



Virginia Railway Express Operations Board

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VRE OPERATIONS BOARD MEETING

JUNE 20, 2008 9:30 AM
PRTC HEADQUARTERS
14700 POTOMAC MILLS ROAD

AGENDA

1. PLEDGE OF ALLEGIANCE
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES FROM THE MAY 16, 2008, VRE OPERATIONS BOARD MEETING
5. CHAIRMAN'S COMMENTS
6. CHIEF EXECUTIVE OFFICER'S REPORT
7. VIRGINIA RAILWAY EXPRESS RIDERS' AND PUBLIC COMMENTS
8. CONSENT AGENDA ITEMS
 - A. AUTHORIZATION TO ISSUE A REQUEST FOR PROPOSALS FOR HAZARDOUS WASTE REMOVAL
 - B. AUTHORIZATION TO ISSUE A SOLICITATION FOR CONSTRUCTION OF THE BROAD RUN MAINTENANCE FACILITIES PROJECT

RECEIVED
6-16-08

Northern Virginia
Transportation Commission
4350 North Fairfax Drive, Suite 720
Arlington, Virginia 22203
(703) 524-3322

- A Transportation Partnership -

Potomac and Rappahannock
Transportation Commission
14700 Potomac Mills Road
Woodbridge, Virginia 22192
(703) 583-7782

9. ACTION ITEMS

- A. AUTHORIZATION TO ADOPT FY 2010 BUDGET GUIDELINES
- B. APPROVAL OF REVISION TO INVESTMENT POLICY
- C. AUTHORIZATION TO ENTER INTO A MOU WITH THE CITY OF MANASSAS FOR THE OPERATION AND MAINTENANCE OF A PARKING FACILITY
- D. AUTHORIZATION TO EXTEND AMENDED OPERATING/ACCESS AGREEMENT WITH CSXT
- E. AUTHORIZATION TO EXTEND AMENDED OPERATING/ACCESS AGREEMENT WITH NS
- F. AUTHORIZATION TO ISSUE A TASK ORDER FOR DAILY HEP AND HOT START INSPECTIONS AND RUNNING REPAIRS
- G. AUTHORIZATION TO EXECUTE A LEASE AGREEMENT FOR TOWER INSTALLATION AT THE LEELAND ROAD STATION
- H. AUTHORIZATION TO EXECUTE A FORCE ACCOUNT AGREEMENT FOR THE CHERRY HILL THIRD TRACK PROJECT
- I. AUTHORIZATION TO EXECUTE A LEASE FOR AVAILABLE SPACE AT THE QUANTICO STATION
- J. AUTHORIZATION TO SELL THIRTEEN KAWASAKI RAILCARS AND TO PURCHASE TEN NEW GALLERY STYLE CARS

10. INFORMATION ITEM

- A. IMPACT OF RISING FUEL COSTS
- B. GAINESVILLE-HAYMARKET PROJECT

THE NEXT VRE OPERATIONS BOARD MEETING

AUGUST 15, 2008 - 9:30 AM

04/23/08



MINUTES

VRE OPERATIONS BOARD MEETING PRTC HEADQUARTERS – PRINCE WILLIAM COUNTY, VIRGINIA JUNE 20, 2008

**VIRGINIA RAILWAY
EXPRESS**

BOARD MEMBERS

**JOHN JENKINS
CHAIRMAN**

**SHARON BULOVA
VICE-CHAIRMAN**

**CHRIS ZIMMERMAN
TREASURER**

**PAUL MILDE
SECRETARY**

**MAUREEN CADDIGAN
WALLY COVINGTON
MARV DIXON
PATRICK HERRITY
FRANK JONES
KEVIN PAGE
GEORGE SCHWARTZ
PAUL SMEDBERG
DOUG WALDRON**

ALTERNATES

**MARC AVENI
JAY FISETTE
MATT KELLY
TIMOTHY LOVAIN
MICHAEL MAY
JEFF McKAY
MARTIN NOHE
BRYAN POLK
JOHN STIRRUP
MATT TUCKER**

**DALE ZEHNER
CHIEF EXECUTIVE
OFFICER**

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MEMBERS PRESENT	JURISDICTION
Sharon Bulova (NVTC)	Fairfax County
Charles Badger	DRPT
Wally Covington (PRTC)	Prince William County
Marvin J. Dixon (PRTC)	City of Fredericksburg
John D. Jenkins (PRTC)	Prince William County
Paul Milde (PRTC)	Stafford County
George H. Schwartz (PRTC)	Stafford County
Christopher Zimmerman (NVTC)*	Arlington County

