



MINUTES

VRE OPERATIONS BOARD MEETING PRTC HEADQUARTERS – PRINCE WILLIAM COUNTY, VIRGINIA DECEMBER 19, 2008

VIRGINIA RAILWAY EXPRESS

BOARD MEMBERS

JOHN JENKINS
CHAIRMAN

SHARON BULOVA
VICE-CHAIRMAN

CHRIS ZIMMERMAN
TREASURER

PAUL MILDE
SECRETARY

MAUREEN CADDIGAN
WALLY COVINGTON
PATRICK HERRITY
FRANK JONES
MATT KELLY
KEVIN PAGE
GEORGE SCHWARTZ
PAUL SMEDBERG
JONATHAN WAY

ALTERNATES

MARC AVENI
BRAD ELLIS
JAY FISETTE
TIMOTHY LOVAIN
MICHAEL MAY
JEFF McKAY
MARTIN NOHE
BRYAN POLK
JOHN STIRRUP

DALE ZEHNER
CHIEF EXECUTIVE
OFFICER

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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
Matthew Kelly (PRTC)	City of Fredericksburg
Kevin Page	DRPT
George H. Schwartz (PRTC)	Stafford County
Paul Smedberg (NVTC)	City of Alexandria
Jonathan Way (PRTC)	City of Manassas
Christopher Zimmerman (NVTC)*	Arlington County

MEMBERS ABSENT	JURISDICTION
Frank C. Jones (PRTC)	City of Manassas Park
Paul Milde (PRTC)	Stafford County

ALTERNATES ABSENT	JURISDICTION
Marc Aveni (PRTC)	City of Manassas
Jay Fiset (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	Sirel Mouchantaf – VRE
Anna Gotthardt – VRE	Peyton Onks – Sup. Herrity's office
Al Harf – PRTC staff	Dick Peacock – citizen
Ann King – VRE	Mark Roeber – VRE
Mike Lake – Fairfax County	Mike Schaller – citizen
Trinh Lam – VRE	Brett Shorter – VRE
Bob Leibbrandt – Prince William County	Jennifer Straub – VRE
Steve Maclsaac – VRE counsel	Rick Taube - NVTC
April Maguigad – VRE	Kitja Weir- DC Examiner
Betsie Massie – PRTC staff	Sara Wolfenden – Stafford County
	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 9:38 A.M. Following an Invocation and the Pledge of Allegiance, roll call was taken.

Chairman Jenkins announced that the Nominating Committee, consisting of Board Members Bulova and Caddigan, will recommend a slate of officers for 2009 at the January VRE Operations Board meeting.

[Mr. Zimmerman arrived at 9:41 A.M.]

Approval of the Agenda – 3

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

[Mr. Herrity arrived at 9:42 A.M.]

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

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

Chairman's Comments – 5

Chairman Jenkins announced that VRE collected 650 toys and \$7,500 in cash and gift card donations for the Marine Corps' Toys for Tots campaign. VRE also had a very successful 12th Annual Operation Lifesaver Santa Trains on Saturday, December 13, 2008. Tickets sold out and another 2,500 toys were collected that day for the Toys for Tots campaign.

Chief Executive Officer's Report – 6

Mr. Zehner agreed that the Santa trains were very successful. Every Santa was accompanied by a Mrs. Clause and staff anticipates having a Santa and Mrs. Claus on all trains next year. VRE ridership is still up although the growth rate is slowing significantly. On-time performance dipped in November for several reasons, including CSX issuing slow orders until repairs were completed on some sections of tracks. Mr. Zehner has discussed this issue with Jay Westbrook of CSXT, who has stated that the rail line between Washington, D.C. and Fredericksburg will need to be re-railed within the next year or two.

Mr. Zehner explained that VRE had not planned to run service on Inauguration Day, but will now run following requests from the federal government and general public. Each

round trip ticket will be \$25 and for specific reserved trains. To address safety concerns, CSX, Amtrak, and the local jurisdictions are helping by providing police officers at every station. VRE will not stop at Franconia/Springfield, Crystal City or Alexandria since those stations are already served by Metro.

