

AGENDA ITEM 10-A
INFORMATION ITEM

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: JUNE 20, 2008

RE: RISING FUEL COSTS

As the Operations Board is aware, diesel fuel costs will be considerably higher than the amounts budgeted for both FY 2008 and FY 2009. The costs currently projected for FY 2009 are so much higher than the amount budgeted that an additional fare increase and/or an increase to local subsidy contributions may need to be considered, once all other avenues have been exhausted. Staff will provide additional information at the August meeting.

Prices are extremely volatile and, as a result, our projections are constantly being revised. The following information is based on data from VRE's fuel risk management consultant as of June 6, 2008:

- Fuel costs for FY 2008 are estimated to be approximately \$4.58 million, an increase of \$680,000 above the revised budget. The market price over the last several weeks under VRE's supplier agreements has ranged from \$3.93 to \$4.20 with wide swings both up and down on a daily basis.
- Fuel costs for FY 2009 are estimated to be \$6.7 million, **an increase of \$2.92 million or 78% above the adopted budget.**
- The average price per gallon in the FY 2009 budget, which was prepared in November 2007 is \$2.38. The current projection, based on the futures market, is \$4.23 per gallon. VRE's projected costs per gallon for FY 2009 are \$4.02 as the result of the purchase of fixed price contracts for a

portion of the year prior to the most recent round of dramatic cost escalations.

- VRE expects to pay 115% more for diesel fuel in FY 2009 than we did in FY 2007. In FY 2007, fuel was 6% of the operating budget; in FY 2009 it is projected to be 10%.
- The purchase of fixed price contracts from our fuel suppliers have served to delay the impact of the precipitous rise in fuel prices. VRE expects to save almost \$500,000 as the result of purchasing these contracts in FY 2008; \$125,000 in June alone. We have locked in for two-thirds of our purchases through December 2008 and for about one third through February 2009. However, only the contracts for the first several months are substantially lower than current market pricing.
- As fuel prices and projections for FY 2009 have swung wildly up and down over the last several weeks, the moderating effect of our hedging strategy has been apparent. The following chart compares week to week changes in benchmark prices and VRE's expected price, which accounts for the gallons that have been locked in at a fixed price:

Projection Date	Benchmark Average FY09	Change Per Gal	VRE Projected Aver. FY09	Change Per Gal
05/23/2008	4.13		3.97	
05/30/2008	3.96	(.17)	3.85	(.12)
06/06/2008	4.23	.27	4.02	.17

AGENDA ITEM 10-B
INFORMATION ITEM

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: JUNE 20, 2008

**RE: GAINESVILLE-HAYMARKET FEASIBILITY STUDY AND
ALTERNATIVES ANALYSIS**

Work has begun on the Gainesville-Haymarket Feasibility Study following the December Operations Board approval of a contract with Vanasse Hangen Brustlin, Inc. (VHB). The feasibility study expands upon the work completed in the 2005 Gainesville-Haymarket Implementation Plan. Specific tasks to be completed as part of the study include:

- Updated ridership and financial estimates
- Identification of candidate sites for stations, parking, overnight storage
- Feasibility analysis of proposed operations and infrastructure requirements
- Preliminary environmental review

The consultant team is currently collecting data and documenting existing conditions within the Manassas to Haymarket corridor. VRE staff and the consultant team will be scheduling informational interviews with key stakeholders (e.g., Prince William County staff, City of Manassas staff, Norfolk-Southern, etc.) to assist in formulating project goals and objectives. An informational meeting is being planned for July to introduce the study to the general public and solicit public opinion.

The study is scheduled to be completed in March 2009. Once complete, the next step in the project planning process is to conduct a National Environmental

Policy Act (NEPA) analysis of proposed extension alternatives and preliminary engineering.