AGENDA ITEM 9-C
ACTION ITEM

TO: CHAIRMAN SMEDBERG AND THE VRE OPERATIONS BOARD
FROM: DOUG ALLEN
DATE: APRIL 19, 2013
RE: AUTHORIZATION TO APPROVE THE FOURTH YEAR OF THE OPERATING AND MAINTENANCE SERVICES CONTRACT

RECOMMENDATION:
The VRE Operations Board is being asked to recommend the Commissions authorize the Chief Executive Officer to modify the contract with Keolis Rail Services Virginia, LLC for operating and maintenance services by approving up to $18,974,041 for a total contract value not to exceed $75,481,507 for the fourth year of operations, through June 30, 2014.

BACKGROUND:
On October 16, 2009, the VRE Operations Board approved a 5 year contract with Keolis Rail Services Virginia (KRSV) for VRE operating and maintenance services and mobilization. VRE staff has returned to the Operations board for the following amendment and contract modifications:

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
<th>Authorized Value (Cumulative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-16-2009</td>
<td>1st Contract Year &amp; Mobilization</td>
<td>$18,459,348</td>
<td>$18,459,348</td>
</tr>
<tr>
<td>12-17-2010</td>
<td>*Amendment</td>
<td>$2,085,000</td>
<td>$20,544,348</td>
</tr>
<tr>
<td>5-20-2011</td>
<td>2nd Contract Year</td>
<td>$17,954,527</td>
<td>$38,498,875</td>
</tr>
<tr>
<td>4-20-2012</td>
<td>**3rd Contract Year</td>
<td>$18,008,591</td>
<td>$56,507,466</td>
</tr>
<tr>
<td>4-19-2013</td>
<td>4th Contract Year</td>
<td>$18,974,041</td>
<td>$75,481,507</td>
</tr>
</tbody>
</table>
Amendment included service enhancements, higher than anticipated insurance costs, items included in the original negotiations, contingency funds and removed the requirement that Keolis indemnify VRE for all liability claims arising from the contract service with a value of up to $5,000,000.

**FY2013 budget amended mid-year for service enhancements resulting in the lengthening of two trains. This increased the FY2013 contract budget amount to $18,248,591. Authorization available from prior year approvals.

The amount requested for the 4th contract year is within the proposed FY2014 VRE operating budget. Compared to the FY2013 contract budget, the increases are primarily due to service enhancements in the form of lengthening one train and a 2.16% CPI increase to fixed cost services as required by the contract and an increase in maintenance of equipment costs due to the expiring locomotive warranties and labor rate increases.

The FY2014 contract authorization also reflects the addition of one assistant conductor (A/C) and extra board coverage to lengthen one train by one car. VRE staff is currently monitoring ridership patterns on train 307 and if the increased number of standees continues one additional car will be needed.

**FISCAL IMPACT:**

Funding for the fourth year of the commuter rail operating and maintenance services contract is included in the VRE FY2014 operating budget. Details and a comparison from the previous fiscal year contract budget are provided in the table below.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amended Budget FY2013</th>
<th>Year End Est. FY2013</th>
<th>Budget FY2014</th>
<th>Variance From FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Services (1)</td>
<td>4,750,871</td>
<td>4,750,871</td>
<td>4,853,490</td>
<td>102,619</td>
</tr>
<tr>
<td>Train Operations (1)(2)(3)</td>
<td>8,424,141</td>
<td>8,452,301</td>
<td>8,840,334</td>
<td>416,193</td>
</tr>
<tr>
<td>Maintenance of Equipment (4)</td>
<td>3,408,620</td>
<td>3,408,620</td>
<td>3,555,279</td>
<td>146,659</td>
</tr>
<tr>
<td>Task Order Repairs</td>
<td></td>
<td>120,120</td>
<td>207,154</td>
<td>4,380</td>
</tr>
<tr>
<td>Maintenance of Facilities (1)</td>
<td>366,858</td>
<td>366,858</td>
<td>374,782</td>
<td>7,924</td>
</tr>
<tr>
<td>Warehouse Management (1)</td>
<td>355,327</td>
<td>355,327</td>
<td>363,002</td>
<td>7,675</td>
</tr>
<tr>
<td>Incentive Payments</td>
<td>740,000</td>
<td>743,383</td>
<td>780,000</td>
<td>40,000</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>$18,248,591</strong></td>
<td><strong>$18,197,480</strong></td>
<td><strong>$18,974,041</strong></td>
<td><strong>$725,450</strong></td>
</tr>
</tbody>
</table>

Note 1: FY2014 increase due to 2.16% CPI increase required by Contract.
Note 2: In FY2013 VRE added two assistant conductors to lengthen two trains. FY2014 budget reflects costs for entire year.
Note 3: FY2014 reflects one additional assistant conductor and extra board coverage if excessive standees continue on train 307.
Note 4: FY2014 increase due to locomotives coming off warranty and labor rate increases.
TO: CHAIRMAN SMEDBERG AND THE VRE OPERATIONS BOARD  
FROM: DOUG ALLEN  
DATE: APRIL 19, 2013  
RE: AUTHORIZATION TO APPROVE THE FOURTH YEAR OF THE OPERATING AND MAINTENANCE SERVICES CONTRACT

RESOLUTION  
9C-04-2013  
OF THE  
VIRGINIA RAILWAY EXPRESS OPERATIONS BOARD

WHEREAS, on October 16, 2009, the VRE Operations Board approved a 5 year contract with Keolis Rail Services Virginia for VRE operating and maintenance services and mobilization in the amount of $18,459,348 through June 30, 2011; and,

WHEREAS, a contract amendment was approved on December 17, 2010 in the amount of $2,085,000 to the contract value; and,

WHEREAS, on May 20, 2011, the Operations Board approved the second contract year, through June 30, 2012, in the amount of $17,954,527 for a total contract value not to exceed $38,498,875; and,

WHEREAS, on April 20, 2012, the Operations Board approved the third contract year, through June 30, 2013, in the amount of $18,008,591 for a total contract value not to exceed $56,507,466; and,

WHEREAS, authorization is now being sought to approve the fourth contract year.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board recommends the Commissions authorize the Chief Executive Officer to modify the contract with Keolis Rail Services Virginia, LLC for operating and maintenance services by approving up to $18,974,041, for a total contract value not to exceed $75,481,507, for the fourth year of operations through June 30, 2014.
Approved this 19th day of April 2013

_____________________
Paul Smedberg
Chairman

_____________________
John Cook