MEMBERS ABSENT	JURISDICTION
Maureen Caddigan (PRTC)	Prince William County
Patrick Herrity (NVTC)	Fairfax County
Frank C. Jones (PRTC)	City of Manassas Park
Paul Smedberg (NVTC)	City of Alexandria
Doug Waldron (PRTC)	City of Manassas

ALTERNATES ABSENT	JURISDICTION
Marc Aveni (PRTC)	City of Manassas
Jay Fisetite (NVTC)	Arlington County
Matthew Kelly (PRTC)	City of Fredericksburg
Timothy Lovain (NVTC)	City of Alexandria
Michael C. May (PRTC)	Prince William County
Jeff McKay (NVTC)	Fairfax County
Martin E. Nohe (PRTC)	Prince William County
Bryan Polk (PRTC)	City of Manassas Park
John Stirrup (PRTC)	Prince William County
Matthew Tucker	DRPT

STAFF AND GENERAL PUBLIC	
George Billmyer – citizen	Peyton Onks – Sup. Herrity's office
Donna Boxer – VRE	Dick Peacock – citizen
John Duque – VRE	Mark Roeber – VRE
Dan Gentz -- Washington Examiner	Mike Schaller – citizen
Anna Gotthardt – VRE	Brett Shorter – VRE
Al Harf – PRTC staff	Jennifer Straub – VRE
Christine Hoeffner – VRE	Rick Taube – NVTC staff
Bob Leibbrandt – Prince William County	Dale Zehner – VRE
Steve Maclsaac – VRE counsel	
April Maguigad – VRE	
Betsy Massie – PRTC staff	
Sirel Mouchantaf – VRE	

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

Chairman Jenkins called the meeting to order at 9:31 A.M. Following the Pledge of Allegiance, roll call was taken.

Approval of the Agenda – 3

Ms. Bulova moved, with a second by Mr. Dixon, to approve the agenda. The vote in favor was cast by Board Members Bulova, Badger, Covington, Dixon, Jenkins, Milde and Schwartz.

Minutes of the May 16, 2008, VRE Operations Board Meeting – 4

Mr. Dixon moved, with a second by Ms. Bulova, to approve the minutes. The vote in favor was cast by Board Members Bulova, Badger, Covington, Dixon, Jenkins, Milde and Schwartz.

Chairman's Comments – 5

Chairman Jenkins announced that for the last 11 consecutive months VRE has had an increase in its ridership. In May 2008, ridership was 8.4 percent higher than it was at the same time in 2007. He reminded Board Members that the ribbon cutting ceremonies for the two new parking garages are scheduled for June 26th at 11:00 A.M. for the Manassas parking garage and June 28th at 1:00 P.M. for the Burke Centre parking facility. He encouraged Board Members to attend.

Chairman Jenkins reported that another five railcars were delivered on June 19th and should go into revenue service during the week beginning June 23rd on Manassas Line trains #328 and #331. He also announced that the Board will not meet in July, but the next scheduled meeting will be August 15, 2008. Board Members were provided with a copy of a letter from Governor Kaine in response to VRE's letter concerning the Special Session and the need for transportation funding. Chairman Jenkins encouraged Board Members to lobby for transportation funding during the Special Session.

Chief Executive Officer's Report – 6

Mr. Zehner reported that June ridership is already up 10.7 percent from last year. Some peak trains have standees. Recently, VRE had a day where ridership reached a record high of 16,800 daily trips. VRE has not reached these numbers since October 2001.

Mr. Zehner stated that VRE is still trying to improve on-time performance (OTP) and most delays are occurring during afternoon service. The recent storms have resulted in downed trees and flooding, which has caused delays. One engine was significantly damaged by a large downed tree and the engine will be out of service for at least 30 days for repairs. OTP has not affected ridership because morning service has been consistently on-time. Staff continues to work with the railroads to address these issues.

In response to a question from Mr. Milde, Mr. Zehner stated that currently June OTP is two percent below last month, primarily because of the severe weather. Mr. Milde stated that communication is the key to letting passengers know why there are delays. Mr. Zehner stated that VRE passengers have been very understanding of the weather issues.

Mr. Zehner reported that the Meet the Management events are continuing every Wednesday, with an upcoming one at the Quantico Station. VRE ran trains for the 14th Annual Manassas Railway Festival on June 7th. The train consists were made up of all new Gallery railcars. He also reminded Board Members that the three percent fare increase will go into effect on June 30, 2008. Fare collection machines will be reprogrammed and Fare & Schedule posters, Riders' Guides and the website will be updated with the new rates.

