

AGENDA ITEM 9-A
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: AUGUST 17, 2007

**RE: AUTHORIZATION TO ISSUE A REQUEST FOR PROPOSALS
FOR LOCOMOTIVE PROJECT MANAGEMENT AND OVERSIGHT
SERVICES**

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the Chief Executive Officer to issue a Request for Proposals (RFP) for project management and oversight services for the purchase and manufacture of new passenger locomotives.

BACKGROUND:

In April of 2007, the VRE Operations Board authorized the Chief Executive Officer to issue a Request for Proposals for the purchase of new passenger locomotives. The RFP has been completed and will be issued in August.

Following award, staff will require oversight and technical support services at the successful proposer's plant facility (an on-site inspector is a requirement of the FTA). The successful proposer will be responsible for ensuring that the final technical requirements of the new locomotive manufacturing contract are fully complied with, including regulatory and safety compliance. Specific work will include project management services, contractor oversight, and warranty administration.

VRE staff is electing to obtain these services through a competitive procurement rather than the Mechanical Engineering Consultant due to the anticipated size of

the contract. Once the procurement is complete, VRE staff will return to the Operations Board with a recommendation for award.

FISCAL IMPACT:

Funds for this contract are included in VRE's Capital Improvement Program (CIP) as part of the capital fleet expansion project. Funding is from a FY 2006 federal grant. The local match is provided for using state and local funds.

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: AUGUST 17, 2007
RE: AUTHORIZATION TO ISSUE A REQUEST FOR PROPOSALS
FOR LOCOMOTIVE PROJECT MANAGEMENT AND OVERSIGHT
SERVICES

RESOLUTION
9A-08-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, staff requires outside management and oversight services from a mechanical engineering firm as part of the procurement for new locomotives; and,

WHEREAS, the scope of work includes project management services, contractor oversight, and warranty administration; and,

WHEREAS, the mechanical engineering contractor shall be fully responsible for ensuring that the final technical requirements of the locomotive manufacturing contract are fully complied with; and,

WHEREAS, these services are being sought through a competitive procurement rather than the Mechanical Engineering Consultant due to the anticipated size of the contract.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board does hereby authorize the Chief Executive Officer to issue a Request for Proposals for project management and oversight services for the purchase and manufacture of new passenger locomotives.

AGENDA ITEM 9-B
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: AUGUST 17, 2007

**RE: AUTHORIZATION TO AWARD A CONTRACT FOR THE
CONSTRUCTION OF A PARKING GARAGE AT THE MANASSAS
STATION**

RECOMMENDATION:

The VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to enter into a contract with Costello Construction of Maryland, Inc. for the construction of a parking garage at the Manassas VRE Station in the amount of \$8,354,000, with a contingency of \$835,000, for a total amount not to exceed \$9,189,000. The VRE Operations Board is also being asked to recommend that the Commissions authorize the Chief Executive Officer to execute any related documents necessary to implement the project.

BACKGROUND:

Over the last several years, VRE and the City of Manassas have worked to complete the design, relocate utilities and acquire property for a five level parking garage in Old Town Manassas. The project will yield a parking facility to be shared by commuters and visitors to the City of Manassas. The total parking capacity will be approximately 520 spaces; 310 for commuter use and 210 for City use.

At the May 2007 meeting, the Board authorized issuance of an Invitation for Bids (IFB). On July 20, 2007 four bids were received and the lowest bidder was Costello Construction. The bid has been evaluated and is both responsive and within the engineer's estimate.

Upon authorization, a construction contract will be executed. Construction will be managed by VRE with the cost shared at a 60/40 ratio. Construction is expected to begin in September 2007 and be completed by fall of 2008.

FISCAL IMPACT:

Funding for the project is being provided by both VRE and the City at a 60/40 ratio. VRE's share of the project is included in VRE's Capital Improvement Program as part of the Manassas City Parking Deck project, with the City of Manassas providing the required local match for the entire project.

