



MINUTES

VRE OPERATIONS BOARD MEETING PRTC HEADQUARTERS – PRINCE WILLIAM COUNTY, VIRGINIA AUGUST 21, 2009

**VIRGINIA RAILWAY
EXPRESS**

BOARD MEMBERS

CHRIS ZIMMERMAN
CHAIRMAN

PAUL MILDE
VICE-CHAIRMAN

WALLY COVINGTON
TREASURER

SHARON BULOVA
SECRETARY

MAUREEN CADDIGAN
PATRICK HERRITY
JOHN JENKINS
MATTHEW KELLY
SUHAS NADDONI
KEVIN PAGE
GEORGE SCHWARTZ
PAUL SMEDBERG
JONATHAN WAY

ALTERNATES

MARC AVENI
CHARLES BADGER
HARRY CRISP
MARK DUDENHEFER
BRAD ELLIS
JAY FISETTE
FRANK JONES
TIMOTHY LOVAIN
MICHAEL MAY
JEFF MCKAY
MARTIN NOHE
JOHN STIRRUP

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
Matthew Kelly (PRTC)	City of Fredericksburg
Paul Milde (PRTC)	Stafford County
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
Suhas Naddoni (PRTC)	City of Manassas Park

ALTERNATES ABSENT	JURISDICTION
Marc Aveni (PRTC)	City of Manassas
Charles Badger	DRPT
Brad Ellis	City of Fredericksburg
Harry Crisp (PRTC)	Stafford County
Mark Dudenhefer (PRTC)	Stafford County
Jay Fiset (NVTC)	Arlington County
Frank C. Jones (PRTC)	City of Manassas Park
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
John Stirrup (PRTC)	Prince William County

STAFF AND GENERAL PUBLIC	
John Andreas – Bombardier	Bob Leibbrandt – Prince William County
Laura Bateman – PHD Consulting/ Bombardier	Steve Maclsaac – VRE counsel
Donna Boxer – VRE	April Maguigad – VRE
Tim Craver – BLET	Greg Marston – Teamsters
Heather Diez – VRE	Betsie Massie – PRTC staff
John Duque – VRE	Peyton Onks – Sup. Herrity's office
Anna Gotthardt – VRE	Barbara Reese – Governor's Office
Kelly Hannon – Free Lance Star	Lynn Rivers – Arlington County
Al Harf – PRTC staff	Mark Roeber – VRE
Herbert Harris, Jr. – Brotherhood Locomotive Engineers	Brett Shorter – VRE
Christine Hoeffner – VRE	Rick Taube – NVTC staff
Ann King – VRE	Carl Winstead – FCDOT
	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 Zimmerman called the meeting to order at 9:31 A.M. Following the Pledge of Allegiance, roll call was taken.

Approval of the Agenda – 3

Chairman Zimmerman requested that the agenda be amended so that Agenda Item #9D “Authorization to Adopt a Resolution Supporting the High Speed Rail Project” be discussed as the first action item. There were no objections.

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

Minutes of the June 19, 2009, VRE Operations Board Meeting – 4

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

Chairman’s Comments – 5

Chairman Zimmerman reported that since the last Board meeting, he had the opportunity to ride VRE from end-to-end. He found it interesting to see a number of different features within the VRE system, including track repair, safety and equipment reporting. He is impressed with the state of VRE's fleet. The rolling stock is quite impressive from a customer standpoint, since it is more comfortable to ride compared to some other systems. He thanked Mr. Zehner and his staff for giving him this opportunity.

Chief Executive Officer’s Report – 6

Mr. Zehner reported that VRE’s on-time performance for July systemwide was 93 percent (91.6 percent for Fredericksburg and 94 percent for Manassas). VRE reached an unprecedented milestone during the month of July by not having any mechanical failures or delays the entire month. This is the first time in VRE’s history that this has occurred. Ridership in July 2009 is the highest VRE has experienced for the month of July. Mr. Milde applauded VRE’s on-time performance for July. Mr. Zehner also announced that the Spotsylvania County Board of Supervisors voted on August 18th to join VRE/PRTC. The Operations Board will have a closed session discussion regarding related contractual issues.

VRE Riders' and Public Comment – 7

There were no comments.

Consent Agenda – 8

Mr. Covington moved, with a second by Mr. Kelly, to approve the following Consent Agenda items:

Resolution #8A-08-2009: Authorization to Issue a RFP for Repair of Locomotive Electrical Components

Resolution #8B-08-2009: Authorization to Issue a RFP for the Purchase and Installation of Security Cameras at the Manassas Parking Station

Resolution #8C-08-2009: Authorization to Issue a RFP for a Security and Emergency Preparedness Training Program

The Board voted on the motion and it unanimously passed. The vote in favor was cast by Board Members Bulova, Caddigan, Covington, Jenkins, Kelly, Milde, Page, Schwartz, Smedberg, Way and Zimmerman.

