

AGENDA ITEM 9-A
ACTION ITEM

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: OCTOBER 17, 2008

**RE: AUTHORIZATION TO MODIFY THE CONTRACT FOR NEW
LOCOMOTIVE PURCHASE**

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the Chief Executive Officer to modify the contract with Motive Power, Inc., for the purchase of locomotives so that the base order is increased from two to five locomotives, increasing the contract value to \$18,474,610, plus a 10% contingency of \$1,847,461, for a total amount not to exceed \$20,322,071.

BACKGROUND:

In January of 2008, the Operations Board authorized VRE to enter into a contract with Motive Power of Boise, Idaho for the manufacture of two new locomotives in the amount of \$8,758,542, plus a contingency of \$875,854, for a total amount not to exceed \$9,634,396. Since this time, VRE and Motive Power have been negotiating terms and conditions of the contract and have now reached final agreement. At the time of the order, VRE was unable to exercise more than the base due to the loss of matching funds expected from HB3202. In the interim, additional funding sources have been made available which allow VRE to increase the base order from two to five locomotives.

Additionally, the contract is structured such that the unit price decreases when additional units are added to the base order. As such, the original price per unit, when ordering two, was \$4,379,271. Now that VRE is proposing to increase the base order to five, the unit price is \$3,694,922.

In January 2008, the Operations Board also authorized up to \$4,145,920, including contingency, to STV, Inc. for construction engineering and inspection services for the purchase of all twenty locomotives. Similar to the locomotive contract, this contract was structured to allow incremental notices to proceed, such that authorization will be issued concurrently and proportionately with locomotive option orders. As such, no additional Board authorization is needed for the oversight work.

FISCAL IMPACT:

Funding is available from the locomotive acquisition project in the VRE capital budget. Funding is provided using FY 2007 and FY 2008 federal grants. Match is being provided using federal, state and local funds.

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: OCTOBER 17, 2008
RE: AUTHORIZATION TO MODIFY THE CONTRACT FOR NEW LOCOMOTIVE PURCHASE

**RESOLUTION
9A-10-2008
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD**

WHEREAS, in January of 2008, the Board approved the award of a contract to Motive Power, Inc. for the manufacture of two new locomotives at a cost of \$4,379,271 per unit; and,

WHEREAS, VRE and Motive Power conducted extensive negotiations; and,

WHEREAS, during those negotiations, VRE staff identified additional funding sources; and,

WHEREAS, the monies available from the original and new sources now permit VRE to increase the base order from two to five locomotives at a per unit cost of \$3,694,922.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to modify the contract with Motive Power, Inc., for the purchase of locomotives so that the base order is increased from two to five locomotives, increasing the contract value to \$18,474,610, plus a 10% contingency of \$1,847,461, for a total amount not to exceed \$20,322,071.

AGENDA ITEM 9-B
ACTION ITEM

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: OCTOBER 17, 2008

**RE: AUTHORIZATION TO ISSUE A TASK ORDER FOR
LOCOMOTIVE TOP DECK REBUILD WORK**

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the Chief Executive Officer to issue a task order to Transportation Technologies, Inc. (TTI) to perform top deck rebuild work on three locomotives in an amount not to exceed \$810,000, plus a contingency of \$81,000, for a total of \$891,000.

BACKGROUND:

VRE currently has 20 locomotives in service. Since April 2006, the VRE Operations Board has approved top deck rebuild work on ten of VRE's locomotives under a contract with TTI. Two additional locomotives received top deck repairs through separate task order work. As such, only three more of VRE's fifteen GP-type locomotives require top deck rebuilds. This authorization will allow all three of these units to be rebuilt.

In January 2008, Motive Power was awarded a contract to supply two new locomotives to VRE, with an option for eighteen more. The Operations Board is being asked to modify this order to five units at the October 2008 meeting. However, these new locomotives are not projected to enter VRE service until mid-2010. Additionally, since funding for the remainder of the option order is less than certain, this top deck rebuild work must continue.

