



MONTHLY COMMISSION MATERIALS

December 2016

MEETING OVERVIEW – December 1, 2016

Action items include:

- Minutes of November 3rd Meeting
- NVTC and VRE Audits
- Resolution of Support of the Metro Safety Commission
- Four VRE Operating Access Agreements

Highlights of the meeting include the following:

- Discussion of WMATA Board decision of service hours changes and proposed WMATA FY2018 Operating Budget
- Presentation by MWCOG on their WMATA Analysis
- Overview of NVTC's FY2018 G&A Budget

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**NVTC COMMISSION MEETING
THURSDAY, DECEMBER 1, 2016
MAIN FLOOR CONFERENCE ROOM
2300 Wilson Blvd.
Arlington, VA 22201**

7:30 P.M.

**6:45 P.M. Executive Committee — First Floor Small Conference Room
(dinner is available at 6:40 P.M.)**

AGENDA

- 1. Opening Remarks**
- 2. ACTION ITEM: Approve the Minutes of the November 3, 2016 NVTC Meeting**
- 3. Financial Items**
 - A. **ACTION ITEM:** Accept and Authorize Distribution of NVTC's FY2016 Audited Financial Statement and Compliance Reports
 - B. Financial Items for October 2016
- 4. Washington Metropolitan Area Transit Authority (WMATA)**
 - A. Proposed Changes to Metrorail Service Hours, Preventive Maintenance Plan and Overnight Maintenance Window
 - B. Budget and Finance
 - C. SafeTrack
 - D. Safety and Security
 - E. Virginia Ridership and Parking Facility Utilization
 - F. Schedule of Upcoming Board Decisions
- 5. Economic Impact of Transit**
 - A. Metropolitan Washington Council of Governments (MWCOG) Presentation on WMATA
 - B. NVTC's Analysis of the Value of Northern Virginia Transit to the Commonwealth
- 6. Department of Rail and Public Transportation (DRPT)**
 - A. DRPT Report
 - B. Update on Metro Safety Commission Legislation
ACTION ITEM: Approve Resolution #2324: Support of the Washington Metropolitan Area Transit Authority Metro Safety Commission (MSC)
 - C. Update on I-395 Transit/TDM Study

7. Virginia Railway Express (VRE)

- A. VRE CEO Report and Minutes
- B. **ACTION ITEM:** Approve Resolution #2325: Accept and Authorize Distribution of VRE's FY2016 Comprehensive Annual Financial Report (CAFR)
- C. **ACTION ITEM:** Approve Resolution #2326: Authorize the VRE CEO to Amend the CSX Transportation Operating Access Agreement and Master Facilities Lease Agreement
- D. **ACTION ITEM:** Approve Resolution #2327: Authorize the VRE CEO to Amend the Norfolk Southern Operating Access Agreement
- E. **ACTION ITEM:** Approve Resolution #2328: Authorize the VRE CEO to Amend the Amtrak Access and Storage Agreement
- F. VRE Operations Board Meeting 2017 Schedule

8. Regional Transit Performance: NVTC FY2017 1st Quarter Ridership Report

9. Executive Director Report

- A. Executive Director Newsletter
- B. NVTC's Proposed FY2018 G&A Budget
- C. 2017 Annual Commission Agenda

MINUTES
NVTC COMMISSION MEETING – NOVEMBER 3, 2016
NAVY LEAGUE BUILDING – FIRST FLOOR CONFERENCE ROOM
ARINGTON, VIRGINIA

The meeting of the Northern Virginia Transportation Commission was called to order by Chairman Fisetto at 7:43 P.M.

Members Present

David Albo
Sharon Bulova
John Cook
Jim Corcoran
Katie Cristol
Christian Dorsey
Adam Ebbin
Jay Fisetto
John Foust
Jeff Greenfield
Catherine Hudgins
David LaRock
James LeMunyon
Matt Letourneau
Tim Lovain
Jeff McKay
Ron A. Meyer
J. Randall Minchew
Jennifer Mitchell (Alternate, Commonwealth)
Paul Smedberg
David Snyder
Jennifer Wexton

Staff Present

Karen Finucan Clarkson
Jen Deci
Rhonda Gilchrest
Dan Goldfarb
Andrew D'huyvetter
Patricia Happ
Scott Kalkwarf
Kate Mattice
Aimee Perron Siebert
Doug Allen (VRE)
Tom Hickey (VRE)
Joe Swartz (VRE)

Opening Remarks

Chairman Fisette reminded Commissioners that there is a Closed Session at the end of the meeting. He also announced that he has appointed Mr. McKay and Mr. Snyder to serve with him as the Nominating Committee to develop a slate of officers for 2017. Commissioners interested in serving in leadership should contact one of the Nominating Committee members.

Minutes of the October 6th NVTC Closed Session Meeting and the October 6th NVTC Commission Meeting

Mr. McKay moved, with a second by Mr. Meyer, to approve the Minutes of the October 6, 2017 NVTC Closed Session Meeting and the Minutes of the October 6, 2017 NVTC Commission Meeting. The vote in favor was cast by Commissioners Albo, Bulova, Cook, Corcoran, Cristol, Dorsey, Ebbin, Fisette, Foust, Greenfield, Hudgins, LaRock, LeMunyon, Letourneau, Lovain, McKay, Meyer, Minchew, Smedberg, Snyder and Wexton.

2017 NVTC Meeting Schedule

Ms. Mattice explained that the 2017 Meeting Schedule includes the February meeting in Richmond. Staff is also exploring a location in the western jurisdictions for one of the meetings.

Mr. LeMunyon moved to approve the 2017 Meeting Schedule with at least two meetings each to be held in the three larger jurisdictions outside of Arlington County (Fairfax County, Loudoun County and the City of Alexandria) and have at least one public comment period at one of these locations. Senator Ebbin observed that this seems like a lot of meetings to change location. With NVTC's current meeting location, he does not believe meetings need to be held in Alexandria. He likes the idea of having at least one meeting along the Silver Line and to add more public comment. Mr. Dorsey stated he does not object in theory but it is important to secure locations before action is taken. Mr. Meyer stated that there are two locations in Ashburn and Leesburg that Loudoun County can secure. He stated that overall it is a good idea to have more transparency to the public outside of Arlington. Mr. Corcoran stated the Northern Virginia Chamber would be pleased to host space for one or two meetings. The Chamber is transit accessible on the Silver Line.

Mr. Cook asked about the impact on staff regarding the administration and logistics of frequently changing meeting locations. Mr. Snyder stated that as a transit agency, it is important that NVTC meetings be accessible by transit. He suggested the Commission change one meeting location before making big changes. Chairman Fisette expressed his opinion that it could be confusing and hard for staff on administrative coordination. He observed that other regional bodies do not change their locations.

Delegate LeMunyon stated that he is happy to amend his motion to ask staff to study the feasibility of changing meeting locations. He explained that the reasoning behind his initial motion was that for many people living outside the Beltway these meetings are not accessible. Mr. Cook observed that if the concern is providing accessibility to the public, he suggested staff look into acquiring equipment to broadcast over the internet to livestream the meeting.

The Board then voted on the amended motion. The vote in favor was cast by Commissioners Albo, Bulova, Cook, Corcoran, Cristol, Dorsey, Ebbin, Fisette, Foust, Greenfield, Hudgins, LaRock, LeMunyon, Letourneau, Lovain, McKay, Meyer, Minchew, Smedberg, Snyder and Wexton.

Washington Metropolitan Area Transit Authority (WMATA)

Proposed Changes to Metrorail Service Hours. Mrs. Hudgins reported that the WMATA Board heard the General Manager's reasoning for his proposal to reduce Metrorail's service hours at today's Board meeting. The lack of preventive maintenance over many years has pushed the system to its brink. SafeTrack was introduced to provide corrective maintenance but preventive maintenance is needed to be proactive and to prevent future issues, which shifts the balance from reactive to proactive. The new preventive maintenance program will target specific safety and reliability issues, including cable meggering; stray current testing; tamping and surfacing; switch welding and grinding; mechanical joint maintenance; and other preventative maintenance.

Ms. Hudgins explained that by reducing service hours with earlier closing times, it will double productive work time from 10 to 20 hours per week. The early closing scenarios impact only one percent of ridership but creates expanded work windows for time-intensive work. The focus needs to be that "safety trumps service." The General Manager is proposing this to last for the next one to two years.

Chairman Fisette noted staff prepared a draft letter for discussion. Mr. Letourneau suggested including language of support in concept of the General Manager's proposal. He thinks it would make an impact because the message from the other jurisdictions has been the opposite. He thinks it is important to convey that Virginia is open to this proposal. Mrs. Bulova agreed.

Ms. Cristol stated she is inclined to agree but asked if there are additional costs factored into the proposed budget or are these changes being considered separately from the FY2018 budget. Mrs. Hudgins stated that preventive maintenance is included in the budget. Mr. Dorsey explained that WMATA already has equipment and crews to do preventive maintenance so in terms of budget impact, it is minimal. Since early closings affect only one percentage of riders, it should have minimal impact on revenues too. Preventive maintenance will provide increased reliability which should attract new and returning riders. In comparison, the SafeTrack program is costing \$60 million in capital funds.

Chairman Fisette suggested the Sections 1A and B be deleted from the letter and replaced with language conveying general support of the General Manager's proposed service hours changes.

Mrs. Bulova observed that Section 2 is well written. Mr. Smedberg agreed that this section should remain. Mr. Cook suggested changing "WMATA should provide sufficient alternative bus service..." with "WMATA should consider..." Mr. McKay pointed out that much of the bus service in Virginia is provided by the local jurisdictions. He suggested including language that reflects NVTC expects WMATA to continue to work with the jurisdictions on their bus service.

Mrs. Bulova moved, with a second by Mr. McKay, to authorize the Chairman to send the letter to WMATA after incorporating the suggested changes.

Mr. Snyder asked that language be included expressing concern for rush hour service, similar to what was included in the last letter. Mrs. Hudgins suggested including it with the letter's wording regarding reliability and safety.

The Commission then voted to approve the letter with the agreed upon changes. The vote in favor was cast by Commissioners Albo, Bulova, Cook, Corcoran, Cristol, Dorsey, Ebbin, Fisette, Foust, Greenfield, Hudgins, LaRock, LeMunyon, Letourneau, Lovain, McKay, Meyer, Minchew, Smedberg, Snyder and Wexton.

SafeTrack. Mr. Dorsey gave an update on SafeTrack. WMATA is in the middle of Surge #10 on the Red Line, which is producing major challenges for Red Line passengers, but there are significant mitigation efforts underway. Four out of the five surges in 2017 will impact Virginia as they will be on the Yellow and Blue lines. Mr. Dorsey reported that, to date, all the surges produced double digit declines in ridership but each successive surge is less loss in ridership compared to the previous surge. It seems like the public may be adjusting to SafeTrack.

Budget and Finance. Mr. Corcoran reported the WMATA Board accepted the audit, which is an unmodified audit. Permission to receive automatic draw-downs of FTA funding may be reinstated in the near future. The General Manager submitted a proposed FY2018 budget with three major priorities—safety, reliability and financial sustainability. WMATA is seeing 100,000 less trips per day on Metrorail compared to 2009 ridership numbers. The General Manager has announced 500 position reductions with over 500 more over the next two years. Mr. Corcoran stated that currently there is a \$290 million budget shortfall. The General Manager proposes to cover the shortfall with \$130 million in increased jurisdictional subsidies and the rest by fare increases and other reductions. Mr. Smedberg reminded the Commission that this is just the beginning of the WMATA budget process, which will continue over the next two to three months. Mr. Corcoran reviewed the budget timeline, which includes public hearings.

Mrs. Bulova observed the General Manager did a good job with his budget proposal, which is a balanced package with some service reductions, fee increases, personnel changes, and subsidy increases. She suggested NVTC provide some type of supportive language regarding the budget proposal which starts the discussions and work with the

jurisdictions and the WMATA Board. She hopes NVTC can express support for keeping a balanced approach to the budget process. Mr. Letourneau agreed.

Delegate Albo asked about WMATA labor costs which are significantly greater than other similar sized transit systems. Mr. Corcoran discussed the challenges with labor negotiations and binding arbitration. Delegate LaRock stated it is his understanding that binding arbitration expires when the contract expires. Ms. Mattice stated that there are federal requirements for labor since federal funds are used. Chairman Fisetta asked staff to research this topic and provide information to Commissioners.

Delegate LeMunyon asked about the proposed 1000 positions being eliminated. Mr. Dorsey explained that 500 are mostly made up from vacant positions and the remaining 500 include 300 from administrative/back office positions and 200 operators and other technicians that are associated with service reductions. He stated a budget work session will focus on WMATA's workforce. Chairman Fisetta asked that the agendas for the budget work sessions and meetings be provided at the next meeting.

Chairman Fisetta stated that NVTC may want to submit comments on the budget. Mr. Cook stated that if we want to have an impact, NVTC needs a briefing on the option for a control board to take over WMATA operations. Mr. Dorsey requested to wait because even if all parties agreed that the control board option is a good idea, there is no way to achieve it in the FY2018 budget. In response to a question from Mr. Letourneau, Chairman Fisetta observed that there is time for staff to draft a letter for Commission review.

Several Commissioners had questions about WMATA governance issues. Delegate Minchew stated there is a problem if WMATA cannot fire an employee falsifying safety reports.

Delegate LeMunyon asked if WMATA has a plan to generate enthusiasm to bring back riders. It is important to restore public confidence in Metro. Mr. Dorsey stated that he had a discussion with Ms. Mattice earlier today on this issue.

Ms. Mattice introduced a new NVTC employee, Andrew D'huyvetter, who will be working on WMATA issues.

Mr. Lovain announced that the Federal Transit Administration and the National Park Service have issued their Records of Decision for the Potomac Yard Metrorail Station. This marks the last step in the review process under the National Environmental Policy Act (NEPA). The project now moves into the design and construction phase.

Department of Rail and Public Transportation

DRPT Report. Ms. Mitchell encouraged Commissioners to read the written DRPT Report.

Metro Safety Commission. Ms. Mitchell reported there have been numerous hearings and meetings with legislators in all three jurisdictions. The comments have been similar and are now being incorporated and reconciled into the document. She does not anticipate there will be major changes and expects a new version will be completed by the end of November. The D.C. Council plans to take it up at their December 6th meeting with a vote anticipated on December 20th.

Ms. Mitchell stated she has requested NVTC consider a resolution of support at its December meeting. It is important step for the three jurisdictions to approve this legislation. The consequences are significant for the long-term safety of the Metro system, as well as returning safety oversight back to the jurisdictions. The long-term ramifications are great if it is perceived that the three jurisdictions cannot function as a region.

Chairman Fisette stated the Executive Committee discussed a resolution of support and agreed NVTC's purpose is to grapple with issues like these and take a position. Staff will be working with the MAC Committee, WMATA Board members and the Executive Committee to develop a draft resolution. Mr. Letourneau observed that NVTC's Legislative and Policy Agenda already includes a position on the Metro Safety Commission. Mr. McKay stated it is also important that NVTC play a role in how the MSC is shaped.

Delegate Albo stated that he is not against the MSC in concept, but the issue of the voting structure needs to be resolved. He asked if it will be structured like WMATA where all three jurisdictions need to agree, or is it going to be structured where two jurisdictions can overrule the third jurisdiction. If two jurisdictions can overrule Virginia, there will be a storm in the General Assembly. Mrs. Bulova stated that to Delegate Albo's point, one of the problems with WMATA is that one jurisdiction can essentially veto any big decision. She is not sure what the answer is, but this structure is dysfunctional for WMATA.

Delegate Minchew asked what happens if the MSC is not established. Ms. Mitchell explained FTA would maintain oversight responsibility. FTA will withhold funding to Virginia. It would also project a negative view to Congress and other federal stakeholders that the jurisdictions can't function as a region. It could also set off other federal actions.

I-395 Transit/TDM Study Update. Ms. Mitchell reported the Steering Committee held a meeting earlier this month. A draft report will be released in November with the final report in December.

DC2RVA High-Speed Rail. Ms. Mitchell introduced Randy Selleck, Project Manager. Mr. Selleck gave an overview of the project, study schedule and timeline. The Draft Environmental Impact Statement (EIS) is expected to be completed by the end of 2016 followed by public hearings in January 2017.

Virginia Railway Express

VRE CEO Report. Mr. Allen reported on VRE safety and security activities over the last month, including crossing blitzes at Featherstone Road in Woodbridge and training for first responders in Fairfax County, Spotsylvania County and the City of Manassas. He stated he attended a meeting today with the Federal Railroad Administrator and other CEO's from other commuter rail systems to discuss the Hoboken, New Jersey and Long Island Railroad incidents, as well as Positive Train Control and federal requirements to install inward facing cameras in locomotives. VRE has installed inward facing cameras but they aren't operational yet.

Mr. Allen reported overall on-time performance (OTP) for the month of September was 90 percent with average daily ridership remaining strong over 19,000. VRE has a social media marketing campaign underway.

Presentation of the Gainesville-Haymarket Extension Study. Mr. Allen gave a presentation on the Gainesville-Haymarket Extension study, which was funded with NVTA funding. He reviewed the various alternative options and potential funding sources. The Operations Board will consider a preferred alternative at its December meeting.

Delegate Minchew asked if VRE has done any analysis on ridership impact from Loudoun residents if the Bi-County Parkway is built. Mr. Allen offered to talk with Delegate Minchew after the meeting to get more information in order to do some analysis. He explained that typically this level of detailed analysis occurs later in the process. Mr. Letourneau observed that the southern part of Loudoun touches Gainesville. Loudoun County may have some interest in coordinating bus service to a VRE station in the future if VRE service is extended to the Gainesville-Haymarket area. Ms. Bulova stated that service expansion complicates operating costs. There is some concern from VRE jurisdictions, especially Prince William County, that an expansion will trigger large subsidy costs. She suggested Loudoun County have a conversation with Prince William County.

Approval of the 2016/17 VRE Legislative Agenda. Mrs. Bulova stated that Resolution #2322 would approve the 2016/17 VRE Legislative Agenda and authorize the VRE CEO to actively pursue the elements set forth in the agenda. NVTC has folded VRE's agenda into its Legislative and Policy Agenda.

Mrs. Bulova moved, with a second by Ms. Cristol, to approve Resolution #2322 (copy attached). The vote in favor was cast by Commissioners Albo, Bulova, Cook, Corcoran, Cristol, Dorsey, Ebbin, Fisette, Foust, Greenfield, Hudgins, Letourneau, Lovain, McKay, Meyer, Smedberg, Snyder and Wexton. Commissioners LaRock, LeMunyon and Minchew abstained.

Report of the Legislative and Policy Committee

Chairman Fisette acknowledged Delegate Mark Sickel and thanked him for attending.

Mr. McKay stated that the 2017 NVTC Legislative and Policy Agenda is presented for approval. It was developed in coordination with jurisdictional staff and the Legislative and Policy Committee. VRE's Legislative Agenda has been incorporated into NVTC's agenda.

Mr. McKay moved, with a second by Mr. Greenfield, to approve NVTC's 2017 Legislative and Policy Agenda. The vote in favor was cast by Commissioners Bulova, Cook, Corcoran, Cristol, Dorsey, Fisette, Foust, Greenfield, Hudgins, LaRock, Letourneau, Lovain, McKay, Meyer, Smedberg, Snyder and Wexton. Commissioners Albo, Ebbin, LeMunyon and Minchew abstained.

Mr. McKay gave a brief update on the Transit Capital Project Revenue Advisory Board. Ms. Mattice gave an update on the Transit Service Delivery Advisory Board. She stated that DRPT gave a presentation to TSDAC on October 26th detailing the gap between state transit capital funding needs (\$2.4 billion over the next decade) and projected state revenues (\$1.3 billion). These projections highlight the serious challenge faced by the Commonwealth in identifying long-term, sustainable transit capital funding. Under the projections, Northern Virginia would take the hardest hit. More than 80 percent of the \$2.4 billion in capital funding needs is for our regional and local transit systems. DRPT estimates that the statewide funding deficit averages \$107 million per year over the next 10 years, growing markedly beginning in 2021. That's when state-of-good-repair needs alone would exceed available revenues. Members of the Transit Capital Project Revenue Advisory Board will receive a similar briefing on November 18th.

Mr. McKay reminded the Commission of the Joint NVTC-PRTC Legislative Briefing at the Springfield Hilton on December 12th at 9:30 A.M. He also stated that since the consolidation issue came up at the Joint Committee on Transportation Accountability meeting, he will reach out to NVTA to have a discussion on this issue. It is not to discuss consolidation, since there have already been lengthy discussions about that, but to talk about the definitions of the two agencies and if the Code accurately reflects the roles of each organization.

Executive Director Report

Executive Director Newsletter. Ms. Mattice encourage Commissioners to read the newsletter. She announced that the first groundbreaking for a Transform 66 project was held on October 25th for the Stone Ridge Park and Ride Lot in Loudoun County. This is the first of 10 projects funded through Transform 66 Multimodal to begin construction. The Stone Ridge project was awarded more than \$1.9 million by NVTC. The funds will help cover costs associated with the 300-space park-and-ride lot, the purchase of two buses, and two years of bus service operations.

NVTC FY2018 G&A. Ms. Mattice reported that the proposed budget will be presented as an information item at the December meeting with action requested at the January 2017 meeting.

NVTC Financial Items. The Financial Report for September 2016 was provided to Commissioners and there were no questions or comments.

Closed Session

Chairman Fisette moved, with a second by Mrs. Bulova, the following motion:

Pursuant to the Virginia Freedom of Information Act (Sections 2.2-3711A (1) of the Code of Virginia), the Northern Virginia Transportation Commission authorizes a Closed Session for discussion of a personnel matter.

The vote in favor was cast by Commissioners Albo, Bulova, Cook, Corcoran, Cristol, Dorsey, Ebbin, Fisette, Foust, Greenfield, Hudgins, LaRock, LeMunyon, Letourneau, Lovain, McKay, Meyer, Minchew, Smedberg, Snyder and Wexton.

The Commission entered into Closed Session at 9:37 P.M. and returned to Open Session at 9:47 P.M.

Chairman Fisette moved, with a second by Mr. McKay, the following certification to reconvene in an open meeting:

- 1) That only public business matters lawfully exempted from open meeting requirements under Chapter 37, Title 2.2 of the Code of Virginia; and
- 2) Only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered by the Commission.

The vote in favor was unanimous and cast by Commissioners Albo, Bulova, Cook, Corcoran, Cristol, Dorsey, Ebbin, Fisette, Foust, Greenfield, Hudgins, LaRock, LeMunyon, Letourneau, Lovain, McKay, Meyer, Minchew, Smedberg, Snyder and Wexton.

Mr. McKay moved, with a second by Mr. Dorsey, to approve Resolution #2323 appointing Kate Mattice as NVTC's Executive Director. (A copy of the resolution is attached.) The vote in favor was cast by Commissioners Albo, Bulova, Cook, Corcoran, Cristol, Dorsey, Ebbin, Fisette, Foust, Greenfield, Hudgins, LaRock, LeMunyon, Letourneau, Lovain, McKay, Meyer, Minchew, Smedberg, Snyder and Wexton. Commissioners congratulated Ms. Mattice.

Adjournment

Without objection, Chairman Fisette adjourned the meeting at 9:49 P.M.

Approved this 2nd day of December 2016.

Paul Smedberg
Secretary-Treasurer

Jay Fisette
Chairman



RESOLUTION #2322

SUBJECT: Approve VRE's 2016/17 Legislative Agenda

WHEREAS: VRE is a vital part of regional transportation network for the Northern Virginia and DC Metropolitan region;

WHEREAS: VRE serves residents throughout the Commonwealth to provide a meaningful public transportation option;

WHEREAS: It is essential for VRE to advocate for its funding needs and legislative/ regulatory concerns with members and staff in Congress, with staff of federal entities, in the Virginia General Assembly and with the Governor and his administration;

WHEREAS: VRE has coordinated its Legislative Agenda with the staffs of the Commissions and member jurisdictions; and

WHEREAS: The VRE Operations Board recommends the following action.

NOW, THEREFORE, BE IT RESOLVED by the Northern Virginia Transportation Commission hereby approves the 2016/17 VRE Legislative Agenda and authorizes the VRE Chief Executive Officer to actively pursue the elements set forth in the document.

Approved this 3rd day of November 2016.

Paul C. Smedberg
Secretary-Treasurer

Jay Fiset
Chairman

TO: Chairman Fisetta and NVTC Commissioners
FROM: Kate Mattice, Scott Kalkwarf and Colethia Quarles
DATE: November 22, 2016
SUBJECT: NVTC Financial Items

A. ACTION ITEM: Accept and Authorize Distribution of the FY2016 Audited Financial Statements and Compliance Reports

The Commission is asked to accept the [FY2016 Audited Financial Statements and Compliance Reports](#) and to authorize staff to release the information to the member jurisdictions, regulatory agencies, and the public.

NVTC's audit firm, PBMares, LLP issued an unqualified (clean) opinion that NVTC's financial statements, in all material respects, fairly and accurately present the financial position of the organization. PBMares also issued a clean report on the internal control of NVTC's financial reporting, compliance and other matters. Because NVTC received federal assistance during FY2016, PBMares also issued a report on the compliance with requirements and internal control related to those federal funds. That report identified no findings. Further, PBMares did not identify any internal control deficiencies or other findings.

On December 1st, representatives from PBMares will meet with the Executive Committee (serving as the Audit Committee) prior to the Commission meeting, and will be present at the full Commission meeting to describe the results of their annual audit.

B. Financial Items for October 2016

The [Financial Items for October 2016](#) are provided for your information.

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NORTHERN VIRGINIA TRANSPORTATION COMMISSION

Financial and Compliance Reports

Year Ended June 30, 2016



ASSURANCE, TAX & ADVISORY SERVICES

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Northern Virginia Transportation Commission (Commission), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Commission, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 4-13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying schedules listed in the table of contents as supplementary information and Schedule of Expenditures of Federal Awards, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
November 21, 2016

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2016

NORTHERN VIRGINIA TRANSPORTATION COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Northern Virginia Transportation Commission's (NVTC) financial performance provides an overview of NVTC's financial activities for the fiscal year that ended on June 30, 2016. Please read it in conjunction with the accompanying financial statements which follow this section.

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements

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

- NVTC's net position totaled \$130.6 million on a government-wide basis as of June 30, 2016. Of this total, \$130.3 million is for business-type activities with the balance for governmental activities.
- For the fiscal year, grants, contributions and other revenue net of transfers of NVTC's governmental activities amounted to \$173.0 million. Expenses were approximately equal to revenue.
- For the fiscal year, revenues and transfers of NVTC's business-type activities were \$49.5 million. Expenses amounted to \$45.5 million.

Highlights for Fund Financial Statements

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

- NVTC's governmental funds reported a decrease in fund balance of \$16,325 for fiscal year 2016, compared to an increase of \$13,364 for fiscal year 2015. The governmental funds balance as of June 30, 2016 totaled \$467,735 compared with \$484,060 at the end of the previous fiscal year.
- During the fiscal year, the proprietary fund net position increased by \$3.0 million, from \$127.3 million to \$130.3 million.
- NVTC's fiduciary fund reported a decrease of \$8.9 million in net position, held in trust for member jurisdictions, from \$189.0 million to \$180.1 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

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

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

Notes to the Basic Financial Statements

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

Supplementary Information

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

FINANCIAL ANALYSIS OF THE NVTC REPORTING ENTITY AS A WHOLE

Statement of Net Position

The following table presents a summary of the Statement of Net Position for the NVTC reporting entity as of June 30, 2016 and 2015:

Summary of Net Position As of June 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 6,080,744	\$ 7,830,044	\$ 27,088,168	\$ 34,919,631	\$ 33,168,912	\$ 42,749,675
Capital assets, net	51,531	43,394	171,962,274	163,604,532	172,013,805	163,647,926
Total assets	6,132,275	7,873,438	199,050,442	198,524,163	205,182,717	206,397,601
Liabilities:						
Current and other liabilities	5,757,289	7,491,062	8,653,172	8,379,890	14,410,461	15,870,952
Long-term liabilities	68,890	68,112	60,092,447	62,865,190	60,161,337	62,933,302
Total liabilities	5,826,179	7,559,174	68,745,619	71,245,080	74,571,798	78,804,254
Net position:						
Net investment in capital assets	51,531	43,394	109,253,855	98,187,617	109,305,386	98,231,011
Restricted	-	-	5,609,607	5,243,766	5,609,607	5,243,766
Unrestricted	254,565	270,870	15,441,361	23,847,700	15,695,926	24,118,570
Total net position	\$ 306,096	\$ 314,264	\$ 130,304,823	\$ 127,279,083	\$ 130,610,919	\$ 127,593,347

As noted earlier, net position may serve as a useful indicator of a government's financial position. As shown above, net position totaled \$130.6 million as of June 30, 2016, an increase of \$3.0 million over the previous fiscal year. The largest portion of net position, \$109.3 million or 84 percent, represents the net investment in capital assets (e.g., land, building, improvements, rolling stock, equipment and software), accumulated depreciation and amortization, less the related indebtedness outstanding used to acquire those capital assets. These assets are used to provide service to riders; consequently, these assets are not available for future spending. The 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.

A portion of the net position, \$5.6 million or 4 percent represents resources that are restricted, primarily for the commuter rail liability insurance plan.

Current assets consist primarily of grant revenue and motor vehicle fuel sales tax due from the Commonwealth of Virginia for governmental activities, and restricted and non-restricted cash, cash equivalents, and investments for the business-type activities. As of June 30, 2016, approximately \$10.8 million was due from the Commonwealth of Virginia, of which \$5.5 million is for motor vehicle fuel sales tax, and \$5.3 million for grant revenue. This is a \$8.9 million decrease from the previous fiscal year, of which motor vehicle fuel sales tax receivables decreased \$0.5 million or 8 percent, and grant revenue decreased \$8.4 million or 6 percent. The \$0.5 million decrease in the receivable for motor vehicle fuel sales tax is due to lower gasoline prices between periods. The \$8.4 million decrease in the receivable for grant revenue is primarily due to a decrease in capital grant revenue not yet received at the end of the fiscal year for the business-type activities. As of June 30, 2016, \$5.3 million of the amount due from the Commonwealth was for the commuter rail service, with the balance for the jurisdiction transit function of NVTC, and for general and administrative and projects. Cash, cash equivalents and investments increased approximately \$1.2 million and totaled \$13.5 million as of June 30, 2016, of which all but \$462,458 was for the business-type activities.

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

Statement of Changes in Net Position

The following table shows the revenues and expenses and the change in net position of the NVTC reporting entity for the fiscal years ended June 30, 2016 and 2015:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues						
Charges for services	\$ -	\$ -	\$ 17,585,780	\$ 16,329,028	\$ 17,585,780	\$ 16,329,028
Operating grants and contributions	143,422,738	145,747,321	5,448,410	5,188,627	148,871,148	150,935,948
Capital grants and contributions	-	-	7,985	7,187,539	(1,634,829)	7,187,539
General revenues						
Intergovernmental						
Commuter rail	26,398,505	29,096,234	-	-	26,398,505	29,096,234
Motor vehicle fuel sales tax	29,590,766	37,863,773	-	-	29,590,766	37,863,773
Interest	1,676	970	78,245	15,135	79,921	16,105
Other	100	10,069	-	-	(361)	10,069
Transfers	(26,398,505)	(29,096,234)	26,398,505	29,096,234	-	-
Total revenues	173,015,280	183,622,133	49,518,925	57,816,563	220,890,930	241,438,696
Expenses:						
General and administration	4,664,736	3,471,539	-	-	4,664,275	3,471,539
Jurisdiction transit	168,358,712	180,041,897	-	-	168,358,712	180,041,897
Commuter rail	-	-	45,551,712	39,850,376	43,908,898	39,850,376
Total expenses	173,023,448	183,513,436	45,551,712	39,850,376	216,931,885	223,363,812
Extraordinary item	-	-	(941,473)	-	(941,473)	-
Change in net position	(8,168)	108,697	3,025,740	17,966,187	3,017,572	18,074,884
Beginning net position	314,264	205,567	127,279,083	109,312,896	127,593,347	109,518,463
Ending net position	\$ 306,096	\$ 314,264	\$ 130,304,823	\$ 127,279,083	\$ 130,610,919	\$ 127,593,347

For the fiscal year ended June 30, 2016, revenues totaled \$220.9 million, compared to \$241.4 million in the preceding year, a decrease of \$20.5 million or 9 percent. Expenses decreased \$6.4 million, or 3 percent. A discussion of the key components of these revenue and expense changes is included in the funds analysis.

FINANCIAL ANALYSIS OF THE REPORTING ENTITY'S FUNDS

Governmental Funds

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

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

As of June 30, 2016, the General Fund had a total fund balance of \$467,735 of which \$45,043 was nonspendable and \$422,692 was unassigned. The fund balance decreased by \$16,325 or 3 percent from the preceding year due to a budgeted drawdown of surplus funds, partially offset by a favorable budget variance.

During fiscal year 2016, NVTC's regional projects incurred a total of \$2,786,272 in direct costs. Three of these projects were funded with federal, state and regional sources totaling \$2,460,984. The \$325,288 in other funding sources includes direct local contributions from the NVTC member jurisdictions and regional agencies, local contributions from allocated state assistance, and contributions from NVTC primarily in the form of payroll and payroll related costs.

Special Revenue Fund. Prior to fiscal year 2013, the special revenue fund reported intergovernmental revenue for the jurisdictions' transit programs, including local bus systems and the operating and capital subsidies of the Washington Metropolitan Area Transit Authority ("WMATA"). The intergovernmental revenue included state operating assistance, state capital assistance, and the motor vehicle fuel sales tax. In fiscal year 2013 and 2014, the state contracted directly with the NVTC member jurisdictions for the state operating and capital assistance. Accordingly, in fiscal year 2014 the special revenue fund recognized only the capital assistance contracted with NVTC prior to fiscal year 2013, as well as the motor vehicle fuel sales tax. Beginning in fiscal year 2015, the state contracted again with NVTC for the operating and capital assistance for WMATA. Accordingly, in fiscal year 2016 the special revenue fund recognized state operating and capital assistance for WMATA, capital assistance contracted with NVTC prior to fiscal year 2013, and the motor vehicle fuel sales tax.

As the revenue is recognized by the Special Revenue Fund, it is allocated using the Subsidy Allocation Model formula ("SAM"). This formula, which is defined and established by NVTC board resolution and the *Code of Virginia*, is maintained and updated annually by NVTC. After the revenue has been allocated by the SAM and each jurisdiction's share has been identified, the funds are remitted to the Jurisdiction Trust Fund for the restricted use by the member jurisdictions individually to support the programs of their respective locality.

Intergovernmental revenues decreased approximately \$11.7 million or 6 percent from the previous fiscal year. The decrease is caused by a \$ 8.3 million decrease, or 22 percent in motor vehicle fuels sales tax revenue due primarily to lower fuel prices compared to fiscal year 2015. State assistance decreased \$3.4 million, or 2 percent, due to a reduction in grant invoicing through the special revenue fund.

Proprietary Fund

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

NVTC's share of operating revenue increased about \$1.3 million or 7 percent, while operating expenses increased approximately \$3.4 million or 12 percent. Operating revenue of the VRE operations as a whole remained relatively constant. The difference between percentages of the reporting entity and the VRE operations as a whole is due to an increase in NVTC's share of the activity. Capital contributions and transfers decreased \$11.5 million or 32 percent.

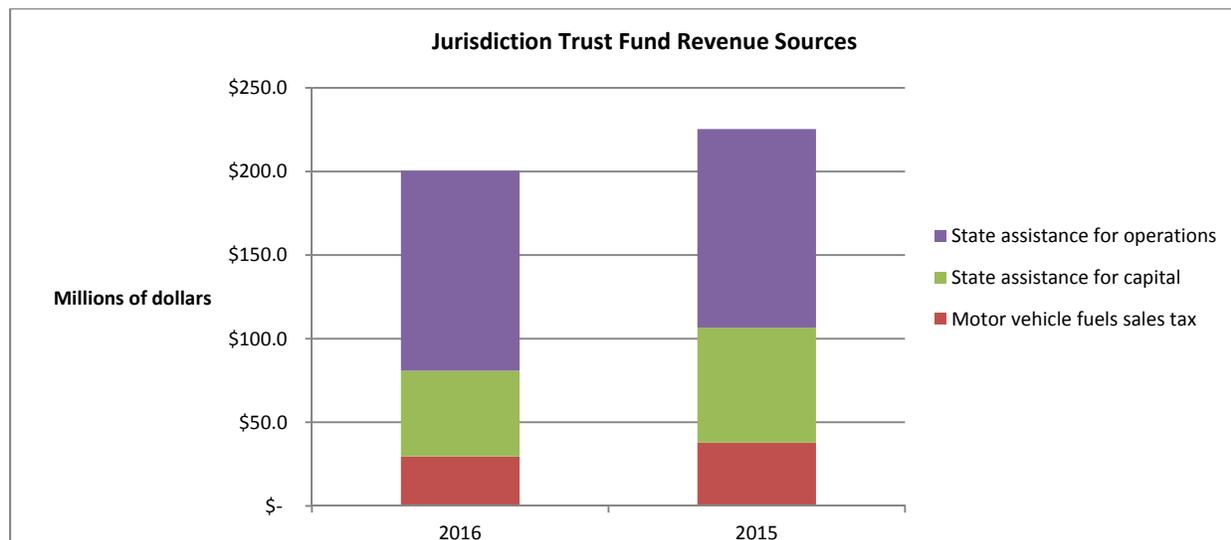
In order to present a full and accurate picture of VRE operations, all financial transaction related to the commuter rail program reported separately in the financial statements of NVTC and PRTC are combined in a separate set of financial statements. These audited financial statements can be obtained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

Fiduciary Fund

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

Jurisdiction Trust Fund. The Jurisdiction Trust Fund holds the assets that were remitted from the special revenue fund (contributions from government), as well as fiscal year 2013 through fiscal year 2014 operating and capital assistance contracted with the NVTC member jurisdictions and received directly by the Jurisdiction Trust Fund from the state (intergovernmental revenues). These funds are accounted for on an individual jurisdiction basis. As with the revenue from the Special Revenue Fund, the fiscal year 2013 through fiscal year 2014 directly contracted revenue with the jurisdictions is allocated using the SAM. The funds are invested in the Virginia Local Government Investment Pool, and are available for disbursement for restricted purposes by instructions of the member jurisdictions. The change in the fund balance from year to year is dependent upon the remittances from the special revenue fund, the state operating and capital assistance contracted directly with the jurisdictions and received by the fund, investment income, and the amount each member jurisdiction instructs NVTC to disburse from the Fund.

The total additions to the Trust Fund, excluding investment income, decreased by \$25.0 million, or 12 percent from the previous year. An analysis of this change is shown below.



State assistance for operations is revenue from the state operating formula assistance program. Operating assistance increased approximately \$0.8 million, or 1 percent from the previous fiscal year, while the state-wide allocated operating assistance decreased by 3 percent. The operating assistance program is funded at the statutory fixed rate of 73.5 percent of projected Mass Transit Trust Fund (MTTF) revenue up to \$160 million. Since fiscal year 2009, the operating program receives directly a portion of the state recordation tax to help fund the operating program. Beginning in fiscal year 2014 with increased statewide funding for transit, MTTF revenues above \$160 million are allocated using a performance based formula for operations.

State assistance for capital expenditures recognized by the Jurisdiction Trust Fund during fiscal year 2016 decreased by \$17.5 million or 26 percent from the previous fiscal year. The decrease is primarily the result of a decrease in the NVTC jurisdiction capital commitments to WMATA. State assistance for capital expenditures during the fiscal year includes revenue from the Mass Transit Trust Fund and the Mass Transit Capital Fund. The state-wide capital program is funded at the statutory fixed rate of 25 percent of projected Mass Transit Trust Fund revenues. The fiscal year 2016 program allocated an additional \$49.2 million from the Mass Transit Capital Fund (Bond Funds) for state-wide needs.

Effective January 1, 2010, the Motor Vehicle Fuel Sales tax is levied on distributors of gasoline and diesel fuel for deliveries within NVTC's jurisdictions at the rate of 2.1 percent. Prior to this, the tax was levied on the retail sales at the rate of 2 percent. Motor Vehicle Fuel Sales tax revenue decreased by \$8.3 million, or 22 percent from the previous year, which mirror the sharp decline in the price of fuel. This is after a \$11.4 million or 23.1 percent decrease in fiscal year 2015. Other factors that influence the gas tax revenue include overall demand, price elasticity impacting demand, grade mix, and taxpayer compliance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The details of capital assets as of June 30, 2016 and 2015 are as follows:

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2016	2015	2016	2015	2016	2015
Rolling stock	\$ -	\$ -	\$ 132,377,536	\$ 124,647,979	\$ 132,377,536	\$ 124,647,979
Vehicles	-	-	69,155	53,598	69,155	53,598
Facilities	-	-	51,747,277	51,224,981	51,747,277	51,224,981
Track and signal improvements	-	-	42,350,282	26,342,184	42,350,282	26,342,184
Equipment and software	-	-	6,063,333	5,998,438	6,063,333	5,998,438
Construction in progress	-	-	6,948,336	14,520,293	6,948,336	14,520,293
Equity in properties of others	-	-	2,893,644	2,893,644	2,893,644	2,893,644
Furniture, equipment and software	123,552	114,354	2,744,668	2,721,694	2,868,220	2,836,048
	123,552	114,354	245,194,231	228,402,811	245,317,783	228,517,165
Less accumulated depreciation and amortization	72,021	70,960	73,231,957	64,798,279	73,303,978	64,869,239
Total capital assets, net	\$ 51,531	\$ 43,394	\$ 171,962,274	\$ 163,604,532	\$ 172,013,805	\$ 163,647,926

NVTC's investment in capital assets as of June 30, 2016 amounted to \$172.0 million (net of accumulated depreciation and amortization) which represents an increase of \$8.4 million or 5 percent over last year due to new project construction, offset in part by annual depreciation and amortization recognized. A total of \$18.2 million was charged to construction in progress during the fiscal year. Completed projects totaling approximately \$25.7 million were closed from construction in progress to their respective capital accounts and an additional \$0.168 million was charged directly to the capital accounts.

The major completed projects were: the purchase of seven Gallery rail cars (\$7.8 million), the construction of the Spotsylvania VRE station (\$2.0 million), and the construction of a third track between Hamilton and Crossroads in Spotsylvania County (\$16.0 million). The major additions to construction in progress during the fiscal year were the installation of Positive Train Control equipment in VRE's locomotives and cab cars (\$3.1 million), the design of a life-cycle maintenance facility at the VRE Crossroad Yard (\$1.0 million), the design of a pedestrian tunnel at the Alexandria VRE station (\$0.4 million), and the construction of a storage track north of the L'Enfant VRE station (\$0.4 million).

Debt Administration

At June 30, 2016, the commissions had total debt outstanding of \$69.8 million for the VRE commuter rail service, of which \$62.7 million is reported by NVTC.

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

	2016	2015
Capital leases	\$ 7,079,477	\$ 7,707,059
Note payable (includes RRIF)	55,628,942	57,709,856
Total	\$ 62,708,419	\$ 65,416,915

Economic Factors and Next Year's Budget

State assistance recognized by the Special Revenue fund is expected to increase slightly. This is due to an increase in operating assistance for WMATA subsidies, slightly offset by a decrease in capital assistance due to the change in the size, asset mix and how those assets are funded by other sources within WMATA's capital program. Effective with fiscal year 2015, the Commonwealth of Virginia was contracted with NVTC for state assistance related to the jurisdictions subsidy requirements to WMATA, as was done prior to fiscal year 2013. NVTC will continue as an agent for the receipt, investment and disbursement of the state assistance related to the jurisdiction's local systems which started in fiscal year 2013, and such activity will continue to be recognized by the Jurisdiction Trust Fund. Prior to fiscal year 2013, NVTC was the grantee for the assistance related to the jurisdiction's local systems.

The U.S. Energy Information Administration forecasts a small decrease of 1.5 percent in the average price of gasoline nationwide for fiscal year 2017. If that forecast holds true for the NVTC region, and the historical relationship between gas prices and motor vehicle fuel sales tax collections continue, a similar percentage decrease in motor vehicle fuel sales tax revenue for the Special Revenue fund would be realized.

NVTC entered into a Memorandum of Agreement with the Commonwealth of Virginia, to receive toll revenues from the I-66 inside the beltway HOT lanes effective July 1, 2017 for multimodal projects benefiting the toll payers. Toll revenue projections are still being developed at this time. The MOA also provides \$10 million to NVTC in fiscal year 2017 for multimodal projects. In accordance with the MOA, NVTC has established a special revenue fund to account for the toll revenue and related projects separately from its other activities.

Population growth in Northern Virginia, especially in the outer suburbs, continues to remain robust. In combination with the congestion on major highways and on-going highway construction projects, this growth will continue to increase demand for VRE's service. The constraining factors to VRE growth are station parking, availability of seats, storage capacity, and the availability of subsidy funds.

The local subsidy for fiscal year 2017 increased by 5.0 percent. Fares were held constant; the last general fare increase was 3.0 percent in fiscal year 2016.

Additional sources of funding will be available in fiscal year 2016 from federal, state and regional sources, although the amounts received will continue to vary from year to year.

REQUESTS FOR INFORMATION

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
June 30, 2016

ASSETS	Primary Government		Total Primary Government
	Governmental Activities	Business-type Activities	
Cash and cash equivalents	\$ 462,458	\$ 12,991,638	\$ 13,454,096
Due from other governments:			
Commonwealth of Virginia	10,782,539	-	10,782,539
Regional	9,280	-	9,280
Local Jurisdictions	14,877	-	14,877
Trade accounts receivable, net	-	1,010,673	1,010,673
Other receivables	-	327,915	327,915
Inventory	-	1,850,617	1,850,617
Deposits and prepaid items	45,043	64,265	109,308
Restricted cash, cash equivalents and investments	-	5,609,607	5,609,607
Internal balances	(5,233,453)	5,233,453	-
Capital assets:			
Rolling stock	-	132,377,536	132,377,536
Vehicles	-	69,155	69,155
Facilities	-	51,747,277	51,747,277
Track and signal improvements	-	42,350,282	42,350,282
Equipment and software	-	6,063,333	6,063,333
Construction in progress	-	6,948,336	6,948,336
Equity in property of others	-	2,893,644	2,893,644
Office equipment, furniture and software	123,552	2,744,668	2,868,220
Less accumulated depreciation and amortization	(72,021)	(73,231,957)	(73,303,978)
Total assets	6,132,275	199,050,442	205,182,717

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
June 30, 2016

LIABILITIES	Primary Government		Total Primary Government
	Governmental Activities	Business-type Activities	
Accounts payable	\$ 118,296	\$ 1,663,315	\$ 1,781,611
Accrued expenses	93,944	2,485,433	2,579,377
Accrued interest	-	164,435	164,435
Due to fiduciary fund	5,400,769	-	5,400,769
Unearned revenue	-	782,333	782,333
Lease liability	110,597	-	110,597
Contract retainage	-	700,337	700,337
Noncurrent liabilities:			
Due within one year:			
Compensated absences	33,683	11,411	45,094
Note payable	-	2,188,783	2,188,783
Capital lease obligation	-	657,125	657,125
Due in more than one year:			
Compensated absences	68,890	229,936	298,826
Note payable	-	53,440,159	53,440,159
Capital lease obligation	-	6,422,352	6,422,352
Total liabilities	5,826,179	68,745,619	74,571,798
 NET POSITION			
Net investment in capital assets	51,531	109,253,855	109,305,386
Restricted for liability insurance plan	-	5,219,995	5,219,995
Restricted grants or contributions	-	389,612	389,612
Unrestricted	254,565	15,441,361	15,695,926
Total net position	\$ 306,096	\$ 130,304,823	\$ 130,610,919

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

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF ACTIVITIES**

Year Ended June 30, 2016

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Primary Government
Primary government:							
Governmental activities:							
General and administration	\$ 4,664,736	\$ -	\$ 4,654,792	\$ -	\$ (9,944)	\$ -	\$ (9,944)
Jurisdiction transit	168,358,712	-	138,767,946	-	(29,590,766)	-	(29,590,766)
Total governmental activities	<u>173,023,448</u>	<u>-</u>	<u>143,422,738</u>	<u>-</u>	<u>(29,600,710)</u>	<u>-</u>	<u>(29,600,710)</u>
Business-type activities:							
Commuter rail	45,551,712	17,585,780	5,448,410	7,985	-	(22,509,537)	(22,509,537)
Total business-type activities	<u>45,551,712</u>	<u>17,585,780</u>	<u>5,448,410</u>	<u>7,985</u>	<u>-</u>	<u>(22,509,537)</u>	<u>(22,509,537)</u>
Total primary government	<u>\$ 218,575,160</u>	<u>\$ 17,585,780</u>	<u>\$ 148,871,148</u>	<u>\$ 7,985</u>	<u>(29,600,710)</u>	<u>(22,509,537)</u>	<u>(52,110,247)</u>
General revenues:							
Intergovernmental revenue - commuter rail					26,398,505	-	26,398,505
Intergovernmental revenue - motor vehicle fuel sales tax					29,590,766	-	29,590,766
Interest income					1,676	78,245	79,921
Other					100	-	100
Transfers					(26,398,505)	26,398,505	-
Total general revenues					<u>29,592,542</u>	<u>26,476,750</u>	<u>56,069,292</u>
Extraordinary item					-	(941,473)	(941,473)
Change in net position					(8,168)	3,025,740	3,017,572
Net position, beginning of year					<u>314,264</u>	<u>127,279,083</u>	<u>127,593,347</u>
Net position, end of year					<u>\$ 306,096</u>	<u>\$ 130,304,823</u>	<u>\$ 130,610,919</u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 462,458	\$ -	\$ 462,458
Due from other governments:			
Commonwealth of Virginia	5,290,796	5,491,743	10,782,539
Regional	9,280	-	9,280
Local jurisdictions	14,877	-	14,877
Due from fiduciary fund	90,974	-	90,974
Due from proprietary fund	28,920	-	28,920
Deposits and prepaid items	45,043	-	45,043
	<u>\$ 5,942,348</u>	<u>\$ 5,491,743</u>	<u>\$ 11,434,091</u>
LIABILITIES			
Accounts payable	\$ 118,296	\$ -	\$ 118,296
Accrued salaries	93,944	-	93,944
Due to proprietary fund	5,262,373	-	5,262,373
Due to fiduciary fund	-	5,491,743	5,491,743
Total liabilities	<u>5,474,613</u>	<u>5,491,743</u>	<u>10,966,356</u>
FUND BALANCES			
Nonspendable			
Deposits and prepaid items	45,043	-	45,043
Unassigned	422,692	-	422,692
Total fund balance	<u>467,735</u>	<u>-</u>	<u>467,735</u>
Total liabilities and fund balance	<u>\$ 5,942,348</u>	<u>\$ 5,491,743</u>	<u>\$ 11,434,091</u>

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

Fund balances - governmental funds	\$ 467,735
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$123,552 and the accumulated depreciation and amortization is \$72,021.	51,531
Lease liability only recognized in the government-wide financial statements.	(110,597)
Compensated absences are liabilities not due and payable in the current period and, therefore, are not reported in the governmental funds.	(102,573)
Net position - governmental activities	<u>\$ 306,096</u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	Major Funds		
	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
Intergovernmental revenues:			
Grants and contributions:			
Commonwealth of Virginia	\$ 28,535,168	\$ 138,767,946	\$ 167,303,114
Federal	1,642,129	-	1,642,129
Regional	455,251	-	455,251
Local jurisdictions	340,747	-	340,747
Motor vehicle fuel sales tax	-	29,590,766	29,590,766
Project chargebacks	80,002	-	80,002
Interest income	1,676	-	1,676
Other income	100	-	100
Total revenues	31,055,073	168,358,712	199,413,785
Expenditures:			
Current:			
General and administration	1,861,154	-	1,861,154
Project costs	2,786,272	-	2,786,272
Payments to fiduciary fund	-	168,358,712	168,358,712
Capital outlay	25,467	-	25,467
Total expenditures	4,672,893	168,358,712	173,031,605
Other financing uses:			
Transfer out	(26,398,505)	-	(26,398,505)
Change in fund balances	(16,325)	-	(16,325)
Fund balances, beginning of year	484,060	-	484,060
Fund balances, end of year	\$ 467,735	\$ -	\$ 467,735
Change in fund balances - total governmental funds			\$ (16,325)
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.			
Add - capital outlay			25,467
Deduct - depreciation and amortization expense			(16,869)
The net effect of miscellaneous transactions involving capital assets (i.e. loss on disposal) is to decrease net position.			(461)
Amortization of lease liability is only recognized in the government-wide financial statements.			4,740
The change in compensated absences included in the expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.			(4,720)
Change in net position of governmental activities			\$ (8,168)

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2016

	Commuter Rail Service Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 12,991,638
Accounts receivable:	
Due from general fund	5,262,373
Trade receivables, net of allowance for doubtful accounts	1,010,673
Other receivables	327,915
Inventory	1,850,617
Deposits and prepaid items	64,265
Restricted cash, cash equivalents and investments	5,609,607
Total current assets	27,117,088
Capital assets:	
Rolling stock	132,377,536
Vehicles	69,155
Facilities	51,747,277
Track and signal improvements	42,350,282
Equipment and software	6,063,333
Construction in progress	6,948,336
Equity in property of others	2,893,644
Furniture, equipment and software	2,744,668
	245,194,231
Less accumulated depreciation and amortization	(73,231,957)
Total capital assets, net	171,962,274
Total assets	\$ 199,079,362

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2016

	Commuter Rail Service Fund
LIABILITIES AND NET POSITION	
Current Liabilities:	
Accounts payable	\$ 1,663,315
Due to general fund	28,920
Compensated absences	11,411
Accrued expenses	2,485,433
Accrued interest	164,435
Deferred revenue	782,333
Contract retainage	700,337
Note payable	2,188,783
Current portion of capital lease obligations	657,125
Total current liabilities	8,682,092
Noncurrent Liabilities:	
Capital lease obligations	6,422,352
Note payable	53,440,159
Compensated absences	229,936
Total noncurrent liabilities	60,092,447
Total liabilities	68,774,539
Net Position:	
Net investment in capital assets	109,253,855
Restricted for liability insurance plan	5,219,995
Restricted grants or contributions	389,612
Unrestricted	15,441,361
Total net position	130,304,823
Total liabilities and net position	\$ 199,079,362

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2016

	Commuter Rail Service Fund
Operating Revenues:	
Passenger revenue	\$ 17,474,503
Equipment rentals and other	111,277
Total operating revenues	17,585,780
Operating Expenses:	
Contract operations and maintenance	11,163,559
Other operations and maintenance	6,333,337
Property leases and access fees	7,034,750
Insurance	1,875,626
Marketing and sales	1,109,435
General and administrative	4,873,950
Total operating expenses	32,390,657
Operating loss before depreciation and amortization	(14,804,877)
Depreciation and amortization	(8,476,784)
Operating loss	(23,281,661)
Nonoperating Revenues (Expenses):	
Subsidies:	
Jurisdictional contributions	5,177,075
Regional transportation funding	271,335
Interest income:	
Operating funds	43,424
Insurance trust	34,722
Other restricted funds	99
Interest, amortization and other nonoperating expenses, net	(3,041,457)
Total nonoperating revenues, net	2,485,198
Loss before capital contributions and transfers, net	(20,796,463)
Capital contributions and transfers:	
Other local contributions	7,985
Contribution to PRTC	(1,642,814)
Transfers in	26,398,505
Total capital contributions and transfers	24,763,676
Extraordinary item (note 4)	(941,473)
Change in net position	3,025,740
Net position, beginning	127,279,083
Net position, ending	\$ 130,304,823

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2016

	Commuter Rail Service Fund
Cash Flows From Operating Activities:	
Receipts from customers	\$ 17,402,556
Payments to suppliers	(29,340,199)
Payments to employees	(2,877,821)
Net cash used in operating activities	(14,815,464)
Cash Flows From Noncapital Financing Activities:	
Governmental subsidies	23,659,688
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(18,692,546)
Capital grants and assistance	15,635,824
Proceeds from sale of capital assets	533,140
Principal paid on capital lease obligations	(627,582)
Principal paid on note	(2,080,914)
Interest paid on capital lease obligation	(345,239)
Interest paid on bonds and note	(2,708,223)
Contribution from General Fund	(1,482,338)
Net cash used in capital and related financing activities	(9,767,878)
Cash Flows From Investing Activities:	
Interest received on investments	75,706
Decrease in cash and cash equivalents	(847,948)
Cash and Cash Equivalents, beginning	19,449,193
Cash and Cash Equivalents, ending	\$ 18,601,245
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:	
Operating loss	\$ (23,281,661)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	8,476,784
Loss on disposal of assets	(111,019)
Increase in:	
Accounts receivable	(220,294)
Other receivables	(26,504)
Inventory	(42,911)
Prepaid items and other	(7,279)
Increase in:	
Accounts payable and accrued expenses	333,847
Unearned revenue	63,573
Net cash used in operating activities	\$ (14,815,464)
Schedule of Noncash Capital Activities	
Capital assets acquired through accounts payable	\$ 767,873
Capital assets acquired through accrued liabilities	1,227,279

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2016

	Jurisdiction Trust Fund
ASSETS	
Cash and cash equivalents	\$ 174,137,431
Due from special revenue fund - Motor vehicle fuel sales tax	5,491,743
Due from other governments - Commonwealth of Virginia grants	543,518
Total assets	180,172,692
LIABILITIES	
Due to member jurisdictions	3,100
Due to general fund	90,974
Total liabilities	94,074
NET POSITION	
Net position held in trust for member jurisdictions	\$ 180,078,618

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
Year Ended June 30, 2016

	Jurisdiction Trust Fund
Additions:	
Contributions from government	\$ 168,358,712
Intergovernmental revenues	32,084,022
Investment income	501,058
Total additions	200,943,792
Deductions:	
Funds disbursed to WMATA:	
Capital improvement program	17,133,698
Project development	614,500
Metrorail operating	64,370,747
Metrobus operating	86,796,959
MetroAccess operating	12,960,680
Metro debt service	31,484
Other funds disbursed:	
Other capital disbursements	7,658,733
Other operating disbursements	20,305,023
Total deductions	209,871,824
Change in net position	(8,928,032)
Net position held in trust for member jurisdictions	
Beginning of year	189,006,650
End of year	\$ 180,078,618

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Northern Virginia Transportation Commission ("NVTC") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

NVTC reports the following major enterprise fund:

Commuter Rail Service Fund

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

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

D. Budgeting

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

E. Other Significant Accounting Policies

1. Cash and cash equivalents

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

2. Restricted cash, cash equivalents and investments

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

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

3. Allowance for uncollectible accounts

The allowance for uncollectible accounts is calculated by using historical collection data and specific account analysis. The allowance was approximately \$86,900 at June 30, 2016 for the proprietary fund.

