



**Virginia Railway
Express**

Gary Skinner
Chairman

Paul Smedberg
Vice-Chairman

Maureen Caddigan
Secretary

Sharon Bulova
Treasurer

John C. Cook
Katie Cristol
John Jenkins
Matt Kelly
Paul Milde
Jennifer Mitchell
Suhas Naddoni
Martin Nohe
Bob Thomas
Jonathan Way

Alternates

Marc Aveni
Jay Fisette
Todd Horsley
Frank Jones
Jeanine Lawson
Jeff McKay
Wendy Maurer
Paul Trampe
Billy Withers

Doug Allen
Chief Executive Officer

1500 King Street, Suite 202
Alexandria, VA 22314-2730

MINUTES

VRE Operations Board Meeting PRTC Headquarters – Prince William County, Virginia January 15, 2016

Members Present	Jurisdiction
Sharon Bulova (NVTC)	Fairfax County
Maureen Caddigan (PRTC)*	Prince William County
John C. Cook (NVTC)	Fairfax County
Katie Cristol (NVTC)	Arlington County
John D. Jenkins (PRTC)	Prince William County
Matt Kelly (PRTC)	City of Fredericksburg
Paul Milde (PRTC)	Stafford County
Jennifer Mitchell	DRPT
Gary Skinner (PRTC)	Spotsylvania County
Paul Smedberg (NVTC)	City of Alexandria
Bob Thomas (PRTC)	Stafford County
Jonathan Way (PRTC)	City of Manassas

Members Absent	Jurisdiction
Suhas Naddoni (PRTC)	City of Manassas Park
Martin Nohe (PRTC)	Prince William County

Alternates Present	Jurisdiction
Jeanine Lawson (PRTC)	Prince William County

Alternates Absent	Jurisdiction
Marc Aveni (PRTC)	City of Manassas
Jay Fisette (NVTC)	Arlington County
Todd Horsley	DRPT
Frank C. Jones (PRTC)	City of Manassas Park
Jeff McKay (NVTC)	Fairfax County
Wendy Maurer (PRTC)	Stafford County
Paul Trampe (PRTC)	Spotsylvania County
Billy Withers (PRTC)	City of Fredericksburg

Staff and General Public	
Doug Allen – VRE Donna Boxer – VRE Joann Carter – PFM Kelley Coyner – NVTC Staff Rich Dalton – VRE Greg Deibler – VRE John Duque – VRE Patrick Durany – Prince William County Rhonda Gilchrest – NVTC Staff Chris Henry – VRE Tom Hickey – VRE Robert Hostelka – VRE Christine Hoeffner – VRE	Bryan Jungwirth – VRE John Kerins – Keolis Mason Kushnir – Arlington County Mike Lake – Fairfax County DOT Lezlie Lamb – VRE Bob Leibbrandt – Prince William County Steve MacIsaac – VRE legal counsel Eric Marx – PRTC staff Betsy Massie – PRTC staff Matthew McDermott – Amec Foster Wheeler Alexis Rice – VRE Joe Swartz – VRE

* Delineates arrival following the commencement of the Board meeting. Notation of exact arrival time is included in the body of the minutes.

Chairman Cook called the meeting to order at 9:00 A.M.

Chairman Cook welcomed new Board Member, Katie Cristol, representing Arlington County. Ms. Cristol stated she is looking forward to working with her fellow Operations Board Members. The Crystal City VRE Station plays an important role in Arlington County's redevelopment of the Crystal City area. Chairman Cook also announced Wendy Maurer has been named as an Alternate for Stafford County.

Chairman Cook stated former Board Member Elaine McConnell passed away on January 10, 2016. Ms. McConnell represented the Springfield District on the Fairfax County Board of Supervisors and was a founding Board Member of VRE. Ms. Bulova also gave a tribute and talked about Ms. McConnell's pivotal role in helping get VRE established, especially working hard to gain the support of the freight railroads.

Following a moment of silence in memory of Elaine McConnell, the Board recited the Pledge of Allegiance.

Chairman Cook stated it has been an honor to serve as Chairman over the past year. VRE is a great organization and has a great staff. He passed the gavel to Chairman Skinner.

