

AGENDA ITEM 9-A
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: APRIL 20, 2007

**RE: AUTHORIZATION TO AWARD A CONTRACT FOR THE
CONSTRUCTION OF MAINTENANCE FACILITIES AT THE
CROSSROADS YARD**

RECOMMENDATION:

The VRE Operations Board is recommending that the Commissions authorize the Chief Executive Officer to enter into a contract with Mid-Eastern Builders, Inc. of Chesapeake, Virginia for the construction of maintenance facilities at the Crossroads Yard in the amount of \$5,437,000, plus a 15% contingency of \$815,550, for a total amount not to exceed \$6,252,550.

BACKGROUND:

The VRE Crossroads storage yard, located at the end of the Fredericksburg line, consists of eight tracks that store six VRE train sets overnight. VRE has initiated relocation of inspection and some maintenance activities to the outlying yards as approved by the Operations Board in June 2004.

In August of 2005, the Operations Board authorized a task order to Parsons Brinckerhoff for design services for this project. Design began shortly thereafter and was finalized in February 2007. An IFB for the construction of maintenance facilities was authorized by the Operations Board on May 19, 2006 and bids were due on April 6, 2007. Three bids were received and have been evaluated. The evaluation process has rendered the successful responsive and responsible bidder as Mid-Eastern Builders, Inc.

The contract work will include construction of maintenance facilities within the Crossroads storage yard, including a service and inspection building, a fully automated

train wash facility, perimeter security lighting, and additional storage track. Work is expected to begin in June and take approximately one year to complete.

FISCAL IMPACT:

Funding is included in VRE's Capital Improvement Program as part of the Crossroads Yard Maintenance Facility project. Funding is available from FY 2004 and FY 2005 federal grants. The local match is provided for using state and local funds.

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: APRIL 20, 2007
RE: AUTHORIZATION TO AWARD A CONTRACT FOR THE
CONSTRUCTION OF MAINTENANCE FACILITIES AT THE
CROSSROADS YARD

RESOLUTION
9A-04-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, the initiative to shift more fleet maintenance to outlying yards was approved by the Operations Board during the meeting held on June 18, 2004; and,

WHEREAS, at the meeting on August 19, 2005, the Board authorized issuance of a task order to Parsons Brinckerhoff for design services on this project; and,

WHEREAS, at the meeting on May 19, 2006, the Board authorized issuance of an IFB for construction of maintenance facilities at the Crossroads storage yard; and,

WHEREAS, authorization to enter into a contract is required at this time to allow construction of the maintenance facilities at the Crossroads storage yard.

NOW, THEREFORE, BE IT RESOLVED THAT, VRE Operations Board recommends that the Commissions authorize the Chief Executive Officer to enter into a contract with Mid-Eastern Builders, Inc. of Chesapeake, Virginia for the construction of maintenance facilities at the Crossroads Yard in the amount of \$5,437,000, plus a 15% contingency of \$815,550, for a total amount not to exceed \$6,252,550.

AGENDA ITEM 9-B
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: APRIL 20, 2007

**RE: AUTHORIZATION TO ENTER INTO A CONTRACT FOR AIR
BRAKE 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 with Touchtone Industries of Jacksonville, Florida for air brake services for a total contract value not to exceed \$660,000.

BACKGROUND:

Currently, the majority of air brake services for VRE's equipment are provided through Amtrak. VRE has found that the provision of these services through Amtrak is both slow and cumbersome. As such, an Invitation for Bids for these services was issued on March 6, 2007, with bids due on April 10, 2007. Two bids were received and following bid openings, staff is recommending award to Touchtone Industries.

Bids were requested for a one year contract with two additional one-year options. Pricing was provided as a firm, fixed, unit price bid in which the bidders were given a turnaround requirement to rebuild air brake components that will be sent to them from VRE. VRE is requesting authorization for the total term of the contract, with the VRE CEO exercising the option years at his discretion.

FISCAL IMPACT:

This contract is funded through the maintenance activities of the FY08 VRE Operating Budget.

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: APRIL 20, 2007
RE: AUTHORIZATION TO ENTER INTO A CONTRACT FOR AIR BRAKE SERVICES

**RESOLUTION
9B-04-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD**

WHEREAS, currently, the majority of air brake services for VRE's equipment are provided through Amtrak; and,

WHEREAS, VRE has found that the provision of these services through Amtrak is both slow and cumbersome; and,

WHEREAS, an Invitation for Bids was issued, those bids were opened publicly, and the most responsive, responsible vendor was selected on April 10, 2007.