Authorization to Adopt a Resolution Supporting the High Speed Rail Project – 9D

Chairman Zimmerman introduced Barbara Reese, the Governor's Deputy Director of Policy. Ms. Reese reviewed the history of intercity rail in Virginia and the proposed new intercity high speed rail. She assured the Operations Board that VRE train service will always take precedence on service priority during its commuting hours. She announced that the ribbon cutting ceremony is scheduled for October 1, 2009 for the Route 29 rail service on the Norfolk Southern line from Lynchburg to Washington, D.C. The Richmond – Washington, D.C. train will go into service sometime after December 2009.

[Mr. Herrity arrived at 9:45 A.M.]

Ms. Reese stated that the Commonwealth of Virginia has applied for funding for rail infrastructure improvements between Arkendale and Powell's Creek under the American Recovery and Reinvestment Act (ARRA) high speed rail program. Nationwide, the ARRA program will provide \$8 billion in federal funding to support high speed rail and intercity passenger rail projects. She stated that Virginia is in a strong competitive position to receive funding. The only project that meets the definition and criteria for the Track 1 submission (ready to go projects) is the Arkendale and Powell's Creek third track project. VRE staff has already done the preliminary design and environmental work for this project. VRE would continue to be the lead on design and project management.

Ms. Reese reported that the Track 2 submission is due on October 2nd, which is for the High Speed Rail Corridor Program of projects that would create up to 90 mph high speed train service between north of Petersburg, Virginia to Washington, D.C.

Ms. Reese explained that the Operations Board is being asked to adopt a resolution supporting the Commonwealth's application for the \$72 million project which includes construction of the 11 miles of third track from Arkendale to Powell's Creek. She also stated that support from the local governments would also be appreciated. She asked that VRE have the flexibility to respond quickly when application procedures change in order to compete effectively.

Mr. Jenkins stated that the Prince William Board of Supervisors meets again on September 15th and he asked if this would be enough time to pass a resolution of support. Ms. Reese stated yes. She also explained that the resolution is not a funding commitment. Ms. Caddigan asked that Ms. Reese and VRE staff be available to brief the County Board at their September 15th meeting. She stated that it is important for citizens to hear about the project. Ms. Bulova expressed her support and stated that this would be a tremendous way to advance the cause of intercity rail as well as increase rail speed in the corridor. In response to a question from Mr. Smedberg, Ms. Reese asked that local jurisdictions provide resolutions by the end of September.

Ms. Bulova moved, with a second by Mr. Jenkins, to approve Resolution #9D-08-2009 endorsing High Speed Rail in Virginia.

Mr. Way asked if this project has any negative cost implications or funding requirements on VRE or the jurisdictions. Ms. Reese replied that there are no funding requirements. Federal funding is being sought and the Commonwealth is looking for new sources of funding for operating costs.

Mr. Kelly stated that he supports this project. He observed that the station extension at Fredericksburg is a VRE project. Mr. Smedberg asked if the Commonwealth has been in contact with jurisdictional executives and transportation staff. Ms. Reese replied that there has been some contact but she will be actively reaching out to the jurisdictions.

Chairman Zimmerman stated that these are the first real steps to getting effective intercity high speed rail in Virginia. It is an important project and he supports it. It will benefit both commuter and freight rail service.

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

[Mr. Page stepped out of the room.]

Authorization to Award a Contract for Repair and Overhaul of Air Brake Equipment – 9A

Mr. Zehner explained that Resolution #9A-08-2009 would authorize him as CEO to enter into a contract with Wabtec Corporation of Wilmerding, Pennsylvania, for the repair and overhaul of air brake equipment in an amount not to exceed \$500,000 over a three-year period.

Mr. Zehner explained that following a competitive RFP process, Touchton Industries was recommended to and approved by the Operations Board in April 2009. Since that time, Touchton has been unable to provide satisfactory proof of insurance. As a result of that failure, VRE issued a notice of non-compliance on June 26, 2009. Since Wabtec Corporation had also submitted a responsive and responsible proposal, this firm is an acceptable second choice. Negotiations have been completed and a contract is now being recommended for award. Board Members had no questions.

Ms. Caddigan moved, with a second by Mr. Jenkins, to approve Resolution #9A-08-2009. The vote in favor was cast by Board Members Bulova, Caddigan, Covington, Herry, Jenkins, Kelly, Milde, Schwartz, Smedberg, Way and Zimmerman.

