



Northern Virginia Transportation Authority
The Authority for Transportation in Northern Virginia

Friday, October 24, 2014

9:45 AM

Historic Blenheim

3610 Old Lee Highway

Fairfax, Virginia 22030

AGENDA

- | | | |
|------------|----------------------|------------------|
| I. | Call to Order | Chairman Nohe |
| II. | Roll Call | Ms. Speer, Clerk |

Action Items

- | | | |
|-------------|---|--|
| III. | Resolution Supplementing and Amending a Prior Resolution of the Northern Virginia Transportation Authority that Authorized the Issuance of Certain Bonds | Chairman York, Chair, Finance Committee
<i>Recommended action: Approval of Resolution</i> |
| IV. | Acceptance of Northern Virginia Transportation Authority Financial and Compliance Reports – Year Ended June 30, 2014 | Mr. Longhi, CFO
<i>Recommended action: Acceptance of Reports</i> |
| V. | Adjournment | |

Work Session

- | | | |
|------------|--|---------------------------------|
| I. | Long Term Benefits Discussion | Ms. Backmon, Executive Director |
| II. | Update on the Process to Amend TransAction 2040 | Ms. Backmon, Executive Director |

Next Meeting: November 13, 2014 – 7:00 pm

NEW ADDRESS

Northern Virginia Transportation Authority

3040 Williams Drive (Suite 200)

Fairfax, VA 22031

www.TheNovaAuthority.org

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Resolution Supplementing and Amending a Prior Resolution of the Northern Virginia Transportation Authority that Authorized the Issuance of Certain Bonds

Documents are available at the NVTa website:
<http://www.thenovaaauthority.org/meetings.html>.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

TO: Chairman Martin E. Nohe and Members
Northern Virginia Transportation Authority

FROM: Scott York, Chair Finance Committee

DATE: October 24, 2014

SUBJECT: Supplemental Bond Resolution for the Series 2014 Bonds

- 1. Purpose.** The Supplemental Bond Resolution for the Series 2014 Bonds has been prepared by Bond Counsel. Upon approval by the Authority this resolution will permit the Authority to complete the previously approved issuance of the Series 2014 Bonds.

At their October 3, 2014 meeting, the Finance Committee authorized Chairman York as Chair of the committee to recommend to the Authority approval of the Supplemental Bond Resolution.

- 2. Suggested motion.** *I move approval of the Resolution Supplementing and Amending a Prior Resolution of the Northern Virginia Transportation Authority That Authorized the Issuance of Certain Bonds through the adoption of resolution 15-04 (Attachment A).*
- 3. Background.** The Authority is implementing its FY2014 plan of finance by preparing for the issuance and sale of Series 2014 Bonds. The Authority will refinance the line of credit established with the Bank of America through the issuance of the Series 2014 Bonds. The financing schedule for the Series 2014 Bonds contemplates closing prior to December 31, 2014.

Attachments:

- A. Resolution 15-04 Supplementing and Amending a Prior Resolution of the Northern Virginia Transportation Authority that Authorized the Issuance of Certain Bonds.
- B. Preliminary Official Statement – Northern Virginia Transportation Authority Transportation Special Tax Revenue Bonds Series 2014

Coordination:

Finance Committee
Bond Counsel
Financial Advisor
Council of Counsels

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

RESOLUTION 15-04

SUPPLEMENTING AND AMENDING A PRIOR RESOLUTION OF THE NORTHERN VIRGINIA TRANSPORTATION AUTHORITY THAT AUTHORIZED THE ISSUANCE OF CERTAIN BONDS

October 24, 2014

WHEREAS, the Northern Virginia Transportation Authority ("NVTa") is a political subdivision of the Commonwealth of Virginia (the "Commonwealth") created by the Northern Virginia Transportation Authority Act (the "NVTa Act"), Chapter 24, Title 33.2, Code of Virginia of 1950, as amended (the "Virginia Code"); and

WHEREAS, on July 24, 2013, NVTa adopted a resolution entitled "**Resolution Authorizing the Issuance of Transportation Facilities Revenue Bonds**" (the "Initial Bond Authorizing Resolution") that is attached as Attachment 1 hereto, that, among other things, authorized the issuance of up to \$105,000,000 of Transportation Facilities Revenue Bonds (the "Bonds") to pay some or all of the costs (the "Bond-Financed Costs") of certain projects identified on Attachment C to the Initial Bond Authorizing Resolution (each a "FY 2014 Bond Project"); and

WHEREAS, as provided in the Initial Bond Authorizing Resolution, debt service payments on the Bonds will be made from the portion of the Regional NVTa Funds (as defined in the Initial Bond Authorizing Resolution) pledged thereto as provided therein and the below-defined Indenture and the investment earnings on certain funds and accounts to be established under the Indenture; and

WHEREAS, on June 26, 2014, NVTa issued its Taxable Bond Anticipation Note, Series 2014 (the "2014 Bond Anticipation Note"), in the amount of \$74,642,000 to fund, among other things, FY 2014 Bond Projects in anticipation of the issuance of the Bonds; and

