

**AGENDA ITEM 8-F**  
**ACTION ITEM**

**TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD**

**FROM: DALE ZEHNER**

**DATE: MAY 18, 2007**

**RE: AUTHORIZATION TO EXECUTE A LOCOMOTIVE LEASE PURCHASE**

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**RECOMMENDATION:**

The VRE Operations Board is being asked to authorize the Chief Executive Officer to amend a previously authorized contract with Railworld Locomotive Leasing, of Chicago, Illinois, or the subsequent best proposer, for one locomotive in an amount not to exceed \$82,125 per year, plus freight, for a total of four years and ownership of the V32 locomotive.

**BACKGROUND:**

Last month, the Operations Board approved a three year lease with Railworld Locomotive Leasing. As described below, a mathematical error caused the proposal to be withdrawn and resubmitted. The revised proposal added an additional year to the lease requirement and included a daily rate which is \$15 more per day.

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 \$225 per day (\$82,125 per year), plus the damaged V32 locomotive. At the end of the four 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 reinvested with FTA. Including this investment, this lease agreement is \$40,000 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. One additional proposal was received but the proposal was not found to be more competitive.

On April 30, VRE was contacted by Railworld and the proposal withdrawn due to a mathematical error. A revised proposal was subsequently submitted and posted on VRE's website on May 4. Counter proposals were requested by close of business on May 17, 2007. If a better proposal were to be submitted, it will be posted for an additional ten days. The leased locomotive is estimated to be available for service within two months of contract execution.

**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.

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**FROM: DALE ZEHNER**  
**DATE: MAY 18, 2007**  
**RE: AUTHORIZATION TO EXECUTE A LOCOMOTIVE LEASE PURCHASE**

**RESOLUTION**  
**8F-05-2007**  
**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**, this locomotive must be repaired or replaced in order to maintain an adequately sized locomotive fleet; 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 after leasing for four years; and,

**WHEREAS**, VRE posted the proposal on its web site and to-date has received no better proposals.

**NOW, THEREFORE, BE IT RESOLVED THAT**, the VRE Operations Board authorizes the Chief Executive Officer to amend a previously authorized contract with Railworld Locomotive Leasing, of Chicago, Illinois, or the subsequent best proposer, for one locomotive in an amount not to exceed \$82,125 per year, plus freight, for a total of four years and ownership of the V32 locomotive.