Authorization to Sell Three F-40 Locomotives – 9B

Mr. Zehner stated that the Operations Board is being asked to recommend that the Commissions authorize the VRE CEO to execute a sales agreement for three F-40 locomotives to Rail World Locomotive Leasing of Chicago, Illinois, for a total of \$450,000. Resolution #9B-08-2009 would accomplish this.

Mr. Zehner explained that VRE posted a Request for Interest (RFI) offering the sale of 15 locomotives. To date, the only offer received has been from Rail World and is conditioned upon taking delivery of one unit no later than the end of September 2009. The other two locomotives would not be released until VRE receives the new locomotives in 2010. Mr. Zehner further stated that these three F-40 locomotives were built in the 1970's and were acquired by VRE as a stop gap until new replacement locomotives could be purchased. They are the oldest of VRE's fleet of locomotives and consume the most fuel. In response to a question from Chairman Zimmerman, Mr. Zehner stated that only one locomotive needs to be released now and VRE has a sufficient number of locomotives for service until the new locomotives are delivered. In response to a question from Mr. Way, Mr. Zehner stated that the locomotives were purchased by VRE using federal and state funds, but two of the locomotives have reached the end of their useful life and the third will do so in November. Both FTA and the state have been notified of VRE's intent to sell.

In response to a question from Mr. Way, Mr. Zehner stated that the sale to Rail World would be a cash sale. Mr. Zehner stated that all sale proceeds will be reinvested in the locomotive acquisition project to be used as match to upcoming federal and or state grants.

Mr. Smedberg moved, with a second by Mr. Milde, to approve Resolution #9B-08-2009. The vote in favor was cast by Board Members Bulova, Caddigan, Covington, Herrity, Jenkins, Kelly, Milde, Schwartz, Smedberg, Way and Zimmerman.

Authorization to Amend the Contract for the VRE Woodridge Station – 9C

Mr. Zehner explained that the VRE Operations Board is being asked to authorize him to execute a change order with Costello Construction for the Woodbridge VRE station expansion project, increasing the contract value by \$376,216, for a total contract value not to exceed \$4,244,916. He explained that originally this work was scheduled to be done by CSX but CSX has informed VRE that they do not have the capability to do this work. Therefore, the work is being switched over to Costello Construction so there is no net increase in cost. Resolution #9C-08-2009 would accomplish this.

Mr. Way asked if the station expansion will have a platform long enough to accommodate an eight-car train. Mr. Zehner responded that the second platform is designed for a six-car train, but would only be used if VRE had to switch tracks due to delays or other reasons. Having the second platform gives VRE the flexibility of moving trains between the two tracks.

Mr. Milde asked if the Board action will reduce the CSX force account. Mr. Zehner replied that the force account will be reduced and the funds transferred over to Costello Construction.

Ms. Caddigan moved, with a second by Mr. Jenkins, to approve Resolution #9C-08-2009. The vote in favor was cast by Board Members Bulova, Caddigan, Covington, Herrity, Jenkins, Kelly, Milde, Schwartz, Smedberg, Way and Zimmerman.

Referral of Preliminary FY 2011 VRE Operating and Capital Budget to the Commissions – 9E

Mr. Zehner stated that the Operations Board is being asked to authorize him to refer the Preliminary FY 2011 VRE Operating and Capital Budget to the Commissions for their consideration, and that the Commissions, in turn, refer the budget to the jurisdictions for their review and comment. Resolution #9E-08-2009 would accomplish this.

[Mr. Page entered the room and joined the discussion.]

Mr. Zehner reported that it is going to be another difficult fiscal year. Staff prepared a baseline budget but there are still large unknowns, especially state funding. He stated that the preliminary budget is not balanced, but will be by December 2009 when the Board will be asked to approve the budget. There is now a budget shortfall of \$2.4 million. In comparison, last year at the same time there was an \$8 million shortfall.

Mr. Zehner also reported that by July 1, 2010, VRE will have two new contracts in place—an operator and maintenance contract and a renegotiated access agreement into Union Station. The cost impact of these two contracts is not yet known.

Mr. Zehner stated that VRE staff is committed to maintaining or reducing jurisdictional subsidies for FY 2011. He also briefed the Board on the state of last year's budget at the end of June 30, 2009, which actually resulted in a positive budget variance of \$4.1 million. This was a result of higher actual fare revenue, reducing debt service and trimming operating expenses. Staff is recommending that the one-time variance be used to restore VRE's working capital level to \$8.5 million and restore the Insurance Trust Fund to the required \$10 million level. The Board is not being asked to vote on this now.