New Chairman's Comments – 6

Chairman Skinner thanked the Board for their confidence in him serving as Chairman for 2016. On behalf of the Board, he reviewed the highlights of 2015 under the leadership of Chairman Cook:

- In January 2015, VRE received the Management Audit and the Operations Board began implementing the recommendations, which included the creation of a Financial Plan.
- VRE successfully led the effort to seek legislation to extend the deadline for Positive Train Control. The deadline was extended to December 31, 2018.
- VRE initiated a study of the Gainesville-Haymarket Extension Project to identify potential station locations, railroad infrastructure and environmental impact and preliminary engineering.
- VRE established four Gainesville-Haymarket Extension committees comprised of elected officials, jurisdictional staff, and the general public.
- VRE launched Mobile Ticketing in May 2015.
- VRE dealt with contractor safety issues with the Hamilton to Crossroads Third Track Project and under Chairman Cook's leadership, VRE installed a new subcontractor and work resumed in July. There have been no safety violations since then. The project is scheduled for completion in the next several months.
- The Spotsylvania Station opened for service on November 16, 2015.
- A new train was added to the Fredericksburg Line on November 30th.

Chairman Skinner presented Mr. Cook with a framed photo of a VRE train in front of the Burke Centre Station as a token of appreciation for his service as Chairman in 2015. Mr.

Allen also expressed thanks on behalf of all the VRE staff for Mr. Cook's leadership during the past year.

Ms. Bulova thanked Mr. Cook for his leadership and observed he brought a new level of professionalism to the Operations Board by strategically mapping out where VRE is headed and how to pay for it.

Chairman Skinner asked for the Roll call to be taken. There was a quorum present.

Approval of the Agenda – 3

Mr. Jenkins moved, with a second by Mr. Kelly, to approve the Agenda. The vote in favor was cast by Board Members Bulova, Cook, Kelly, Jenkins, Lawson, Milde, Mitchell, Skinner, Thomas and Way. Ms. Cristol and Mr. Smedberg abstained.

Approval of the Minutes of the December 18, 2015 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, Cook, Kelly, Jenkins, Lawson, Milde, Mitchell, Skinner, Thomas and Way. Ms. Cristol and Mr. Smedberg abstained.

Installation of New Officers – 5

Chairman Skinner acknowledged the new officers for 2016, which were elected at the December meeting:

Chairman: Gary Skinner
Vice-Chairman: Paul Smedberg
Secretary: Maureen Caddigan
Treasurer: Sharon Bulova
Immediate Past Chairman: John Cook

Chief Executive Officer's Comments –6

Mr. Allen provided highlights of safety and security initiatives over the last year:

- Provided safety training to over 300 first responders.
- Participated in a joint exercise with Amtrak, CSX and Washington, DC first responders in the tunnel approaching Union Station.
- Worked with first responders in Spotsylvania County in anticipation of the new station opening.

Mr. Allen reported overall on-time performance for the month of December was 92 percent system-wide with 97 percent on the Manassas Line and 87 percent on the Fredericksburg Line. Delays on the Fredericksburg Line were caused primarily by heavy freight traffic and track work orders. Ridership for December was 17,700.

Mr. Allen reviewed his spending authority report, which included one purchase order for \$57,000 for 60 lines of cell phone service for 2016. He announced the Amended FY 2016

and FY 2017 VRE Budgets were forwarded to the Commissions and both NVTC and PRTC approved the budgets at their December meetings and forwarded them to the jurisdictions for their consideration.

Mr. Allen gave an update on legislative issues. At the state level, VRE is seeking changes to procurement law. Delegate Minchew has sponsored HB907 to change the general engineering cost threshold. This will help VRE's capital improvement program. VRE is also advocating for new funding sources. Later today a bill will be introduced asking the Commonwealth Transportation Board to review VRE's System 2040 Plan and Financial Plan to assess the impact on I-66 and I-95/395 Corridors, which are Corridors of Statewide Significance. VRE is also working with NVTC and PRTC to seek a floor to the regional gas tax. He also noted VRE is monitoring Delegate Marshall's bill HB901 (regarding NVTA funding) and Delegate LeMunyon's bill HB723 (transfer of NVTC functions to NVTA).