WHEREAS, NVTa desires to supplement the Initial Bond Authorizing Resolution to approve certain final details of the issuance and sale of Bonds and to amend the Initial Bond Authorizing Resolution in certain respects; and

WHEREAS, certain of the amendments will reflect that, on or about April 17, 2014, Virginia Railway Express, the project sponsor for one of the FY 2014 Projects, the purchase of rolling stock (9 additional coaches) to be used in Virginia Railway Express' commuter rail service (the "VRE Rolling Stock Project"), informed NVTa that it would not require NVTa funding for such purchase; and

WHEREAS, other amendments to the Initial Bond Authorizing Resolution will effect a change to the name of the Bonds to the "Transportation Special Tax Revenue Bonds," as NVTa

staff has been advised by several municipal bond market participants that the name change will better reflect the source of payment of and security for the Bonds; and

WHEREAS, the aforementioned name change will not alter the source of payment of or the security for the Bonds or the purposes for which the Bonds will be issued; and

WHEREAS, the foregoing arrangements will be reflected in the following documents, forms of which are on file with NVTa: (i) the Master Indenture of Trust (the "Master Indenture") between NVTa and Regions Bank, as trustee (the "Trustee"); and (ii) the First Supplemental Series Indenture between NVTa and the Trustee, to which the form of the Bonds is attached as an exhibit (the "First Supplemental Series Indenture" and, together with the Master Indenture, the "Indenture").

After careful consideration and to further the public purposes for which NVTa was created, NOW, THEREFORE, BE IT RESOLVED BY NVTa THAT:

1. Affirmation of Initial Bond Authorizing Resolution. NVTa hereby affirms its findings, determinations and approvals that are embodied in the Initial Bond Authorizing Resolution, except as specifically supplemented and amended hereby. Each capitalized term used in this Resolution that is not defined herein has the meaning given to it in the Initial Bond Authorizing Resolution.

2. Supplements to Initial Bond Authorizing Resolution. NVTa hereby supplements the Initial Bond Authorizing Resolution as follows:

(a) NVTa hereby authorizes the Executive Director of NVTa (the "Executive Director") or the Chief Financial Officer of NVTa (the "CFO") to determine the dated date of each series of the Bonds.

(b) NVTa hereby authorizes the issuance of the Bonds, in one or more series, in fully registered form in denominations of \$5,000 each or whole multiples thereof, or such other denominations as the Executive Director or CFO deems advisable. NVTa hereby authorizes the Bonds of any series to be numbered from R-1 upward consecutively or in such other manner as determined by the Executive Director or CFO.

(c) NVTa hereby authorizes and directs the Executive Director, after consulting with the CFO, to determine the principal amount of each series of Bonds, whether a series of Bonds bear interest that is includible or excludable from gross income for federal income tax purposes, whether to sell a series of Bonds, or any portion thereof, to the public by negotiated sale to an Underwriter, as hereinafter defined, or at public bid, the payment dates for the principal of, premium, if any, and interest on each series Bonds and the maturity dates for each series of Bonds; provided that each series of Bonds must satisfy the parameters established in Section 4 of the Initial Bond Authorizing Resolution, as amended by this Resolution.

(d) NVTa hereby authorizes the use of up to 4.0% of the proceeds of the original aggregate principal amount of each series of the Bonds to finance the

underwriter's discount and original issue discount, if any, related to the issuance and sale thereof.

3. Amendments of Initial Bond Authorizing Resolution. NVTA hereby amends the Initial Bond Authorizing Resolution as follows:

(a) All references to the name of the Bonds as "Transportation Facilities Revenue Bonds" are hereby changed to "Transportation Special Tax Revenue Bonds."

(b) The VRE Rolling Stock Project is hereby removed from the list of the FY 2014 Bond Projects and, due to such removal, the authorized maximum aggregate principal amount of the Bonds set forth in Section 4 of the Initial Bond Authorizing Resolution is reduced from \$105,000,000 to \$85,000,000.

(c) The final authorized maturity date of the Bonds set forth in Section 4 of the Initial Bond Authorizing Resolution is extended to December 31 of the year that is 21 years after the dated date of the Bonds.

4. Method of Sale of the Bonds. (a) NVTA hereby authorizes the sale of all or any series of the Bonds to an underwriter or group of underwriters with demonstrated experience in underwriting municipal securities (individually and collectively, the "Underwriter") to be selected by the Executive Director or CFO, after consulting with such committees and subcommittees of NVTA as may be deemed beneficial, or, after such consultation if the Executive Director or CFO so elects, at public bid to the bidder with the lowest true interest cost to NVTA.

(b) NVTA hereby authorizes and directs the Executive Director or the CFO to execute and deliver a bond purchase agreement with the Underwriter, or, if sold at public bid, other appropriate documents with the successful bidder providing for the sale and delivery of the Bonds upon terms and conditions to be approved by the Executive Director or CFO, subject to the parameters set forth in Section 4 of the Initial Bond Authorizing Resolution. NVTA hereby authorizes and directs the Executive Director or CFO to deem each preliminary official statement "final" for purposes of Rule 15c2-12.