4. Inventory

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

5. Prepaid items

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

6. Capital assets

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

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

Costs of improvements to track, stations and signal facilities owned by the railroads have been capitalized in recognition of the increased efficiency afforded VRE operations over their useful lives. The Commissions retain a residual interest in these assets such the net salvage value will be reimbursed by the railroads upon cessation of commuter rail service. Similarly, shared investments in jurisdictional facilities (“equity in property of others”) recognize the right of access for commuter rail patrons granted to the Commissions. This category also represents investment in Amtrak infrastructure and facilities that provides primary benefit to the commuter rail service and for which VRE has an expectation of continued use.

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

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

Rolling stock	8-25 years
Vehicles	5 years
Facilities	30-40 years
Track and signal improvements	30 years
Equipment and software	5 years
Equity in properties of others	3-35 years
Furniture, equipment and software	3-10 years

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2016.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

7. Compensated absences

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

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

The employees of the VRE joint venture are employees of PRTC and are subject to PRTC's leave policies. VRE employees are granted vacation leave based on length of employment. Employees with less than ten years of service may carry over a total of 225 hours of leave from year to year, while those with more than ten years may carry over 300 hours. Excess leave may convert to sick leave or may be paid out with the approval of the Chief Executive Officer.

VRE employees may accumulate sick leave without limitation. Employees who separate in good standing after five or more years of service will be paid for 25 percent of their sick leave credit in excess of 450 hours. Certain employees may accumulate compensatory leave for overtime worked. Compensated absences are accrued when incurred.

8. Fund equity

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

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

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

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

9. Indirect expenditure allocation

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

10. Net position

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

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

11. Estimates and assumptions

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

12. Inter-fund transfers

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

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

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

13. Subsequent events

NVTC has evaluated subsequent events through November 21, 2016, which was the date the financial statements were available to be issued.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Cash and Investments

At June 30, 2016, cash, cash equivalents, and investments consisted of the following, at cost which approximates fair value:

	Governmental Activities	Business-type Activities	Fiduciary Fund	Total
Cash	\$ 381,141	\$ 3,967,614	\$ -	\$ 4,348,755
LGIP	81,317	9,024,024	174,137,431	183,242,772
	<u>462,458</u>	<u>12,991,638</u>	<u>174,137,431</u>	<u>187,591,527</u>
Restricted:				
Cash	-	389,612	-	389,612
LGIP	-	26,616	-	26,616
Insurance trust fund – pooled funds	-	5,193,379	-	5,193,379
	<u>-</u>	<u>5,609,607</u>	<u>-</u>	<u>5,609,607</u>
Total	<u>\$ 462,458</u>	<u>\$ 18,601,245</u>	<u>\$ 174,137,431</u>	<u>\$ 193,201,134</u>

Maturities of all investments are less than one year.

Deposits

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

Investments

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

As of June 30, 2016, the reporting entity had investments of \$183,269,388 in the LGIP for governmental activities, business-type activities, and the fiduciary fund. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share. The LGIP has been assigned an “AAAm” rating by Standard & Poor’s.

The Commonwealth of Virginia Department of Treasury manages the VRE Insurance Trust. State statutes govern the portion of assets invested in the Commonwealth’s pooled accounts, while the remainder is invested by an external portfolio manager. At June 30, 2016, a total of \$10,386,757 was invested in the Insurance Trust, of which \$5,193,379 is included in the NVTC reporting entity. From fiscal year 2011 through fiscal year 2015, any earnings on these investments were retained by the Commonwealth of Virginia. In fiscal year 2016, earnings on the Insurance Trust in the amount of \$69,444 were credited to VRE, of which \$34,722 was included in the NVTC reporting entity. The Insurance Trust Fund has not been assigned a rating.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments (Continued)

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

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

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

Credit risk

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

Custodial credit risk

For deposits, custodial credit risk is the risk in the event of a failure of a depository financial institution, deposits may not be recovered. All cash of the reporting entity is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. If any member bank fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. With the ability to make additional assessments, the multiple bank collateral pool functions similarly to depository insurance. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act.

Interest rate risk

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

Concentration of credit risk

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

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

Investment	Length of Maturity	Percent Allowed
Bonds, notes, and other evidence of indebtedness of the United States	60 months or less	100%
Bonds, notes, and other evidence of indebtedness of the Commonwealth of Virginia	60 months or less	100%
Bonds, notes, and other evidence of indebtedness of any county, city, town, district, or authority	36 months or less	100%
Bonds and notes of FNMA and FHLB	36 months or less	75%
Savings accounts or CD's of any bank or savings and loan association within the Commonwealth of Virginia	12 months or less	20%
Money market mutual funds	13 months or less	60%
Repurchase agreements	24 months or less	20%
Bankers' acceptances	24 months or less	10%
Prime Quality Commercial Paper (no more than 5% from one issuer)	270 days or less	35%
High Quality Corporate Notes	24 months or less	50%
Certificates representing ownership in treasury bond principal	24 months or less	50%
LGIP	N/A	100%
Negotiable CD's and negotiable bank deposit notes	24 months or less	25%

When applicable, NVTC categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

NVTC has no investments subject to fair value measurements as of June 30, 2016.

Note 3. Due From Other Governments

At June 30, 2016, due from other governments consisted of the following:

	Project and Administrative	Jurisdiction Transit	Total
Due from Commonwealth of Virginia:			
Motor vehicle fuel sales tax	\$ -	\$ 5,491,743	\$ 5,491,743
Grants	5,290,796	-	5,290,796
	<u>5,290,796</u>	<u>5,491,743</u>	<u>10,782,539</u>
Due from Northern Virginia Transportation Authority:			
Project funding	9,280	-	9,280
Due from Local Jurisdictions:			
Local grant match	14,877	-	14,877
	<u>\$ 5,314,953</u>	<u>\$ 5,491,743</u>	<u>\$ 10,806,696</u>

Amounts due from the Commonwealth for the Project and Administrative activities include \$5,262,373 for commuter rail and \$28,423 for other projects.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
Governmental activities:					
Capital assets being depreciated or amortized:					
Furniture, equipment and software	\$ 114,354	\$ 25,467	\$ (16,269)	\$ -	\$ 123,552
Less accumulated depreciation or amortization	70,960	16,869	(15,808)	-	72,021
Governmental activities capital assets, net	\$ 43,394	\$ 8,598	\$ (461)	\$ -	\$ 51,531
Business-type activities:					
Capital assets not being depreciated or amortized:					
Construction in progress	\$ 14,520,293	\$ 18,166,284	\$ -	\$ (25,738,241)	\$ 6,948,336
Capital assets being depreciated or amortized:					
Rolling stock	124,647,979	-	-	7,729,557	132,377,536
Vehicles	53,598	15,557	-	-	69,155
Facilities	51,224,981	13,404	(1,517,718)	2,026,610	51,747,277
Track and signal improvements	26,342,184	26,024	-	15,982,074	42,350,282
Equipment and software	5,998,438	64,895	-	-	6,063,333
Equity in property of others	2,893,644	-	-	-	2,893,644
Furniture, equipment and software	2,721,694	22,974	-	-	2,744,668
Total capital assets being depreciated or amortized	213,882,518	142,854	(1,517,718)	25,738,241	238,245,895
Less accumulated depreciation or amortization for:					
Rolling stock	29,711,789	5,046,715	-	-	34,758,504
Vehicles	39,401	5,767	-	-	45,168
Facilities	16,170,798	1,521,601	(43,106)	-	17,649,293
Track and signal improvements	10,719,969	1,162,652	-	-	11,882,621
Equipment and software	4,532,528	426,373	-	-	4,958,901
Equity in property of others	1,648,436	84,949	-	-	1,733,385
Furniture, equipment and software	1,975,358	228,727	-	-	2,204,085
Total accumulated depreciation or amortization	64,798,279	8,476,784	(43,106)	-	73,231,957
Total capital assets being depreciated or amortized, net	149,084,239	(8,333,930)	(1,474,612)	25,738,241	165,013,938
Business-Type activities capital assets, net	\$ 163,604,532	\$ 9,832,354	\$ (1,474,612)	\$ -	\$ 171,962,274

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 4. Capital Assets (Continued)

During fiscal year 2016, the Virginia Department of Transportation (VDOT) took a VRE facility by eminent domain for the purpose of widening Route 1 and reconstructing the Route 1 and 123 interchange for the appraised value. Since the Federal Transit Administration (FTA) provided a portion of the funding for the land and improvements, the Commissions must return 80% of the appraised value to the FTA or use the funds for another eligible federal project. The reporting entities share of the loss on the disposition of this facility in the amount of \$941,473 is recorded as an extraordinary item in the financial statements.

Depreciation and amortization expenses for the year ended June 30, 2016 charged to the functions of the primary government are as follows:

	Governmental Activities	Business-type Activities
Primary Government:		
General and administration	\$ 16,869	\$ -
Commuter rail	-	8,476,784

Note 5. Joint Venture – Virginia Railway Express

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

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

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

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

Pursuant to a Master Agreement signed in 1989, NVTC and PRTC jointly (as the "Commissions") own and operate VRE. VRE provides commuter rail service on two railroad lines originating in Fredericksburg and Manassas, Virginia and terminating at Union Station, Washington, D.C. The service uses existing track of the CSX Transportation Corporation ("CSX"), and the Norfolk Southern Railway Company, under respective operating access agreements.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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

Financial information from VRE's fiscal year 2016 audited financial statements is shown below.

VIRGINIA RAILWAY EXPRESS STATEMENT OF NET POSITION June 30, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets	
Cash and cash equivalents	\$ 28,026,242
Accounts receivable:	
Due from PRTC – FTA and other	28,642,153
Commonwealth of Virginia grants	5,262,372
Trade and other, net of allowance	3,628,407
Inventory	3,992,249
Prepaid expenses and other	138,636
Restricted cash, cash equivalent, and investments	<u>11,219,213</u>
Total current assets	<u>80,909,272</u>
Noncurrent Assets	
Pension asset	213,799
Capital assets (net of \$146,463,913 accumulated depreciation and amortization)	<u>343,924,549</u>
Total noncurrent assets	<u>344,138,348</u>
Total assets	425,047,620
Deferred outflows of resources: pension plan	<u>319,010</u>
Total assets and deferred outflows of resources	<u>\$ 425,366,630</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current Liabilities	
Accounts payable and accrued liabilities	\$ 10,758,825
Unearned revenue	1,687,689
Contract retainage	1,400,674
Current portion of:	
Capital lease obligations	1,314,250
Note payable	<u>2,188,783</u>
Total current liabilities	<u>17,350,221</u>
Noncurrent Liabilities	
Capital lease obligations	12,844,704
Note payable	53,440,159
Compensated absences	<u>496,031</u>
Total noncurrent liabilities	<u>66,780,894</u>
Total liabilities	<u>84,131,115</u>
Deferred inflows of resources: pension plan	<u>182,256</u>
Net Position:	
Net investment in capital assets	274,136,653
Restricted for liability insurance plan	10,439,990
Restricted grants and contributions	779,223
Unrestricted assets	<u>55,697,393</u>
Total net position	<u>341,053,259</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 425,366,630</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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

**VIRGINIA RAILWAY EXPRESS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
Year Ended June 30, 2016**

Operating revenues	\$	37,936,965
Operating expenses		69,874,826
Operating loss before depreciation and amortization		(31,937,861)
Depreciation and amortization		(16,953,565)
Operating loss		(48,891,426)
Nonoperating revenues (expenses):		
Subsidies:		
Commonwealth of Virginia grants		16,572,077
Federal grants – with PRTC as grantee		13,917,534
Jurisdictional contributions		16,428,800
Regional transportation funding (NVTA)		542,671
Interest income:		
Operating funds		93,677
Insurance trust		69,444
Other restricted funds		197
Interest, amortization and other nonoperating expenses, net		(3,384,762)
Total nonoperating revenues, net		44,239,638
Capital grants and assistance:		
Commonwealth of Virginia grants		9,826,429
Federal grants – with PRTC as grantee		22,125,460
In-kind and other local contributions		851,659
Total capital grants and assistance		32,803,548
Extraordinary item		(1,882,945)
Change in net position		26,268,815
Net position, beginning of year		314,784,444
Net position, ending	\$	341,053,259

Note 6. Intergovernmental Revenues, Commonwealth of Virginia

Intergovernmental revenues from the Commonwealth of Virginia include the regional motor vehicle fuel sales tax, NVTC project revenue, operating and capital assistance for NVTC's WMATA Compact members' local systems contracted prior to fiscal year 2013, operating and capital assistance for NVTC's WMATA Compact members' WMATA subsidies, and operating and capital assistance for the Virginia Railway Express commuter rail service.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 7. Pension Plans

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

NVTC – Target Benefit Plan

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

The plan is funded in amounts determined by an actuarial consultant. Employer contributions for the year ended June 30, 2016 totaled \$99,697 (12.1% of covered payroll). Required employee contributions for the year ended June 30, 2016 totaled \$16,065 (1.9% of covered payroll). Since 1994, participants have been required to contribute 2.0% of covered salary, not to exceed 50% of the aggregate gross annual contribution for benefits. NVTC contributes the balance of the cost of the Plan. NVTC’s payroll for employees covered by the plan for the year ended June 30, 2016 was approximately \$827,000.

Note 8. Operating Leases and Agreements

Governmental activities

NVTC leases office space under a 125-month agreement which commenced on January 1, 2011 and expires May 31, 2021. The lease provides for 3% annual increases in base rent over the term of the lease, and the pass through of a proportionate share of the annual increases in common building expenses. The lease contains a provision for the abatement of the first five months of rent. For the government-wide financial statements, the cumulative minimum rent for the entire lease is amortized on a straight-line basis over the lease term, with an equal amount of rent expense recognized each month. Rent expense for Governmental Activities as reported in the government wide financial statements totals \$201,384 (\$206,124 paid less \$4,740 amortization). The Statement of Net Position reported a liability of \$110,597 related to the lease. The remaining liability will be amortized over the remaining lease.

NVTC entered into a 5-year office equipment lease and maintenance agreement, both of which expire December 31, 2020. Minimum monthly payments under these agreements equal \$406 per month, with payments totaling \$2,436 for the year ended June 30, 2016.

As of June 30, 2016, the minimum long-term lease commitments were as shown below:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 203,063
2018	209,009
2019	215,121
2020	221,421
2021	206,628
Total	<u>\$ 1,055,242</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 8. Operating Leases and Agreements (Continued)

Business-type activities

Operating Access Agreements with the CSX and Norfolk Southern railroads provide the Commissions the right to use tracks owned by the railroads in the provision of commuter rail passenger service. These agreements require the Commissions to pay the railroads a monthly base fee and to reimburse the railroads for any incremental cost incurred by the railroads as a result of providing tracks for commuter rail service. For the year ended June 30, 2016, annual track usage fees totaled approximately \$9,224,100, and facility and other identified costs totaled approximately \$521,000.

The agreement between Amtrak and the Commissions for access to and storage of equipment at Union Station and mid-day maintenance, electrical power and other services became effective on July 1, 2015. For the year ended June 30, 2016, costs for track access and equipment storage totaled approximately \$5,831,000, and mid-day maintenance, utility and other services totaled approximately \$4,332,000. Cost adjustments will be made in fiscal year 2017 to reflect changes to various published cost indices and the number of trains that have access to and are stored and serviced at the terminal. After October 1, 2015, charges for terminal access will be in accordance with the cost-sharing arrangement for the Northeast Corridor passenger rail infrastructure mandated by the Passenger Rail Investment and Improvement Act of 2008 (PRIIA).

The Commissions have a contract with Keolis Rail Services Virginia, LLC for train operations and maintenance for a five year period beginning July 1, 2015. The cost of train operations and maintenance for the year ended June 30, 2016 totaled approximately \$19,828,000. Costs are based on an annual budget prepared in advance. Costs in fiscal year 2016 reflect contractual increases and the addition of a new train during the fiscal year. Costs for fiscal year 2017 will be adjusted for service additions or deletions and annual changes to the Consumer Price Index. A separate contract for maintenance of equipment and facilities will be in effect for the period beginning July 1, 2016.

Note 9. Long-Term Debt Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences	\$ 97,853	\$ 92,095	\$ (87,375)	\$ 102,573	\$ 33,683
Total governmental activities	97,853	92,095	(87,375)	102,573	33,683
Business-type activities					
Capital leases	7,707,059	-	(627,582)	7,079,477	657,125
Note payable	57,709,856	-	(2,080,914)	55,628,942	2,188,783
Compensated absences	170,131	154,928	(83,712)	241,347	11,411
Total business-type activities	65,587,046	154,928	(2,792,208)	62,949,766	2,857,319
Total Primary Government	\$ 65,684,899	\$ 247,023	\$ (2,879,583)	\$ 63,052,339	\$ 2,891,002

Federal arbitrage regulations apply to VRE's Gallery IV capitalized lease.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 9. Long-Term Debt Obligations (Continued)

Capitalized Lease - Gallery IV (11 cars)

	Total	NVTC Reporting Entity
\$25,100,000 capitalized lease obligation (NVTC reporting entity, \$12,550,000); \$965,679 due semi-annually (NVTC reporting entity, \$482,840), interest at 4.59%, maturing in 2025, collateralized with Gallery IV railcars with a carrying value of \$17,449,718 (NVTC reporting entity, \$8,724,859)	\$ 14,108,906	\$ 7,054,453

Future minimum lease payments as of June 30, 2016 are as follows:

Years Ending June 30,	Total	NVTC Reporting Entity
2017	\$ 1,931,357	\$ 965,678
2018	1,931,357	965,679
2019	1,931,357	965,678
2020	1,931,357	965,679
2021	1,931,357	965,678
2022-2026	7,725,428	3,862,715
Total minimum lease payments	17,382,213	8,691,107
Lease amount representing interest	3,273,307	1,636,654
Present value of lease payments	\$ 14,108,906	\$ 7,054,453

Capitalized Lease – Copiers

	Total	NVTC Reporting Entity
\$73,425 capitalized lease obligations; \$1,329 due monthly, interest at 9.39%, maturing in 2020; \$330 due monthly, interest at 11.73%, maturing in 2018, collateralized with three multifunction copiers with a carrying value of \$41,395 (NVTC reporting entity, \$20,698)	\$ 50,048	\$ 25,024

Future minimum lease payments as of June 30, 2016 are as follows:

Years Ending June 30,	Total	NVTC Reporting Entity
2017	\$ 19,908	\$ 9,954
2018	19,248	9,624
2019	15,948	7,974
2020	2,658	1,329
Total minimum lease payments	57,762	28,881
Less amount representing interest	7,714	3,857
Present value of lease payments	\$ 50,048	\$ 25,024

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 9. Long-Term Debt Obligations (Continued)

Notes Payable – Gallery IV (60 cars)

In fiscal year 2008, an agreement in the name of NVTC was entered into with the Federal Railroad Administration for a loan of up to \$72.5 million to purchase 50 Gallery railcars; in fiscal year 2009 the terms were amended to include ten additional Gallery railcars. A series of sixteen promissory notes were originally authorized and during fiscal year 2012 the balance of the individual notes were combined into a consolidated note. The note is secured by the revenues of VRE and the railcars. The carrying value of the railcars was \$79,279,560 at June 30, 2016.

\$63,844,842 Promissory Note; due in quarterly maturities of \$533,073 to \$1,195,258 through March 2033, plus quarterly interest at 4.74% \$ 55,628,942

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

Years Ending June 30,	Principal	Interest	Total Required
2017	\$ 2,188,783	\$ 2,594,730	\$ 4,783,513
2018	2,290,688	2,492,825	4,783,513
2019	2,401,211	2,382,302	4,783,513
2020	2,513,907	2,269,606	4,783,513
2021	2,641,432	2,142,081	4,783,513
2022-2026	15,229,226	8,688,337	23,917,563
2027-2031	19,275,259	4,642,304	23,917,563
2032-2033	9,088,436	478,588	9,567,024
	<u>\$ 55,628,942</u>	<u>\$ 25,690,773</u>	<u>\$ 81,319,715</u>

Note 10. Risk Management and Liability Insurance Plan

NVTC and the VRE commuter rail operation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters. Commercial insurance is purchased to address these risks, including workers' compensation and employee health and accidental insurance. The Virginia Department of Treasury, Division of Risk Management has established the terms of VRE's Commuter Rail Operations Liability Plan (the Insurance Plan). The Insurance Plan consists of a combination of self-insurance reserves and purchased insurance in amounts actuarially determined to meet the indemnification requirements of the Operating Access Agreements and the Purchase of Services Agreement and for liability and property damage. The Commissions indemnify each of the railroads in an amount up to the passenger rail liability cap (currently at \$295,000,000) for any claims against persons or property associated with commuter rail operations. Settled claims have not exceeded commercial coverage during any of the past three fiscal years. The liability for incurred but not reported claims was approximately \$163,000 at June 30, 2016, of which \$81,500 was included in the NVTC reporting entity.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 10. Risk Management and Liability Insurance Plan (Continued)

The Division of Risk Management manages the Insurance Trust Fund pursuant to provisions of the Insurance Plan. Since November 2006, all plan assets have been invested in the Department of Treasury common pool. Activity in the Insurance Trust Fund for the years ended June 30, 2016 was as follows:

	Total	NVTC Reporting Entity
Beginning balance, July 1	\$ 10,434,495	\$ 5,217,248
Contribution to reserves	3,950,000	1,975,000
Insurance premiums paid	(3,966,626)	(1,983,313)
Investment income	69,444	34,722
Actuarial and administrative charges	(81,707)	(40,853)
Transfer to VRE for small liability claims	(18,849)	(9,425)
Ending balance, June 30	<u>\$ 10,386,757</u>	<u>\$ 5,193,379</u>

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

Note 11. Significant Commitments and Contingencies

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

Governmental activities

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

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

Business-type activities

At June 30, 2016, there were disputes between VRE and certain vendors. The amounts of any settlements, should they occur, are not determinable at this time. However, such amounts are not expected to be material in relation to the recorded amounts.

The Commissions have outstanding commitments for construction of facilities and equipment. A combination of Federal (with VRE as grantee) and Commonwealth of Virginia grants and local funds will be used to finance these capital projects. The following is a summary of the more significant contractual commitments, net of expenses incurred as of June 30, 2016:

Stations and parking lots	\$ 2,243,252
Rolling Stock	31,412,358
Maintenance and layover yards	1,125,176
Other administrative	1,983,352
Total	<u>\$ 36,764,138</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 12. Pending GASB Statements

At June 30, 2016, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by NVTC. The statements which might impact NVTC are as follows:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will improve accounting and financial reporting by state and local governments for OPEB. It will also require the recognition of the entire OPEB liability and a comprehensive measure of OPEB expense. Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, will improve the accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Statement No. 79 will be effective for fiscal years beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 82, *Pension Issues*, the objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement No. 82 will be effective for reporting periods beginning after June 15, 2016 except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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

Note 13. Subsequent Events

The Commissions entered into contracts at various times from August 2016 through October 2016 to purchase fuel at set prices for delivery in September 2016 through March 2017. The fuel will be used in the normal course of operations and is not being purchased for resale. The total commitment is for 420,000 gallons of fuel at a cost of approximately \$660,000.

The first year of the Commissions' contract with Keolis Rail Services, Virginia LLC for maintenance of equipment and facilities went into effect on July 1, 2016 for a five-year base term. The contract also provides for two subsequent five-year option periods. The existing agreement with Keolis Rail Services, Virginia LLC for operations and maintenance was amended to remove the maintenance functions, effective July 1, 2016.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2016

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY JURISDICTION
JURISDICTION TRUST FUND
Year Ended June 30, 2016**

	<u>City of Alexandria</u>	<u>Arlington County</u>	<u>City of Fairfax</u>	<u>Fairfax County</u>	<u>City of Falls Church</u>	<u>Loudoun County</u>	<u>Totals</u>
Additions:							
Contributions from government:							
Commonwealth of Virginia	\$ 20,382,729	\$ 30,138,626	\$ 1,617,330	\$ 85,632,072	\$ 997,189	\$ -	\$ 138,767,946
Motor Vehicle Fuel Sales Tax	2,156,124	2,610,504	1,143,227	15,818,309	937,229	6,925,373	29,590,766
Intergovernmental revenues, grants:							
Commonwealth of Virginia	4,666,857	7,776,560	359,954	19,058,317	222,334	-	32,084,022
Investment income	33,887	116,936	9,404	268,982	775	71,074	501,058
Total additions	<u>27,239,597</u>	<u>40,642,626</u>	<u>3,129,915</u>	<u>120,777,680</u>	<u>2,157,527</u>	<u>6,996,447</u>	<u>200,943,792</u>
Deductions:							
Funds disbursed to WMATA:							
Capital improvement program	4,000,000	9,556,553	470,299	2,912,128	194,718	-	17,133,698
Project development	133,000	261,000	6,000	208,500	6,000	-	614,500
Metrorail operating	6,058,521	13,648,485	974,248	43,165,249	524,244	-	64,370,747
Metrobus operating	17,203,468	14,271,297	597,936	53,495,583	1,228,675	-	86,796,959
MetroAccess operating	-	-	268,822	12,636,433	55,425	-	12,960,680
Metro debt service	-	-	-	-	31,484	-	31,484
Other funds disbursed:							
Other capital disbursements	-	6,522,130	207,472	-	59,409	869,722	7,658,733
Other operating disbursements	-	4,757,368	324,438	14,160,353	-	1,062,864	20,305,023
Total deductions	<u>27,394,989</u>	<u>49,016,833</u>	<u>2,849,215</u>	<u>126,578,246</u>	<u>2,099,955</u>	<u>1,932,586</u>	<u>209,871,824</u>
Change in net position	(155,392)	(8,374,207)	280,700	(5,800,566)	57,572	5,063,861	(8,928,032)
Net position held in trust for member jurisdictions							
Beginning of year	<u>16,532,819</u>	<u>43,875,032</u>	<u>3,553,667</u>	<u>104,162,274</u>	<u>662,175</u>	<u>20,220,683</u>	<u>189,006,650</u>
End of year	<u>\$ 16,377,427</u>	<u>\$ 35,500,825</u>	<u>\$ 3,834,367</u>	<u>\$ 98,361,708</u>	<u>\$ 719,747</u>	<u>\$ 25,284,544</u>	<u>\$ 180,078,618</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF GENERAL, ADMINISTRATIVE AND PROJECT EXPENDITURES
GENERAL FUND
Year Ended June 30, 2016**

	Total	General and Administrative	Projects
Expenditures:			
Advertising	\$ 1,364	\$ 1,364	\$ -
Audit and Legal	55,306	55,306	-
Capital outlay	25,467	25,467	-
Commissioners' per diem	11,046	11,046	-
Computer	7,967	7,967	-
Conference registration and training	12,326	12,326	-
Copier duplicating	11,329	11,329	-
Disability insurance	5,106	4,836	270
Employee group insurance	70,338	66,625	3,713
Employee retirement	99,697	94,434	5,263
Employer payroll taxes	81,875	77,553	4,322
Leave - annual, holiday, and sick	150,418	142,477	7,941
Memberships and subscriptions	1,201	1,201	-
Miscellaneous	6,430	6,430	-
Office supplies	4,050	4,050	-
Office rent	206,124	206,124	-
Insurance and liability bonds	5,699	5,699	-
Parking and Transit	12,955	12,835	120
Postage and shipping	1,605	1,605	-
Project consultants and other project costs	2,741,447	29,328	2,712,119
Public information	576	500	76
Salaries and wages	1,084,069	1,032,208	51,861
Special events	20,686	20,686	-
State liaison	32,292	32,292	-
Telephone and data	7,717	7,717	-
Travel and meetings	15,803	15,215	588
Total expenditures	\$ 4,672,893	\$ 1,886,621	\$ 2,786,272

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT REVENUES AND EXPENDITURES
GENERAL FUND
Year Ended June 30, 2016**

	<u>Jurisdiction Grants & Projects</u>	<u>NTD</u>	<u>Fare Collection</u>	<u>Route 7</u>	<u>Totals</u>
Revenues:					
Commonwealth of Virginia	\$ 307,104	\$ -	\$ 56,500	\$ -	\$ 363,604
Federal	1,642,129	-	-	-	1,642,129
Regional	-	-	-	455,251	455,251
Local	-	194,634	56,500	-	251,134
NVTC match	-	1,911	23,416	48,827	74,154
	<u>\$ 1,949,233</u>	<u>\$ 196,545</u>	<u>\$ 136,416</u>	<u>\$ 504,078</u>	<u>\$ 2,786,272</u>
Total revenue					
	<u>\$ 1,949,233</u>	<u>\$ 196,545</u>	<u>\$ 136,416</u>	<u>\$ 504,078</u>	<u>\$ 2,786,272</u>
Expenditures:					
Consultants	\$ -	\$ 194,634	\$ 113,000	\$ 455,252	\$ 762,886
Costs incurred	1,949,233	-	-	-	1,949,233
Fringe benefits	-	560	6,799	14,149	21,508
Parking	-	-	72	48	120
Public information	-	-	-	76	76
Salaries and wages	-	1,351	16,394	34,116	51,861
Travel	-	-	151	437	588
	<u>\$ 1,949,233</u>	<u>\$ 196,545</u>	<u>\$ 136,416</u>	<u>\$ 504,078</u>	<u>\$ 2,786,272</u>
Total expenditures					
	<u>\$ 1,949,233</u>	<u>\$ 196,545</u>	<u>\$ 136,416</u>	<u>\$ 504,078</u>	<u>\$ 2,786,272</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT REVENUES AND EXPENDITURES
GENERAL FUND
Project Costs to Date - Active Projects
Period Ended June 30, 2016**

	<u>Jurisdiction Grants & Projects</u>	<u>NTD and Bus Data Collection</u>	<u>NEPP</u>	<u>Route 7</u>	<u>Totals</u>
Revenues:					
Commonwealth of Virginia	\$ 1,068,511	\$ 1,675,569	\$ 151,500	\$ 43,500	\$ 2,939,080
Federal	5,666,356	113,067	-	349,537	6,128,960
Regional	-	-	-	785,252	785,252
Local	5,000	926,382	151,500	43,750	1,126,632
NVTC match	71,101	54,722	65,304	89,483	280,610
	<u>\$ 6,810,968</u>	<u>\$ 2,769,740</u>	<u>\$ 368,304</u>	<u>\$ 1,311,522</u>	<u>\$ 11,260,534</u>
Total revenue					
	<u>\$ 6,810,968</u>	<u>\$ 2,769,740</u>	<u>\$ 368,304</u>	<u>\$ 1,311,522</u>	<u>\$ 11,260,534</u>
Expenditures:					
Advertising	\$ 306	\$ 1,210	\$ -	\$ -	\$ 1,516
Consultants	442,735	2,699,970	303,000	1,222,174	4,667,879
Copier duplicating	-	-	-	37	37
Costs incurred	6,297,130	-	-	-	6,297,130
Fringe benefits	22,963	20,303	18,780	26,304	88,350
Parking	8	60	360	144	572
Postage	-	960	-	307	1,267
Public information	-	-	-	362	362
Salaries and wages	47,718	46,866	46,013	61,697	202,294
Telephone	108	21	-	-	129
Travel	-	350	151	497	998
	<u>\$ 6,810,968</u>	<u>\$ 2,769,740</u>	<u>\$ 368,304</u>	<u>\$ 1,311,522</u>	<u>\$ 11,260,534</u>
Total expenditures					
	<u>\$ 6,810,968</u>	<u>\$ 2,769,740</u>	<u>\$ 368,304</u>	<u>\$ 1,311,522</u>	<u>\$ 11,260,534</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS
Year Ended June 30, 2016**

Grant	Contract Date	Grant Number	Grant Award	Accrued (Deferred) Revenue 6/30/2015	Cash Received	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2016	Cumulative Expenditures
Northern Virginia Transportation Commission									
Virginia Department of Rail and Public Transportation (DRPT)									
Capital:									
Fiscal Year 2016	8/3/2015	73016-53	\$ 9,782,860	\$ -	\$ 9,782,860	\$ 9,782,860	\$ 9,782,860	\$ -	\$ 9,782,860
Fiscal Year 2016	8/3/2015	73016-54	31,621,455	-	24,876,105	24,876,105	24,876,105	-	24,876,105
Fiscal Year 2016	8/3/2015	73016-55	2,615,481	-	2,037,003	2,037,003	2,037,003	-	2,037,003
Fiscal Year 2016	8/3/2015	73016-56	17,998	-	17,998	17,998	17,998	-	17,998
Fiscal Year 2016	8/3/2015	73016-57	889,893	-	-	-	-	-	-
Fiscal Year 2016	8/3/2015	73016-58	140,250	-	140,250	140,250	140,250	-	140,250
Fiscal Year 2015	7/18/2014	73015-47	3,369,003	-	138,528	138,528	138,528	-	3,369,003
Fiscal Year 2015	7/18/2014	73015-51	13,465,111	-	-	-	-	-	12,810,846
Fiscal Year 2015	7/18/2014	73015-52	21,876,797	-	-	-	-	-	20,815,787
Fiscal Year 2015	7/18/2014	73015-53	3,197,559	-	-	-	-	-	3,044,035
Fiscal Year 2012	10/18/2011	73012-48	754,380	-	-	-	-	-	570,953
Fiscal Year 2012	10/18/2011	73012-49	17,926,808	-	-	-	-	-	8,981,360
Fiscal Year 2012	10/18/2011	73012-52	28,590	-	-	-	-	-	27,470
Fiscal Year 2012	10/18/2011	73012-54	445,500	-	-	-	-	-	427,545
Fiscal Year 2012	10/18/2011	73012-61	1,350,000	-	-	-	-	-	557,409
Fiscal Year 2012	10/18/2011	73012-65	750,000	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-66	1,250,000	-	-	-	-	-	1,244,292
Fiscal Year 2012	10/18/2011	73012-67	750,000	23,207	95,350	72,143	72,143	-	630,464
Fiscal Year 2012	10/18/2011	73012-68	100,000	-	-	-	-	-	64,570
Fiscal Year 2012	10/18/2011	73012-69	150,000	-	-	-	-	-	82,576
Fiscal Year 2012	10/18/2011	73012-72	225,000	-	-	-	-	-	91,969
Fiscal Year 2012	10/18/2011	73012-74	525,000	15,506	79,501	63,995	63,995	-	281,363
Fiscal Year 2012	10/18/2011	73012-76	350,000	-	-	-	-	-	321,181
Fiscal Year 2012	10/18/2011	73012-77	100,000	-	-	-	-	-	43,186
Fiscal Year 2011	7/17/2012	72511-03	771,612	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	72511-04	100,000	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-29	53,000	-	-	-	-	-	6,155
Fiscal Year 2010	7/17/2012	72510-08	209,575	-	-	-	-	-	-
Fiscal Year 2011	7/18/2012	72510-10	133,250	-	36,804	36,804	36,804	-	36,804
Fiscal Year 2010	1/8/2014	72510-13	169,290	98,539	148,262	49,723	49,723	-	169,289
Fiscal Year 2010	8/4/2011	72510-17	915,893	-	-	-	-	-	-
Fiscal Year 2010	12/28/2010	72510-18	221,540	-	-	-	-	-	-
Fiscal Year 2010	2/2/2011	72510-25	133,250	-	-	-	-	-	-
Fiscal Year 2010	7/2/2009	72509-22	190,190	-	-	-	-	-	-
Fiscal Year 2009	10/1/2010	72509-25	200,600	-	10,007	10,007	10,007	-	12,633
Fiscal Year 2009	7/1/2008	73009-37	160,000	-	-	-	-	-	7,982
Fiscal Year 2009	7/1/2008	73009-38	160,000	-	-	-	-	-	138,968

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)
Year Ended June 30, 2016

Grant	Contract Date	Grant Number	Grant Award	Accrued (Deferred) Revenue 6/30/2015	Cash Received	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2016	Cumulative Expenditures
<u>Northern Virginia Transportation Commission (continued)</u>									
Virginia Department of Rail and Public Transportation (DRPT) (continued)									
Capital (continued):									
Fiscal Year 2009	7/1/2008	73009-44	\$ 4,626,150	\$ 324,722	\$ 1,960,942	\$ 1,636,220	\$ 1,636,220	\$ -	\$ 2,830,956
Fiscal Year 2009	7/2/2009	72508-09	175,560	-	-	-	-	-	-
Fiscal Year 2009	7/2/2009	72508-10	100,320	961	10,864	9,903	9,903	-	14,277
Fiscal Year 2008	8/12/2008	72508-12	125,400	-	-	-	-	-	-
Fiscal Year 2008	8/5/2010	72508-13	59,500	-	-	-	-	-	13,234
Fiscal Year 2008	10/1/2008	72508-14	59,500	-	23,612	23,612	23,612	-	59,500
Fiscal Year 2008	8/12/2008	72508-16	59,500	-	750	750	750	-	750
Fiscal Year 2008	9/19/2008	72508-19	100,320	1,870	46,511	44,641	44,641	-	54,113
Fiscal Year 2008	1/8/2014	72508-46	241,000	80,877	152,504	71,627	71,627	-	240,962
Fiscal Year 2008	4/5/2012	72508-48	209,245	-	-	-	-	-	-
Fiscal Year 2008	4/5/2012	72508-52	320,000	-	4,195	4,195	4,195	-	4,195
Fiscal Year 2008	10/16/2007	73008-17	2,139,112	-	-	-	-	-	2,011,428
Fiscal Year 2008	10/16/2007	73008-48	209,245	-	63,960	63,960	63,960	-	63,960
Fiscal Year 2008	10/16/2007	73008-74	312,873	-	13,200	13,200	13,200	-	13,200
Fiscal Year 2007	8/12/2008	72507-31	118,973	-	-	-	-	-	51,410
Fiscal Year 2007	8/12/2008	72507-35	56,678	-	-	-	-	-	-
Fiscal Year 2007	7/2/2009	72507-29	166,563	-	-	-	-	-	-
Operating									
Fiscal Year 2016		72016-26	99,790,236	-	99,790,236	99,790,236	99,790,236	-	99,790,236
Demonstration \ Experimental:									
Fiscal Year 2015									
Intern Program	8/3/2015	71216-03	40,000	-	-	1,180	1,180	1,180	1,180
Intern Program	9/2/2014	71215-04	40,000	3,688	21,436	30,992	30,992	13,244	40,000
Fiscal Year 2014									
NEPP Technical Assist.	9/2/2014	71315-03	400,000	-	37,500	51,500	51,500	14,000	51,500
NEPP Technical Assist.	12/1/2013	71314-02	100,000	28,000	33,000	5,000	5,000	-	100,000
Total State Assistance - NVTC			224,550,060	577,370	139,521,378	138,972,432	138,972,432	28,424	195,930,957

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (Continued)
Year Ended June 30, 2016

Grant	Contract Date	Grant Number	Grant Award	Accrued (Deferred) Revenue 6/30/2015	Cash Received	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2016	Cumulative Expenditures
Virginia Railway Express									
Virginia Department of Rail and Public Transportation (DRPT)									
Capital:									
Fiscal Year 2015	8/3/2015	50002	\$ 4,539,850	\$ -	\$ 2,661,519	\$ 3,277,413	\$ 3,277,413	\$ 615,894	\$ 3,277,413
Fiscal Year 2015	8/3/2015	50003	4,634,540	-	1,665,377	1,762,748	1,762,748	97,371	1,762,748
Fiscal Year 2016	9/16/2015	50012	12,045,657	-	700,196	1,187,332	1,187,332	487,136	1,187,332
Fiscal Year 2016	2/26/2016	50013	16,065,000	-	-	2,217	2,217	2,217	2,217
Fiscal Year 2010	6/10/2011	72510-51	720,474	-	-	-	-	-	645,786
Fiscal Year 2011	1/6/2014	72510-67	300,000	-	-	-	-	-	-
Fiscal Year 2010	6/10/2011	72510-74	50,000	-	-	-	-	-	-
Fiscal Year 2010	1/21/2011	72510-75	821,902	-	-	-	-	-	183,051
Fiscal Year 2014	2/2/2016	72514-07	800,000	-	-	-	-	-	-
Fiscal Year 2014	2/20/2014	72514-10	325,000	-	-	-	-	-	158,052
Fiscal Year 2016	2/2/2016	72516-07	68,973	-	-	-	-	-	-
Fiscal Year 2009	7/1/2008	73009-60	749,000	14,994	23,739	8,745	8,745	-	321,715
Fiscal Year 2014	1/6/2014	73014-71	275,000	41,805	74,314	33,109	33,109	600	209,556
Fiscal Year 2014	10/14/2016	73014-72	212,449	-	-	212,449	212,449	212,449	212,449
Fiscal Year 2014	2/11/2016	73014-74	510,997	-	510,997	510,997	510,997	-	510,997
Fiscal Year 2014	8/15/2013	73014-75	3,799,032	-	-	-	-	-	2,879,916
Fiscal Year 2014	10/14/2016	73014-76	539,000	-	-	349,649	349,649	349,649	349,649
Fiscal Year 2014	1/6/2014	73014-77	145,134	25,390	140,567	115,177	115,177	-	145,134
Fiscal Year 2015	9/16/2015	73015-92	2,040,000	-	2,040,000	2,040,000	2,040,000	-	2,040,000
Fiscal Year 2007	2/29/2016	73015-94	1,705,189	-	32,951	38,622	38,622	5,671	38,622
Fiscal Year 2015	2/8/2016	73015-95	840,000	-	20,813	36,522	36,522	15,709	36,522
Fiscal Year 2015	10/14/2016	73015-98	879,572	-	-	330,817	330,817	330,817	330,817
Fiscal Year 2015	10/14/2016	73015-99	309,017	-	-	309,017	309,017	309,017	309,017
Fiscal Year 2016	10/14/2016	73016-84	867,200	-	-	80,528	80,528	80,528	80,528
Fiscal Year 2016	10/19/2016	73016-85	1,320,960	-	-	19,052	19,052	19,052	19,052
Fiscal Year 2016	10/14/2016	73016-92	309,017	-	-	58,052	58,052	58,052	58,052
Fiscal Year 2016	10/19/2016	73016-93	790,564	-	-	404,295	404,295	404,295	404,295
Fiscal Year 2009	3/23/2016	73109-51	418,540	-	-	8,618	8,618	8,618	8,618
Fiscal Year 2011	7/22/2011	73111-20	135,899	7,298	31,330	52,328	52,328	28,296	69,372
Fiscal Year 2011	12/1/2012	73111-23	46,110	-	-	-	-	-	32,387
Fiscal Year 2012	2/4/2016	73112-33	48,708	-	25,614	25,614	25,614	-	25,614
Fiscal Year 2013	8/28/2012	73113-01	1,884,025	296,423	778,488	482,065	482,065	-	1,884,025
Fiscal Year 2013	4/24/2013	73113-46	11,391,184	24,973	3,839,334	4,134,976	4,134,976	320,615	9,739,850
Fiscal Year 2014	10/9/2014	73114-76	232,716	-	232,716	232,716	232,716	-	232,716
Fiscal Year 2015	2/11/2016	73115-01	704,818	-	704,818	704,818	704,818	-	704,818
Operating:									
Fiscal Year 2016	8/3/2015	72016-31	9,201,466	-	9,201,466	9,201,466	9,201,466	-	9,201,466

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (Continued)
Year Ended June 30, 2016**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2015</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2016</u>	<u>Cumulative Expenditures</u>
<u>Virginia Railway Express (continued)</u>									
Virginia Department of Rail and Public Transportation (DRPT) (continued)									
Other Special Projects	7/18/2014	71315-04	\$ 125,000	\$ -	\$ 99,682	\$ 108,671	\$ 108,671	\$ 8,989	\$ 108,671
Rail Enhancement Fund:									
Gainesville-Haymarket	5/10/2013	76509-02	2,785,714	-	635,919	1,007,818	1,007,818	371,899	1,007,818
Third Track Spotsylvania	5/10/2013	76513-11	13,856,292	8,117,488	10,618,316	4,032,132	4,032,132	1,531,304	13,820,807
Cherry Hill Station	4/15/2008	76507-07	1,071,429	126,858	77,601	(49,257)	(49,257)	-	731,901
Eligible expenditures accrued, not yet assigned to specific grants		N/A	N/A	4,324,395	-	(4,320,201)	(4,320,201)	4,194	(4,320,201)
Total State Assistance - VRE			<u>97,565,428</u>	<u>12,979,624</u>	<u>34,115,757</u>	<u>26,398,505</u>	<u>26,398,505</u>	<u>5,262,372</u>	<u>48,410,782</u>
Total State Assistance - NVTC and VRE			<u>\$ 322,115,488</u>	<u>\$ 13,556,994</u>	<u>\$ 173,637,135</u>	<u>\$ 165,370,937</u>	<u>\$ 165,370,937</u>	<u>\$ 5,290,796</u>	<u>\$ 244,341,739</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS
Year Ended June 30, 2016**

Grant / Contracted Jurisdiction	Contract Date	Grant Number	Grant Award	Accrued (Deferred) Revenue 6/30/2015	Cash Received	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2016	Cumulative Expenditures
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Northern Virginia Transportation Commission, Jurisdiction Trust Fund (contracted directly with individual jurisdictions)

Virginia Department of Rail and Public Transportation (DRPT)

Capital:

Fiscal Year 2016

Arlington County	10/19/2015	73016-59	\$ 155,720	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Arlington County	10/19/2015	73016-60	39,950	-	4,901	4,901	4,901	-	4,901
Arlington County	10/19/2015	73016-61	1,734,000	-	3,786	3,786	3,786	-	3,786
Arlington County	10/19/2015	73016-62	46,410	-	12,245	12,245	12,245	-	12,245
Arlington County	10/19/2015	73016-63	811,185	-	-	-	-	-	-
Arlington County	10/19/2015	73016-64	170,000	-	-	-	-	-	-
Arlington County	10/19/2015	73016-65	2,651,581	-	2,651,581	2,651,581	2,651,581	-	2,651,581
Arlington County	10/19/2015	73016-66	493,000	-	484,883	484,883	484,883	-	484,883
Arlington County	10/19/2015	73016-67	51,000	-	-	-	-	-	-
City of Alexandria	11/2/2015	73016-68	1,836,000	-	-	-	-	-	-
City of Alexandria	11/2/2015	73016-69	17,000	-	-	-	-	-	-
City of Alexandria	11/2/2015	73016-70	816,000	-	-	-	-	-	-
Fairfax County	9/24/2015	73016-72	340,000	-	-	-	-	-	-
Fairfax County	9/24/2015	73016-73	1,870,000	-	-	72,227	72,227	72,227	72,227
Fairfax County	9/24/2015	73016-74	2,040,000	-	-	-	-	-	-
Fairfax County	9/24/2015	73016-75	408,000	-	-	-	-	-	-
Fairfax County	9/24/2015	73016-76	1,870,000	-	296,040	327,646	327,646	31,606	327,646
Fairfax County	9/24/2015	73016-77	850,000	-	16,645	27,049	27,049	10,404	27,049
Fairfax County	9/24/2015	73016-78	1,088,000	-	-	-	-	-	-
Fairfax County	9/24/2015	73016-79	2,074,000	-	1,133,524	1,133,524	1,133,524	-	1,133,524
Fairfax County	9/24/2015	73016-80	3,230,000	-	-	-	-	-	-
Fairfax County	9/24/2015	73016-81	42,500	-	-	-	-	-	-
Fairfax County	9/24/2015	73016-82	357,000	-	-	-	-	-	-