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 with Touchtone Industries of Jacksonville, Florida for air brake services for a total contract value not to exceed \$660,000.

AGENDA ITEM 9-C
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: APRIL 20, 2007

**RE: AUTHORIZATION TO MODIFY THE WAREHOUSE
MANAGEMENT CONTRACT**

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the Chief Executive Officer to increase the authorization limit of the warehouse management contract by \$81,102 per year, for a total annual contract value not to exceed \$331,102.

BACKGROUND:

In February 2006 the Operations Board approved a contract with RailPlan International for warehouse management services at the Manassas warehouse. The contract was for three years, with the VRE CEO exercising each of the two option years at his discretion, at an annual fixed fee of \$250,000. Work included limited purchasing activity, management of materials for 45 gallery cars and maintenance of VRE's technical library.

Since that time, maintenance responsibilities for the entire car fleet have moved from Washington to the Virginia yards, nearly doubling the number of cars being supported by this facility, and increasing the purchasing activity considerably. To support this work, the car inventory for not only the Gallery cars but also the Sounder and Kawasaki cars must also be transferred to the Manassas warehouse.

Subsequently, the scope of the warehouse management services has increased. VRE would like to further increase the scope of work to support oversight of the new car inventory, which will begin to arrive this summer, and all car part purchasing. Parts purchasing has recently been expanded to include both wheels and air brake services. This purchasing activity and increased product management requires additional materials and operating expenses at the Manassas warehouse. The only remaining activities at Ivy City are related to locomotive materials.

Per the original board item, VRE is requesting authorization to amend the contract for both the second and third years, with the third year being exercised at the CEO's discretion.

FISCAL IMPACT:

Funding for this project is available from the FY 2007 Operating budget.

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: APRIL 20, 2007
RE: AUTHORIZATION TO MODIFY THE WAREHOUSE
MANAGEMENT CONTRACT

RESOLUTION
9C-04-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, in February of 2006, the Operations Board approved a contract with RailPlan International for warehouse management services for the Manassas warehouse for a fixed annual fee of \$250,000; and,

WHEREAS, since that time, VRE nearly doubled the number of cars being supported by this facility and significantly increased its purchasing activity; and,

WHEREAS, VRE subsequently requested an increase in the scope of services provided by RailPlan.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to increase the authorization limit of the warehouse management contract by \$81,102 per year, for a total annual contract value not to exceed \$331,102.

AGENDA ITEM 9-D
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: APRIL 20, 2007

**RE: AUTHORIZATION TO AWARD A CONTRACT FOR FINANCIAL
ADVISORY SERVICES**

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the Chief Executive Officer to enter into a contract with the PFM Group for financial advisory services in an amount not to exceed \$200,000.

BACKGROUND:

On January 17, 2007, Prince William County issued a Request for Proposals (RFP) for the provision of financial advisory services on behalf of the County, PRTC and VRE. Bids were due on February 8 and one proposal from PFM Group, headquartered in Philadelphia, Pennsylvania, was received. This limited response was attributed primarily to the fact that the RFP specified the proposer would not be permitted to bid on any future debt.

Staff representatives from the County, PRTC and VRE reviewed the proposal from PFM and found it responsive. Following price negotiations, a best and final offer was submitted by PFM on March 28 and has been accepted by Prince William County. In accordance with the terms of the RFP, VRE and PRTC will have separate contracts with PFM. The contract would be based on a per transaction amount for debt issuance or an hourly rate for financial planning services and follow the same price structure as the County contract.

As VRE occasionally requires the services of a financial advisor to develop financing alternatives and to manage existing debt, VRE is requesting authorization for an amount not to exceed \$200,000 over a period of up to ten years. If additional approvals are needed, VRE would return to the Operations Board for supplemental authorization. The initial contract term is for one year, with nine one-year options. VRE is requesting authorization for the maximum term of the contract, with the VRE CEO exercising the option years at his discretion.

PFM has been serving as a financial advisor to Prince William County and PRTC since 2001 and to VRE since VRE's inception.

FISCAL IMPACT:

Funding for these services will be provided from debt proceeds, where appropriate, or from project funding.