5. Use of Proceeds. NVTA hereby authorizes the use of the proceeds of each series of Bonds to refund and redeem the 2014 Bond Anticipation Note, to finance the costs of the FY 2014 Bond Projects, to fund the Debt Service Reserve Fund established for such series as described in the First Supplemental Series Indenture and to pay the costs of issuance of the Bonds.

6. Approvals and Authorizations of Officers. (a) The approval or determination of the details and provisions of any series of Bonds that any officer of NVTA has been authorized or directed to approve under the Initial Bond Authorizing Resolution or this Resolution shall be evidenced conclusively by the execution and delivery of the Bonds on behalf of NVTA.

(b) When any authorization in the Initial Bond Authorizing Resolution or this Resolution authorizes one or more officers of NVTa, the action of only one of the officers authorized hereby is sufficient to bind NVTa pursuant to the Initial Bond Authorizing Resolution or this Resolution, as applicable

(c) The authorizations granted in the Initial Bond Authorizing Resolution or this Resolution to the Chairman, the Executive Director, the CFO, the Secretary and the Clerk may be carried out by the Vice Chairman, Acting or Interim Executive Director, Acting or Interim CFO, Acting or Assistant or Secretary or Acting, Assistant or Deputy Clerk, as appropriate, in the absence of the primary officer.

7. Severability. If any section, subsection, paragraph, sentence, clause, or phrase of, or project approved by, this Resolution is for any reason held or decided to be unconstitutional or invalid, such decision of unconstitutionality or invalidity shall not affect the validity of the remaining portions. NVTa hereby declares that it would have adopted this Resolution and each section, subsection, sentence, clause and phrase thereof and each project listed therein even though any one or more sections, subsections, sentences, clauses, phrases or projects might be declared unconstitutional or invalid.

8. Additional Actions. Each member, officer and authorized representative of NVTa is authorized to execute and deliver on NVTa's behalf such other instruments, documents or certificates, and to do and perform such things and acts as he or she shall deem necessary or appropriate to carry out the transactions authorized by this Resolution or contemplated by the Indenture. Any of the foregoing previously done or performed by any member, officer, or authorized representative of NVTa is in all respects approved, ratified and confirmed.

9. Effective Date. This Resolution shall take effect immediately.

Adopted by the Northern Virginia Transportation Authority on this 24th day of October 2014.

BY: _____
Chairman

ATTEST: _____
Clerk

ATTACHMENT 1

INITIAL BOND AUTHORIZING RESOLUTION

(See Attached)

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

RESOLUTION 07-24-13-B

AUTHORIZING THE ISSUANCE OF TRANSPORTATION FACILITIES REVENUE BONDS

WHEREAS, the Northern Virginia Transportation Authority ("NVTa") is a political subdivision of the Commonwealth of Virginia (the "Commonwealth") created by the Northern Virginia Transportation Authority Act (the "NVTa Act"), Chapter 48.2, Title 15.2, Code of Virginia of 1950, as amended (the "Virginia Code"); and

WHEREAS, as provided by Section 15.2-4831 of the NVTa Act, NVTa embraces the Counties of Arlington, Fairfax, Loudoun, and Prince William, and the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park (collectively, the "Member Localities"); and

WHEREAS, Planning District 8 established pursuant to Chapter 42 of Title 15.2 of Virginia Code is composed of the Member Localities; and

WHEREAS, Section 15.2-4830 of the NVTa Act provides, among other things, that NVTa (i) shall prepare a regional transportation plan for Planning District 8, to include, but not necessarily be limited to, transportation improvements of regional significance, and those improvements necessary or incidental thereto, and will from time to time revise and amend the plan and (ii) has the power to construct or acquire, by purchase, lease, contract, or otherwise, the transportation facilities specified in the regional transportation plan when adopted; and

WHEREAS, NVTa prepared and on November 8, 2012, approved a regional transportation plan for Planning District 8 entitled "TransAction 2040 Regional Transportation Plan" ("TransAction 2040"); and

WHEREAS, Section 15.2-4839 of the NVTa Act authorizes and empowers NVTa to issue bonds and other evidences of debt and provides that the provisions of Article 5 (Section 15.2-4519 et seq.) of Chapter 45 of Title 15.2 of the Virginia Code, shall apply, *mutatis mutandis*, to the issuance of such bonds or other debt; and

WHEREAS, Section 15.2-4519 of the Virginia Code provides that NVTa's bonds may be payable from and secured by a pledge of all or any part of the revenues, moneys or funds of NVTa as specified in a resolution adopted or indenture entered into by NVTa; and

WHEREAS, NVTa has determined to proceed with the issuance of its bonds in a principal amount not to exceed \$105,000,000 (as more particularly defined below, the "Bonds") under the terms and conditions set forth below; and

WHEREAS, on April 3, 2013, the Virginia General Assembly adopted the Governor's substitute for House Bill 2313 ("HB 2313"), which provides, among other things, for transportation funding and related reform both on a statewide basis and on a regional basis for NVTa and the Member Localities; and

funding and related reform both on a statewide basis and on a regional basis for NVTa and the Member Localities; and

WHEREAS, under HB 2313, the Northern Virginia Transportation Authority Fund (the "Fund") will receive the revenues dedicated to it under Sections 58.1-638, 58.1-802.2 and 58.1-1742 of the Virginia Code and any other funds that may be appropriated to the Fund by the General Assembly (the "HB 2313 Transportation Revenues"); and