[Ms. Caddigan arrived at 9:26 A.M.]

VRE Riders' and Public Comment – 7

There were no comments.

Authorization to Issue an Invitation for Bids for Station Lighting Enhancements – 9A

Mr. Allen asked the Operations Board to authorize him to issue an Invitation for Bids (IFB) for the supply of light emitting diode (LED) lighting fixtures and associated supplies for seven stations identified for lighting improvements in VRE's most recent Threat and Vulnerability Assessment (TVA). These stations include L'Enfant, Woodbridge, Lorton, Rolling Road, Manassas, Manassas Park and Fredericksburg. Resolution #9A-01-2016 would accomplish this.

Mr. Kelly moved, with a second by Ms. Bulova, to approve Resolution #9A-01-2016. The vote in favor was cast by Board Members Bulova, Caddigan, Cook, Cristol, Kelly, Jenkins, Lawson, Milde, Mitchell, Skinner, Smedberg, Thomas and Way.

Authorization to Execute a Microsoft Volume Licensing Agreement – 9B

Mr. Allen asked the Operations Board to authorize him to execute an agreement with Microsoft, Inc. of Redmond, Washington for Microsoft Volume Licensing in the amount of \$360,000, plus a 10 percent contingency of \$36,000, for a total amount not to exceed \$396,000 for a period of three years. Resolution #9B-01-2016 would accomplish this.

Mr. Milde asked if localities spend these amounts for licensing agreements. Mr. Skinner stated Spotsylvania County does. In response to several questions from Mr. Milde, Mr. Hostelka stated VRE has done piece meal licensing in the past. A volume licensing agreement allows VRE to take advantage of volume discounts and provides the mechanism required to utilize Microsoft Azure cloud based services as VRE moves towards a hybrid cloud infrastructure to provide increase innovation, resiliency, and disaster preparedness. Mr. Hostelka confirmed this is the least expensive way to do it.

Mr. Smedberg moved, with a second by Ms. Bulova, to approve Resolution #9B-01-2016. The vote in favor was cast by Board Members Bulova, Caddigan, Cook, Cristol, Kelly, Jenkins, Lawson, Milde, Mitchell, Skinner, Smedberg, Thomas and Way.

Authorization to Execute an Agreement with Harbor Station Communities LLC for Design of the Potomac Shores Station – 9C

Mr. Allen asked the Board to authorize him to execute an agreement with Harbor Station Communities, LLC, for design of the Potomac Shores Station and design reviews by VRE and CSXT. Resolution #9C-01-2016 would accomplish this.

Mr. Allen stated designs of the new station must be reviewed and approved by VRE and CSXT. This agreement provides for the developer funding both VRE and CSXT to conduct review and approval of designs produced by Harbor Station Communities, LLC. In response to a question from Ms. Caddigan, Mr. Allen stated the Potomac Shores Station is expected to open in 2017.

Ms. Caddigan moved, with a second by Ms. Lawson, to approve Resolution #9C-01-2016. The vote in favor was cast by Board Members Bulova, Caddigan, Cook, Cristol, Kelly, Jenkins, Lawson, Milde, Mitchell, Skinner, Smedberg, Thomas and Way.

Authorization to Execute a Force Account Agreement with CSX Transportation for Design Review of the Potomac Shores Station – 9D

Mr. Allen asked the Board to authorize him to execute a force account agreement with CSX Transportation for design review of the Potomac Shores Station in an estimated amount of \$50,000, plus a 10 percent contingency of \$5,000, for a total amount not to exceed \$55,000. Resolution #9D-01-2016 would accomplish this.

Ms. Caddigan moved, with a second by Mr. Jenkins, to approve Resolution #9D-01-2016. The vote in favor was cast by Board Members Bulova, Caddigan, Cook, Cristol, Kelly, Jenkins, Lawson, Milde, Mitchell, Skinner, Smedberg, Thomas and Way.

Authorization to Execute a Force Account Agreement with CSX Transportation for Design Review of the Quantico Station Improvements – 9E

Mr. Allen asked the Board to authorize him to execute a force account agreement with CSX Transportation for design review of improvements to the Quantico Station in an estimated amount of \$50,000, plus a 10 percent contingency of \$5,000, for a total amount not to exceed \$55,000. Resolution #9E-01-2016 would accomplish this.

