



RESOLUTION #2226

SUBJECT: Approve VRE's Financial and Debt Management Principles.


WHEREAS: A Capital Committee of the VRE Operations Board was established by VRE's Chairman in December 2012 in order to establish a set of Financial and Debt Management Principles for VRE and for other purposes;

WHEREAS: The Capital Committee developed a set of such Principles, with the advice and assistance of PFM, the financial advisor to VRE; and

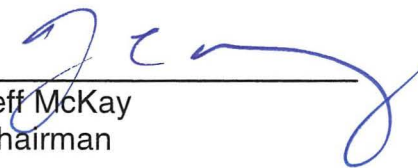
WHEREAS: The Capital Committee solicited input from the CAO Task Force, the Commissions and DRPT in the development of these Principles.

NOW, THEREFORE, BE IT RESOLVED THAT the Northern Virginia Transportation Commission approves VRE's Financial and Debt Management Principles (see Attachment A).

Approved this 7th day of November, 2013.



David F. Snyder
Secretary-Treasurer



Jeff McKay
Chairman

**Virginia Railway Express
Financial and Debt Management Principles
(Adopted as of November 7, 2013)**

The purpose of this document is to formalize financial and debt management principles for the Virginia Railway Express (VRE), the commuter rail service jointly owned and operated by the Northern Virginia Transportation Commission (NVTC) and the Potomac and Rappahannock Transportation Commission (PRTC), together referred to as the Commissions. In accordance with the Master Agreement that established VRE, any bonds or notes issued to support the commuter rail operation will be issued in the name of NVTC, with the concurrence of both Commissions and all member jurisdictions. This Statement of Financial and Debt Management Principles confirms the commitment of VRE's Operations Board, the Commissions, and the management and staff of VRE to adhere to sound financial and debt management practices in the conduct of VRE's business.

Financial and Debt Management Principles

1. Any debt or financing arrangement issued in support of VRE projects must be in full compliance with all applicable provisions of the Commonwealth of Virginia statutes, federal laws and the VRE Master Agreement.
2. Any long term debt issued in support of VRE projects will be included in VRE's Capital Improvement Program and Six Year Financial Forecast and debt will only be issued for approved capital projects. Prior to issuance, VRE will forecast the long-term impact of such debt on the use of federal formula funds, the impact on VRE's six year plan, the annual contributions required from its member jurisdictions over the term of the debt, and to test compliance with the financial ratios described below.
3. VRE strives to attain the following financial ratios over its Six Year Plan:
 - a. A fare box recovery ratio not lower than 50% of operating expenses.
 - b. Debt service as a percent of annual budget not greater than 20%.
 - c. Percent of pay-as-you-go financing equal to a minimum of 20% of the total funded portion of the capital program over the term of the capital program.
 - d. Working capital reserves that are on average not less than 2 months of operating expenditures, with a goal of increasing to 3 months over a 10 year period.
 - e. Risk management reserves equal to amounts imposed by the Commonwealth. Currently the risk management reserve requirement is \$10 million.
4. VRE will match one time revenue with one time expenditures to avoid creating structural imbalance in its annual budgets.
5. Projects included in VRE's Capital Improvement Program will be prioritized with emphasis on regulatory requirements, the maintenance of equipment and facilities to support current service levels, and provisions for passenger safety.

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6. The capital reserve will be maintained through the contribution of surplus funds generated from operations and from other sources in order to provide the necessary match funds to take advantage of grant funding opportunities and to complete advantageous capital projects.
7. VRE will maintain an asset management plan for all major capital assets which will identify operating, maintenance and renewal costs over the life of the asset. If a reliable source of funding is not expected to be available to meet peak needs when they occur, a sinking fund will be established for this purpose. The annual budget and Capital Improvement Program will include the life-cycle cost impact of each project in the CIP.
8. VRE will maintain access to external liquidity sources, such as a line of credit, because of the heavy reliance on funding from other parties. This short term borrowing will only be used with the approval of the Operations Board and when the source of repayment has been identified.
9. Debt that supports VRE projects will be amortized for a period not to exceed the useful life of the assets being financed.
10. For any publicly sold debt to support VRE projects:
 - a. Debt service funds will be established at the time of issuance and contributions will be made on a monthly basis so that amounts are available to ensure timely payment of principal and interest when due.
 - b. A debt service reserve fund will be established (as needed by the revenue bond structure or for credit purposes) to provide a cushion of funding for the debt obligations. Such funds will be sized to equal maximum annual debt service, subject to limitations imposed by the IRS for funding of such reserves.
 - c. The bond structure will be sufficient to secure a rating in the A category or better.
11. The debt service structure that supports VRE projects will be developed and maintained to achieve strong credit ratings while addressing the overall revenue constraints and capacity of VRE. Total principal and interest payments for any borrowing will be structured to create level debt service in aggregate for VRE. Alternatively, VRE may use a more rapid repayment structure, such as equal annual principal payments. The use of back loaded principal repayment, bullet and balloon maturities will be avoided, except to achieve overall level aggregate debt service or to match anticipated one time revenues.
12. As needed, VRE will establish and maintain a separate set of post issuance policies and procedures for managing any required disclosure, tax or other legal requirements.
13. The use of variable rate debt is discouraged, except under unusual circumstances. However, should it be found to be in VRE's best interest to use this mechanism, the Operations Board and Commissions will first establish appropriate policies and procedures.

Updated: 10/30/13