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: AUGUST 17, 2007
RE: AUTHORIZATION TO AWARD A CONTRACT FOR THE
CONSTRUCTION OF A PARKING GARAGE AT THE MANASSAS
STATION

RESOLUTION
9B-08-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, over the last several years, VRE and the City of Manassas have worked to complete the design, relocate utilities and acquire property for a five level parking garage in Old Town Manassas; and,

WHEREAS, at the May 2007 meeting, the Board authorized issuance of an Invitation for Bids (IFB); and,

WHEREAS, on July 20, 2007 four bids were received and the lowest bidder was Costello Construction.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board recommends that the Commissions authorize the Chief Executive Officer to enter into a contract with Costello Construction of Maryland, Inc. for the construction of a parking garage at the Manassas VRE Station in the amount of \$8,354,000, with a contingency of \$835,000, for a total amount not to exceed \$9,189,000.

BE IT FURTHER RESOLVED THAT, the VRE Operations Board recommends that the Commissions authorize the Chief Executive Officer to execute any related documents necessary to implement the project.

AGENDA ITEM 9-C
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: AUGUST 17, 2007

**RE: AUTHORIZATION TO ENTER INTO A CONTRACT FOR
MECHANICAL BRAKE COMPONENTS**

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the Chief Executive Officer to enter into a one-year contract, with two additional one-year options exercised at the CEO's discretion, with **(name of firm and contract value will be provided on a blue sheet at the Board meeting)** for mechanical brake components.

BACKGROUND:

Brake components for VRE equipment are currently provided through Amtrak. VRE has found that the provision of these services through Amtrak is both slow and cumbersome now that the car fleet maintenance is performed in the VRE yards. As such, on June 15, 2007, the Operations Board authorized the issuance of an Invitation for Bids for these materials. The IFB was issued on July 13, 2007, with bids due on August 13.

Pricing was provided on a fixed price per item basis and includes freight. This contract will allow VRE to acquire brake shoes and disc pads directly for VRE's locomotive and car fleets. The term of the contract is one-year, with two additional one-year options. VRE is requesting authorization for the total term of the contract, with the VRE CEO exercising the option years at his discretion.

FISCAL IMPACT:

Funding for this contract is available in the FY 2008 VRE Operating Budget and will be included in subsequent budgets on an annual basis.

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: AUGUST 17, 2007
RE: AUTHORIZATION TO ENTER INTO A CONTRACT FOR
MECHANICAL BRAKE COMPONENTS

RESOLUTION
9C-08-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, brake components for VRE equipment are currently provided through Amtrak; and,

WHEREAS, VRE has found that the provision of these services through Amtrak is both slow and cumbersome now that the car fleet maintenance is performed in the VRE yards; and,

WHEREAS, a competitive solicitation was completed and the lowest responsive and responsible proposer was selected for contract award.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to enter into a one-year contract, with two additional one-year options exercised at the CEO's discretion, with **(name of firm and contract value will be provided on a blue sheet at the Board meeting)** for mechanical brake components.

AGENDA ITEM 9-D
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: AUGUST 17, 2007

RE: AUTHORIZATION TO ENTER INTO A CONTRACT FOR LUBE OIL DELIVERY SERVICES

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the Chief Executive Officer to enter into a one-year contract, with two additional one-year options exercised at the CEO's discretion, with Quarles Petroleum, Inc. of Fredericksburg, Virginia for lube oil delivery services at both VRE yards in the amount of \$250,000, plus a contingency of \$50,000, for a total amount not to exceed \$300,000.

BACKGROUND:

Lube oil and associated products were previously added to VRE's locomotive fleet by Amtrak personnel in Washington during the mid-day. As maintenance functions are being shifted to the VRE yards, this topping-off will now be performed during the night time layover in the Virginia yards. In order to perform such services, it is necessary to have lube oil available at these locations.

