



# Management Reserve Policy

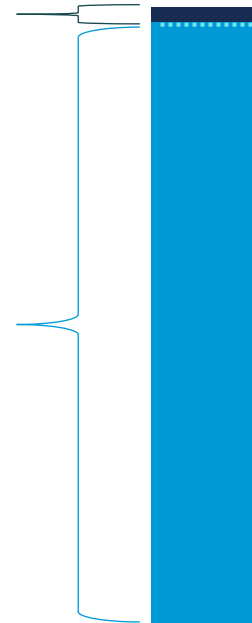
# What is the Management Reserve?

The management reserve is the **unallocated funding** in the financial planning window included within the annual budget.



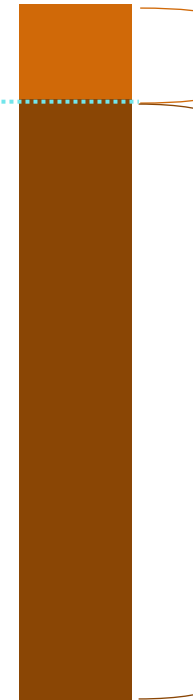
**\$124M**  
Management Reserve

**\$6,286M**  
Programed Funding

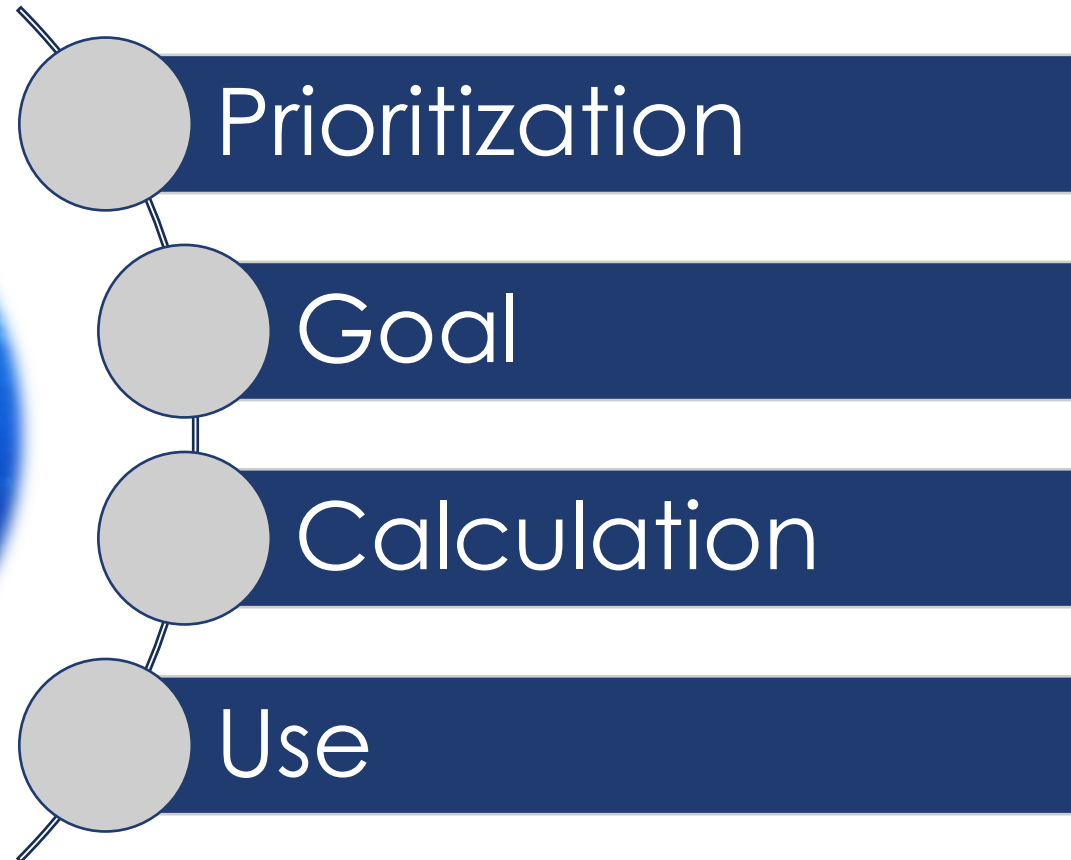


**\$705M**  
Unfunded Projects

**\$6,286M**  
Funded Projects



# Management Reserve Policy



# Management Reserve Use Prioritization

The Management Reserve is intended be used in accordance with 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

Proposed Ratio Calculation

$$\frac{\text{Management Reserve Balance}}{\text{Future Operations \& Capital Project Expenditures}}$$

