

September 28, 2021

Finance Committee Meeting



Agenda

- ❑ Delegated Authority for Budget & Contracting
- ❑ FY21 Audit Update
- ❑ FY23 Budget & FY22 Budget Amendment
- ❑ Investment Policy

Delegated Authority for Budget

Budget Component	FY22 Budget	Delegated Authority	Board Approval Required
Operations - Administration	\$5.2M	May redistribute line item budgets, but may not increase total annual budget	If anticipated to exceed the total annual budget, must request prior Board amendment
Operations – Passenger Service	\$46.0M	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.
Capital Grants	\$80.4M	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.
Capital Projects	\$321.1M	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.

Delegated Authority for Contracting

Value of Contract	Board Notification
\$50M or greater	Obtain Board approval within 90 day period prior to execution
\$5M to \$50M	Notify Board at least 5 business days in advance of contract execution
\$250,000 to \$5M	Notify Board in monthly contracting report

*for items in approved budget or within delegated authority budget parameters

Draft FY 2021 Statement of Net Position

- Majority of cash and cash equivalents is invested with the LGIP
- Accounts Receivable
 - June revenue from Commonwealth Rail Fund
 - Amtrak Route 46 capital credit
- Intangible Asset: I-95 Corridor
- Ended FY21 with substantial net position

VIRGINIA PASSENGER RAIL AUTHORITY
STATEMENT OF NET POSITION
 As of June 30, 2021 - **UNAUDITED**

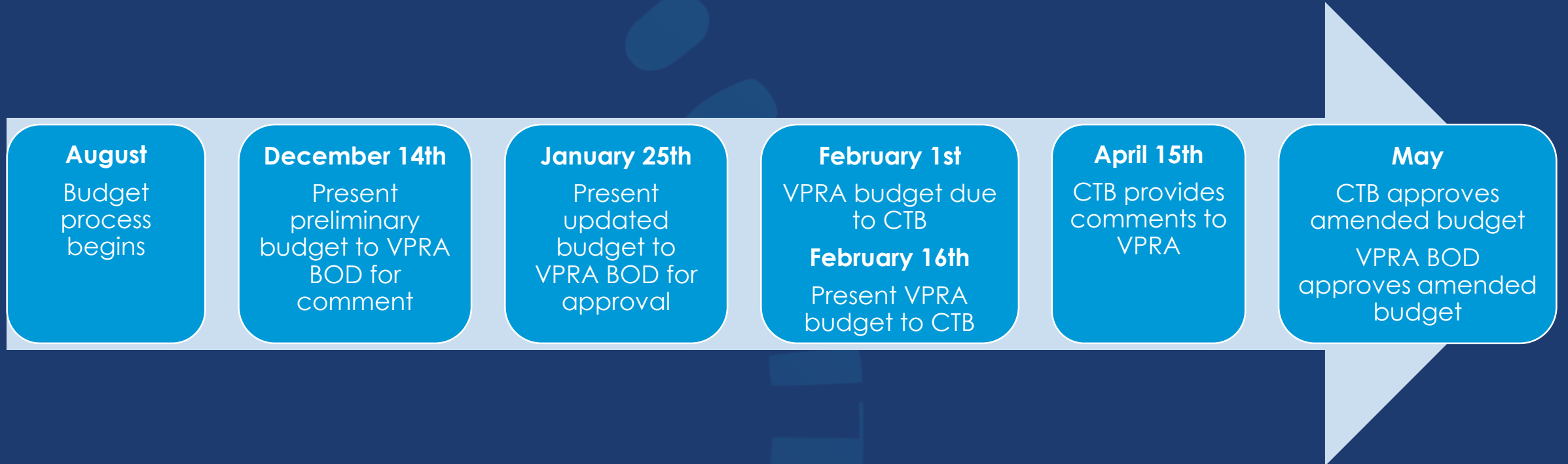
ASSETS	2021
Cash and Cash Equivalents	\$ 232,051,620
Accounts Receivable	19,864,324
Capital Assets	
Staples Mills Parking Lot	7,427,288
Construction in Progress: Transforming Rail in VA	7,299,894
Intangible Asset: I-95 Corridor	535,438,037
Intangible Asset: Western Rail Initiative	482,205
Other Non-Current Assets	104,264
Total Assets	<u>802,667,632</u>
LIABILITIES AND NET POSITION	
Liabilities:	
Accounts Payable	1,253,869
Accrued Payroll	128,387
Due to DRPT	4,119,000
Other Accrued Liabilities	5,404,000
Installment Purchase - I-95 Corridor	325,000,000
Total Liabilities	<u>335,905,256</u>
Net Position:	
Net Investment in Capital Assets	225,751,688
Unrestricted	241,010,688
Total Net Position	<u>466,762,376</u>
Total Liabilities and Net Position	<u>\$ 802,667,632</u>