As such, on April 20, the Operations Board authorized the issuance of an Invitation for Bids for lube oil delivery service. The IFB was issued on June 1, 2007, with bids due on July 2, 2007. Two bids were received and Quarles Petroleum was found to be the lowest responsive and responsible bidder.

Pricing was provided on a fixed price per item basis and includes freight. The term of the contract is for one year, with two additional one-year options. VRE is

requesting authorization for the total term of the contract, with the VRE CEO exercising the option years at his discretion.

FISCAL IMPACT:

Funding for this contract is available in the FY 2008 VRE Operating Budget and will be included in subsequent budgets on an annual basis.

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: AUGUST 17, 2007
RE: AUTHORIZATION TO ENTER INTO A CONTRACT FOR LUBE OIL DELIVERY SERVICES

**RESOLUTION
9D-08-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD**

WHEREAS, lube oil and associated products were previously added to VRE's locomotive fleet by Amtrak personnel in Washington during the mid-day; and,

WHEREAS, as maintenance functions are being shifted to the VRE yards, this topping-off will now be performed during the night time layover in the Virginia yards; and,

WHEREAS, in order to perform such services, it is necessary to have the products available at those locations; and,

WHEREAS, a competitive solicitation was completed and the lowest responsive and responsible bidder was selected for contract award.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to enter into a one-year contract, with two additional one-year options exercised at the CEO's discretion, with Quarles Petroleum, Inc. of Fredericksburg, Virginia for lube oil delivery services at both VRE yards in the amount of \$250,000, plus a contingency of \$50,000, for a total amount not to exceed \$300,000.

AGENDA ITEM 9E
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: AUGUST 17, 2007

RE: AUTHORIZATION TO RENEW THE MANASSAS WAREHOUSE LEASE

RECOMMENDATION:

The VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to renew a contract with KAO Manassas Airpark, LLC for warehouse space in an amount not to exceed \$199,216 over a three-year term.

BACKGROUND:

As maintenance functions continue to be shifted to the VRE yards, additional space was needed to store parts for rail equipment. In May of 2004, the Board authorized a three-year lease with KAO Manassas Airpark, LLC for warehouse space near the Broad Run yard. The lease was in the amount of \$172,086 over a three year period and expires on October 1, 2007.

This space has proven essential for maintenance activities and is estimated to be adequate for the next three years, even if locomotive parts are also relocated to the VRE yards. A cost analysis of available locations was conducted in 2004 and relocating all of the operations and materials to another location would not prove cost effective at this time. As such, a three-year extension is being recommended.

The renewal includes the same terms and conditions, plus one additional clause that allows the landlord to relocate VRE at the landlord's expense to another space within the current facility. The first year of the contract will not exceed

\$64,452, and subsequent years will increase by three percent per year. This contract is for rental of the site only and does not include costs for insurance, utilities, improvements, and management.

FISCAL IMPACT:

Funding for this contract is available in the FY 2008 VRE Operating Budget and will be included in subsequent budgets on an annual basis.

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: AUGUST 17, 2007
RE: AUTHORIZATION TO RENEW THE MANASSAS WAREHOUSE LEASE

**RESOLUTION
9E-08-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD**

WHEREAS, the current lease for the Manassas Warehouse expires on October 1, 2007; and,

WHEREAS, the current warehouse fully meets the needs of the VRE operation today and it is estimated to be adequate to continue to handle those needs for the next three years; and,

WHEREAS, relocating all of the operations and materials to another location would not prove cost effective.

NOW, THEREFORE, BE IT RESOLVED THAT, following legal review, the VRE Operations Board recommend that the Commissions authorize the Chief Executive Officer to renew a contract with KAO Manassas Airpark, LLC for warehouse space in an amount not to exceed \$199,216 over a three-year term.