Fiscal Year 2015

Arlington County	9/12/2014	73015-54	211,480	-	163,423	163,423	163,423	-	163,423
Arlington County	9/12/2014	73015-55	38,760	-	10,012	10,012	10,012	-	38,760
Arlington County	9/12/2014	73015-56	538,220	-	274	274	274	-	274
Arlington County	9/12/2014	73015-57	17,000	235	2,858	2,623	2,623	-	2,858
Arlington County	9/12/2014	73015-58	737,800	-	-	-	-	-	238,319
Arlington County	9/12/2014	73015-59	44,880	-	-	-	-	-	-
Arlington County	9/12/2014	73015-61	2,885,580	-	-	-	-	-	-
Arlington County	9/12/2014	73015-62	80,920	34,237	57,069	22,832	22,832	-	80,920
Arlington County	9/12/2014	73015-63	68,000	28,177	68,000	39,823	39,823	-	68,000
Arlington County	9/12/2014	73015-64	850,000	-	-	-	-	-	-
Arlington County	9/12/2014	73015-65	98,940	-	-	-	-	-	71,402
Arlington County	9/12/2014	73015-66	523,600	-	-	-	-	-	-
Arlington County	9/12/2014	73115-62	2,720,000	-	-	-	-	-	-

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)
Year Ended June 30, 2016**

Grant / Contracted Jurisdiction	Contract Date	Grant Number	Grant Award	Accrued (Deferred) Revenue 6/30/2015	Cash Received	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2016	Cumulative Expenditures
<u>Northern Virginia Transportation Commission, Jurisdiction Trust Fund (contracted directly with individual jurisdictions) (continued)</u>									
Virginia Department of Rail and Public Transportation (DRPT) (continued)									
Capital (continued):									
City of Alexandria	10/8/2013	72513-17	\$ 282,987	\$ 117,233	\$ 282,987	\$ 165,754	\$ 165,754	\$ -	\$ 282,987
City of Alexandria	9/2/2014	73015-67	1,700,000	-	-	-	-	-	-
City of Alexandria	9/2/2014	73015-68	170,000	-	-	-	-	-	-
City of Alexandria	9/2/2014	73015-69	2,380,000	-	-	-	-	-	-
City of Alexandria	9/2/2014	73015-71	535,500	-	7,657	7,657	7,657	-	7,657
City of Fairfax	7/30/2014	73015-72	35,700	-	35,270	35,270	35,270	-	35,270
Fairfax County	10/7/2014	73015-74	5,780,000	-	-	-	-	-	5,482,575
Fairfax County	10/7/2014	73015-75	3,400,000	-	-	-	-	-	-
Fairfax County	10/7/2014	73015-77	272,000	-	151,932	151,932	151,932	-	272,000
Fairfax County	10/7/2014	73015-78	76,500	-	-	76,500	76,500	76,500	76,500
Fairfax County	10/7/2014	73015-80	68,000	-	-	-	-	-	-
Fairfax County	10/7/2014	73015-81	68,000	-	-	-	-	-	-
Fairfax County	10/7/2014	73015-82	170,000	-	46,531	46,531	46,531	-	46,531
Fairfax County	10/7/2014	73015-83	850,000	4,402	81,989	87,823	87,823	10,236	92,225
Fairfax County	10/7/2014	73015-84	102,000	-	21,402	62,556	62,556	41,154	62,556
Fairfax County	10/7/2014	73015-85	595,000	-	-	-	-	-	63,902
Fairfax County	10/7/2014	73015-86	782,000	23,165	698,677	675,512	675,512	-	782,000
Fairfax County	10/7/2014	73015-87	782,000	26,101	356,558	351,013	351,013	20,556	782,000
Fairfax County	10/7/2014	73015-88	2,040,000	-	-	-	-	-	-
Fairfax County	10/7/2014	73015-89	340,000	-	41,592	82,214	82,214	40,622	82,214
Fairfax County	10/7/2014	73015-90	47,600	-	-	8,708	8,708	8,708	8,708
Fairfax County	10/7/2014	73015-91	299,200	-	-	-	-	-	-
City of Falls Church	11/21/2014	73015-73	239,700	290	60,262	59,972	59,972	-	80,105
Fiscal Year 2014									
Arlington County	1/8/2014	73014-40	1,100,000	-	-	-	-	-	-
Arlington County	1/29/2014	73014-41	825,000	-	-	-	-	-	386,823
Arlington County	1/8/2014	73014-42	483,560	-	-	-	-	-	435,923
Arlington County	1/8/2014	73014-43	1,119,360	11,110	13,904	2,794	2,794	-	1,064,892
Arlington County	1/8/2014	73014-44	1,119,360	11,110	13,904	2,794	2,794	-	1,064,892
Arlington County	1/8/2014	73014-45	27,500	-	11,741	11,741	11,741	-	18,473
Arlington County	1/8/2014	73014-46	110,000	9,700	44,580	34,880	34,880	-	110,000
Arlington County	1/8/2014	73014-47	357,500	-	196,368	196,368	196,368	-	196,368
Arlington County	1/8/2014	73014-48	550,444	-	550,444	550,444	550,444	-	550,444
Arlington County	1/8/2014	73014-50	1,842,500	126,030	1,771,730	1,645,700	1,645,700	-	1,771,730
Arlington County	1/8/2014	73014-52	41,431	-	33,943	33,943	33,943	-	33,943
Arlington County	1/8/2014	73114-58	1,587,304	-	-	-	-	-	1,467,993
Arlington County	1/8/2014	73114-59	8,331,362	-	-	-	-	-	7,705,383
City of Alexandria	10/8/2013	73014-53	1,787,500	-	1,742,051	1,742,051	1,742,051	-	1,742,051

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)
Year Ended June 30, 2016**

Grant / Contracted Jurisdiction	Contract Date	Grant Number	Grant Award	Accrued (Deferred) Revenue 6/30/2015	Cash Received	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2016	Cumulative Expenditures
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Northern Virginia Transportation Commission, Jurisdiction Trust Fund (contracted directly with individual jurisdictions) (continued)

Virginia Department of Rail and Public Transportation (DRPT) (continued)

Capital (continued):

City of Alexandria	10/8/2013	73014-54	\$ 2,029,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,019,309
City of Alexandria	10/8/2013	73014-55	660,000	-	-	-	-	-	-
City of Alexandria	1/6/2014	73114-53	817,168	-	-	-	-	-	788,949
City of Alexandria	1/6/2014	73114-54	7,289,093	-	-	-	-	-	4,141,132
City of Fairfax	8/26/2013	73014-56	23,100	-	-	-	-	-	20,797
City of Fairfax	8/26/2013	73014-57	11,000	-	-	-	-	-	10,036
City of Fairfax	1/6/2014	73114-62	63,216	-	-	-	-	-	45,250
City of Fairfax	1/6/2014	73114-63	331,782	-	-	-	-	-	237,509
Fairfax County	2/20/2014	73014-58	68,750	-	-	-	-	-	59,049
Fairfax County	2/20/2014	73014-59	4,801,500	-	-	-	-	-	4,693,388
Fairfax County	2/20/2014	73014-61	440,000	10,732	203,794	209,565	209,565	16,503	421,151
Fairfax County	2/20/2014	73014-62	440,000	9,300	26,619	17,319	17,319	-	197,200
Fairfax County	4/23/2014	73014-63	2,200,000	-	20,600	57,427	57,427	36,827	57,427
Fairfax County	2/20/2014	73014-64	110,000	-	110,000	110,000	110,000	-	110,000
Fairfax County	2/20/2014	73014-65	247,500	-	136,684	168,069	168,069	31,385	247,500
Fairfax County	2/20/2014	73014-66	27,500	-	-	-	-	-	10,451
Fairfax County	2/20/2014	73014-67	398,750	-	365,732	365,732	365,732	-	398,750
Fairfax County	2/20/2014	73014-68	55,000	-	-	-	-	-	-
Fairfax County	2/20/2014	73014-69	1,925,000	-	-	107,966	107,966	107,966	563,015
Fairfax County	2/20/2014	73114-67	2,795,744	-	-	-	-	-	2,579,124
Fairfax County	2/20/2014	73114-68	14,674,066	-	-	-	-	-	13,537,620
Falls Church	1/6/2014	73114-72	65,496	-	-	-	-	-	55,665
Falls Church	1/6/2014	73114-73	343,750	-	-	-	-	-	292,184
Fiscal Year 2013									
City of Alexandria	10/8/2013	72513-16	200,000	-	25,536	25,536	25,536	-	200,000
Arlington County	11/13/2012	73113-28	275,000	738	271,046	270,308	270,308	-	274,504
Arlington County	11/13/2012	73113-29	82,500	-	-	-	-	-	69,002
Arlington County	11/13/2012	73113-31	1,755,000	-	-	-	-	-	-
Arlington County	11/13/2012	73113-33	93,500	19,166	19,166	-	-	-	93,500
City of Fairfax	10/4/2012	73113-34	16,500	-	-	-	-	-	13,559
City of Fairfax	10/4/2012	73113-74	203,491	-	-	-	-	-	199,286
City of Fairfax	10/4/2012	73113-75	44,537	-	-	-	-	-	43,617
Fairfax County	10/4/2012	73113-35	5,335,000	-	-	-	-	-	5,051,831
Fairfax County	10/4/2012	73113-36	4,001,250	-	-	-	-	-	3,747,690
Fairfax County	10/4/2012	73113-38	49,500	-	-	-	-	-	44,790
Fairfax County	10/4/2012	73113-39	1,375,000	-	1,057,275	1,096,099	1,096,099	38,824	1,375,000
Fairfax County	10/4/2012	73113-42	495,000	-	-	-	-	-	-

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)
Year Ended June 30, 2016**

Grant / Contracted Jurisdiction	Contract Date	Grant Number	Grant Award	Accrued (Deferred) Revenue 6/30/2015	Cash Received	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2016	Cumulative Expenditures
<u>Northern Virginia Transportation Commission, Jurisdiction Trust Fund (contracted directly with individual jurisdictions) (continued)</u>									
Virginia Department of Rail and Public Transportation (DRPT) (continued)									
Capital (continued):									
Fairfax County	10/4/2012	73113-43	\$ 2,365,000	\$ 11,896	\$ 781,614	\$ 769,718	\$ 769,718	\$ -	\$ 781,614
Fairfax County	10/4/2012	73113-44	825,000	5,858	52,031	46,173	46,173	-	52,031
Fairfax County	10/4/2012	73113-45	660,000	-	-	-	-	-	653,612
Operating									
Arlington County	10/19/2015	72016-27	2,313,918	-	2,313,918	2,313,918	2,313,918	-	2,313,918
City of Alexandria	11/2/2015	72016-28	3,180,023	-	3,180,023	3,180,023	3,180,023	-	3,180,023
City of Fairfax	10/1/2015	72016-29	595,471	-	595,471	595,471	595,471	-	595,471
Fairfax County	9/24/2015	72016-30	13,748,921	-	13,748,921	13,748,921	13,748,921	-	13,748,921
Total State Assistance - Jurisdiction Trust Fund			\$ 149,538,060	\$ 449,480	\$ 33,977,193	\$ 34,071,231	\$ 34,071,231	\$ 543,518	\$ 93,011,818

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016**

	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/15</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/16</u>	<u>Cumulative Expenditures</u>
<u>Northern Virginia Transportation Commission</u>									
Federal Transit Administration									
Alexandria Potomac Yards Env Analysis	20.507	VA 95-0112	\$ 800,000	\$ -	\$ 102,146	\$ 102,146	\$ 102,146	\$ -	\$ 800,000
Alexandria VanDorn/Beauregard AA/EA	20.507	VA 95-2114	1,131,950	190,290	1,131,949	941,659	941,659	-	1,131,949
Eisenhower Ave. Intermodal Station	20.500	VA 04-0022	1,442,203	-	-	-	-	-	182,820
Alexandria Potomac Yard Busway	20.500	VA 04-0024	997,710	-	241,662	241,662	241,662	-	611,926
Falls Church Intermodal	20.500	VA 04-0029	1,668,154	7,479	186,041	178,562	178,562	-	589,683
Alexandria Transit Service Improvements	20.500	VA 04-0033	1,761,000	-	8,474	8,474	8,474	-	61,405
Eisenhower Ave Bus Loop	20.500	VA 04-0048	1,640,700	-	40,027	40,027	40,027	-	50,529
Alexandria VanDorn/Beauregard AA/EA	20.522	VA 39-0004	800,000	278,641	408,240	129,599	129,599	-	408,240
Alexandria BRT Potomac Yards-NWST	20.500	VA 03-0117	1,490,000	-	-	-	-	-	496,934
Total Federal Assistance - NVTC			<u>\$ 11,731,717</u>	<u>\$ 476,410</u>	<u>\$ 2,118,539</u>	<u>\$ 1,642,129</u>	<u>\$ 1,642,129</u>	<u>\$ -</u>	<u>\$ 4,333,486</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

COMPLIANCE SECTION

YEAR ENDED JUNE 30, 2016

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

Federal Grantor / Program or Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Transportation			
Direct Payments:			
Federal Transit Cluster:			
Fixed Guideway Capital Investment Grants:			
VA 04-0029	20.500	\$ 178,562	\$ 178,562
VA 04-0033	20.500	8,474	8,474
VA 04-0024	20.500	241,662	241,662
VA 04-0048	20.500	40,027	40,027
Total Fixed Guideway Capital Investment Grants		<u>468,725</u>	<u>468,725</u>
Urbanized Area Formula Program:			
VA 95-0112	20.507	102,146	102,146
VA 95-2114	20.507	941,659	941,659
Total Urbanized Area Formula Program		<u>1,043,805</u>	<u>1,043,805</u>
Total Federal Transit Cluster		1,512,530	1,512,530
Alternatives Analysis:			
VA 39-0004	20.522	129,599	129,599
Total Department of Transportation		<u>1,642,129</u>	<u>1,642,129</u>
Total Expenditures of Federal Awards		<u>\$ 1,642,129</u>	<u>\$ 1,642,129</u>

The accompanying notes are an integral part of this financial statement.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Northern Virginia Transportation Commission (NVTC) under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of NVTC, it is not intended to and does not present the financial position or changes in net position of NVTC.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the Schedule.

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

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

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

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

Note 2. Summary of Significant Accounting Policies

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 2. Summary of Significant Accounting Policies (Continued)

For fiscal year 2016, NVTC recognized amounts in the Schedule associated with prior year expenditures. Expenditures should be recognized in the fiscal year spent for reporting purposes. In the current fiscal year, \$1,112,612 of prior year expenditures associated with the Federal Transit Cluster were included in the Schedule. Prior year expenditures associated with the cluster were reflected in the current year due to timing in which NVTC received draw down requests and supporting documentation from the NVTC member jurisdictions in which NVTC manages the federal grants.

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

Pass-through identifying numbers are presented where available.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Northern Virginia Transportation Commission (Commission), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 21, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
November 21, 2016



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

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

Report on Compliance for Each Major Federal Program

We have audited the Northern Virginia Transportation Commission's (Commission) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Commission's major federal programs for the year ended June 30, 2016. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

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

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
November 21, 2016

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u> </u> Yes	<u> √ </u> No
Significant deficiencies identified?	<u> </u> Yes	<u> √ </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> √ </u> No

Federal Awards

Internal control over major programs:

Material weaknesses identified?	<u> </u> Yes	<u> √ </u> No
Significant deficiencies identified?	<u> </u> Yes	<u> √ </u> None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	<u> </u> Yes	<u> √ </u> No
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
--------------------	---

Federal Transit Cluster:

20.500	Federal Transit – Capital Investment Grants (Fixed Guideway Capital Investment Grants)
20.507	Federal Transit – Formula Grants (Urbanized Area Formula Program)

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

Auditee qualified as low-risk auditee?	<u> √ </u> Yes	<u> </u> No
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II. FINANCIAL STATEMENT FINDINGS

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

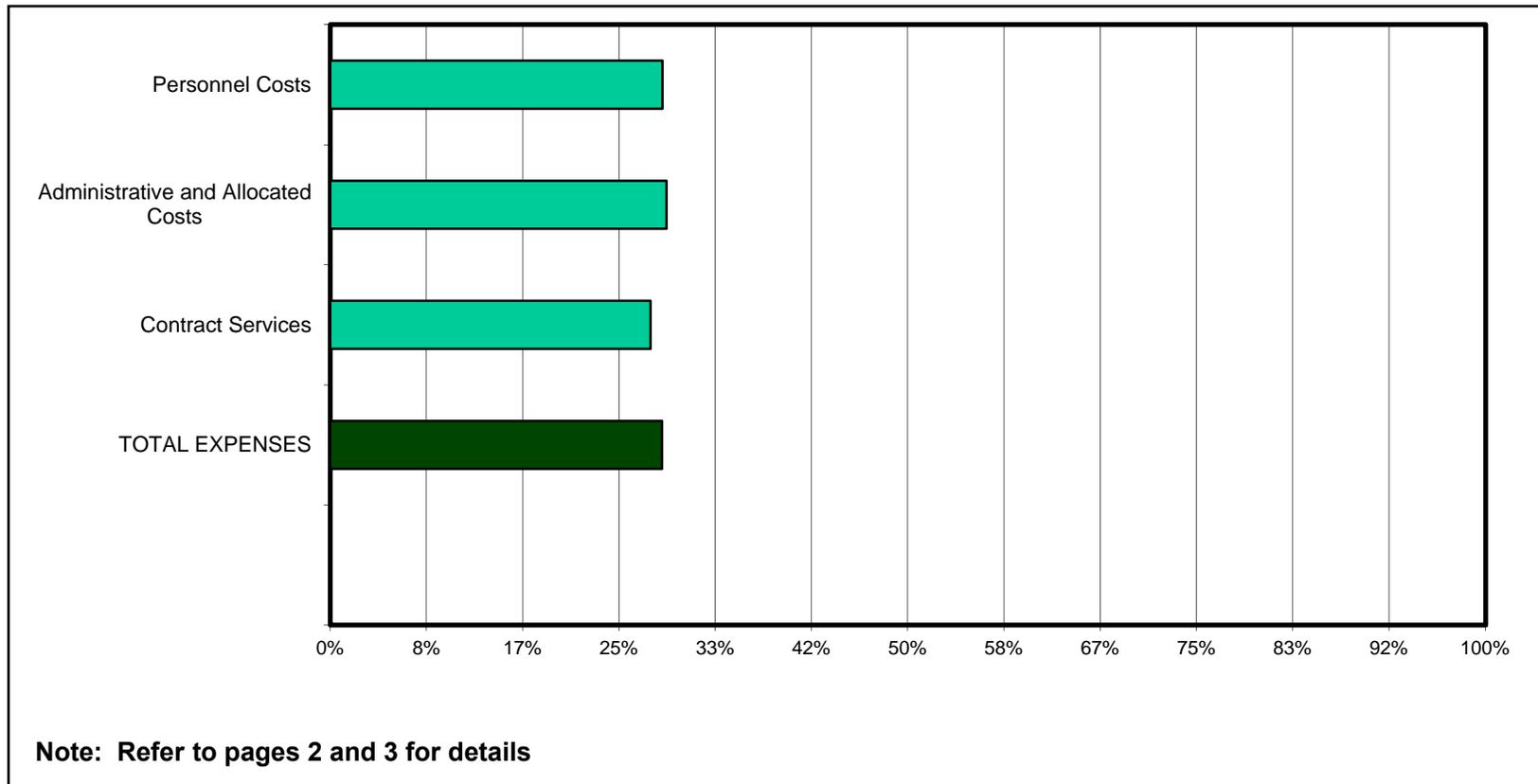
Year Ended June 30, 2016

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

Northern Virginia Transportation Commission

Financial Reports
October, 2016

Percentage of FY 2017 NVTC Administrative Budget Used
October 2016
(Target 33.34% or less)



NORTHERN VIRGINIA TRANSPORTATION COMMISSION
G&A BUDGET VARIANCE REPORT
October, 2016

	Current Month	Year To Date	Annual Budget	Balance Available	Balance %
<u>Personnel Costs</u>					
Salaries and Contract Wages	\$ 100,300.23	\$ 407,479.17	\$ 1,352,000.00	\$ 944,520.83	69.9%
Temporary Employee Services	-	-	-	-	
Total Personnel Costs	<u>100,300.23</u>	<u>407,479.17</u>	<u>1,352,000.00</u>	<u>944,520.83</u>	<u>69.9%</u>
<u>Benefits</u>					
Employer's Contributions:					
FICA	8,523.36	27,736.76	90,300.00	62,563.24	69.3%
Group Health Insurance	6,436.30	25,918.67	139,500.00	113,581.33	81.4%
Retirement	9,080.00	36,320.00	145,000.00	108,680.00	75.0%
Workmans & Unemployment Compensation	71.00	863.55	4,900.00	4,036.45	82.4%
Life Insurance	311.06	1,335.23	5,300.00	3,964.77	74.8%
Long Term Disability Insurance	454.36	1,817.44	6,400.00	4,582.56	71.6%
Total Benefit Costs	<u>24,876.08</u>	<u>93,991.65</u>	<u>391,400.00</u>	<u>297,408.35</u>	<u>76.0%</u>
<u>Administrative Costs</u>					
Commissioners Per Diem	1,250.00	3,550.00	9,800.00	6,250.00	63.8%
<i>Rents:</i>					
Office Rent	17,611.42	70,413.49	223,400.00	152,986.51	68.5%
Parking & Transit Benefits	910.00	4,112.06	16,200.00	12,087.94	74.6%
<i>Insurance:</i>					
Public Official Bonds	100.00	400.00	2,000.00	1,600.00	80.0%
Liability and Property	310.00	1,442.65	3,800.00	2,357.35	62.0%
<i>Travel:</i>					
Conference / Professional Development	1,569.94	6,808.34	17,000.00	10,191.66	60.0%
Non-Local Travel	55.08	827.76	2,300.00	1,472.24	64.0%
Local Travel, Meetings and Related Expenses	326.92	1,641.27	10,000.00	8,358.73	83.6%
<i>Communication:</i>					
Postage	-	710.00	2,000.00	1,290.00	64.5%
Telephone and Data	892.94	2,457.92	13,700.00	11,242.08	82.1%
<i>Publications & Supplies</i>					
Office Supplies	207.59	1,156.32	2,500.00	1,343.68	53.7%
Duplication and Paper	624.68	2,294.24	8,600.00	6,305.76	73.3%
Public Information	246.80	246.80	500.00	253.20	50.6%

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
G&A BUDGET VARIANCE REPORT
 October, 2016

	<u>Current Month</u>	<u>Year To Date</u>	<u>Annual Budget</u>	<u>Balance Available</u>	<u>Balance %</u>
<i>Operations:</i>	743.25	1,827.56	22,900.00	21,072.44	92.0%
Furniture and Equipment (Capital)	-	40.00	11,500.00	11,460.00	99.7%
Repairs and Maintenance	-	66.00	1,000.00	934.00	93.4%
Computer Operations	743.25	1,721.56	10,400.00	8,678.44	83.4%
 <i>Other General and Administrative:</i>	 500.96	 2,144.56	 9,000.00	 6,855.44	 76.2%
Subscriptions	-	-	-	-	0.0%
Memberships	79.67	318.68	1,800.00	1,481.32	82.3%
Fees and Miscellaneous	421.29	1,825.88	5,600.00	3,774.12	67.4%
Advertising (Personnel/Procurement)	-	-	1,600.00	1,600.00	100.0%
Total Administrative Costs	<u>25,349.58</u>	<u>100,032.97</u>	<u>343,700.00</u>	<u>243,667.03</u>	<u>70.9%</u>
	<u>Contracting Services</u>				
Auditing	10,000.00	17,500.00	22,000.00	4,500.00	20.5%
Contract Services and Support	22,147.61	29,621.99	155,000.00	125,378.01	80.9%
Legal	2,916.67	11,666.68	35,000.00	23,333.32	0.0%
Total Contract Services	<u>35,064.28</u>	<u>58,788.67</u>	<u>212,000.00</u>	<u>153,211.33</u>	<u>72.3%</u>
 Total Gross G&A Expenses	 <u>\$ 185,590.17</u>	 <u>\$ 660,292.46</u>	 <u>\$ 2,299,100.00</u>	 <u>\$ 1,638,807.54</u>	 <u>71.3%</u>

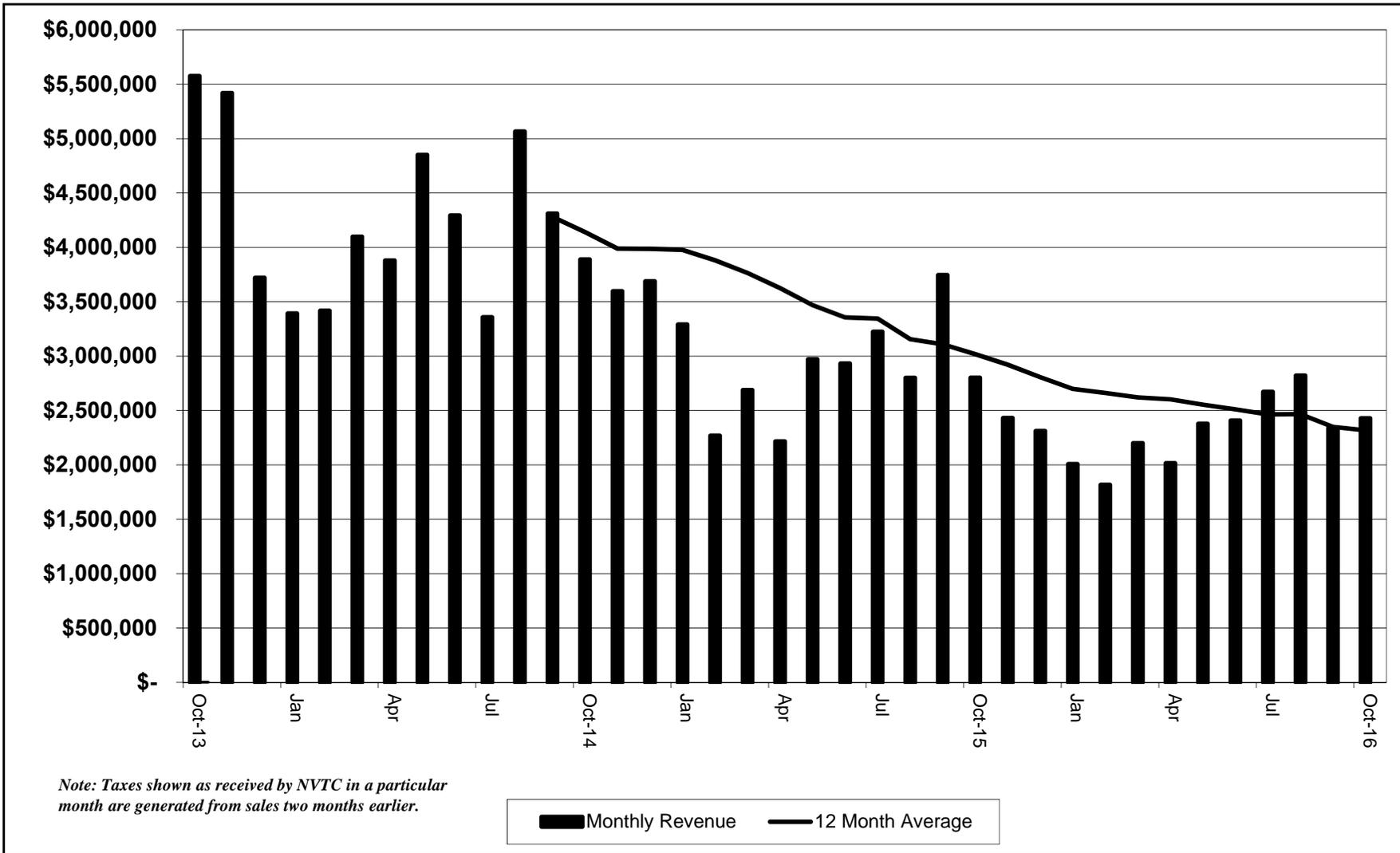
NVTC
RECEIPTS and DISBURSEMENTS
October, 2016

<u>Date</u>	<u>Payer/ Payee</u>	<u>Purpose</u>	<u>Wells Fargo (Checking)</u>	<u>Wells Fargo (Savings)</u>	<u>VA LGIP</u>	
					<u>G&A / Project</u>	<u>Trusts</u>
RECEIPTS						
3	Alexandria	G&A contribution		\$ 9,461.50		
5	DRPT	Grant receipt - New fare payment			3,500.00	
13	DRPT	Operating assistance - WMATA				9,053,095.00
13	DRPT	Capital assistance - VRE			371,899.00	
19	DRPT	Operating assistance - Fairfax				4,086,807.00
21	DRPT	Capital assistance				429,959.31
22	VRE	Staff support		6,930.61		
22	Arlington	G&A contribution		14,259.50		
31	DMV	Motor vehicle fuels sales tax revenue				2,427,496.88
31	DRPT	Capital assistance - Fairfax				702,373.00
31	Banks	Interest earnings		1.77	27.76	67,864.28
			<u>-</u>	<u>30,653.38</u>	<u>375,426.76</u>	<u>16,767,595.47</u>
DISBURSEMENTS						
1-31	Various	G&A expenses	(167,569.66)			
1	WMATA	Bus operating				(23,059,638.00)
1	WMATA	Paratransit operating				(3,081,803.00)
1	WMATA	Rail operating				(13,992,095.00)
1	WMATA	CIP FY17				(1,728,762.00)
1	WMATA	Project development				(100,000.00)
6	Kimley Horn	Consulting - New fare project	(7,000.00)			
13	VRE	Grant revenue			(371,899.00)	
27	Stantec	Consulting - NTD project	(70,683.79)			
28	City of Fairfax	Other operating				(327,478.93)
31	Banks	Service fees	(56.84)	(38.21)		
			<u>(245,310.29)</u>	<u>(38.21)</u>	<u>(371,899.00)</u>	<u>(42,289,776.93)</u>
TRANSFERS						
26	Transfer	From LGIP to checking (NTD project)	70,683.79			(70,683.79)
27	Transfer	From savings to checking	100,000.00	(100,000.00)		
			<u>170,683.79</u>	<u>(100,000.00)</u>	<u>-</u>	<u>(70,683.79)</u>
NET INCREASE (DECREASE) FOR MONTH			<u>\$ (74,626.50)</u>	<u>\$ (69,384.83)</u>	<u>\$ 3,527.76</u>	<u>\$ (25,592,865.25)</u>

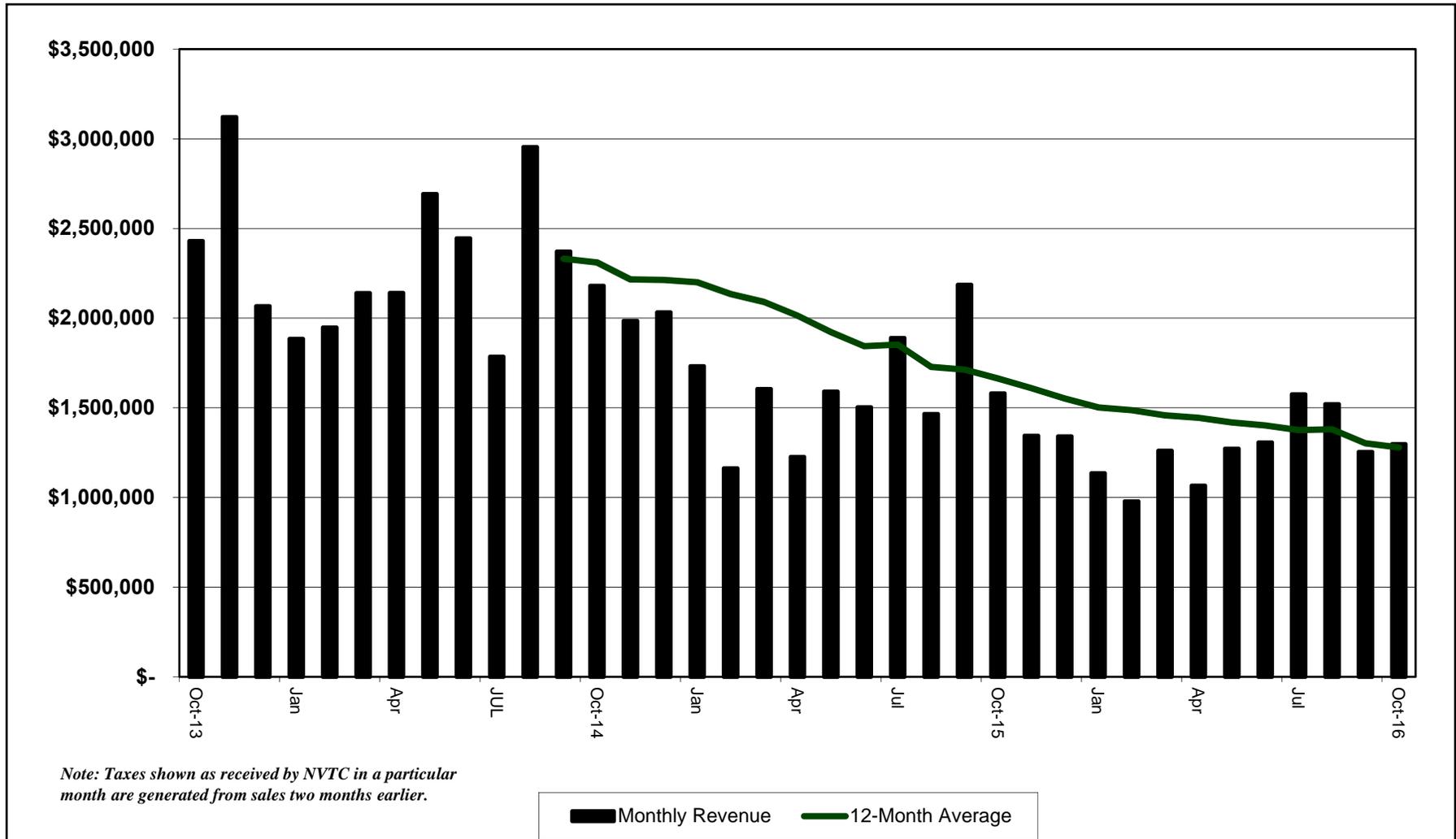
**NVTC
INVESTMENT REPORT
October, 2016**

<u>Type</u>	<u>Rate</u>	<u>Balance 9/30/2016</u>	<u>Increase (Decrease)</u>	<u>Balance 10/31/2016</u>	<u>NVTC G&A/Project</u>	<u>Jurisdictions Trust Fund</u>	<u>Loudoun Trust Fund</u>
<u>Cash Deposits</u>							
Wells Fargo: NVTC Checking	N/A	\$ 168,207.55	\$ (74,626.50)	\$ 93,581.05	\$ 93,581.05	\$ -	\$ -
Wells Fargo: NVTC Savings	0.200%	105,005.92	(69,384.83)	35,621.09	35,621.09	-	-
<u>Investments - State Pool</u>							
Bank of America - LGIP	0.607%	163,880,540.16	(25,589,337.49)	138,291,202.67	54,392.00	111,706,520.45	26,530,290.22
		<u>\$ 164,153,753.63</u>	<u>\$ (25,642,924.59)</u>	<u>\$ 138,420,404.81</u>	<u>\$ 183,594.14</u>	<u>\$ 111,706,520.45</u>	<u>\$ 26,530,290.22</u>

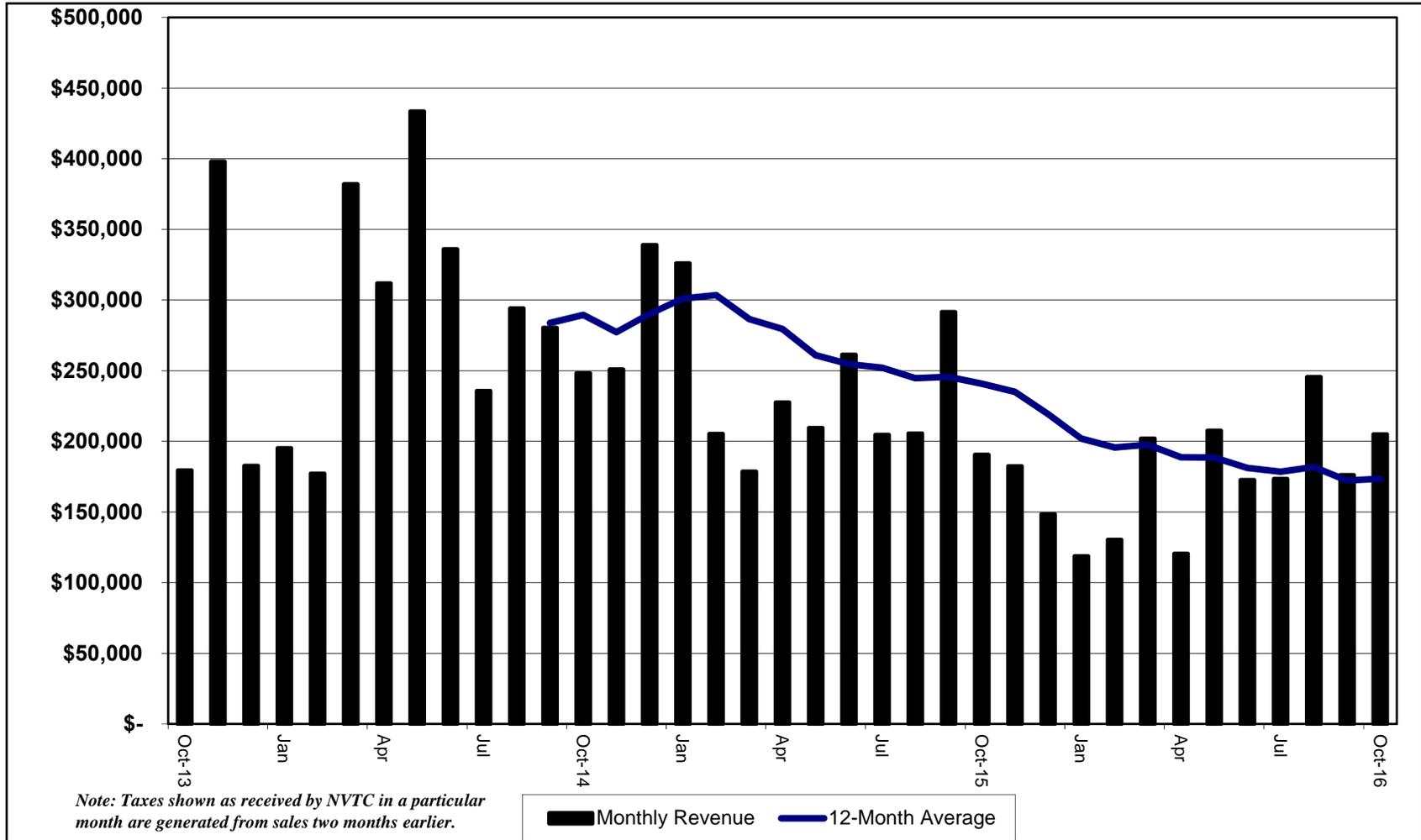
NVTC MONTHLY GAS TAX REVENUE
ALL JURISDICTIONS
FISCAL YEARS 2014-2017



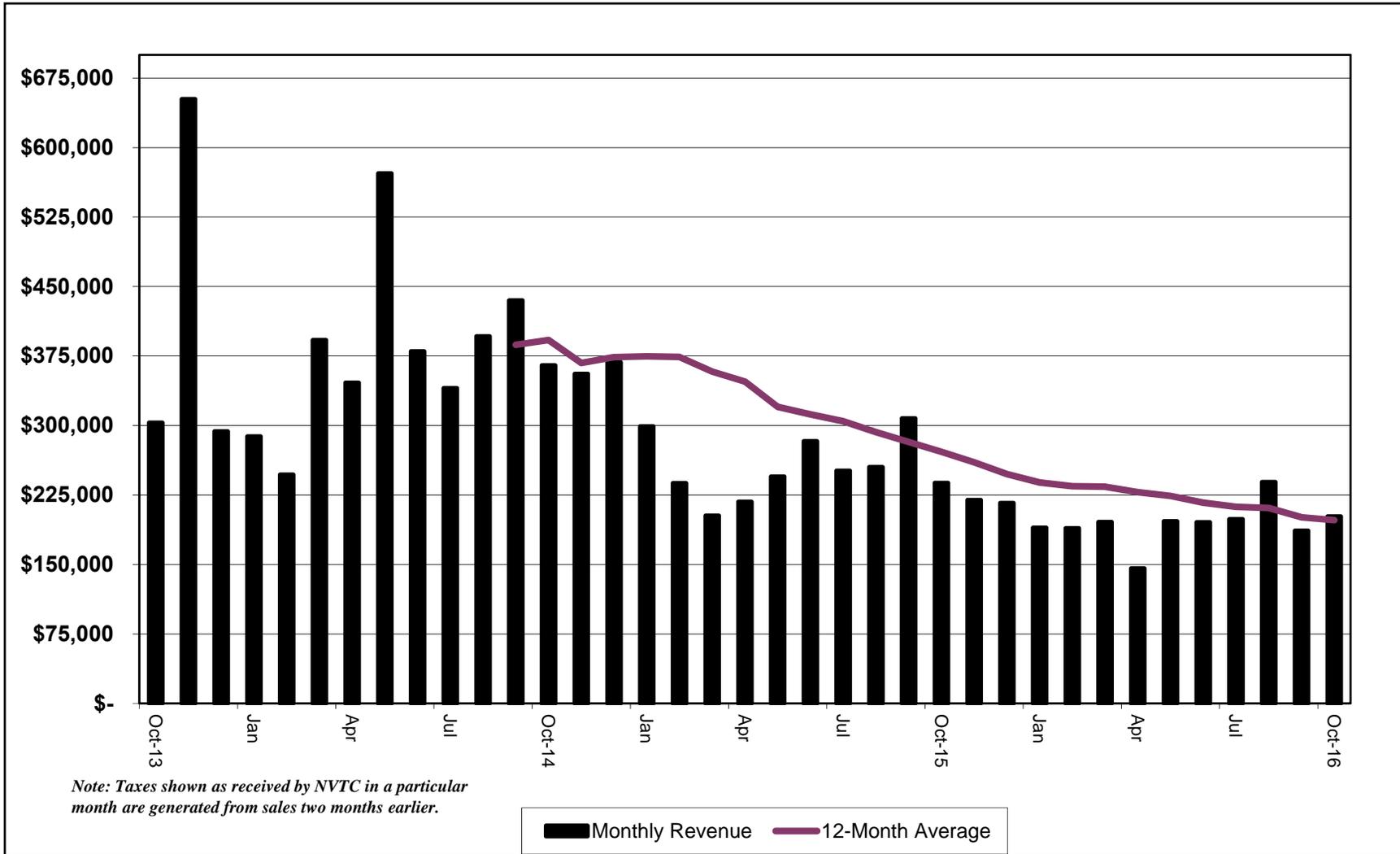
NVTC MONTHLY GAS TAX REVENUE
FAIRFAX COUNTY
FISCAL YEARS 2014-2017



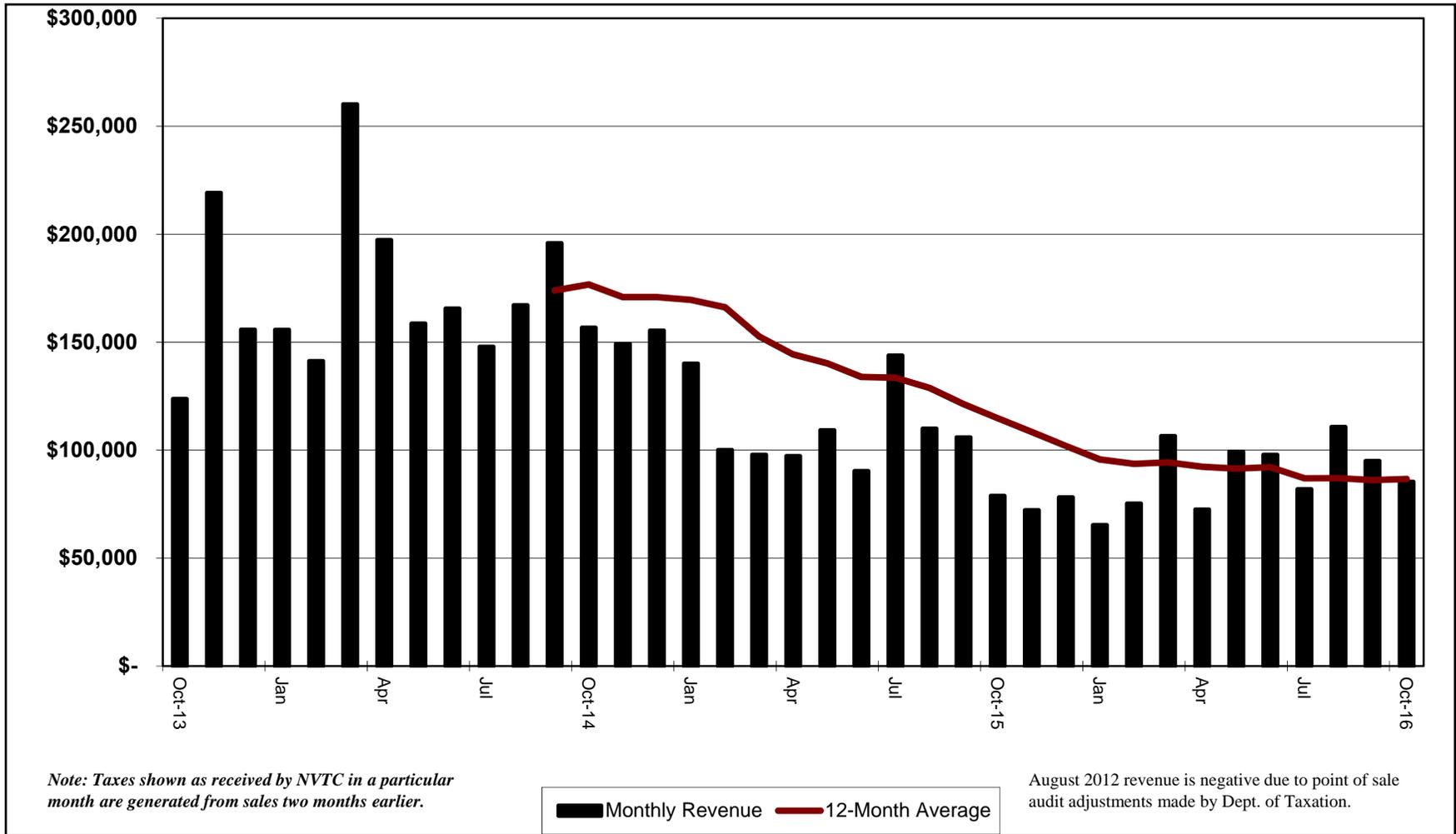
NVTC MONTHLY GAS TAX REVENUE CITY OF ALEXANDRIA FISCAL YEARS 2014-2017



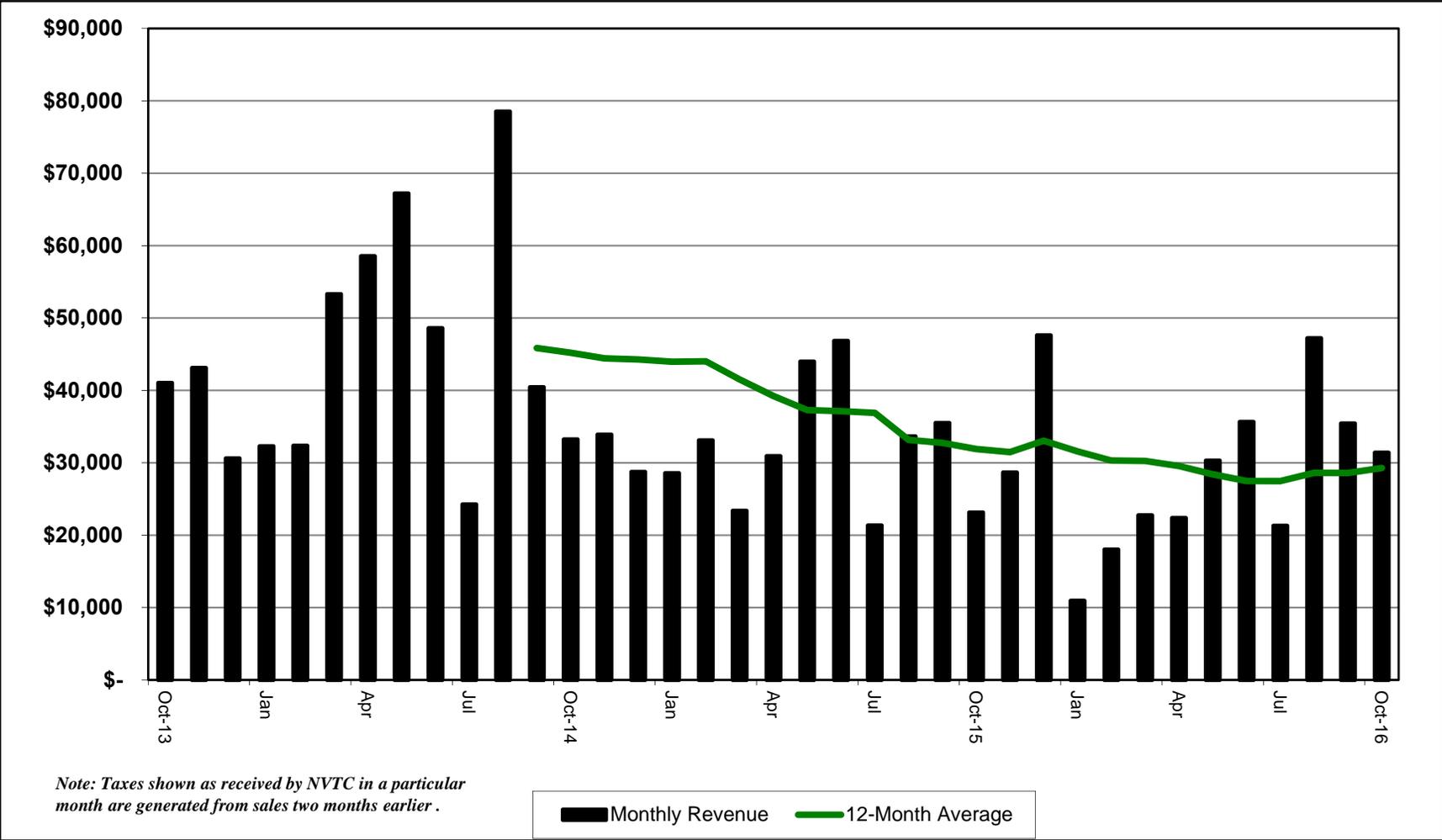
NVTC MONTHLY GAS TAX REVENUE ARLINGTON COUNTY FISCAL YEARS 2014-2017



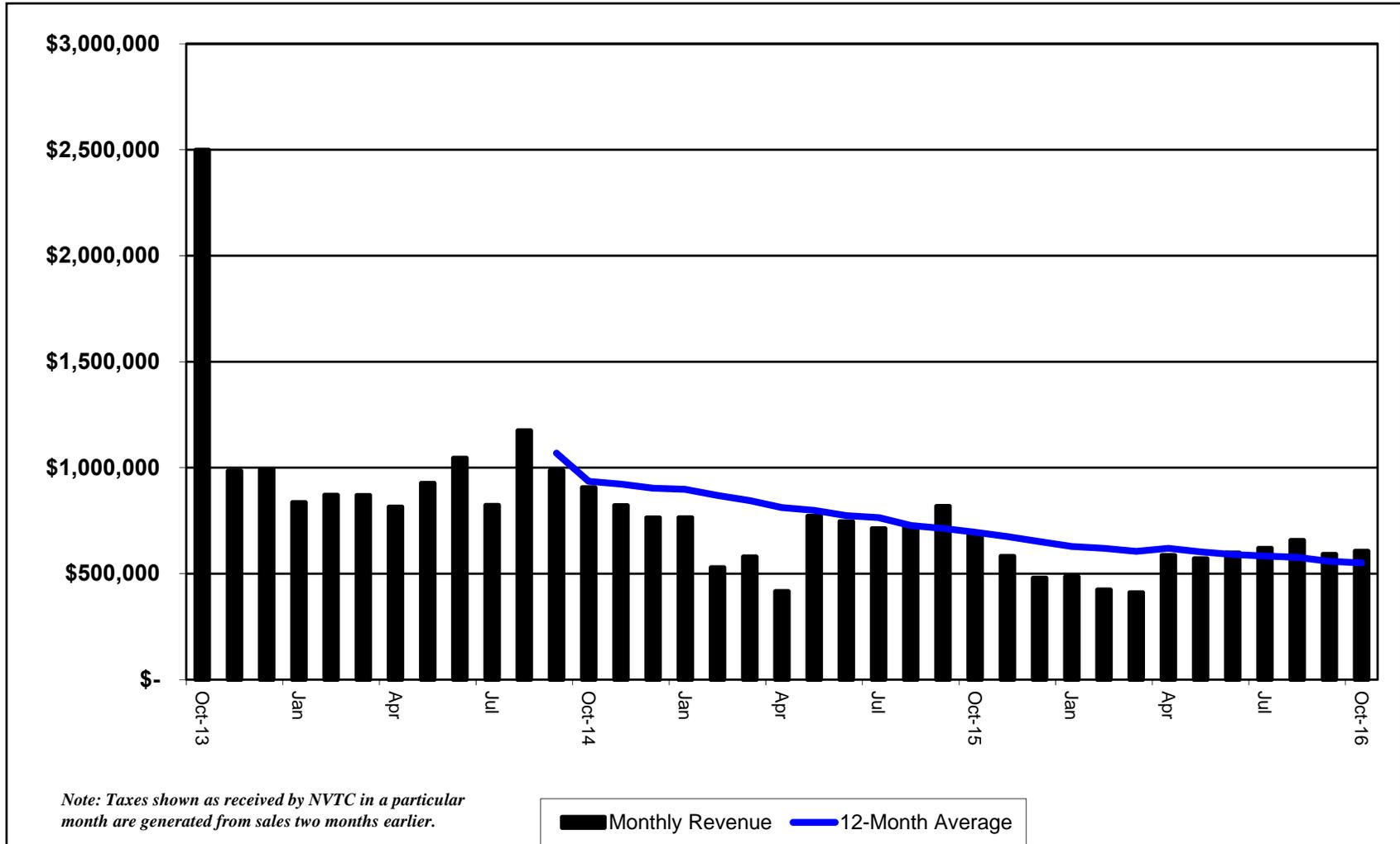
NVTC MONTHLY GAS TAX REVENUE CITY OF FAIRFAX FISCAL YEARS 2014-2017



NVTC MONTHLY GAS TAX REVENUE
CITY OF FALLS CHURCH
FISCAL YEARS 2014-2017



NVTC MONTHLY GAS TAX REVENUE
LOUDOUN COUNTY
FISCAL YEARS 2014-2017



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TO: Chairman Fisetto and NVTC Commissioners

FROM: Kate Mattice, Andrew D'huyvetter and Jen Deci

DATE: November 22, 2016

SUBJECT: Washington Metropolitan Area Transit Authority (WMATA)

The WMATA Board members will provide highlights of recent WMATA-related activities:

- ✓ **Proposed Changes to Metrorail Service Hours and Overnight Maintenance:** The Customer Service, Operations, and Security Committee will vote on [proposed Metrorail service hour scenarios](#) on December 1st. NVTC's November 10th letter supported service hour reductions to allow for preventive maintenance activities and expressed concern for sufficient late-night bus service at key Metrorail Stations.
- ✓ **Budget and Finance:** The WMATA General Manager presented the Finance Committee with his [proposed FY18 operating budget](#), anticipating a revenue gap of \$290 million. The proposal attempts to spread contributions to filling the gap equally amongst all stakeholders and to right-size the organization and service with ridership. Included in this proposal are cuts to eight Virginia bus routes. NVTC is working with its jurisdictions and WMATA staff to further analyze these proposed changes in service and to identify alternative cuts to Virginia bus service.
- ✓ **SafeTrack:** [SafeTrack Surge #11](#) is a 24-day single-tracking between East Falls Church and West Falls Church between November 28th and December 21st. Due to operational constraints, this surge will have significantly reduced capacity on the Orange and Silver Lines when compared to previous surges near this area.
- ✓ **Safety and Security:** WMATA staff [provided the Safety Committee with an update on the Roadway Worker Protection Program](#). FTA added new documents and information related to actions taken by the FTA WMATA Safety Oversight Office including the first [SafeTrack Project Management Oversight Report](#).
- ✓ **Governance:** The [Board approved a series of amendments to the Bylaws and Code of Ethics](#) discussed at the September meeting. These revisions include the inclusion of federal government representation on the Joint Coordinating Committee.
- ✓ **Virginia Ridership and Parking Facility Utilization:** The attached report includes the [WMATA Virginia Ridership and Parking Utilization Data](#). For October 2016, Metrobus ridership is down 7.3 percent compared to October 2015.
- ✓ **Schedule of Upcoming Board Decisions:** [Upcoming Board actions](#) focus on budget and service hours changes.