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: APRIL 20, 2007
RE: AUTHORIZATION TO AWARD A CONTRACT FOR FINANCIAL ADVISORY SERVICES

**RESOLUTION
9D-04-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD**

WHEREAS, VRE and PRTC require the services of a financial advisor from time to time to develop financing alternatives and to manage existing debt; and,

WHEREAS, on January 17, 2007 Prince William County issued an RFP for financial advisory services on behalf of the County, VRE and PRTC; and,

WHEREAS, one proposal was received on February 8, 2007; and,

WHEREAS, VRE and PRTC have the authority under the terms of the solicitation to make a joint selection of a financial advisor, separately from any selection made by Prince William County.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to enter into a contract with the PFM Group for financial advisory services in an amount not to exceed \$200,000.

AGENDA ITEM 9-E
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: APRIL 20, 2007

**RE: AUTHORIZATION TO EXECUTE A LEASE FOR ADDITIONAL
LOCOMOTIVES**

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the VRE Chief Executive Officer to enter into a lease agreement with Railworld Locomotive Leasing, of Chicago, Illinois, for three locomotives in an amount not to exceed \$229,950 per year, plus freight, for a total of three years.

BACKGROUND:

VRE recently received an unsolicited proposal from Railworld Locomotive Leasing for the lease of three locomotives. The proposal offers VRE the opportunity to lease three EMD F40-PH-2 locomotives at a per unit cost of \$210 per day (\$76,650 per year, per unit). The proposal includes a purchase option at the end of three years of \$225,000, per locomotive or at the end of four years for \$125,000, per locomotive. On April 12, VRE posted this proposal on its web site and requested counter proposals by close of business on April 23, 2007. To-date, no additional proposals have been received. If a better proposal were to be submitted, it would be posted for an additional ten days and this item amended for the May Commission meetings.

As shown below, VRE's daily operations require 15 locomotives. Normally, a system would carry two additional locomotives as shop spares. However, VRE

currently carries four shop spares due to the age of its fleet. There have been five catastrophic failures related to power assemblies (i.e. pistons) in the past three years, with the two most recent events occurring in the past two months. In addition to major events, other enroute failures have occurred which have been corrected with minor repairs. In either situation, these failures result in train delays and/or service cancellations.

NUMBER OF AVAILABLE LOCOMOTIVES

Locomotive	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2015	FY2025
Planned Trains	30	30	34	34	36	36	40	48
No. of Consists	11	11	13	13	14	14	16	18
Existing Equipment	19	18	18	18	18	17	13	3
New Purchase				3*	4	5	10	20
Total Fleet	19	18	18	21	22	22	23	23
Locomotives Available for Service**	15	14	17	20	21	21	22	23
Locomotives Assigned to Trains	12	12	14	14	14	14	16	18
Protect Engines	3	3	3	3	3	3	3	3
Operating Fleet	15	15	17	17	17	17	19	21
Spares Needed	4	4	4	4	4	4	3	2
Total Needed	19	19	21	21	21	21	22	23
<i>Shortfall without 3-year Lease</i>	<i>(4)</i>	<i>(5)</i>	<i>(4)</i>	<i>(1)</i>	–	–	–	–
<i>Shortfall with 3-year Lease</i>	<i>(1)</i>	<i>(2)</i>	<i>(1)</i>	<i>(1)</i>	–	–	–	–

*Note: the above table assumes an initial purchase of 3 new locomotives is put into service in FY2010 with an additional locomotive each year thereafter. If additional funding becomes available, the option will be executed.

**Note: locomotives available for service are less than total fleet due to locomotive maintenance and/or repair activities which place at least one locomotive out of service at any given time.

Of particular concern is the effect of these failures on system operations and on-time performance. This situation is expected to become even more serious in FY2008, when the remaining Sounder locomotive must be returned and the locomotive fleet size drops to 18 units. The proposed lease will help close that gap in the short term.

In the long term, VRE plans to issue a procurement for up to 20 new locomotives, per the earlier Board item. While the Commonwealth's recently passed budget includes a \$15 million earmark for the procurement of rolling stock, the earliest VRE can expect to take delivery of new locomotives is 2009. Additionally, although the budget also includes provisions for \$25 million per year in capital and operating funding, the \$25 million is neither certain nor expected to be available for some time. As a result, the VRE fleet size is expected to continue to fall short of locomotive requirements, as indicated in the table, until the locomotive procurement is complete. In an effort to eliminate this shortfall and improve service reliability, VRE is recommending the execution of this lease at a three year term, as it is not expected to be needed for a fourth year.