This task order includes a comprehensive rebuilding of the top deck; installation of a new hot start; repair of the turbo charger, if needed; repair of the main

generator bearing and extensive testing on the engine for additional hidden faults. The task order also includes freight to and from the repair facility. The work takes approximately two months from the time a locomotive leaves VRE's facility to being returned to VRE property for service.

FISCAL IMPACT:

Funding is available from the locomotive overhaul project in the VRE capital budget. Funding is provided using a FY 2006 federal grant. Local match is being provided using state and local funds.

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: OCTOBER 17, 2008
RE: AUTHORIZATION TO ISSUE A TASK ORDER FOR
LOCOMOTIVE TOP DECK REBUILD WORK

RESOLUTION
9B-10-2008
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, VRE has an existing contract with Transportation Technologies, Inc. to perform top deck rebuild work; and,

WHEREAS, since April 2006, the VRE Operations Board has approved top deck rebuilds on ten of VRE's locomotives; and,

WHEREAS, given the schedule for the new locomotive delivery and future funding opportunities, top deck rebuild work on the existing fleet must continue; and,

WHEREAS, VRE is recommending approval of work on the remaining three locomotives for top deck overhaul rebuild work.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to issue individual task orders to Transportation Technologies, Inc. to perform top deck rebuild work on three locomotives in an amount not to exceed \$810,000, plus a contingency of \$81,000, for a total of \$891,000.

AGENDA ITEM 9-C
ACTION ITEM

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: OCTOBER 17, 2008

**RE: AUTHORIZATION TO ISSUE A TASK ORDER FOR
CONSTRUCTION ENGINEERING AND INSPECTION SERVICES
FOR THE PURCHASE AND MANUFACTURE OF PASSENGER
RAIL CARS**

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the Chief Executive Officer to issue a task order to STV, Inc., under the MEC IV contract, for construction engineering and inspection services for the purchase and manufacture of passenger rail cars in the amount not to exceed of \$1,009,956.

BACKGROUND:

On August 28, 2008, VRE awarded a contract to Sumitomo Corporation of America for the manufacture of ten passenger rail cars to replace the Kawasaki railcars sold to Maryland. As with previous railcar purchases, VRE needs construction engineering support and is required to provide on-site inspection services for the duration of the construction period. This task order includes design reviews, first article inspections, in-plant inspections, on-site inspections and warranty administration. The consultant will also be responsible for the acceptance of each car prior to them being put into service.

The total contract value is the equivalent of approximately 4.6% of the total vehicle cost. Previous projects of similar nature were Gallery I, where oversight costs constituted 28.4% of the contractor costs; Gallery II, where oversight costs constituted 18.9% of the contractor costs; and Gallery III, where oversight costs

constituted 17.7% of the contractor costs, and the base order for the Sumitomo Gallery IV cars where the oversight was 14.5% of the construction costs. This contract value compared to the total vehicle cost is significantly lower than previous contracts because it is the third production run of these cars, permitting resolution of most engineering issues. The cost of this task order is based on a 44-month contract period which includes the manufacturing process and warranty period.

FISCAL IMPACT:

Funding is available from the Sumitomo acquisition project in the VRE capital budget. Debt financing is being repaid using annual federal formula funds with local match from state and local funds.

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: OCTOBER 17, 2008
RE: AUTHORIZATION TO ISSUE A TASK ORDER FOR
CONSTRUCTION ENGINEERING AND INSPECTION SERVICES
FOR THE PURCHASE AND MANUFACTURE OF PASSENGER
RAIL CARS

RESOLUTION
9C-10-2008
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, VRE has a contract with Sumitomo Corporation of America for the manufacture of ten passenger rail cars; and,

WHEREAS, VRE requires the services of engineering professionals to oversee the manufacturing contract to insure compliance with specifications and adherence to federal requirements; and,

WHEREAS, since its inception, VRE has relied on professional engineering firms to assist staff in equipment specification and maintenance standards.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to issue a task order to STV, Inc., under the MEC IV contract for construction engineering and inspection services regarding the purchase and manufacture of passenger rail cars, in the amount not to exceed of \$1,009,956.

