



MINUTES

VRE OPERATIONS BOARD MEETING PRTC HEADQUARTERS – PRINCE WILLIAM COUNTY, VIRGINIA APRIL 18, 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

1500 King Street, Suite 202
Alexandria, VA 22314-2730
(703) 684 – 1001
FAX: (703) 684 – 1313
Web Site: www.vre.org

MEMBERS PRESENT	JURISDICTION
Sharon Bulova (NVTC)	Fairfax County
Maureen Caddigan (PRTC)*	Prince William County
Wally Covington (PRTC)	Prince William County
Patrick Herrity (NVTC)	Fairfax County
John D. Jenkins (PRTC)	Prince William County
Paul Milde (PRTC)	Stafford County
George H. Schwartz (PRTC)	Stafford County

MEMBERS ABSENT	JURISDICTION
Marvin J. Dixon (PRTC)	City of Fredericksburg
Frank C. Jones (PRTC)	City of Manassas Park
Kevin Page	DRPT
Paul Smedberg (NVTC)	City of Alexandria
Doug Waldron (PRTC)	City of Manassas
Christopher Zimmerman (NVTC)	Arlington County

ALTERNATES PRESENT	JURISDICTION
Matthew Kelly (PRTC)	City of Fredericksburg

ALTERNATES ABSENT	JURISDICTION
Marc Aveni (PRTC)	City of Manassas
Jay Fisetite (NVTC)	Arlington County
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	
Donna Boxer – VRE	April Maguigad – VRE
George Billmyer – citizen	Betsy Massie – PRTC staff
John Duque – VRE	Sirel Mouchantaf – VRE
Anna Gotthardt – VRE	Peyton Onks – Sup. Herrity's office
Kelly Hannon – Free Lance-Star	Dick Peacock -- citizen
Al Harf – PRTC staff	Mark Roeber – VRE
Steve Hennessee – DRPT	Brett Shorter – VRE
Ann King – VRE	Jennifer Straub – VRE
Mike Lake – Fairfax County	Rick Taube – NVTC staff
Bob Leibbrandt – Prince William County	Sarah Woolfenden – Stafford County
Steve Maclsaac – VRE counsel	Dale Zehner – 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 9:35 A.M. Following the Pledge of Allegiance, roll call was taken.

[Ms. Caddigan arrived at 9:36 A.M.]

Approval of the Agenda – 3

Chairman Jenkins noted that Board Members were provided with a new blue copy of the revised agenda, which includes the addition of Item #8H “Operations Board Member’s Discussion Item.”

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

Minutes of the March 21, 2008, VRE Operations Board Meeting – 4

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

Chairman’s Comments – 5

Chairman Jenkins announced that the ribbon cutting ceremonies for the two new parking facilities have been scheduled. The ribbon cutting ceremony for the new Manassas parking garage will be held on June 26th at 11:00 A.M. and the Burke Centre parking facility will be dedicated on June 28th at 1:00 P.M. Invitations will be mailed mid-May and the public is invited to attend. This additional free parking is expected to positively impact ridership.

Chairman Jenkins also stated that the fifth set of new railcars were delivered on April 17th and will undergo testing over the weekend. They should be in service by next Tuesday and will be added on Trains #322/332 and #333 on the Manassas Line. He stated that this project is running on-time and within budget, with another five railcars to be delivered next month. VRE now has 25 of the 50 railcars.

Chief Executive Officer’s Report – 6

Mr. Zehner reported that ridership continues to climb as compared to last year at this time. VRE has a cumulative increase of four percent compared to last year. He attributes the gain to the new railcars being delivered and put into service each month as well as the improved on-time performance. In March, on-time performance was 88.6 percent on the Fredericksburg Line and 86.9 percent on the Manassas Line, for a system wide average of 87.7 percent. Only four of the delays were due to mechanical

issues. Most of the delays were congestion delays, with an average delay of 10 minutes. With a congested rail corridor and an increase in Amtrak and CSX trains, anytime a train is “out of slot” delays can ripple back to the following trains. Most of the delays happen in the afternoon.