AGENDA ITEM 9F
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: AUGUST 17, 2007

**RE: AUTHORIZATION TO EXERCISE LOCOMOTIVE LEASE
PURCHASE OPTION**

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the Chief Executive Officer to exercise a purchase option on the remaining F-40 locomotive included in the original Rail World Lease, now owned by Titan Transit, Inc., for a fixed price of \$100,000.

BACKGROUND:

In September 2003, the Operations Board approved a modification to a locomotive lease agreement with Rail World Locomotive Leasing. As well as providing better locomotives for a lower rate than the original lease, the modified lease contained a provision permitting VRE to purchase the leased locomotives at the end of the original two-year lease term for a fixed price of \$100,000 each. The lease also provided the opportunity to continue the lease and purchase the locomotives at the end of three years for \$50,000 or at the end of four years for \$1.

VRE staff performed a lease versus buy analysis, which concluded that it was in VRE's best interest financially to purchase this locomotive now rather than to continue leasing. This locomotive has proven reliable and would effectively serve as part of VRE's locomotive inventory until a time when the new locomotives can be put into service.

The VRE Operations Board authorized a similar purchase in February 2006 when two F40 locomotives were purchased from the same company.

FISCAL IMPACT:

Funding for the project is included in VRE's Capital Improvement Program (CIP) as part of the locomotive lease project. Funding is from a FY 2001 federal grant. The local match is provided for using state and local funds.

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: AUGUST 17, 2007
RE: AUTHORIZATION TO EXERCISE LOCOMOTIVE LEASE
PURCHASE OPTION

RESOLUTION
9F-08-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, VRE currently leases a F-40 locomotive from Titan Transit Inc.; and,

WHEREAS, the lease contains a provision permitting VRE to purchase the leased locomotive at the end of the original two-year lease term for a fixed price of \$100,000; and,

WHEREAS, this locomotive is a positive contributor to VRE's locomotive fleet operation; and,

WHEREAS, exercising the purchase option is the most fiscally responsible option.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to exercise a purchase option for one F-40 locomotive included in the original Rail World Lease, now owned by Titan Transit, Inc., for a fixed price of \$100,000.

AGENDA ITEM 9G
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: AUGUST 17, 2007

RE: AUTHORIZATION TO ISSUE A TASK ORDER FOR LOCOMOTIVE REPAIR WORK

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the Chief Executive Officer to issue a task order to Transportation Technologies, Inc. (TTI) to perform repair work to locomotive V32 in the amount not to exceed \$335,000.

BACKGROUND:

On March 22, 2007, VRE locomotive V32 experienced a fire in its main generator. In April, VRE received an unsolicited proposal offering a lease of one substantially rebuilt F-40 locomotive in exchange for lease payments and the damaged V32. The total cost of this lease was calculated at \$408,500 (\$328,500 in lease costs and \$80,000 which would need to be reinvested with FTA due to the fact that the V32 was purchased with federal funds). As the total cost of repairing the unit was estimated at \$450,000, the Operations Board approved execution of this lease purchase in May.

Since that time, a more refined task order estimate was completed by VRE's locomotive contractor which totaled \$335,000. A present value comparative analysis was subsequently completed and concluded that the repair option was now the less expensive option of the two. Following execution of the task order, the unit will be repaired in Altoona, Pennsylvania and returned to service in sixty days.

FISCAL IMPACT:

Funding for this project is being provided through the FY 2008 Operating budget.

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: AUGUST 17, 2007
RE: AUTHORIZATION TO ISSUE A TASK ORDER FOR LOCOMOTIVE REPAIR WORK

**RESOLUTION
9G-08-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD**

WHEREAS, on April 22, 2007, VRE locomotive V32 experienced a fire in its main generator; and,

WHEREAS, VRE thoroughly evaluated the options of repair versus replacement and ultimately found that the repair option is the least expensive option; and,

WHEREAS, VRE received a task order proposal to repair this locomotive from TTI, who is already under contract with VRE to perform locomotive repair services.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to issue a task order to Transportation Technologies, Inc. (TTI) to perform repair work to locomotive V32 in the amount not to exceed \$335,000.