FISCAL IMPACT:

Funding is included in VRE's Capital Improvement Program as part of the capital fleet expansion project, purchase or lease locomotives project. Funding is available from the FY 2006 and future federal grants. The local match is provided for using state and local funds.

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: APRIL 20, 2007
RE: AUTHORIZATION TO EXECUTE A LEASE FOR ADDITIONAL LOCOMOTIVES

RESOLUTION
9E-04-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, VRE received an unsolicited proposal to lease three locomotives from RailWorld Locomotive leasing for up to four years; and,

WHEREAS, the proposal was for \$210 per day with a purchase option at the end of either the three or four year lease term; and,

WHEREAS, VRE posted the proposal on its web site and to-date has received no counter proposals; and,

WHEREAS, in an effort to eliminate a locomotive shortfall and improve service reliability, VRE is recommending the execution of this lease.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the VRE Chief Executive Officer to enter into a lease agreement with Railworld Locomotive Leasing, of Chicago, Illinois, for three locomotives in an amount not to exceed \$229,950 per year, plus freight, for a total of three years.

AGENDA ITEM 9-F
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: APRIL 20, 2007

RE: AUTHORIZATION TO EXECUTE A LOCOMOTIVE LEASE PURCHASE

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the VRE Chief Executive Officer to execute a locomotive lease purchase agreement with Railworld Locomotive Leasing, of Chicago, Illinois, for one locomotive in an amount not to exceed \$229,950 per year, plus freight, for a total of three years and ownership of the V32 locomotive.

BACKGROUND:

On March 22, 2007, the V32 caught fire due to an electrical short while parked at Ivy City awaiting evening train service. Damage occurred to the main and auxiliary generators and inertial blower. Due to the fact that VRE recently returned one of its Sounder locomotives, this unit must be repaired or replaced in order to maintain an adequately sized locomotive fleet.

Under VRE's contract for locomotive maintenance services, the repair cost was estimated at \$450,000. VRE subsequently received an unsolicited proposal from Railworld Locomotive Leasing for the lease purchase of one locomotive. The proposal offers VRE the opportunity to lease one substantially rebuilt F-40 locomotive at a per unit cost of \$210 per day (\$76,650 per year) plus the damaged V32 locomotive. At the end of the three years, VRE will own this F-40 locomotive. Because the V32 was purchased with federal funds, a federal

interest estimated at \$80,000 will need to be paid to FTA. Including this payment, this lease agreement is \$140,000 less than repairing the V32.

On April 18, VRE posted this proposal on its web site and requested counter proposals by close of business on April 30, 2007. To-date, no additional proposals have been received. If a better proposal were to be submitted, it would be posted for an additional ten days and this item amended for the May Commission meetings. The leased locomotive is estimated to be available for service in two months.

FISCAL IMPACT:

Funding is included in VRE's Capital Improvement Program as part of the capital fleet expansion project, purchase or lease locomotives project. Funding is available from the FY 2006 and future federal grants. The local match is provided for using state and local funds. No insurance claim is being submitted for the V32 damage as VRE's deductible is \$250,000.

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: APRIL 20, 2007
RE: AUTHORIZATION TO EXECUTE A LOCOMOTIVE LEASE PURCHASE

RESOLUTION
9F-04-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, on March 22, 2007, the V32 caught fire while parked at Ivy City awaiting evening train service; and,

WHEREAS, the fire caused extensive damage estimated to cost \$450,000 to repair; and,

WHEREAS, VRE received an unsolicited proposal to lease to own one locomotive from RailWorld Locomotive leasing for three years; and,

WHEREAS, the proposal was for \$210 per day plus the damaged V32 locomotive and VRE will own this F-40 locomotive at the end of three years; and,

WHEREAS, VRE posted the proposal on its web site and to-date has received no counter proposals; and,

WHEREAS, this locomotive must be repaired or replaced in order to maintain an adequately sized locomotive fleet; and,

WHEREAS, the lease purchase option is less expensive than an outright repair.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the VRE Chief Executive Officer to execute a locomotive lease purchase agreement with Railworld Locomotive Leasing, of Chicago, Illinois, for one locomotive in an amount not to exceed \$229,950 per year, for a total of three years, plus freight and ownership of the V32 locomotive.