WHEREAS, subsection B of Section 15.2-4838.1 of the NVTa Act provides that 30% of the revenues received by NVTa (the "NVTa Revenues"), including the HB 2313 Transportation Revenues, shall be distributed on a pro rata basis to the Member Localities to be applied as provided therein; and

WHEREAS, subsection C.1. of Section 15.2-4838.1 ("Subsection C.1.") provides that in Fiscal Year 2014 NVTa shall use the remaining 70% of the NVTa Revenues plus the amount of any NVTa Revenues to be redistributed pursuant to subsection B (the "Regional NVTa Funds," which term, as used below, shall include the proceeds of bonds payable from the Regional NVTa Funds) to fund (i) transportation projects selected by NVTa that are contained in TransAction 2040 or (ii) mass transit capital projects that increase capacity; and

WHEREAS, NVTa has received from the Project Implementation Working Group (the "PIWG") a selection process (the "FY 2014 Project Selection Process") that has been previously approved by NVTa pursuant to a resolution entitled "**Resolution Approving the Process Used to Select Projects to be Financing with Fiscal Year 2014 NVTa Funds, the Projects to be Financed by such Funds and the Carryover of Certain Projects for Future Consideration**" (the "FY 2014 Project Selection Process Resolution"); and

WHEREAS, as described in the FY 2014 Project Selection Process Resolution, the PIWG (i) developed the FY 2014 Project Selection Process and applied it to a list of projects submitted by the Member Localities and transportation agencies and (ii) considered the public comments received regarding such projects as well as the results of the FY 2014 Project Selection Process in developing the list of the projects ultimately approved for financing and attached as Attachment B.1. to the FY 2014 Project Selection Process Resolution (the "Recommended FY 2014 Program"); and

WHEREAS, pursuant to direction received at the June 20, 2013, NVTa meeting, the PIWG developed a selection process to evaluate projects for bond financing, which is attached as Attachment A.2. (the "Bond Selection Process"); and

WHEREAS, PIWG applied the Bond Selection Process to the Recommended FY 2014 Program and developed a list of projects that satisfy the Bond Selection Process (the "FY 2014 Bond Projects"); and

WHEREAS, the list of FY 2014 Bond Projects is attached as Attachment C. and PIWG has recommended that NVTa approve the Bond Selection Process and the issuance of the Bonds to pay the costs of the FY 2014 Bond Projects; and

WHEREAS, to the extent the related Bonds are validated, NVTa will apply the proceeds of the Bonds, along with other available funds, to pay the issuance and financing costs thereof, to fund any required reserves and to pay the costs of the construction and acquisition of the FY 2014 Bond Projects; and

WHEREAS, debt service payments on the Bonds will be made from the portion of the Regional NVTa Funds pledged thereto as provided in this Resolution and the below-defined Indenture and the investment earnings on certain funds and accounts to be established under the Indenture; and

WHEREAS, the foregoing arrangements will be reflected in the following documents, forms of which have been presented to this meeting: (i) the Master Indenture of Trust (the "Master Indenture") between NVTa and a trustee to be named therein (the "Trustee"); and (ii) the First Supplemental Series Indenture between NVTa and the Trustee, to which the form of the Bonds is attached as an exhibit (the "First Supplemental Series Indenture" and, together with the Master Indenture, the "Indenture"); and

WHEREAS, on January 10, 2008, NVTa adopted Debt Policies relating to the issuance of NVTa debt (the "2008 Debt Policies"); and

WHEREAS, the 2008 Debt Policies related to NVTa debt secured by revenues derived from House Bill 3202, adopted April 4, 2007, and which are unrelated and inapplicable to the HB 2313 Transportation Revenues; and

WHEREAS, NVTa desires to suspend the 2008 Debt Policies because they are unrelated and inapplicable to the HB 2313 Transportation Revenues and the Bonds to be issued hereunder.

After careful consideration and to further the public purposes for which NVTa was created, NOW, THEREFORE, BE IT RESOLVED BY NVTa THAT:

- 1. Approval of the Bond Selection Process.** NVTa hereby finds and determines that the Bond Selection Process provides a reasonable method by which to determine whether to provide bond financing for projects included in the Recommended FY 2014 Program. The Bond Selection Process is hereby approved.
- 2. Reaffirmation of Findings, Determinations and Approvals Regarding the FY 2014 Bond Projects.** NVTa hereby reaffirms its findings, determinations and approvals that are embodied in the FY 2014 Project Selection Process Resolution regarding the FY 2014 Bond Projects, which form a subset of the projects included in the Recommended FY 2014 Program.
- 3. Authorization and Findings Regarding Bonds.** There is hereby authorized the issuance of bonds of NVTa, in one or more series from time to time in accordance with the terms of this Resolution, to be known as the Northern Virginia Transportation Authority Transportation Facilities Revenue Bonds (the "Bonds") with appropriate series designations. The Bonds shall be in substantially the form attached as an exhibit to the First Supplemental Series Indenture. NVTa shall use the proceeds of the issuance of the Bonds as described in the Recitals above and in accordance with the NVTa Act and the Indenture to the extent the Bonds, the FY 2014 Bond Projects and the HB 2313