AGENDA ITEM 9H
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: AUGUST 17, 2007

**RE: AUTHORIZATION TO ISSUE A TASK ORDER FOR
MODIFICATIONS TO THE GALLERY CAR BASE ORDER**

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the Chief Executive Officer to issue a task order to STV, Inc. to perform modifications to the eleven base order cars purchased from Sumitomo Corporation of America. The task order is requested in an amount not to exceed (**cost of task order to be provided on a blue sheet at the Board meeting**).

BACKGROUND:

Since putting the eleven cab cars into service in January, VRE has received several suggestions from passengers and conductors regarding modifications to the cars. VRE staff has reviewed the list and consulted with both Sumitomo and STV on options for implementation. A change order with Sumitomo for the 50 railcar option is being prepared and falls well within the Board approved project contingency. However, a separate task order with STV must also be executed to make these same changes to the eleven base order cars.

Modifications include the installation of 120v outlets for computer use, wheel chair locking devices, external key entry capability, and a modification to the cab signal system that will result in a smoother train operation. Approving these modifications now permits STV to begin the work prior to the delivery of the 50 car option.

FISCAL IMPACT:

Funding for this project is included in VRE'S CIP as part of the capital fleet expansion project. Local match is provided for using state and local funds.

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: AUGUST 17, 2007
RE: AUTHORIZATION TO ISSUE A TASK ORDER FOR
MODIFICATIONS TO THE GALLERY CAR BASE ORDER

RESOLUTION
9H-08-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, VRE has received numerous requests for various modifications to the new gallery cars; and,

WHEREAS, VRE's mechanical and operational contractors have also made suggestions regarding improvements to the equipment; and,

WHEREAS, VRE staff has reviewed the list and consulted with both Sumitomo and STV on options for implementation; and,

WHEREAS, modifications include the installation of 120v outlets for computer use, wheel chair locking devices, external key entry capability, and a modification to the cab signal system that will result in a smoother train operation; and,

WHEREAS, a change order with Sumitomo for the 50 railcar option is being prepared and falls well within the Board approved project contingency; and,

WHEREAS, a separate task order with STV must also be executed to make these same changes to the eleven base order cars.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to issue a task order to STV, Inc. to perform modifications to the eleven base order cars purchased from Sumitomo Corporation of America. The task order is requested in an amount not to exceed **(cost of task order to be provided on a blue sheet at the Board meeting)**.

AGENDA ITEM 9I
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: AUGUST 17, 2007

RE: AUTHORIZATION TO RATIFY STORM WATER BEST MANAGEMENT PRACTICES AGREEMENT

RECOMMENDATION:

The VRE Operations Board is being asked to recommend that the Commissions ratify the PRTC and NVTC Chairmen's execution of a Storm Water Best Management Practices Agreement (BMP) with Spotsylvania County for the Crossroads Yard Maintenance Facilities project.

BACKGROUND:

On April 20, 2007, the VRE Operations Board authorized execution of a contract for the construction of a new maintenance facility at the Crossroads yard. As part of this project, it is necessary to build a stormwater management facility which, in turn, necessitates a standard maintenance agreement with Spotsylvania County. These types of agreements have typically been treated as incidental to the construction project and have historically been executed by the VRE Chief Executive Officer.

In this instance, Spotsylvania County has requested that the Chairman of each Commission execute the agreement. In order not to delay the project, VRE counsel recommended having the PRTC and NVTC Chairmen immediately sign the Spotsylvania County BMP agreement and seek ratification of such signatures at the August Operations Board and September Commission meetings. As such, authorization to ratify the PRTC and NVTC Chairmen's signatures is being requested.

FISCAL IMPACT:

There is no fiscal impact associated with this action.

