Management Reserve Policy
Management Reserve Policy

1. Management Reserve Use Prioritization
2. Management Reserve Goal
3. Management Reserve Balance
4. Use of Management Reserve
   A. Through Board Approval
   B. Through Delegated Authority
Management Reserve Use Prioritization

The Management Reserve is intended to be used when projects arise that 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 Goal

The management reserve goal is calculated as follows:

\[
\text{Management Reserve Goal} = \frac{\text{Management Reserve Balance}}{\text{Future Operations & Capital Project Expenditures}}
\]

### Proposed Ratio Calculation

<table>
<thead>
<tr>
<th>FY24-FY31 Expenditures</th>
<th>FY23 YTD Unspent Capital Projects Budget</th>
<th>Future Operations &amp; Capital Project Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5.527B</td>
<td>$120M</td>
<td>$5.647B</td>
</tr>
</tbody>
</table>

### Management Reserve Goal %

<table>
<thead>
<tr>
<th>2%</th>
<th>3.5%</th>
<th>5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\[
\text{Management Reserve Goal} = \frac{\text{Management Reserve Balance}}{\text{Future Operations & Capital Project Expenditures}}
\]

<table>
<thead>
<tr>
<th>Management Reserve Goal %</th>
<th>2%</th>
<th>3.5%</th>
<th>5%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\[
\text{Management Reserve Goal} = \frac{\text{Management Reserve Balance}}{\text{Future Operations & Capital Project Expenditures}}
\]

### Expenditure Breakdown

- **$5.527B**
- **$120M**
- **$5.647B**
Management Reserve Balance

- Updated on a Quarterly Basis
- Revised sources to be included when reasonably known
- Provide report to Board 30 days after quarter close
- Presented for Board approval at the succeeding board meeting
Management Reserve Balance
Example Quarterly Update

Decrease in Sources

$124M Management Reserve Balance
$210M Amtrak Ticket Revenue Financing

Increase in Sources

$124M Management Reserve Balance
$25M I-66 Paygo

Present options to Board:

1. $(-M) Management Reserve Balance
   $(86)M Unfund Budgeted Project

2. $124M Management Reserve Balance
   $(210)M Unfund Budgeted Project
## Management Reserve Balance Determination

### Triggering Event for Key Sources

<table>
<thead>
<tr>
<th>Source</th>
<th>Annual</th>
<th>Ad Hoc</th>
<th>Triggering Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRF: Future Years</td>
<td></td>
<td>X</td>
<td>Updated revenue estimates received</td>
</tr>
<tr>
<td>CRF: Current Year</td>
<td>X</td>
<td></td>
<td>Final revenue distribution amount known</td>
</tr>
<tr>
<td>Interest Income</td>
<td>X</td>
<td></td>
<td>Final interest earned known</td>
</tr>
<tr>
<td>Operating Surplus</td>
<td>X</td>
<td></td>
<td>Upon close-out of prior fiscal year</td>
</tr>
<tr>
<td>Grant Awards</td>
<td></td>
<td>X</td>
<td>Award notification received</td>
</tr>
<tr>
<td>I-66 Funding</td>
<td></td>
<td>X</td>
<td>Updated toll estimates or historical actuals received</td>
</tr>
<tr>
<td>Amtrak Revenues</td>
<td>X</td>
<td>X</td>
<td>Annual through budget cycle, ad hoc only if significant revenue variances</td>
</tr>
<tr>
<td>Other Sources</td>
<td></td>
<td>X</td>
<td>Confirmation of revenue amount</td>
</tr>
</tbody>
</table>
1. Information on funding status of VPRA Priorities:
   1. Operations
   2. Required Capital Projects
   3. New Projects

2. CFO certification of no cashflow constraints

3. Authority's pipeline of potential projects

4. Impact to Management Reserve Goal

---

**Process for Management Reserve Use**

**Through Board Approval**

- Annual Budget Cycle
- BOD Approval
- Ad Hoc

**Required information to inform the decision-making process**

---

**Bar Chart:**
- Goal
- Current
- Post
Process for Management Reserve Use

Example

1. VPRA Funding Priorities
   ✔ Operations: Fully Funded through FY31
   ✗ Required Projects: Not Funded through FY31

2. Cashflow Certification
   ✔ CFO certifies no cashflow constraints

3. Pipeline Projects

<table>
<thead>
<tr>
<th>Project in Pipeline</th>
<th>Project Phase</th>
<th>Estimate Cost</th>
<th>Funding Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richmond Layover Facility</td>
<td>30% Design</td>
<td>$36M</td>
<td>FY24-FY28</td>
</tr>
<tr>
<td>King &amp; Commonwealth</td>
<td>Final Design</td>
<td>$53M</td>
<td>FY24-FY26</td>
</tr>
<tr>
<td>Route 1 Bridge</td>
<td>30% Design</td>
<td>$60M</td>
<td>FY24-FY30</td>
</tr>
<tr>
<td>Lorton to Route 1</td>
<td>30% Design</td>
<td>$22M</td>
<td>FY24-FY30</td>
</tr>
</tbody>
</table>

$99M Under Management Reserve Goal

New Project Details:
- Non-Required
- $54M Cost Estimate
- FY24-FY27
- Requested in Q1

Exceeds Delegated Authority Threshold

Ad Hoc BOD Approval Required

4. Management Reserve Goal Impact

Goal: $169 M
Current: $124 M
Post: $70 M

$99M Under Management Reserve Goal
## Use of Management Reserve Through Delegated Authority

### Table 1 of section 3.4.1 of the Bylaws.

<table>
<thead>
<tr>
<th>Budget Component</th>
<th>Delegated Authority</th>
<th>Board Approval Required</th>
<th>FY24 Maximum Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operations - Administration</strong></td>
<td>May redistribute line item budgets or add budget to line item(s) up to an annual limit of 1.5% of annual administrative budget.</td>
<td>Greater than 1.5% of existing total annual administrative budget requires prior Board approval.</td>
<td>$240K</td>
</tr>
<tr>
<td><strong>Operations - Passenger Service</strong></td>
<td>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.</td>
<td>Greater than 1.5% of existing total annual passenger operations budget requires prior Board approval.</td>
<td>-N/A-</td>
</tr>
<tr>
<td><strong>Capital Grants</strong></td>
<td>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.</td>
<td>Greater than $250,000 or 20% of an existing grant requires prior Board approval. Any new line item requires prior Board approval.</td>
<td>$1.8M (Max $250K per new project)</td>
</tr>
<tr>
<td><strong>Capital Projects</strong></td>
<td>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.</td>
<td>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.</td>
<td>-N/A-</td>
</tr>
<tr>
<td></td>
<td>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.</td>
<td>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.</td>
<td>$7.4M (Max $1M per new project)</td>
</tr>
</tbody>
</table>

Requires monthly notification to the Board for all budget adjustments.
THANK YOU

Questions?