Mr. Zehner reported that VRE has leased and received two overhauled locomotives, which should go into service next week. A third unit will arrive next week. This will help minimize any locomotive issues or problems.

Mr. Zehner reviewed VRE’s operation and security concerns during the Pope’s recent visit. VRE asked the federal government to help with security at L’Enfant Station, Union Station and Alexandria. Also, all the jurisdictions responded with additional help at their individual stations. It all ran very smoothly.

Mr. Milde stated that he is pleased to see that on-time performance on the Fredericksburg Line has improved.

VRE Riders’ and Public Comment – 7

George Billmyer stated that ridership on the Manassas Line is still slightly down, although it has been improving throughout the month of April. There seems to be an imbalance of where the new railcars have been placed. The Fredericksburg Line has six train sets and only one set is made up of older equipment. The Manassas Line has five train sets with four sets made up of older equipment.

Mr. Billmyer provided some details about a new commuter rail service (“The Frontrunner”) starting up in Utah, commenting that this railroad knew how to get funding. They are doing some unique things, including using the Union Pacific right-of-way. Thirty-eight of the forty-six mile system will involve their own separate track and then will tie into the Union Pacific track for six miles. They are planning for the future by building station platforms to accommodate 10-car train sets, although they are only starting with three-car train sets. They are planning on all day service on weekdays and weekends.

Mr. Billmyer reported that Washington, D.C. is now the most congested city in the country, beating out Los Angeles. People want service all the time. VRE needs more funding to be able to provide additional service. The first thing the new start in Salt Lake City did was hire a full-time lobbyist to obtain federal funding. It is his understanding that their start-up costs were \$581 million and the Full Funding Grant agreement provided \$489 million. The Norfolk Light Rail Line also received \$127 million. Having separate tracks is an important component to a successful rail system. Freight growth will continue to expand in the future.

Ms. Bulova requested more details about the Salt Lake City rail system and specifically the funding arrangements. Chairman Jenkins asked Mr. Billmyer to get together with Mr. Zehner to pass along more details about this system.

Dick Peacock stated that he does not understand why people keep driving their automobiles when VRE provides such good service. Using VRE will save people money. It costs approximately 50-cents per mile to drive a medium-size automobile according to AAA (when gas was at \$2.25). VRE needs to educate the public about these costs. He is pleased to see that the new parking garage is being built in Manassas. He expressed his concern that some of the existing parking will be phased out. Mr. Zehner responded that the 60 spaces in the ABC lot will be taken away, but these spaces are not being utilized very much now.

Mr. Peacock stated that the Broad Run parking lot is at capacity. There is a mega church a mile away with ample parking. He suggested VRE making arrangements with the church to have parking available there and run a shuttle to the station. He also speculated that if the new Manassas parking facility fills up in the future, there is the Portsmouth bus lot, which is currently only at 20 percent capacity. VRE could run a shuttle from that lot to Manassas if needed.

Mr. Peacock stated that the public probably does not understand that the gas tax hasn't been changed since 1986. If people knew that, they would probably be understanding of a tax increase. Also, there is a problem with the existing gas tax because it is based on pennies per gallon and it should be based on the percentage of the value being taxed. Chairman Jenkins encouraged the public to express their concerns to the Governor and state legislators, who need to come up with a solution to the region's traffic congestion, since the Supreme Court ruled against HB 3202.

Authorization to Modify VRE's Fares – 8A

Mr. Zehner explained that the VRE Operations Board is being asked to recommend that the Commissions authorize him to amend VRE's tariff to increase fares by three percent beginning on June 30, 2008, without any change to the current ticket discount structure; to revise the official tariff to include past amendments; and initiate the fare indexing policy as part of the FY 2010 budget process. Resolution #8A-04-2008 would accomplish this.