Draft FY 2021 Statement of Revenues, Expenses, and Changes in Net Position

- Passenger revenues and Amtrak expenses shown separately
- COV Transfer-in of assets:
 - \$302M of existing funds from DRPT
 - Staples Mill station parking lot
 - Receivable from Amtrak - Route 46 capital credit
- Priority Transportation Funding contains FY20 and prior allocations

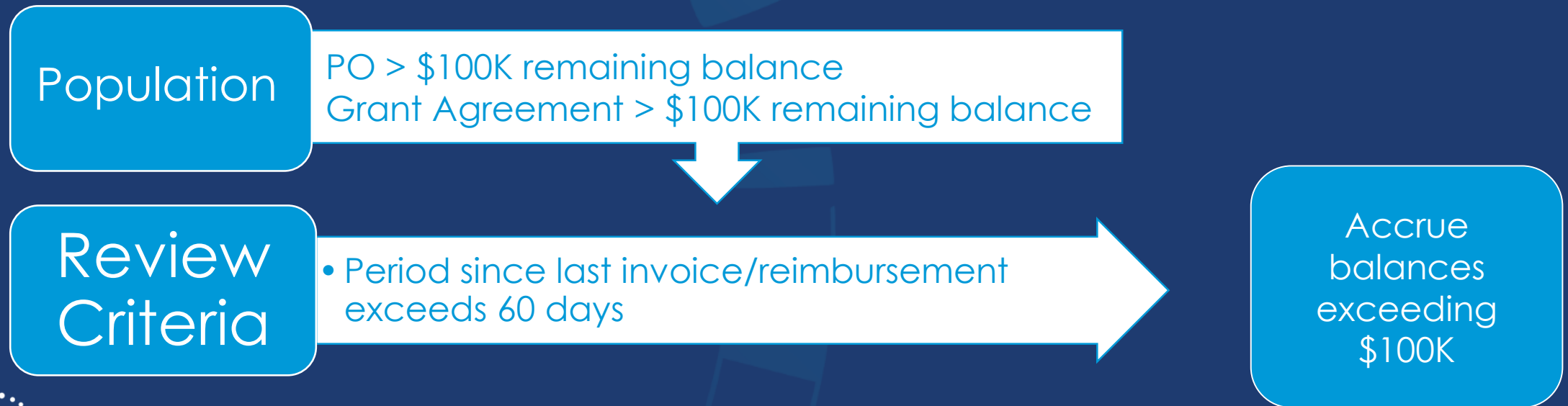
VIRGINIA PASSENGER RAIL AUTHORITY	
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	
Year Ended June 30, 2021 - UNAUDITED	
	2021
Operating Revenues:	
Virginia Passenger Revenues	\$ 22,232,251
Total Operating Revenues	22,232,251
Operating Expenses	
Amtrak Operating	22,721,825
Amtrak Capital	6,141,541
Amtrak Marketing	631,426
Office/General Administrative Expenses	2,665,482
Total Operating Expenses	32,160,274
Net Operating Income/(Loss)	(9,928,023)
Nonoperating Revenues (Expenses):	
Transfer In: Commonwealth of Virginia	320,982,700
Commonwealth Rail Fund	97,760,332
Priority Transportation Fund	74,692,622
Interest Income	2,059,172
Capital Grants	(18,804,427)
Total Nonoperating Revenues, net	476,690,399
Change in Net Position	466,762,376
Net Position, beginning of the year	-
Net Position, ending	\$ 466,762,376

