



COMMONWEALTH of VIRGINIA

Office of the Governor

Sean T. Connaughton
Secretary of Transportation

April 16, 2012

Ms. Patty Nicoson
Dulles Corridor Rail Association
11800 Sunrise Valley Drive, Suite B
Reston, Virginia 20191

Dear ~~MS~~ Patty Nicoson:

Over the course of the past year, there have been many controversies and questions regarding Phase II of the Dulles Corridor Metrorail Extension Project. These have ranged from differences on design elements, costs, toll rates, and labor issues to accountability and transparency within the Metropolitan Washington Airports Authority (MWAA). Through your continued support of this critical project, the Funding Partners – Fairfax County, Loudoun County, MWAA, the U.S. Department of Transportation, and the Commonwealth – have made great strides in addressing these issues.

As a result of these efforts, the Funding Partners executed a Memorandum of Agreement (MOA) in December 2011. Steps taken in this MOA address many of the cost and design issues surrounding the project, and have led to over \$1 billion in cost savings below preliminary estimates. These cost savings will return the project to its original planning estimate as well as the 2009 toll rate schedule. The Commonwealth's pledge of \$150 million in additional funding will help offset the projected escalation in tolls for the next two years. The MOA establishes a coordinating committee to ensure that the terms of the MOA are met and to provide greater project oversight among the Funding Partners. The MOA was a major milestone forward for Phase II. The Commonwealth will continue to pursue the completion of Phase II as per the MOA and previous agreements, licenses and approvals. However, much more needs to be done.

Late last year, President Obama signed into law changes to the governance structure of MWAA. Specifically, these changes increased the number of Board of Directors members from 13 to 17, providing two additional seats to the Commonwealth, one to Maryland, and one to the District of Columbia. The changes also ensure that no Board member may serve past the expiration of his or her term(s). To implement these new provisions, Governor McDonnell signed into law recently passed legislation bringing required conformity between the *Code of Virginia* and the Metropolitan Washington Airports Transfer Act. The Commonwealth will work with the District of Columbia to bring MWAA into compliance with federal law, which will be a major step forward in restoring confidence in governance structure of the Authority.

An additional challenge is MWAA's declared desire to include a bonus or preference for contractors with a Project Labor Agreement (PLA) in its procurement. In its 2012 session, the General Assembly passed legislation prohibiting or requiring the use of PLAs, or discriminating in favor of the presence of such agreements, on projects funded wholly or in part by the Commonwealth. This legislation has been signed into law, and the Commonwealth will not be able to provide funds or support to Phase II if MWAA continues with its intent to include the PLA bonus in the Dulles Rail procurement.

Finally, as part of the budget process, there has been much discussion on providing additional state funding for Phase II. The Commonwealth has pledged \$150 million to mitigate the impact of the toll increases on Dulles Toll Road users. These funds will reduce for two years the toll increases projected in the 2009 Comprehensive Toll and Revenue Study for Dulles Rail. Unfortunately, the ability of the Commonwealth to provide additional funding at this time is simply not possible without additional revenues and/or debt capacity. The Governor made proposals to provide additional funds for transportation in this session, but these proposals were not supported by the Senate. Since the Senate also refuses to provide any funds from the state's General Fund for transportation, any additional funding for Phase II would need to be taken from other critical projects in the Commonwealth Transportation Board's Six-Year Improvement Program. Since the Commonwealth cannot transfer federal highway funds to transit projects, only state highway funds not needed for matching purposes could be available and such amounts are extremely limited. Attempting such an action would indefinitely, if not permanently, delay many much needed projects in Northern Virginia and other parts of the Commonwealth.

Moving forward, the McDonnell Administration remains committed to delivering Phase II of the Dulles Corridor Metro Rail Extension Project in a cost-efficient, timely, and transparent manner. In the coming weeks and months, we will work with the Funding Partners and all the stakeholders to ensure that:

- All parties comply with the terms and conditions of the MOA;
- MWAA is brought into compliance with all aspects of federal and state law;
- All of the parties participate in Phase II of the project; and
- Any toll revenues in excess debt service requirements for the project are utilized solely for maintenance of the Dulles Toll Road and/or the early retirement of the debt needed to finance the project in order to keep the tolls at the lowest level financially possible.

Provided that these steps are accomplished, the Commonwealth will work with the partners and the General Assembly on additional funding in the next session of the General Assembly.

I thank you for your continued commitment to this project. Only through your continued efforts and support will the congestion relief, transportation options, economic development, and job creation brought about by this project be realized. I look forward to continuing to work with you as we advance this critical project.

Ms. Patty Nicoson
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Please do not hesitate to contact either myself or my staff should you wish to discuss this or any other transportation issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean T. Connaughton". The signature is fluid and cursive, with a prominent loop at the beginning and a long, sweeping tail.

Sean T. Connaughton