Ms. Bulova stated that she has been getting telephone calls from regular riders who need to work that day and have been told that their monthly ticket will not be honored. Mr. Zehner stated that it is VRE's intent to accommodate these riders. Ms. Bulova stated that regular riders are very important to VRE and VRE should be loyal to them. Ms. Caddigan agreed, but stated that since a newspaper already reported that monthly tickets would not be honored, VRE needs to get this information out.

Mr. Zehner provided more details about the commemorative ticket. Instructions will be included with the ticket highly recommending that riders disembark at L'Enfant station because of the security barriers that will be up along Pennsylvania Avenue. Mr. Covington asked what is the percentage of VRE riders who purchase monthly tickets. Mr. Zehner responded that it is approximately 45 percent. Mr. Covington suggested that this is an opportunity for VRE to show that the monthly pass is a premium pass and to encourage other riders to purchase the monthly pass. Mr. Zehner stated that he will notify passengers early next week that those riders who need to work on Inauguration Day can submit their monthly ticket to obtain reserved tickets to ride on Inauguration Day – the exact details will need to be worked out.

Mr. Covington suggested offering tickets to local tourism boards so they can put together packaged hotel deals. It could be a promotional incentive. Mr. Smedberg stated that larger jurisdictions could include information about the special VRE ticket on their websites. Chairman Jenkins suggested Board Members contact their jurisdictional staff about this.

Mr. Zehner also announced that VRE will be featured in an upcoming Discovery Channel program about "living green" in which the cameras follow a woman throughout her day. It includes footage of her commuting to work via VRE. Board Members will be notified when the program will air.

Mr. Zehner reported that the Burke Centre garage facility is now complete. It is a beautiful facility, including the design, landscaping, and integrated bus area. Ms. Bulova stated that the community initially opposed the project but now is proud of their participation in the design process. She thanked VRE staff for a memorable ribbon cutting ceremony.

VRE Riders' and Public Comment – 7

Dick Peacock stated that lower gas prices result in lower gas taxes collected for the jurisdictions. He also stated that VRE has an excellent safety record. The local subsidies should be looked at in terms of the value VRE produces. Every time a police

officer has to respond to an accident or crime, it is money out of the pockets of the community. The region is getting a lot of value with VRE service. He encouraged VRE to keep the fare increase in July as low as possible. He stated that another way to increase revenue is to lower discounts on monthly and senior citizen passes. He also stated that VRE should target environmental groups to put up paid advertising on the trains and stations. Chairman Jenkins reported that the two flags at the Woodbridge Station have been replaced, which Mr. Peacock had previously inquired about.

Chairman Jenkins reminded Board Members that there was a major passenger rail disaster recently in California, which killed 25 people and injured approximately 135 people. He cautioned that this type of accident will have a ripple effect on insurance costs, which will impact all commuter rail operations. Fortunately, VRE has a very good safety record, with no fatalities.

Referral of the Revised FY 2009 and Recommended FY 2010 VRE Operating and Capital Budget Options to the Commissions and Localities – 8A

Mr. Zehner reported that the VRE Operations Board is being asked to adopt the revised FY 2009 budget and the recommended FY 2010 VRE Operating and Capital Budget and refer them to the Commissions for their consideration and subsequent referral to the jurisdictions for their formal review and adoption. The major assumptions for the FY 2010 budget are as follows: no service changes with a continuation of the 30-train operation; a projected average daily ridership of 15,600 passengers; projected fare revenue of \$26.9 million with a six percent fare increase; continued restoration of the \$10 million Insurance Trust Fund over a multi-year period; and jurisdictional subsidies reduced by approximately \$900,000. Most jurisdictions' subsidy would go down with the exception of Arlington, Alexandria and the City of Fredericksburg.

Mr. Zehner stated that VRE costs have increased by \$6 million compared to last year's budget, primarily due to increased operating costs and continuing to restore the Insurance Trust Fund reserve.