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: AUGUST 17, 2007
RE: AUTHORIZATION TO RATIFY STORM WATER BEST MANAGEMENT PRACTICES AGREEMENT

**RESOLUTION
9I-08-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD**

WHEREAS, at the April VRE Operations Board and May Commission meetings, authorization to execute a contract for the construction of a new maintenance facility at the Crossroads yard was granted; and,

WHEREAS, such agreements have typically been treated as an incident of the construction project and have historically been executed by the VRE Chief Executive Officer; and,

WHEREAS, Spotsylvania County has requested that the Chairmen of each Commission execute the agreement.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board recommends that the Commissions ratify the PRTC and NVTC Chairmen execution of a Storm Water Best Management Practices Agreement (BMP) with Spotsylvania County for the Crossroads Yard Maintenance Facilities project.

AGENDA ITEM 9J
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: AUGUST 17, 2007

**RE: AUTHORIZATION TO ISSUE REQUEST FOR PROPOSALS FOR
CONSULTANT SERVICES FOR A MARKET ANALYSIS**

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the Chief Executive Officer to issue a Request for Proposals (RFP) for consultant services to conduct a transit market analysis.

BACKGROUND:

At the June 15, 2007 VRE Operations Board meeting, a market segmentation analysis was recommended to identify and analyze markets for VRE service. Since that meeting, a scope of work has been developed to conduct a market survey and prepare recommendations of actions and/or service modifications to maximize ridership potential.

Although VRE conducts an annual survey to gauge customer satisfaction, there has never been a comprehensive survey to analyze the market conditions for commuter rail service in the northern Virginia-Washington, DC region. While ridership has tended to turn over on a regular basis, losses have historically been offset by new riders. A better understanding of the reason(s) commuters are choosing/not choosing VRE, in light of the current decline in ridership, is needed to best respond to the changing commuting environment.

After competitive proposals have been evaluated, VRE staff will return to the Operations Board with a recommendation for award. The procured services will include survey design and implementation, market analysis, and development of a market strategy for VRE to maximize ridership to best serve its markets within its operational and financial abilities.

FISCAL IMPACT:

Funding for the project is included in VRE's Capital Improvement Program as part of the Capital Needs Assessment project. Local match is being provided using state and local funds.

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: AUGUST 17, 2007
RE: AUTHORIZATION TO ISSUE REQUEST FOR PROPOSALS FOR
CONSULTANT SERVICES FOR A MARKET ANALYSIS

RESOLUTION
9J-08-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, VRE has experienced a decline in ridership over the past two years; and,

WHEREAS, there has never been a comprehensive analysis of VRE market conditions; and,

WHEREAS, the VRE Operations Board recommended undertaking a market analysis study; and,

WHEREAS, the study will provide the VRE Operations Board and staff a better understanding of rail transit markets and actions to increase ridership.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to issue a Request for Proposals (RFP) for consultant services to conduct a transit market analysis.

AGENDA ITEM 9-K
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: AUGUST 17, 2007

SUBJECT: REFERRAL OF PRELIMINARY FY 2009 VRE OPERATING AND CAPITAL BUDGET TO THE COMMISSIONS

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the Chief Executive Officer to refer the Preliminary FY 2009 VRE Operating and Capital Budget to the Commissions for their consideration, and that the Commissions, in turn, refer these recommendations to the jurisdictions for their review and comment.

BACKGROUND:

In accordance with the VRE Master Agreement, which outlines the process for annual budget approval, the preliminary FY 2009 VRE Operating and Capital Budget is attached for review. This draft budget follows the adopted guidelines of the Operations Board developed in concert with jurisdictional Chief Administrative Officers (CAO). Because of the uncertainty concerning the availability and use of the \$25 million designated for VRE in HB 3202, two versions of the preliminary FY 2009 budget are being presented.

Option #1 (base budget) - assumes no portion of the \$25 million is available in FY 2009: This version of the preliminary budget totals \$75.4 million, of which \$5.02 million is currently unfunded (assuming no increase to local subsidy or fares); this represents a substantial unfunded amount for the second year in a row. As in the past, VRE will submit a balanced budget to the jurisdictions in November so that it can be evaluated prior to its submission to the Operations Board in December.