Mr. Milde asked if CSXT makes a profit on these types of force account agreements. Mr. Allen answered it is basically a break even scenario and a means to cover their costs.

Mr. Way observed VRE routinely includes a 10 percent contingency on contracts and yet the budget includes only a one percent contingency. He asked if the budget contingency is enough. Ms. Boxer stated some contracts are in the capital budget and are not part of the operating budget. The one percent contingency in the operating budget is sufficient. Mr. Allen explained the ten percent contingency included in Board items are contingencies in

the authorization the board approves, not in the value of contracts. These contingencies give the CEO the authority to make minor adjustments without having to return to the Board for additional authorization.

Ms. Caddigan moved, with a second by Mr. Jenkins, to approve Resolution #9E-01-2016. The vote in favor was cast by Board Members Bulova, Caddigan, Cook, Cristol, Kelly, Jenkins, Lawson, Milde, Mitchell, Skinner, Smedberg, Thomas and Way.

Financial Plan – 10

Mr. Allen stated in February 2015, VRE staff and the consultants, PFM, began work on the development of a long-term Financial Plan to correspond to the adopted System Plan 2040. The purpose of this effort was to create a financial forecast of the varying operational and service profiles VRE might pursue, ranging from maintaining the existing system to the implementation of system improvements and expansion initiatives. At the September meeting, the Operations Board chose the Natural Growth and System Plan Scenarios for further analysis. Since it has been awhile since the Board discussed this plan and due to the complexity of the issues, staff will provide a status of the Financial Pal and the issues at this meeting so the Board can have a more robust discussion at the February meeting to advance the Financial Plan.

Ms. Boxer gave an overview and recapped the issues. A copy of questions raised in September were distributed to Board Members. Staff will add any questions to the list to be addressed at the February meeting. Key conclusions that came out of the work done by PFM:

- Under any service profile, forecast growth in VRE's operational expenses is primarily driven by VRE's contractual agreements with its operator and the obligation to pay access fees to the host railroads.
- Regardless of scenario, VRE has a core level of significant capital investment. Rolling stock will need to be replaced around 2030-2035 timeframe.
- Raising fares to close the financial gap is not a viable solution on its own.
- Higher ridership due to enhanced service levels could defray future operating and capital costs.
- VRE needs additional revenue beyond the sources which exist today, even if it is to maintain the status quo.

Mr. Cook stated demographics will change over time. If fare prices go up it would eventually price people out. Secondly, there is also an issue that as demand increases there would be a greater percentage of riders from outlying jurisdictions, which leads to no room for people to board at the inner stations. This would affect the subsidy since outlying jurisdictions will end up paying more since subsidy is based on ridership. It is not possible to maintain the current demographics of ridership.

Ms. Boxer also stated additional operating costs needed for the Natural Growth Scenario are actually more expensive ultimately on an aggregate basis compared to the full System Plan 2040 Scenario.

In response to a question from Mr. Way regarding incremental costs versus incremental revenue, Ms. Boxer stated staff would like to answer questions comprehensively at the February meeting to be able to put it all into context. She encouraged Board Members to submit additional questions. Mr. Way also asked for comparisons of costs between the Modified Service Expansion Scenario and the System Plan Scenario when adding 12,000 riders but no additional funding.

Ms. Lawson asked about considerations for rail expenses to increase how VRE is forecasting payments to the railroads. Ms. Boxer stated VRE has five-year contracts with the railroads. The assumption is the contracts will be essentially the same as they are now. The major cost is a per-mile charge and it compares to standard industry price. Any contract increase will be based on the ARR Index. Currently, the Commonwealth pays 84 percent of these costs, but the Commonwealth has stated VRE should not assume it can continue with that rate.

Mr. Cook stated as VRE finalizes the Financial Plan it needs to be thinking of the audience beyond just the Operations Board and include the Commonwealth Transportation Board and the General Assembly. Details need to be included backing up the statement that the current baseline shuts down service in the future. He suggested including demographic data and projections for the future. Also, how the permanent parity of the commuter benefit affects financial projections should be included as part of the projections of the baseline assumption.