(expenditures to be through the end of budget window including YTD unspent budgeted amounts)

FY24-FY31 Expenditures      FY23 YTD Unspent Capital Projects Budget      Future Operations & Capital Project Expenditures

\$5.527B      +      \$120M      =      \$5.647B

Management Reserve Goal %	up to 5%
Future Operations & Capital Project Expenditures	X \$5.647B
<b>Management Reserve Goal Amount</b>	<b>\$290M</b>

# 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

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*Present options to Board:*

1 **\$-M** Management Reserve Balance  
**\$(86)M** Unfund Budgeted Project(s)

2 **\$124M** Management Reserve Balance  
**\$(210)M** Unfund Budgeted Project(s)



**Increase in Sources**

**\$124M** Management Reserve Balance

**+ \$25M** I-66 PayGo

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**\$149M** Management Reserve Balance

# Management Reserve Balance Determination

## Examples of Triggering Events for Key Sources

Source	Annual	Ad Hoc	Triggering Event
CRF: Future Years		X	Updated revenue estimates received
CRF: Current Year	X		Final revenue distribution amount known
Interest Income	X		Final interest earned known
Operating Surplus	X		Upon close-out of prior fiscal year
Grant Awards		X	Award notification received
I-66 Funding		X	Updated toll estimates or historical actuals received
Amtrak Revenues	X	X	Annually through budget cycle, ad hoc only if significant revenue variances
Other Sources		X	Confirmation of revenue amount



# FY23 Q4 Management Reserve Update



## Sources

in millions

<b>Beginning Total Sources</b>	<b>\$6,410</b>
<i>I-66 ITB PAYGO</i>	<i>\$13</i>
<i>FY23 Excess CRF Revenues</i>	<i>\$3</i>
<i>FY23 Interest &amp; Realized Gains</i>	<i>\$5</i>
<b>Ending Total Sources</b>	<b>\$6,431</b>



## Management Reserve

in millions

<b>Beginning Management Reserve</b>	<b>\$124</b>
<i>I-66 ITB PayGo</i>	<i>\$13</i>
<i>FY23 Excess CRF Revenues</i>	<i>\$3</i>
<i>FY23 Interest &amp; Realized Gains</i>	<i>\$5</i>
<b>Ending Management Reserve</b>	<b>\$145</b>

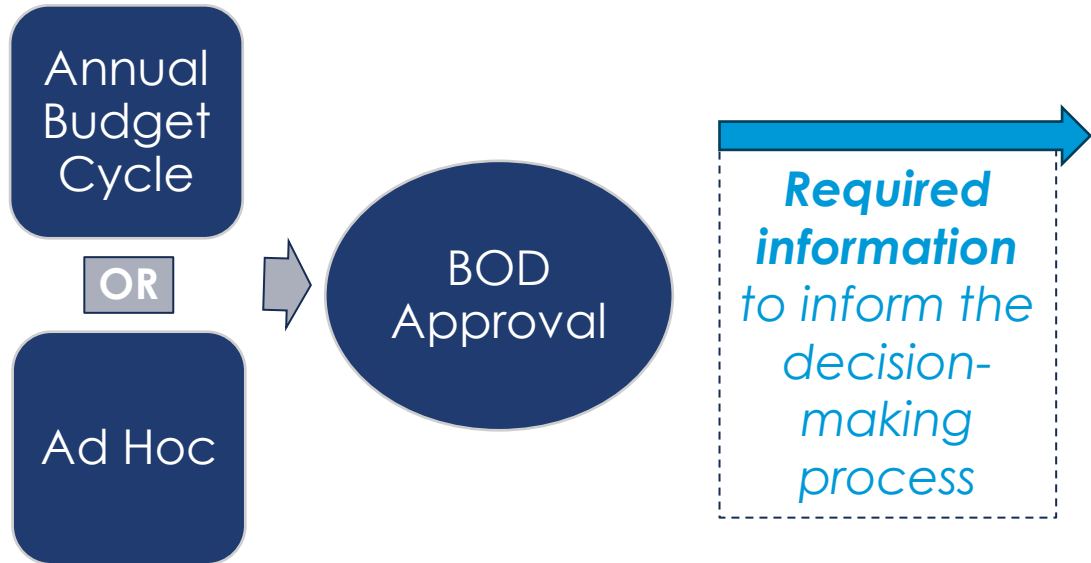
### Explanation of FY23 Q4 Change:

**PAYGO:** VPRA received \$13M of I-66 inside-the-beltway PayGo funds from VDOT in June '23. Further assessment of the overall PayGo stream will be performed once additional data on actual revenues is received from VDOT. At this time, VPRA increased sources for the \$13M of cash received to date.