A. Proposed Changes to Metrorail Service Hours, Preventive Maintenance Plan and Overnight Maintenance Window

The Customer Service, Operations, and Security Committee is expected to take action on [proposed Metrorail service hour scenarios](#) on December 1st. WMATA Board members will provide an update on proposed service hour changes at the NVTC Commission meeting that evening.

Table 1: Proposed Metrorail Service Hours

	Scenario A	Scenario B	Scenario C	Scenario D
Monday-Thursday	5am-midnight	5am-11:30pm	5am-11:30pm	5am-midnight
Friday	5am-midnight	5am-midnight	5am-1am	5am-3am
Saturday	7am-midnight	7am-midnight	7am-1am	9am-3am
Sunday	7am-10pm	7am-11:30pm	8am-11pm	Noon-11pm

On November 3rd, WMATA staff [presented the Customer Service, Operations, and Security Committee with justification for the need for increased maintenance time](#) for the rail system. This plan aims to shift from reactive to proactive maintenance by using increased overnight maintenance windows to implement five new preventive maintenance programs. Staff presented this plan as a shift from costly SafeTrack-like maintenance surges in the future to a comprehensive approach to maintaining the system in order to reach a state of good repair.

On November 10th, [NVTC sent the WMATA General Manager a letter](#) that expressed NVTC's support for reducing service hours to allow for preventive maintenance activities and concern for sufficient late-night bus service at key Metrorail Stations. WMATA staff is preparing a summary of public outreach and recommendations on the [proposed Metrorail service hours scenario](#). The results of the public outreach and WMATA's recommendation will be presented to the Customer Service, Operations, and Security Committee on December 1, 2016, and the Board will take action on December 15, 2016. It is important to note that the Customer Service Committee and the Board could propose an entirely different scenario than the four presented which would require additional studies of equity in order to implement.

WMATA is still in the process of developing [options for late night bus service](#) for each of the proposed options. The exact Metrobus service plan will be determined upon a final decision by the Board on Metrorail hours of operation. NVTC facilitated a discussion between WMATA and jurisdictional staff on late-night bus related issues at the November MAC meeting.

B. Budget and Finance

Proposed FY2018 Operating Budget

The WMATA General Manager presented the Finance Committee with his [proposed FY18 Operating Budget](#). The budget is built on WMATA's three main priorities – safety, reliability, and sound financial management. The revenue gap has been updated to \$290 million (previous estimates were \$275 million). The proposal attempts to spread contributions to filling the gap equally amongst all stakeholders and to right-size the organization and service with ridership. This proposal includes fare increases, subsidy increases, service reductions, and some use of capital funding for operating. The total proposed operating budget for FY2018 is \$1.817 billion. The budget is funded with \$841 million of projected operating revenues, primarily from passenger fares, parking fees, and advertising revenues, and with \$976 million of jurisdictional contributions.

Figure 1: The General Manager's Proposal to Close the FY2018 Operating Budget Gap



Source: WMATA Proposed [FY18 Budget Presentation](#)

In December, WMATA staff will request authorization from the Board to hold a public hearing on the proposed fare and service changes. The current schedule anticipates FY2018 budget adoption in March 2017 in order to provide sufficient time to incorporate any related Board-approved changes by July 1, 2017.

The WMATA Finance Committee will hold three work sessions to cover different components of the budget in December and January. These sessions will cover 1) ridership & revenue, 2) personnel expenses, and 3) non-personnel expenses. NVTC will organize its Commission meetings to provide a forum for discussion prior to these work sessions.

In December, the General Manager will also propose the FY2018 Capital Budget and the Six-Year Capital Improvement Program and request a budget public hearing. Public

outreach and a public hearing will take place in January and February of 2017 with adoption of the budgets occurring in March 2017.

The section below provides a high-level summary of the components of the proposal to close the \$290 million budgetary gap.

Management Actions

Total Metro employee headcount has increased from approximately 11,000 in FY2010 to a budgeted headcount of over 13,000 in FY2017. WMATA states that this increase supports an expanded capital program to rehabilitate and maintain the system, the opening of the Silver Line Phase 1, the adoption of fatigue management policies, and the expansion of safety assurance, quality control, and compliance activities in response to FTA and NTSD recommendations. WMATA recognizes that the current ridership declines cannot support this level of headcount.

Earlier this year the GM directed that 500 positions be eliminated with their fiscal impact to be realized in FY2018. The FY2018 proposed budget includes a reduction of an additional 500 positions (200 in management and 300 in operations) which will be achieved through the consolidation of existing functions and a result of right-sizing bus and rail services. These 1,000 positions represent an eight percent reduction in Metro headcount.

The GM also proposes changes to healthcare coverage for non-represented employees, tighter controls on absenteeism and workers' compensation, and evaluation of some functions for potential outsourcing. The budget does include certain contractually-required step increases for labor, but it assumes no general wage increase in FY2018.

Fare Increases

WMATA's last broad-based fare change was implemented in FY2015. The Board's current policy is to consider fare changes every other year and to benchmark increases to inflation. WMATA chose to forego any fare increases for FY2017 due to service and ridership challenges.

The proposed FY2018 budget includes a fare and parking fee increase. The proposed fare increase is expected to generate approximately \$21 million in net additional revenue, after accounting for a loss of approximately 10 million total trips as a result of the increase. The proposed changes include:

- Bus fare and minimum off-peak rail fare increased by \$0.25 to \$2.00;
- Express bus fare increased by \$0.25 to \$4.25;
- All peak rail fares increased by \$0.10 such that the peak boarding charge increases from \$2.15 to \$2.25, and the maximum fare increases from \$5.90 to \$6.00;
- The base daily parking fee increases by \$0.10 at all WMATA parking facilities; and
- The MetroAccess minimum fare would increase along with the base bus fare from \$3.50 to \$4.00 (maximum fare would remain at \$6.50).

WMATA will also continue its enhanced fare enforcement activities to ensure that all riders are contributing their fair share to Metro operations.

Other Revenues

WMATA anticipates installing 150 new digital advertising displays that will enable an increase in total advertising revenue. WMATA also continues to bring in non-passenger revenue from real estate and joint development, fiber optic leases, and other miscellaneous sources to help offset fares and jurisdictional contributions.

Service Reductions

Ridership has declined from its peak in FY2009, but WMATA is actually operating more service miles and frequency when compared to FY2009. Given current ridership levels, the proposed FY2018 budget reduces rail service to better reflect ridership and still remain within Board-approved standards for crowding.

The proposed changes to rail service are as follows and account for a net subsidy savings of approximately \$12 million:

- **Peak:**
Increase weekday peak headways from 6 to 8 minutes. Scheduled headways on the Blue Line would be reduced from 12 minutes to 8 minutes and Rush Plus Yellow Line service would be eliminated.

- **Off-peak:**
Increase headways from 12 to 15 minutes and turn back the Red Line (reinstitute the Grosvenor turnback).

The proposed changes to bus service are as follows and account for a net subsidy savings of approximately \$17 million. The proposed changes include the elimination of 14 Metrobus lines that are among those in the system with the highest subsidy per passenger. Eight of these lines are in Northern Virginia. NVTC is working with its jurisdictions and WMATA staff to further analyze these proposed changes in service and to identify alternative cuts to Virginia bus service.

Between the bus and rail service reductions, total employee headcount would be reduced by approximately 300 personnel.

Figure 2: Proposed Bus Service Reductions

<i>Bus Line Descriptions</i>				<i>Performance Criteria Ranking</i>					<i>Annual Data</i>	
Line Name	Route(s)	Regional/ Non-Regional	State	Weekday Daily Riders	Cost Recovery	Subsidy/ Rider	Riders per Rev Trip	Riders per Rev Mile	Riders	Subsidy
Pimmit Hills-Falls Church	3T	Regional	VA	616	8.2%	\$13.04	8.9	1.0	166,018	\$2,165,018
Arlington-Union Station	13Y	Regional	VA	0	8.4%	\$12.72	8.4	1.1	6,726	\$85,582
Indian Head Express	W19	Non-Regional	MD	311	20.5%	\$12.34	11.4	0.5	78,933	\$974,110
Kings Park	17A,B,F,M	Non-Regional	VA	417	20.6%	\$12.27	9.0	0.5	105,423	\$1,293,904
Greenbelt-BWI Airport Express	B30	Non-Regional	MD	370	40.3%	\$9.14	7.6	0.3	132,250	\$1,209,160
Tysons Corner-Dunn Loring	2T	Regional	VA	505	11.8%	\$8.78	9.9	1.2	161,831	\$1,421,585
I-270 Express	J7,9	Non-Regional	MD	326	26.8%	\$8.73	9.9	0.6	82,080	\$716,616
Burke Centre	18P,R,S	Non-Regional	VA	676	27.1%	\$8.58	11.2	0.9	170,709	\$1,464,804
Wisconsin Avenue Limited	37	Regional	DC	599	13.7%	\$7.37	27.2	4.1	150,900	\$1,112,008
Bock Road	W13,14	Regional	MD	658	32.0%	\$6.77	19.2	1.3	167,541	\$1,133,613
Oxon Hill-Fort Washington	P17,18,19	Regional	MD	1,167	32.3%	\$6.68	21.3	1.3	296,228	\$1,977,655
Fair Oaks-Fairfax Blvd	1C	Regional	VA	973	15.1%	\$6.57	18.5	1.3	320,729	\$2,107,075
Chain Bridge Road	15K,L	Regional	VA	486	15.2%	\$6.51	16.8	1.3	122,580	\$798,091
Fair Oaks-Jermantown Rd	2B	Regional	VA	916	15.3%	\$6.48	18.0	1.3	257,612	\$1,668,943

Source: WMATA Proposed [FY18 Budget Presentation](#)

Preventive Maintenance Funds

FTA allows for transit agencies to use capital funds for certain eligible operating “preventive maintenance” (PM) expenses. WMATA Board policy has limited the flexing of capital to operating funds for PM to approximately \$31 million annually prior to FY2017. For the FY2017 budget, the WMATA Board increased the amount of eligible PM expenses that could be funded with FTA grants from \$31 million to \$95 million.

The FY2018 proposed budget includes the use of \$60 million of FTA grant funds for eligible PM expenses. Management intends to decrease the use of FTA grant funds in the operating budget over two years, so that by FY2019 only the traditional \$31 million of grant funding would be used for that purpose. It is important to note that the use of FTA grant funds for PM will not materially change the total amount of funding (operating plus capital) that the jurisdictions need to invest in WMATA over the long term.

The U.S. House Appropriations Committee warned WMATA in report language that with consideration to WMATA’s capital backlog and ongoing requirements, federal funding – both PRIIA and formula funds – should be used to address capital needs and not preventive maintenance.

Jurisdictional Subsidy

Jurisdictional subsidy was held constant from FY2016 to FY2017 at \$845 million. The proposed FY2018 budget includes \$976 million in jurisdictional contributions. This is an increase of \$130 million (or 15 percent) over the jurisdictional contributions in FY2017.

Figure 3: Jurisdictional Contributions in the Proposed FY2018 Operating Budget

	FY2016 Budget	FY2017 Budget	FY2018 Proposed	Change ('17 - '18)	%
District of Columbia	\$322.9	\$323.1	\$370.3	\$47.1	15%
Montgomery County	144.1	145.0	168.1	23.1	16%
Prince George's County	185.2	185.9	207.3	21.4	11%
Maryland Subtotal	329.2	330.9	375.4	44.5	13%
City of Alexandria	33.8	33.0	39.5	6.5	20%
Arlington County	58.2	56.6	68.4	11.9	21%
City of Fairfax	1.8	1.8	2.2	0.4	20%
Fairfax County	118.1	118.7	138.6	19.9	17%
City of Falls Church	2.3	2.4	2.7	0.2	10%
Virginia Subtotal	214.4	212.5	251.4	38.9	18%
TOTAL	\$866.5	\$866.5	\$997.0	\$130.5	15%

Source: WMATA Proposed [FY18 Budget Presentation](#)

Budget Next Steps

In December, the Board will be asked to approve hearing dockets on service changes, fares, and the parking concessionaire fee. The dockets will describe proposals in detail and set out maximum possible changes that the Board may approve. WMATA is meeting with jurisdictional staff to review proposed and/or modified bus service changes to inform these dockets. Once dockets are approved, staff will begin an equity analysis based on Title VI of the Civil Rights Act of 1964 requirements.

Capital Improvement Plan Amendments

On November 3, 2016, the Finance Committee [approved three CIP amendments](#) – to add \$150 million to the FY2017 budget authority using short-term debt, reprogramming \$13 million within the capital budget, and an addition to the six-year CIP to accept an NVTA grant for traction power upgrades on the Blue line.

FY2017 First Quarter Operating Budget Update

WMATA staff presented the Finance Committee with the [FY2017 First Quarter Operating Budget Update](#). Through the first quarter of FY2017, WMATA's operating budget has a net negative of \$18.0 million and Metrorail ridership was 15 percent below budget. This is due to the SafeTrack efforts that began in June (SafeTrack was announced after the budget was adopted) as well as other factors. WMATA will continue to monitor ridership and revenue and update projections. Staff will update the Board after the second quarter. The FY2017 Second Quarter Financial Report is anticipated to be released in February 2017.

C. SafeTrack

[SafeTrack Surge #11](#) is 24-day single-tracking on the Orange and Silver lines between East Falls Church and West Falls Church from November 28th and December 21st. Due to operational constraints, this surge will have significantly reduced capacity on the Orange and Silver Lines when compared to previous surges near this area. [Four additional surges are scheduled in 2017](#) with three of the four occurring on the Blue or Yellow lines in Virginia. The exact dates for those surges are expected to be announced in December. Northern Virginia stakeholders continue to participate in weekly SafeTrack coordination calls hosted by NVTTC. SafeTrack Surge #10 on the Red Line is currently underway.

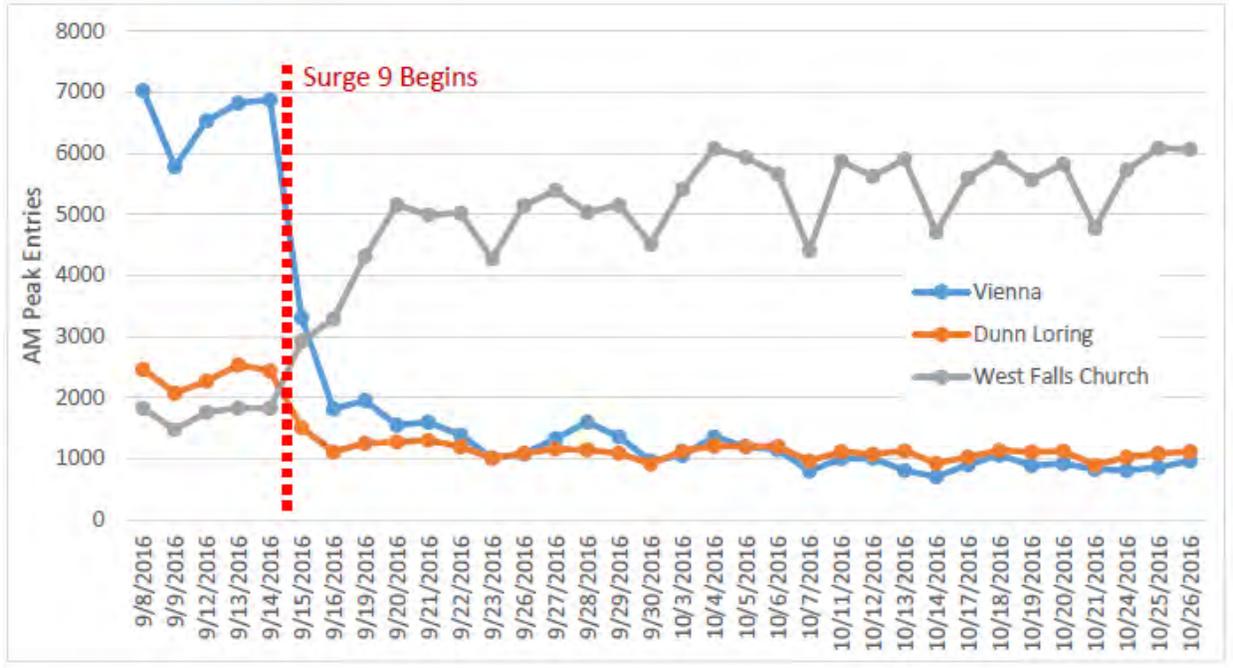
On November 10, 2016, [WMATA provided a summary of ridership during SafeTrack Surge #9](#) (single tracking on the Orange line between Vienna and West Falls Church). There was a loss of 16,000 rail trips per day at Vienna and Dunn Loring Stations, nearly half of which were regained at West Falls Church Station. Morning rail entries at Vienna and Dunn Loring were down 75 and 45 percent respectively and up 174 percent at West Falls Church due to bus shuttles (Figure 4 and 5). Shuttle buses moved about 5,000 trips per day. Parking was down 47-63 percent at Vienna and Dunn Loring and up 31 percent at West Falls Church.

Figure 4: Change in Metrorail Station Entries During SafeTrack Surge #9

<i>Change in Entries</i>	AM Peak	Midday	PM Peak	Evening
Vienna	-75%	-35%	-62%	-49%
Dunn Loring	-45%	-38%	-37%	-43%
West Falls Church	174%	35%	110%	83%
All Other Stations	5%	0%	4%	-6%
Grand Total	3%	0%	4%	-6%

Source: WMATA Planning Office

Figure 5: Morning Peak Entries at Selected Metrorail Stations During SafeTrack Surge #9



Source: WMATA Planning Office

Ridership on the free shuttle buses was strong and steadily grew from 3,000 per day to over 5,000 per day. Other bus service that might have provided alternative travel did not see significant change. Metrorail only re-captured about half of lost riders at West Falls Church, so 3,000 inbound riders in the morning either teleworked or found other means to work, including driving.

On November 16, 2016, FTA added new documents and information related to actions taken by the FTA WMATA Safety Oversight Office including the [SafeTrack Project Management Oversight Report](#).

D. Safety and Security

On November 17th, WMATA staff [provided the Safety Committee with an update on the Roadway Worker Protection Program](#), which is critical in providing protection to individuals occupying the right-of-way. This update includes a curriculum for contractors on the roadway, a “Safety Stand-Down,” a pilot for an advance warning system for roadway workers, and a pocket guide for quick reference of safety protocol. The critical nature of this program was underscored by the recent near miss incident at Reagan National Airport on October 20, 2016.

On November 16, 2016, FTA added new documents and information related to actions taken by the FTA WMATA Safety Oversight Office. This includes [September Inspection Reports](#), updates to the [WMATA Corrective Action Plan Tracking Table](#), and a [summary of inspection data](#).

E. Virginia Ridership and Parking Facility Utilization

WMATA Virginia Ridership October 2015 – 2016			
	October 2015	October 2016	Percent Change
Metrobus			
Total	1,833,994	1,699,100	-7.3%

At the time of publication, the October MetroAccess ridership, Metrorail ridership, and Parking facility usage were not available.

WMATA Virginia Ridership September 2015 – 2016			
	September 2015	September 2016	Percent Change
Metrorail			
Total	8,652,938	7,611,438	-12.0%
Weekday Average	312,527	280,144	-10.4%
Metrobus			
Total	1,788,344	1,683,917	-5.8%
Weekday Average	73,353	69,314	-5.5%
MetroAccess			
Total	27,173	28,804	+6.0%

WMATA Virginia Parking Facility Usage September 2015 – 2016				
Station/Lot	September 2015	Y-T-D FY16	September 2016	Y-T-D FY17
Huntington	69%	70%	74%	62%
West Falls Church	56%	56%	59%	47%
Dunn Loring	77%	77%	48%	59%
Vienna	80%	82%	54%	62%
Franconia	68%	70%	51%	48%
Van Dorn	110%	110%	105%	90%
East Falls Church	120%	123%	120%	112%
Wiehle-Reston East	89%	90%	86%	77%
Northern Virginia Total	75%	76%	63%	60%

F. Schedule of Upcoming Board Decisions

Key Issues	Meeting	Date
FY18-23 CIP Budget Presentation (I) FY18 Operating Budget Work Session (I) Request for Public Hearing on FY18 Operating Budget (A)	Finance Committee	December 1
Capital Needs Inventory (I)	Capital Program, Planning, and Real Estate Committee	December 1
Proposed Changes to Service Hours (A)	Customer Service, Operations, and Security Committee	December 1
Proposed Changes to Service Hours (A)	Board of Directors	December 15

Anticipated Information (I) and Action (A) Items	WMATA Board Date Target
FY2018 Budget Hearings	TBD January and February 2017
Capital Funding Agreement (A)	March 2017
FY2018 Budget Approval (A)	April-May 2017

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November 10, 2016

Chairman

Hon. Jay Fisette

Vice Chairman

Hon. Jeffrey C. McKay

Secretary/Treasurer

Hon. Paul C. Smedberg

City of Alexandria

Hon. Timothy B. Lovain
Hon. Paul C. Smedberg

Arlington County

Hon. Katie Cristol
Hon. Christian Dorsey
Hon. Jay Fisette

Fairfax County

Hon. Sharon Bulova
Hon. John C. Cook
Hon. John W. Foust
Hon. Catherine M. Hudgins
Hon. Jeffrey C. McKay

City of Fairfax

Hon. Jeffrey C. Greenfield

City of Falls Church

Hon. David F. Snyder

Loudoun County

Hon. Matthew F. Letourneau
Hon. Ron A. Meyer

Commonwealth of Virginia

Hon. Jim Corcoran

Virginia General Assembly

Sen. Adam Ebbin
Sen. Jennifer Wexton
Del. David Albo
Del. David LaRock
Del. James LeMunyon
Del. J. Randall Minchew

Executive Director

Katherine A. Mattice

Paul Wiedefeld

General Manager and Chief Executive Officer

Washington Metropolitan Area Transit Authority (WMATA)

600 Fifth Street, NW

Washington, D.C. 20001

Re: Proposed Metrorail Hours of Service

Dear Mr. Wiedefeld:

On behalf of the Northern Virginia Transportation Commission, I submit this follow up to our letter of October 11, 2016 regarding Metrorail service hour changes to allow for preventive maintenance activities. Since our earlier letter, NVTC has received sufficient information to support WMATA's plan to reduce service hours for up to two years in order to perform preventive maintenance. We remain concerned that WMATA has not proposed sufficient bus capacity to handle these late-night service reductions at key Virginia Metrorail stations and request that WMATA collaborate with our jurisdictions to ensure Metrorail riders have reliable late-night transit alternatives.

A safe and reliable Metrorail system is vital to the Northern Virginia economy as it provides hundreds of thousands of our constituents access to and from work every day. We acknowledge that emergency repairs and single-tracking surges are not an effective way to operate a high-quality transit system. NVTC both recognizes the importance of and appreciates the intent and rationale behind WMATA's approach to increasing the time for rail preventive maintenance. We believe that the November 3, 2016 briefing to WMATA's Customer Service, Operations and Security Committee adequately demonstrates how these additional maintenance hours are necessary to restore and maintain Metrorail's infrastructure. NVTC agrees that the investment of time in preventive maintenance is the best approach to allow the Metrorail system to return to and sustain a state of good repair.

As noted in our previous letter, NVTC remains concerned that reductions in Metrorail's hours of service would disproportionately affect both patrons and employees of the food-and-beverage, hospitality and tourism industries. NVTC recognizes that the service patterns shown in WMATA's recent alternative late-night bus service map connect many late-night, high-ridership Metrorail stations in Virginia with late-night Metrobus service. However, several of these Virginia Metro stations with high late-night ridership – specifically Wiehle-Reston East, Ronald Reagan Washington National Airport, and King St-Old Town – appear to lack comprehensive regional connections under WMATA's current late-night bus proposal. In order to address Metrorail service hour reductions, we ask that WMATA work with NVTC jurisdictions to ensure there is sufficient alternative bus service to meet the demands of high late-night ridership stations in Northern Virginia.

NVTC and its jurisdictions are invested in the success of Metrorail. As such, we must continue to ensure that Metrorail is able to transport passengers safely and reliably. We look forward to continuing to work with you and the WMATA staff to find the right balance between late-night service and preventive maintenance.

Sincerely,



Jay Fisette
Chairman

SafeTrack Surge 9 Ridership Recap

November 10, 2016 – WMATA Planning Office

Summary

- Loss of 16,000 rail trips per day at Vienna and Dunn Loring, nearly half of which we regained at West Falls Church - net loss of about 9,000 trips/day.
- Morning rail entries at Vienna and Dunn Loring down 68%, West Falls Church up 175% thanks to bus shuttles
- Parking down 47-63% at Vienna and Dunn Loring, up 31% at West Falls Church
- Shuttle buses moved about 5,000 trips/day
- Other alternative bus service in the area largely unchanged

Rail Ridership

Surge 9 lasted well over a month, and split the Orange Line into two separate segments connecting at West Falls Church. One segment ran at near-normal levels between West Falls Church, through downtown, and to New Carrollton, while a second segment operated as a shuttle train on one track between West Falls Church and Vienna at much lower frequencies (every 24-30 minutes, approximately). Service on all other lines, including Silver, was not impacted.

Ridership at Vienna and Dunn Loring was down 75% and 45% in the morning rush, respectively, which helped ensure that the infrequent Orange Line shuttle train was usually not overcrowded. The highest diversion occurred at peak times – at the midday, those two stations were down 35% and 38% (all-day diversion was 66% and 42%, respectively).

Change in Entries	AM Peak	Midday	PM Peak	Evening
Vienna	-75%	-35%	-62%	-49%
Dunn Loring	-45%	-38%	-37%	-43%
West Falls Church	174%	35%	110%	83%
All Other Stations	5%	0%	4%	-6%
Grand Total	3%	0%	4%	-6%

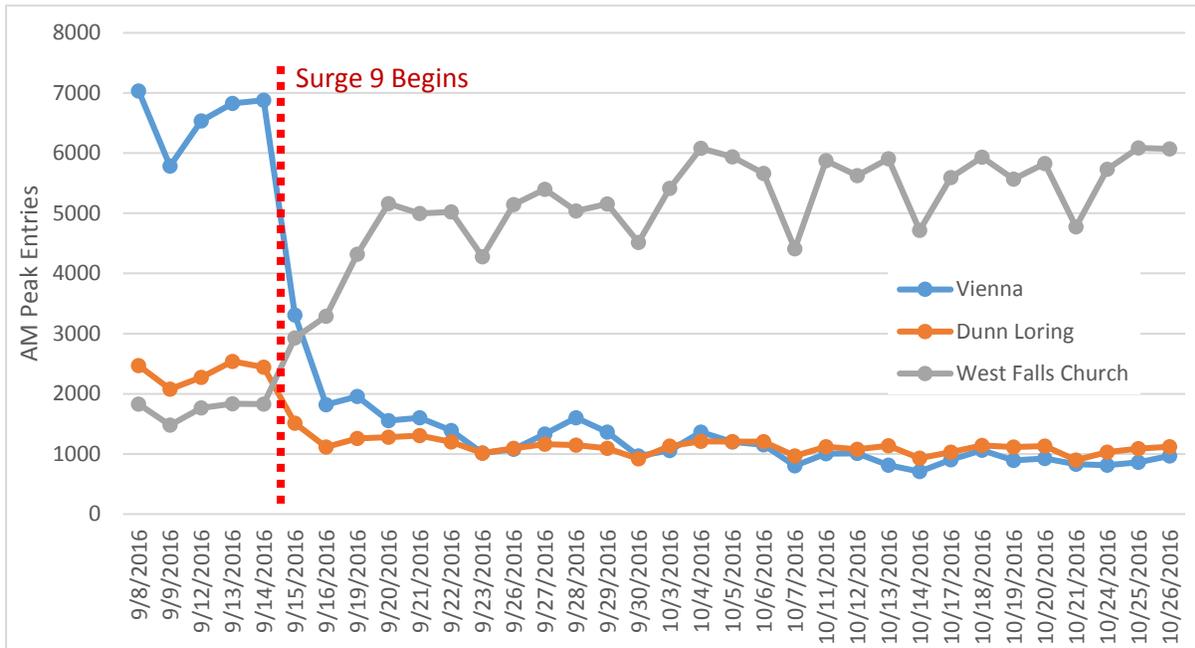
Many commuters took shuttle buses, drove, or found other ways to get to West Falls Church, where service towards downtown was more normal. Ridership was up 174% there in the morning, equating to a gain of 3,400 trips/morning. Offsetting the losses of 6,500 trips/morning at Vienna and Dunn Loring, this resulted in a net loss of 3,000 morning trips.

Looking at all-day entries and exits, we lost roughly 16,000 trips/day into and out of Vienna and Dunn Loring, and recaptured about 6,800 of them at West Falls Church. On net, we lost about 9,000 trips per weekday due to Surge 9.

Interestingly, unlike prior Surges, it took commuters a few days to settle into a pattern that would last throughout the Surge. On Day 1, morning ridership at Vienna fell 51%, and continued to fall further over the course of the first week. By the time the Surge concluded, Vienna was down about 80% each morning rush. Dunn Loring followed a similar pattern, but more moderately.

Over the same timeframe, ridership climbed at West Falls Church, as commuter presumably found the shuttle bus to be a good option, or finding other ways to West Falls Church, including parking (which was up 31% at West Falls Church).

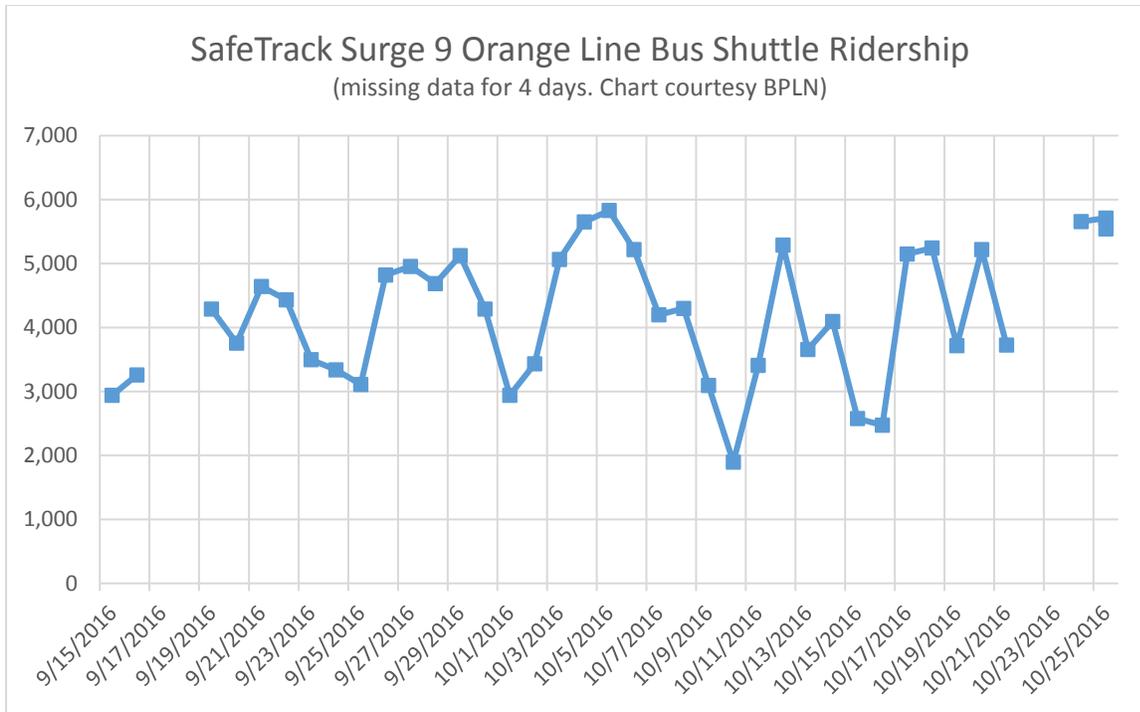
By the end of September, most rail commuters had settled into a more stable pattern that would last until the end of the Surge on October 26th.



Bus Ridership

The biggest change in bus ridership during Surge 9 occurred on the free shuttle buses that ran between Vienna and West Falls Church. Over the course of the Surge, Orange Line riders found the bus to be an increasingly attractive option, and ridership steadily grew from 3,000/day to over 5,000/day. Ridership was stronger in the morning than the afternoon rush hours, perhaps because riders were already on the station platform in the afternoon. Shuttle bus ridership reached its peak on October 5th at 5,800 trips/day.

Most other bus service in the area that might have provided travel alternatives did not see significant change (overall down 2%). The 28A was up 4% and the 2A,B was up 1%. Other alternatives (1A,B,E,Z; 2A,B; 2T; and 5A) were each down a few percentage points. The 3T was down 19%.



Parking

Impacts to parking transactions were limited to 3 stations:

- Vienna was down 63%
- Dunn Loring was down 47%
- West Falls Church was up 31%

Interestingly, parking customers were not significantly more sensitive to the service cuts as other customers at Vienna and Dunn Loring. The shuttle bus service likely played a role in that trend at Vienna.

Were Orange Line Riders Driving Instead?

Probably yes. Metrorail only re-captured about half of lost riders at West Falls Church, so 3,000 inbound riders in the morning either teleworked or found other means, including driving. VDOT’s analysis of traffic levels on I-66 and VA-267 showed a marked worsening in both the AM and PM Peaks, particularly eastbound on I-66 and VA-267 in the morning. In the afternoon, traffic conditions were more a mixed bag.

Data and Methodology

This document focuses only on year-over-year change for weekdays, compared to the equivalent day last year. All comparisons on rail are year-over-year change, factoring in an 8% “background loss” in ridership that would’ve occurred without SafeTrack. All data on bus are year-over-year comparisons using Automatic Passenger Counters. Parking comparisons are year-over-year.

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TO: Chairman Fiset and NVTC Commissioners

FROM: Kate Mattice and Dan Goldfarb, PE

DATE: November 22, 2016

SUBJECT: Economic Impact of Transit

[NVTC's recently approved 2017 Legislative and Policy Agenda](#) supports the pursuit of long-term sustainable funding for transit in the region. As a part of the effort, NVTC is continually seeking opportunities to better understand the return on investment for high quality transit. At this time, both Metropolitan Washington Council of Governments (MWCOC) and NVTC staff are pursuing research in this area with MWCOC focusing on the economic value of Metro to the Washington, DC region in terms of property taxes and NVTC focusing on the value of Northern Virginia transit to the Commonwealth's economy in terms of income, business and sales taxes. Below are summaries of these efforts.

A. Metropolitan Washington Council of Governments (MWCOC) Presentation on WMATA

Barbara Donnellan and Jeffrey DeWitt will present the [COG Technical Panel Interim Report on Metro](#). The purpose of this Interim Report is to provide a preliminary analysis of data on the Washington Metropolitan Area Transit Authority (WMATA) focused on safety, reliability, customer experience and the system's benefits to the entire Washington metropolitan region. The Interim Report intends to provide the technical foundation necessary to pursue a comprehensive, long-term approach to funding Metro.

Convened in June 2016, the Technical Panel was charged by the Board of the Metropolitan Washington Council of Governments to:

1. Document current funding projections for:
 - Operating the current Metrorail system in a safe and reliable manner.
 - Fully implementing the Metrorail system's replacement/rehabilitation program.
2. Explore potential sources for any additional revenue the region may need to meet the above safety and reliability funding needs of the Metrorail system.
3. Coordinate with WMATA on the development of operating benchmarks and performance metrics for the Metrorail system.

By March 2017, the Technical Panel will present an updated report to MWCOG Board of Directors conversing metrics, economic value of Metro, funding needs and financing/revenue options.

B. NVTC's Analysis of the Value of Northern Virginia Transit to the Commonwealth

The Chairman has asked NVTC staff to scope out a study to evaluate the economic value of high capacity transit in Northern Virginia to the Commonwealth of Virginia. The objective of the study is to quantify the value and worth that commuter and heavy rail operating in Northern Virginia bring to the Commonwealth. This study would differ from previous and current work as it would look beyond property tax revenue to those revenues that would be assessed at the state level. NVTC's effort also differs in that we are looking to use the regional travel demand forecast model to evaluate different network and land use scenarios and the corresponding impact on the transportation network. In coordination with WMATA, NVTC proposed to assess how Metro impacts land use development and quantify the resulting tax revenues that go to the Commonwealth. NVTC staff propose that the benefits of VRE service would also be included as a secondary analysis to the study.

This effort would serve as a complement to the previous work that WMATA did in 2011 focusing on the highway infrastructure needs if heavy rail did not exist in the region. It also builds on the previous work NVTC did in 1994 and 2005 showing the economic impacts of heavy rail on development. Current work that MWCOG is doing also builds on previous NVTC studies, but is more focused on future funding needs and local sources of revenue. The current MWCOG study is for the entire Washington Metropolitan Region and looks at development that has been built around Metro stations. NVTC is approaching the issue from a different vantage point and we plan to build on these past efforts while focusing on Northern Virginia.

TO: Chairman Fiset and NVTC Commissioners
FROM: Kate Mattice
DATE: November 22, 2016
SUBJECT: Department of Rail and Public Transportation (DRPT)

A. DRPT Report

DRPT Director Jennifer Mitchell will provide an update on DRPT activities at the November meeting. The monthly [Department of Rail and Public Transportation \(DRPT\) Report](#) is attached.

B. Update of Metro Safety Commission Legislation

ACTION ITEM: Approve [Resolution #2324: Support of the Washington Metropolitan Area Transit Authority Metro Safety Commission \(MSC\)](#)

The Commission is asked to approve Resolution #2324 solidifying Commission support of the MSC. The Commission included support for the establishment of the MSC in its approved 2017 Legislative and Policy Agenda.

Currently, the Federal Transit Administration (FTA) has a temporary role of safety oversight of WMATA until a certified State Safety Oversight Agency – the MSC – is established and certified by the FTA. The U.S. Secretary of Transportation informed Maryland, Virginia and the District of Columbia that if the MSC is not certified by February 9, 2017, FTA is prepared to withhold a percentage of federal transit funds. The potential withholding of Section 5307 funds would affect all urban transit agencies across the Commonwealth, not just in the District-Maryland-Virginia area.

Because the Metrorail system operates in the District of Columbia, Maryland and Virginia, each jurisdiction must to pass identical legislation in order to establish the MSC. The legislation is expected to be considered by the Council of the District of Columbia in December 2016 and in the 2017 legislative sessions in Maryland and Virginia.

C. Update on I-395 Transit/TDM Study

DRPT will provide a verbal update on the I-395 Transit/TDM Study. The product of this study will be a master list of transit and TDM projects that would benefit travel in the I-395 corridor if implemented. The project list and the associated information on the benefits of

each project will be used to inform future decisions on the use of the guaranteed annual transit investment from the toll revenues to be generated by the new I-395 HOT lanes. The study is expected to be completed in December 2016.



COMMONWEALTH of VIRGINIA

Jennifer L. Mitchell
Director

Virginia Department of Rail and Public Transportation
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Richmond, VA 23219

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Fax: 804-225-3752
Virginia Relay Center
800-828-1120 (TDD)

TO: Chairman Fiset and NVTC Commissioners

FROM: Jennifer Mitchell, Director

DATE: November 21, 2016

SUBJECT: DRPT Update

General Update

DRPT's FY18 grant application process opens on December 1 and closes on February 1. DRPT's Grantee Handbook is available on DRPT's On-line Grant Administration (OLGA) website at <https://olga.drpt.virginia.gov/news.aspx>. DRPT's Program Application Guidance is currently being revised and will be posted on OLGA by December 1st. Transit Development Plan (TDP) update letters are due on January 15. The financial plans for capital and operations submitted will need to be consistent with the grant application. Transit agencies that are in the process of a full update of their TDP are not required to submit update letters.

The Commonwealth Transportation Board will host the Fall Transportation Meeting at 6:00 p.m. and public hearing for the Atlantic Gateway projects is scheduled for Wednesday, December 14 at 7:30 p.m. at the VDOT NOVA District Office. The meeting will consist of an Open House format where attendees can review and provide feedback on the list of proposed local and regional projects that have been submitted for consideration for scoring through round two of the Smart Scale prioritization process. Following the Open House, a town hall style format will be provided where the public and transportation stakeholders can engage in discussion and ask questions about the projects. There will be no formal public comment period on the Smart Scale prioritization process. In addition to the public meeting on Smart Scale, the meeting in Northern Virginia will also include a public hearing, including a formal comment period, on the Atlantic Gateway projects. Information on the Atlantic Gateway projects is available at www.atlanticgateway.net. Meeting materials for the open house will be available at www.virginiadot.org/2016fallmeetings. Comments on Atlantic Gateway can be submitted verbally and in writing at the meeting and then via e-mail at meetingcomments@VDOT.Virginia.gov until December 22. Comments on transit projects can be sent to DRPTPR@drpt.virginia.gov.

On October 25, 2016, a Partial Consent Decree was finalized between the United States Justice Department, the Volkswagen (VW) Corporation, and its subsidiaries regarding the installation and

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use of emissions testing defeat devices in approximately 500,000 2.0 liter vehicles sold and operated in the US, resulting in adverse impacts to air quality and violating the federal Clean Air Act. An Environmental Mitigation Trust has been established as part of the Settlement that provides funds to the states to mitigate the air quality impacts from the offending action. The initial share to Virginia is up to \$87.6 million dollars. The trust establishes a process to administer the funds, a process for states to receive funds, and identifies categories of eligible mitigation actions and expenditures. **Replacement of existing transit vehicles with lower emission, alternative fueled vehicles (i.e. CNG and electric) is an eligible use of the mitigation trust funding.** The program is being administered by the Virginia Department of Environmental Quality, who has recently announced an informal public comment period on the proposed state mitigation plan. Information on the program is available at: <http://deq.state.va.us/Programs/Air/VWMitigation.aspx>. DRPT informed local jurisdictions of this potential funding opportunity for replacement transit vehicles by e-mail on November 17.

Transit Capital Project Revenue Advisory Board (TCPBAB)

The third TCPBAB meeting was held in Richmond on Friday, November 18. A prioritization process and performance measures, transit resource allocation plan, and interim report outline were presented at the meeting. The prioritization process would split project types into State of Good Repair (SGR) and major expansion. Major expansion projects would be measured on criteria similar to Smart Scale. The resource allocation plan looked at several scenarios comparing documented funding needs and available resources. Based on current revenue assumptions and committed needs, a \$178M annual funding gap is anticipated in FY27.

The meeting was live streamed and meeting materials are available on the DRPT website at <http://www.drpt.virginia.gov/transit/major-transit-initiatives/transit-capital-project-revenue-advisory-board-hb-1359/meetings-and-agendas-2016/>. An interim report is due to the General Assembly on January 1, and the final report is due on August 1.

I-66 Corridor Improvements

On November 3, Governor Terry McAuliffe and Transportation Secretary Aubrey Layne announced the selection of Express Mobility Partners to design, build, finance, operate and maintain the I-66 Outside the Beltway Express Lanes. Express Mobility Partners is a consortium of Cintra, Meridiam, Ferrovial Agroman US, and Allan Myers. The Express Mobility Partners proposal includes \$800 million for the transit service improvements identified in the plan developed by DRPT and another \$350 million to NVTA (over the next 50 years) to be allocated for use on other projects that reduce congestion in the corridor. The proposal requires no public financing and allows the \$300 million in funding recommended by the Commonwealth Transportation Board in the FY17 SYIP to be returned to the Smart Scale program for FY18. In addition, the \$300 million in NVTA regional funding that was approved for the project (specifically the I-66/Route 28 interchange) will not be required so NVTA will be able to use those funds for other projects. Commercial close is anticipated in December 2016 and financial close in July 2017.

Revised I-66 Inside and Outside the Beltway projects were included in the Metropolitan Washington Council of Governments (MWCOC) Constrained Long Range Plan (CLRP) update that was approved by the Transportation Planning Board (TPB) on November 16.

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Design public hearings for the I-66 Inside the Beltway widening are scheduled for Monday, December 5 at Washington-Lee High School in Arlington and Thursday, December 6 at Mary Ellen Henderson Middle School in Falls Church from 6:30 to 8:30 p.m. on both evenings with a presentation at 7:00 p.m. each evening. The Environmental Assessment (EA) was published on November 17 and can be found at http://inside.transform66.org/learn_more/documents.asp. Print copies can be found at the VDOT NOVA District Office, the Arlington Central Library, and the Mary Riley Styles Public Library in Falls Church. Comments can be submitted in writing and verbally at the meetings and then after the public hearings in writing through January 30, 2017.

I-395 Express Lanes

The I-395 Express Lanes were also added to the MWCOG CLRP on November 16. The comment period closed on November 12. A total of 301 comments were received on the project from 260 citizens, 17 government agency representatives, 20 non-profit or membership associations, and 4 businesses. A total of 167 people attended public information meetings on the project at Wakefield High School in Arlington on October 24 and Francis C. Hammond Middle School in Alexandria on October 26. A total of 35 verbal comments and 7 written comments were received at the public meetings. The comment period closes on December 12.

A design public hearing for the I-395 Express Lanes is scheduled on November 30 at Bren Mar Park Elementary School in the Alexandria section of Fairfax County and a public information meeting is scheduled for December 1 at Robert E. Lee High School in Springfield. In advance of the meetings on the I-395 draft EA, staff from VDOT and DRPT have been briefing elected officials in Alexandria, Arlington and Fairfax Counties on the project, including the Transit/TDM study.

DRPT also briefed the Fredericksburg Area Metropolitan Planning Organization (FAMPO) Technical Committee on November 7, the FAMPO Citizen's Technical Advisory Group on November 9, and the FAMPO Policy Board on November 21. The draft report for the I-95/395 Transit and Transportation Demand Management (TDM) study was delivered on November 15 and has been circulated for comment to the 11 Key Stakeholders. The final Key Stakeholder Group (KSG) meeting for the I-95/395 Transit/TDM study is scheduled for December 7, and the final report is scheduled to be completed in mid-December.

Smart Scale

Smart Scale project application validation by VDOT and DRPT is continuing. Applications for all projects submitted statewide for Round 2 can be found on the Virginia Smart Scale website at: http://www.virginiadot.org/projects/resources/SYIP/2016/fall/All_Submitted_Applications.pdf. The list of projects that have been screened out will be announced in December and the CTB anticipates voting on up to two projects that the CTB will submit for evaluation at that meeting. Project scores and the base funding scenario are anticipated to be released in January. Projects recommended for funding will be included in the FY 18-23 SYIP to be approved in June 2017.

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RESOLUTION #2324

SUBJECT: Support of the Washington Metropolitan Area Transit Authority Metro Safety Commission (MSC)

WHEREAS: NVTC's strategic goals include the promotion of safe, reliable, and financially sound performance of WMATA's Metrorail system;

WHEREAS: NVTC's 2017 Federal and State Legislative and Policy Agenda supports the establishment of the MSC as a means to enhance the safety and security of riders in the region;

WHEREAS: Title 49 Chapter 53 of United States Code contains federal statutory requirements for public transportation safety programs and State Safety Oversight Agencies (SSOAs) that require heavy rail systems to have a legally and financially independent safety oversight agency;

WHEREAS: The Federal Transit Administration (FTA) determined that WMATA's SSOA, the Tri-State Oversight Committee (TOC), does not possess adequate enforcement authority necessary to meet certification requirements for SSOAs;

WHEREAS: On October 15, 2016, the FTA assumed temporary federal oversight of WMATA's State Safety Oversight program until a SSOA is established and certified to meet federal safety requirements;

WHEREAS: If the U.S. Secretary of Transportation determines that a State Safety Oversight program is not being carried out in accordance with federal law, FTA may withhold Section 5307 funding to transit agencies in the state;

WHEREAS: Due to the unique multi-state nature of the WMATA Metrorail system, the MSC must be established through an interstate compact, which will require that identical legislation be passed in the District of Columbia, Maryland and Virginia; and

WHEREAS: In February 2016, United States Secretary of Transportation Anthony Foxx informed the District of Columbia, Maryland and Virginia that if the MSC is not established and certified by February 9, 2017, the FTA is prepared to begin withholding Section 5307 funds until the MSC is certified as the SSOA for WMATA.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission hereby urges the Commonwealth to work collaboratively with the District of Columbia and Maryland to establish the MSC as WMATA's SSOA.

BE IT FURTHER RESOLVED that NVTC encourages the Commonwealth to act expeditiously in order to minimize disruptions to transit operations statewide and prevent the withholding of Section 5307 funds.

Approved this 1st day of December 2016.

Jay Fisette
Chairman

Paul C. Smedberg
Secretary-Treasurer

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TO: Chairman Fisetta and NVTC Commissioners
FROM: Kate Mattice and Rhonda Gilchrest
DATE: November 22, 2016
SUBJECT: Virginia Railway Express (VRE)

A. VRE CEO Report and Minutes

At the November meeting, Mr. Allen will update the Commission on VRE activities. The [VRE CEO November 2016 Report](#) is attached. The Minutes of the November 18th Operations Board Meeting will be provided at the Commission meeting.

B. ACTION ITEM: Approve [Resolution #2325](#): Accept and Authorize Distribution of VRE's FY2016 Comprehensive Annual Financial Report (CAFR)

The VRE Operations Board recommends that the Commission accept and authorize the distribution of [VRE's FY2016 Comprehensive Annual Financial Report \(CAFR\)](#) and associated information from the auditors. VRE's audit firm, PBMares, LLP, has issued an unqualified (clean) opinion. Their opinion letter states that VRE's statements, in all material respects, fairly and accurately present the financial position of the organization. Mike Garber from PBMares gave a detailed briefing to the VRE Executive Committee and then addressed the Operations Board at its November 18th meeting. The attached [VRE memorandum](#) provides more information.

C. ACTION ITEM: Approve [Resolution #2326](#): Authorize the VRE CEO to Amend the CSX Transportation Operating Access Agreement and Master Facilities Lease Agreement

The VRE Operations Board recommends that the Commission authorize the VRE CEO to execute Amendments to the CSX Operating Access Agreement and the Master Facilities Lease Agreement in a form approved by legal counsel. The recommended amendments would incorporate changes to the current train schedules to reflect actual run-times between Spotsylvania and the Fredericksburg Stations and to update the physical characteristics of the corridor to include the new L'Enfant Storage tracks. The attached [VRE memorandum](#) provides more information.

