

## VPRA MANAGEMENT RESERVE POLICY

The Management Reserve ('the Reserve') has been established as a risk mitigation strategy for the Virginia Passenger Rail Authority ('VPRA' or the 'Authority'). The purpose of the Reserve is to cover unidentified risks and uncertainty in operating and capital costs, as well as revenues, or to provide a source of funding for new opportunities that may arise. This Policy establishes a Reserve balance measurement process, defines the Reserve goal and outlines the required procedures to utilize the Reserve funds. Use of the Reserve funds shall align with the Authority's mission to promote, sustain, and expand the availability of passenger and commuter rail service in the Commonwealth. Prioritization will be given to projects that meet this intent and:

- Are required to unlock additional passenger service;
- Are in VPRA's budget and have achieved 30 percent design;
- Enhance currently approved VPRA projects; or
- Advance goals while leveraging existing resources.

## MANAGEMENT RESERVE BALANCE DETERMINATION

On a quarterly basis, VPRA will determine the current balance of the Reserve. The quarterly update will be driven by changes to sources dedicated to the Authority. Updates to sources will be included only when reasonably known. The outcome of the quarterly update may result in an adjustment to the Reserve balance. The quarterly balance will be communicated within 30 days of the quarter close and presented for Board approval at the succeeding board meeting.

## MANAGEMENT RESERVE GOAL

The Reserve goal is meant to be a quantitative factor to inform key decision makers. There will be no minimum required balance within the Reserve. The goal for the Reserve will be **X% (2% to 5%)**. The ratio for the Reserve measurement will be calculated as follows:

$$\frac{\text{Management Reserve Balance}}{\text{Future Operations and Capital Project Expenditures}} \\ \text{(expenditures through the financial planning period reflected in the budget including YTD unspent budgeted amounts)}$$

## USE OF MANAGEMENT RESERVE

### A. Use of Reserve Funding through Delegated Authority

In accordance with section 3.4.1 of the Authority's Bylaws, the Reserve can be utilized by the Executive Director in accordance with the established thresholds delegated to him or her by the Board. The Executive Director shall provide monthly notification to the Board for all budget adjustments as detailed in Table 1 of section 3.4.1 of the Bylaws.

Table 1: Budget Adjustment Authority

<b>Budget Component</b>	<b>Delegated Authority</b>	<b>Board Approval Required</b>
<b>Operations - Administration</b>	May redistribute line item budgets or <b>add budget to line item(s) up to an annual limit of 1.5% of annual administrative budget.</b>	<b>Greater than 1.5%</b> of existing total annual administrative budget requires prior Board approval.
<b>Operations - Passenger Service</b>	May redistribute line item budgets.	Any new line item requires prior Board approval.
	May add budget to line item(s) up to an annual limit of 1.5% of annual passenger service operations budget for all line items.	Greater than 1.5% of existing total annual passenger operations budget requires prior Board approval.
<b>Capital Grants</b>	May modify budget up to \$250,000 or 20% of grant amount whichever is less; annual limit of 1.5% of the annual capital grants budget for existing line items.	Greater than \$250,000 or 20% of an existing grant requires prior Board approval. Any new line item requires prior Board approval.
<b>Capital Projects</b>	May transfer budget up to \$5M or 20%, whichever is less, of the existing receiving line item from one or more line item(s) in the capital projects budget.	A transfer between line items that exceeds \$5M or 20% of the receiving line item budget requires prior Board approval. Additionally, line items that have had budget transferred out will require Board approval for the budget to be increased in the future.
	May add budget to an existing or new line item up to \$1M or 20% whichever is less; annual limit of 1.5% of annual capital projects budget for all line items.	Greater than \$1M or 20% of an existing or new line item requires prior Board approval. Once annual limit has been reached, then any further increase requires prior Board approval.

**B. Use of Reserve Funding through Board Approval**

The Reserve can be utilized through Board approval. A request to use the Reserve balance may be made through the annual budget cycle or on an ad hoc basis at any point during the fiscal year. In each case, the following must be presented to the Board to inform the decision-making process:

- a. The funding status associated with the VPRA priorities. The priorities for use of VPRA funds are as follows:
  - 1. Operations
  - 2. Required Capital Projects
  - 3. New Projects
- b. A certification from the CFO that the planned use of the Reserve balance does not have cashflow constraints.
- c. A comprehensive list of the Authority’s pipeline of potential projects with an estimated expenditure plan for each project.
- d. An assessment of impact to the established Reserve goal.

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