AGENDA ITEM 9-D
ACTION ITEM

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: OCTOBER 17, 2008

RE: AUTHORIZATION TO AWARD CONTRACT FOR SECURITY SERVICES

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the Chief Executive Officer to enter into a contract with New Horizons Security Services Inc, of Woodbridge, Virginia for security services for VRE rail yards as well as selected VRE station locations. The contract is being requested in an amount not to exceed \$250,000 per year, for a period of five years, for a total amount not to exceed \$1,250,000.

BACKGROUND:

In September of 2003, the VRE Operations Board awarded a contract for security services at the VRE yards and stations. This contract expires November 30, 2008. On July 28, 2008, a procurement for a private security services contractor was issued, with proposals due on August 29, 2008. VRE received five proposals. A technical evaluation team reviewed the proposals and is recommending award to New Horizons Security Services.

VRE does not have its own dedicated sworn law enforcement team. As a result, VRE has established a coordinated approach which includes this contract; local law enforcement random patrols at stations; Amtrak police; and law enforcement passengers for augmenting onboard security.

This contract will provide uniformed armed security guards at the Crossroads and Broad Run yards, as well as on-call services for unarmed security guards at VRE stations/parking facilities and onboard trains. The proposed authorization is for evening and weekend security services at the yards and limited roving patrols at VRE stations. However, as the procurement was written to allow additional security services as option work, an amendment to the contract could be made in the future if circumstances warranted and the budget allowed for such an increase. Any change of this magnitude would be brought before the Operations Board for approval. The contract includes a base year with four, one year renewable options which will be exercised at the CEO's discretion.

FISCAL IMPACT:

Funding for this contract is supplied by the FY 2009 – FY 2011 Operating budgets.

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: OCTOBER 17, 2008
RE: AUTHORIZATION TO AWARD CONTRACT FOR SECURITY SERVICES

**RESOLUTION
9D-10-2008
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD**

WHEREAS, in September of 2003, the VRE Operations Board awarded a contract for security services at the VRE yards and stations; and,

WHEREAS, this contract expires November 30, 2008; and,

WHEREAS, on July 28, 2008, a procurement for a private security services contractor was issued and five proposals were received; and,

WHEREAS, a technical evaluation team reviewed the proposals and is recommending award to New Horizons Security Services.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to enter into a contract with New Horizons Security Services Inc, of Woodbridge, Virginia for security services for VRE rail yards as well as selected VRE station locations. The contract is being requested in an amount not to exceed \$250,000 per year, for a period of five years, for a total amount not to exceed \$1,250,000.

AGENDA ITEM 9-E
ACTION ITEM

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: OCTOBER 17, 2008

RE: AUTHORIZATION TO AWARD CONTRACT FOR EXTERIOR WASHING OF VRE FLEET

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the Chief Executive Officer to enter into a contract with East Coast Power Washing of Kill Devil Hills, North Carolina for the exterior washing of the VRE fleet in the amount of \$450,000 over a three year period.

BACKGROUND:

In June 2005, the Operations Board authorized the award of a contract for the exterior washing of VRE's fleet. The contract was for a base year plus two additional one-year options. The end of the second option year is November 2008. On August 28, 2008 a procurement was issued for a new contract and proposals were due on September 30, 2008. Two proposals were received and award is being recommended to East Coast Power Washing.

Since the time of the original contract, the Operations Board also authorized the construction of a train washer at Crossroads yard. Although this train washer will be in service by the end of October, supplemental cleaning services are still required including detailed cleaning, hand washing of some locomotive equipment, and spot services at the Broad Run yard.