Transportation Revenues are validated in accordance with Section 15.2-4520 of the Virginia Code. NVTa hereby finds and determines that (i) the issuance of the Bonds will be in all respects for the benefit of the inhabitants of the Commonwealth and the Member Localities and will promote their safety, health, welfare, convenience and prosperity, (ii) the undertaking of the construction and acquisition of the FY 2014 Bond Projects will constitute the performance of an essential governmental function, (iii) the issuance of the Bonds will further the purposes of NVTa and the NVTa Act by, among other things, financing the construction and acquisition of the FY 2014 Bond Projects, (iv) the proceeds of the Bonds will be used by NVTa in accordance with subsections A. and C.1. of Section 15.2-4838.1 of the NVTa Act and (v) the issuance of the Bonds and the application of the net proceeds thereof to pay the costs of the construction and acquisition of the FY 2014 Bond Projects will be consistent with the requirement set forth in subsection C.3. of Section 15.2-4838.1 that all revenues deposited to the credit of NVTa be used for projects benefiting the Member Localities, with each Member Locality's total long-term benefits being approximately equal to the total of the fees and taxes expected to be received by NVTa that are generated by or attributable to the Member Locality divided by the total of such fees and taxes received by NVTa.

4. **Details of Bonds.** The final details of the Bonds, including without limitation, their series designation, dated date, aggregate principal amount, interest rates, maturity dates, redemption provisions, sale prices, and the principal amount of each maturity will be approved by subsequent resolution of NVTa; provided, however, that (i) the aggregate principal amount of the Bonds shall not exceed \$105,000,000; (ii) the Bonds shall have a true interest cost that does not exceed 6.0%; (iii) no Bonds shall mature after December 31 of the year that is 20 years after the dated date of the Bonds; and (iv) the optional redemption premium on the Bonds, if any, shall not exceed 2%.
5. **Approval of Indenture.** The forms of the Master Indenture and the First Supplemental Series Indenture are approved. The Chairman is authorized to execute and deliver on NVTa's behalf the Master Indenture and the First Supplemental Series Indenture in substantially the forms submitted to this meeting, with such changes, insertions or omissions as may be approved by the Chairman. Such approval shall be evidenced conclusively by the execution and delivery of such documents on NVTa's behalf.
6. **Preparation, Execution and Delivery of Bonds.** The Chairman is authorized to have the Bonds prepared in substantially the form submitted to this meeting, to have the Bonds executed pursuant to the terms of the Master Indenture and the First Supplemental Series Indenture, to deliver the Bonds to the Trustee for authentication, and to cause the Bonds so executed and authenticated to be delivered to or for the account of the first purchasers thereof upon payment of the purchase price thereof as provided in the First Supplemental Series Indenture.
7. **Pledge.** The Regional NVTa Funds are hereby pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in such amounts and under such terms and conditions as provided in the Indenture. Neither the members of NVTa nor any person executing the Bonds shall be liable personally on the Bonds by reason of the issuance thereof. The Bonds shall not be a debt of the Commonwealth or any political subdivision thereof (including any Member Locality) other than NVTa. The Bonds shall not constitute an indebtedness within the meaning of any debt limitation or restriction except as provided under the NVTa Act. NVTa hereby represents and

acknowledges that its authority to receive any or all of the HB 2313 Transportation Revenues may be eliminated, changed or limited at any time by action of the General Assembly and that neither the General Assembly nor NVTa can or will pledge, covenant or agree to impose or maintain at any particular rate or level any of the taxes and fees described in Sections 58.1-638, 58.1-802.2 and 58.1-1742 of the Virginia Code or the HB 2313 Transportation Revenues for the benefit of the holders of the Bonds, the Trustee or any other person or entity.

8. **Sale of Bonds.** The Bonds may be sold in such manner, either at public or private sale or on a competitive or negotiated basis, as may be determined by NVTa by subsequent resolution to be in the best interests of NVTa.
9. **Authorization of Bond Anticipation Notes.** If market or other conditions are such that the Chairman determines that it is not advisable to enter into a long-term financing for all or any portion of the projects specified in the recitals, the Chairman, without further approval of NVTa as to documentation or otherwise, is hereby authorized to execute, deliver and issue short-term notes of NVTa (the "Notes") as provided in Section 15.2-4519 of the Virginia Code at public or private sale in anticipation of the issuance of any or all series of the Bonds; provided that the aggregate principal amount of the Notes shall not exceed the principal amount authorized hereby, the term to maturity thereof shall not exceed five years, and the Notes shall have a true interest costs that does not exceed 5.0%. The Notes shall be subject to such other terms and conditions contained in this Resolution to the extent not inconsistent with this paragraph. The interest payments on the Notes shall be secured in the same manner as the Bonds authorized hereunder and the principal and premium, if any, of such Notes shall be secured by the Bonds authorized hereby. NVTa shall retire the Notes either by issuing the Bonds authorized hereby or by making a payment or payments from any other lawfully available funds, provided that the maximum amount of the Bonds authorized hereby will be reduced by the amount of Notes retired by other lawfully available funds. If NVTa issues Bonds to retire the Notes, NVTa shall issue the Bonds in accordance with the terms of and subject to the parameters contained in this Resolution.
10. **Federal Tax Matters.** The Chairman is authorized and directed to execute and deliver on NVTa's behalf simultaneously with the issuance of the Bonds a Tax Regulatory Agreement and/or similar agreements or certificates. The Tax Regulatory Agreement and/or similar agreements or certificates shall set forth the expected use of and investment of all or any portion of the proceeds of the Bonds and include such covenants as may be necessary to qualify the interest on all or any portion of the Bonds for exemption from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations (collectively, the "Tax Code"), and to maintain such exemption. The Chairman is further authorized to make on behalf of NVTa such elections under the Tax Code with respect to the Bonds as he may deem to be in the best interests of NVTa after consultation with NVTa's Bond Counsel and Financial Advisor.
11. **Continuing Disclosure.** The Chairman is authorized and directed to execute and deliver on NVTa's behalf simultaneously with the issuance of any or all series of the Bonds a Continuing Disclosure Agreement, setting forth the disclosure to be made by or on behalf of NVTa and containing such covenants as may be necessary in order to satisfy the provisions of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.