Mr. Zehner reported that VRE ridership growth has begun to level off and concern among staff is that as gasoline prices fall and VRE's fares increase (7 percent proposed in January 2009), some riders may leave. VRE passengers are sensitive to costs. VRE has had seven fare increases over the last 8-9 years. He cautioned that large fare increases, coupled with unpredictable or uncontrollable events, such as weather, crowding, service issues, or on-time performance, may cause riders to leave VRE and once they leave they do not normally come back. VRE has to stay competitive to maintain ridership.

Mr. Zehner reviewed the four budget areas that are unpredictable and volatile: diesel fuel costs, state funding, ridership, and insurance costs. The budget recommendations reflect the best assumptions concerning these issues. Yesterday, the state reduced the state capital and operating transportation budget, which included a \$1.3 million decrease in VRE's FY 2009 funding. For FY 2010 it will drop another \$750,000. The recent fare increase included the assumption that fare revenue would produce operating

revenue of \$1.2 million, which will help cover the \$1.3 million state funding deficit. Staff will continue to find a way to cover the FY 2010 state deficit.

Mr. Zehner reported that to save money, VRE's marketing budget has been stripped from the overall budget for next year. VRE will not be able to run a marketing campaign if ridership dips down.

Mr. Zehner then reviewed the CAO Task Force recommendations for the FY 2010 preliminary budget, which have some differences from the staff recommendations. The Task Force recommends a 10 percent fare increase; further reduction in jurisdictional subsidies; no additional train service in 2012 and 2014 unless the revenue situation improves; an increase in the annual escalation rate; and reduced diesel fuel expenditures from an average price of \$2.65 per gallon to \$2.50 per gallon in FY 2010.

Mr. Zehner expressed his concern regarding diesel fuel costs because of the volatile market. He expects to be able to lock fuel prices in spring, 2009 and he will work to get a lower price. He cautioned that if VRE has significant ridership loss, there will be real budget issues going into FY 2010. Lower fuel prices are a "double edged sword" in that it reduces operating expenses, but also lowers jurisdictions' gas tax revenues. Also, riders who switched to rail because of high fuel costs, now have more commuting options. VRE needs to maintain its service level.

Mr. Way stated that he can understand the rationale for the six percent fare increase, but since service level factors seem to be more important than fares, he asked if VRE could do more to increase the quality of service. Mr. Zehner responded that operations are fully funded so any increase to operating aspects of the budget would only make a marginal difference in service quality. Ms. Bulova stated that she finds Mr. Zehner's comments and concerns regarding the fare increase compelling. Chairman Jenkins stated that he is hearing rumors from the financial sector that fuel production will be cut back and the price of gas will go back up. He has reviewed the budget in great detail with staff and he has no problem supporting the staff recommendations.

Mr. Schwartz reflected that the jurisdictions are experiencing economic challenges as well. He stated that it is going to be difficult for him to vote against a further \$300,000 reduction in jurisdictional subsidy outlined in the CAO Task Force recommendations. Stafford County supports the CAO recommendations of a 10 percent fare increase and further reduction in local subsidies. He stated that Mr. Zehner's concerns regarding lost ridership due to increased fares is only hypothetical and what might happen.

Mr. Way stated that he has trouble philosophically with raising fares and giving money back to the jurisdictions. It is a left-handed way of balancing the budget. He suggested staff squeeze additional savings out of the budget. Mr. Zehner responded that he can try and squeeze harder, but that he does not know how much more he can reduce from the budget. Mr. Kelly stated that every jurisdiction is looking at significant cuts in services. It is a grim situation. His vote on the budget must take into consideration what conditions the City of Fredericksburg is facing and he hopes that riders understand these conditions. He speculated that if VRE does only a six percent fare increase, VRE will have to consider more increases in the future until the state steps up and solves the

funding problem. He stated that the CAO recommendations concerning fuel prices leaves some wiggle room to play within the budget. As presented now, Mr. Kelly stated that he cannot support the staff recommendations.