Mr. Zehner stated that a three percent fare increase will generate about \$630,000 annually. He reported that VRE solicited public comment via e-mail, public hearings, letters and faxes between February 6 and March 14, 2008. Eighty-six e-mails were received and 19 people attended the public hearings. After reviewing the comments, VRE is recommending that fares be increased by three percent. Reduced fares for seniors and persons with disabilities have also been recalculated per federal requirements. Since the tariff has not been updated since 2003, the Board is being asked to officially adopt the revised tariff so that past Board adopted changes can be officially integrated into the document. All changes have been previously approved by the Operations Board and include things such as changing the Free Ride Certificates (FRC) program from 30 minutes to 60 minutes and changing the Step-Up policy.

Mr. Zehner explained that future fare increases would be based on the Six-Year Plan that is required by the Master Agreement and provided as part of the annual budget

process. The fare increase would be adjusted year-to-year as part of the budget process. The Six-Year Plan takes into consideration service and ridership levels, capital requirements, federal and state funding levels, and anticipated increases in various cost components. As such, it provides a comprehensive snap-shot of future funding needs and estimates the future fare revenue necessary to achieve financial stability.

Ms. Bulova stated that if the riders understand why there are fare increases (higher fuel costs), they will support it. She observed that there were very few comments on the fare indexing and she asked if VRE included detailed information about it at the public hearings. She stated that it is important to continue to communicate with riders about what the fare indexing would mean. Mr. Zehner responded that detailed information was provided at the public hearings. He stated that VRE staff will work to put this information on VRE's website so passengers can have access to it.

Ms. Bulova expressed her appreciation on how VRE develops its fare policy. She expressed her opinion that Metro makes the mistake of waiting to adjust fares until it results in a large increase, which angers riders.

Mr. Milde stated that a problem that is becoming prevalent in Stafford County is the rest of the people paying the two-percent gas tax are demanding that VRE charge appropriate fares. He stated that he wants to make sure that the Operations Board is voting to approve a fare indexing policy. Chairman Jenkins replied that the Board is being asked to approve such a policy and would be incorporated into VRE's tariff documents, which is a public document.

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

Authorization to Award Contract for Insurance Brokerage Services – 8B

Mr. Zehner reported that the Operations Board is being asked to recommend that the Commissions authorize VRE's CEO to enter into a three year contract, with two additional one-year options, with Aon Risk Services, or the next responsive and responsible proposer, for the provision of insurance brokerage services. The total contract value will not exceed \$908,600 over the five-year period. Resolution #8B-04-2008 would accomplish this.

Mr. Zehner explained that the Division of Risk Management (DRM) has been responsible for procuring insurance coverage for VRE, as an adjunct to their duties under the Commuter Rail Operations Liability Insurance Plan. In 2003, DRM entered into an agreement with Marsh USA, Inc. for brokerage services for a five-year contract period ending June 30, 2008. During recent negotiations on changes and clarification to the Insurance Plan, VRE and DRM agreed that this function could be more efficiently handled by VRE.

Mr. Zehner stated that following a procurement process, VRE received four proposals and they were evaluated by a selection committee composed of staff from VRE, DRM and the Prince William County Division of Risk Management.

Mr. Milde asked if \$908,600 is more or less what VRE has been paying for these services. Mr. Zehner stated that DRM had the brokerage contract last year. Ms. Boxer stated that the brokerage fees last year were actually less, but the issue is to look at the whole picture because VRE pays for insurance and brokerage fees, which is about \$4 million annually. Mr. Zehner clarified that the cost of the insurance and brokerage fees does not go to the Operations Board or Commissions, because it goes directly to DRM.

Mr. Kelly moved, with a second by Ms. Bulova, to approve Resolution #8B-04-2008. The vote in favor was cast by Board Members Bulova, Caddigan, Covington, Herrity, Jenkins, Kelly, Milde, and Schwartz.

Authorization to Award a Contract for Auditing Services – 8C

Mr. Zehner stated that Resolution #8C-04-2008 provides authorization for the CEO to award a contract to PBGH LLP for auditing services for three years with options to extend for up to four additional years, in two-year increments, in an amount not to exceed \$347,525 over the seven-year period. NVTC has also entered into a contract with PBGH for auditing services.