- 12. Suspension of 2008 Debt Policies.** The 2008 Debt Policies are hereby suspended because they are unrelated and inapplicable to the HB 2313 Transportation Revenues and the Bonds authorized hereunder. The Chairman is authorized to direct the Financial Working Group to prepare revised debt policies that are based on the HB 2313 Transportation Revenues upon validation of such revenues and the Bonds.
- 13. Severability.** If any section, subsection, paragraph, sentence, clause, or phrase of, or project approved by, this Resolution is for any reason held or decided to be unconstitutional or invalid, such decision of unconstitutionality or invalidity shall not affect the validity of the remaining portions. NVTa hereby declares that it would have adopted this Resolution and each section, subsection, sentence, clause and phrase thereof and each project listed therein even though any one or more sections, subsections, sentences, clauses, phrases or projects might be declared unconstitutional or invalid.
- 14. Additional Actions.** Each member, officer and authorized representative of NVTa is authorized to execute and deliver on NVTa's behalf such other instruments, documents or certificates, and to do and perform such things and acts as he or she shall deem necessary or appropriate to carry out the transactions authorized by this Resolution or contemplated by the Indenture. Any of the foregoing previously done or performed by any member, officer, or authorized representative of NVTa is in all respects approved, ratified and confirmed. In the Chairman's absence, the Vice Chairman is authorized to take any action specifically assigned to the Chairman under this Resolution.
- 15. Effective Date.** This Resolution shall take effect immediately.

Adopted by the Northern Virginia Transportation Authority on this 24th day of July 2013.

BY:


Chairman

ATTEST:


Clerk

Northern Virginia Transportation Authority FY 2014 Project Selection Process – STEP II

The Project Implementation Working Group (PIWG) was directed by the Northern Virginia Transportation Authority (“NVTa” or “the Authority”) at its June 20, 2013 meeting to prepare an FY 2014 Program to include preparation of documents for an initial bond issuance for consideration by the Authority at its July 24, 2013 meeting. Pursuant to that charge, the PIWG developed and approved by consensus a list of FY 2014 bond selection criteria. The criteria do not prescribe specific project funding decisions; instead it provides guidance to the Authority by relating investment decisions to statutory requirements and regional goals. The bond selection process is provided in detail below.

Bond Selection Criteria

The PIWG developed the following selection criteria which provide the basis for selecting projects for a FY 2014 Bond List. All projects must have been evaluated through the FY 2014 Project Selection Process in order to be considered in this process. No projects that did not pass the Tier I Screening of the FY 2014 Project Selection Process were considered.

As noted in the FY 2014 Project Selection Process (Attachment A.1.) the approach focuses on selecting projects that provide rapid, noticeable improvements to address some of the region’s transportation problems. There are a total of six (6) bond selection criteria.

- **Project with 20 year lifespan.**
- **High ranking project.** Priority is given to projects on the “List of Projects for FY 2014 Funding” as presented to the Authority on June 20, 2013. In order to be considered for bond funding, projects on the “List of Projects for Consideration for the Future Six-Year Program” as presented at the June 20, 2013 NVTa meeting must receive a high rating in the Tier II analysis.
- **Leverages external funding.** Short-term priorities of the jurisdictions that are partially funded in the Commonwealth’s Six Year Improvement Program or by individual jurisdictions or agencies.
- **Monetary size of project funding request.** Projects with relatively small funding requirements are not as suitable for bonding.

Projects that met these criteria were then screened to ensure that, as a package, the following criteria were satisfied:

- **Geographic balance.**
- **Mode balance.** Transit, Road, Multimodal. Projects are coded as “R” for Roadway, “T” for Transit and “M” for Multimodal.

Once the second screen was complete, the total value of the project funding requests on the draft list was evaluated to ensure that it met the Financial Working Group guidance on the overall size of the bond package, which took \$50 million to be the lower bound and \$100 million to be the upper bound, the PIWG searched for one project whose funding request could be split between the FY 2014 Bond List and the FY 2014 PAYG list.

