEMBER 17, 2004

SUBJECT: EXTENSION OF AMENDED OPERATING/ACCESS AGREEMENT WITH NORFOLK SOUTHERN

RECOMMENDATION:

The VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to execute an extension of the existing Amended Operating/Access Agreement with Norfolk Southern through July 31, 2005.

BACKGROUND:

VRE has an Operating/Access Agreement with Norfolk Southern (NS) relating to VRE operations in the Manassas to Washington corridor. The agreement was entered into on July 15, 1999, and terminates on January 15, 2005.

While preliminary conversations have occurred, detailed negotiation sessions have not been held with Norfolk Southern representatives on the terms of a new, long-term agreement. Norfolk Southern has not asked for any changes to their terms and conditions, but VRE has asked for some modifications. Norfolk Southern has not yet provided a response to VRE on these issues. Therefore, negotiation sessions have not been scheduled.

A six-month extension, rather than a year is being requested so as not to prolong the negotiations longer than necessary.

- A Transportation Partnership -

Northern Virginia
Transportation Commission
4350 North Fairfax Drive, Suite 720
Arlington, Virginia 22203
(703) 524-3322

Potomac and Rappahannock
Transportation Commission
14700 Potomac Mills Road
Woodbridge, Virginia 22192
(703) 583-7782

CSXT Access Agreement Extension

The VRE Operations Board recommends approval of Resolution #1062. This resolution extends, with no change in terms, the existing access agreement with CSXT through July 31, 2005. The current agreement, signed in 1994, has been amended and extended several times, most recently in May, 2004 and will expire again on January 31, 2005. Negotiations have not resolved substantial differences regarding liability and insurance.

NVTC

Northern Virginia Transportation Commission

RESOLUTION #1062

SUBJECT: CSXT Access Agreement Extension.

WHEREAS: The commissions currently have an amended Operation/Access Agreement with CSXT for VRE operations in the Fredericksburg to Washington D.C. corridor, with said agreement extension ending on January 31, 2005;

WHEREAS: Staff is currently engaged in ongoing discussions with CSXT concerning a new agreement and does not anticipate conclusion of these discussions prior to the expiration of the Operating/Access Agreement;

WHEREAS: A proposal to extend the existing agreement to July 31, 2005, without any changes to the basic agreement, is expected from CSXT;

WHEREAS: The purpose of this extension is to allow time to negotiate and resolve the issues relating to a new agreement; and

WHEREAS: Necessary funding has been incorporated into the FY 2005 and FY 2006 budgets to allow VRE to continue its operations over CSXT tracks via this contract extension.

NOW, THEREFORE BE IT RESOLVED that the Northern Virginia Transportation Commission hereby authorizes the VRE Chief Executive Officer to execute an extension of the Operating/Access Agreement with CSXT through July 31, 2005 on terms identical to the existing agreement.

Approved 6th day of January, 2005.

Chairman

Secretary-Treasurer



AGENDA ITEM 8-F
ACTION ITEM

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: DECEMBER 17, 2004

SUBJECT: EXTENSION OF AMENDED OPERATING/ACCESS AGREEMENT WITH CSXT

RECOMMENDATION:

The VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to execute an extension of the existing Amended Operating/Access Agreement with CSXT to July 31, 2005.

BACKGROUND:

The VRE has an Operating/Access Agreement with CSXT relating to VRE operations in the Fredericksburg to Washington corridor. That agreement, entered into in 1994, has been amended and extended several times, most recently this past May 2004, with an agreed upon extension to January 31, 2005.

Since then, numerous negotiation sessions have been held with CSXT representatives on the terms of a new, long-term agreement. Progress has been slowed because of insurance and liability related issues. This extension is needed to continue negotiations to bring these issues to a conclusion.

A six-month extension, rather than a year is being requested so as not to prolong the negotiations longer than necessary.

Richmond Event

The VRE Operations Board recommends approval of Resolution #1063. This resolution authorizes VRE's Chief Executive Officer to spend up to \$25,000 to arrange an event in Richmond for General Assembly members to view a VRE train with a variety of railcars. The purpose is to educate General Assembly members about the benefits of VRE service and to support Governor Warner's proposals to provide \$20 million for VRE rolling stock, \$40 million for Metrorail, \$23 million for new railcar infrastructure partnerships and \$10 million for statewide bus purchases.

RESOLUTION #1063

SUBJECT: Richmond Event

WHEREAS: Governor Warner has proposed \$20 million in FY 2006 for VRE railcars, together with several other earmarks that would benefit VRE customers and this region's transportation system, such as \$40 million for Metro, \$23 million for railroad infrastructure partnerships and \$10 million for statewide bus purchases;

WHEREAS: General Assembly members may benefit from attending an event in Richmond and viewing first hand VRE's current variety of railcars while hearing about VRE's equipment needs;

WHEREAS: VRE staff is discussing with CSXT and Norfolk Southern officials the possibility of moving a VRE train set to Richmond and cooperating to hold such an event; and

WHEREAS: VRE's Operations Board supports such an event and has asked VRE's CEO to consider how VRE customers could be involved.

NOW, THEREFORE BE IT RESOLVED that the Northern Virginia Transportation Commission hereby authorizes the VRE's Chief Executive Officer to spend up to \$25,000 to work with CSXT and NS as well as local legislative liaisons and others to conduct an event in Richmond with a VRE train set in order to educate General Assembly members and support the level of appropriations requested by Governor Warner for VRE, WMATA and other transit systems and freight railroads.

Approved 6th day of January, 2005.

Chairman

Secretary-Treasurer