Agenda Item 8-A
Action Item

To: Chairman Smedberg and the VRE Operations Board

From: Doug Allen

Date: October 18, 2013

Re: Approval of Financial and Debt Management Principles and Referral to Commissions

Recommendation:

The VRE Operations Board is being asked to approve the Financial and Debt Management Principles and refer them to the Commissions for their review and approval.

Background:

A Capital Committee of the Operations Board was established by the Chairman in December 2012. The Committee is chaired by Mr. Way and current members are Mr. Cook, Mr. Zimmerman, Mr. Jenkins, Mr. Milde and Mr. Skinner. The Committee responsibilities were defined as the following:

- To establish and maintain a set of Financial and Debt Management Principles for VRE
- To provide an in-depth review of major capital needs
- To analyze capital funding sources and identify new sources and mechanisms

The Financial and Debt Management Principles were developed with the assistance of PFM, VRE’s financial advisor and comments were solicited from the CAO Task Force, the Commissions and DRPT. The development and implementation of
financial and debt policies is a best practice for financial management, provides a framework for evaluating the long term impact of current decisions, and supports high quality credit ratings, if needed. The adoption of the Financial and Debt Management Principles confirms the commitment of VRE’s Operations Board, the Commissions, and the management of VRE to adhere to sound financial and debt management practices in the conduct of VRE’s business.

The topics that the Committee reviewed and discussed in the most detail concerned levels and types of reserve funds; parameters for debt issuance, such as limitations on annual debt service as a percentage of the annual budget; and how best to incorporate the life cycle needs of major assets in the budget and capital planning process. The list of Principles recommended by the Committee is attached. Once approved by the Operations Board, they will be forwarded to the Commissions for their further review and approval.

**Fiscal Impact:**

The Financial and Debt Management Principles will be reflected in future budgetary and debt decisions by the Operations Board and Commissions.
WHEREAS, a Capital Committee of the Operations Board was established by the Chairman in December 2012 in order to establish a set of Financial and Debt Management Principles for VRE and for other purposes; and,

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

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

NOW, THEREFORE, BE IT RESOLVED THAT the VRE Operations Board approves the Financial and Debt Management Principles and authorizes the Chief Executive Officer to forward these Principles to the Commissions for their review and approval.

Approved this 18th day of October 2013

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Paul Smedberg
Chairman

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John Cook
Secretary