Mr. Covington expressed his opinion that the proposed budget is a good flexible place to start and it will be revisited over the next few months. He is confident in Mr. Zehner's proposal. Ms. Caddigan asked Mr. Schwartz and Mr. Kelly if the staff recommendations included a 10 percent fare increase, would they vote in favor of the motion. Both replied yes. She stated that VRE just instituted a fare increase and she struggles with voting for another large fare increase. She hopes for the stimulus package promised by the federal government. She expressed her support for staff's budget recommendations.

Mr. Smedberg asked for clarification as to why Arlington and Alexandria's subsidies are increasing, while others are decreasing. Mr. Zehner stipulated that the allocation formula provides for Arlington and Alexandria's subsidies to annually increase by five percent. Mr. Smedberg encouraged VRE to advocate for federal funding as part of any stimulus package.

Mr. Zimmerman stated that staff has a difficult job balancing everything in the budget. He has a philosophical disagreement concerning the rationale behind the subsidy increase for Alexandria and Arlington. However, he is willing to support the budget even though Arlington, Alexandria and the City of Fredericksburg will be paying more while the other jurisdictional subsidies are being cut. Every jurisdiction is experiencing financial difficulties. He observed that it takes a long time to get riders back if they leave. A six percent fare increase on top of a seven percent (and before that a three percent fare increase) is worrisome. Staff's budget recommendations are a good starting point. For the long term, it makes no sense to cut back plans for growth in the near future as proposed by the CAO recommendation. Mr. Kelly stated that he disagrees with Mr. Zimmerman's assumption that local governments have a responsibility to pick up the slack when funding should come from some other source. He stated that it is important to continue to seek federal support and funding.

Ms. Caddigan moved, with a second by Ms. Bulova, to approve Resolution #8A-12-2008, which would adopt the revised FY 2009 budget and the recommended FY 2010 VRE Operating and Capital Budget and refer them to the Commissions for their consideration and subsequent referral to the jurisdictions for their formal review and adoption.

Mr. Covington noted that Forbes Magazine has recognized two areas in Prince William County as part of the worst commuting areas in small towns. This should attract some attention as to what service VRE provides and could provide to these areas.

Mr. Smedberg asked if the resolution should include wording reaffirming that the budget is built on the average daily ridership of 15,600 passengers and the need to maintain ridership as well as an efficient level of service. Ms. Caddigan and Ms. Bulova, as maker and seconder of the motion, agreed to this friendly amendment. There were no objections.

In response to a question from Mr. Way, Mr. Zehner explained that the budget package attached to the revised budget item would be sent to the Commissions, along with a copy of the amended resolution.

Chairman Jenkins asked for a roll call vote. Those in favor of the motion were Board Members Bulova, Caddigan, Covington, Herrity, Jenkins, Page, Smedberg, Way and Zimmerman. Mr. Kelly and Mr. Schwartz voted no. The motion passed.

Authorization to Issue a Request for Proposals for Locomotive Maintenance – 8B

Mr. Zehner stated that Resolution #8B-12-2008 authorizes the CEO to issue a Request for Proposals for maintenance of VRE locomotives. He explained that the current contract expires in March 2009. Amtrak currently holds the core contract to inspect and maintain (but not repair) VRE's locomotives. Amtrak's contract expires on June 30, 2010. Under the current maintenance and repair contract, VRE has been able to perform top deck rebuilds on ten locomotives as well as conduct nine other system-wide programmed improvements to the locomotive fleet. The proposed contract will include the same scope of services and would run from March 2009 through June 30, 2010, at which time whoever is awarded the new Operations and Maintenance Contract will assume full locomotive inspection, maintenance and repair responsibilities. There was no discussion.