Mr. Zehner reported that he and several staff members traveled to Baltimore to meet the new train dispatchers, who will be dispatching trains in VRE's service area. Several managers have shifted up to Baltimore from Jacksonville and the dispatching staff seem enthusiastic. They will begin dispatching the new service territory beginning June 21, 2008.

Mr. Schwartz stated that while he understands the explanation of the recent VRE train bypassing passengers waiting at two stations (Leeland Road and Brooke Station), there is a psychological factor that needs to be overcome for passengers. Mr. Zehner explained that there was a train delayed already by 30 minutes leaving Fredericksburg and, following VRE procedure, did not stop at these two stations. If it had stopped at both stations, it would have picked up double loads of passengers at each station. There was a train following seven minutes later that picked them up. If VRE does not separate it this way, then every train after is delayed and it clogs the rail line. VRE has explained this procedure to passengers so that they understand that it ultimately makes the delays less. It does not happen very often (maybe two times a year on each line) and it usually only happens with a catastrophic failure.

[Mr. Zimmerman arrived at 9:50 A.M.]

Ms. Bulova stated that from an operational point of view, it seems to make sense, but from a public relations point of view, it sounds disastrous. Mr. Milde asked if there is a way to communicate real-time information to passengers to let them know that another train is coming a few minutes behind the bypassed train. Mr. Zehner responded that VRE has done this but is limited to the number of words it can use with the message display board. Long-time riders understand, but new riders don't and it is important to educate them. Mr. Milde requested that VRE conduct a public information campaign to explain this procedure to passengers. Mr. Zehner stated that it only affects four stations (Leeland Road and Brooke station on the Fredericksburg Line and Manassas and Manassas Park on the Manassas Line) and staff can target these stations.

Mr. Zehner reported that the parking lot at the Brooke Station will be restriped during July, which should net an additional 70 parking spaces. Mr. Milde asked for an update

on the environmental analysis for the expansion (not just the restriping) of the Brooke Station parking lot. Mr. Zehner replied that as far as the environmental for Brooke Station and Leeland Road, both are scheduled to be completed by April 2009 as expected.

Mr. Milde also asked if there has been any recent communication with Spotsylvania County about joining VRE. Mr. Zehner replied that VRE staff stays in contact with Chairman Connors of the Spotsylvania Board of Supervisors. Chairman Jenkins stated that he has also been in personal contact with Chairman Connors, but it is his opinion that there is nothing else VRE can do at this time since it is the County's decision.

VRE Riders' and Public Comment – 7

George Billmyer reviewed some recent federal legislative activity on transportation funding and stated that he would like to see more federal funding for VRE. He suggested that the Commonwealth raise toll revenue along the I-81 corridor to fund transportation projects. He also stated that with the high cost of gasoline, people are looking for alternative ways to commute to work and he expressed his concern that they will find VRE parking lots and trains full. It is important for VRE to increase capacity.

Dick Peacock stated that he attended an event in Fredericksburg where Governor Kaine gave a very effective presentation on why the Commonwealth needs more funding for transportation. By raising different types of taxes and fees, it spreads "the pain." Mr. Peacock expressed his support for a state-wide tax on lodging. The tourism industry is big in Virginia and the people that come to visit need to help pay for part of the infrastructure. He also suggested a tax on alcoholic beverages. It is important to spread the burden on everyone who comes to our state, as well as its residents. Chairman Jenkins encouraged Board Members to read Mr. Peacock's letters in the *Free Lance-Star* and *Potomac News* advocating VRE service.

Consent Agenda -- 8

Ms. Bulova moved, with a second by Mr. Schwartz, to approve the following Consent Agenda:

Resolution #8A-06-2008: Authorization to Issue a Request for Proposals for Hazardous Waste Removal.

Resolution #8B-06-2008: Authorization to Issue a Solicitation for Construction of the Broad Run Maintenance Facilities Project.

The Board then voted on the motion and it unanimously passed. The vote in favor was cast by Board Members Bulova, Badger, Covington, Dixon, Jenkins, Milde, Schwartz and Zimmerman.