FY23 Budget Timeline



Cash vs. Accrual

- Primary Differences
 - Capital project expenditures to be reported in fixed assets
 - Limited month-end expenditure accrual process
- Proposed Monthly Expense Accrual Check



Structural Changes

Amtrak Operating Detail

- Budget by route/train
- Increase level of revenue and expense detail

Amtrak Operating Revenues and Expenses

	Route 46 - Roanoke Service				Route 47 - Newport News Service				Route 50 - Norfolk News Service				Route 51 - Richmond Service			
	Budget	Actual	Variance		Budget	Actual	Variance		Budget	Actual	Variance		Budget	Actual	Variance	
			(\$)	(%)			(\$)	(%)			(\$)	(%)			(\$)	(%)
REVENUE																
Train revenue	2,000,000	2,329,906	329,906	16%	4,126,000	4,126,210	210	0%	2,995,000	2,995,237	237	0%	(1,000)	(1,286)	(286)	29%
Food service revenue	67,000	67,307	307	0%	123,000	122,703	(297)	0%	76,000	76,360	360	0%	-	70	70	0%
Other Revenue	118,000	118,026	26	0%	207,000	207,401	401	0%	148,000	148,007	7	0%	-	10	10	0%
NEC Through - Revenue	322,702	322,702	-	0%	353,348	353,348	-	0%	396,301	396,301	-	0%	(4,575)	(4,575)	-	0%
TOTAL REVENUES	\$ 2,837,942	\$ 2,837,942	-	0%	\$ 4,809,662	\$ 4,809,662	-	0%	\$ 3,615,905	\$ 3,615,905	-	0%	\$ (5,781)	\$ (5,781)	-	0%
EXPENSES:																
Route Costs and Additives	6,141,000	6,140,749	(251)	0%	12,388,000	12,387,720	(280)	0%	9,609,000	9,608,740	(260)	0%	11,000	11,477	477	4%
Fuel costs	422,000	422,330	330	0%	594,000	593,870	(130)	0%	385,000	385,421	421	0%	-	-	-	0%
Long Distance Credits	(411,000)	(410,929)	71	0%	(920,000)	(920,164)	(164)	0%	(87,000)	(86,520)	480	-1%	(11,000)	(10,668)	332	-3%
Host railroad costs	346,000	346,098	98	0%	276,000	275,832	(168)	0%	488,679	488,679	-	0%	40,000	39,594	(406)	-1%
Host RR performance incentives	231,124	231,124	-	0%	800,000	800,279	279	0%	669,484	669,484	-	0%	34,949	34,949	-	0%
TOTAL EXPENSES	\$ 6,729,371	\$ 6,729,371	-	0%	\$ 13,137,537	\$ 13,137,537	-	0%	\$ 11,065,804	\$ 11,065,804	-	0%	\$ 75,352	\$ 75,352	-	0%
Route (Net Income)/Loss	3,091,429	3,891,429	800,000	26%	8,027,876	8,327,876	300,000	4%	7,049,899	7,449,899	400,000	6%	80,133	81,133	1,000	1%

Structural Changes (Continued)

Administrative Expenses

- Review and discuss current level of administrative expense detail

EXPENSE CATEGORY	FY 2021	FY 2022
PAYROLL	\$ 1,950,000	\$ 3,423,000
TRAINING TRAVEL OTHER	18,000	138,700
OFFICE FUNCTIONS	5,000	12,300
OUTSIDE SUPPORT SERVICES	146,500	531,000
INFORMATION TECHNOLOGY	98,000	904,000
OFFICE BUILDING & RELATED	45,000	157,000
TOTAL	\$ 2,262,500	\$ 5,166,000

Expense Category	FY21 Actuals
Salaries & Wages	1,199,486
Fringe Benefits	586,045
Outside Support Services	316,298
Information Technology	213,437
Building Rent & Office Expenses	99,705
Other Employee Costs	282
Total	\$ 2,415,253