D. ACTION ITEM: Approve Resolution #2327: Authorize the VRE CEO to Amend the Norfolk Southern Operation Access Agreement

The VRE Operations Board recommends that the Commission authorize the VRE CEO to execute an amendment to the April 30, 2014 Norfolk Southern Operating Access Agreement to reflect train schedule changes for the VRE Manassas and Fredericksburg line trains in a form approved by legal counsel. Amendments to the CSX Operating Access Agreement and the Master Facilities Lease Agreement in a form approved by legal counsel. The attached VRE memorandum provides more information.

E. ACTION ITEM: Approve Resolution #2328: Authorize the VRE CEO to Amend the Amtrak Access and Storage Agreement

The VRE Operations Board recommends that the Commission authorize the VRE CEO to execute an amendment to the July 1, 2015 Amtrak Access and Storage Agreement to reflect Schedule changes for the VRE Manassas and Fredericksburg line trains in a form approved by legal counsel. The attached VRE memorandum provides more information.

F. 2017 VRE Operating Board Meeting Schedule Changes

The January VRE Operations Board meeting conflicts with the Presidential Inauguration on January 20, 2017. VRE staff surveyed Board Members and confirmed a quorum would be present if the meeting was changed to January 27, 2017. The VRE Operations Board approved this change as well holding a meeting in July and not in August. The 2017 VRE Operations Board Meeting Schedule is as follows:

January 27, 2017
February 17, 2017
March 17, 2017
April 21, 2017
May 19, 2017
June 16, 2017
July 21, 2017
September 15, 2017
October 20, 2017
November 17, 2017
December 15, 2017

CEO REPORT

NOVEMBER 2016



OUR MISSION

The Virginia Railway Express, a joint project of the Northern Virginia Transportation Commission and the Potomac Rappahannock Transportation Commission, will provide safe, cost-effective, accessible, reliable, convenient, and customer responsive commuter-oriented rail passenger service. VRE contributes to the economic vitality of its member jurisdictions as an integral part of a balanced, intermodal regional transportation system.



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- 10** Capital Projects Updates
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 - L'Enfant (South) Storage Track
 - Quantico Station Improvements
 - Lorton Platform Extension
 - “Penta-Platforms” Station Improvements
 - Arkendale to Powell’s Creek Third Track Project
 - Gainesville Haymarket Extension
 - Rolling Road Platform Extension
 - Midday Storage Facility
 - Long Bridge Feasibility and Environmental Studies
 - Manassas Park Station Parking Expansion
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- 16** Projects Progress Report
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Virginia Railway Express | 1500 King Street, Suite 202 | Alexandria, VA 22314 | 703.684.1001 | www.vre.org

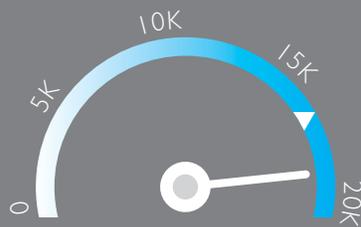


SUCCESS AT A GLANCE



PARKING UTILIZATION

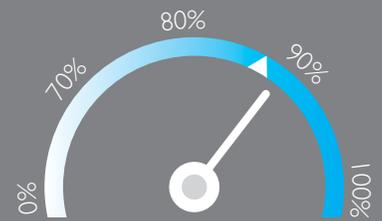
The total number of parking spaces used in the VRE system during the month, divided by the total number of parking spaces available.



AVERAGE DAILY RIDERSHIP

The average number of boardings each operating day inclusive of Amtrak Step-Up boardings but excluding "S" schedule operating days.

▲ Same month, previous year.



ON-TIME PERFORMANCE

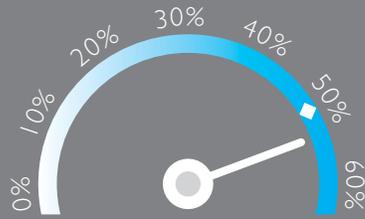
Percentage of trains that arrive at their destination within five minutes of the schedule.

▲ Same month, previous year.



SYSTEM CAPACITY

The percent of peak hour train seats occupied. The calculation excludes reverse flow and non-peak hour trains.



OPERATING RATIO

The monthly operating revenues divided by the monthly operating expenses, which depicts the percent of operating costs paid by riders.

◆ Board-established goal.

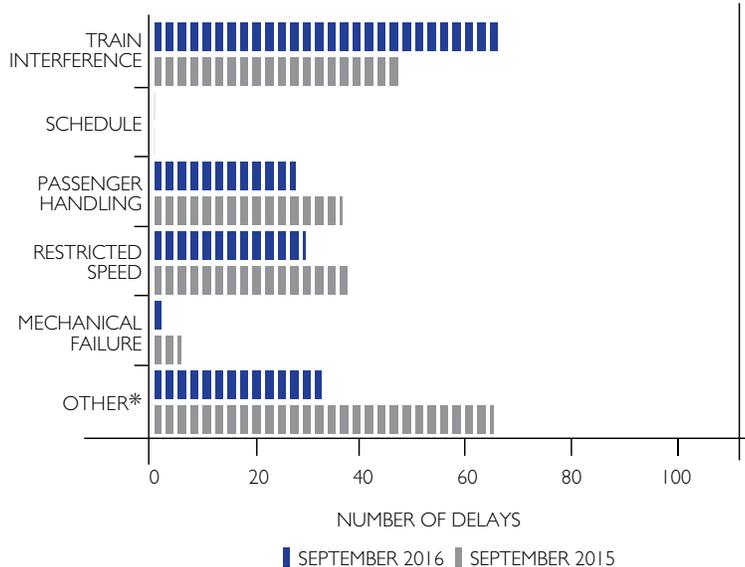
ON-TIME PERFORMANCE

OUR RECORD

	September 2016	August 2016	September 2015
Manassas Line	94%	96%	91%
Fredericksburg Line	85%	80%	84%
System Wide	89%	88%	88%

Train interference, passenger handling, maintenance of way and restricted speed orders were the principal causes of delays and reduced overall OTP.

REASONS FOR DELAYS



VRE operated 672 trains in September, with 70 trains arriving over five minutes late to their final destinations. There were 20 late trains on the Manassas Line and 50 late trains on the Fredericksburg Line resulting in an overall on-time rate of 89% for our trains in September.

We are very close to reaching our goal of 90% on-time arrivals. September saw a reduction in weather-related delays, which was a large factor in our missed goals over the summer. Ongoing rail improvements, and general congestion throughout our system continue to be the major causes of delays. Scheduled capital infrastructure upgrades within our corridors will eliminate many of the obstacles that slow our trains, and should improve on-time performance metrics. In addition, VRE is working with Amtrak, CSX and Norfolk Southern to evaluate how the new schedule implemented last December is impacting on-time performance metrics, and will make necessary adjustments to improve service where practical.

* Includes those trains that were delayed due to late turns, weather, signal/switch failures and maintenance of way.

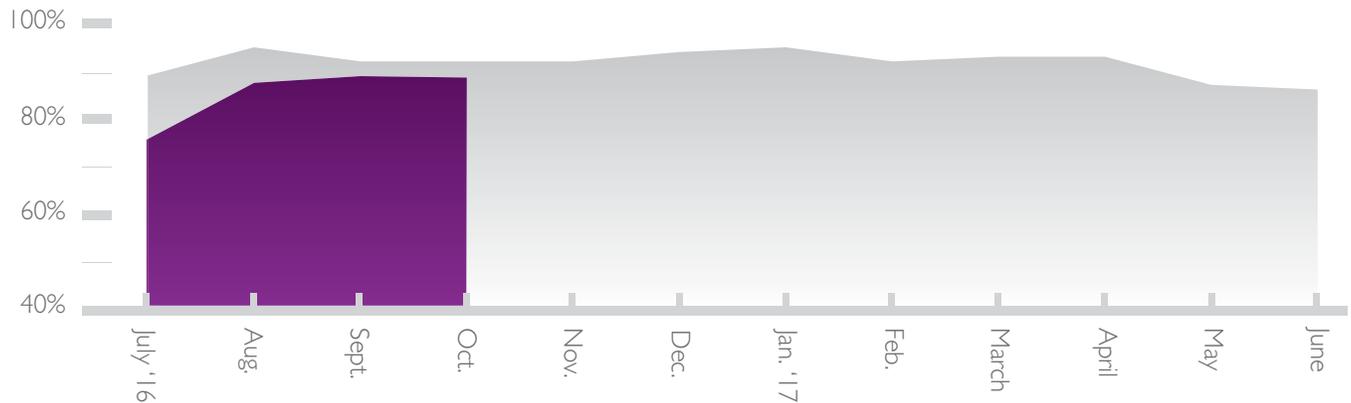
LATE TRAINS

	System Wide			Fredericksburg Line			Manassas Line		
	Jul.	Aug.	Sep.	Jul.	Aug.	Sep.	Jul.	Aug.	Sep.
Total late trains	158	90	70	111	75	50	47	15	20
Average minutes late	16	15	19	17	16	22	14	10	9
Number over 30 minutes	18	7	14	4	7	14	14	0	0
Heat restriction days / total days	11/20	9/23	1/21	-	-	-	-	-	-

ON-TIME PERFORMANCE

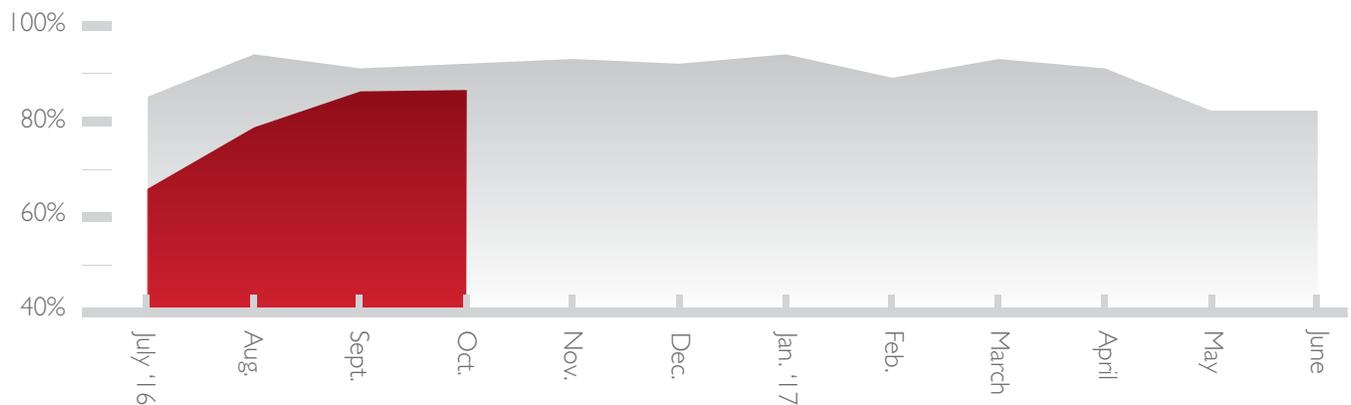
VRE SYSTEM

BOTH LINES ■ Current Stats ■ 3-Year Rolling Average

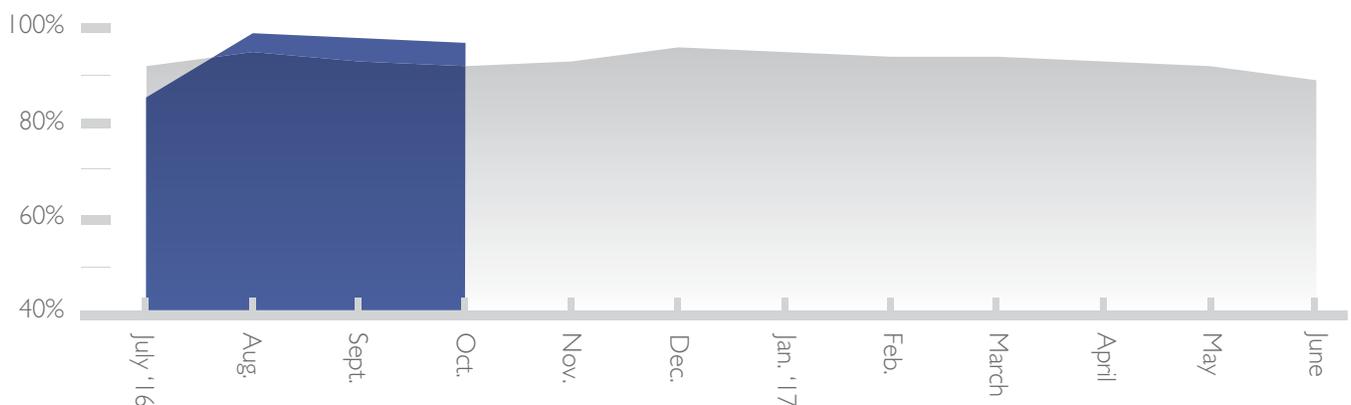


ON-TIME PERFORMANCE BY LINE

FREDERICKSBURG LINE ■ Current Stats ■ 3-Year Rolling Average



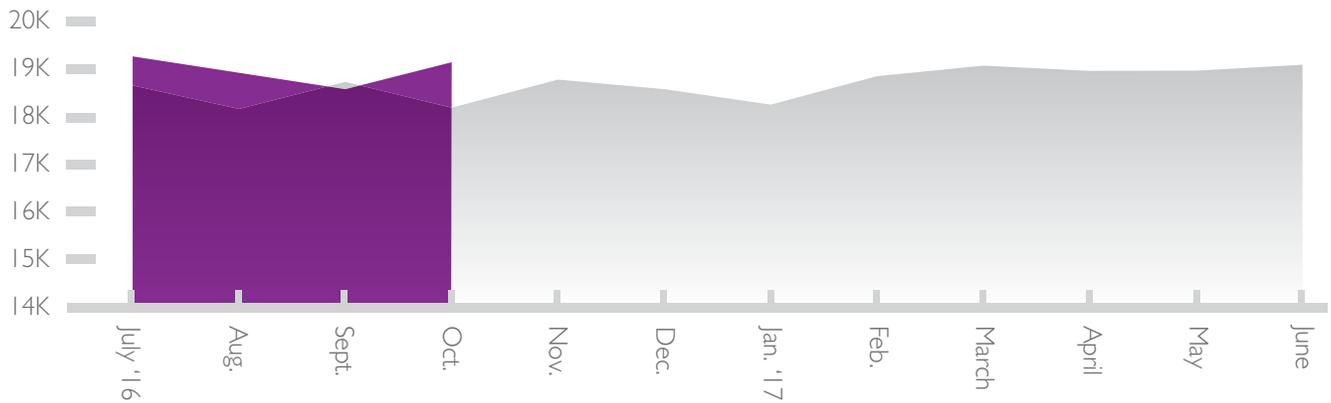
MANASSAS LINE ■ Current Stats ■ 3-Year Rolling Average



AVERAGE DAILY RIDERSHIP

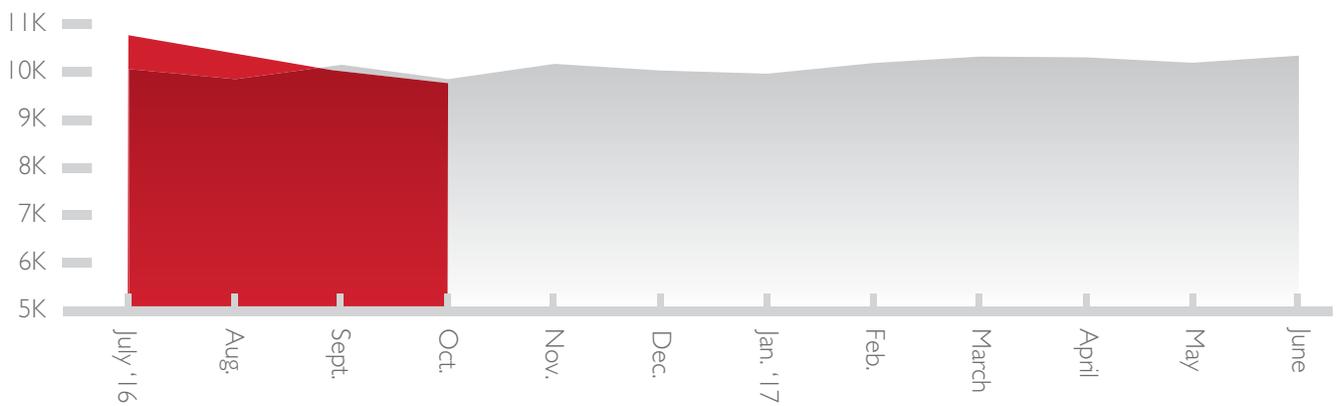
VRE SYSTEM

BOTH LINES ■ Current Stats ■ 3-Year Rolling Average

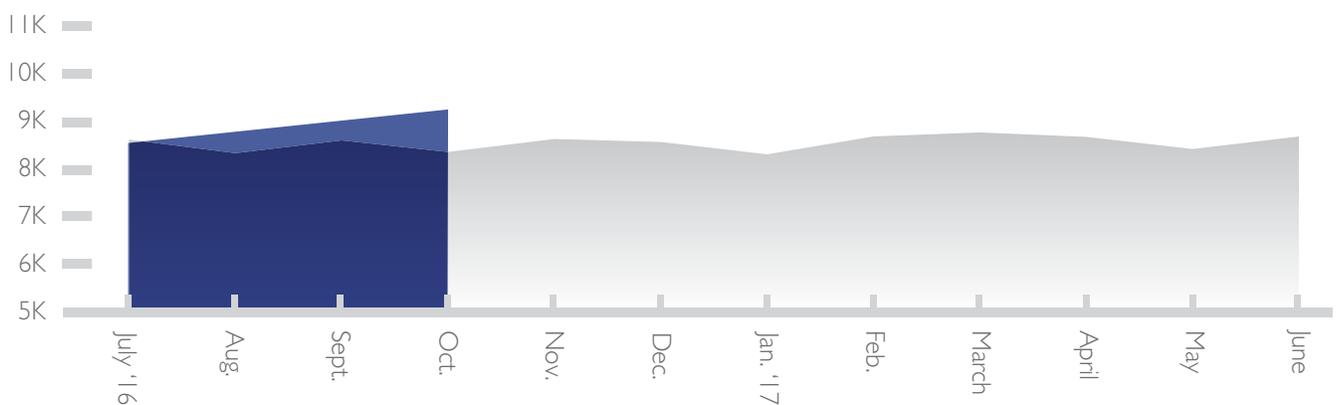


AVERAGE DAILY RIDERSHIP BY LINE

FREDERICKSBURG LINE ■ Current Stats ■ 3-Year Rolling Average



MANASSAS LINE ■ Current Stats ■ 3-Year Rolling Average



RIDERSHIP UPDATES

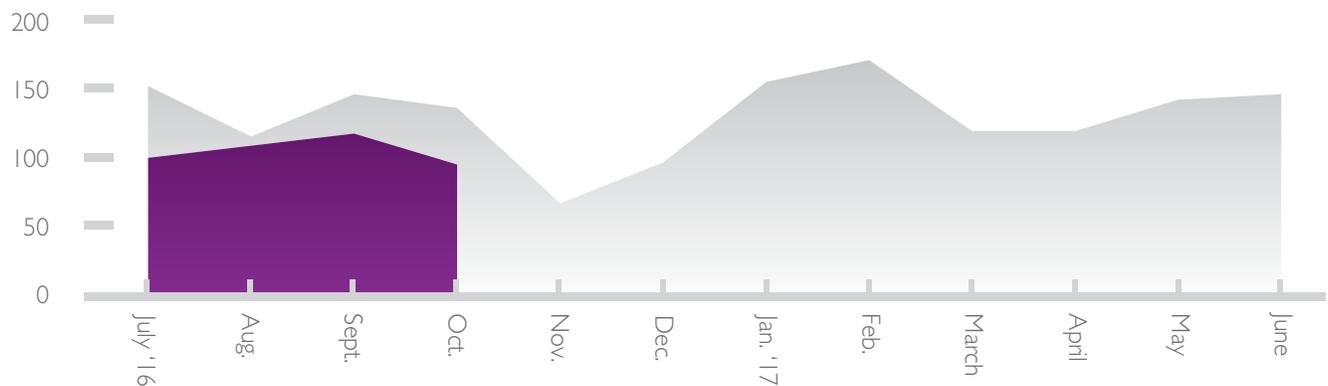
September average daily ridership was approximately 19,200 rides, a significant increase over August (18,600) and over September 2015 (17,300). VRE normally experiences an increase in ridership in September over the summer months as vacations are over and people start new jobs and look for new ways to commute. September's ridership numbers are similar to July's (19,300), which could mean that many of the riders that were attracted to VRE service during WMATA's SafeTrack program over parallel lines continue to use VRE services.

September 2016 September 2015

Monthly Ridership	403,500	364,648
Average Daily Ridership	19,214	17,364
Full Service Days	21	21
"S" Service Days	0	0

SUMMONSES ISSUED

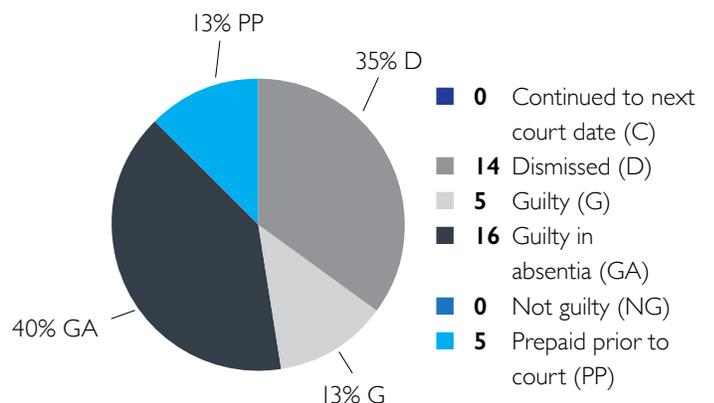
BOTH LINES ■ Current Stats ■ FY 2016



SUMMONSES WAIVED

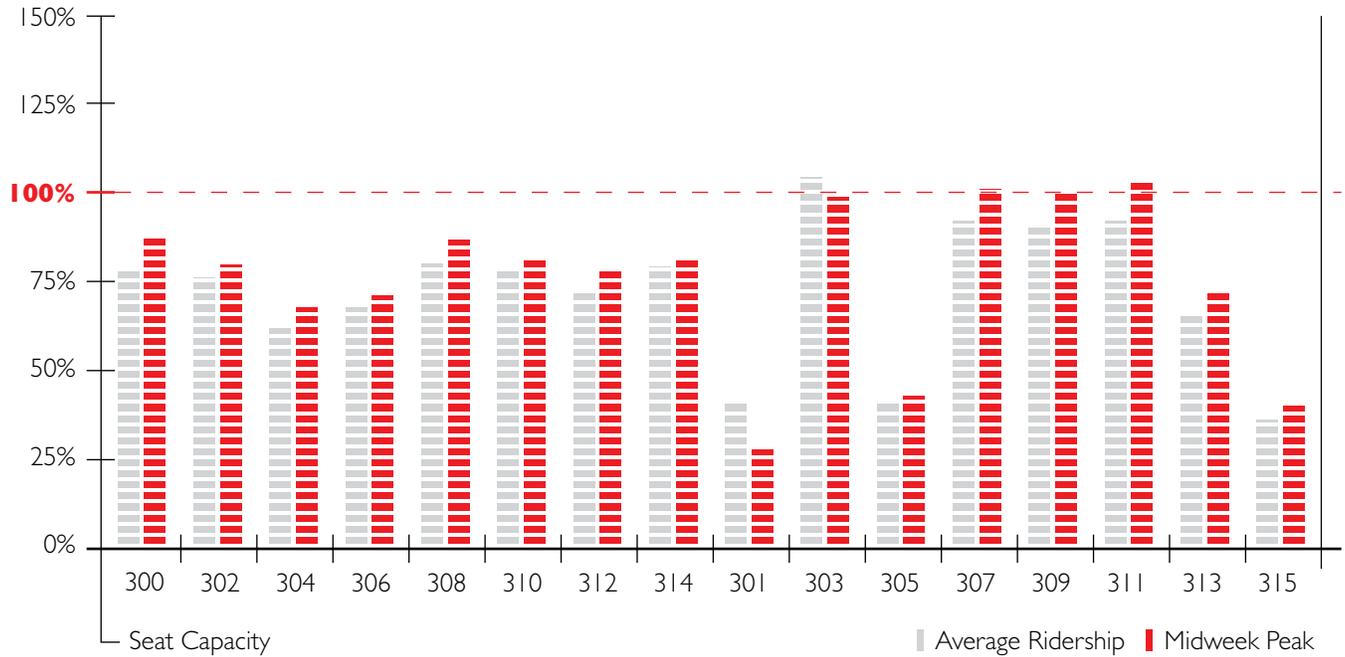
Reason for Dismissal	Occurrences
Passenger showed proof of a monthly ticket	27
One-time courtesy	35
Per the request of the conductor	20
Defective ticket	0
Per Ops Manager	0
Unique circumstances	0
Insufficient processing time	0
Insufficient information	0
Lost and found ticket	0
Other	2
Total Waived	84

MONTHLY SUMMONSES COURT ACTION

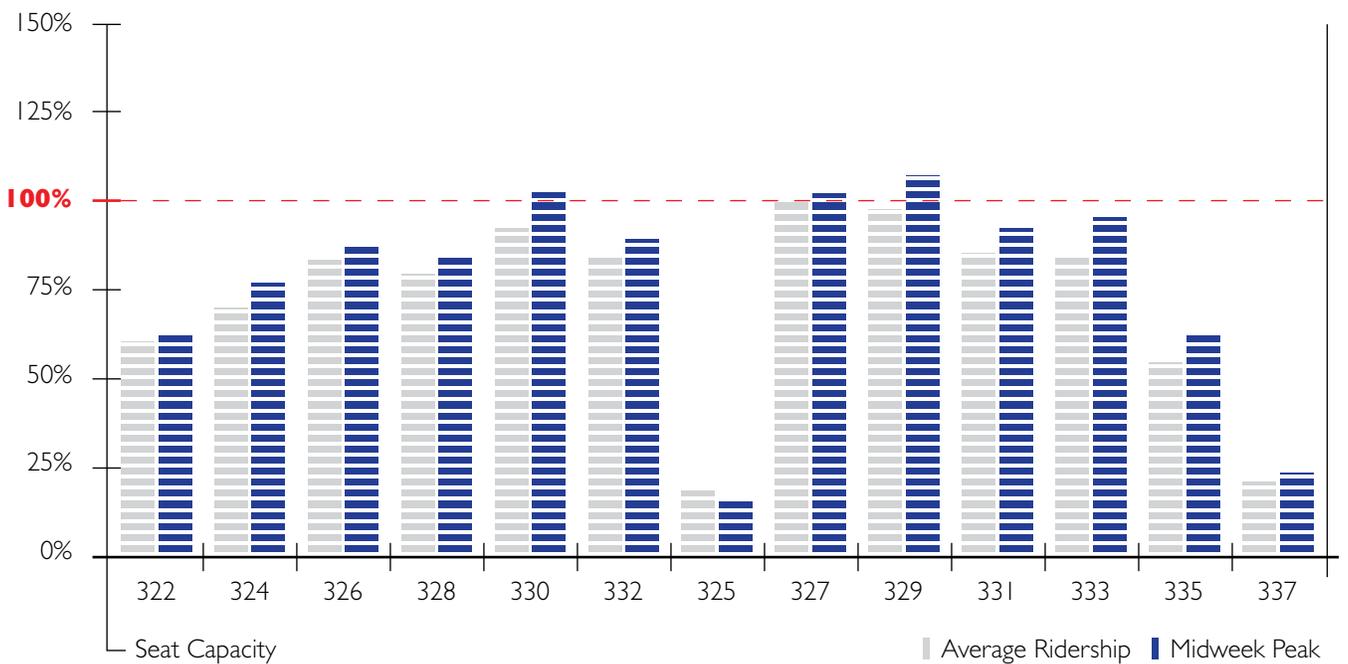


TRAIN UTILIZATION

FREDERICKSBURG LINE

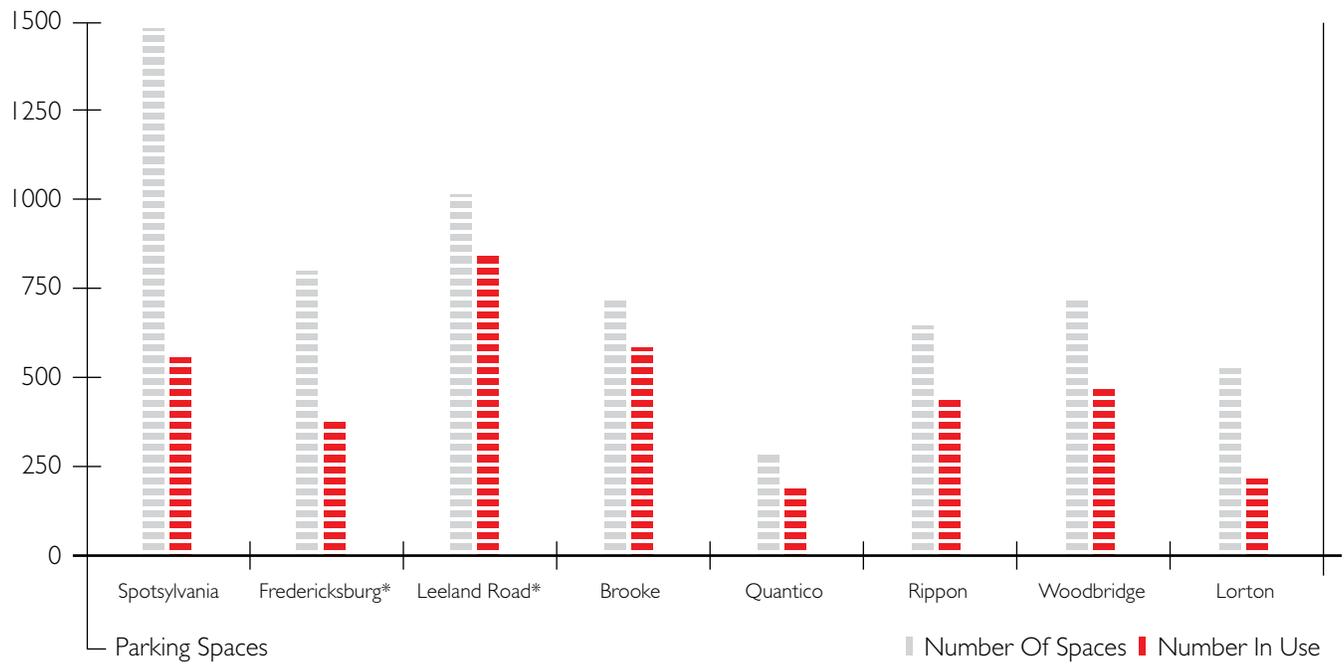


MANASSAS LINE



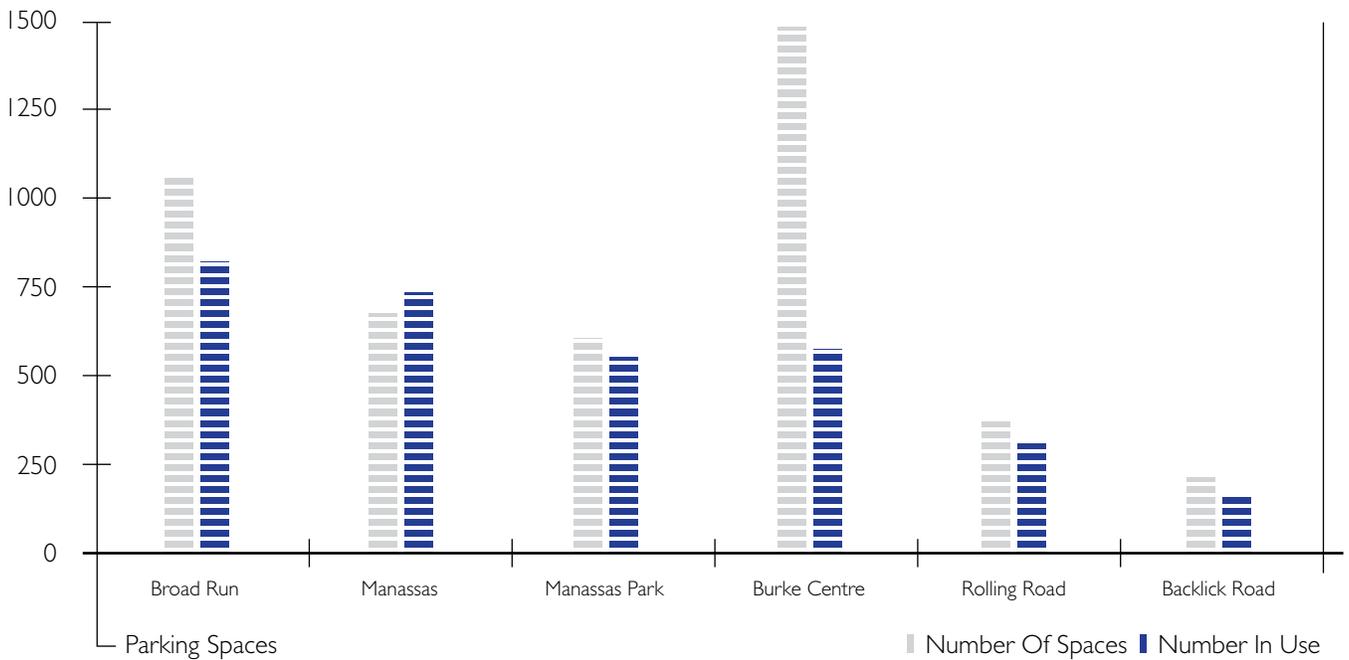
PARKING UTILIZATION

FREDERICKSBURG LINE



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

MANASSAS LINE



SEPTEMBER 2016 FINANCIAL REPORT

A copy of the September 2016 Operating Budget Report is below.

Fare income through the first two months of FY 2017 was \$760,658 above the budget – a favorable variance of 7.66%. Revenue through the third month of FY 2017 is up 15.0% compared to the same period in FY 2016. Revenue for the period was affected by ridership increases related to WMATA Safe-Track activities.

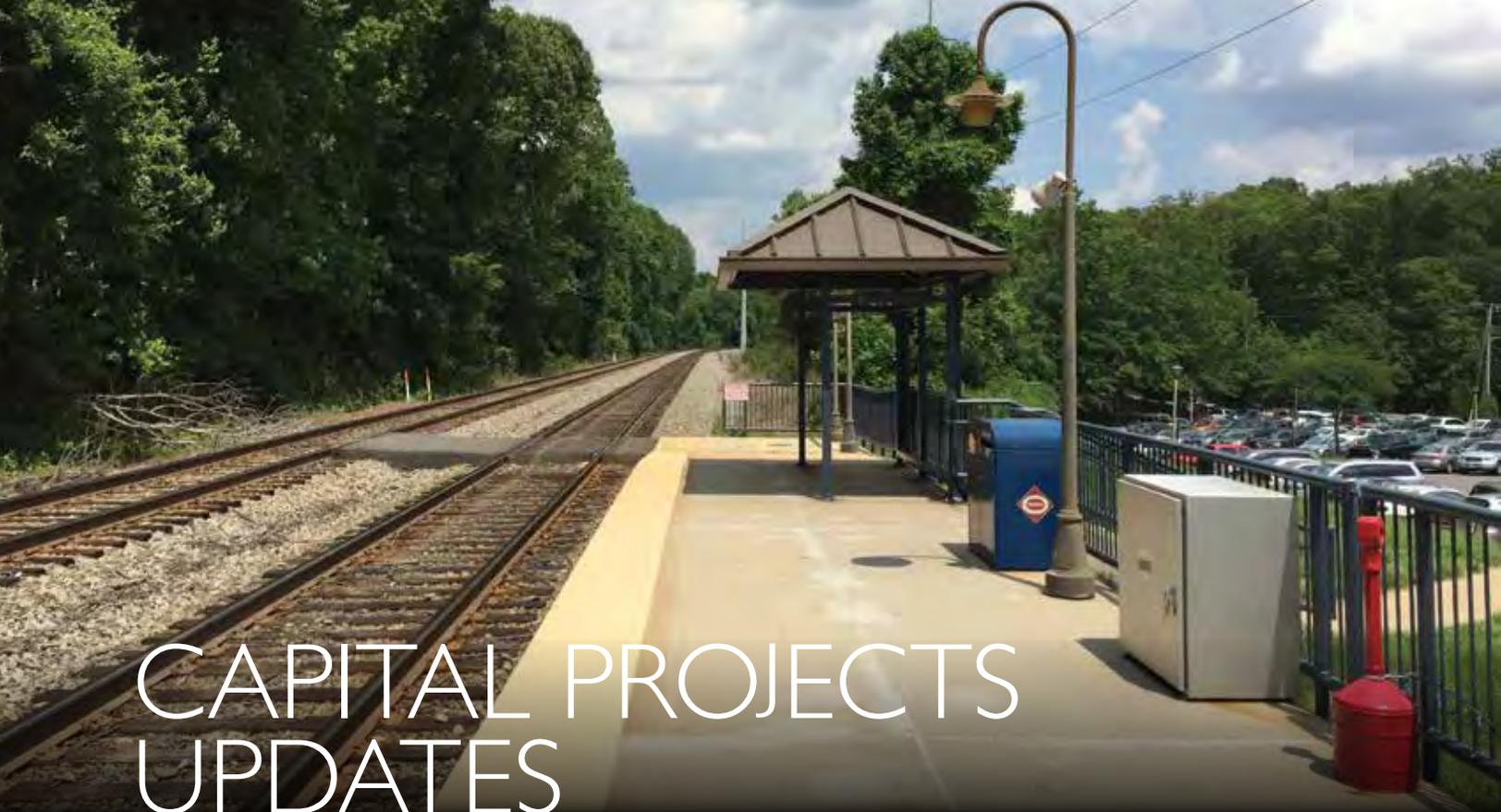
The operating ratio is 53%. Our budgeted goal ratio for FY2017 is 50%.

A summary of the financial results (unaudited) follows.

FY 2017 OPERATING BUDGET REPORT MONTH ENDED SEPTEMBER 31, 2016

	CURR. MO. ACTUAL	CURR. MO. BUDGET	YTD ACTUAL	YTD BUDGET	YTD \$ VARIANCE	YTD % VARIANCE	TOTAL FY17 BUDGET
OPERATING REVENUE (\$)							
Passenger Ticket Revenue	3,490,781	3,258,765	10,692,132	9,931,474	760,658	7.7%	38,950,000
Other Operating Revenue	51,488	16,733	74,177	50,996	23,181	45.5%	200,000
Subtotal Operating Revenue	3,542,269	3,275,498	10,766,309	9,982,470	783,839	7.9%	39,150,000
Jurisdict. Subsidy (1)	-	-	8,798,262	8,798,262	-	0.0%	13,002,382
Federal/State/Other	2,605,470	2,507,860	7,771,069	7,485,982	285,087	3.8%	29,929,051
Jurisdict. Subsidy Appn. from Res.	-	-	-	-	-	0.0%	377,000
Interest Income	11,560	2,092	30,410	6,375	24,035	377.1%	25,000
Total Operating Revenue	6,159,299	5,785,449	27,366,050	26,273,088	1,092,962	4.2%	82,483,433
OPERATING EXPENSES (\$)							
Deptml. Operating Expenses	5,571,426	6,070,895	20,125,185	21,686,278	1,561,093	7.2%	75,756,564
Debt Service	559,956	559,572	1,679,899	1,678,718	(1,181)		6,714,870
Other Non-Deptml. Expenses	-	-	-	-	-		12,000
Total Operating Expenses	6,131,382	6,630,468	21,805,084	23,364,995	1,559,912	6.7%	82,483,433
NET INC. (LOSS) FROM OPS (\$)	27,918	(845,018)	5,560,966	2,908,093	2,652,873	-	-
CALCULATED OPERATING RATIO	-	-	53%	46%	-	Goal	50%

(1) Total jurisdictional subsidy is \$17,250,240. Portion shown is attributed to Operating Fund only.



CAPITAL PROJECTS UPDATES

**AS OF OCTOBER 15, 2016*

The Rolling Road Platform Extension will accommodate longer trains and allow riders to board and detrain more quickly.

L'ENFANT (NORTH) STORAGE TRACK

CSXT added a stub-end storage track just north of the VRE L'Enfant Station several years ago. The current project focuses on CSXT installing powered switches and signaling at both ends of the track, while VRE constructs the appliances needed to supply power to a VRE train laying over on the track during the midday. In September, Pepco completed the installation of the conduit necessary to provide power to the CSX signals and VRE switchgear.

The next step is for Pepco to install the appropriate cable to complete their work. This work has been on hold until DDOT inspects and approves the Pepco work and authorizes them to continue with the cable installation.

After the testing and inspection of Pepco's work, CSXT will install signal and switch reconfigurations in November. The L'Enfant (North) Storage Track is expected to be available for service after the first of the new year.

L'ENFANT (SOUTH) STORAGE TRACK

Earlier this summer, CSXT modified their main line tracks south of the VRE L'Enfant Station to operate taller "double-stack" freight trains. A temporary track was installed during construction to provide an extra track to maintain operations. With the clearance project nearly complete, CSXT and VRE have agreed to leave the temporary track in place and convert it into 1,350 feet of midday storage for VRE trains, or as a lay-off track for emergencies. VRE will be able to store up to two trainsets midday on the storage track.

In September, CSXT completed the drainage and subgrade improvements under the temporary track in order to adapt it to permanent use. Additional track work has begun and is expected to be completed in October.

VRE has tasked a General Engineering Consultant for Design Services: Track, Structures, and Signals, with the design of wayside power appliances for trains during layover. The design is underway; 30 percent plans were submitted in September, 90 percent plans submitted in October. Plans are currently being reviewed by VRE and CSXT. Coordination

with Pepco continues as well. Bi-weekly calls between VRE staff and CSXT are occurring to coordinate technical reviews and refine project details. It is anticipated that CSXT will be able to turn over the track to VRE for use in November 2016, with wayside power available after the first of the new year.

QUANTICO STATION IMPROVEMENTS

VRE has identified several improvements needed at the Quantico Station, including the extension of the existing platform, the addition of an island platform, a pedestrian bridge and bus facilities. The project is being developed in conjunction with the DRPT-CSXT Arkendale to Powell's Creek Third Track Project.

It is expected to take six months to construct retaining walls, track, and the platform. Another 12 to 18 months will be required to complete other aspects of the project, which include completing the west tower stairway, elevator, pedestrian overpass and the extension of the existing east platform. The projected in-service date for all of the improvements is mid-2018.

VRE, CSXT and DRPT are meeting on a bi-weekly basis to encourage communication among the major stakeholders and adhere to scope, schedule and design consistency.

LORTON PLATFORM EXTENSION

The Lorton Platform Extension Project will lengthen the existing platform to accommodate eight-car trains.

The CSXT Construction Agreement (that includes the Right of Entry for the project) was executed at the end of May, allowing for CSXT Engineering Review and CSXT Flagging Support. In August, the contractor cleared the trees to prepare for the Fiber Optic Relocation, which consists of utility location and construction layout staking. With the availability of CSXT Flaggers on September 19, the Fiber Optic Relocation was able to begin on September 22. Once the fiber optic relocation has been completed, VRE will give the contractor Notice to Proceed (NTP), and the project can move forward. The NTP is anticipated for late Fall 2016.



Relocation of Fiber Optic Line at Lorton Station Platform Extension

“PENTA-PLATFORMS” STATION IMPROVEMENTS

The Penta-Platforms Project will add capacity to the CSXT RF&P Subdivision by extending platforms and/or adding second platforms at five VRE Fredericksburg Line stations (Franconia-Springfield, Lorton, Rippon, Brooke and Leeland Road). A contract was awarded to STV in July and a scope and schedule meeting was held in August. The Notice To Proceed was issued August 4, 2016. VRE has been coordinating flagging availability with CSXT to support future field work, including surveying, geotechnical work, environmental analyses and tasks related to NEPA. After flagging services are secured and field activities are scheduled, a comprehensive kickoff meeting for all five stations including contractors and major stakeholders will occur in November. Meanwhile, semi-weekly calls among the key parties continue to coordinate engineering and planning efforts. Engineering coordination includes in-person workshops where needed, the first of which occurred in August 2016.

ARKENDALE TO POWELL'S CREEK THIRD TRACK PROJECT

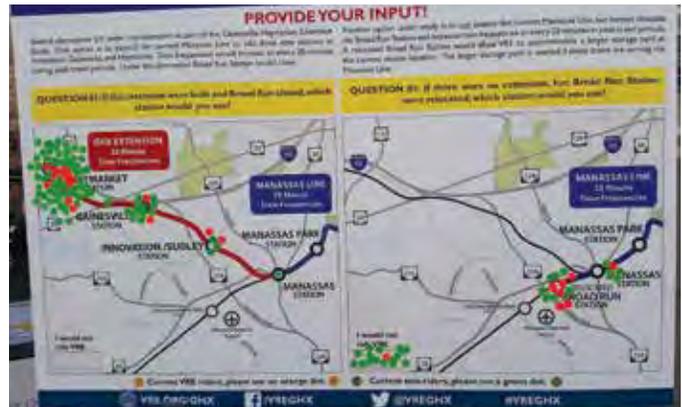
VRE, DRPT, and FRA are collaborating on the installation of 11 miles of new third track between Arkendale and Powell's Creek on the CSX Transportation RF&P Secondary. The project is moving forward with earthwork, retaining wall work, new structures (as needed) and corresponding track and signal work after several years of design and project preparations.

Third track construction has continued with attention given to final Potomac Shores Station configuration, refined Quantico scope and the negotiation of contractual responsibilities among major stakeholders. Bi-monthly meetings continue as all parties work to further clarify their roles.

GAINESVILLE HAYMARKET EXTENSION

The Gainesville Haymarket Extension (GHX) Study is analyzing a potential 11-mile expansion of VRE service on the Manassas Line through Gainesville and to the general vicinity of the town of Haymarket. Analysis continues to refine ridership projections and develop conceptual engineering plans for the associated extension elements, including stations, parking, track infrastructure, and other system capacity improvements.

Public Outreach for the project continues to provide information to and obtain feedback from local communities. Most recently, VRE staff attended the town of Haymarket's annual Haymarket Day on Sept. 17, 2016. Staff spoke with over 65 people and answered questions regarding potential station locations, service options, and the implementation timeline. As part of an interactive survey, residents were asked to indicate which VRE station they would use if the extension is built, and which station they would use if the Broad Run station were relocated and expanded (instead of the extension). The majority of participants indicated a preference for the extension. For those who are not currently VRE riders, a number of people indicated they would only consider riding VRE if the extension is built, citing the longer travel distance from their homes in the Haymarket and Gainesville areas to a relocated Broad Run station as a reason they would not switch to VRE.



VRE Staff participated in Haymarket Day on September 17, 2016, and conducted an interactive survey to current and potential riders on the future of the Gainesville Haymarket Extension.

ROLLING ROAD PLATFORM EXTENSION

This project focuses on extending the existing platform at Rolling Road Station in Fairfax County to accommodate longer trains and provide associated canopy modifications. Extending the platform will allow access to all of the doors on full-length trains at Rolling Road. This will allow passengers to board and exit the train at a much quicker pace. The proposed expansion project will occur entirely within the Norfolk Southern right-of-way, which cuts down on potential environmental and community impacts.

A site visit was held on August 8, 2016, with the project consultant that included VRE Information Technology, Safety and Security, and Facilities and Operations staff. Team members were able to identify possible issues and constraints associated with planning and design for the platform extension. In addition, VRE staff continues to evaluate and synthesize the data gathered from the field visit in order to create an updated project schedule.

MIDDAY STORAGE FACILITY

Opportunities for midday storage of VRE rolling stock in the District of Columbia are presently limited. The purpose of this project is to acquire property, conduct the necessary environmental clearance activities, and design and construct a permanent midday storage facility for VRE equipment. This will replace the current storage space leased from Amtrak at Ivy City Coach Yard.

Vanasse Hangen Brustlin, Inc. (VHB) is the contractor selected to provide environmental and design services for a new midday storage facility. Notice to Proceed (NTP) and project kick-off occurred on August 9, 2016. Initial project start-up activities include project management tasks, stakeholder engagement, and real estate acquisition strategies to support project development. Key stakeholders include Amtrak, Conrail, and various District of Columbia offices. VRE continues to collaborate with these parties to advance the design of the facility.

LONG BRIDGE FEASIBILITY AND ENVIRONMENTAL STUDIES

The Long Bridge across the Potomac River has been and continues to be a major railroad bottleneck for the Eastern Seaboard and the primary constraint limiting VRE's ability to operate more trains. The purpose of this project is to provide additional railroad capacity at Long Bridge.

VRE is currently collaborating with the District Department of Transportation (DDOT), the Virginia Department of Rail and Public Transportation (DRPT), the Federal Railroad Administration (FRA) and CSX Transportation (CSXT), the bridge owner, on development activities to expand the crossing, doubling the amount of tracks from two to four. The team is presently conducting engineering and environmental analyses under a U.S. Department of Transportation American Recovery and Reinvestment Act grant. The work will involve analyzing potential bridge replacement and expansion options aimed at improving capacity at the only railroad crossing of the Potomac River between D.C. and Virginia.

The Request for Proposals (RFP) for Phase III, which is for an Environmental Impact Statement (EIS) under the National Environmental Policy Act (NEPA), will document and disclose potential impacts and benefits of expanding and/or replacing Long Bridge, and was advertised on August 3, 2016. Responses were due on September 9, 2016, and are currently under review. Interviews will be conducted this fall, and the NTP is expected in January 2017. VRE continues to support tasks related to environmental and engineering assessments along with service planning scenarios to create a strong foundation for the upcoming EIS effort. A Notice of Intent (NOI) was published on August 26, 2016, kicking off the scoping process. VRE, DDOT, DRPT, FRA, and CSXT continue to collaborate and refine the project scope, and a public scoping meeting was held on September 14, 2016 to seek comments from the public on potential alternatives to be considered and areas of concern for the community.

MANASSAS PARK STATION PARKING EXPANSION

As the VRE Manassas Park station parking lot is typically full before the last train leaves the station in the morning, additional parking is necessary to meet the needs of riders. Because they often cannot find spots in the lot, VRE riders sometimes park on nearby streets or in a City-owned parking lot, and then walk (or run) over an at-grade crossing to access the station. The problem is expected to worsen as ridership at this station is projected to grow with new development near the station and enhanced VRE service on the Manassas Line. The best solution, which VRE is currently working to identify, will solve the problem for both today and for future growth.

The Operations Board approved the award of Engineering and Environmental Services to Vanasse Hangen Brustlin, Inc. (VHB) in June 2016. Since project kick-off in July, a field survey has been conducted, and collaboration has begun among VRE staff, Manassas Park Governing Body, and the Northern Virginia Transportation Authority (NVRTA). Work sessions continue as the project team evaluates data in order to present the most valuable options for the proposed parking facility with regards to size and location, vehicle and pedestrian mobility, and potential funding.

