

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.

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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.