Mr. Zehner reminded Board members that this will be the last year of the subsidy phased approach resulting from the Master Agreement change. After this year, subsidy allocations will be based solely on ridership. In response to a question from Mr. Milde, Mr. Zehner stated that staff will look at individual jurisdictional allocations, but the subsidies are formula driven.

Mr. Milde asked about Train #312. Mr. Zehner responded that the state will operate a train in the Washington-Richmond corridor, which will go into service sometime after December 1, 2009. CSX asked VRE to take off the non-revenue/counter flow/dead head Train #312 that comes back in the afternoon. This means that another set of equipment needs to be added, which is included in VRE's budget. It may become an express train, but staff will return to the Board with a recommendation at a later meeting.

Mr. Kelly reminded the Board that the Fredericksburg City Council passed a resolution requesting any additional or excess revenue be returned or credited back to the jurisdictions. He realizes that VRE has financial issues but so do the jurisdictions. In response to a question from Chairman Zimmerman, Mr. Kelly stated that this concerns the \$4.1 million budget variance and a policy for any future positive variances. He stated that he hopes VRE will consider a compromise where half of the variance be used by VRE and the remainder returned to the jurisdictions. Ms. Bulova observed that right now the Board is just being asked to refer the budget to the Commissions and jurisdictions for their comment. Mr. Kelly understands this, but wants to make sure that this issue is discussed at some point.

Mr. Way observed that one of the budget assumptions states that reduction in train service is a possible solution as a cost seeking measure. He stated that to even have this as a potential action, except in the most dire circumstances, is a dangerous thing if the region is trying to encourage development. He asked that if the guideline needs to remain at all, it be qualified that only under the most dire or "last resort" circumstances that would threaten the viability of VRE. He also asked if VRE is in default on any projects and Mr. Zehner replied no.

Mr. Milde echoed Mr. Kelly's idea of returning some of the budget variance to the jurisdictions, especially since Stafford County will likely see a subsidy increase because of the Master Agreement changes.

Mr. Herrity stated that he would like to see more information on the working capital level, especially what percentage it is of the operating budget. It would also be helpful to know what the actual working capital has been over the past years. He stated that it may be possible to keep the working capital low, but to make sure there are some reserves in case of emergencies. He also asked about the level of the Insurance Trust Fund. Ms. Boxer replied that it is currently at a little over \$8 million and will be about \$800,000 short based on the trust fund allocation in the FY 2010 budget. Mr. Smedberg stated that it would be helpful to understand staff's justification for the \$8.5 million level for working capital.

Chairman Zimmerman also observed that another cost saving measure to be explored includes a moratorium on the use of earmarks if required local match is not available from other sources. Mr. Zehner stated that conceivably the federal government could provide an earmark that VRE does not have a match. VRE would postpone it to the next fiscal year and include it in the new budget presentation. Mr. Zehner used the example that VRE now has three sources of funding for locomotives, all requiring a match. Staff could make a recommendation to use reserve funds to satisfy the match, push it to the next year's budget, or turn down the earmark because the fiscal hardship is too great. Mr. Covington observed that this would only pertain to systemwide earmarks, since local projects must be matched by the jurisdiction.

Chairman Zimmerman stated that is important to understand that VRE's budget issues are very complicated. On the one hand, ridership is up and VRE wants to continue to grow ridership, but there is a concern about future development plans, which means that the fiscal basis for all the jurisdictions depends on being able to accommodate that growth. On the other hand, jurisdictions do not want subsidies increased and riders do not want fares to go up, and both don't want to reduce the level of service. Also, VRE may not take federal earmarks if VRE can't find a required match. At some point, the Board is going to have to decide what direction VRE should take regarding the budget. He stated that there is no question that every jurisdiction and VRE are being faced with tough financial decisions. However, it is important to decide what things can be put off (i.e., amenities) and what things need funding right now or will hurt the system fiscally in the future (i.e., maintenance and equipment). He stated that personally he feels that the jurisdictions will be "hurt" if VRE funding for capital improvement projects do not go forward. The reality is that it takes a long time to dig out from behind deferred capital spending. His personal view is that at this point, the VRE Operations Board should not assume subsidies won't go up. It is important for Board Members to help their colleagues understand that these choices may need to be confronted. He stated that it is important to understand what the basis is for the budget. He would like to see the principles and assumptions used to develop the budget.

Ms. Bulova moved, with a second by Mr. Milde, to approve Resolution #9E-08-2009 which would forward the preliminary budget to the Commissions, and in turn, to the jurisdictions. The vote in favor was cast by Board Members Bulova, Caddigan,

Covington, Herrity, Jenkins, Kelly, Milde, Page, Schwartz, Smedberg, Way and Zimmerman.