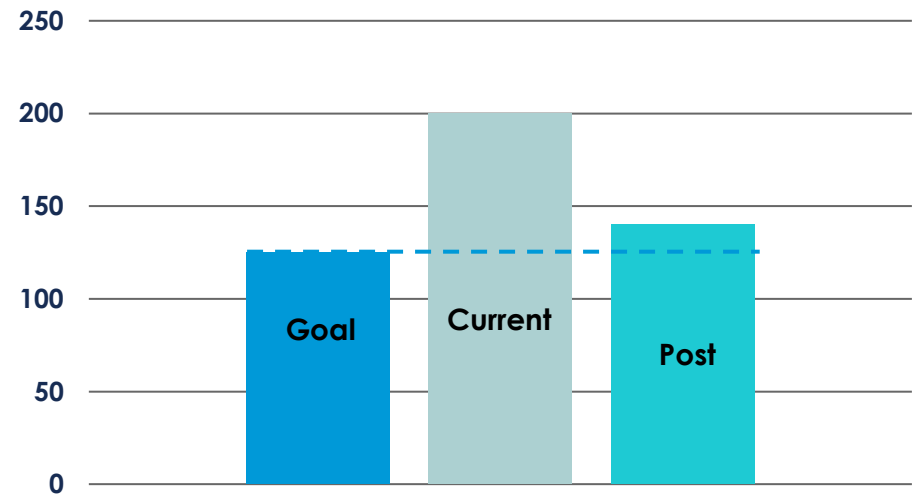
**CRF:** Actual FY23 revenue received exceed \$183M estimate included in financial plan.

**Interest:** Actual FY23 interest earnings and realized gains exceeded \$15M estimate included in financial plan.

# Process for Management Reserve Use Through Board Approval



1. Information on funding status of VPRR 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



# Use of Management Reserve Through Delegated Authority

Table 1 of section 3.4.1 of the Bylaws.

Budget Component	Delegated Authority	Board Approval Required	FY24 Maximum Amount
Operations - Administration	May redistribute line item budgets <b>or 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>\$240K</b>
Operations - Passenger Service	May redistribute line item budgets.	Any new line item requires prior Board approval.	-N/A-
	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>\$1.9M</b>
Capital Grants	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>\$1.8M</b> <i>(Max \$250K per new project)</i>
Capital Projects	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.	-N/A-
	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>\$7.4M</b> <i>(Max \$1M per new project)</i>

Requires monthly notification to the Board for all budget adjustments.

# Process for Management Reserve Use

## Example

### New Project Details:

- Non-Required
- \$54M Cost Estimate
- FY24-FY27
- Requested in Q1



**Exceeds** Delegated Authority Threshold



Ad Hoc **BOD Approval** Required

Required Information																					
1. VPRA Funding Priorities	✓ Operations: Fully Funded through FY31 ✗ Required Projects: Unfunded balance of Phase 2 Projects - <b>\$699M</b>																				
2. Cashflow Certification	CFO certifies no cashflow constraints																				
3. Pipeline Projects	<table border="1"> <thead> <tr> <th>Project in Pipeline</th> <th>Project Phase</th> <th>Estimate Cost</th> <th>Funding Timeline</th> </tr> </thead> <tbody> <tr> <td>Project 1</td> <td>30% Design</td> <td>\$35M</td> <td>FY24-FY28</td> </tr> <tr> <td>Project 2</td> <td>Final Design</td> <td>\$50M</td> <td>FY24-FY26</td> </tr> <tr> <td>Project 3</td> <td>30% Design</td> <td>\$60M</td> <td>FY24-FY30</td> </tr> <tr> <td>Project 4</td> <td>30% Design</td> <td>\$20M</td> <td>FY24-FY30</td> </tr> </tbody> </table>	Project in Pipeline	Project Phase	Estimate Cost	Funding Timeline	Project 1	30% Design	\$35M	FY24-FY28	Project 2	Final Design	\$50M	FY24-FY26	Project 3	30% Design	\$60M	FY24-FY30	Project 4	30% Design	\$20M	FY24-FY30
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4. Management Reserve Goal Impact	<p>\$290 M</p> <p>Goal</p> <p>\$124 M</p> <p>Current</p> <p>\$70 M</p> <p>Post</p> <p>\$220M Under Management Reserve Goal</p>																				



# THANK YOU

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Questions?