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

Authorization to Purchase an Air Compressor System for the Crossroads Yard – 8D

Mr. Zehner reported that the VRE Operations Board is being asked to authorize the CEO to purchase an air compressor system for the Crossroads Yard from Kaeser Compressors, Inc., of Fredericksburg, Virginia in an amount not to exceed \$70,000. Resolution #8D-04-2008 would approve this contract.

Mr. Zehner explained that VRE is currently building an engine house and train washer at the Crossroad Yard as part of the yard expansion project. Construction of the maintenance facility component of the project includes installation of yard air, which is required for operation of the train air brake system. VRE determined that direct purchase of the materials would be less expensive than purchasing them through a contractor. VRE priced the equipment through eVa, the state procurement program. As this purchase is being made using federal funds, eVa allowed use of both federal and state procurement terms and conditions.

Mr. Kelly moved to approve Resolution #8D-04-2008. Ms. Caddigan seconded the motion. The vote in favor was cast by Board Members Bulova, Caddigan, Covington, Herrity, Jenkins, Kelly, Milde, and Schwartz.

Authorization to Increase Contract Amount and Exercise Final Option Year for Locomotive Fuel Supply at the Broad Run Yard – 8E

Mr. Zehner reported that the VRE Operations Board is being asked to recommend that the Commissions authorize VRE's CEO to amend the existing contract ending July 5, 2008, with Mifco Heating Oil of Manassas, Virginia for the delivery of diesel fuel to the Broad Run Yard by \$250,000, for an annual authorization not to exceed \$1,850,000. The Commissions would also be asked to authorize VRE's CEO to exercise the final option year of the contract, ending July 5, 2009, in an amount not to exceed \$2,300,000. Resolution #8E-04-2008 would accomplish this.

In response to a question from Chairman Jenkins, Mr. Zehner explained that the contract extension is being requested because VRE wants to continue to purchase fixed fuel delivery contracts, which have saved VRE about \$350,000 this past year. To do that, the contract needs to be in place.

Mr. Covington observed that the total cost of fuel for the Fredericksburg Line is almost double compared to the Manassas Line. Mr. Zehner explained that the Fredericksburg Line is a much longer corridor than the Manassas Line.

Mr. Kelly moved, with a second by Mr. Schwartz, to approve Resolution #8E-04-2008. The vote in favor was cast by Board Members Bulova, Caddigan, Covington, Herrity, Jenkins, Kelly, Milde, and Schwartz.

Authorization to Increase Contract Amount and Exercise Final Option Year for Locomotive Fuel Supply at the Crossroads Yard – 8F

Mr. Zehner stated that the Board is also being asked to amend the existing contract with Quarles Petroleum Company of Fredericksburg, Virginia for the delivery of diesel fuel to the Crossroads Yard. Resolution #8F-04-2008 would authorize the VRE CEO to amend the existing contract, ending October 3, 2008, by \$850,000 for an annual authorization not to exceed \$3 million.

Ms. Bulova moved, with a second by Mr. Kelly, to approve Resolution #48G-04-2008. The vote in favor was cast by Board Members Bulova, Caddigan, Covington, Herrity, Jenkins, Kelly, Milde, and Schwartz.

Authorization to Award a Contract for the Construction of a Second Platform at the Woodbridge Station – 8G

Mr. Zehner reported that the VRE Operations Board is being asked to recommend that the Commissions authorize him to enter into a contract with Costello Construction of Columbia, Maryland for the construction of a second platform at the Woodbridge Station in the amount of \$3,517,000, plus a 10 percent contingency, for a total amount not to exceed \$3,868,700. The VRE Board is also being asked to recommend that the

Commissions authorize him to execute any related documents necessary to implement the project. Resolution #8G-04-2008 would accomplish this.

Mr. Zehner stated that this contract gets the project going. It will provide for the building of the second platform and a pedestrian overpass. It will not construct the Kiss-n-Ride, the Rt. 1/Rt. 123 interchange, or the track work.

Ms. Caddigan moved, with a second by Mr. Schwartz, to approve Resolution #8G-04-2008.

