

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 16, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: CONSIDERATION OF RESOLUTION ON THE FINANCING PLAN FOR RAILCARS FOR THE VIRGINIA RAILWAY EXPRESS (VRE)

ISSUE: Approval for Virginia Railway Express (VRE) to issue debt to purchase 50 new rail cars.

RECOMMENDATION: That Council approve the attached resolution requested by VRE.

BACKGROUND: In April of 2005, the Virginia Railway Express (VRE) Operations Board approved a contract for eleven new rail cars with an option to purchase 50 additional cars. The option was not exercised at that time due to funding constraints. VRE is now proposing to exercise the 50 car option, and must obtain the consent of all VRE member jurisdictions, including the City of Alexandria, in order to issue debt to finance the rail cars. VRE needs approval before the April 30, 2006 option deadline. Delivery of the rail cars would occur beginning in July 2007.

FISCAL IMPACT: The new VRE debt issuance would have no fiscal impact on the City. Under the terms of the VRE Master Agreement, the City has a fixed annual contribution to VRE that would not increase as a result of the new debt. Under that agreement, the jurisdictions which originate the trips (Fairfax, Prince William and Stafford counties and the cities of Fredericksburg, Manassas and Manassas Park) are categorized as "Participating Jurisdictions." They each contribute a proportionate share of the VRE subsidy based on their ridership and population. Their subsidies would increase in order to pay their share of the new debt service. The City of Alexandria and Arlington County originate a relatively small percentage of trips, and under the VRE Master Agreement, provide fixed annual contributions that would not be affected by this purchase. Alexandria's estimated contribution for FY 2007 is \$107,752. Alexandria and Arlington are considered "Contributing Jurisdictions."

The estimated cost for VRE to purchase the 50 rail cars is \$92.5 million. VRE has obtained \$35.0 million in funding from the Commonwealth of Virginia. The remainder would be financed from debt. A portion of the debt service would be paid from federal formula funds. The

remaining local subsidy of \$1.28 million annually would be shared entirely by the Participating Jurisdictions with no increase to the Contributing Jurisdictions' subsidies. The Contributing Jurisdictions also are not liable in the case that one or all of the Participating Jurisdictions default on any required debt service payment.

ATTACHMENT: Resolution approving issuance of debt for VRE equipment

STAFF:

Mark Jinks, Deputy City Manager

Bruce Johnson, Director, OMB

Morgan Routt, Budget/Management Analyst, OMB

RESOLUTION NO. _____

**RESOLUTION APPROVING ISSUANCE OF DEBT
FOR VIRGINIA RAILWAY EXPRESS EQUIPMENT**

WHEREAS, the Northern Virginia Transportation District Commission (“NVTC”) and the Potomac and Rappahannock Transportation District Commission (“PRTC,” and, together with NVTC, the “Commissions”) jointly operate the Virginia Railway Express (the “VRE”) commuter rail service in Northern Virginia pursuant to the Master Agreement dated as of October 3, 1989, as amended (the “Master Agreement”), among the Commissions and the Participating and Contributing Jurisdictions described in such Master Agreement; and,

WHEREAS, the Commissions have the option to purchase 50 bi-level railcars for the VRE on favorable terms but such option must be exercised by April 30, 2006; and,

WHEREAS, the City of Alexandria, Virginia, is a Contributing Jurisdiction under the terms of the Master Agreement and has a fixed annual contribution to the VRE and therefore the proposed new debt issuance by VRE would have no fiscal impact on the City; and,

WHEREAS, the Commissions have recommended forwarding the funding options for the 50 bi-level railcars to the Participating and Contributing Jurisdictions for action; and,

WHEREAS, the Master Agreement provides that the Commissions shall utilize reasonable debt financing to the extent that such financing is advantageous to the VRE and is in the interest of the parties to the Master Agreement, but requires that the Commissions not incur debt related to the VRE, other than the initial debt, without the consent of all Participating and Contributing Jurisdictions; and,

WHEREAS, the Commissions have recommended that the exercise of the 50 bi-level railcar purchase option described above be financed through the incurrence of additional debt by NVTC in the form of a Federal Railroad Administration (the “FRA”) Railroad Rehabilitation and Improvement Financing Program Loan in an amount not to exceed \$57,500,000, for a term not to exceed 25 years, at an annual rate of interest not to exceed 5.71% (collectively, the “FRA Loan”).