Mr. Kelly asked why VRE is not looking at the dynamics of the railroad agreements. CSXT may have problems with future expansion because of the impact to their freight traffic. However, millions of dollars of taxpayers' dollars have been spent to build the third track and other improvements to increase capacity without any agreement for service expansion. Mr. MacIsaac explained negotiations with the railroads are extremely difficult. Throughout the U.S. all commuter rails systems have similar agreements. VRE has rigorously scrutinized train mile costs. As capacity is created, such as the third rail, VRE owns that capacity and has the right to run trains on that new capacity. It is there for VRE when VRE is able to fund it. Finding a source of funding to pay for operating costs is a challenge. The real problem is there is no source of funding for the VRE system and its continual growth of the system.

Mr. Cook stated Mr. Kelly's question is legitimate. The Financial Plan needs to be based on baseline presumptions. It would be helpful if Mr. Kelly put together a motion outlining what exactly he wants VRE to specifically study in regards to the host railroad agreements. Mr. Kelly stated he will bring a motion back at a future meeting. Mr. Cook stated these types of questions could also be raised by General Assembly members, so having answers would be helpful.

Following several questions about the freight railroad agreements, Mr. Allen stated VRE has 38 train slots. DRPT is currently using four for the state sponsored rail service. Norfolk Southern currently doesn't have train slot restrictions, but this may change with the Gainesville-Haymarket expansion. DRPT is working with CSXT too for more train slots for the state's rail program. Mr. MacIsaac noted on-time performance will increasingly become more of an issue. VRE also needs to be concerned about the Commonwealth's interest in intercity rail. VRE needs to coordinate with the Commonwealth on how commuter rail and

intercity rail can work together as both grow. Ms. Mitchell agreed and stated the Commonwealth is trying to expand intercity rail but not to diminish freight traffic, which is very valuable to the Port of Virginia and the economy. CSX has said there is no more capacity until the Long Bridge is expanded and significant portions of the third track are completed. Some modeling by the Commonwealth backs up these assumptions. DRPT is looking at ways to deploy state funds in this corridor on a prioritized set of improvements to build out capacity. The Commonwealth will not be able to fund it all.

Chairman Skinner asked staff to provide a written briefing on the status of the third track. Mr. Way stated since VRE is instituting life cycle maintenance, is there a way VRE can stagger and phase in replacements of rolling stock. Mr. Smedberg asked for clarification of Ms. Mitchell's comments about expanding capacity. Ms. Mitchell stated it is important to look at the benefits of different projects that can provide benefits while getting resources together to build the third track. This will need to be prioritized and coordinated with DRPT, VRE and CSXT to agree on a long-term phase-in plan to get incremental capacity. She hopes funds, such as NVTa funding, can be paired with state funds for projects such as the Long Bridge. Federal funding should also be sought. It will take multiple sources of funding.

Ms. Mitchell explained the General Assembly specifically allocates funding for passenger rail (Amtrak). When funding is used in the I-95 rail corridor, it also has a benefit to VRE as well. Mr. Allen stated this is a good example why intercity, commuter and freight rail should work together.

Ms. Boxer stated staff and the PFM consultants will give a comprehensive presentation on the Financial Plan at the February meeting.

Operations Board Members Time – 11

Ms. Coyner announced NVTC and PRTC are hosting a joint meeting on February 11th in Richmond. The meeting will be held at 4:00 P.M. in the Speakers Conference Room in the General Assembly Building. PRTC is coordinating a bus to take Commissioners down to Richmond. NVTa has also been invited to participate. This meeting is an opportunity to talk about these very issues discussed today in the context of legislative initiatives.

Adjournment

Ms. Lawson moved, with a second by Ms. Bulova, to adjourn. Without objection, Chairman Cook adjourned the meeting at 10:24 A.M.

Approved this 19th day of February 2016.

Gary F. Skinner
Chairman

Maureen Caddigan
Secretary

CERTIFICATION

This certification hereby acknowledges that the minutes for the January 15, 2016 Virginia Railway Express Operations Board Meeting have been recorded to the best of my ability.

Rhonda Gilchrest

Rhonda Gilchrest

DRAFT