Authorization to Adopt FY 2010 Budget Guidelines – 9A

Mr. Zehner explained that Resolution #9A-06-2008 would direct staff to develop FY 2010 budget options for train operations and capital needs. He stated that VRE's financial planning process provides for early consideration of budget issues and assumptions. Each year, VRE meets with the member jurisdictions' Chief Administrative Officers (CAO) as well as Commission and jurisdictional staff to develop budget guidelines and examine the preliminary budget. The CAO Budget Task Force met on June 4th to review budget issues, including the rapidly increasing cost of fuel, Amtrak operating costs, the fleet management plan, ridership projections, and funding issues in lieu of NVTA funding.

Mr. Zimmerman stated that except for the cost recovery ratio, there is nothing that addresses budget goals, such as anticipated growth. Mr. Zehner stated that VRE usually has a four percent growth factor. Ms. Bulova observed that the resolution seems to provide more parameters rather than guidelines. Mr. Zimmerman stated that although it is important information, there doesn't seem to be guidance and direction for staff to do anything. Mr. Zehner stated that this is how it has been done in the past, where the issues are explained and how they impact the budget. Mr. Zimmerman stated that what is being presented is not an action document. His preference would be to give firmer direction of what the Board wants to see in a budget or to simply acknowledge this as a report. Ms. Bulova observed that although there is some action guidance listed in the resolution (i.e. minimize fare and subsidy increases by reducing costs), there is not much specificity. Also missing is indexing increases in growth based on inflationary factors, which the Board has previously discussed and approved.

Chairman Jenkins asked if Board Members supported the resolution. Mr. Zimmerman stated that he does not agree with the first bullet point of the resolution to "require an operating cost recovery ratio above 50 percent." Chairman Jenkins asked that a fifth bullet point be included in the resolution that would accommodate indexing based on inflationary and growth factors.

Ms. Bulova moved, with a second by Mr. Milde, to approve the amended resolution. The vote in favor was cast by Board Members Bulova, Badger, Covington, Dixon, Jenkins, Milde and Schwartz. Mr. Zimmerman voted no.

Approval of a Revision to the Investment Policy – 9B

Mr. Zehner stated that the VRE Operations Board is being asked to approve Resolution #9B-06-2008, which would authorize a revision to the investment policy to increase the allowable percentage of the portfolio that can be invested in money market funds from 40 percent to 60 percent. In June 2007, staff asked for an increase from 20 percent to 40 percent. The Board approved the increase and requested that staff come back after a year with any further requests. Mr. Zehner stated that staff met with the Audit and Finance Committee prior to today's Board meeting and the committee supports this action.

Mr. Zehner explained that the current 40 percent limitation is unusually restrictive compared to the policies of surrounding jurisdictions and the model policy of the Government Finance Officers Association (GFOA) and it presents some logistical difficulties, particularly in regards to bond principal and interest payments. For example, Prince William County limits money market funds to 60 percent of the portfolio; Stafford County and the City of Manassas have no percent limitation for investments; and GFOA does not recommend any percent limitation for government money market funds. Fairfax County limits money market and repurchase agreements combined to 30 percent of the portfolio, but the county relies primarily on its own securities purchases because of the size of its operation.

Mr. Covington moved, with a second by Mr. Dixon, to approve the resolution.

In response to a question from Mr. Dixon, Mr. Zehner stated that the GFOA does not have any guidelines for money markets. In response to a question from Mr. Zimmerman, Mr. Zehner explained that VRE tends to use LGIP, which is the state program, but also has funds held by a trustee for the bond payments. This action is needed because the trustee cannot use LGIP. Mr. Zimmerman asked how the decisions will be made and by whom. Mr. Zehner responded that he and Donna Boxer, VRE's Director of Finance, will make the decisions and acquire advice from PFM, VRE's financial advisor. Ms. Boxer explained that currently there is a risk that the percentage could go above 40 percent without staff being able to control it and that's why the increase is being requested. VRE has left about \$2 million in the LGIP for the 50 railcars to keep the percentage artificially below the 40 percent. VRE would rather use those grant funds first before loan funds are used but has not been able to do so because it needs to be below the 40 percent.

The Board then voted on the motion and it passed. The vote in favor was cast by Board Members Bulova, Badger, Covington, Dixon, Jenkins, Milde, Schwartz and Zimmerman.

Authorization to Enter into a MOU with the City of Manassas for the Operation and Maintenance of a Parking Facility – 9C

Mr. Zehner reported that the VRE Operations Board is being asked to recommend that the Commissions authorize him to enter into an agreement with the City of Manassas for the ownership and operation of a joint parking facility adjacent to the Manassas VRE station. Resolution #9C-06-2008 would accomplish this.

Mr. Covington moved, with a second by Mr. Schwartz, to approve the resolution.