Structural Changes (Continued)

Revenues

- Provide anticipated sources of funding for estimated expenditures

	Uses of Funds	Sources of Funds			
		CRF Revenues	VPRA Partners	Virginia State Funding	Total
Operating Expenses					
Administrative Expenses	5,200,000	5,200,000			5,200,000
Operating Grants	46,000,000	34,000,000	12,000,000		46,000,000
Operating Expenses Summary	\$ 51,200,000	\$ 39,200,000	\$ 12,000,000	\$ -	\$ 51,200,000
Capital Grants					
Crystal City Platform Study	700,000			700,000	700,000.00
L'Enfant Platform Study	1,100,000			1,100,000	1,100,000.00
Alexandria Station Pedestrian Tunnel	8,600,000			8,600,000	8,600,000.00
Brooke/Leeland Road/Potomac Shores Station	9,700,000	9,700,000.00			9,700,000.00
Broad Run Station & 3rd Track Improvements	400,000	400,000			400,000.00
Manassas Station Platform Extension	2,300,000			2,300,000	2,300,000.00
Manassas Park Parking Garage and Bridge	3,900,000	3,900,000			3,900,000.00
Quantico Station Improvements	7,400,000			7,400,000	7,400,000.00
Track Lease Payment-Amtrak	6,400,000	6,400,000			6,400,000.00
Track Lease Payment-CSX	5,000,000	5,000,000			5,000,000.00
Track Lease Payment-Norfolk Southern	3,100,000			3,100,000	3,100,000.00
Newport News Station Platform	5,100,000	5,100,000			5,100,000.00
Ettrick Station Improvements	500,000			500,000	500,000.00
Amtrak PIDS: Ashland, Richmond, Staples Mill	400,000			400,000	400,000.00
Amtrak Station State-of-Good-Repair	3,300,000			3,300,000	3,300,000.00
Positive Train Control	1,800,000			1,800,000	1,800,000.00
Arkendale to Powell's Creek 3rd Track	5,300,000			5,300,000	5,300,000.00
Improvements to Roanoke	7,500,000			7,500,000	7,500,000.00
Route 29 Rail Corridor Improvements	7,900,000			7,900,000	7,900,000.00
Capital Grant Summary	\$ 80,400,000	\$ 30,500,000	\$ -	\$ 49,900,000	\$ 80,400,000
Capital Projects					
New Long Bridge for Passenger Rail	7,500,000	6,000,000	1,500,000		7,500,000.00
Alexandria 4th Track	38,400,000		12,400,000.00	26,000,000.00	38,400,000.00
Franconia to Lorton 3rd Mainline	5,400,000		5,400,000		5,400,000.00
Franconia-Springfield Bypass	23,100,000		7,100,000	16,000,000.00	23,100,000.00
Richmond to DC Sidings - Phase 1	25,100,000		11,000,000	14,100,000.00	25,100,000.00
TRV Right of Way Acquisition	200,000,000	54,000,000	146,000,000		200,000,000.00
TRV Other Infrastructure	19,800,000			19,800,000	19,800,000.00
Purchase of St. Julian's Yard	1,800,000			1,800,000	1,800,000.00
Capital Project Summary	\$ 321,100,000	\$ 60,000,000	\$ 183,400,000	\$ 77,700,000	\$ 321,100,000
Total	\$ 452,700,000	\$ 129,700,000	\$ 195,400,000	\$ 127,600,000	\$ 452,700,000

Possible FY22 Budget Amendments

Add to Budget

- **Western Rail Initiative** -
Norfolk Southern Right-of-Way Purchase

Update in Budget

- **Administrative Expenses**
 - More finite details known about staffing levels and fringe costs
- **Operating Grants: Amtrak**
 - Adjust for CRRSA funding offsetting operating expenses

Investment Policy

- Purpose - to ensure effective management of day-to-day investment activity and to increase non-tax revenues by prudently investing funds when not needed for current obligations.
- In accordance with The Security for Public Deposits Act and the Investment of Public Funds Act (Code of Virginia §2.2-4400 et seq. and §2.2-4500 et seq., respectively).
- The investment activities of the Authority shall be managed, in priority order, by the objectives of safety, liquidity, and yield.
- Delegated authority to CFO and team to transact investment activities.
- Required Board and Committee reporting, and performance benchmarking.