Review of Customer Opinion Survey from May 2009 – 10A

Mr. Zehner reported that VRE conducted its Annual Customer Opinion Survey on May 6, 2009. The survey measures the perceived strengths and weaknesses of VRE service and programs. Overall, the results are slightly better than the 2008 survey. Based on the results, 75 percent of riders are satisfied overall with VRE service, which is the highest it's been since 2003. Sixty-four percent of all riders board trains at outlying stations (Broad Run, Manassas, Manassas Park, Leeland Road and Fredericksburg), which is where the growth is and where the demand is. Top concerns are on-time performance, cost and frequency of service.

Mr. Way asked how many riders responded to the survey. Ms. Maguigad stated that 4,500 – 5,000 people turned in surveys. Ms. Bulova noted that the train crews received high marks and that they really deliver quality service for VRE. She stated that it is important to remember this as VRE looks at selecting a new contract operator.

Mr. Jenkins stated that it would be interesting to know the percentage of VRE riders who receive some sort of subsidy from their employers, especially those that receive the maximum \$230 amount. Ms. Maguigad replied that about 60-65 percent of riders receive some type of subsidy; however, not all receive the maximum amount. Mr. Jenkins stated that it is important to push for the continuation of the full subsidy and to work with employers to provide the full subsidy. Mr. Harf explained that the \$230 allowable maximum subsidy is temporary and it is his understanding that it stops at the beginning of 2011, unless Congress takes action to make it permanent. In response to a question from Mr. Smedberg, Mr. Zehner stated that riders on the Manassas Line want additional later trains and riders on the Fredericksburg want earlier trains.

Mr. Way observed that VRE received the worst scores on reliability of ticket vending machines and he asked if VRE is doing anything to fix these problems. Mr. Zehner responded that VRE is working to replace the vending machines and has begun the process. Mr. Smedberg asked if there is an online option for riders to take the survey on VRE's website. Mr. Zehner explained that VRE did provide an online version once, but the results were not satisfactory. Also, it does not allow VRE to deal with repeat/multiple respondents.

In response to a question from Mr. Jenkins, Mr. Page stated that DRPT is working with VRE and Verizon staff to meet and discuss the "black holes" of cell phone coverage along the VRE service area. Mr. Milde observed that VRE does not have clocks in the stations and asked that this be considered.

Closed Session – 11

Chairman Zimmerman moved, with a second by Mr. Kelly, the following motion:

Pursuant to the Virginia Freedom of Information Act (Sections 2.2-3711A (7) of the Code of Virginia), the VRE Operations Board authorizes a Closed Session for the purposes of consultation with legal counsel concerning the terms and conditions of an agreement for the addition of Spotsylvania County to the VRE Master Agreement.

The vote in favor was cast by Board Members Bulova, Caddigan, Covington, Herrity, Jenkins, Kelly, Milde, Page, Schwartz, Smedberg, Way and Zimmerman.

The Board entered into Closed Session at 11:03 A.M. [Mr. Jenkins left during the Closed Session at 11:44 A.M.] The Operations Board returned to Open Session at 12:02 A.M.

Chairman Zimmerman moved, with a second by Ms. Bulova, the following certification:

The VRE Operations Board certifies that, to the best of each member's knowledge and with no individual member dissenting, at the just concluded Closed Session:

1. Only public business matters lawfully exempted from open meeting requirements under Chapter 37, Title 2.2 of the Code of Virginia were discussed; and
2. Only such public business matters as were identified in the motion by which the Closed Session was convened were heard, discussed or considered.

The vote in favor was cast by Board Members Bulova, Caddigan, Covington, Herrity, Kelly, Milde, Page, Schwartz, Smedberg, Way and Zimmerman.

Mr. Milde moved, with a second by Mr. Kelly, to approve the resolution concerning Spotsylvania County which was discussed in Closed Session. The vote in favor was cast by Board Members Bulova, Caddigan, Covington, Herrity, Kelly, Milde, Page, Schwartz, Smedberg, Way and Zimmerman.

Adjournment

Without objection, Chairman Zimmerman adjourned the meeting at 11:54 A.M.

Approved this 18th day of September 2009.

Christopher Zimmerman
Chairman

Sharon Bulova
Secretary

CERTIFICATION

This certification hereby acknowledges that the minutes for the August 21, 2009 Virginia Railway Express Operations Board Meeting have been recorded to the best of my ability.

Rhonda Gilchrest

Rhonda Gilchrest