Mr. Zehner stated that the 532-space parking garage is scheduled to open in July and a MOU for the specific operation of the garage is now needed. The MOU outlines understandings and responsibilities of each party regarding use, maintenance, landscaping, snow removal, security, parking enforcement and insurance. VRE will own 60 percent of the facility and the City will own 40 percent. VRE commuter parking (319 spaces) will be generally made available on the first three levels. The fourth and fifth levels will be primarily for Old Town parking (213 spaces). VRE will be responsible for

operation and maintenance, including trash removal, cleaning, elevator operations and inspections, and long-term capital maintenance. The City will be responsible for snow removal and landscaping after installation. Parking enforcement and periodic patrols will be provided by the City of Manassas police department. All operations, insurance and maintenance costs will be pro-rated based on the number of spaces (60 percent VRE and 40 percent City). The total cost of maintaining the facility is currently being estimated at \$60,000 per year. VRE has budgeted its pro-rated share in the FY 2009 operating budget.

In response to a question from Chairman Jenkins, Mr. Zehner stated that VRE staff has discussed this with City staff and VRE's legal counsel, Steve MacIsaac.

The Board then voted on the motion and it passed. The vote in favor was cast by Board Members Bulova, Badger, Covington, Dixon, Jenkins, Milde, Schwartz and Zimmerman.

Authorization to Extend Amended Operating/Access Agreement with CSXT – 9D

Mr. Zehner reported that the VRE Operations Board is being asked to recommend that the Commissions authorize him to execute an extension of the existing Amended Operating/Access Agreement with CSXT to January 31, 2009. Resolution #9D-06-2008 would accomplish this.

In response to a question from Chairman Jenkins, Mr. Zehner explained that VRE and CSXT have resolved all outstanding issues, except reaching an agreement on the level of liability coverage. CSXT continues to insist on including a higher level of liability and terrorism coverage in the new agreement. Both railroads, CSXT and Norfolk Southern, continue to press for higher liability insurance coverage (\$500 million). Currently, VRE has \$250 million in coverage. In response to a question from Mr. Zimmerman, Mr. Zehner stated that there have been efforts to include an insurance cap of \$200 million in the Amtrak reauthorization bill, but it does not cover third parties. Mr. Zimmerman asked if staff has been working to get an amendment to the bill to include VRE. Mr. Zehner responded that staff has been working on this issue at the federal level.

Mr. Zimmerman moved, with a second by Mr. Dixon, to approve the resolution. The vote in favor was cast by Board Members Bulova, Badger, Covington, Dixon, Jenkins, Milde, Schwartz and Zimmerman.

Authorization to Extend Amended Operating/Access Agreement with Norfolk Southern – 9E

Mr. Zehner reported that an extension of the existing Amended Operating/Access Agreement with Norfolk Southern to January 31, 2009, is also needed to allow time to complete negotiations for a new agreement. Resolution #9E-06-2008 would accomplish this. Following detailed negotiations with Norfolk Southern representatives, an agreement in principle was reached on all contract items with the exception of liability

coverage. An extension is needed while staff continues to attempt to resolve the insurance issue.

Mr. Zimmerman moved, with a second by Mr. Covington, to approve the resolution. The vote in favor was cast by Board Members Bulova, Badger, Covington, Dixon, Jenkins, Milde, Schwartz and Zimmerman.

Authorization to Issue a Task Order for Daily HEP and Hot Start Inspections and Running Repairs – 9F

Mr. Zehner reported that Resolution #9F-06-2008 would authorize the CEO to issue a task order to Transportation Technologies, Inc. (TTI) to perform daily HEP and hot start inspections and running repairs through June 2009, for a cost not to exceed \$187,000. He explained that during the past two years, VRE has suffered three complete HEP failures due to deficient maintenance practices and the deterioration of locomotive hot starts. VRE conducted a trial of this maintenance program using TTI during the past three months and determined it to be of great value to the daily operation. There have been no failures since then.

Mr. Zehner explained that the proposed task order is designed to last for one year, after which the program will be reviewed for a determination if it should be continued. Funding for this program is provided in the FY 2009 operating budget.

Ms. Bulova moved, with a second by Mr. Zimmerman, to approve Resolution #9F-06-2008. The vote in favor was cast by Board Members Bulova, Badger, Covington, Dixon, Jenkins, Milde, Schwartz and Zimmerman.