The major causes of the current gap between revenue and expenses are outlined in the chart below.

Description	Amount
Shift of federal funds back to capital budget (one-time shift to operations in FY 2008)	\$1,570,000
Additional debt service for 50 railcar purchase	900,000
Net cost of adding four trains (two round trips)	840,000
Net increase to Amtrak and equipment operations	710,000
Contribution to operating reserve - other	370,000
Increased locomotive maintenance	400,000
Other costs net of revenue increases	230,000
TOTAL	\$5,020,000

Both revenue and expenses are still under review and these projections are expected to change considerably over the next several months. The assumptions used in preparing the preliminary draft are as follows:

1. Fare revenue of \$21.7 million and average daily ridership of 15,400 based on expanding service to 34 daily trains. Ridership is estimated at 14,700 with service at the current level of 30 daily trains. The net cost of the additional trains is \$840,000. Average daily ridership in FY 2007 was 13,982.
2. Contractually set increases in operating expenses of 4% for CSX, Norfolk Southern and Amtrak.
3. Increase in Insurance Trust Fund contributions from \$4.95 million to \$5.1 million, which reflects a premium cost of \$4.3 million and a contribution of \$1.2 million to rebuild the trust fund balance, net of interest earnings and estimated losses.
4. Increase in state capital match funding from a match rate of 23% to a match rate of 40%, based on conversations with VDRPT. **This projection will continue to be reviewed over the next several months.** Each 10% increase to the match percentage equates to an additional \$1.1 million of grant funding.
5. Increase in state formula funding for operations from the \$8 million received in FY 2008 to \$9.2 million. **This projection will continue to be reviewed over the next several months.**

6. Fuel expenses of \$4.3 million due to diesel price increases and the addition of two trains. Cost per gallon is estimated at \$2.38.
7. Continued funding of the VRE capital program, which includes mid-day storage, track lease improvements, rolling stock modifications, Crossroads Yard expansion, and \$1.4 million for locomotive procurement.
8. Financing costs for the 50 railcars of \$3.85 million in FY 2009, the first year of nearly full costs for this purchase.

The FY 2009 Operating and Capital Budget includes:

1. No change in VRE staffing.
2. No provision for possible additional federal formula funding and the accompanying need for a local match for these funds.
3. No provision for the impact of additional jurisdictions joining PRTC/NVTC and the possible effect on future subsidy allocations.

Option #2 - assumes the \$25 million from HB 3202 is available for priority projects: The availability of the \$25 million and its appropriate use is still under consideration. For purposes of Option #2 of the preliminary budget, staff is proposing the funds, if available, be used for the following priority projects in FY 2009. A list of priority projects for a five year period is attached.

Description	Amount
Locomotive acquisition (see discussion below)	\$13,775,000
Restoration of insurance trust fund balance and scheduled payment	6,650,000
Net cost of adding four trains (two round trips)	840,000
Fuel costs (30 trains)	3,735,000
TOTAL	\$25,000,000

This preliminary option totals \$90.71 million and results in a subsidy **reduction** of \$4.65 million for a total local subsidy of \$8.7 million, a level similar to that for FY 2007. The budget provides funding for the restoration of the insurance trust fund and the initial phases of the locomotive acquisition project. In all other ways, the budget is identical to Option #2.

Locomotive Acquisition

VRE has received state funding of \$15 million for the purchase of locomotives; these funds can only be utilized if matching funds of \$3.75 million can be identified from local sources. Current plans for locomotive acquisition are summarized in the chart below, assuming the availability of funding from the NVTA bond issue and the use of HB3202 funds as presented in Option #2. Budget Option #1 does not currently provide sufficient funds for the purchase of any additional locomotives or match funding for the state allocation.