Mr. Milde stated that it is his understanding that the funds have been allocated for this project, but asked if that meant that the funds have been set aside since 2003. Mr. Zehner stated that it is being funded from federal grants matched with state and local funds. In response to a question from Mr. Milde, Ms Caddigan stated that the local match is coming from Prince William County. Mr. Milde stated that it is worth noting that VRE's policy back in 2003 was that the entire financial obligation was borne by the entire Operations Board and not just the jurisdiction benefitting from the improvements. Mr. Zehner clarified that any type of railroad work (track, platform or station) comes to the Operations Board for approval, as well as any match. If it is parking related or a station outside the platform, it is generally a jurisdictional responsibility. Mr. Milde noted that it is not a policy change then after all.

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

Operations Board Member's Discussion Item – 8H

Mr. Herrity explained that during his initial meeting with VRE staff, Mr. Zehner indicated that VRE had looked into Wi-Fi service on VRE, but since there were black holes in the service area and consistent coverage could not be obtained the length of the railroad corridor, VRE stopped pursuing it. Mr. Herrity stated that he represents the Clifton area, where a black hole is located, and they are trying to resolve the issue. Mr. Herrity would like to have VRE revisit the issue of providing Wi-Fi service on the trains to attract new riders and keep existing riders. Chairman Jenkins stated that staff should evaluate whether this could be included in the strategic plan. Staff could then return to the Board at the appropriate time to make a recommendation. He stated that passengers have inquired about VRE providing Wi-Fi service.

In response to a question from Ms. Bulova, Mr. Herrity stated that it is important to have complete reliable coverage, otherwise riders will be upset if coverage is lost. Mr. Zehner stated that Clifton and Stafford areas have black holes, but he will work with these localities. Mr. Covington offered his help given he represents a section of that corridor. Chairman Jenkins further directed staff to work with the jurisdictions on this issue.

Mr. Herrity moved, with a second by Mr. Covington, to direct staff to evaluate Wi-Fi service on both VRE lines and to work with jurisdictions to fill in the black holes. The

vote in favor was cast by Board Members Bulova, Caddigan, Covington, Herrity, Jenkins, Kelly, Milde, and Schwartz.

FY 2008 Year-End Financial Projection – 9A

Mr. Zehner asked Ms. Boxer to give a presentation on the FY 2008 year-end financial projection. Ms. Boxer explained that each month the VRE Operations Board receives financial information in summary form that shows year-to-date actual to budgeted fare revenue, grant revenue and operating expenses. The results of operations at year-end are anticipated to be a loss of \$2 million for FY 2008. She reviewed some of the major causes which are due to increased diesel costs, higher yard electricity costs, higher repair and maintenance costs, lump sum payments resulting from Amtrak negotiations, and grant revenues that are less than the amount budgeted. Savings in administrative and insurance costs, as well as an estimated fare revenue increase have provided a partial offset to the higher costs described above. She stated that the source of funds for the net shortfall will come from the operating reserve fund, which will bring it from \$6 million to \$4 million. Chairman Jenkins stated that the bottom line is that VRE has enough money to cover the shortage, but it does not leave much to carryover.

Mr. Harf stated that the impact of the Amtrak settlement to VRE is a very small part of a very large settlement and he asked if the settlement, which applies to the mainstream Amtrak operation, is a resolved issue. He asked if VRE staff is satisfied that there is not any load sharing that is being passed on by the contractor to VRE. In response, Mr. Zehner stated that VRE staff has not seen the full Amtrak settlement document, but will look at it closely when it is available. It is a very detailed document.

Adjournment

On a motion by Ms. Bulova, and a second by Ms. Caddigan, the Board unanimously voted to adjourn. Chairman Jenkins adjourned the meeting at 10:42 A.M.

Approved this 16th day of May, 2008.

JOHN D. JENKINS
Chairman

PAUL MILDE
Secretary

CERTIFICATION

This certification hereby acknowledges that the minutes for the April 18, 2008 Virginia Railway Express Operations Board Meeting have been recorded to the best of my ability.

Rhonda Gilchrest

Rhonda Gilchrest