While authorization is being sought for an amount that would allow complete fleet-wide washing every two months, actual task order amounts are expected to be lower. The contract consists of a base year with two one year options, which will be exercised at the VRE CEO's discretion. The annual authorization limit for each year will be \$150,000.

FISCAL IMPACT:

Funding for this contract is supplied by the FY 2009 – FY 2011 Operating budgets.

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: OCTOBER 17, 2008
RE: AUTHORIZATION TO AWARD CONTRACT FOR EXTERIOR
WASHING OF VRE FLEET

RESOLUTION
9E-10-2008
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, VRE began a program of providing hand washing of its fleet several years ago; and,

WHEREAS, the current contract for these services expires in November; and,

WHEREAS, the train washer being installed at the Crossroads yard does not preclude the need to maintain a contract for supplemental cleaning services.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to enter into a contract with East Coast Power Washing of Kill Devil Hills, North Carolina for the exterior washing of the VRE fleet in the amount of \$450,000 over a three year period.

AGENDA ITEM 9-F
ACTION ITEM

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: OCTOBER 17, 2008

RE: AUTHORIZATION TO APPROVE THE 2008 LEGISLATIVE AGENDA

RECOMMENDATION:

The VRE Operations Board is being asked to recommend that the Commissions approve the VRE 2008 Legislative Agenda and authorize the Chief Executive Officer to actively pursue its elements.

BACKGROUND:

The VRE legislative agenda is formulated to complement the work set forth in the ratified VRE Strategic Plan (2004), which includes capital needs for rolling stock, long-term capital infrastructure and security and safety. Additional advocacy positions related to specific federal and state legislature are also presented.

FEDERAL

1. **Reauthorization of SAFETEA-LU**

Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU) expires in 2009. As such, Congress has already started examining legislative alternatives for reauthorization of a new transportation bill for next year. Congress has set January as a beginning date for Congressional Committees to start drafting proposals and VRE intends to ensure that the Congressional delegation is aware of our needs. As such, VRE would continue to

pursue funding for all elements of our previous Reauthorization package, which has the support of the Governor and Northern Virginia Congressional delegation.

- 15 new tier-two locomotives \$65 Million
- Expansion of commuter rail service to Gainesville-Haymarket \$250 Million
- Parking Expansion \$35 Million
- Platform Extensions/Additions \$25 Million

TOTAL REQUEST: \$375 MILLION

2. Federal Participation

VRE continues to work Capitol Hill to explore and expand legislative opportunities such as the \$5 million grant already received from Senator Webb for new locomotives. Additionally, VRE intends to continue discussions with the appropriate Congressional staff about issues of concern or interest to VRE, such as positive traction control mandates and increased federal mandates by the Federal Transit Administration and the Federal Railroad Administration.

VRE also plans to continue conversations with Congresswoman Eleanor Holmes Norton regarding possible inclusion in the DC appropriations legislation for economic stimulus given the growth and user demand at L'Enfant Plaza.

3. Federal Liability Cap

On the federal level, VRE will continue to advocate for the amendment of the United States Code to cap liability insurance for commuter rail operations. CSX and NS continue to request liability insurance of \$500 million per incident as an element of the new access agreements. VRE will promote amending the current federal liability cap of \$200 million to include third party claims.

4. Corridor Improvements

Over two years ago, the late Congresswoman Davis helped facilitate a working group of the Federal Railroad Administration, CSX and Amtrak to adopt a comprehensive plan for systematic corridor improvements along the Fredericksburg line. Proposed projects were required to have an immediate benefit to Fredericksburg line on-time performance. The following project, estimated to cost \$20.2 million, will be submitted for consideration in the FY 2010 appropriations and is now supported by Congressman Wittman. The project includes construction of several 600 foot long passenger second platforms and canopies as well as associated pedestrian stairs, bridges, and elevators. Locations include Lorton, Rippon, Brooke and Leeland. These platforms would

provide VRE additional flexibility and capacity by permitting passenger operations on both main lines.