		Funding	Locomotives
FY 2008	State funding + Mafersa proceeds	\$8,750,000	2
	State funding + NVTA bond issue	11,750,000	3
FY 2009	HB3202 priority projects	13,775,000	3

DISCUSSION:

Budgeting for FY 2009 continues to be difficult because of the major uncertainties in state funding levels and the reassessment of the ridership projections. In addition, fuel price levels and volatility, insurance costs, the first year of full debt service funding for the new railcar purchase, and contractual increases in operating costs continue to exert an upward pressure on expenses. The general expense factors that would affect the FY 2009 budget were previously identified in the FY 2008 six-year plan.

More clarity will be achieved as we transition to the fall and can better estimate ridership and state transportation funding. In past years, funding shortfalls have been resolved through expense decreases, service reductions, and increases to fare rates and jurisdiction subsidies. For FY 2009, the relationship between fare rates, service and ridership will need to be considered more explicitly.

The factors that affect the FY 2009 preliminary budget will also have an impact in FY 2008. A report on this impact will be brought to the board at the end of the first quarter of the fiscal year.

NEXT STEPS:

As a part of the continuing budget review with the CAO Budget Task Force this fall, additional funding solutions will be explored. The particular areas that will be addressed include:

- A continued assessment of ridership projections based on the impact of efforts to improve on-time performance and other factors.
- A review of potential increases in state operating and capital funding as a result of the passage of the transportation bill.
- A continued assessment of how the NVTA \$25 million will be utilized.
- Continued analysis of alternatives to reduce overall cost of operations
- The impact of any need for increases in fares and/or local subsidy.
- Development of additional preliminary budget options for review by the CAO Budget Task Force as expenses and revenues are adjusted.

The cumulative affect of the above analysis and evaluation will result in a balanced budget in November, which can be evaluated by all jurisdictions prior to submission to the Operations Board in December 2007.

FISCAL IMPACT

The current budget shortfall is estimated at \$5.02M for Option #1. Option #2 results in a decrease to local subsidy requirements. Additional draft budgets will be formulated during the fall and reviewed with the CAO Budget Task resulting in a balanced budget by November 2007.

Attached are the following:

- FY 2008 Source and Use Statement (Option #1 and Option #2)
- Summary FY 2008 Preliminary Budget (Option #1 only)
- FY 2008 Six Year Financial Plan (Option #1 only)
- Priority projects for the use of NVTA funding (Option #2 only)

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: AUGUST 17, 2007
RE: REFERRAL OF PRELIMINARY FY 2009 VRE OPERATING AND
CAPITAL BUDGET TO THE COMMISSIONS

RESOLUTION
9K-08-2007
OF THE
VIRGINIA RAILWAY EXPRESS
BOARD OF DIRECTORS

WHEREAS, the VRE Master Agreement requires that the Commissions be presented with a preliminary fiscal year budget for their consideration at their respective September meetings prior to the commencement of the subject fiscal year; and,

WHEREAS, the VRE Chief Executive Officer has provided the VRE Operations Board with the preliminary FY 2009 Operating and Capital Budget within the guidelines developed in concert with the jurisdictional Chief Administrative Officers; and,

WHEREAS, staff recommends a budget built on an average daily ridership of 15,100 average daily riders; and,

WHEREAS, subject to the direction provided by the Operations Board, the budget will be updated with additional ridership and cost data and further refined through the CAO Budget Task Force review during the fall of 2007.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board refer the preliminary FY 2009 VRE Operating and Capital Budget to the Commissions for their consideration; and,

BE IT FURTHER RESOLVED THAT, the VRE Operations Board recommend that the budget be forwarded to the jurisdictions for further formal review and comment; and,

BE IT FURTHER RESOLVED THAT, VRE staff is directed to consider and address comments by the jurisdictions and to forward a final recommended budget to the VRE Operations Board at the December 2007 meeting for consideration and referral to the Commissions for adoption in January 2008.