Authorization to Execute a Lease Agreement for Tower Installation at the Leeland Road Station – 9G

Mr. Zehner reported that Resolution #9G-06-2008 would authorize him to execute a five-year lease agreement, with renewal options up to fifty additional years, with Mid-Atlantic Tower Holding Company for tower installation at the Leeland Road VRE station as part of the two-way VHF radio project. Back in June 2007, the VRE Operations Board approved a contract for design and construction of a VHF two-way radio communication system, which will provide VRE with an assigned railroad frequency on which information can be exchanged between VRE trains and the VRE offices in Alexandria and the Amtrak offices in Washington, D.C. VRE will also be able to monitor two Norfolk Southern and two CSXT radio frequencies to dispatch and control freight, VRE and Amtrak trains.

Mr. Zehner further explained that the radio system requires the utilization of three towers, to be located in Alexandria, Fairfax Station and Leeland Road. The Board has already approved the license agreement for the Fairfax Station antenna tower and is currently going through local permitting process for the Alexandria antenna location. This authorization will allow a small portion of unused land (approximately 6 x 6 feet) at

the Leeland Road station to be leased to Mid-Atlantic Tower Holding Company for the construction of a tower. As part of this lease, Mid-Atlantic will construct and maintain the tower at no expense to VRE. As VRE will own the tower, Mid-Atlantic will pay VRE \$2,000 per month and allow VRE space on the tower to support the VHF radio project. This revenue will be used to offset operating expenses for the project. The tower also has the added benefit of improving cellular reception in this area. Mid-Atlantic will be the recipient of any additional revenue generated from the tower.

Mr. Zehner stated that the initial lease is for a term of five years. Upon completion of the first lease term, VRE has the option to renew the lease for ten additional periods of five years each. VRE would return to the Operations Board for approval after the initial lease term. No funds are required for this agreement.

Mr. Zehner stated that currently VRE can communicate with trains by cell phone but there are areas, such as in the Leeland Road and the Clifton areas, that don't have service. In response to a question from Mr. Milde, Mr. Mouchantaf responded that the tower will be 150 feet tall. Mr. Zehner explained that Mid-Atlantic will need to go through the Stafford County approval process for all necessary permits. Mr. Milde observed that it is a standard procedure for Stafford County to receive free space on towers. Mr. Mouchantaf stated that he is unaware of any agreement with the County and Mid-Atlantic. He explained that the tower can accommodate five vendors and VRE is being given one spot. Mr. Milde asked about WiFi capabilities. Mr. Zehner replied that a cellular company could negotiate with Mid-Atlantic for space on the tower.

Mr. Schwartz moved, with a second by Mr. Milde, to approve the resolution. The vote in favor was cast by Board Members Bulova, Badger, Covington, Dixon, Jenkins, Milde, Schwartz and Zimmerman.

Authorization to Execute a Force Account Agreement for the Cherry Hill Third Track Project – 9H

Mr. Zehner reported that the Operations Board is being asked to authorize the CEO to execute a force account agreement with CSXT for the Cherry Hill Third Track project in the amount of \$247,952, plus a ten percent contingency, for a total amount not to exceed \$272,747. A force account is needed with CSX in order to allow for reimbursement of their efforts in support of the design-phase of the project, including flagging services, engineering review and approvals, and signal and operational coordination. A separate agreement will be brought to the Operations Board at a later date for construction support. Similar to other force account agreements, CSX submits actual costs for reimbursement. Funding is provided from DRPT's Rail Enhancement Fund grant. Resolution #9H-06-2008 would accomplish this. There were no questions from Board Members.

Mr. Covington moved, with a second by Mr. Zimmerman, to approve the resolution. The vote in favor was cast by Board Members Bulova, Badger, Covington, Jenkins, Milde, Schwartz and Zimmerman.

[Mr. Dixon stepped out of the room for a few minutes and was not present for the vote.]

Authorization to Execute a Lease for Available Space at the Quantico Station – 9I

Mr. Zehner reported that following a RFP process for the operation of concession and ticket sales at the Quantico station, VRE received one proposal from the Coffee Club Café Company, Inc. The proposal includes operation from 5:00 A.M. until 8:00 P.M. Monday through Friday with a payment of \$500 per month. The term of the lease is for one year, with four one-year renewal options. VRE's CEO would exercise the option years at his discretion. Resolution #9I-06-2008 would authorize the CEO to enter into a lease agreement with the Coffee Club Café Company, Inc. for the operation of concession and ticket sales at the Quantico VRE station. Board Members had no additional questions or concerns.

Mr. Covington moved, with a second by Ms. Bulova, to approve the resolution. The vote in favor was cast by Board Members Bulova, Badger, Covington, Dixon, Jenkins, Milde, Schwartz and Zimmerman.