STATE

1. Legislative

Several important issues have been identified for advancement by VRE during the upcoming legislative session in the General Assembly:

- Enact a legislative remedy to amend the Virginia Code to allow for increased fines and penalties to an individual deliberately trying to defraud VRE when boarding VRE trains (i.e. through the use of a counterfeit ticket).
- Amend the Virginia Code to prohibit pedestrians from crossing public thoroughfares when trains are present. VRE has been working with CSX and NS to get legislation in the Code to match the nearly 20 other states who have similar laws.
- Amend the Virginia Code to allow VRE to, at its choice, utilize an independent third party or the Virginia Division of Risk Management (DRM) to manage the liability insurance plan and oversee the VRE Insurance Trust Fund.
- Amend the Virginia Code to cap liability for commuter rail operations since the existing cap enacted in a prior session excludes third party claims. VRE will also seek exemption for freight railroads and VRE from liability for terrorism.

2. Funding Requests

Additionally, VRE is recommending continued advancement of the following positions and/or earmark requests:

- Locomotives – VRE will continue to seek funding for the acquisition of additional locomotives. This project has been supported by Governor Kaine and the General Assembly and VRE will again seek a one-time earmark to counter the loss of dedicated funding that would have been used to purchase additional locomotives.
- Gainesville-Haymarket Extension – VRE will continue to seek funding to support the expansion of commuter rail service in Western Prince William County. This project is a top transportation project for Prince William County. VRE will also support the efforts of the City of Manassas to obtain funding for grade-separation projects related to the Gainesville-Haymarket extension.

- Third Main Line Track – VRE will continue to seek funding to add additional capacity on the Fredericksburg line through the construction of a third main line track from Washington to Fredericksburg.
- Insurance Trust Fund - due to rapidly increasing insurance costs, VRE has been unable to fully maintain the Insurance Trust Fund to the level desired by the Virginia Division of Risk Management. Due to rising insurance costs and decreasing reserves, annual payments have risen from \$1.5 million to just under \$5 million per year. VRE will pursue a one-time request for assistance from the General Assembly to replenish the Insurance Trust Fund.

VRE will also partner with local jurisdictional staff and the Virginia Transit Association to:

- Advocate the continued growth of state funding for transit and encourage the continued payment of rail access fees for VRE.
- Encourage the Commonwealth to meet the statutory goal of funding 95 percent of eligible transit capital and operating costs from the Mass Transit Fund.

FISCAL IMPACT:

There is no funding requirement necessary to implement the FY 2008 VRE Legislative Program. Based on the success of federal and/or state appropriations, some local match may be required.

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: OCTOBER 17, 2008
RE: AUTHORIZATION TO APPROVE THE 2008 LEGISLATIVE AGENDA

**RESOLUTION
9F-10-2008
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD**

WHEREAS, VRE is an essential part of traffic mitigation for the Northern Virginia and DC Metropolitan region; and,

WHEREAS, the VRE Strategic Plan has identified certain critical needs for VRE to meet projected ridership growth; and,

WHEREAS, the capital cost associated with these needs can best be met through obtaining additional discretionary federal and state capital funding; and,

WHEREAS, VRE has advocated positions with Congress and the Virginia General Assembly that are supportive of the transportation philosophy of the Northern Virginia region; and,

WHEREAS, VRE shall seek to promote its legislative positions during the upcoming calendar year on both the state and federal level.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board recommends that the Commissions approve the VRE 2008 Legislative Agenda and authorize the Chief Executive Officer to actively pursue its elements in coordination with the local jurisdictional and Commission staffs.

