



COMMONWEALTH of VIRGINIA

Virginia Passenger Rail Authority

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RESOLUTION OF THE VIRGINIA PASSENGER RAIL AUTHORITY BOARD

August 30, 2023

MOTION

Made By: Patricia Doersch Seconded By: Sharon Bulova

Action: Motion Carried, Unanimously

Title: Adoption of Management Reserve Policy

WHEREAS, on May 25, 2023, the Board directed Virginia Passenger Rail Authority (“VPRA”) staff to work with members of the VPRA Finance and Audit Committee to develop recommendations regarding a management reserve fund; and

WHEREAS, VPRA staff developed a draft management reserve policy and briefed the VPRA Finance and Audit Committee on that draft policy during a public meeting held on July 11, 2023; and

WHEREAS, by resolution dated July 11, 2023, the VPRA Finance and Audit Committee directed VPRA staff to present to the Board for consideration the draft management reserve policy as presented on July 11, 2023, inclusive of a management reserve goal of up to five percent of VPRA’s total operations and capital project costs; and

WHEREAS, VPRA staff presented the draft policy to the Board for adoption on August 30, 2023.

NOW THEREFORE, BE IT RESOLVED, that the Board hereby adopts the document titled *VPRA Management Reserve Policy* as presented on August 30, 2023 and attached hereto as **EXHIBIT A**.

EXHIBIT A

VPRA MANAGEMENT RESERVE POLICY

[ADOPTED AUGUST 30, 2023]

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 up to 5% of the future operations and capital project expenditures. The ratio for the Reserve measurement will be calculated as follows:

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

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.

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; and
- d. an assessment of the impact to the established Reserve goal.

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