Projects not removed from the “List of Projects for FY 2014 Funding” as presented to the Authority on June 20, 2013 were included on the FY 2014 PAYG List.

ATTACHMENT C

Total Funding:

**NEW ISSUE
BOOK-ENTRY ONLY**

Ratings:
Fitch: _____
Moody's: _____
Standard & Poor's: _____
 (See "RATINGS" herein)

In the opinion of Bond Counsel, under current law and assuming the compliance with certain covenants and the accuracy of certain representations and certifications made by NVTa and other persons described herein, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Tax Code"), (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed under the Tax Code on individuals and corporations, and (iii) is exempt from income taxation by the Commonwealth of Virginia. See the section "Tax Matters" regarding certain other tax considerations.

Northern Virginia Transportation Authority
\$ _____ *
Transportation Special Tax Revenue Bonds, Series 2014

Dated: Date of Delivery**Due: _____ 1 (as shown on the inside front cover)**

This Official Statement has been prepared by the Northern Virginia Transportation Authority ("NVTa") to provide information on the above-referenced bonds (the "Bonds"). Selected information is presented on this cover page for the convenience of the reader. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety.

Security/Payment

The Bonds are limited obligations of NVTa and payable solely from the revenues and other property pledged by NVTa for such purpose. Most of the pledged revenues are derived from additional sales and use taxes, recording fees and transient occupancy taxes levied by the General Assembly of Virginia in NVTa's Member Localities, all of which are located in Northern Virginia. NVTa's authority to receive such revenues is subject to appropriation by the General Assembly, and the General Assembly may eliminate or change such taxes and fees at any time. NVTa has no taxing powers. The Bonds are not a debt of the Commonwealth of Virginia or any political subdivision thereof (including any member locality of NVTa) other than NVTa. Neither the faith and credit nor the taxing power of the Commonwealth or any of its political subdivisions (including any NVTa Member Locality) is pledged to the payment of the Bonds. See the sections "Sources of Payment and Security for the Bonds" and "Northern Virginia Transportation Authority Fund."

Issued Pursuant to

The Bonds will be issued pursuant to a Master Indenture of Trust dated as of December 1, 2014, and a First Supplemental Indenture of Trust dated as of December 1, 2014.

Purpose

The Bond proceeds, along with other available funds, will be used to pay the issuance and financing costs of the Bonds, to fund a debt service reserve fund for the Bonds and to finance and refinance the costs of (i) certain transportation projects in NVTa's member localities or (ii) certain mass transit capital projects serving NVTa's member localities. See the sections "Introduction," "NVTa Financing Program," and "Estimated Sources and Uses of Funds."

Interest Rates/Yields

See inside front cover.

Interest Payment Dates

_____ 1 and _____ 1, beginning _____ 1, 2015.

Record Dates

Each _____ 15 and _____ 15.

Denomination

\$5,000 or multiples thereof.

Redemption

See inside front cover and the section "The Bonds."

Closing/Delivery Date

On or about December __, 2014.*

Registration

Book-entry only. See the section "The Bonds."

Trustee/Paying Agent

Regions Bank, Columbia, South Carolina.

Financial Advisor

Public Financial Management, Arlington, Virginia.

Bond Counsel

McGuireWoods LLP, Richmond, Virginia.

Citigroup**J. P. Morgan****Davenport & Company LLC****Raymond James**

Dated: _____, 2014

* Preliminary, subject to change.
 \58901000.6

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

\$ _____ *

Transportation Special Tax Revenue Bonds, Series 2014

(Base CUSIP Number _____)†

Maturity (_____ 1)*	Principal Amount*	Interest Rate	Price/Yield	CUSIP Suffix†
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				

\$ _____ * _____ % Term Bond Due _____ 1, 20 __, * Price/Yield _____ %, CUSIP Suffix† _____.

Optional Redemption

The Bonds maturing on or before _____ 1, _____, * will not be subject to optional redemption. The Bonds maturing on and after _____ 1, _____, * will be subject to optional redemption, at the sole discretion of NVTa, on and after _____ 1, _____, * in whole or in part at any time, at par plus interest accrued thereon to the date fixed for redemption.

Mandatory Redemption

The Bonds maturing on _____ 1, 20 __, * are subject to mandatory sinking fund redemption on _____ 1 in the years and in the amounts set forth below, at par plus accrued and unpaid interest to the date fixed for redemption.

Redemption Date (_____ 1)	Principal Amount
20 __	
20 __	
20 __	
20 __ ^	

^ Final Maturity.

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only, and neither NVTa or the Underwriters make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP numbers are subject to being changed after the issuance of the Bonds.