AGENDA ITEM 9-G
CONSENT ITEM

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: OCTOBER 17, 2008

**RE: AUTHORIZATION TO AWARD CONTRACT FOR BANKING SERVICES
AND LINE OF CREDIT**

RECOMMENDATION:

The VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to enter into a contract for banking services with SunTrust Bank for a period of three years, with an option to extend for up to two additional years. The contract includes a provision for a \$1 million line of credit. The total contract value for banking services will not exceed \$60,000 over the five year period.

BACKGROUND:

On June 30, 2008, VRE issued a solicitation for banking services for VRE and PRTC, and proposals were due on July 31, 2008. Five proposals were received and a selection committee composed of staff from VRE and PRTC recommended the selection of SunTrust Bank. SunTrust is the current provider of banking services to both organizations.

The contract with SunTrust Bank will be for a period of three years, with an option to extend for up to two additional years. The solicitation also requested information on the bank's purchasing card program, as an optional service that VRE may choose to implement in the future.

The line of credit is not used unless absolutely necessary. Along with VRE's own operating reserve, these funds can be used to act as a financial bridge during delays in

receipt of grant funds. The \$1 million line of credit is subject to annual renewal by SunTrust and each advance will be considered by the bank on a case by case basis.

SunTrust Bank is a major provider of banking services in the Mid-Atlantic and Southeast regions. Their long and short-term debt is rated comparably to other financial institutions in the region and their recent declines in stock price have been among the least precipitous. The government money market funds they offer for overnight investment of idle cash are rated at the highest level for such investments.

Each year of the contract will be executed in an amount not to exceed \$12,000. VRE is requesting authorization for the total five-year term of the contract, with the VRE CEO exercising the option years and the annual renewal of the line of credit at his discretion. As the procurement was structured to provide separate contracts for VRE and PRTC, this action awards a contract to VRE only and seeks Commission approval for the CEO to execute this contract and sign all associated documents.

FISCAL IMPACT:

Funds are allocated in the FY 2009 budget based upon estimated costs. In most instances, bank fees are paid as a deduction from interest earnings.

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: OCTOBER 17, 2008
RE: AUTHORIZATION TO AWARD CONTRACT FOR BANKING SERVICES
AND LINE OF CREDIT

RESOLUTION
9G-10-2008
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, the Operations Board authorized VRE staff to solicit proposals for banking services; and,

WHEREAS, five proposals were received and the proposal from SunTrust bank was deemed the most advantageous.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board recommends that the Commissions authorize the Chief Executive Officer to enter into a contract for banking services with SunTrust Bank for a period of three years, with an option to extend for up to two additional years for an amount not exceed \$60,000 over the five year period.

BE IT FURTHER RESOLVED THAT, the VRE Operations Board recommends that the Commissions authorize the Chief Executive Officer to sign any associated banking documents; and,

BE IT FURTHER RESOLVED THAT, as part of the banking services contract that overdraft protection in an amount not to exceed \$1 million be implemented; and,

BE IT FURTHER RESOLVED THAT, the following be designated as authorized signatories for VRE's accounts:

- Chief Executive Officer
- Deputy Chief Executive Officer
- Chief Financial Officer

AGENDA ITEM 9-H
ACTION ITEM

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: OCTOBER 17, 2008

**SUBJECT: UPDATE AND RECOMMENDATION ON FY 2009 MID-YEAR
FARE INCREASE**

RECOMMENDATION:

The VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to implement a 7% mid-year fare increase for FY 2009, effective January 1, 2009.

A presentation will be made at the Operations Board meeting on the details behind this recommendation and impact on FY 2010 budget.

DISCUSSION:

In August, VRE staff presented a FY 2009 budget update and preliminary FY 2010 budget to the Operations Board. As a result of material shortages in the budget for fuel, Amtrak labor settlement expenses, and increased locomotive maintenance costs the net shortfall for FY 2009 was estimated at \$1.6 million and the initial need for funds in FY 2010 was estimated at \$8.6 million, including the potential one-time mobilization cost to employ a new service provider.