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

Authorization to Grant a Utility Easement to Spotsylvania County at the Crossroads Yard – 8C

Mr. Zehner reported that Resolution #8C-12-2008 would authorize him to grant a water line easement to Spotsylvania County within the VRE Crossroads Maintenance Yard. The easement will be 20 feet wide and extend from the beginning of the yard access road to the first fire hydrant inside of the yard gate. Spotsylvania County will take ownership and provide on-going maintenance of the water supply line covered by this easement. The water line easement and associated deed of dedication has been prepared and is currently under legal review by VRE counsel. Following Board authorization and approval, the water line easement will be recorded with Spotsylvania County. There were no questions.

Ms. Caddigan moved, with a second by Mr. Kelly, to approve Resolution #8C-12-2008. The vote in favor was cast by Board Members Bulova, Caddigan, Covington, Herrity, Jenkins, Kelly, Page, Schwartz, Smedberg, Way and Zimmerman.

Authorization to Award a Construction Contract for a Platform Extension at Burke Centre – 8D

Mr. Zehner explained that the VRE Operations Board is being asked to authorize him to award a contract to Grunley Walsh U.S., LLC for the construction of a platform extension at the Burke Centre VRE station in an amount of \$995,000, plus a contingency of 10 percent (\$99,500), for a total amount not to exceed \$1,094,500.

Mr. Zehner reported that six bids were received on November 14, 2008 and following review of the bids, staff recommends award to the lowest responsive and responsible bidder, Grunley Walsh U.S., LLC. There were no questions from Board Members.

Ms. Bulova moved, with a second by Mr. Zimmerman, to approve Resolution #8D-12-2008. The vote in favor was cast by Board Members Bulova, Caddigan, Covington, Herrity, Jenkins, Kelly, Page, Schwartz, Smedberg, Way and Zimmerman.

Authorization to Extend Amended Operating/Access Agreement with CSXT – 8E

Mr. Zehner stated that the VRE Operations Board is being asked to recommend that the Commissions authorize VRE's CEO to execute an extension of the existing Amended Operating/Access Agreement with CSXT to July 31, 2009. Resolution #8E-12-2008 would accomplish this.

Mr. Zehner reported that progress on negotiations has slowed due to a failure to reach an agreement on the level of liability coverage. CSXT continues to insist on including a higher level of liability and terrorism coverage in the new agreement. An extension of the current agreement is needed while this issue is resolved.

In response to a question from Ms. Bulova, Mr. Zehner explained that funding for the CSX track access fees have been included in the FY 2009 and FY 2010 budgets, including an annual escalation of four percent. He stated that the escalation amount is based on a contractual agreement with the railroad.

Ms. Caddigan 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, Page, Schwartz, Smedberg, Way and Zimmerman.

Authorization to Extend Amended Operating/Access Agreement with Norfolk Southern – 8F

Mr. Zehner stated that the VRE Operations Board is being asked to recommend that the Commissions authorize VRE's CEO to execute an extension of the existing Amended Operating/Access Agreement with Norfolk Southern to July 31, 2009. Resolution #8F-12-2008 would accomplish this.

Mr. Zehner reported that agreement on the level of liability coverage cannot be resolved at this time since Norfolk Southern also insists on including a higher level of liability and terrorism coverage in the new agreement. In response to a question from Mr. Smedberg, Mr. Zehner stated that the motion also includes a four percent annual escalation based on the contractual agreement with Norfolk Southern.

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

Adjournment

Chairman Jenkins announced that the next meeting is scheduled for January 16, 2009. Mr. Covington observed that this is a state holiday. Board Members agreed to move the meeting date to January 23, 2009 at 9:30 A.M.

Mr. Kelly moved, with a second by Ms. Bulova, to adjourn the meeting. The vote in favor was unanimous. Chairman Jenkins adjourned the meeting at 11:05 A.M.

Approved this 23rd day of January, 2009.

Chairman

Secretary

CERTIFICATION

This certification hereby acknowledges that the minutes for the December 19, 2008 Virginia Railway Express Operations Board Meeting have been recorded to the best of my ability.

Rhonda Gilchrest

Rhonda Gilchrest