FACILITIES UPDATE

The following is a status update of VRE facilities projects:

Completed projects:

1. Repairs to stair railings at Rippon Station
2. Painting of stair railings at Rippon Station
3. Repairs to concrete stairs and walkway drainage at Fredericksburg Station (work initiated by City of Fredericksburg)
4. Pavement repairs and restriping of several parking lots at Broad Run Station
5. Installation of remote monitoring system for emergency generators at Woodbridge and Manassas parking garages and Alexandria and Fredericksburg offices
6. Repairs to automated train gate at Broad Run Yard
7. Replacement of crew building sewage pump at Broad Run Yard
8. Renovations of Alexandria Headquarters building third floor leased space



Stair Railing Repairs and Painting Completed at Rippon Station

Projects scheduled to be completed this quarter:

1. Correction of canopy drainage problem at Crystal City Station
2. Replacement of broken glass panes at Woodbridge Station west elevator/stair tower (pending delivery of glass panels)
3. Canopy roof and gutter replacement at Leeland Road Station (contingent upon CSX flagman availability)
4. Replacement of broken glass pane at Fredericksburg Station (Work initiated by City of Fredericksburg. Pending delivery of glass panel.)
5. Resealing of waiting room floor at Spotsylvania Station
6. Installation of pathfinder signs for Spotsylvania Station
7. Replacement of ground power switchgear contactor at Crossroads Yard
8. Periodic testing of ground power switchgear at Crossroads and Broad Run Yards
9. Installation of monitoring wells on two outfall drainage pipes at Broad Run Yard to allow for accurate discharge sampling for VPDES General Permit compliance (pending DEQ approval)

Projects scheduled to be initiated this quarter:

1. Replacement of platform lighting at L'Enfant Station
2. Repairs to fascia and soffit at Woodbridge Station east building
3. Development of design of platform concrete rehabilitation at Fredericksburg Station
4. Replacement of name/address Braille signage at all stations
5. Installation of inter-track warning signs at various stations
6. Replacement of tactile warning strips at various stations

Ongoing projects:

1. Elevator modernization project, underway at Franconia-Springfield Station and Rippon Station
2. Design of emergency generator at Woodbridge Station west elevator/stair tower
3. Assisting with coordination of Featherstone Wildlife Refuge access stair and ramp construction at Rippon Station
4. Installation of utility power status remote monitoring at various stations
5. Renovations of Alexandria Headquarters communications and server rooms



Broad Run Station Lot Striping in Progress

UPCOMING PROCUREMENTS

- Graphic Design Services
- Replacement of Tactile Warning Strips at Station Platforms
- Automatic Parking Counter System
- Automatic Passenger Counter System
- Purchase of Passenger Elevators
- Construction of the Lifecycle Overhaul and Upgrade Facility
- Construction Management Services for the Lifecycle Overhaul and Upgrade Facility
- Information Technology Services
- Program Management Services
- Purchase of Replacement Railcar Batteries

PROJECTS PROGRESS REPORT

AS OF OCTOBER 7, 2016

PASSENGER FACILITIES

PROJECT	DESCRIPTION	CD	PE	PHASE			FD	CN
				ES	RW			
Union Station Improvements (Amtrak/VRE Joint Recapitalization Projects)	Station and coach yard improvements of mutual benefit to VRE and Amtrak.	◆	◆	◆	N/A	◆	●	
Alexandria Station Improvements	Pedestrian tunnel to METRO and eliminate at-grade track crossing.	◆	◆	●	N/A	●	–	
	Modify Slaters Lane Interlocking and East Platform for passenger trains on Track #1.	◆	●	–	N/A	–	–	
	Extend East Platform and elevate West Platform.	◆	–	–	N/A	–	–	
Franconia-Springfield Station Improvements	Extend both platforms and widen East Platform for future third track.	◆	–	–	N/A	–	–	
Lorton Station Improvements	Extend existing platform.	◆	◆	◆	N/A	◆	●	
	Construct new second platform with pedestrian overpass.	◆	–	–	N/A	–	–	
Rippon Station Improvements	Extend existing platform, construct new second platform with pedestrian overpass.	◆	–	–	N/A	–	–	
Potomac Shores Station Improvements	New VRE station in Prince William County provided by private developer.	◆	◆	◆	N/A	●	–	
Quantico Station Improvements	Extend existing platform, construct new second platform with pedestrian overpass.	◆	◆	◆	N/A	●	–	
Brooke Station Improvements	Extend existing platform, construct new second platform with pedestrian overpass.	◆	–	–	N/A	–	–	
Leeland Road Station Improvements	Extend existing platform, construct new second platform with pedestrian overpass.	◆	–	–	N/A	–	–	
Spotsylvania Station Improvements	New VRE station in Spotsylvania County near the Crossroads MSF.	◆	◆	◆	N/A	◆	◆	
Manassas Park Parking Expansion	Parking garage to increase parking capacity by 1,100 spaces.	◆			N/A			
Rolling Road Station Improvements	Extend existing platform.	◆	–	–	N/A	–	–	
Broad Run Station Improvements	Parking garage to increase parking capacity by 900 spaces.	◆	◆	■	N/A	–	–	

PHASE: CD – Conceptual Design PE – Preliminary Engineering ES – Environment Screening RW – Right of Way Acquisition

1 Total project cost estimate in adopted FY2017 CIP Budget

2 Does not include minor (< \$50,000) operating expenditures

Total	ESTIMATED COSTS (\$)			COMPLETION		Date	STATUS	
	Funded	Unfunded	Authorized	Expended	Percent			
3,201,176	3,201,176	–	1,451,176	574,706	75%	4th QTR 2016	●	Work resumed in April, 2016, and is anticipated to be completed in December, 2016.
10,021,865	10,021,865	–	2,200,824	1,834,993	51%	3rd QTR 2017	●	60% Comments under review.
7,000,000	7,000,000	–	467,500	–	5%	3rd QTR 2017	●	Design work has begun and will be completed in January 2016.
2,400,000	400,000	2,000,000	–	–	5%	3rd QTR 2017	●	West Platform elevation funded.
13,000,000	13,000,000	–	–	–	5%	TBD	●	Part of Penta-Platform program. NTP issued August 4, 2016.
2,500,000	2,500,000	–	–	410,351	16%	3rd QTR 2018	●	With the support of CSXT Flaggers, Fiber Optic Relocation began on September 22, 2016. NTP expected once Fiber Optic Relocation has been completed.
16,140,000	16,140,000	–	–	–	5%	3rd QTR 2017	●	Part of Penta-Platform program. NTP issued August 4, 2016.
16,633,535	16,633,535	–	–	–	5%	1st QTR 2020	●	Part of Penta-Platform program. NTP issued August 4, 2016.
No costs for VRE. Station being developed by private developer					25%	3rd QTR 2017	●	Being coordinated in conjunction with the DRPT/CSX Arkendale to Powell's Creek Third Track Project.
9,500,000	9,500,000	–	–	–	10%	4th QTR 2018	●	Being coordinated in conjunction with the DRPT/CSX Arkendale to Powell's Creek Third Track Project.
14,650,000	9,264,300	5,385,700	21,790	–	5%	3rd QTR 2021	●	Part of Penta-Platform program. NTP issued August 4, 2016.
14,000,000	9,264,300	4,735,700	–	–	5%	3rd QTR 2020	●	Part of Penta-Platform program. NTP issued August 4, 2016.
3,422,500	3,422,500	–	3,901,886	3,620,313	99%	3rd QTR 2016	●	Project complete. Proceeding with close-out.
500,000	–	–	500,000	–	5%	2nd QTR 2018	●	NTP issued in July, 2016. Work sessions and ridership studies continue.
2,000,000	2,000,000	–	–	22,353	5%	3rd QTR 2020	●	Received Basis of Design Report and will review and provide comments.
24,420,000	12,998,282	11,421,718	2,031,263	393,120	30%	TBD	■	NEPA documents submitted to FTA for review.

FD – Final Design CN – Construction STATUS: ◆ Completed ● Underway ■ On Hold

TRACK AND INFRASTRUCTURE

PROJECT	DESCRIPTION	CD	PE	PHASE			FD	CN
				ES	RW			
Hamilton-to-Crossroads Third Track	2¼ miles of new third track with CSXT design and construction of signal and track tie-ins.	◆	◆	◆	N/A		◆	◆

MAINTENANCE AND STORAGE FACILITIES

Broad Run Yard Train Wash	New train wash facility to be added to the Broad Run MSF.	◆	◆	◆	N/A		◆	■
L'Enfant North Storage Track Wayside Power	Conversion of existing siding into a midday train storage track.	◆	◆	◆	N/A		◆	●
Lifecycle Overhaul and Upgrade Facility	New LOU facility to be added to the Crossroads MSF.	◆	◆	◆	N/A		◆	●

ROLLING STOCK

Passenger Railcar Procurement	Acquisition of 29 new railcars (15 received • 14 being built).	◆	N/A	N/A	N/A		◆	●
Positive Train Control	Implement Positive Train Control for all VRE locomotives and control cars.	◆	N/A	N/A	N/A		◆	●

PLANNING, COMMUNICATIONS AND IT

Gainesville-Haymarket Extension	NEPA and PE for an 11-mile extension of VRE service over the NS B-Line to I-66 near Haymarket.	◆	●	●	–	–	–	–
Mobile Ticketing	Implementation of a new mobile ticketing system.	◆	N/A	N/A	N/A		◆	●

PHASE: CD – Conceptual Design PE – Preliminary Engineering ES – Environment Screening RW – Right of Way Acquisition

1 Total project cost estimate in adopted FY2017 CIP Budget

2 Does not include minor (< \$50,000) operating expenditures

Total	ESTIMATED COSTS (\$)			COMPLETION		Date	STATUS		
	Funded	Unfunded	Authorize	Expended	Percent				
32,500,000	32,500,000	–	32,823,227	25,613,038	98%	4th QTR 2016	●	Anticipated project closeout 4th Quarter 2016.	
2,494,711	307,513	2,187,198	307,513	174,875	55%	TBD	■	Design 90% complete; on hold.	
4,283,618	4,283,618	–	4,207,057	1,347,155	60%	1st QTR 2017	●	Power construction 90% complete. Pepco work will be followed by CSX signal installation.	
35,100,000	22,500,000	0.00	3,146,403	2,059,023	60%	1st QTR 2018	●	Design 100% complete. Bids received for long-lead equipment.	
75,264,693	75,264,693	–	72,296,772	36,994,353	49%	4th QTR 2018	●	8 cars received in FY 2015, 7 cars have been received in FY 2016 and 5 cars scheduled to be received in FY 2017.	
10,553,000	10,553,000	–	7,980,877	7,073,155	80%	4th QTR 2018	●	Onboard installations ongoing.	
291,724,300	5,823,052	285,988,586	4,815,163	1,919,352	15%	3rd QTR 2022	●	Planning underway: travel demand analysis/ridership projection, alternatives analysis, public outreach and conceptual engineering.	
3,510,307	3,510,307	–	3,510,627	1,575,307	50%	1st QTR 2017	●	Integration with S&B system complete. Mobile now accounts for about 12% of monthly revenue and more than 25% of all tickets sold.	

FD – Final Design CN – Construction ◆ Completed ● Underway ■ On Hold



VIRGINIA RAILWAY EXPRESS

1500 KING STREET, SUITE 202 • ALEXANDRIA, VA 22314 • 703.684.1001

VRE.ORG





RESOLUTION #2325

SUBJECT: Accept and Authorize Distribution of VRE's FY2016 Comprehensive Annual Financial Report (CAFR)

WHEREAS: The VRE Operations Board has contracted with the firm of PBMares, LLC for the audit of its financial statements;

WHEREAS: The audit of VRE's FY2016 financial statements has been completed;

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

WHEREAS: The VRE Operations Board accepts the FY2016 Comprehensive Annual Financial Report (CAFR) and associated information from the auditors; and

WHEREAS: The VRE Operations Board recommends the following action.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission hereby accepts VRE's FY 2016 Comprehensive Annual Financial Report (CAFR) and associated information from the auditors and authorizes the VRE Chief Executive Officer to forward these documents to interested groups, firms and members of the public.

Approved this 1st day of December 2016.

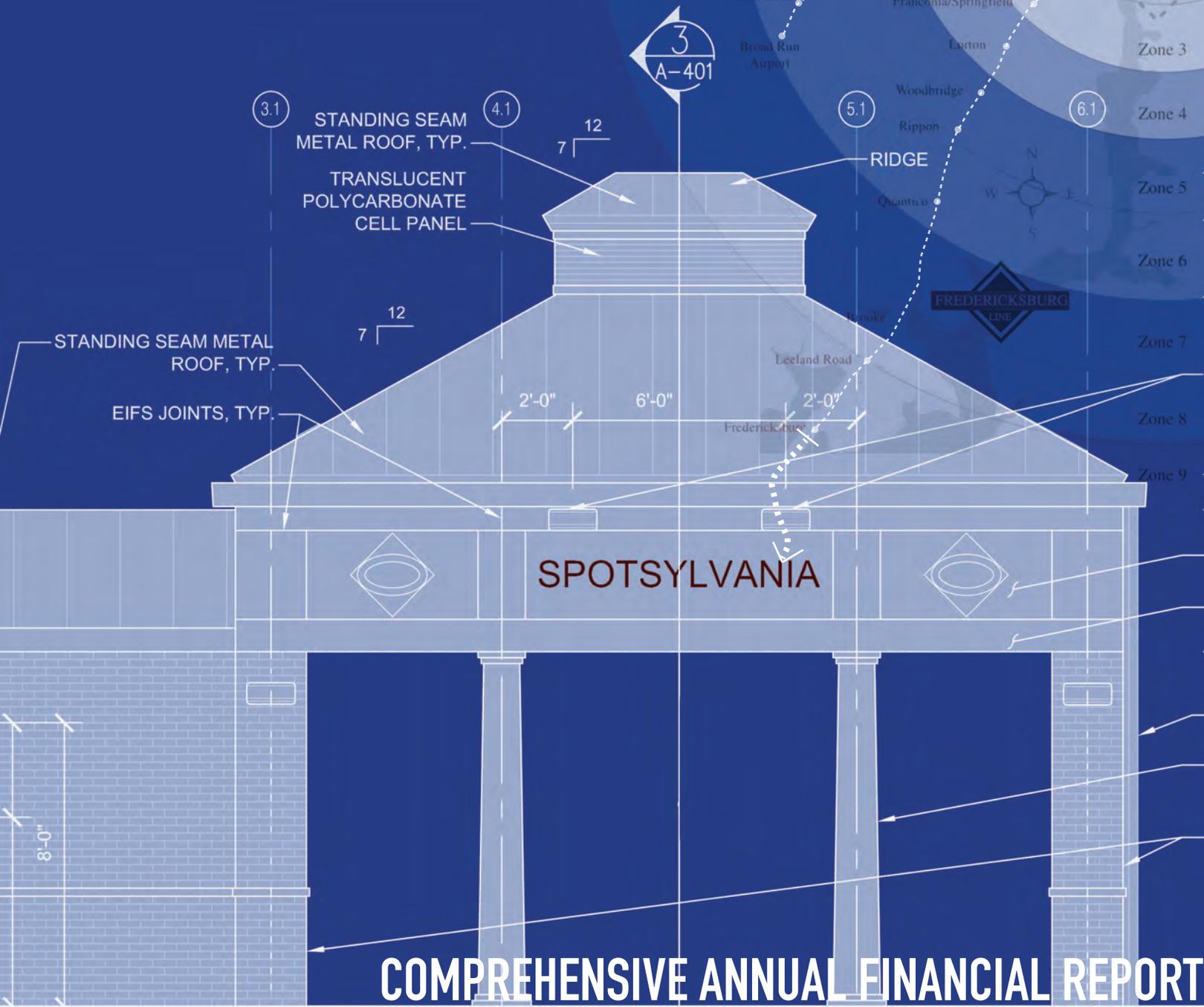
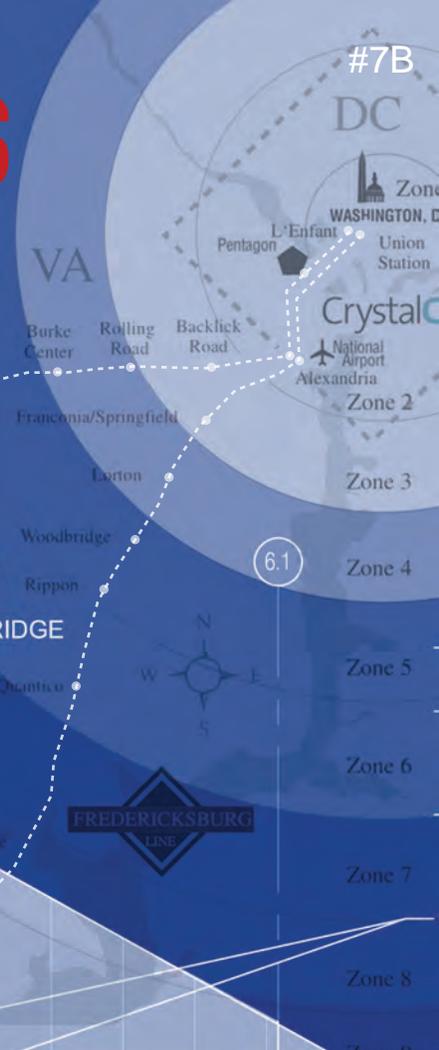
Jay Fiset
Chairman

Paul C. Smedberg
Secretary-Treasurer

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VIRGINIA RAILWAY EXPRESS

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



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEARS ENDED JUNE 30, 2016 AND 2015



VIRGINIA RAILWAY EXPRESS
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Presented to

Virginia Railway Express

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



Prepared by:

Department of Finance

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Introductory Section





VIRGINIA RAILWAY EXPRESS

November 8, 2016

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

We are pleased to present the comprehensive annual financial report for fiscal year ended June 30, 2016 for the Virginia Railway Express (VRE), a commuter rail service jointly owned and operated by the Northern Virginia Transportation Commission (NVTC) and the Potomac and Rappahannock Transportation Commission (PRTC), collectively referred to as “the Commissions.” NVTC and PRTC are political subdivisions of the Commonwealth of Virginia. VRE is not a legal entity and is considered a joint venture of the two Commissions for accounting purposes. As used in this report, VRE refers to those activities that are carried out jointly or individually by NVTC and PRTC to operate the commuter rail activities described below.

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

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

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

Profile of Virginia Railway Express

VRE provides commuter rail service on two railroad lines originating near Fredericksburg and Manassas, Virginia, and terminating at Union Station, Washington, DC. VRE began operations in 1992 with 16 trains and 1,800 average daily riders. During fiscal year 2016, VRE operated 34 trains and served an average daily ridership of 17,767, based on 250 service days.

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

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

Economic Conditions

Major Initiatives

During fiscal year 2016, VRE focused on improving systems that would ensure the financial health and operational safety of the rail service and allow for expansion as opportunities and funding become available.

Seven new Gallery rail cars were delivered in fiscal year 2016, which completed the replacement of the legacy equipment. VRE placed an order for the construction of five Gallery rail cars in fiscal year 2015 and ordered an additional nine rail cars in fiscal year 2016. These fourteen rail cars will allow expansion of the VRE service, primarily through the lengthening of existing trains.

During fiscal year 2016 a third main track between Hamilton and Crossroads in Spotsylvania County and the VRE Spotsylvania station were completed and placed in service. The station in Spotsylvania consists of a 1,500-space parking lot, station building with bathroom facilities, and a 700-foot platform with canopy and represents the first extension of VRE commuter rail service since operations began in 1992. Substantial work occurred on the installation of Positive Train Control (PTC) devices on VRE's locomotives and cab cars. In addition, design work proceeded for the construction of a pedestrian tunnel at the Alexandria train station between the two station platforms and continuing to the adjacent WMATA King Street Station, and for the construction of the Lifecycle Overhaul and Upgrade Facility at the Crossroads maintenance and storage yard. Future projects include the construction of platform improvements and second platforms at six VRE stations and the replacement of the mid-day storage facility in Washington D.C.

VRE launched its mobile ticketing system at the end of fiscal year 2015. Passengers present tickets purchased on mobile devices to conductors for visual inspection, similar to the current process for paper tickets. By the end of fiscal year 2016, the mobile ticketing system accounted for 17 percent of monthly revenue and 25 percent of monthly ticket sales.

Long-Term Financial Planning

In order to help prioritize future needs and address potential future growth, the VRE System Plan 2040 was prepared and adopted by the VRE Operations Board in January 2014. The plan assesses the future long-term ridership demand for VRE service and identifies the service expansions and capital investments necessary to accommodate demand. As such, it provides a framework for VRE system investments and actions VRE should pursue through 2040 to best meet regional travel needs. The investments recommended in the System Plan are grouped into three phases between now and 2040. Phase I includes investments that will maximize the capacity of the existing VRE system. Phases II and III focus on major investments to expand system capacity to support long-range service expansion.

During fiscal year 2016, a companion Financial Plan was completed that identified all costs and revenues associated with System Plan 2040 and several alternate service and capital investment profiles during the same timeframe. This Financial Plan will form the basis for the ongoing annual development of the VRE capital program in future years. The annual budget includes both a multi-year capital program and a six-year forecast of revenue, expenses, and funding sources.

In December 2011, a Transit Development Plan (TDP) was prepared, funded by the Virginia Department of Rail and Public Transportation (DRPT) to comply with DRPT requirements for recipients of state transit operating and capital assistance and to assist the agency in preparing inputs to the state Six-Year Improvement Program (SYIP) for transportation. The Plan is updated annually to reflect current agency priorities and costs and to extend the TDP financial plan an additional year to maintain a six-year planning horizon.

Financial Environment

As highways become even more crowded, commuters have been drawn to the commuter rail system. VRE ridership remains strong due to investments in new equipment and excellent on-time performance. Although subsidy funds are constrained, VRE continues to work with regional, state, and federal partners to find additional revenue sources. As a result, future VRE budgets will reflect a balance between meeting service needs, setting fares at a reasonable price, and incorporating new funding sources into the strategic direction set by the Operations Board and the Commissions.

The focus of the VRE Operations Board and VRE management continues to be the provision of safe, reliable commuter rail service to the citizens of Northern Virginia. Public transit continues to play a vital role in addressing the areas need to reduce congestion and improve air quality. VRE enhances regional mobility by removing the estimated equivalent of one full lane of traffic on both Interstate 95 and Interstate 66 during peak periods and improves air quality by reducing an estimated 50,000 metric tons of Carbon Dioxide and other emissions each year.

Awards and Acknowledgement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Virginia Railway Express for its comprehensive annual financial report for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

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

Respectfully submitted,



Doug Allen
Chief Executive Officer



Donna Boxer, CPA
Chief Financial Officer

DIRECTORY OF PRINCIPAL OFFICIALS AND KEY PERSONNEL

Operations Board

Officers

Chairman	Hon. Gary Skinner, Spotsylvania County
Vice-Chairman	Hon. Paul Smedberg, City of Alexandria
Secretary	Hon. Maureen Caddigan, Prince William County
Treasurer	Hon. Sharon Bulova, Fairfax County

Members

Hon. John Cook, Fairfax County
Hon. Katie Cristol, Arlington County
Hon. John Jenkins, Prince William County
Hon. Matt Kelly, City of Fredericksburg
Hon. Paul Milde, Stafford County
Jennifer Mitchell, VDRPT
Hon. Suhas Naddoni, City of Manassas Park
Hon. Marty Nohe, Prince William County
Hon. Bob Thomas, Stafford County
Jonathan Way, City of Manassas

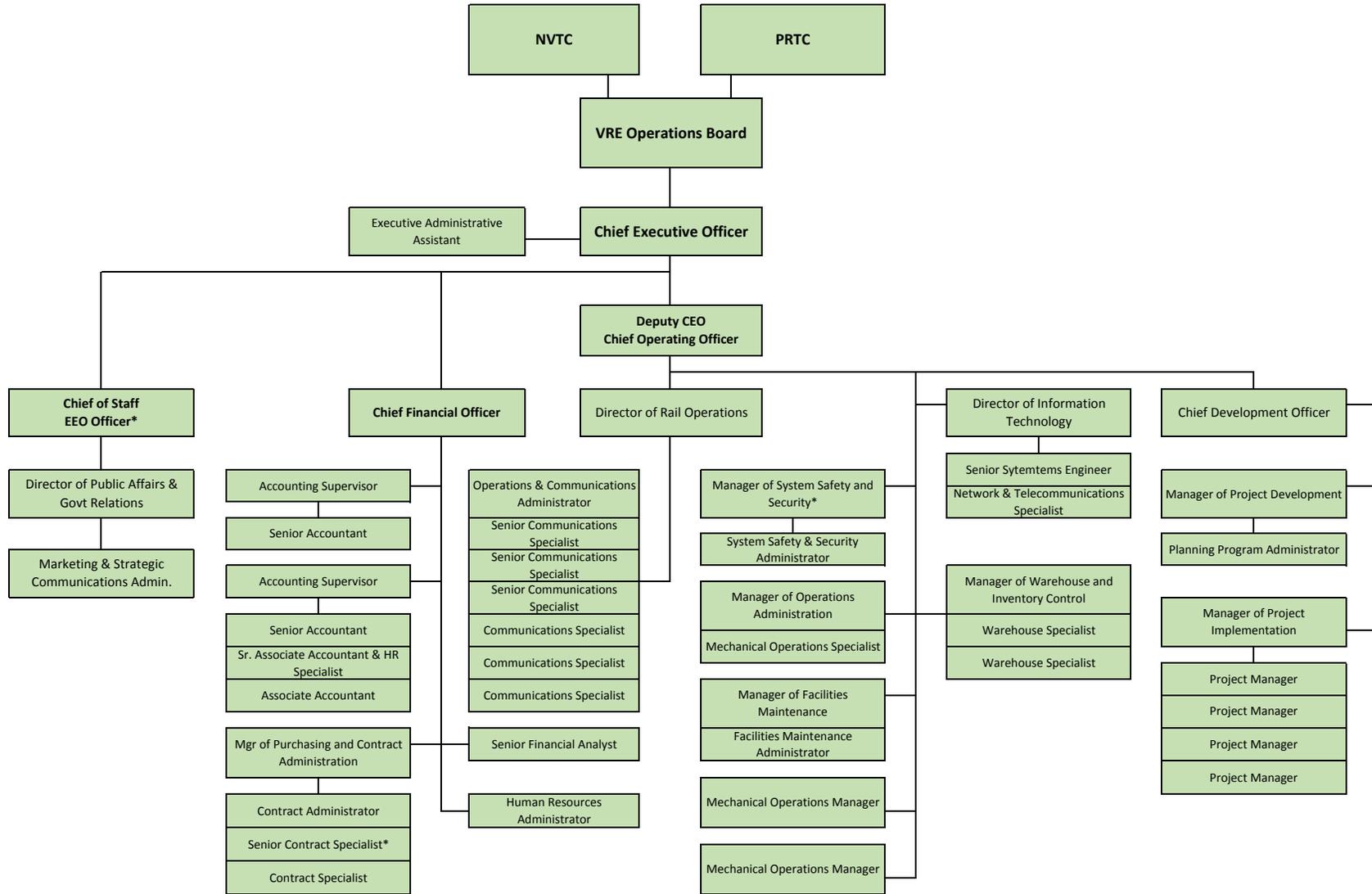
Alternates

Hon. Marc Aveni, City of Manassas
Pete Burrus, VDRPT
Hon. Jay Fisette, Arlington County
Hon. Frank Jones, City of Manassas Park
Hon. Jeanine Lawson, Prince William County
Hon. Wendy Maurer, Stafford County
Hon. Jeff McKay, Fairfax County
Hon. Paul Trampe, Spotsylvania County
Vacant, City of Alexandria
Hon. William Withers, City of Fredericksburg

Management

Chief Executive Officer	Doug Allen
Deputy CEO & Chief Operating Officer	Richard Dalton
Chief of Staff	Joe Swartz
Chief Financial Officer	Donna Boxer, CPA
Chief Development Officer	Tom Hickey
Director, Rail Operations	Chris Henry

**Virginia Railway Express
Organizational Chart
October 1, 2016**



* *Manager of Safety and Security reports to the CEO in matters related to safety and security
Senior Contract Specialist reports to the CEO in matters related to their duties as DBE liason
Chief of Staff reports to the CEO in matters related to EEO*

Financial Section





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Virginia Railway Express (VRE), a joint venture of the Northern Virginia Transportation Commission and the Potomac and Rappahannock Transportation Commission, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the VRE's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 the *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the VRE's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the VRE's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of VRE, as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 8-16 and 49-50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise VRE's basic financial statements. The introductory section and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2016 on our consideration of the VRE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the VRE's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
November 8, 2016



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, 2016. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which can be found on pages 1-3 of this report and the financial statements, which begin on page 17.

Financial Operations and Highlights

- Operating revenues increased by 2.2 percent compared to the prior year, from \$37,118,670 to \$37,936,965. Ridership decreased 3.8 percent from 4,618,169 to 4,441,858, reflecting historically low gas prices, the completion of several major highway projects and the general trend toward teleworking. Revenue increased despite a decrease in ridership as the result of a 4.0 percent fare increase in fiscal year 2016 and a shift in passenger ticket preferences for a variety of reasons including an increase to the federal transit benefit in January 2016.
- Operating expenses increased by 6.5 percent from \$65,637,194 to \$69,874,826, as the result of regular contractual increases; the new train added mid-year; grant funded expenses for asset management and the Gainesville-Haymarket study; and the addition of three new positions.
- Non-operating revenue increased by 7.0 percent from \$44,521,769 to \$47,624,400 primarily as the result of an increase to the state operating assistance grant and grant funding for asset management and the Gainesville-Haymarket study, as noted above.
- Capital grants and assistance decreased by 2.2 percent from \$33,538,921 to \$32,803,548 as a result of the delivery of seven grant funded railcars, compared to eight in the prior year, and the completion of work on a grant funded track project.
- The operating loss before depreciation was \$31,937,861, an increase from the previous year of 12.0 percent. Local, federal, and state support is accounted for as non-operating income and is used to offset these losses.
- VRE's total net position increased by \$26,268,815 from \$314,784,444 to \$341,053,259, primarily as the result of grants and contributions for capital improvements. At the end of the fiscal year, unrestricted net position was \$55,697,393, an increase of \$5,485,573.
- During the fiscal year, capital assets, net of accumulated depreciation and amortization, increased by 5.1 percent, as the combined result of new project construction, the recognition of annual depreciation and amortization and the taking by eminent domain of land and improvements at the Woodbridge station Kiss and Ride facility.

Overview of the Basic Financial Statements

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

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

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

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

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

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

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

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 21-48 of this report.

Financial Analysis

Statements of Net Position

As noted earlier, net position may serve over time as an indicator of financial strength, although other indicators should be considered as well. A condensed summary of VRE's Statements of Net Position at June 30, 2016, 2015, and 2014 is shown below.

Condensed Statements of Net Position

	2016	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Current and other assets	\$ 81,123,071	\$ 74,796,036	\$ 74,448,857
Capital assets, net	343,924,549	327,209,068	302,858,587
Deferred outflows of resources	319,010	244,793	-
Total assets and deferred outflows of resources	425,366,630	402,249,897	377,307,444
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Current portion of long-term debt	3,503,033	3,336,076	9,729,549
Other current liabilities	13,847,188	13,583,499	10,015,017
Noncurrent liabilities	66,780,894	70,144,263	73,334,759
Deferred inflows of resources	182,256	401,615	-
Total liabilities and deferred inflows resources	84,313,371	87,465,453	93,079,325
NET POSITION:			
Net investment in capital assets	274,136,653	254,085,092	220,069,396
Restricted	11,219,213	10,487,532	17,185,337
Unrestricted	55,697,393	50,211,820	46,973,386
Total net position	\$ 341,053,259	\$ 314,784,444	\$ 284,228,119

Current Year

Net position increased by approximately \$26.3 million, or 8.3 percent during the current fiscal year, due mainly to capital contributions used to fund system improvements.

The largest portion of VRE's net position, \$274.1 million or 80.4 percent, represents its investment in capital assets (e.g., land, buildings, improvements, rolling stock, equipment, software, and accumulated depreciation and amortization), less the related indebtedness outstanding used to acquire those capital assets. VRE uses these assets to provide services to its riders; consequently, these assets are not available for future spending. The resources required to repay this debt must be provided annually from operations and federal (with PRTC as grantee), state and local support since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

Restricted net position increased approximately \$0.7 million or 7.0 percent because of restricted funds related to the transfer of land and improvements at the Woodbridge VRE station to the Virginia Department of Transportation (VDOT). A portion of VRE's restricted net position, \$11.2 million, represents resources that are restricted for the liability insurance plan.

Capital assets, net of accumulated depreciation and amortization, increased approximately \$16.7 million or 5.1 percent as the result of the delivery of seven railcars, the installation of PTC equipment on VRE locomotives and cab cars, and the construction of the Hamilton to Crossroads third main track project.

Current liabilities increased approximately \$0.4 million or 2.5 percent as the result of minor changes in various line items.

Noncurrent liabilities decreased approximately \$3.6 million or 5.1 percent because of scheduled note and capital lease repayments during the year.

Prior Year

Net position increased by approximately \$30.6 million, or 10.8 percent during fiscal year 2015, due mainly to capital contributions that were used to fund system improvements.

The largest portion of VRE's net position, \$254 million or 80.7 percent, represents its investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets. The resources required to repay this debt must be provided annually from operations and federal (with PRTC as grantee), state and local support since it is unlikely that the capital assets themselves will be liquidated to pay liabilities.

A portion of VRE's net position, \$10.5 million or 3.3 percent, represents resources that are restricted for the liability insurance plan.

Capital assets, net of accumulated depreciation and amortization, increased approximately \$24.4 million or 8.0 percent as the result of the delivery of eight additional railcars and the construction of the Hamilton to Crossroads third main track project.

Current liabilities decreased approximately \$2.8 million or 14.3 percent as the result of the repayment of the remaining revenue bonds on July 1, 2014 and an increase to contract retainage for ongoing capital projects.

Noncurrent liabilities decreased approximately \$3.2 million or 4.4 percent because of scheduled note repayments during the year.

Restricted net position decreased approximately \$6.7 million or 39.0 percent because of the repayment of the remaining revenue bonds on July 1, 2014.

Statements of Revenues, Expenses and Changes in Net Position

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

	2016	2015	2014
Operating revenues:			
Passenger revenue	\$ 37,696,913	\$ 36,700,191	\$ 37,093,476
Equipment rentals and other	240,052	418,569	197,915
Total operating revenues	37,936,965	37,118,760	37,291,391
Nonoperating revenues:			
Subsidies:			
Commonwealth of Virginia	16,572,077	14,401,957	19,330,105
Federal – with PRTC as grantee	13,917,534	13,688,723	15,931,876
Jurisdictional contributions	16,428,800	16,456,986	16,428,800
Regional transportation funding (NVTA)	542,671	-	-
Interest income	163,318	34,396	28,056
Gain (loss) on disposal of assets	-	(60,293)	1,500
Total nonoperating revenues, net	47,624,400	44,521,769	51,720,337
Total revenues	85,561,365	81,640,529	89,011,728
Operating expenses:			
Contract operations and maintenance	24,082,615	22,782,752	23,151,332
Other operations and maintenance	13,662,606	14,334,954	14,891,502
Property leases and access fees	15,175,732	14,318,788	13,924,017
Insurance	4,046,198	3,964,673	3,991,969
Marketing and sales	2,393,332	2,267,729	2,012,321
General and administrative	10,514,343	7,968,298	7,793,040
Total operating expenses	69,874,826	65,637,194	65,764,181
Other expenses:			
Depreciation and amortization	16,953,565	15,391,195	14,706,458
Interest, financing costs and other	3,384,762	3,534,644	4,026,724
Total other expenses	20,338,327	18,925,839	18,733,182
Total expenses	90,213,153	84,563,033	84,497,363
Excess (deficit) before capital contributions and extraordinary item	(4,651,788)	(2,922,504)	4,514,365
Capital grants and assistance:			
Commonwealth of Virginia grants	9,826,429	14,694,277	2,464,628
Federal grants – with PRTC as grantee	22,125,460	17,764,759	5,420,552
In-kind and other local contributions	851,659	1,079,885	2,637,809
Total capital grants and assistance	32,803,548	33,538,921	10,522,989
Extraordinary item	(1,882,945)	-	(3,660,786)
Change in net position	26,268,815	30,616,417	11,376,568
Net position – beginning of year, as restated	314,784,444	284,168,027	272,851,551
Net position – end of year	\$ 341,053,259	\$ 314,784,444	\$ 284,228,119

The earliest year presented has not been restated for implementation of GASB Statements No. 68 and 71 in fiscal year 2015 due to the lack of available information.

Revenues

Current Year

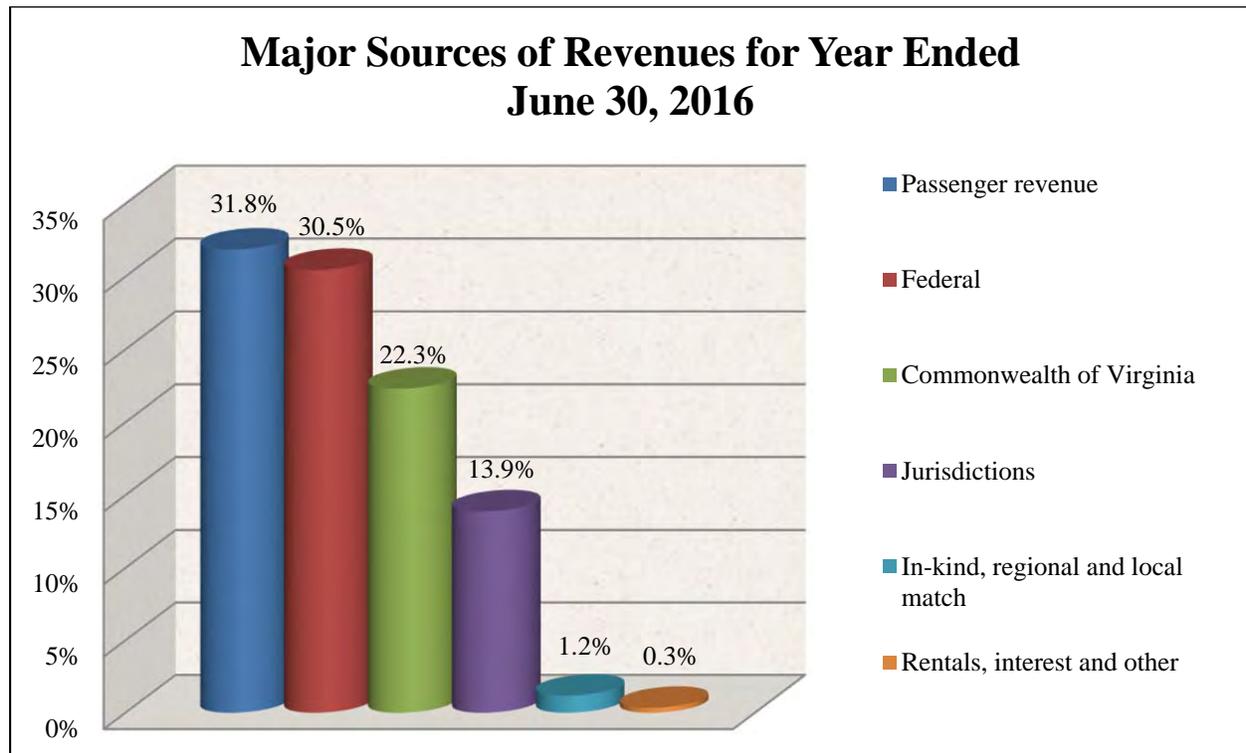
Total revenues for the current fiscal year increased approximately \$3.9 million or 4.8 percent. Operating revenues totaled approximately \$37.9 million, an increase of 2.2 percent from the prior year. Jurisdictional subsidies and contributions to project operating costs decreased by approximately \$28,000. State, federal and regional subsidies increased by \$2.9 million, primarily as the result of an increase to the state operating assistance grant and grant funding for asset management and the Gainesville-Haymarket study.

Passenger revenue increased approximately \$1.0 million or 2.7 percent, reflecting a 4.0 percent fare increase implemented at the beginning of the fiscal year. Ridership decreased by 3.8% as the result of a variety of factors, including historically low gas prices, the completion of several major highway projects, fluctuating monthly transit benefits and the increase in telework. The decrease in ridership was offset by the increase in fares.

	June 30,		
	2016	2015	2014
Ridership	4,441,858	4,618,169	4,547,911
% Increase (Decrease)	(3.8%)	1.5%	(2.1%)

Capital grants and assistance decreased approximately \$0.7 million or 2.2 percent; this decrease is attributed primarily to capital grant reimbursement activity related to the delivery of seven railcars, compared to eight delivered the prior year, and the completion of work on the Hamilton to Crossroads third main track project.

The following chart shows the major sources of revenues for the year ended June 30, 2016:



Prior Year

Total revenues for the current fiscal year decreased approximately \$7.4 million or 8.3 percent. Operating revenues totaled approximately \$37.1 million, a decrease of 0.5 percent from the prior year. Jurisdictional subsidies and contributions to project operating costs increased by approximately \$28,000. State and federal subsidies decreased by \$7.2 million, primarily as the result of a decrease to the state operating grant, and decreases to grant funding for debt service, access fees and station and yard repair projects. Passenger revenue decreased approximately \$0.4 million or 1.1 percent, despite a small increase in ridership, due primarily to a decrease in the maximum employer provided monthly transit benefit from \$245 to \$130 in January 2014.

Capital grants and assistance increased approximately \$23.0 million or 218.7 percent; this increase is attributed primarily to capital grant reimbursement activity related to the delivery of eight railcars and substantial work on the Hamilton to Crossroads third main track project.

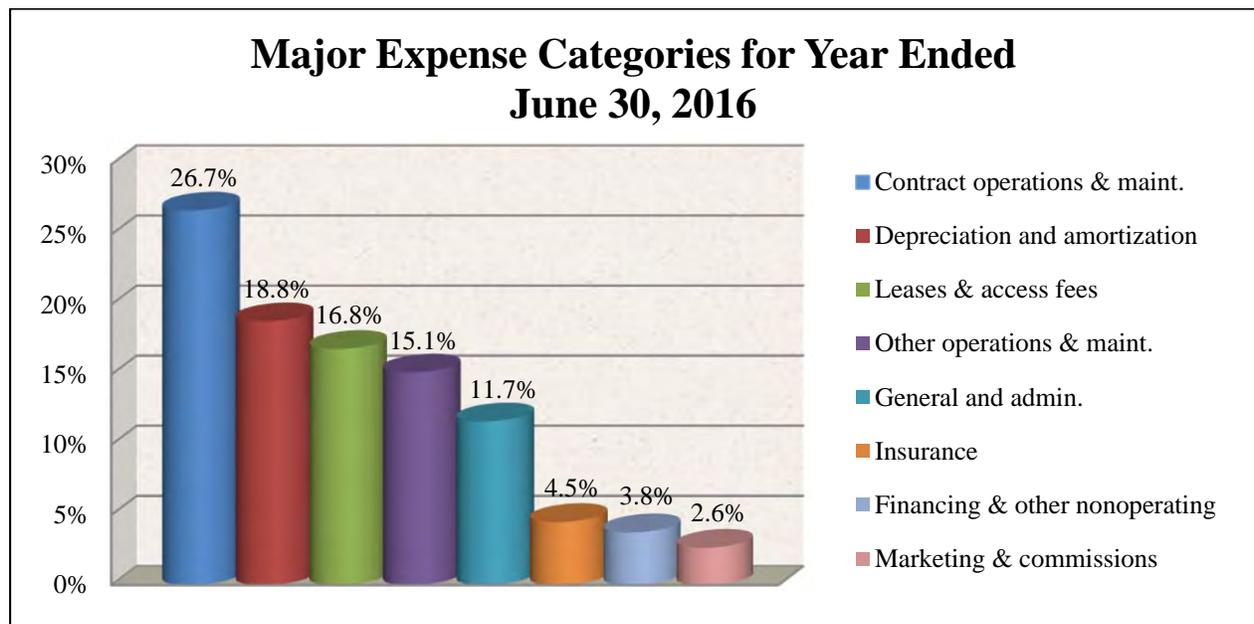
Expenses

Current Year

Total operating and other expenses, including depreciation and amortization, increased by approximately \$5.7 million or 6.7 percent. Operating expenses increased by approximately \$4.2 million or 6.5 percent. Total operating expenses were approximately \$69.9 million compared to \$65.6 million for the prior fiscal year.

Contract operations and maintenance increased by approximately \$1.3 million or 5.7 percent, reflecting the addition of a new train, regular contractual increases and enhancements to train operations and maintenance services. Property lease and access fee costs increased by approximately \$0.9 million or 6.0 percent as the result of regular contractual increases and the addition of a new train mid-year. Other operations and maintenance costs decreased by \$0.7 million or 4.7 percent due primarily to a decrease in fuel costs. General and administrative costs increased by \$2.5 million or 32.0 percent due to the addition of six staff positions, three of which were formerly part of contract operations, and an increase in professional services including a management audit and grant funded expenses related to the Gainesville-Haymarket study. Depreciation and amortization increased by approximately \$1.6 million or 10.2 percent and net interest and financing costs decreased by approximately \$0.2 million or 4.2 percent.

The following chart shows the major expense categories for the year ended June 30, 2016:



Prior Year

Total operating and other expenses, including depreciation and amortization, increased by approximately \$0.65 million or 0.1 percent. Operating expenses decreased by approximately \$127,000 or 0.2 percent. Total operating expenses were approximately \$65.6 million compared to approximately the same number for the prior fiscal year.

Property lease and access fee costs increased by approximately \$0.39 million or 2.8 percent as the result of regular contractual increases. Other operations and maintenance costs decreased by \$0.56 million or 3.7 percent due to a decrease in fuel costs and a reclassification to expense in the prior fiscal year. Contract operations and maintenance decreased by \$0.37 million or 1.6 percent due to regular contractual increases, and a canopy repair project during the prior fiscal year. General and administrative costs increased by \$0.18 million or 2.2 percent due to the addition of two staff positions formerly part of contract operations, the cost of additional office space added mid-year, higher legal fees and a reclassification to expense in the prior fiscal year. Marketing, sales and commissions increased by \$0.3 million or 12.7 percent due to an increase in credit and debit fees and marketing production costs. Depreciation and amortization increased by approximately \$0.7 million or 4.7 percent and net interest and financing costs decreased by \$0.5 million or 12.2 percent.

Capital Assets and Debt Administration

Capital Assets

VRE's investment in capital assets as of June 30, 2016 amounts to \$344 million (net of accumulated depreciation and amortization). Investment in capital assets includes the items identified in the table below. Acquisitions are funded using a variety of financing techniques, including loans and grants from various government agencies and other local sources.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Rolling stock	\$ 264,755,076	\$ 249,295,961	\$ 228,936,835
Vehicles	138,310	107,199	78,664
Facilities	103,494,551	102,449,961	102,449,961
Track and signal improvements	84,700,564	52,684,367	52,684,367
Equipment and software	12,126,666	11,996,876	10,342,844
Construction in progress	13,896,672	29,040,586	13,638,856
Equity in property of others	5,787,287	5,787,287	5,787,287
Furniture, equipment and software	5,489,336	5,443,390	5,514,546
	<u>490,388,462</u>	456,805,627	419,433,360
Less accumulated depreciation and amortization	<u>(146,463,913)</u>	(129,596,559)	(116,574,773)
Total capital assets, net	<u>\$ 343,924,549</u>	\$ 327,209,068	\$ 302,858,587

Current Year

During fiscal year 2016, capital assets increased approximately \$16.7 million or 5.1 percent, as the combined result of new project construction and the recognition of annual depreciation and amortization. Completed projects totaling approximately \$51.5 million were transferred from construction in progress to their respective capital accounts and an additional \$0.3 million was charged directly to the capital accounts. Land and improvements associated with the Kiss and Ride facility at the Woodbridge station with a net book value of \$2.9 million were transferred to the Virginia Department of Transportation (VDOT).

The major completed projects were the purchase of seven Gallery rail cars (\$15.5 million), the construction of the Spotsylvania VRE station (\$4.1 million), and the construction of a third track between Hamilton and Crossroads in Spotsylvania County (\$32.0 million). The major additions to construction in progress during the fiscal year were the installation of Positive Train Control equipment in VRE's locomotives and cab cars (\$6.3 million), the design of a life-cycle maintenance facility at the VRE Crossroad Yard (\$1.9 million), the design of a pedestrian tunnel at the Alexandria VRE station (\$0.9 million), and the construction of a storage track north of the L'Enfant VRE station (\$0.7 million).

Additional information on VRE's capital assets and contractual commitments can be found in Notes 3 and 9 to the financial statements.

Prior Year

During fiscal year 2015, capital assets increased approximately \$24.4 million or 8.0 percent, as the combined result of new project construction and the recognition of annual depreciation and amortization. Completed projects totaling approximately \$24.1 million were transferred from construction in progress to their respective capital accounts and an additional \$0.25 million was charged directly to the capital accounts.

The major completed projects were the purchase of eight Gallery rail cars (\$22.5 million), and the implementation of phase one of the mobile ticketing system (\$1.4 million). The major additions to construction in progress during the fiscal year were for the construction of a third track between Hamilton and Crossroads in Spotsylvania County (\$12.8 million); the construction of the Spotsylvania VRE station (\$2.2 million); and the construction of a pedestrian tunnel at the Alexandria VRE station (\$0.7 million).

Debt Administration

At June 30, 2016, VRE had total debt outstanding of \$69,787,896. The revenue bonds debt, which was retired in fiscal year 2014, was issued under the name of the Northern Virginia Transportation Commission (NVTC). The bonds were secured by a pledge of VRE revenue, and a debt service insurance policy guaranteed payment of each bond series.

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

	2016	2015	2014
Revenue bonds	\$ -	\$ -	\$ 6,555,000
Capital leases	14,158,954	15,414,117	16,535,611
Note payable	55,628,942	57,709,856	59,698,580
Total	\$ 69,787,896	\$ 73,123,973	\$ 82,789,191

Economic Factors and Next Year's Budget

Population growth in Northern Virginia, especially in the outer suburbs, continues to remain robust. In combination with the congestion on major highways and on-going highway construction projects, this growth will continue to increase demand for VRE's service. The constraining factors to VRE growth are station parking, availability of seats, storage capacity, and the availability of subsidy funds.

The local subsidy for fiscal year 2017 increased by 5.0 percent to \$17,250,240. Fares were held constant; the last general fare increase was 4.0 percent in fiscal year 2016. Additional sources of funding will be available in fiscal year 2017 from federal, state and regional sources, although the amounts received will continue to vary from year to year.

Requests for Information

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

Basic Financial Statements

VIRGINIA RAILWAY EXPRESS

STATEMENTS OF NET POSITION

June 30, 2016 and 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2016	2015
Current Assets:		
Cash and cash equivalents	\$ 28,026,242	\$ 32,291,442
Accounts receivable:		
Due from PRTC – FTA and other	28,642,153	12,289,014
Commonwealth of Virginia grants	5,262,372	12,979,624
Trade receivables, net of allowance for doubtful accounts	2,180,277	1,705,049
Other receivables	1,448,130	752,881
Inventory	3,992,249	3,899,680
Prepaid expenses and other	138,636	122,934
Restricted cash, cash equivalents and investments	11,219,213	10,487,532
Total current assets	80,909,272	74,528,156
Noncurrent Assets:		
Pension asset	213,799	267,880
Capital assets:		
Rolling stock	264,755,076	249,295,961
Vehicles	138,310	107,199
Facilities	103,494,551	102,449,961
Track and signal improvements	84,700,564	52,684,367
Equipment and software	12,126,666	11,996,876
Construction in progress	13,896,672	29,040,586
Equity in property of others	5,787,287	5,787,287
Furniture, equipment and software	5,489,336	5,443,390
	490,388,462	456,805,627
Less accumulated depreciation and amortization	(146,463,913)	(129,596,559)
Total capital assets, net	343,924,549	327,209,068
Total noncurrent assets	344,138,348	327,476,948
Total assets	425,047,620	402,005,104
Deferred Outflows of Resources:		
Pension plan	319,010	244,793
Total deferred outflows of resources	319,010	244,793
Total assets and deferred outflows of resources	\$ 425,366,630	\$ 402,249,897

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND NET POSITION**

	2016	2015
Current Liabilities:		
Accounts payable	\$ 3,467,440	\$ 3,785,342
Payable to Commissions	1,892,459	1,602,631
Compensated absences	24,616	30,373
Accrued expenses	5,155,909	4,909,394
Accrued interest	218,401	232,340
Unearned revenue	1,687,689	1,550,545
Contract retainage	1,400,674	1,472,874
Current portion of capital lease obligations	1,314,250	1,255,162
Current portion of note payable	2,188,783	2,080,914
Total current liabilities	17,350,221	16,919,575
Noncurrent Liabilities:		
Capital lease obligations	12,844,704	14,158,955
Note payable	53,440,159	55,628,942
Compensated absences	496,031	356,366
Total noncurrent liabilities	66,780,894	70,144,263
Total liabilities	84,131,115	87,063,838
Deferred Inflows of Resources:		
Pension plan	182,256	401,615
Total deferred inflows of resources	182,256	401,615
Net Position:		
Net investment in capital assets	274,136,653	254,085,092
Restricted for liability insurance plan	10,439,990	10,487,532
Restricted grants or contributions	779,223	-
Unrestricted assets	55,697,393	50,211,820
Total net position	341,053,259	314,784,444
Total liabilities, deferred inflows of resources and net position	\$ 425,366,630	\$ 402,249,897

VIRGINIA RAILWAY EXPRESS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended June 30, 2016 and 2015

	2016	2015
Operating Revenues:		
Passenger revenue	\$ 37,696,913	\$ 36,700,191
Equipment rentals and other	240,052	418,569
Total operating revenues	37,936,965	37,118,760
Operating Expenses:		
Contract operations and maintenance	24,082,615	22,782,752
Other operations and maintenance	13,662,606	14,334,954
Property leases and access fees	15,175,732	14,318,788
Insurance	4,046,198	3,964,673
Marketing and sales	2,393,332	2,267,729
General and administrative	10,514,343	7,968,298
Total operating expenses	69,874,826	65,637,194
Operating loss before depreciation and amortization	(31,937,861)	(28,518,434)
Depreciation and amortization	(16,953,565)	(15,391,195)
Operating loss	(48,891,426)	(43,909,629)
Nonoperating Revenues (Expenses):		
Subsidies:		
Commonwealth of Virginia grants	16,572,077	14,401,957
Federal grants – with PRTC as grantee	13,917,534	13,688,723
Jurisdictional contributions	16,428,800	16,456,986
Regional transportation funding (NVTA)	542,671	-
Interest income:		
Operating funds	93,677	34,337
Insurance trust	69,444	-
Other restricted funds	197	59
Loss on disposal of assets	-	(60,293)
Interest, amortization and other nonoperating expenses, net	(3,384,762)	(3,534,644)
Total nonoperating revenues, net	44,239,638	40,987,125
Capital Grants and Assistance:		
Commonwealth of Virginia grants	9,826,429	14,694,277
Federal grants – with PRTC as grantee	22,125,460	17,764,759
Local contributions	851,659	1,079,885
Total capital grants and assistance	32,803,548	33,538,921
Extraordinary Item (Note 3)	(1,882,945)	-
Change in net position	26,268,815	30,616,417
Net Position, beginning of year	314,784,444	284,168,027
Net Position, ending	\$ 341,053,259	\$ 314,784,444

VIRGINIA RAILWAY EXPRESS

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities:		
Receipts from customers	\$ 37,541,707	\$ 36,812,794
Payments to suppliers	(63,273,673)	(60,427,250)
Payments to employees	(5,901,952)	(4,223,127)
Net cash used in operating activities	(31,633,918)	(27,837,583)
Cash Flows From Noncapital Financing Activities:		
Governmental subsidies	47,042,685	38,917,943
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(37,385,091)	(37,039,637)
Capital grants and assistance	23,947,985	27,603,425
Proceeds from sale of capital assets	1,066,280	3,000
Principal paid on capital lease obligations	(1,255,163)	(1,194,919)
Principal paid on notes	(2,080,914)	(1,988,724)
Principal paid on bonds	-	(6,555,000)
Interest paid on capital lease obligation	(690,478)	(745,532)
Interest paid on bonds and notes	(2,708,223)	(2,978,310)
Net cash used in capital and related financing activities	(19,105,604)	(22,895,697)
Cash Flows From Investing Activities:		
Interest received on investments	163,318	34,396
Decrease in cash and cash equivalents	(3,533,519)	(11,780,941)
Cash and Cash Equivalents, beginning	42,778,974	54,559,915
Cash and Cash Equivalents, ending	\$ 39,245,455	\$ 42,778,974
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:		
Operating loss	\$ (48,891,426)	\$ (43,909,629)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	16,953,565	15,391,195
Pension (benefit) expense	(239,496)	73,643
Loss on disposal of assets	-	(63,293)
(Increase) decrease in:		
Accounts receivable	(475,228)	(68,728)
Other receivables	(57,175)	(14,928)
Inventory	(92,569)	(260,327)
Prepaid expenses and other	(15,702)	48,911
Increase (decrease) in:		
Accounts payable and accrued expenses	1,046,967	1,187,883
Unearned revenue	137,146	(222,310)
Net cash used in operating activities	\$ (31,633,918)	\$ (27,837,583)
Schedule of Noncash Capital Activities:		
Capital assets acquired through accounts payable	\$ 1,535,746	\$ 1,662,206
Capital assets acquired through accrued liabilities	2,454,557	3,022,716
Capital assets acquired through capital leases	-	73,425

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Reporting Entity

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

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

VRE is managed by the Commissions. Certain functions have been delegated to the VRE Operations Board, which consists of representatives of all contributing and participating jurisdictions and one representative of the Commonwealth of Virginia's Department of Rail and Public Transportation. The system is not currently configured for fare revenues alone to produce positive operating income. In addition to fares, the project is financed with proceeds from the Commuter Rail Revenue Bonds, a federal loan, lease financing, Federal (with PRTC as grantee) and Commonwealth of Virginia grants (with NVTC as grantee), and jurisdictional contributions apportioned through a formula based on ridership, supplemented by voluntary donations from contributing jurisdictions. Grants and contributions fund both operations and capital projects. Participating jurisdictions include the counties of Fairfax, Prince William, Spotsylvania and Stafford; and the cities of Manassas, Manassas Park and Fredericksburg, Virginia. Contributing jurisdictions include Arlington County and the City of Alexandria, Virginia.