After extensive discussion at the Operations Board meeting, VRE solicited public comment via e-mail, public hearings, letters and faxes on a mid-year FY 2009 fare increase of up to 15% and a FY 2010 fare increase of up to 10%. The comment period began on August 29th and concluded on October 8, 2008. VRE received 292 e-mails, 44 people attended the public hearings, and 1 individual made his comments by phone. In addition to comments regarding the change in

fares and possible service cuts, passengers also took the opportunity to relay opinions regarding on-time performance, elimination of the discount for seniors, elimination of the FRC program vs. fare increase, and adding more service/capacity. A summary of the comments received is shown below:

Summary of Comments	Number of Comments
Positive comments on a reasonable increase to fares	78
Commented that the need to increase fares was understandable	35
Negative comments on proposed fare increases	106
Opposed possible service cuts to mid-day trains	194
Preferred service cuts over fare increase	15
Disagrees with VRE having to pay Amtrak Settlement Costs	5
Commented that VRE needs to improve overall service	10

Note: Summary of comments totals more than number of comments as in some cases, more than one topic was addressed.

During the period since the August meeting, VRE staff has further refined the projections for FY 2009. Revisions to the FY 2009 budget as presented in August are as follows:

- Fuel costs were originally projected to exceed budget by approximately \$3 million in FY 2009. Current fuel prices have caused the shortfall to be projected at \$2.8 million. This estimate will continue to be reviewed over the next several months.
- Because of increased ridership systemwide, fare revenue is expected to exceed budget by approximately \$2.8 million. This estimate is based on a revised average daily ridership projection of approximately 15,400 riders and a 7% fare increase effective January 1, 2009. Ridership projections will continue to be monitored.
- Staff recommends a 7% fare increase, based on analysis of the estimated relationship between fare rates, ridership, and revenue, as indicated in the table below and from the public comment. The analysis indicates that a fare increase above 7% reduces ridership significantly and thus minimizes the incremental fare revenue.

Scenario	Estimated Ridership	Estimated Revenue
Adopted budget	14,700	21,500,000
No mid-year increase	15,550	23,700,000
Mid-year increase of 7%	15,400	24,300,000
Mid-year increase of 15%	14,900	24,400,000

- The one-time reduction in insurance premium costs of \$700,000 in the current year has been reflected in the FY 2009 estimate. These funds will be used to defray the costs of the retroactive wages that will be owed as part of the Amtrak labor settlement.
- The federal funds that were originally programmed for debt service costs for the Kawasaki railcars have been shifted to the purchase of locomotives.
- All other projections have remained substantially the same

FISCAL IMPACT:

The net impact of these changes is \$1.27 million to reestablish VRE's operating reserve which was depleted in FY 2008 with the rapid increase in diesel fuel prices from \$2.13 to \$3.26 per gallon. Given the uncertainty and volatility of the fuel, insurance, and maintenance costs, the operating reserve must be restored to the FY 2005 level to insure a financial safeguard during this uncertain financial period.

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: OCTOBER 17, 2008
**RE: UPDATE AND RECOMMENDATION ON FY 2009 MID-YEAR
FARE INCREASE**

**RESOLUTION
9H-10-2008
OF THE
VIRGINIA RAILWAY EXPRESS
BOARD OF DIRECTORS**

WHEREAS, a review of the FY 2009 budget in conjunction with the FY 2010 preliminary projections indicates the need for a mid-year fare adjustment in the current year to cover increasing costs; and,

WHEREAS, the VRE Operations Board authorized a fare increase of up to 15% on which public hearings were held; and,

WHEREAS, passengers and interested parties commented via e-mail, letter, fax, and in person at public hearings; and,

WHEREAS, staff recommends a mid-year fare increase of 7% built on an average daily ridership of 15,400 average daily riders;

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board recommends that the Commissions authorize the Chief Executive Officer to implement a 7% mid-year fare increase for FY 2009, effective January 1, 2009.