Authorization to Sell 13 Kawasaki Railcars and to Purchase 10 New Gallery Style Cars – 9J

Mr. Zehner reported that the VRE Operations Board is being asked to recommend that the Commissions authorize him to sell 13 Kawasaki railcars to the Maryland Transit Administration and to concurrently purchase 10 new Gallery style cars from the Sumitomo Corporation of America. Resolution #9J-06-2008 would accomplish this.

Mr. Zehner reminded Board Members that in March of 2008, the Board authorized him to pursue the sale of the Kawasaki railcars and to issue a RFP for the purchase of 10 new Gallery cars to potentially replace the Kawasaki cars. The two transactions were linked because the Kawasaki railcars could not be sold unless sufficient funds were available to purchase replacement cars. Consequently, VRE posted both the Intent to Sell and the RFP on the VRE website. VRE received one proposal from the Sumitomo Corporation of America, which resulted in a negotiated purchase price of \$22 million for 10 Gallery style cars. The total cost of the new cars, with construction oversight and contingency is estimated at \$24,980,000. VRE staff recommends the purchase contingent upon the sale of the Kawasaki railcars. A separate action item for construction oversight will be brought before the Operations Board at an upcoming meeting.

Mr. Zehner explained that funding for the 10 new railcars would come from two sources: 1) the net cash generated by the sale of the Kawasaki railcars; and 2) the remaining available loan funds previously authorized by the Commissions and included in the Federal Railroad Administration (FRA) financing that was used for the purchase of the 50 railcar option. The increased payments for the FRA loan would then, in turn, be paid for using funding originally allocated for the repayment of the Kawasaki bonds.

Mr. Zehner further stated that FRA approved a loan to VRE for \$72.5 million in 2005. However, only \$57.5 million of the total loan amount was needed for the 50 railcar option order and subsequently approved by the Commissions. Additional grant funds were provided by the state prior to completing the purchase which further reduced the loan amount to \$55 million, leaving an available loan balance of over \$17 million.

In regards to the sale of the 13 Kawasaki cars, Mr. Zehner stated that VRE publicly posted and initiated discussions with four commuter rail agencies to stimulate interest in the sale. VRE received one written offer from the Maryland Transit Administration (MTA) for \$22 million, including associated spare parts and MTA's assumption of the remaining federal interest. MTA is requesting approval by the Commissions and jurisdictions by October 4, 2008 and would like to take delivery by October 31st. The sale is subject to final approval by the Maryland Board of Public Works. After reviewing the terms of this offer, VRE staff recommends acceptance. VRE's financial advisor, PFM, estimates that \$14.3 million is needed to defease (put funds aside to service the remaining debt) the outstanding bonds used to finance the railcars. MTA's offer provides sufficient funds to defease the bonds and pay for a portion of the replacement car purchase. The net cash remaining from the sale would be \$7.7 million. The remainder of the purchase would come from funds using the FRA loan. The FRA loan capacity is already in place and can be accessed immediately, providing that the Commissions and jurisdictions approve the assumption of this debt.

Mr. Zehner gave a detailed overview of the benefits of the Kawasaki sale. It would allow VRE to standardize its fleet with all Gallery style railcars. If the sale and purchase are approved, VRE would have 71 new Gallery style railcars and 30 older Gallery cars in the fleet. The fleet would provide sufficient railcars for up to 14 consists and 36 trains. Today VRE operates 11 consists and 30 trains. It would also reduce railcar maintenance costs, since the Kawasaki cars are more mechanically complex. Another benefit is that it would increase fleet flexibility because the Gallery and Kawasaki railcars are not interchangeable. Thus, VRE is limited to using the Kawasaki railcars in unique consists. Consequently, VRE has only a one car contingency for maintenance, which is considered too low for VRE's level of service reliability. Finally, MTA's offer provides an exceptional sales price, which is nearly what VRE paid for the railcars nine years ago. VRE staff does not believe that a higher price will be achieved in the future.

Mr. Zehner stated that the Notice to Proceed for the Gallery railcar purchase must be granted no later than September 26, 2008, with VRE's best effort made to issue the Notice by August 31, 2008. If it occurs after August 31st, it could delay the delivery of the railcars by an additional five months. MTA's offer is only valid until October 4th. As a result, the required commission and jurisdictional approvals must be secured as rapidly as possible. Mr. Zehner stated that he would like to go to the jurisdictions prior to the Commission meetings, to gain their approval contingent upon Commission approval.