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

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting

VRE prepares its financial statements using the accrual basis of accounting. The activities of VRE are similar to those of proprietary funds of local jurisdictions. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

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

Revenue recognition: Intergovernmental revenues, consisting primarily of Federal (with PRTC as grantee) and Commonwealth of Virginia (with NVTC as grantee) grants, designated for payment of specific expenses, are recognized at the time the expenses are incurred. Capital grants and assistance are recognized as additions are made to capital assets and other contributions are included in the Statements of Revenues, Expenses and Changes in Net Position when expended. Any excess of grant revenues or expenses at year end are recorded as unearned revenue or accounts receivable, respectively.

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

Restricted cash and cash equivalents: Restricted cash, cash equivalents and investments of \$11,219,213 and \$10,487,532 at June 30, 2016 and 2015, respectively, are comprised of funds related to the balance in the Liability Insurance Plan, a small liability claims account, and undisbursed funds related to a property transfer.

Allowance for uncollectible accounts: VRE calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. The allowance was \$189,000 and \$184,000 at June 30, 2016 and 2015, respectively.

Inventory: VRE has purchased an inventory of spare parts for rolling stock that is maintained and managed at the Commission’s warehouse located at the Crossroads yard. Inventory is stated at cost, which approximates market, and is valued using the first-in-first-out method.

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

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting (Continued)

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

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

Costs of improvements to track, stations and signal facilities owned by the railroads have been capitalized in recognition of the increased efficiency afforded VRE operations over their useful lives. The Commissions retain a residual interest in these assets such that net salvage value will be reimbursed by the railroads upon cessation of commuter rail service. Similarly, shared investment in jurisdictional facilities (“equity in property of others”) recognizes the right of access for commuter rail patrons granted to the Commissions. This category also represents investment in Amtrak infrastructure and facilities that provides primary benefit to the commuter rail service and for which VRE has an expectation of continued use.

VRE capitalizes assets that have an initial cost of \$5,000 or more per unit and a useable life of two or more years, with the exception of software purchases, which are only capitalized if the initial cost is \$15,000 or more.

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

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

Rolling stock	8-25 years
Vehicles	5 years
Facilities	30-40 years
Track and signal improvements	30 years
Equipment and software	5 years
Equity in property of others	3-35 years
Furniture, equipment and software	3-10 years

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2016 and 2015.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting (Continued)

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

Deferred outflows/inflows of resources: In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. VRE currently has two items that qualify for reporting in this category. Accordingly, pension contributions is reported as a deferred outflow of resources.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. VRE has only one item that qualifies for reporting in this category. Accordingly, earnings on pension plan investments is reported as a deferred inflow of resources.

Pensions: For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) VRE's Retirement Plan and the additions to/deductions from the VRS VRE's Retirement Plan net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Since VRE is combined with PRTC for reporting purposes to VRS, amounts and disclosures included in this report are for PRTC as a whole unless otherwise indicated.

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

Subsequent events: VRE has evaluated subsequent events through November 8, 2016, which was the date the financial statements were available to be issued.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash, Cash Equivalents and Investments

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

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

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

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

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

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

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

Custodial credit risk: For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, VRE may not recover its deposits. All cash of VRE is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. If any member bank fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. With the ability to make additional assessments, the multiple bank collateral pool functions similarly to depository insurance. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act. At June 30, 2016 and 2015, the book balance of VRE's deposits with banks was \$8,558,996 and \$6,248,377, respectively.

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

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

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

Investment	Length of Maturity	Percent Allowed
Bonds, notes, and other evidence of indebtedness of the United States	60 months or less	100%
Bonds, notes, and other evidence of indebtedness of the Commonwealth of Virginia	60 months or less	100%
Bonds, notes, and other evidence of indebtedness of any county, city, town, district, authority or other public body of the Commonwealth of Virginia	36 months or less	100%
Bonds and notes of FNMA and FHLB	36 months or less	75%
Savings accounts or CD's of any bank or savings and loan association within the Commonwealth of Virginia	12 months or less	20%
Money market mutual funds	13 months or less	60%
Repurchase agreements	24 months or less	20%
Bankers' acceptances	24 months or less	10%
Prime Quality Commercial Paper (no more than 5% from one issuer)	270 days or less	35%
High Quality Corporate Notes	24 months or less	50%
Certificates representing ownership in treasury bond principal	24 months or less	50%
LGIP	N/A	100%
Negotiable CD's and negotiable bank deposit notes	24 months or less	25%

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

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

At June 30, 2016 and 2015, VRE had investments of \$19,520,329 and \$26,095,952, respectively, in the LGIP. The LGIP is a professionally managed money market fund that invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at the Treasury Board's regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share. The LGIP has been assigned an "AAAm" rating by Standard & Poor's.

The Commonwealth of Virginia Department of Treasury manages the VRE Insurance Trust. State statutes govern the portion of assets invested in the Commonwealth's pooled accounts, while the remainder is invested by an external portfolio manager. At June 30, 2016 and 2015, VRE had \$10,386,757 and \$10,434,495, respectively, invested in the Insurance Trust. From fiscal year 2011 through fiscal year 2015, any earnings on these investments were retained by the Commonwealth of Virginia. In fiscal year 2016, earnings on the Insurance Trust in the amount of \$69,444 were credited to VRE. The Insurance Trust Fund has not been assigned a rating.

As of June 30, 2016 and 2015, the carrying values and maturity of VRE's investments were as follows:

Investment Type	2016	
	Fair Value	Maturities Less than 1 Year
LGIP	\$ 19,520,329	\$ 19,520,329
Insurance trust fund – pooled funds	10,386,757	10,386,757
Total investments	\$ 29,907,086	\$ 29,907,086
Investment Type	2015	
	Fair Value	Maturities Less than 1 Year
LGIP	\$ 26,095,952	\$ 26,095,952
Insurance trust fund – pooled funds	10,434,495	10,434,495
Total investments	\$ 36,530,447	\$ 36,530,447

When applicable, VRE categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

VRE has no investments subject to fair value measurements as of June 30, 2016 and 2015.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
Capital assets not being depreciated or amortized:					
Construction in progress	\$ 29,040,586	\$ 36,332,568	\$ -	\$ (51,476,482)	\$ 13,896,672
Capital assets being depreciated or amortized:					
Rolling stock	249,295,961	-	-	15,459,115	264,755,076
Vehicles	107,199	31,111	-	-	138,310
Facilities	102,449,961	26,808	(3,035,437)	4,053,219	103,494,551
Track and signal improvements	52,684,367	52,049	-	31,964,148	84,700,564
Equipment and software	11,996,876	129,790	-	-	12,126,666
Equity in property of others	5,787,287	-	-	-	5,787,287
Furniture, equipment and software	5,443,390	45,946	-	-	5,489,336
Total capital assets being depreciated or amortized	427,765,041	285,704	(3,035,437)	51,476,482	476,491,790
Less accumulated depreciation or amortization for:					
Rolling stock	59,423,583	10,093,426	-	-	69,517,009
Vehicles	78,801	11,534	-	-	90,335
Facilities	32,341,597	3,043,200	(86,211)	-	35,298,586
Track and signal improvements	21,439,935	2,325,307	-	-	23,765,242
Equipment and software	9,065,057	852,745	-	-	9,917,802
Equity in property of others	3,296,872	169,898	-	-	3,466,770
Furniture, equipment and software	3,950,714	457,455	-	-	4,408,169
Total accumulated depreciation or amortization	129,596,559	16,953,565	(86,211)	-	146,463,913
Total capital assets being depreciated or amortized, net	298,168,482	(16,667,861)	(2,949,226)	51,476,482	330,027,877
Totals	\$ 327,209,068	\$ 19,664,707	\$ (2,949,226)	\$ -	\$ 343,924,549

The chart above reflects the removal of \$2.9 million of facilities, the net book value of the land and improvements associated with the Kiss and Ride facility at VRE's Woodbridge station. During fiscal year 2016, the Virginia Department of Transportation (VDOT) took this facility by eminent domain for the purpose of widening Route 1 and reconstructing the Route 1/123 interchange. VDOT agreed to pay the Commissions the appraised value of \$1,066,280. At the time of the certificate of take, VDOT deposited \$799,223 with the Clerk of the Circuit Court of Prince William County for the benefit of the Commissions. Since the FTA (Federal Transit Administration) provided a portion of the funding for the land and improvements, the Commissions must return 80% of the appraised value to the FTA or use the funds for another eligible federal project. The loss on the disposition of this facility of \$1,882,945 is recorded as an extraordinary item in the financial statements.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
Capital assets not being depreciated or amortized:					
Construction in progress	\$ 13,638,856	\$ 39,489,678	\$ -	\$ (24,087,948)	\$ 29,040,586
Capital assets being depreciated or amortized:					
Rolling stock	228,936,835	-	(2,117,830)	22,476,956	249,295,961
Vehicles	78,664	28,535	-	-	107,199
Facilities	102,449,961	-	-	-	102,449,961
Track and signal improvements	52,684,367	-	-	-	52,684,367
Equipment and software	10,342,844	43,040	-	1,610,992	11,996,876
Equity in property of others	5,787,287	-	-	-	5,787,287
Furniture, equipment and software	5,514,546	180,423	(251,579)	-	5,443,390
Total capital assets being depreciated or amortized	405,794,504	251,998	(2,369,409)	24,087,948	427,765,041
Less accumulated depreciation or amortization for:					
Rolling stock	52,206,709	9,334,704	(2,117,830)	-	59,423,583
Vehicles	67,652	11,149	-	-	78,801
Facilities	29,366,333	2,975,264	-	-	32,341,597
Track and signal improvements	19,648,232	1,791,703	-	-	21,439,935
Equipment and software	8,429,894	635,163	-	-	9,065,057
Equity in property of others	3,126,974	169,898	-	-	3,296,872
Furniture, equipment and software	3,728,979	473,314	(251,579)	-	3,950,714
Total accumulated depreciation or amortization	116,574,773	15,391,195	(2,369,409)	-	129,596,559
Total capital assets being depreciated or amortized, net	289,219,731	(15,139,197)	-	24,087,948	298,168,482
Totals	\$ 302,858,587	\$ 24,350,481	\$ -	\$ -	\$ 327,209,068

Note 4. Long-Term Debt Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Capital leases	\$ 15,414,117	\$ -	\$ (1,255,163)	\$ 14,158,954	\$ 1,314,250
Note payable	57,709,856	-	(2,080,914)	55,628,942	2,188,783
	73,123,973	-	(3,336,077)	69,787,896	3,503,033
Compensated absences	386,739	350,805	(216,897)	520,647	24,616
	\$ 73,510,712	\$ 350,805	\$ (3,552,974)	\$ 70,308,543	\$ 3,527,649

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Debt Obligations (Continued)

Federal arbitrage regulations apply to the Gallery IV capitalized lease.

Capitalized Lease – Gallery IV (11 cars)

\$25,100,000 capitalized lease obligation; \$965,679 due semi-annually, including interest at 4.59%, maturing in 2025, collateralized with Gallery IV railcars with a carrying value of \$17,449,718. \$ 14,108,906

Future minimum lease payments as of June 30, 2016 are as follows:

Year(s) Ending June 30,	Amount
2017	\$ 1,931,357
2018	1,931,357
2019	1,931,357
2020	1,931,357
2021	1,931,357
2022-2025	<u>7,725,428</u>
Total minimum lease payments	17,382,213
Less amount representing interest	<u>3,273,307</u>
Present value of lease payments	<u>\$ 14,108,906</u>

Capitalized Lease – Copiers

\$73,425 capitalized lease obligations; \$1,329 due monthly, including interest at 9.39%, maturing in 2020; \$330 due monthly, including interest at 11.73%, maturing in 2018, collateralized with three multifunction copiers with a carrying value of \$41,395. \$ 50,048

Future minimum lease payments as of June 30, 2016 are as follows:

Year Ending June 30,	Amount
2017	\$ 19,908
2018	19,248
2019	15,948
2020	<u>2,658</u>
Total minimum lease payments	57,762
Less amount representing interest	<u>7,714</u>
Present value of lease payments	<u>\$ 50,048</u>

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Debt Obligations (Continued)

Note Payable – Gallery IV (60 cars)

In fiscal year 2008, VRE entered into an agreement with the Federal Railroad Administration for a loan of up to \$72.5 million to purchase 50 Gallery railcars; in fiscal year 2009 the terms were amended to include ten additional Gallery railcars. A series of sixteen promissory notes were originally authorized and during fiscal year 2012 the balances on the individual notes were combined into a consolidated note. The note is secured by the revenues of VRE and the railcars. The carrying value of the railcars was \$79,279,560 at June 30, 2016.

\$63,844,842 Promissory Note; due in quarterly maturities of \$533,073 to \$1,195,258 through March 2033, plus quarterly interest at 4.74%. \$ 55,628,942

Mandatory debt service requirements are as follows:

Year(s) Ending June 30,	Principal	Interest	Total Required
2017	\$ 2,188,783	\$ 2,594,730	\$ 4,783,513
2018	2,290,688	2,492,825	4,783,513
2019	2,401,211	2,382,302	4,783,513
2020	2,513,907	2,269,606	4,783,513
2021	2,641,432	2,142,081	4,783,513
2022-2026	15,229,226	8,688,337	23,917,563
2027-2031	19,275,259	4,642,304	23,917,563
2032-2033	9,088,436	478,588	9,567,024
	<u>\$ 55,628,942</u>	<u>\$ 25,690,773</u>	<u>\$ 81,319,715</u>

Note 5. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

All full-time, salaried permanent employees of VRE are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

A. Plan Description (Continued)

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members") <ul style="list-style-type: none">• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none">• Political subdivision employees.*
<p>Hybrid Opt-In Election Non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<ul style="list-style-type: none">• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
<p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p>	<p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p>	<p><u>*Non-Eligible Members</u> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none">• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees
<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	
<p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>
		<p><u>Defined Contribution Component</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contribution Component</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none">• After two years, a member is 50% vested and may withdraw 50% of employer contributions.• After three years, a member is 75% vested and may withdraw 75% of employer contributions.• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component</u> See definition under Plan 1</p> <p><u>Defined Contribution Component</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p>Service Retirement Multiplier Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component</u> The retirement multiplier for the defined benefit component is 1.0%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p>Normal Retirement Age Age 65.</p>	<p>Normal Retirement Age Normal Social Security retirement age.</p>	<p>Normal Retirement Age <u>Defined Benefit Component</u> Same as Plan 2.</p> <p><u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p>Earliest Retirement Eligibility Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component</u> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component</u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The COLA matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The COLA matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component</u> Same as Plan 2.</p> <p><u>Defined Contribution Component</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</p> <p>Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. <p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1.</p> <p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Virginia Sickness and Disability Program (VSDP) members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.</p> <p>Disability Coverage Eligible political subdivision members (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the highest of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost.

Defined Contribution Component
Not applicable.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive Members or Their Beneficiaries Currently Receiving Benefits	<u>17</u>
Inactive Members:	
Vested	18
Non-vested	26
Active elsewhere in VRS	<u>7</u>
Total inactive members	<u>51</u>
Active Members	<u>86</u>
Total covered employees	<u><u>154</u></u>

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

A. Plan Description (Continued)

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. VRE elected to not phase in the increase, but rather provided a 5.00% salary increase to all employees on July 1, 2012.

VRE's contractually required contribution rate for the year ended June 30, 2016 was 6.55% for Plan 1 and Plan 2 and 5.55% for the Hybrid Plan of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from VRE were \$319,010 and \$244,793 for the years ended June 30, 2016 and 2015, respectively.

B. Net Pension Asset

VRE's net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions

The total pension liability for VRE's retirement plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal Actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

B. Net Pension Asset (Continued)

Actuarial Assumptions (Continued)

Mortality rates were based on the following:

Mortality Rates:	14% of deaths are assumed to be service related.
- Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years.
- Post-retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
- Post-disablement:	RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

B. Net Pension Asset (Continued)

Long-Term Expected Rate of Return (Continued)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non-U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non-Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		* Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

B. Net Pension Asset (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for VRE's retirement plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

C. Changes in the Net Pension Asset

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balance at June 30, 2014	\$ 12,284,629	\$ 12,789,238	\$ (504,609)
Changes for the year:			
Service cost	743,258	-	743,258
Interest	850,266	-	850,266
Difference between expected and expected and actual experience	92,275	-	92,275
Contributions – employer	-	460,763	(460,763)
Contributions – employee	-	494,240	(494,240)
Net investment income	-	603,590	(603,590)
Benefit payments, including refunds of employee contributions	(275,932)	(275,932)	-
Administrative expense	-	(7,442)	7,442
Other changes	-	(131)	131
Net changes	1,409,867	1,275,088	134,779
Balance at June 30, 2015	\$ 13,694,496	\$ 14,064,326	\$ (369,830)

Note: The information above is derived from the actuarial valuation report for the Potomac and Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for VRE. VRE has recorded a net pension asset of \$213,799 on its Statements of Net Position based on a percentage of contributions to the plan for fiscal year 2016. VRE's percentage of total contributions to the plan was 57.81%. This percentage was used to allocate a portion of the net pension asset to VRE.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

C. Changes in the Net Pension Asset (Continued)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset of VRE, using the discount rate of 7.00%, as well as what VRE's net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Plan's net pension (asset) liability	\$ 1,647,795	\$ (369,830)	\$ (2,026,222)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued VRS financial report. Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR is publicly available through the About VRS link on the VRS website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, VRE recognized pension expense of \$239,495. VRE also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,413	\$ -
Net difference between projected and actual earnings on pension plan investments	-	182,256
Employer contributions subsequent to the measurement date	276,597	-
Total	\$ 319,010	\$ 182,256

The \$276,597 reported as deferred outflows of resources related to pensions resulting from VRE's contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2017.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan (Continued)

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ (61,967)
2018	(61,967)
2019	(61,967)
2020	46,058
	<u>\$ (139,843)</u>

Note 6. Operating Leases and Agreements

Operating Access Agreements with the CSX and Norfolk Southern railroads provide the Commissions the right to use tracks owned by the railroads in the provision of commuter rail passenger service. These agreements require the Commissions to pay the railroads a monthly base fee and to reimburse the railroads for any incremental cost incurred by the railroads as a result of providing tracks for commuter rail service. For the years ended June 30, 2016 and 2015, annual track usage fees totaled approximately \$9,224,100 and \$8,550,200, respectively, and facility and other identified costs totaled approximately \$521,000 and \$520,600, respectively. The increase in track usage fees reflects both an annual increase to the base fee and the addition of a new train during fiscal year 2016.

The agreement between Amtrak and the Commissions for access to and storage of equipment at Union Station and mid-day maintenance, electrical power and other services became effective on July 1, 2015. For the years ended June 30, 2016 and 2015, costs for track access and equipment storage totaled approximately \$5,831,000 and \$5,592,000, respectively, and mid-day maintenance, utility and other services totaled approximately \$4,332,000 and \$4,248,000, respectively. Cost adjustments will be made in fiscal year 2017 to reflect changes to various published cost indices and the number of trains that have access to and are stored and serviced at the terminal. After October 1, 2015, charges for terminal access are determined in accordance with the cost-sharing arrangement for the Northeast Corridor passenger rail infrastructure mandated by the Passenger Rail Investment and Improvement Act of 2008 (PRIIA).

The Commissions signed a contract with Keolis Rail Services Virginia, LLC for train operations and maintenance for a five year period beginning July 1, 2015. The cost of train operations and maintenance for the years ended June 30, 2016 and 2015 totaled approximately \$19,828,000 and \$18,609,000, respectively. Costs are based on an annual budget prepared in advance. Costs in fiscal year 2016 reflect contractual increases and the addition of a new train during the fiscal year. Costs for fiscal year 2017 will be adjusted for service additions or deletions and annual changes to the Consumer Price Index. A separate contract for maintenance of equipment and facilities will be in effect for the period beginning July 1, 2016.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 7. Related Party Transactions

VRE reimburses the Commissions for expenditures made on behalf of VRE. During 2016 and 2015, these payments included \$6,432,095 and \$5,377,262 of salary-related costs and \$19,961 and \$122,105 of administrative costs, respectively, which are functionally classified with similar payments made directly to vendors and contractors. In addition, VRE pays the Commissions for direct labor and associated indirect costs incurred for services rendered under budgeted activities for VRE. These staff support payments totaled \$80,000 to NVTC for both periods, and \$85,788 and \$83,153 to PRTC during 2016 and 2015, respectively.

VRE also contracts with PRTC for connecting bus service to selected stations on an as needed basis. PRTC bus service costs amounted to approximately \$1,079 and \$1,649 in 2016 and 2015, respectively. Amounts payable to NVTC and PRTC were \$28,919 and \$1,863,540, respectively, at June 30, 2016 and \$45,327 and \$1,557,304, respectively, at June 30, 2015.

Note 8. Liability Insurance Plan

VRE is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters. The Virginia Department of Treasury, Division of Risk Management has established the terms of VRE's Commuter Rail Operations Liability Plan (the Insurance Plan). The Insurance Plan consists of a combination of self-insurance reserves and purchased insurance in amounts actuarially determined to meet the indemnification requirements of the Operating Access Agreements and the Purchase of Services Agreement and VRE's own need for liability and property coverage. The Commissions indemnify each of the railroads in an amount up to the passenger rail liability cap (currently at \$295,000,000) for any claims against persons or property associated with commuter rail operations. Settled claims have not exceeded commercial coverage during any of the past three fiscal years. The liability for incurred but not reported claims was approximately \$163,000 at June 30, 2016 and \$184,000 at June 30, 2015.

The Division of Risk Management manages the Insurance Trust Fund pursuant to provisions of the Insurance Plan. Since November 2006, all plan assets have been invested in the Department of Treasury common pool. Activity in the Insurance Trust Fund for the years ended June 30, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Beginning balance, July 1	\$ 10,434,495	\$ 10,401,194
Contribution to reserves	3,950,000	4,000,000
Insurance premiums paid	(3,966,626)	(3,883,676)
Claims mitigation costs and losses incurred	-	(16,551)
Investment income	69,444	-
Actuarial and administrative charges	(81,707)	(66,472)
Transfer to VRE for small liability claims	(18,849)	-
	<hr/>	<hr/>
Ending balance, June 30	\$ 10,386,757	\$ 10,434,495

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.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 9. Contingencies and Contractual Commitments

At June 30, 2016, there were disputes between VRE and certain vendors. The amounts of any settlements, should they occur, are not determinable at this time. However, such amounts are not expected to be material in relation to the recorded amounts.

The Commissions have outstanding commitments for construction of facilities and equipment. A combination of Federal (with VRE as grantee) and Commonwealth of Virginia grants and local funds will be used to finance these capital projects. The following is a summary of the more significant contractual commitments, net of expenses incurred as of June 30, 2016:

Stations and parking lots	\$	2,243,252
Rolling Stock		31,412,358
Maintenance and layover yards		1,125,176
Other administrative		<u>1,983,352</u>
Total	\$	<u>36,764,138</u>

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

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

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

Note 10. Pending GASB Statements

At June 30, 2016, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by VRE. The statements which might impact VRE are as follows:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will improve accounting and financial reporting by state and local governments for OPEB. It will also require the recognition of the entire OPEB liability and a comprehensive measure of OPEB expense. Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 10. Pending GASB Statements (Continued)

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, will improve the accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Statement No. 79 will be effective for fiscal years beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 82, *Pension Issues*, the objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement No. 82 will be effective for reporting periods beginning after June 15, 2016 except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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

Note 11. Subsequent Events

VRE entered into contracts at various times from August 2016 through October 2016 to purchase fuel at set prices for delivery in September 2016 through March 2017. The fuel will be used in the normal course of operations and is not being purchased for resale. The total commitment is for 420,000 gallons of fuel at a cost of approximately \$660,000.

The first year of the Commissions' contract with Keolis Rail Services, Virginia LLC for maintenance of equipment and facilities went into effect on July 1, 2016 for a five-year base term. The contract also provides for two subsequent five-year option periods. The existing agreement with Keolis Rail Services, Virginia LLC for operations and maintenance was amended to remove the maintenance functions, effective July 1, 2016.

Required Supplementary Information

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF CONTRIBUTIONS - VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,	
	2014	2015
Contractually required contribution (CRC)	\$ 528,296	\$ 460,763
Contributions in relation to the CRC	528,296	460,763
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 6,856,560	\$ 7,617,414
Contributions as a percentage of covered-employee payroll	7.70%	6.72%

Notes to Schedule:

- (1) Valuation date: June 30, 2014
- (2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
- (3) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20-29 years
Asset valuation method	5-year smoothed market
Cost-of-living adjustments	2.25%-2.50%
Projected salary increases	3.50%-5.35%, including inflation at 2.50%
Investment rate of return	7.0%, including inflation at 2.50%
- (4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.
- (5) The information on this schedule is derived from the actuarial valuation report for the Potomac & Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for VRE.

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF CHANGES IN NET PENSION ASSET - VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,	
	2014	2015
Total Pension Liability		
Service cost	\$ 722,134	\$ 743,258
Interest	763,704	850,266
Differences between expected and actual experience	-	92,275
Benefit payments, including refunds of employee contributions	(222,525)	(275,932)
Net change in total pension liability	1,263,313	1,409,867
Total pension liability - beginning	11,021,316	12,284,629
Total pension liability - ending (a)	<u>\$ 12,284,629</u>	<u>\$ 13,694,496</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 528,296	\$ 460,763
Contributions - employee	414,844	494,240
Net investment income	1,697,173	603,590
Benefit payments, including refunds of employee contributions	(222,525)	(275,932)
Administrative expense	(8,482)	(7,442)
Other	89	(131)
Net change in plan fiduciary net position	2,409,395	1,275,088
Plan fiduciary net position - beginning	10,379,843	12,789,238
Plan fiduciary net position - ending (b)	<u>\$ 12,789,238</u>	<u>\$ 14,064,326</u>
PRTC's net pension asset - ending (a) - (b)	<u>\$ (504,609)</u>	<u>\$ (369,830)</u>
Plan fiduciary net position as a percentage of the total pension liability	104.11%	102.70%
Covered-employee payroll	\$ 6,856,560	\$ 7,617,414
PRTC's net pension asset as a percentage of covered - employee payroll	7.36%	4.86%

Notes to Schedule:

- (1) **Changes of benefit terms:** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 is not material.
- (2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ended June 30, 2012:
 - a. Update mortality table
 - b. Adjustments to rates of service retirement for females
 - c. Decrease in rate of withdrawals for 3 through 9 years of service
 - d. Decrease in rates of disability
 - e. Reduce rates of salary increase by 0.25% per year
- (3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, PRTC will present information for those years for which information is available.
- (4) The information on this schedule is derived from the actuarial valuation report for the Potomac & Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for VRE.

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Statistical Section



STATISTICAL SECTION

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

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how VRE's financial performance has changed over time.	52 – 55
Other Statistical Information	
These schedules and service area map provide other information useful to certain readers of VRE's financial statements.	56 – 57
Demographic and Economic Information	
These schedules offer demographic and economic indicators to assist the reader understand the environment within which VRE's financial activities take place.	58 – 60

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF CHANGE IN NET POSITION

Last Ten Fiscal Years

(Unaudited)

	June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Revenues:										
Passenger revenue	\$ 37,696,913	\$ 36,700,191	\$ 37,093,476	\$ 34,733,106	\$ 34,721,591	\$ 32,368,123	\$ 30,019,730	\$ 25,909,794	\$ 21,688,092	\$ 19,685,561
Equipment rentals and other	240,052	418,569	197,915	239,381	304,184	200,069	247,375	124,926	133,242	206,558
Total operating revenues	37,936,965	37,118,760	37,291,391	34,972,487	35,025,775	32,568,192	30,267,105	26,034,720	21,821,334	19,892,119
Nonoperating Revenues:										
Subsidies:										
Commonwealth of Virginia grants	16,572,077	14,401,957	19,330,105	14,967,197	12,711,602	12,806,509	13,153,781	13,482,816	10,795,443	12,269,884
Federal grants - with PRTC as grantee	13,917,534	13,688,723	15,931,876	18,559,490	17,181,121	16,157,284	14,525,795	12,784,123	12,522,868	12,741,069
Jurisdictional contributions	16,428,800	16,456,986	16,428,800	16,428,800	15,943,917	16,070,307	16,376,968	17,275,500	13,379,155	8,802,762
Regional transportation funding (NVTA)	542,671	-	-	-	-	-	-	-	-	-
Capital grants and assistance:										
Commonwealth of Virginia grants	9,826,429	14,694,277	-	-	-	-	-	-	-	-
Federal grants - with PRTC as grantee	22,125,460	17,764,759	5,420,552	1,269,732	9,997,070	40,136,130	15,437,312	14,648,460	18,259,459	399,283
Federal grants - NVTC and other	-	-	-	-	-	3,308,513	402,355	53,738	939,088	10,363,653
Pass-through to Fairfax County	-	-	-	-	-	-	-	(4,456,818)	-	-
In-kind and other local contributions	851,659	1,079,885	2,637,809	328,031	46,924	406,331	680,631	1,903,284	925,338	-
Interest income:										
Operating funds	93,677	34,337	27,860	18,573	16,813	14,675	23,893	129,620	399,553	850,490
Insurance trust	69,444	-	-	-	-	-	65,164	241,003	400,204	329,252
Other restricted funds	197	59	196	772	1,161	384	586	36,232	535,093	41,038
Insurance proceeds	-	-	-	-	-	-	-	-	262,676	-
Gain (loss) on sale of assets	-	(60,293)	1,500	(769,042)	(358,382)	(271,606)	(393,419)	-	-	-
Total nonoperating revenues	80,427,948	78,060,690	59,778,698	50,803,553	55,540,226	88,628,527	60,273,066	56,097,958	58,418,877	45,797,431
Total revenues	118,364,913	115,179,450	97,070,089	85,776,040	90,566,001	121,196,719	90,540,171	82,132,678	80,240,211	65,689,550
Operating Expenses:										
Contract operations and maintenance	24,082,615	22,782,752	23,151,332	21,751,488	21,093,606	21,405,930	20,291,361	18,694,757	17,433,267	16,982,189
Other operations and maintenance	13,662,606	14,334,954	14,891,502	12,785,223	14,594,826	12,949,155	12,055,009	12,575,004	11,562,892	10,130,233
Property leases and access fees	15,175,732	14,318,788	13,924,017	13,504,023	13,123,367	11,756,531	9,482,367	8,686,385	8,279,505	8,636,947
Insurance	4,046,198	3,964,673	3,991,969	4,022,072	3,491,620	4,049,906	3,864,366	3,866,438	4,099,475	5,169,441
Marketing and sales	2,393,332	2,267,729	2,012,321	1,872,343	2,211,354	1,502,434	1,259,048	1,477,554	1,537,243	1,161,206
General and administrative	10,514,343	7,968,298	7,793,040	6,784,379	7,111,871	5,964,956	5,642,360	5,492,566	5,151,117	5,164,332
Depreciation and amortization	16,953,565	15,391,195	14,706,458	14,465,445	13,373,129	12,218,203	11,337,406	10,445,041	10,640,098	9,875,593
Total operating expenses	86,828,391	81,028,389	80,470,639	75,184,973	74,999,773	69,847,115	63,931,917	61,237,745	58,703,597	57,119,941
Nonoperating (Revenues) Expenses:										
Interest and amortization	3,384,762	3,534,644	4,026,724	4,683,094	6,524,348	5,566,829	5,682,935	6,014,243	4,525,279	2,748,084
(Gain) loss on sale of assets	-	-	-	-	-	-	-	(4,218,641)	3,176,932	291,306
Total nonoperating expenses, net	3,384,762	3,534,644	4,026,724	4,683,094	6,524,348	5,566,829	5,682,935	1,795,602	7,702,211	3,039,390
Extraordinary Item										
	1,882,945	-	3,660,786	-	-	-	-	-	-	-
Total expenses	92,096,098	84,563,033	88,158,149	79,868,067	81,524,121	75,413,944	69,614,852	63,033,347	66,405,808	60,159,331
Change in net assets				\$ 5,907,973	\$ 9,041,880	\$ 45,782,775	\$ 20,925,319	\$ 19,099,331	\$ 13,834,403	\$ 5,530,219
Change in net position	\$ 26,268,815	\$ 30,616,417	\$ 8,911,940							

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

Interest costs in fiscal year 2012 restated to comply with GASB 65.

Source: VRE's Audited Financial Statements.

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF COMPONENTS OF NET POSITION

Last Ten Fiscal Years

(Unaudited)

	June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net investment in capital assets	\$ 274,136,653	\$ 254,085,092	\$ 220,069,396	\$ 220,007,440	\$ 220,396,390	\$ 213,710,235	\$ 165,407,433	\$ 144,566,529	\$ 114,677,949	\$ 87,827,971
Restricted for liability insurance plan	10,439,990	10,487,532	10,454,171	10,294,874	10,156,492	10,052,968	9,511,797	8,229,082	7,470,123	6,524,971
Restricted for debt service and capital lease	-	-	6,731,166	6,563,328	6,408,466	6,259,239	5,980,313	5,850,112	7,287,789	7,213,804
Restricted grants or contributions	779,223	-	-	140,270	951,342	600,250	34,619	194,193	1,269,313	785,173
Unrestricted assets	<u>55,697,393</u>	<u>50,211,820</u>	<u>46,973,386</u>	<u>35,845,639</u>	<u>28,056,773</u>	<u>24,277,019</u>	<u>20,676,168</u>	<u>10,905,605</u>	<u>7,712,570</u>	<u>7,251,572</u>
Total net assets				<u>\$ 272,851,551</u>	<u>\$ 265,969,463</u>	<u>\$ 254,899,711</u>	<u>\$ 201,610,330</u>	<u>\$ 169,745,521</u>	<u>\$ 138,417,744</u>	<u>\$ 109,603,491</u>
Total net position	<u>\$ 341,053,259</u>	<u>\$ 314,784,444</u>	<u>\$ 284,228,119</u>							

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

Fiscal year 2012 balance restated to comply with GASB 65.

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF OUTSTANDING DEBT

Last Ten Fiscal Years

(Unaudited)

	June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenue Bonds:										
\$37,625,000 Commuter Rail Revenue Bond, Series 1993	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,065,000	\$ 9,875,000	\$ 14,450,000	\$ 18,800,000
\$23,000,000 Commuter Rail Revenue Bond, Series 1997	-	-	-	-	-	-	-	-	14,635,000	15,690,000
\$31,700,000 Commuter Rail Revenue Bond, Series 1998	-	-	6,555,000	12,775,000	18,685,000	24,295,000	24,425,000	24,550,000	24,670,000	24,785,000
Capital Leases:										
\$271,804 Capitalized Lease Obligation	-	-	-	-	-	-	-	-	-	164,600
\$2,717,409 Capitalized Lease Obligation	-	-	-	-	-	-	-	-	420,665	855,119
\$25,100,000 Capitalized Lease Obligation	14,108,906	15,349,786	16,535,611	17,668,825	18,751,762	19,786,652	20,775,627	21,720,726	22,623,892	23,486,988
\$74,425 Capitalized Lease Obligation	50,048	64,331	-	-	-	-	-	-	-	-
Notes Payable:										
\$900,000 SunTrust Bank	-	-	-	-	320,000	380,000	440,000	500,000	560,000	605,000
\$63,844,842 FRA Notes	55,628,942	57,709,856	59,698,580	61,595,765	63,409,659	63,305,611	63,749,851	56,122,937	26,970,555	-
Outstanding as of June 30	\$ 69,787,896	\$ 73,123,973	\$ 82,789,191	\$ 92,039,590	\$ 101,166,421	\$ 107,767,263	\$ 114,455,478	\$ 112,768,663	\$ 104,330,112	\$ 84,386,707
Debt per Capita:										
Outstanding as of June 30	\$ 69,787,896	\$ 73,123,973	\$ 82,789,191	\$ 92,039,590	\$ 101,166,421	\$ 107,767,263	\$ 114,455,478	\$ 112,768,663	\$ 104,330,112	\$ 84,386,707
Total Participating Jurisdictional Population	N/A	N/A	2,291,535	2,272,215	2,238,627	2,189,988	2,159,228	2,116,826	2,079,204	2,045,670
Debt per Capita	N/A	N/A	\$ 36.13	\$ 40.51	\$ 45.19	\$ 49.21	\$ 53.01	\$ 53.27	\$ 50.18	\$ 41.25
Outstanding Debt as a Percentage of Personal Income:										
Outstanding as of June 30	\$ 69,787,896	\$ 73,123,973	\$ 82,789,191	\$ 92,039,590	\$ 101,166,421	\$ 107,767,263	\$ 114,455,478	\$ 112,768,663	\$ 104,330,112	\$ 84,386,707
Total Personal Income	N/A	N/A	144,195,320,000	142,972,030,000	135,296,802,000	126,548,575,000	125,509,757,000	125,018,523,000	124,410,734,000	117,524,050,000
Total Outstanding Debt as a Percentage of Personal Income	N/A	N/A	0.06%	0.06%	0.07%	0.09%	0.09%	0.09%	0.08%	0.07%

The population data for each participating jurisdiction can be found in the following reports.

- (1) Fairfax County fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table 4.0, page 267
- (2) Prince William County fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table 16, page 209
- (3) City of Manassas fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table 14, page 140
- (4) City of Manassas Park fiscal year 2014 Comprehensive Annual Financial Report, Statistical Section, Table 14, page 124
- (5) Stafford County fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table S-14; page 140
- (6) City of Fredericksburg fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table 14, page 166
- (7) Spotsylvania County fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table S-13, page 141
- (8) City of Alexandria fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table XIV, page 178, Table XI, page 176
- (9) Arlington County fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table K, page 199

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF JURISDICTIONAL CONTRIBUTIONS

Last Ten Fiscal Years

(Unaudited)

	June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Fairfax County	\$ 4,847,284	\$ 4,852,953	\$ 4,747,684	\$ 4,511,265	\$ 4,876,961	\$ 4,906,693	\$ 4,995,535	\$ 5,507,805	\$ 4,700,508	\$ 3,935,736
City of Fredericksburg	439,366	581,244	427,728	339,064	420,566	405,980	508,503	482,764	330,713	111,115
City of Manassas	766,491	686,944	757,804	642,662	817,993	871,611	883,443	938,897	655,077	428,436
City of Manassas Park	576,699	401,762	574,709	441,702	566,504	544,763	537,496	567,082	359,574	183,686
Prince William County	5,309,674	5,485,333	5,748,203	4,761,324	5,859,007	6,384,660	6,173,028	6,511,839	4,624,876	2,961,241
Stafford County	2,855,607	1,401,382	2,529,281	1,892,640	2,505,805	2,634,002	2,971,727	2,974,507	2,429,735	917,147
Spotsylvania County	1,303,888	2,689,391	1,313,600	3,510,352	577,020	-	-	-	-	-
City of Alexandria	133,894	133,894	133,894	133,894	129,944	130,974	124,737	118,797	113,140	107,752
Arlington County	195,897	195,897	195,897	195,897	190,117	191,624	182,499	173,809	165,532	157,649
Total contributions	\$ 16,428,800	\$ 16,428,800	\$ 16,428,800	\$ 16,428,800	\$ 15,943,917	\$ 16,070,307	\$ 16,376,968	\$ 17,275,500	\$ 13,379,155	\$ 8,802,762

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF MISCELLANEOUS STATISTICS

Last Ten Fiscal Years

(Unaudited)

	June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Rolling Stock (Owned or Leased)										
Locomotives	20	20	20	20	22	25	20	21	18	19
Railcars	100	93	91	91	91	101	95	91	89	90
Total rolling stock	120	113	111	111	113	126	115	112	107	109
Stations	19	18	18	18	18	18	18	18	18	18
Parking Spaces	10,743	9,243	9,030	9,030	8,824	8,824	8,691	8,505	7,227	7,284
Employees	45	39	37	37	37	37	37	37	37	36
Ridership and Fare Revenue Data (1):										
Total ridership	4,441,858	4,618,169	4,547,911	4,643,898	4,771,987	4,517,366	4,033,230	3,857,646	3,628,563	3,453,561
Average daily ridership	17,767	18,547	18,119	18,878	19,088	18,377	16,673	15,754	14,662	13,982
Average fare per trip	\$ 8.49	\$ 7.95	\$ 8.16	\$ 7.48	\$ 7.28	\$ 7.17	\$ 7.44	\$ 6.66	\$ 5.98	\$ 5.70

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

Source: VRE staff



VIRGINIA RAILWAY EXPRESS

PRINCIPAL EMPLOYERS OF PARTICIPATING JURISDICTIONS

Current Year and Nine Years Ago
(Unaudited)

Employers	2015			2006		
	Rank	Employees	Percentage of Total Jurisdictional Employment	Rank	Employees	Percentage of Total Jurisdictional Employment
Federal Government (1) (2) (3) (4) (5)	1	72,334	N/A	1	65,669	N/A
Fairfax County Public Schools (1)	2	24,181	N/A	2	22,562	N/A
Fairfax County Government (1)	3	12,326	N/A	3	10,999	N/A
Inova Health System (1)	4	7,000-10,000	N/A	4	10,000-11,000	N/A
George Mason University (1)	5	5,000-10,000	-	-	-	-
Arlington County Government and Schools (2)	6	8,005	N/A	5	7,280	N/A
Deloitte (2)	7	7,100	N/A	-	-	-
Booz Allen Hamilton (1)	8	4,000-6,999	N/A	5	8,000-9,000	N/A
Science Applications International Corporation (1)	8	4,000-6,999	N/A	7	6,000-7,000	N/A
Federal Home Loan Mortgage (1)	8	4,000-6,999	N/A	10	4,000-5,000	N/A
General Dynamics (1)	8	4,000-6,999	N/A	-	-	-
Northrop Grumman (1)	9	1000-3999	N/A	6	6,000-7,000	N/A
Computer Science Corporation (1)	10	-	-	9	3,000-4,000	N/A

Sources:

(1) through (5) extracted and combined from the following sources:

- (1) County of Fairfax fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table 4.2, page 268
- (2) County of Arlington fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table L, page 192
- (3) County of Prince William fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table 17, page 210
- (4) County of Stafford fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table S-16, page 142
- (5) City of Alexandria fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table XIX, page 183

VIRGINIA RAILWAY EXPRESS

DEMOGRAPHICS AND ECONOMIC STATISTICS OF PARTICIPATING JURISDICTIONS

Fiscal Years 2006 to 2015

(Unaudited)

	Fairfax County (1)	Prince William County (2)	City of Manassas (3)	City of Manassas Park (4)	Stafford County (5)	City of Fredericksburg (6)	Spotsylvania County (7)	City of Alexandria (8)	Arlington County (9)
2016 (all categories)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2015									
Population	N/A	446,094	N/A	15,700	142,299	28,213	130,674	150,575	216,700
Personal Income (in thousands)	N/A	\$24,943,113	N/A	\$700,000	\$6,296,162	\$1,201,676	\$5,684,634	\$12,071,851	\$18,614,530
Per Capita Personal Income	N/A	\$47,965	N/A	\$44,586	\$44,246	\$42,593	\$43,502	N/A	\$85,900
Unemployment Rate	N/A	4.4%	N/A	4.4%	5.2%	6.2%	2.5%	3.5%	3.4%
2014									
Population	1,137,538	438,580	42,081	15,174	138,423	28,132	127,715	148,892	215,000
Personal Income (in thousands)	\$81,620,627	\$23,902,844	N/A	\$694,362	\$6,091,966	\$1,215,809	N/A	\$12,115,212	\$18,554,500
Per Capita Personal Income	\$71,752	\$46,954	N/A	\$45,760	\$44,010	\$43,218	N/A	N/A	\$86,300
Unemployment Rate	3.5%	4.7%	4.8%	4.5%	5.2%	5.9%	5.0%	4.6%	3.5%
2013									
Population	1,130,924	430,100	39,902	14,838	135,311	27,307	126,494	146,294	221,045
Personal Income (in thousands)	\$80,982,075	\$24,558,604	N/A	\$419,100	\$5,900,913	\$1,116,665	N/A	\$11,760,450	\$18,234,223
Per Capita Personal Income	\$71,607	\$48,617	N/A	\$28,245	\$43,610	\$40,893	N/A	N/A	\$82,491
Unemployment Rate	3.7%	4.7%	4.6%	5.0%	5.1%	8.2%	5.3%	4.7%	4.0%
2012									
Population	1,118,602	419,268	39,060	15,332	134,352	26,024	125,684	144,301	216,004
Personal Income (in thousands)	\$77,012,392	\$23,024,777	N/A	\$419,100	\$5,744,220	\$1,064,199	N/A	\$10,758,922	\$17,273,192
Per Capita Personal Income	\$68,847	\$47,309	N/A	\$27,335	\$42,755	\$40,893	\$43,218	\$83,242	\$79,967
Unemployment Rate	4.4%	4.9%	6.3%	4.7%	4.9%	8.8%	5.0%	4.6%	3.5%
2011									
Population	1,100,692	406,392	37,821	14,387	128,961	25,691	124,477	141,287	210,280
Personal Income (in thousands)	\$71,145,429	\$22,156,021	N/A	\$455,635	\$5,405,658	\$1,050,582	N/A	\$10,627,334	\$15,707,916
Per Capita Personal Income	\$64,637	\$46,719	N/A	\$31,670	\$41,917	\$40,893	\$40,893	\$82,491	\$74,700
Unemployment Rate	4.7%	5.3%	6.7%	5.2%	5.2%	10.3%	5.6%	4.8%	3.9%
2010									
Population	1,081,726	402,002	35,648	12,042	128,961	24,286	122,397	139,966	212,200
Personal Income (in thousands)	\$72,577,324	\$20,662,164	N/A	\$391,776	\$5,265,160	\$954,391	N/A	\$10,441,443	\$15,217,499
Per Capita Personal Income	\$67,094	\$44,995	N/A	\$32,534	\$40,828	\$39,298	\$39,298	\$76,362	\$71,713
Unemployment Rate	5.1%	5.7%	7.7%	5.8%	5.7%	9.6%	6.0%	4.8%	4.3%
2009									
Population	1,074,227	374,776	35,883	11,410	122,800	23,353	120,977	144,100	209,300
Personal Income (in thousands)	\$74,380,758	\$19,428,508	N/A	\$382,695	\$4,915,316	\$892,131	N/A	\$10,178,071	\$14,841,044
Per Capita Personal Income	\$69,241	\$44,227	N/A	\$33,540	\$40,027	\$38,202	\$38,202	\$70,846	\$70,908
Unemployment Rate	4.9%	5.9%	7.4%	6.5%	5.4%	9.2%	5.7%	2.8%	4.7%
2008									
Population	1,050,315	368,016	36,666	11,533	121,736	22,899	120,015	140,024	208,000
Personal Income (in thousands)	\$74,385,409	\$18,681,748	\$918,630	\$394,715	\$4,897,196	\$889,030	N/A	\$10,204,006	\$14,040,000
Per Capita Personal Income	\$70,822	\$44,230	\$25,054	\$34,225	\$40,228	\$38,824	\$38,824	\$72,220	\$67,500
Unemployment Rate	2.8%	3.4%	4.2%	3.2%	3.4%	5.7%	3.4%	2.9%	2.6%

VIRGINIA RAILWAY EXPRESS

DEMOGRAPHICS AND ECONOMIC STATISTICS OF PARTICIPATING JURISDICTIONS (Continued)

Fiscal Years 2006 to 2015

(Unaudited)

	Fairfax County (1)	Prince William County (2)	City of Manassas (3)	City of Manassas Park (4)	Stafford County (5)	City of Fredericksburg (6)	Spotsylvania County (7)	City of Alexandria (7)	Arlington County (8)
2007									
Population	1,041,507	359,174	38,066	11,527	120,723	22,651	118,939	128,283	204,800
Personal Income (in thousands)	\$70,500,650	\$17,853,709	\$904,067	\$390,604	\$4,497,535	\$865,154	N/A	\$9,507,531	\$13,004,800
Per Capita Personal Income	\$67,691	\$42,952	\$23,750	\$33,886	\$37,255	\$38,195	\$38,195	\$70,632	\$63,500
Unemployment Rate	2.2%	2.6%	2.9%	2.4%	2.6%	4.1%	2.5%	2.2%	2.3%
2006									
Population	1,037,311	350,612	38,066	11,652	120,170	22,044	117,718	128,283	200,226
Personal Income (in thousands)	\$67,111,947	\$16,785,861	\$922,642	\$380,385	\$4,291,511	\$799,337	N/A	\$8,835,057	\$12,132,694
Per Capita Personal Income	\$64,698	\$41,213	\$24,238	\$32,645	\$35,712	\$36,261	\$36,261	\$65,141	\$60,595
Unemployment Rate	2.2%	2.6%	2.6%	2.3%	2.4%	4.0%	2.4%	2.6%	2.3%

Sources:

- (1) Fairfax County fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table 4.0, page 267
- (2) Prince William County fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table 16, page 209
- (3) City of Manassas fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table 14, page 140
- (4) City of Manassas Park fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table 14, page 131
- (5) Stafford County fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table S-14; page 140
- (6) City of Fredericksburg fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table 14, page 166
- (7) Spotsylvania County fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table S-13, page 141
- (8) City of Alexandria fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table XIV, page 178, Table XI, Page 176
- (9) Arlington County fiscal year 2015 Comprehensive Annual Financial Report, Statistical Section, Table K, page 199

N/A = Not Available

Compliance Section





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of Virginia Railway Express (VRE), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise VRE's basic financial statements, and have issued our report thereon dated November 8, 2016.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of VRE's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
November 8, 2016



VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

Agenda Item 8-B
Action Item

To: Chairman Skinner and the VRE Operations Board

From: Doug Allen

Date: November 18, 2016

Re: Authorization to Forward the FY 2016 Audited Financial Statements and Auditor's Report to the Commissions

Recommendation:

The VRE Operations Board is being asked to accept the FY 2016 Comprehensive Annual Financial Report (CAFR) and associated information from the auditors and to authorize the Chief Executive Officer to forward this information to the Commissions for their consideration.

Background:

The audit of VRE's FY 2016 financial statements has been completed and the auditors have issued an unqualified opinion. Their opinion letter states that VRE's statements, in all material respects, fairly and accurately present the financial position of the organization. This opinion is the best possible outcome of a financial audit.

The FY 2016 audit was conducted by the firm of PBMares, LLP. PBMares has served as the auditors for VRE, PRTC and NVTC for the last several years. A new three year contract for the audits of the VRE, NVTC and PRTC financial statements was approved in April 2015, with four years of optional renewals.

The audited financial statements and associated reports were forwarded to all members of the Operations Board prior to the November 18th meeting. The auditors met with the VRE



Northern Virginia
Transportation Commission
2300 Wilson Blvd. #620
Arlington, VA 22201
703.524.3322



Virginia Railway Express
1500 King Street, Suite 202
Alexandria, VA 22314
703.684.1001
VRE.org



Potomac and Rappahannock
Transportation Commission
14700 Potomac Mills Road
Woodbridge, VA 22192
703.580.6121

Audit Committee on November 18, 2016, prior to the Operations Board meeting to review the statements and their opinion.