Investment Policy – Objectives

- Priority Order
 - 1) **Safety of Principal** - The foremost objective is the preservation of principal of those funds within the Investment Portfolio.
 - 2) **Maintenance of Liquidity** - The Investment Portfolio will be managed to provide sufficient liquidity to meet the Authority's operating and capital projects cash flow needs which may be reasonably anticipated.
 - 3) **Maximizing Return** - The Investment Portfolio shall be managed to maximize the return on investments considering constraints as to acceptable risk, the characteristics of the Authority's cash flows, and the funding expectations of approved projects.
- Wherever practical, it is the desire of the Authority to incorporate into its investment activities the evaluation of environmental, social, and governance (ESG) factors.

Investment Policy – Roles and Responsibilities

- The Board is responsible for approving and modifying the investment policy.
- The Finance Committee is responsible for:
 - Reviewing the actions of the Chief Financial Officer (CFO) regarding the disposition of Authority funds.
 - Meeting regularly with CFO to review the VPRA investment activity.
- The CFO is charged with:
 - Collecting, safeguarding and disbursing Authority funds.
 - Serving as the investment officer for VPRA with authority to:
 - manage the day-to-day operations of the portfolio;
 - procure banking and financial services; and
 - prepare reports as required.
 - Engage external investment advisors, to assist in managing VPRA's Investment Portfolio
- Investment management services were included in the Banking Services procurement completed in May of 2021.

Investment Policy – Allowable Investments and Limitations

- Eligible Investments - US short duration, fixed income instruments
- Credit Ratings - AA or better - all investment grade
- Maturities of up to 5 years
- Weighted average maturity cannot exceed 2 years; expected maturity of less than one year
- Concentration Limits
 - No limit for US government securities and Virginia Local Government Investment Pool (LGIP)
 - Sector and issuer limit for all others

Investment Policy - Diversification

- Concentration risk based on total cash and investment balance – currently \$247M as of August 31
- Sector limit is larger as risk diminishes (e.g., US Treasuries at 100% versus Corporate Notes at 25%)
- Issuer limits are tighter in order to continue to mitigate risk

Allowable Investment	Sector Limit	Issuer Limit
U.S. Treasury Obligations	100%	100%
Federal Agency/GSE Obligations	100%	35%
Municipal Obligations	20%	5%
Commercial Paper	35%	5%
Bankers' Acceptances	15%	5%
Corporate Notes	25%	3%
Negotiable Certificates of Deposit and Bank Deposit Notes	25%	5%
Bank Deposits and Non-Negotiable Certificates of Deposit	100%	10%
Repurchase Agreements	20%	10%
Money Market Mutual Funds	25%	10%
LGIP	100%	100%
Virginia SNAP Fund (Proceeds of Tax Exempt Bonds Only)	100%	100%

Investment Policy – Benchmarks / Reporting

- Broadly available market indices that encapsulate the parameters of the policy.
- Beginning quarterly portfolio performance benchmarks:
 - Fed Funds Rate
 - Treasury 90 Day T-Bill rate
- Comparisons to the Virginia LGIP will be maintained as it is a highly liquid investment pool operated in compliance with the Code of Virginia.
- Investment performance report provided to Finance Committee on a quarterly basis.
- Monthly reporting shall be provided to the Board including a summary of cash and investments with associated income.
- A security downgrade requires immediate notification to the Finance Committee and prompt compliance with any Board recommended action.

Investment Policy – Future Considerations

- Allowable investments
 - Sovereigns, Supranational, and Agency (SSA's) – foreign government debt
 - Asset backed securities – loan backed securities
- Credit ratings
- Bond proceeds – further definition of non-arbitrage policies
- Maturities – clarity of cash flow sources and uses will allow refinement