In response to a question from Ms. Bulova, Mr. Zehner stated that although the overall debt amount would be higher, the annual debt costs would be less, because it would be spread out over a longer period of time.

In response to a question from Mr. Milde, Mr. Zehner stated that seat capacity (144 seats) is basically the same for the Kawasaki and Gallery railcars. Mr. Milde asked what the total cost of the purchase will be, including debt and interest. Staff was not sure of the exact amount. Mr. Milde observed that these two transactions would net a loss of three railcars and expressed his concern regarding future capacity. Mr. Zehner responded that the new railcar purchase would provide for capacity to 2015. Currently, VRE has plenty of railcars, but it is a mid-day storage issue that does not allow VRE to add more railcars.

In response to questions from several Board Members, Mr. Zehner and Ms. Boxer provided further explanation on how it would impact future bonding and jurisdictional debt limitations, as well as the overall financial benefit of this transaction.

Mr. Dixon asked what would be the implications of this decision if Spotsylvania County voted to join VRE in the near future. Mr. Zehner stated that the County would not be responsible for the debt because they did not vote for it. Mr. Harf clarified that any debt service that remains is incorporated into the annual budget, so if Spotsylvania County joins VRE they would bear their fair share, just like any other member.

Mr. Harf asked if MTA would take the Kawasaki railcars incrementally since VRE would not be receiving the new railcars until 2010. Mr. Zehner responded that MTA wants to acquire them all by October 31st. VRE will be receiving another 15 more railcars through September. There are enough railcars to meet current service.

Mr. Taube asked what would happen if the final approval was not given by the Maryland Board of Public Works and the option for the new railcar purchase was already initiated. Mr. Zehner explained that he has already asked MTA to acquire final approval from the Maryland Board of Public Works by August.

Ms. Bulova moved, with a second by Mr. Dixon, to approve the resolution. The vote in favor was cast by Board Members Bulova, Badger, Covington, Dixon, Jenkins, Milde, Schwartz and Zimmerman.

Rising Fuel Costs – 10A

Mr. Zehner stated that diesel fuel costs will be considerably higher than the amounts budgeted for both FY 2008 and FY 2009. Ridership is higher, which is resulting in additional revenue. Additional state money could also help offset these fuel cost increases. Staff is planning to come before the Board at the August meeting and provide an update. At that time the Board may need to make some adjustments, such as considering an additional fare increase and/or subsidy increase, once all other avenues have been exhausted.

Mr. Dixon observed that the average price per gallon in the FY 2009 budget, which was prepared in November 2007, is \$2.38 per gallon. Ms. Boxer stated that the purchase of fixed price contracts from VRE's fuel suppliers have served to delay the impact of the rise in fuel prices. VRE expects to save almost \$500,000 as a result of locking in these

contracts. VRE has locked in for two-thirds of its purchases through December 2008 and for about one-third through February 2009. Mr. Zehner stated that because of this hedging, VRE has been paying below market price for fuel.

Mr. Dixon asked how much the increase in ridership will offset the increase in fuel costs. Mr. Zehner stated that he will include this information in the August briefing.

Mr. Milde expressed his concern that VRE improve on-time performance before losing riders. Mr. Zimmerman reported that transit is seeing significant increases in ridership with the high fuel costs. Metro has had seven of its top 10 highest ridership days in the last seven months, with most of them being ordinary service days.

Gainesville-Haymarket Feasibility Study and Alternatives Analysis – 10B

Mr. Zehner reported that work has begun on the Gainesville-Haymarket Feasibility Study, including updating ridership and financial estimates; identification of candidate sites for stations, parking, overnight storage; feasibility analysis of proposed operations and infrastructure requirements; and preliminary environmental review. VRE staff and its consultant team will be scheduling informational interviews with key stakeholders (e.g. Prince William County, the City of Manassas, Norfolk Southern, etc.) to assist in formulating project goals and objectives. An informational meeting is being planned for July to introduce the study to the general public and solicit public opinion.

Adjournment

On a motion by Ms. Bulova, and a second by Mr. Dixon, the Board unanimously voted to adjourn. Chairman Jenkins adjourned the meeting at 11:03 A.M.

Approved this 15th day of August, 2008.

JOHN D. JENKINS
Chairman

PAUL MILDE
Secretary

CERTIFICATION

This certification hereby acknowledges that the minutes for the June 20, 2008 Virginia Railway Express Operations Board Meeting have been recorded to the best of my ability.

Rhonda Gilchrest

Rhonda Gilchrest