Fiscal Impact:

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

**Virginia Railway Express
Operations Board**

**Resolution
8B-11-2016**

**Authorization to Forward the FY 2016 Audited Financial
Statements and Auditor's Report to the Commissions**

WHEREAS, the VRE Operations Board has contracted with the firm of PBMares, LLC for the audit of its financial statements; and,

WHEREAS, the audit of VRE's FY 2016 financial statements has been completed; and,

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

NOW, THEREFORE BE IT RESOLVED, that the VRE Operations Board accepts the FY 2016 Comprehensive Annual Financial Report (CAFR) and associated information from the auditors and hereby authorizes the Chief Executive Officer to forward this information to the Commissions for their consideration.

Approved this 18th day of November 2016

Gary Skinner
Chairman

Maureen Caddigan
Secretary

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RESOLUTION #2326

SUBJECT: Authorize the VRE CEO to Amend the CSX Transportation Operating Access Agreement and Master Facilities Lease Agreement

WHEREAS: VRE's current Operating Access Agreement with CSX Transportation was executed in July of 2011;

WHEREAS: The current Operating Access Agreement defines the train schedules and physical characteristics of the rail corridor in which VRE operations;

WHEREAS: The current train schedules and physical characteristics of the rail corridor need to be modified to include revised train schedules and the addition of the L'Enfant Storage tracks; the auditors have issued an unqualified opinion that VRE's statements, in all material respects, fairly and accurately present the financial position of the commuter rail operation;

WHEREAS: VRE has a Master Facilities Lease Agreement with CSX Transportation for all Stations on the CSX Transportation right of way;

WHEREAS: The Master Facilities Lease Agreement needs to be updated to include the right of way for the L'Enfant Storage tracks; and

WHEREAS: The VRE Operations Board recommends the following action.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission hereby authorize the VRE Chief Executive Officer to execute an Amendment to the current CSX Transportation Operating Access Agreement to 1) revise the current train schedules; 2) update the physical characteristics of the rail corridor to include the L'Enfant Storage tracks in a form approved by legal counsel.

BE IT FURTHER RESOLVED that NVTC authorizes the VRE Chief Executive Officer to execute an Amendment to the current Master Facilities Lease Agreement to include the right of way for the L'Enfant Storage tracks in a form approved by legal counsel.

Approved this 1st day of December 2016.

Jay Fissette
Chairman

Paul C. Smedberg
Secretary-Treasurer



VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

Agenda Item 8-E
Action Item

To: Chairman Skinner and the VRE Operations Board

From: Doug Allen

Date: November 18, 2016

Re: Recommend Authorization to Amend the CSX Transportation Operating Access Agreement and Master Facilities Lease Agreement

Recommendation:

The VRE Operations Board is asked to recommend the Commissions authorize the Chief Executive Officer to execute Amendments to the CSX Operating Access Agreement to reflect train schedule changes and the Master Facilities Lease Agreement to add the L'Enfant Storage tracks in a form approved by legal counsel.

Background:

The VRE has an Operating/Access Agreement with CSX Transportation permitting VRE operations in the Fredericksburg to Washington Corridor. This agreement, in part, establishes several train operating criteria including train schedules. The recommended amendment would incorporate into the existing Agreement the following changes:

- 1) Changes to the current train schedules to reflect actual run-times between Spotsylvania and the Fredericksburg Stations.
- 2) Update the physical characteristics of the corridor to include the new L'Enfant Storage tracks.



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The VRE also has a Master Facilities Lease Agreement with CSX Transportation for the lease of right of way primarily for property where current station platforms and access roads exist. The recommended amendment would incorporate the addition of the L'Enfant Storage tracks located in the CSX Transportation right of way.

Fiscal Impact:

Funding for the lease of the right of way for the L'Enfant Storage tracks has been included in the FY 2017 budget. Funding beyond FY 2017 will be provided for in subsequent budgets. There is no impact to funding for the update of the train schedules.

**Virginia Railway Express
Operations Board**

**Resolution
8E-11-2016**

**Recommend Authorization to Amend the CSX Transportation
Operating Access Agreement and Master Facilities Lease Agreement**

WHEREAS, VRE's current Operating Access Agreement with CSX Transportation was executed in July of 2011; and,

WHEREAS, the current Operating Access Agreement defines the train schedules and physical characteristics of the rail corridor in which VRE operations; and,

WHEREAS, the current train schedules and physical characteristics of the rail corridor need to be modified to include revised train schedules and the addition of the L'Enfant Storage tracks; and,

WHEREAS, VRE has a Master Facilities Lease Agreement with CSX Transportation for all Stations on the CSX Transportation right of way; and,

WHEREAS, the Master Facilities Lease Agreement needs to be updated to include the right of way for the L'Enfant Storage tracks;

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board does hereby recommend the Commissions authorize the Chief Executive Officer to execute an Amendment to the current CSX Transportation Operating Access Agreement to 1) revise the current train schedules; 2) update the physical characteristics of the rail corridor to include the L'Enfant Storage tracks in a form approved by legal counsel; and,

BE IT FURTHER RESOLVED THAT, the VRE Operations Board does hereby recommend the Commissions authorize the Chief Executive Officer to execute an Amendment to the current Master Facilities Lease Agreement to include the right of way for the L'Enfant Storage tracks in a form approved by legal counsel.

Approved this 18th day of November 2016

Gary Skinner
Chairman

Maureen Caddigan
Secretary



RESOLUTION #2327

SUBJECT: Authorize the VRE CEO to Amend the Norfolk Southern Operating Access Agreement

WHEREAS: VRE has an Operating Access Agreement with Norfolk Southern Railway Company dated April of 2014 for a term of five years

WHEREAS: The Operating Access Agreement, in part, identifies train schedules for the VRE Manassas line trains that intersect with CSX Transportation at the AF interlock;

WHEREAS: VRE will modify the current train schedules with Norfolk Southern Railway to reduce station dwell times; and

WHEREAS: The VRE Operations Board recommends the following action.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission hereby authorize the VRE Chief Executive Officer to execute an Amendment to the Operating Access Agreement with Norfolk Southern Railway Company to modify the VRE Manassas Line train schedules in a form approved by legal counsel.

Approved this 1st day of December 2016.

Jay Fisette
Chairman

Paul C. Smedberg
Secretary-Treasurer



VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

Agenda Item 8-F
Action Item

To: Chairman Skinner and the VRE Operations Board

From: Doug Allen

Date: November 18, 2016

**Re: Recommend Authorization to Amend the Norfolk Southern
Operating Access Agreement**

Recommendation:

The VRE Operations Board is asked to recommend the Commissions authorize the Chief Executive Officer to execute an amendment to the April 30, 2014, Norfolk Southern Operating Access Agreement to reflect train schedule changes for the VRE Manassas and Fredericksburg line trains in a form approved by legal counsel.

Background:

The VRE has an Operating Access Agreement with Norfolk Southern Railway Corporation permitting VRE operations in the Manassas to Washington Corridor. This agreement, in part, establishes several train operating criteria including train schedules. VRE has recently developed new schedules and the amendment will incorporate into the existing Agreement schedule modifications for VRE Manassas Line trains to reduce station dwell times and eliminate potential conflicts with VRE trains entering and leaving the Manassas Line to and from the CSX Transportation Fredericksburg line via the AF Interlock.

Fiscal Impact:

There is no fiscal impact.



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**Virginia Railway Express
Operations Board**

**Resolution
8F-11-2016**

**Recommend Authorization to Amend the
Norfolk Southern Operating Access Agreement**

WHEREAS, VRE has an Operating Access Agreement with Norfolk Southern Railway Company dated April of 2014 for a term of five years; and,

WHEREAS, the Operating Access Agreement, in part, identifies train schedules for the VRE Manassas line trains that intersect with CSX Transportation at the AF interlock; and,

WHEREAS, VRE will modify the current train schedules with CSX Transportation to accurately reflect train run times between the Spotsylvania and Fredericksburg Stations; and,

WHEREAS, VRE will modify the current train schedules with Norfolk Southern Railway to reduce station dwell times;

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board does hereby recommend the Commissions authorize the Chief Executive Officer to execute an Amendment to the Operating Access Agreement with Norfolk Southern Railway Company to modify the VRE Manassas Line train schedules in a form approved by legal counsel.

Approved this 18th day of November 2016

Gary Skinner
Chairman

Maureen Caddigan
Secretary

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RESOLUTION #2328

- SUBJECT:** Authorize the VRE CEO to Amend the Amtrak Access and Storage Agreement
- WHEREAS:** VRE has an Operating Access Agreement with Amtrak dated July 1, 2015;
- WHEREAS:** The Access and Storage Agreement, in part, identifies train schedules for the VRE Manassas and Fredericksburg line trains;
- WHEREAS:** VRE will modify the train schedules with CSX Transportation and Norfolk Southern Railway Company;
- WHEREAS:** The modified trains schedules will not affect the arrival and departure schedules into and out of Washington Union Terminal;
- WHEREAS:** In order to incorporate the modified train schedules into the current Agreement an Amendment is required; and
- WHEREAS:** The VRE Operations Board recommends the following action.
- NOW, THEREFORE, BE IT RESOLVED** that the Northern Virginia Transportation Commission hereby authorizes the VRE Chief Executive Officer to execute an Amendment to the Access and Storage Agreement with Amtrak to modify the VRE Manassas and Fredericksburg Line train schedules in a form approved by legal counsel.

Approved this 1st day of December 2016.

Jay Fiset
Chairman

Paul C. Smedberg
Secretary-Treasurer



VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

Agenda Item 8-G
Action Item

To: Chairman Skinner and the VRE Operations Board

From: Doug Allen

Date: November 18, 2016

Re: Recommend Authorization to Amend the Amtrak Access and Storage Agreement

Recommendation:

The VRE Operations Board is asked to recommend the Commissions authorize the Chief Executive Officer to execute an amendment to the July 1, 2015, Amtrak Access and Storage Agreement to reflect schedule changes for the VRE Manassas and Fredericksburg line trains in a form approved by legal counsel.

Background:

The VRE has an Access and Storage Agreement with Amtrak permitting VRE trains into and out of Washington Union Terminal. This agreement, in part, establishes several train operating criteria including train schedules. VRE has recently developed new schedules for the Fredericksburg and Manassas lines and the amendment will incorporate these modifications into the existing Agreement. There are no changes to arrival and departure times for VRE trains at Washington Union Station.

Fiscal Impact:

There is no fiscal impact.



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**Virginia Railway Express
Operations Board**

**Resolution
8G-11-2016**

**Recommend Authorization to Amend the Amtrak
Access and Storage Agreement**

WHEREAS, VRE has an Operating Access Agreement with Amtrak dated July 1, 2015; and,

WHEREAS, the Access and Storage Agreement, in part, identifies train schedules for the VRE Manassas and Fredericksburg line trains; and,

WHEREAS, VRE will modify the train schedules with CSX Transportation and Norfolk Southern Railway Company; and,

WHEREAS, the modified trains schedules will not affect the arrival and departure schedules into and out of Washington Union Terminal; and,

WHEREAS, in order to incorporate the modified train schedules into the current Agreement an Amendment is required;

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board does hereby recommend the Commissions authorize the Chief Executive Officer to execute an Amendment to the Access and Storage Agreement with Amtrak to modify the VRE Manassas and Fredericksburg Line train schedules in a form approved by legal counsel.

Approved this 18th day of November 2016

Gary Skinner
Chairman

Maureen Caddigan
Secretary

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TO: Chairman Fisetta and NVTC Commissioners
FROM: Kate Mattice and Andrew D’huyvetter
DATE: November 22, 2016
SUBJECT: Regional Transit Performance: NVTC FY2017 1st Quarter Ridership Report

The following chart details ridership for the first quarter of FY2017 for Northern Virginia’s transit systems, reflecting the first full quarter of SafeTrack (July - September 2016):

Ridership in Virginia by System 1st Quarter FY2017			
System	FY16 Q1	FY17 Q1	Percent Change FY15-FY16
Arlington Transit (ART)	761,580	905,396	18.8%
Alexandria DASH	1,169,510	1,082,774	-7.4%
Fairfax County Connector	2,458,605	2,280,542	-7.2%
Fairfax City CUE	173,057	168,444	-2.7%
Loudoun County Transit (LCT)	456,648	462,483	1.3%
PRTC Omni Ride & Omni Link	751,928	684,605	-9.0%
Virginia Railway Express (VRE)	1,099,753	1,194,980	8.7%
Metrobus	5,412,121	5,140,138	-5.0%
Metrorail	27,449,877	22,922,245	-16.5%
Total	39,733,349	34,841,607	-12.3%

Average Weekday Ridership in Virginia 1st Quarter FY2017				
System	Jul FY17	Aug FY17	Sep FY17	FY17 Q1
Metrorail	273,312	275,603	280,144	276,353
Metrobus	70,694	67,684	69,314	69,231

Attached is a [detailed breakdown of ridership by Metrorail station in Virginia for the first quarter of FY2017.](#)

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**Metrorail Ridership by Station in Virginia
1st Quarter FY2017**

Line/Station	Year	July	August	September	Q1 Total	Percent Change FY16-17
Silver						
Greensboro	FY16	59,340	49,102	52,168	160,610	-3.4%
	FY17	48,619	52,512	54,098	155,229	
McLean	FY16	93,465	75,948	79,375	248,787	-6.8%
	FY17	75,896	77,182	78,849	231,927	
Spring Hill	FY16	80,716	65,616	62,619	208,952	-15.5%
	FY17	59,762	57,520	59,358	176,640	
Tysons Corner	FY16	205,607	176,256	167,204	549,067	-7.7%
	FY17	165,342	175,558	165,944	506,844	
Wiehle-Reston East	FY16	477,917	396,760	400,680	1,275,357	-18.5%
	FY17	338,834	348,078	353,130	1,040,042	
Total Silver Line	FY16	917,046	763,682	762,045	2,442,773	-13.6%
	FY17	688,453	710,850	711,380	2,110,684	
Orange						
Dunn Loring	FY16	225,650	190,104	199,295	615,049	-20.2%
	FY17	172,351	181,186	137,301	490,839	
West Falls Church	FY16	150,334	125,502	134,533	410,369	0.4%
	FY17	101,794	109,914	200,488	412,196	
Vienna	FY16	593,535	494,050	519,666	1,607,251	-29.8%
	FY17	418,741	433,962	275,801	1,128,503	
Total Orange Line	FY16	969,519	809,656	853,494	2,632,670	-22.8%
	FY17	692,886	725,062	613,590	2,031,538	
Silver/Orange						
Ballston	FY16	602,271	522,128	535,801	1,660,200	-17.5%
	FY17	456,235	451,762	461,690	1,369,687	
Clarendon	FY16	264,941	230,952	230,460	726,353	-20.7%
	FY17	189,628	189,462	196,979	576,069	
Court House	FY16	395,838	336,332	343,776	1,075,946	-15.4%
	FY17	294,935	303,334	311,727	909,995	
East Falls Church	FY16	240,104	192,828	206,240	639,172	-11.6%
	FY17	170,757	183,006	210,971	564,734	
Rosslyn	FY16	816,286	679,294	679,480	2,175,060	-14.6%
	FY17	623,981	617,698	614,901	1,856,580	
Virginia Square	FY16	209,742	182,920	191,084	583,747	-12.3%
	FY17	166,269	170,970	174,750	511,989	
Total	FY16	2,529,181	2,144,454	2,186,842	6,860,478	-15.6%
	FY17	1,901,805	1,916,232	1,971,017	5,789,053	

Line/Station	Year	July	August	September	Q1 Total	Percent Change FY16-17
Blue						
Arlington Cemetery	FY16	173,811	109,600	77,447	360,858	-17.9%
	FY17	131,547	92,218	72,474	296,240	
Franconia	FY16	439,690	369,154	365,808	1,174,652	-36.0%
Springfield	FY17	230,036	287,244	234,746	752,025	
Van Dorn	FY16	176,478	155,672	155,661	487,812	-24.6%
	FY17	98,649	140,252	128,879	367,780	
Total	FY16	789,979	634,426	598,917	2,023,322	-30.0%
	FY17	460,232	519,714	436,099	1,416,045	
Yellow						
Eisenhower Avenue	FY16	101,543	81,962	79,930	263,435	-16.5%
	FY17	61,282	76,394	82,287	219,963	
Huntington	FY16	421,989	362,162	360,290	1,144,441	-16.6%
	FY17	258,328	348,306	347,424	954,058	
Total	FY16	523,532	444,124	440,220	1,407,876	-16.6%
	FY17	319,610	424,700	429,710	1,174,021	
Blue/Yellow						
Braddock Road	FY16	248,874	217,086	222,086	688,046	-1.7%
	FY17	271,077	200,366	204,724	676,167	
Crystal City	FY16	670,838	550,454	556,626	1,777,917	-19.6%
	FY17	397,872	510,638	520,168	1,428,677	
King Street	FY16	484,470	421,650	417,129	1,323,249	-22.6%
	FY17	291,870	367,468	365,451	1,024,789	
National Airport	FY16	508,408	450,944	441,122	1,400,474	-22.1%
	FY17	317,658	387,734	385,181	1,090,574	
Pentagon	FY16	724,702	641,064	657,776	2,023,543	-7.4%
	FY17	591,784	640,934	641,669	1,874,387	
Pentagon City	FY16	805,367	693,194	675,827	2,174,388	2.4%
	FY17	913,246	663,996	648,742	2,225,984	
Total	FY16	3,442,660	2,974,392	2,970,566	9,387,618	-11.4%
	FY17	2,783,506	2,771,136	2,765,936	8,320,578	
Total Virginia Stations	FY16	9,171,917	7,770,734	7,812,085	24,754,736	-15.8%
	FY17	6,846,493	7,067,694	6,927,733	20,841,919	

TO: Chairman Fiset and NVTC Commissioners

FROM: Kate Mattice

DATE: November 22, 2016

SUBJECT: Executive Director Report

A. Executive Director Newsletter

NVTC's [Executive Director Newsletter](#) provides updates on specific NVTC projects and programs and highlights items of interest at the federal and state levels and among partners such as the Transportation Planning Board and the Northern Virginia Transportation Authority.

This month's newsletter highlights the upcoming Joint NVTC-PRTC Legislative Briefing, the Standard Component Agreements for Transform 66, SafeTrack Surge #11, and transit news from around the region.

B. NVTC's Proposed FY2018 G&A Budget

The [proposed FY2018 NVTC General and Administrative budget](#) is attached for informational purposes. The budget has been reviewed by jurisdiction staff, and was discussed by the Executive Committee in November. At the December 1st Executive Committee meeting, staff will request the Committee approve that the budget be provided to the full Commission as presented. The Commission will then be asked to approve the budget at the January 5th meeting.

The proposed budget includes resources to accomplish the NVTC work program, including the administration of the Transform 66 project. Total expenses increase by \$38,700, or 1.7 percent over the approved FY2017 budget. Staff levels are held constant at the FY2016 and FY2017 approved budget levels, and include a provision for performance based increases up to three percent. The Computer Operations line includes funds needed to replace NVTC's antiquated financial accounting system, which will be procured in early FY2018. The Contract Services and Support line includes a provision for research and technical support efforts, HR support, NVTC's state liaison activities contract, and non-payroll costs for the Transform 66 project. An equal amount of revenue is included to cover these Transform 66 costs.

The budget is funded primarily by contributions from the NVTC member jurisdictions, including direct contributions, and an amount taken off the top of state assistance as it becomes available to NVTC. Project chargebacks include revenue for the Transform 66

Multimodal project for anticipated staff time and non-payroll costs. It should be noted that while VDOT provided implementation support in FY2016 and FY2017, administration costs are carried entirely by NVTC in the FY2018 proposed budget.

Also, appropriated surplus more than NVTC's minimum operating requirement is included as a source of revenue, which is the result of positive budget variances in prior years.

Detailed footnotes are included to explain the various lines, how amounts have been budgeted, and the reason for the more significant changes from the prior year.

C. Preliminary 2017 NVTC Annual Agenda

Attached is the [Preliminary 2017 NVTC Annual Agenda](#), outlining the anticipated information and action items for 2017. The Commission will be provided quarterly updates on the Annual Agenda through the year.



Infrastructure funding, financing, and safety will undoubtedly engender much discussion in the new year as the legislative session starts in Richmond and a new administration takes hold in Washington, D.C. In advance of these activities, NVTC and PRTC will hold their second annual Joint Legislative Briefing to provide insight into the ever-evolving legislative landscape. This event is an opportunity for local, state and federal officials representing Northern Virginia to engage with transit leaders on issues of importance to the region.

The Dec. 12 event in Springfield will feature:

- Deputy Transportation Secretary Nick Donohue, who will examine opportunities and challenges for transit
- DRPT Director Jennifer Mitchell, who will provide updates on the Metro Safety Commission and pending state funding gap for transit capital
- WMATA GM Paul Wiedefeld, who will speak to Metro’s priorities
- VRE CEO Doug Allen, who will address the commuter rail’s funding and expansion concerns, and
- Prince William Chamber of Commerce Chairman-Elect Nominee Betty Dean, who will discuss the role of bus in the region.

To support our legislative and policy agenda now and into 2018, NVTC has launched research to demonstrate the revenue benefits to the Commonwealth from high-capacity transit in Northern Virginia. The study will supplement work being done on [the value of Metrorail to the region](#) by the Metropolitan Washington Council of Governments, which will present to the Commission on Dec. 1.

If you’ve not yet replied to my email invitation to the briefing, please take a moment to do so below. Additional details about the event can be found on page 4. I look forward to seeing you in Springfield on Dec. 12.

~ **Kate Mattice**
Executive Director



RSVP Today



Inside this Issue

- [Transform 66 Multimodal Update](#)2
- [SafeTrack Surge #11](#)3
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Northern Virginia Transportation Commission
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Key Dates

- Nov. 30 & Dec. 1 [I-395 Express Lanes Design Public Hearing](#)
- Dec. 1 [NVTC Monthly Meeting](#)
- Dec. 5 & 8 [Transform 66 Eastbound Widening Public Hearing](#)
- Dec. 6-7 [CTB Meeting](#)
- Dec. 7 [VRE GHX Meeting](#)
- Dec. 8 [NVTA Monthly Meeting](#)
- Dec. 12 [NVTC/PRTC Legislative Briefing](#)
- Dec. 14 [CTB: Funding the Right Transportation Projects](#)
- Dec. 14 [Atlantic Gateway Highway, Rail and Transit I-95 Corridor Projects Public Hearing](#)
- Dec. 16 [VRE Operations Board](#)

Transform 66 November Update

The first of 10 Standard Component Agreements, which authorize funding under the Transform 66 Multimodal project, has been signed. In early November, [Fairfax County DOT Director Tom Biesiadny](#) and [NVTC Executive Director Kate Mattice](#) formalized the agreement, which stipulates the obligations of both agencies. The Commission previously approved \$3.3 million to fund express bus service between the Government Center in Fairfax and the State Department in Washington, D.C. The remaining nine agreements are awaiting jurisdictional review, approval by jurisdictional boards, or final execution.

Memorandum of Agreement

The Commonwealth Transportation Board will consider [the amended Transform 66 Memorandum of Agreement](#) (MOA) on December 7 when it meets in Richmond. The amended MOA, which was approved by the Commission in September, removes references to the use of tolls for widening the facility, modifies language to enhance credit-worthiness of the toll revenues, clarifies the use of funds for transit operations, and addresses technical corrections.



From left to right: NVTC Executive Director Kate Mattice, Fairfax County DOT Transportation Planner Malcolm Watson and NVTC Transit Projects and Policy Manager Patricia Happ hold the first signed Transform 66 Multimodal Project Standard Component Agreement for Fairfax Connector Express Bus Service.



Transform 66 Inside the Beltway Eastbound Widening Public Hearings

All meetings are from 6:30 –8:30 p.m. Formal presentations are at 7 p.m.

Monday, December 5, 2016

[Washington-Lee High School Cafeteria](#)

1301 N. Stafford Street, Arlington, VA

Snow Date: Monday, December 12, 2016

[Arlington County Offices, Room 307](#)

2100 Clarendon Boulevard, Arlington, VA

Thursday, December 8, 2016

[Mary Ellen Henderson Middle School Cafetorium](#)

7130 Leesburg Pike, Falls Church, VA

Snow Date: Thursday, December 15, 2016

[VDOT Northern Virginia District Office, 1st Floor](#)

4975 Alliance Drive, Fairfax, VA

NVTC-Approved Multimodal Components

Bus Stop Consolidation and Accessibility Improvements

Peak Period Service Expansion to ART Bus Route 55

Peak Period Service Expansion to Metrobus Route 2A

Loudoun County Stone Ridge Enhanced Transit

Fairfax Connector Express Bus, Gov. Center to State Dept.

PRTC Gainesville to Pentagon Commuter Service

Expanded TDM Outreach to the I-66 Corridor

Expanded Transit Access, through Capital Bikeshare

Loudoun County Transportation Demand Management

Multimodal Real-Time Transportation Information Screens

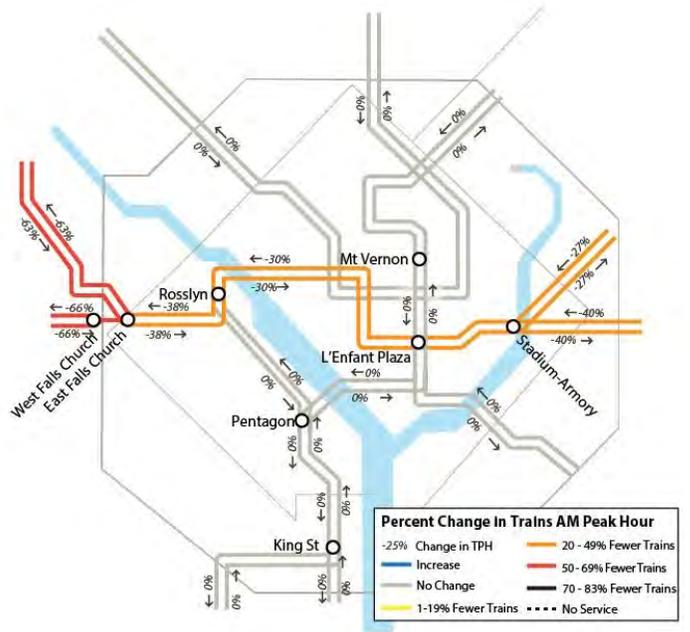
NVTC's Transform 66 website is updated regularly. Visit www.novatransit.org/i66multimodal to learn more.

SafeTrack Surge #11 on Orange/Silver Lines Begins November 28

[SafeTrack returns to Virginia on Nov. 28](#) with continuous single-tracking between West Falls Church and East Falls Church through Dec. 21. Orange and Silver line trains will run every 20 minutes. Crowding is anticipated on both lines. WMATA is urging customers to consider alternate travel options and travel outside of rush-hour periods if possible.

NVTC, as it has done for the six previous surges in Virginia, has convened transit providers, emergency planners and first responders to identify mitigation strategies to reduce the inconvenience of Metrorail service disruptions to commuters and travelers in Northern Virginia. These calls allow stakeholders to gain clarity on issues and provide feedback.

WMATA plans four surges in early 2017, three of which are in Virginia. Specific dates will be provided in December.



2017 SafeTrack Surges (Tentative)

Date	Stations Affected	Lines Affected	Service Status
Early Jan.	Braddock Road-Van Dorn St/Huntington	YL BL	Single tracking, weekend shutdowns
Late Jan. - Early Feb.	Rosslyn-Pentagon	BL	Line segment shutdown
Mar.	Braddock Road-Van Dorn St/Huntington	YL BL	Single tracking, weekend shutdowns
Late Mar.-Apr.	Greenbelt-College Park	GL	Single tracking, weekend shutdowns

Around Town: Headlines about NVTC Jurisdictions & Partners



[Georgetown to Rosslyn Gondola Feasibility Study Issued](#)

[Wax Poetic! Submit to ART's Moving Words Contest](#)

[ART Buses Getting New Refueling Station in Crystal/Pentagon City](#)

[Arlington & Fairfax Approve Transportation Measures](#)



[Metro Woes Lead to Surge in Popularity for Fairfax Express-bus Service](#)

[Fairfax County Parkway Multimodal Study Underway](#)



[Fairfax City Multimodal Transportation Plan \(Video\)](#)

[New Potomac River Bridge Back on the Table?](#)



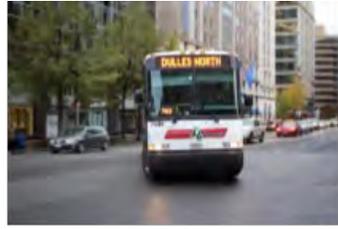
[Residents Share their Hopes for Loudoun's Future](#)

[Proposed rezoning near Dulles draws criticism from airports authority](#)



[Metro to discontinue use of 4000-series railcars in lead positions after safety concern identified](#)

NVTC & PRTC to Hold Joint Legislative Briefing



Monday, December 12, 2016

9:30-11 a.m.

Hilton Springfield

6550 Loisdale Road

Springfield, VA

Join NVTC & PRTC Commissioners
for an overview of federal and state issues affecting transit
in Northern Virginia

**Featuring speakers from the Commonwealth
and regional transit leaders, including**

Paul Wiedefeld	Doug Allen	Jennifer Mitchell	Betty Dean	Nick Donohue
GM/CEO	CEO	Director	Chairman-Elect	Deputy Secretary
WMATA	VRE	DRPT	Nominee	of Transportation
			Pr. Wm. Chamber	



RSVP Today



Jurisdictions Exchange Ideas, Seek to Work More Collaboratively

Members of the Alexandria and Falls Church city councils and Arlington County Board officials met jointly in mid-November to discuss how to collaborate on transit, land use and an enhanced 911 system, among other things, in order to save tax dollars. The jurisdictions already benefit from cost-savings associated with NVTC's joint procurement efforts on items such as fare boxes.

"I hope this is not a one-off," said Falls Church council member and NVTC immediate-past chairman David Snyder, [according to The Washington Post](#). "We need to tighten our relationship and exchange information and see where it takes us in the future."

VTA Video Highlights Looming Fiscal Cliff's Effect on Transit

As the backbone of Virginia's economy, transit attracts jobs and residents to the Commonwealth. A significant reduction in state transit capital funding threatens our economic growth and quality of life. [A new video by the Virginia Transit Association](#) (VTA) looks at the consequences of the [looming \\$1.1 billion funding gap](#) through the eyes of four transit providers in the state.

The VTA video focuses on the contributions of transit to the economies of Hampton Roads, Lynchburg, Northern Virginia, and Richmond and the potentially devastating impacts from a decline in state transit revenues. Narrator Thomas Davis Rust, former chair of the Virginia House of Delegates Transportation Committee and current member of the Commonwealth's Transit Capital Project Revenue Advisory Board, notes that the looming gap in revenues could unravel the economic contributions made by transit agencies across the state.

"Once we hit the fiscal cliff, as we're calling it, agencies will have just a couple of opportunities," says Rust. "One, to cut back on service, cut back on maintenance,

cut back on expansion or some combination of all of those things. Secondly, to raise fares for the users of the system, and that's always difficult. Or, thirdly, go to their local government and ask them for a substantial subsidy. And, in these days and times, that will be difficult."

The bottom line, according to Rust, is that a dramatic reduction in state transit funding will impede the Commonwealth's future growth. Virginia's ability to appeal to new businesses and residents depends on transit.



Transit's Value to Virginia



Transit is the backbone of Virginia's economy, attracting jobs and residents to the Commonwealth. A potential loss of state transit capital funding threatens our economic growth and quality of life.

TRANSIT NEEDS SUSTAINABLE FUNDING

A new report by the Virginia Department of Rail and Public Transportation details a possible \$1.1 billion gap between state transit capital funding needs and projected state revenues over the next decade. The statewide funding deficit averages \$107 million per year, growing markedly beginning in fiscal year 2021.



The panel above is one of 10 that [comprise an infographic designed](#) to accompany the Virginia Transit Association's video on the fiscal cliff. The infographic, created with technical assistance from NVTC, illustrates the value of transit to the Commonwealth and includes perspectives from Richmond, Lynchburg, Hampton Roads, and Virginia Railway Express on what the loss of state transit capital funding would mean.

Virginia Railway Express



The [last opportunity for public comment](#) on the Virginia Railway Express (VRE) Gainesville-Haymarket Extension (GHX) study is from 6-8 p.m. [Dec. 7 in Bristow](#). The final draft alternatives – the most viable options to expand VRE’s Manassas

Line service – will be presented to the railroad’s Operations Board in 2017. If the analysis supports continued project development, final design and construction will follow, with passenger rail operations beginning in 2022 or later.



Washington Metropolitan Area Transit Authority



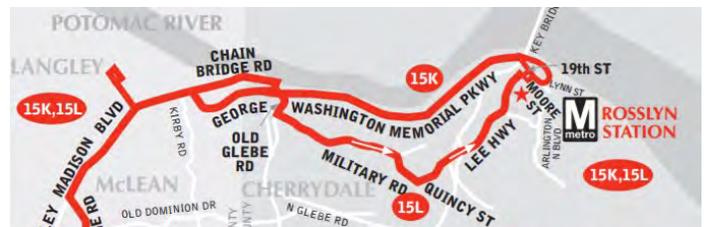
Metrobus is implementing changes to four Virginia routes:

- 5A DC-Dulles
- 15K Chain Bridge Road
- 38B Ballston-Farragut Square

The detour in Rosslyn associated with building of Central Place will end and eastbound (5A/38B) and westbound (5A/15K) trips will use a new bus-only tunnel at Rosslyn Metrorail Station, beginning in late January or early February. Starting Dec. 18, on the 38B only, two additional late-night round trips will be added on Friday and Saturday to provide connections for customers due Metrorail’s earlier closure.

16E Columbia Pike

Late-night weekday and Saturday service will be extended, beginning Dec. 18, from the Pentagon Transit Center to Franklin Square in D.C. via 14th Street to provide connections for customers due Metrorail’s earlier closure.



Transportation Planning Board



Three of the five projects added to the [D.C. region’s Constrained Long Range Plan](#) in mid-November will increase travel options in NoVa. The I-395 Express Lanes project, slated to be complete by 2019 at a cost of \$220 million, is the largest. VRE’s 11 mile GHX project (see above), at \$433 million, is the most expensive. The \$24 million Crystal City Transitway Northern Extension will run one mile, connecting the Crystal City and Pentagon City Metrorail stations.



Northern Virginia Transportation Authority



Due to an overwhelming response, the deadline to participate in the [NVTAs fall survey](#) has been extended to Nov. 28th. Last spring, the NVTAs heard from individuals about their transportation challenges and what changes they would like to

see in the future. Based on this initial outreach and an evaluation of current and future travel patterns, the NVTAs has identified a broad range of transportation needs. As part of its second wave of outreach, the NVTAs launched a survey, focusing on eight geographic areas, to learn how you think we should prioritize different ways of addressing these needs.





PROPOSED BUDGET

**FISCAL YEAR
2018**

(July 1, 2017 – June 30, 2018)

--November 3, 2016 --

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
BUDGETED FISCAL YEAR 2018 REVENUE
Proposed**

	FY 2016 Actual	Approved Budget FY 2017	Proposed Budget FY 2018	FY17 - FY18 Increase (Decrease)	Percent Change
Local Share from State Aid (Note 1)	\$1,546,253	\$1,516,253	\$1,618,253	\$ 102,000	
Local Direct Contributions (Note 1)					
Alexandria	37,145	37,846	38,378		
Arlington	55,567	57,038	55,451		
City of Fairfax	4,692	4,855	4,841		
Fairfax County	168,142	170,160	173,721		
Falls Church	2,436	2,336	2,270		
Loudoun	16,265	12,012	9,586		
Total Local Direct	<u>284,247</u>	<u>284,247</u>	<u>284,247</u>	-	
Total Contributions	1,830,500	1,800,500	1,902,500	102,000	5.7%
Interest and Other Revenue	1,775	1,500	2,000	500	33.3%
Project Chargebacks (Note 2):					
Transform 66 Multimodal	-	164,100	183,300	19,200	11.7%
VRE / Other	80,000	80,000	80,000	-	0.0%
Project Grant Billings (Note 3)	32,172	40,000	40,000	-	0.0%
Appropriated Surplus (Note 4)	(51,718)	213,000	130,000	(83,000)	-39.0%
Total Revenue	<u>\$1,892,729</u>	<u>\$2,299,100</u>	<u>\$2,337,800</u>	<u>\$ 38,700</u>	<u>1.7%</u>

*Note: NVTC's WMATA jurisdictions receive and recognize state operating and capital assistance for their annual commitments to WMATA and local transit systems. This revenue is then pooled at NVTC and allocated among the jurisdictions based on NVTC's Subsidy Allocation Model (SAM), and held in trust for the jurisdictions' transit use. Before the funding is allocated, NVTC's SAM resolution states that amounts are to be applied to WMATA debt service, certain NVTC projects, and a portion of the general and administrative budget of NVTC. The amount used for NVTC's general and administrative expenses is determined each year by NVTC's approved budget.

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SCHEDULE OF FISCAL YEAR 2018 BUDGETED EXPENDITURES**

Proposed

	FY 2016 Actual	Approved Budget FY 2017	Proposed Budget FY 2018	FY17 - FY18 Increase (Decrease)	Percent Change
<u>Personnel Costs</u>					
Salaries and Wages (Note 5)	\$ 1,128,824	\$ 1,302,000	\$ 1,340,500	\$ 38,500	3.0%
Fellow Program (Note 5)	40,007	50,000	50,000	-	0.0%
Total Personnel Costs	<u>1,168,831</u>	<u>1,352,000</u>	<u>1,390,500</u>	<u>38,500</u>	<u>2.8%</u>
<u>Benefits</u>					
Employer's Contributions					
FICA and Medicare (Note 6))	76,622	90,300	93,500	3,200	3.5%
Group Health Insurance (Note 7)	66,385	139,500	130,700	(8,800)	-6.3%
Retirement (Note 8)	99,697	145,000	123,500	(21,500)	-14.8%
Workers & Unemployment Comp.	3,692	4,900	4,900	-	0.0%
Life Insurance	3,126	5,300	5,100	(200)	-3.8%
Long Term Disability Insurance	5,106	6,400	6,500	100	1.6%
Total Benefit Costs	<u>254,628</u>	<u>391,400</u>	<u>364,200</u>	<u>(27,200)</u>	<u>-6.9%</u>
<u>Administrative Costs</u>					
Commissioners Per Diem (Note 9)	11,046	9,800	12,800	3,000	30.6%
Rents:	219,078	239,600	246,000	6,400	2.7%
Office Rent (Note 10)	206,124	223,400	229,700	6,300	2.8%
Parking / Metrochek	12,954	16,200	16,300	100	0.6%
Insurance:	5,699	5,800	6,800	1,000	17.2%
Public Official Bonds	1,700	2,000	2,000	-	0.0%
Liability and Property (Note 11)	3,999	3,800	4,800	1,000	26.3%
Travel, Training and Development	28,129	29,300	30,300	1,000	3.4%
Conferences / Prof. Devel (Note 12)	12,326	17,000	17,000	-	0.0%
Non-Local Travel	2,309	2,300	2,500	200	8.7%
Local Travel, Meetings (Note 13)	13,494	10,000	10,800	800	8.0%
Communication:	9,321	15,700	13,000	(2,700)	-17.2%
Postage (Note 14)	1,604	2,000	1,700	(300)	-15.0%
Telephone and Data (Note 15)	7,717	13,700	11,300	(2,400)	-17.5%
Publications & Supplies	15,955	11,600	12,500	900	7.8%
Office Supplies (Note 16)	4,050	2,500	2,700	200	8.0%
Duplication and Printing (Note 17)	11,329	8,600	9,300	700	8.1%
Public Information	576	500	500	-	0.0%
Operations:	33,704	22,900	45,500	22,600	98.7%
Furn.and Equip. (Capital) (Note 18)	25,467	11,500	11,000	(500)	-4.3%
Repairs and Maintenance	270	1,000	1,000	-	0.0%
Computer Operations (Note 19)	7,967	10,400	33,500	23,100	222.1%
Other General and Administrative	8,726	9,000	8,600	(400)	-4.4%
Memberships	1,201	1,800	1,400	(400)	-22.2%
Fees and Miscellaneous	6,161	5,600	5,600	-	0.0%
Advertising (Note 20)	1,364	1,600	1,600	-	0.0%
Total Administrative Costs	<u>331,658</u>	<u>343,700</u>	<u>375,500</u>	<u>31,800</u>	<u>9.3%</u>
<u>Contracting Services and Other</u>					
Auditing (Note 21)	13,500	22,000	22,600	600	2.7%
Contract Services & Support (Note 22)	89,112	155,000	150,000	(5,000)	-3.2%
Legal (Note 23)	35,000	35,000	35,000	-	0.0%
Total Contract Services	<u>137,612</u>	<u>212,000</u>	<u>207,600</u>	<u>(4,400)</u>	<u>-2.1%</u>
Total Operating Program	<u>\$ 1,892,729</u>	<u>\$ 2,299,100</u>	<u>\$ 2,337,800</u>	<u>\$ 38,700</u>	<u>1.7%</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

Notes to Fiscal Year 2018 Proposed Budget

1. Revenue: Jurisdictional Contributions

Revenue from Local Direct Contributions

Each NVTC jurisdiction is assigned a share of the local portion of NVTC's administrative budget based on its share of revenue received by NVTC on behalf of jurisdictions from all sources in the previous year. This procedure is required by state statute and results in changes in contributions from one year to another that vary for each jurisdiction depending on relative shares of revenue received. The allocation in this FY 18 budget is based on the FY 16 Subsidy Allocation Model.

Revenue from State Assistance

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

2. Revenue: Project Chargebacks

This category consists primarily of charges for NVTC staff support for VRE and reimbursed from VRE's budget, and reimbursable expenses related to the administration of the Transform 66 Multimodal Project.

3. Revenue: Project Grant Billings

The FY 18 budget assumes a grant from DRPT's Intern Program that provides funding at 80 percent of payroll and related costs of NVTC's Transit Fellows program.

4. Revenue: Appropriated Surplus

Included as a source of revenue in the FY 18 budget is a projected excess accumulated surplus that is available to offset the proposed operating budget expenses, which is the result of prior year favorable budget variances. This available surplus is in excess of the Commission's anticipated minimum operating requirements.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
Notes to Fiscal Year 2018 Proposed Budget

5. Personnel Costs

Salaries and Wages

The FY 18 budget includes a \$38,500, or 3.0% increase in compensation from the FY 17 approved budget. The budget holds staff levels constant with the FY 16 and FY 17 approved budgets, and assumes performance-based pay increases up to 3%.

Fellows Program

The proposed budget will continue the NVTC Fellows Program, which began in FY 15, by building NVTC's technical capacity and to strengthen its ties with members of the research network. As in other years, NVTC anticipates applying for a DRPT Intern Program grant in FY 18, which covers 80% of the costs of the Fellows Program.

The Fellows Program provides a cost efficient and flexible way to employ new graduates and mid-career professional to complete specific short-term projects over a one- to six-month period. While the primary purpose is to provide high-priority technical expertise for specific projects and products, it has also served as a valuable recruitment tool and created opportunities to connect with university programs within Virginia and nationally.

6. FICA and Medicare

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

7. Group Health Insurance

A provision for health insurance coverage is included for all NVTC staff positions, with the exception of the Executive Director position, regardless of whether or not the current employees in those positions participate in NVTC's health insurance plan. Unless all eligible employees participate in NVTC's health insurance program, actual expenditures will be less than budgeted. The budgeted amount is based on actual rates with a provision for increasing premiums.

8. Retirement

The budgeted amount of employer pension contributions for the NVTC Target Benefit Pension Plan is based on actuarial formulas using budgeted staff and salary levels for FY18. Because the formulas take into account factors in addition to payroll costs, such as years to retirement and investment return, changes in budgeted contributions do not necessarily change directly with budgeted payroll. The decrease in the FY 18 budget is due in part to recent staff turnover.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
Notes to Fiscal Year 2018 Proposed Budget

9. Commissioners' Per Diem

The FY 18 budget is based upon the FY 16 actual expenditures, plus per diem payments to the Commonwealth's representative to NVTC which became effective July 1, 2016. Commissioners, other than senators and delegates, are paid at the statutory rate of \$50.

10. Office Rent

The administrative office lease was renewed during FY 11 for the period January 2011 through May 2021. Rent expense included in the FY 18 budget is based upon the fixed costs of the lease, with a provision for increases in pass-through expenses and real estate taxes.

11. Insurance: Liability and Property

The FY 18 budget includes an estimate for increased insurance coverage for Cybersecurity threats. This coverage was recommended by NVTC' auditors as part of their reporting on the FY 15 annual audit.

12. Conference / Professional Development

Included in this line for FY 18 are the estimated registration, travel and lodging costs for conferences, professional development, in-house training, and accreditation. Unlike the member jurisdictions, NVTC does not have access to in-house training. The budget assumes NVTC staff will participate in the Governor's Transportation Conference and the Virginia Transit Association Conference, and represent the region in conferences hosted by a variety of organizations. NVTC seeks to minimize travel expenditures through shared rides and locally-sponsored events, and minimize registration fees by participating in panels at conferences.

13. Local Travel, NVTC and Other Meetings

This line includes the costs of NVTC Commission meetings, hosting regional meetings, and the costs of NVTC staff traveling to meetings elsewhere in the region. The cost for membership in Zip Car and Capital Bikeshare is included in this line.

14. Postage

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

15. Telephone and Data

This line includes the fixed contracted cost for phone and data service at NVTC's office, and mobile and data service for staff. While the FY 17 budget included a provision for mobile services for all staff, the FY 18 budget is based on projected usage.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
Notes to Fiscal Year 2018 Proposed Budget

16. Office Supplies

The FY 18 budget for this item is based on the average of prior years' actual costs.

17. Duplication and Printing

During FY 16, NVTC negotiated a five-year copier lease and service contract. The FY18 budget is based on these agreements and projected usage levels. The cost of paper and staples, which are not included in the contract, have been budgeted based upon prior year costs.

18. Furniture and Equipment

This budget category provides for the replacement and acquisition of office furniture and equipment, including computer hardware.

19. Computer Operating Expense

Computer operating expenses include outside network consulting and services, software licensing fees, software upgrades and supplies, web hosting fees, hosted email, and a provision for disaster recovery efforts. The FY 18 budget is based on an average of prior year actual costs, with a small provision for disaster recovery costs. The FY 18 budget also includes funding to replace NVTC's outdated financial accounting system. For budgeting purposes, the cost is based on systems used by regional entities similar to NVTC.

20. Advertising (Personnel/Procurement)

The FY 18 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 based on needs.

21. Auditing

NVTC entered into a three-year contract for auditing services beginning with the audit of FY 15, with two, two-year options. The FY18 budget is based on the costs included in this contract.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
Notes to Fiscal Year 2018 Proposed Budget

22. Contract Services and Support

The FY 18 budget includes a provision for research and technical support efforts, specialized analysis, related publications, and a provision for contracted human resource support. Also included in this category is a provision for non-payroll costs for the Transform 66 project, such as advertising, outreach and support for public meetings. An equal amount of revenue is included in the budget to cover these costs. NVTC's state liaison activities contract is also funded in this line item. Whenever possible, NVTC intends to leverage other funding sources and utilize contracts of other agencies in an effort to reduce costs.

23. Legal

In FY 15, the Commission appointed Arlington's County Counsel as Counsel to NVTC. Appointed Counsel has provided essential services in matters internal to the commission and in relation to the Commission's roles and responsibilities with regard to WMATA. In addition, Counsel has provided advice, drafting, and training with respect to compliance with Virginia FOIA and Open Meetings Act requirements, as well as review of contracts, agreements and board resolutions. NVTC's Counsel also serves as counsel for VRE.

JANUARY 5, 2017

- Election of NVTC 2017 Officers and Board Appointments
- Recognition of 2016 Chair
- Public Comment on NVTC Workplan
- Report from the Virginia Board Members of WMATA
- NVTC Programs and Projects: A Year in Review
- Fare Payment Coordination Update
- Regional Bus Update: Programmed Growth
- Transform 66 Multimodal Project Update
- VRE Report and Action Items
 - Approve VRE FY2018 Budget
 - Announce 2017 VRE Operations Board Officers
 - Commission Roles and Responsibilities
- DRPT Report & Presentation of I-395 Transit/TDM Study
- NVTC Financial Report
- Committee Meetings: Executive Committee; Legislative and Policy Committee

Monthly WMATA Report includes:

- Safety and Related Issues
- Financial Management
- Budget and Finance
- Capital Funding Agreement
- WMATA Virginia Ridership and Parking Facility Utilization
- Key WMATA Milestones/Dates

JANUARY 2017 (dates to be determined)

- NVTC Public Dialogues on the FY 2018 WMATA Budget
- Regional Fare Payment Strategy Information Session

FEBRUARY 2, 2017 Richmond

- General Assembly Legislative Update
- Submission of State Assistance Request to DRPT
- Report from the Virginia Board Members of WMATA
- VRE Report and Action Items
- DRPT Report
- NVTC Financial Report

MARCH 2, 2017

- Approve Six-Year Improvement Program (SYIP) Testimony to the Commonwealth Transportation Board (CTB)
- Legislative and Policy Update
- Report from the Virginia Board Members of WMATA
 - Proposed Action on FY 2018 WMATA Budget
- Regional High Capacity Transit Economic Impact Interim Findings
- NVTC FY2017 2nd Quarter Ridership Report
- VRE Report and Action Items
- DRPT Report
- High-Speed Rail (DC2RVA) Update (tentative)
- NVTC Financial Report
- Committee Meetings: Executive Committee, Legislative and Policy Committee

APRIL 6, 2017

- Legislative and Policy Issues
- Report from the Virginia Board Members of WMATA
- Fare Payment Coordination Update
- Regional Bus: Progress Report
- VRE Report and Action Items
- Transform 66 Multimodal Project Update
- Fare Payment Coordination Update
- DRPT Report
- NVTC Financial Report
- Committee Meetings: Executive Committee

MAY 4, 2017

- Report from the Virginia Board Members of WMATA
- Preliminary Findings of NVTC's Economic Impact Study
- Release of Regional Bus System Evaluation and Opportunities Analysis
- VRE Report and Action Items
- Legislative and Policy Issues
- DRPT Report
- NVTC Financial Report
- Committee Meetings: Executive Committee

JUNE 1, 2017

- Release of NVTC's Regional High Capacity Transit Economic Impact Study
- NVTC Annual Transit Performance Update
- NVTC FY2017 3rd Quarter Ridership Report
- Report on Commonwealth's Six-Year Improvement Program (SYIP)
- Report from the Virginia Board Members of WMATA
- VRE Report and Action Items
- DRPT Report
- NVTC Financial Report
- Committee Meetings: Executive Committee, Legislative and Policy Committee

JUNE 2017 (dates to be determined)

- Transform 66 Multimodal Component Public Kick-Off Event

JULY 6, 2017

- FY2019 Key Budget Issues
- Transform 66 Multimodal Project Update
- Fare Payment Coordination Update
- Regional Bus: Initial Findings, System Evaluation and Opportunities
- Report from the Virginia Board Members of WMATA
- VRE Report and Action Items
- DRPT Report
- NVTC Financial Report
- Committee Meetings: Executive Committee

AUGUST 2017 – No Commission Meeting

SEPTEMBER 7, 2017

- Transform 66 Multimodal Project FY2018 Call for Components (Proposed)
- NVTC FY2017 4th Quarter Ridership Report
- Fare Payment Coordination Update
- Report from the Virginia Board Members of WMATA
- VRE Report and Action Items
- DRPT Report
- NVTC Financial Report
- Committee Meetings: Executive Committee, Legislative and Policy Committee

OCTOBER 5, 2017

- FY2019 Key Budget Issues Presented for Discussion
- Pre-Allocation Testimony to the Commonwealth Transportation Board (CTB) Presented for Approval
- Fare Payment Coordination Update
- Regional Bus: Next Steps
- Notice of Direct Contributions to Jurisdictions
- Presentation of Updated NVTC Federal and State Legislative and Policy Agenda
- Report from the Virginia Board Members of WMATA
- VRE Report and Action Items
 - Forward VRE Budget to Jurisdictions
- DRPT Report
- NVTC Financial Report
- Committee Meetings: Executive Committee, Legislative and Policy Committee, Funding Partners Group

NOVEMBER 2, 2017

- Preliminary NVTC FY2019 Budget Presented for Discussion
- 2018 Meeting Schedule Presented for Approval
- NVTC Federal and State Legislative and Policy Agenda Presented for Approval
- NVTC FY2017 1st Quarter Ridership Report
- Report from the Virginia Board Members of WMATA
- VRE Report and Action Items
 - VRE Legislative Agenda Presented for Approval
- DRPT Report
- NVTC Financial Report
- Committee Meetings: Executive Committee

DECEMBER 7, 2017

- Preliminary NVTC FY2019 Budget Presented for Approval
- NVTC and VRE Audits Presented for Acceptance
- Report from the Virginia Board Members of WMATA
 - WMATA Preliminary Budget
- Call for Nominations for 2017
- VRE Report and Action Items
- DRPT Report
- NVTC Financial Report
- Committee Meetings: Executive Committee serving as Audit Committee

DECEMBER 2017 (date to be determined)

- Joint NVTC/PRTC Federal and State Legislative and Policy Briefing