NOW, THEREFORE, BE IT RESOLVED THAT the City of Alexandria, Virginia consents, in accordance with the terms of the Master Agreement, to the incurrence of the FRA loan by NVTC to finance the costs associated with the exercise of the option to purchase 50 bi-level railcars for the VRE; and,

BE IT FURTHER RESOLVED THAT if required by the FRA as a condition to the making of the FRA Loan, the City further consents to the Commissions’ granting to the FRA of security interests in the railcars and/or the Commissions’ rights to payments under the Master Agreement, and,

BE IT FURTHER RESOLVED THAT the appropriate officers of the City are authorized to execute and deliver such agreements, instruments and certificates as may be necessary to accomplish the foregoing.

ADOPTED: _____
DATE

WILLIAM D. EUILLE MAYOR

ATTEST:

JACQUELINE M. HENDERSON, CMC CITY CLERK

RESOLUTION NO. 2180

WHEREAS, the Northern Virginia Transportation District Commission ("NVTC") and the Potomac and Rappahannock Transportation District Commission ("PRTC," and, together with NVTC, the "Commissions") jointly operate the Virginia Railway Express (the "VRE") commuter rail service in Northern Virginia pursuant to the Master Agreement dated as of October 3, 1989, as amended (the "Master Agreement"), among the Commissions and the Participating and Contributing Jurisdictions described in such Master Agreement; and

WHEREAS, the Commissions have the option to purchase 50 bi-level railcars for the VRE on favorable terms but such option must be exercised by April 30, 2006; and

WHEREAS, the City of Alexandria, Virginia, is a Contributing Jurisdiction under the terms of the Master Agreement and has a fixed annual contribution to the VRE and therefore the proposed new debt issuance by VRE would have no fiscal impact on the City; and

WHEREAS, the Commissions have recommended forwarding the funding options for the 50 bi-level railcars to the Participating and Contributing Jurisdictions for action; and

WHEREAS, the Master Agreement provides that the Commissions shall utilize reasonable debt financing to the extent that such financing is advantageous to the VRE and is in the interest of the parties to the Master Agreement, but requires that the Commissions not incur debt related to the VRE, other than the initial debt, without the consent of all Participating and Contributing Jurisdictions; and

WHEREAS, the Commissions have recommended that the exercise of the 50 bi-level railcar purchase option described above be financed through the incurrence of additional debt by NVTC in the form of a Federal Railroad Administration (the "FRA") Railroad Rehabilitation and Improvement Financing Program Loan in an amount not to exceed \$57,500,000, for a term not to exceed 25 years, at an annual rate of interest not to exceed 5.71% (collectively, the "FRA Loan").

NOW, THEREFORE, BE IT RESOLVED THAT the City of Alexandria, Virginia consents, in accordance with the terms of the Master Agreement, to the incurrence of the FRA loan by NVTC to finance the costs associated with the exercise of the option to purchase 50 bi-level railcars for the VRE; and

BE IT FURTHER RESOLVED THAT if required by the FRA as a condition to the making of the FRA Loan, the City further consents to the Commissions' granting to the FRA of security interests in the railcars and/or the Commissions' rights to payments under the Master Agreement; and

BE IT FURTHER RESOLVED THAT the appropriate officers of the City are authorized to execute and deliver such agreements, instruments and certificates as may be necessary to accomplish the foregoing.

ADOPTED: March 28, 2006



WILLIAM D. EULLE

MAYOR

ATTEST:



Jacqueline M. Henderson, CMC City Clerk