[MAP OF PLANNING DISTRICT 8]

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Voting Members

Hon. Martin E. Nohe, Prince William County, Chairman
Hon. William D. Euille, City of Alexandria, Vice Chairman

Hon. Sharon Bulova, Fairfax County	Hon. Harry J. "Hal" Parrish, II, City of Manassas
Sandra Bushue, Governor's Appointee	Hon. Jeanette Rishell, City of Manassas Park
Hon. Adam Ebbin, Virginia Senate	Hon. Thomas Davis Rust, Virginia House of Delegates
Gary Garczynski, Governor's Appointee, Commonwealth Transportation Board Member	Hon. R. Scott Silverthorne, City of Fairfax
Hon. Mary Hughes Hynes, Arlington County	Hon. David Snyder, City of Falls Church
Hon. J. Randall Minchew, Virginia House of Delegates	Hon. Scott York, Loudoun County

Non-Voting Members

Helen Cuervo, Virginia Department of Transportation
Jennifer Mitchell, Virginia Department of Rail and Public Transportation

Town Representative

Kristen C. Umstattd, Town of Leesburg

NVTA Senior Staff

Monica Backmon, Executive Director
Michael Longhi, Chief Financial Officer
Peggy Teal, Assistant Finance Officer

COUNCIL OF COUNSELS

Angela M. Horan, Esquire
Prince William County

Stephen A. MacIsaac, Esquire
Arlington County

Ellen F. M. Posner, Esquire
Fairfax County, Department of Transportation

FINANCIAL ADVISOR

Public Financial Management
Arlington, Virginia

BOND COUNSEL

McGuireWoods LLP
Richmond, Virginia

TRUSTEE

Regions Bank
Columbia, South Carolina

The Bonds are exempt from registration under the Securities Act of 1933, as amended. The Bonds are also exempt from registration under the securities laws of the Commonwealth of Virginia.

No dealer, broker, salesman or other person has been authorized by NVT A to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by NVT A. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between NVT A and the purchasers or owners of any of the Bonds. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in affairs of NVT A or in any other matters described herein since the date hereof or, as in the case of certain information incorporated herein by reference to certain publicly available documents, since the date of such documents.

The information set forth herein has been obtained from NVT A and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by any of such sources as to information provided by any other source. All quotations from, and summaries and explanations of, provisions of law and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words, "estimate," "project," "anticipate," "expect," "intend," "believe," and similar expressions identify forward-looking statements. A number of factors affecting NVT A and its financial results could cause actual results to differ materially from those stated in the forward-looking statements.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of the transactions contemplated by this Official Statement, but the Underwriters do not guarantee the accuracy or completeness of such information.

Third parties may engage in transactions that stabilize, maintain or otherwise affect the price of the Bonds, including transactions to (i) overalloc in arranging the sales of the Bonds and (ii) make purchases and sales of Bonds, for long or short account, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner beyond the control of NVT A.

All CUSIP (Committee on Uniform Securities Identification Procedures) numbers shown in this Official Statement have been assigned by an organization not affiliated with NVT A or the Underwriters, and NVT A and the Underwriters are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. NVT A has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above. CUSIP is a registered trademark of the American Banker's Association, used by Standard & Poor's in its operation of the CUSIP Service Bureau on their behalf.

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OFFICIAL STATEMENT

Northern Virginia Transportation Authority

\$ _____ *

Transportation Special Tax Revenue Bonds, Series 2014

INTRODUCTION

This Official Statement has been prepared by the Northern Virginia Transportation Authority ("NVTa") to provide information with respect to the offering of \$ _____* aggregate principal amount of the Transportation Special Tax Revenue Bonds, Series 2014 (the "Bonds"). This Official Statement has been authorized and approved by NVTa for use in connection with the sale of the Bonds.

This Introduction contains certain information for summary purposes only. Investors must read the entire Official Statement, including the appendices, to obtain information essential to the making of an informed investment decision.

Northern Virginia Transportation Authority

NVTa is a political subdivision of the Commonwealth of Virginia (the "Commonwealth") created by and existing under Chapter 25, Title 33.2, Code of Virginia of 1950, as amended (the "Virginia Code"). As provided by Section 33.2-2501 of the Virginia Code, NVTa embraces the Counties of Arlington, Fairfax, Loudoun, and Prince William, and the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park (collectively, the "Member Localities"). All of NVTa's Member Localities are located in Northern Virginia in the Washington-Baltimore, D.C.-Md.-Va.-W.Va. Metropolitan Statistical Area.

The Member Localities also compose Planning District 8, which is an area designated by the Virginia Department of Housing and Community Development under the Regional Cooperation Act, Chapter 42, Title 15.2, of the Virginia Code. The designation of planning districts is part of Virginia's endeavor to provide a forum for state and local government to address issues of a regional nature and to encourage and facilitate local government cooperation in addressing, on a regional basis, problems of greater than local significance.

Section 33.2-2500 of the Virginia Code provides, among other things, that NVTa (i) will prepare a regional transportation plan for Planning District 8 that will include, but not necessarily be limited to, transportation improvements of regional significance, and those improvements necessary or incidental thereto, and will from time to time revise and amend the plan and (ii) has the power to construct or acquire, by purchase, lease, contract, or otherwise, the transportation facilities specified in the regional transportation plan when adopted.

Section 33.2-2511 of the Virginia Code empowers NVTa to issue bonds and other evidences of debt for its corporate purposes.

NVTa anticipates that its activities will be limited to funding the transportation facilities to be constructed and acquired by the Member Localities and other state, regional and local governmental project sponsors with which NVTa will contract (in such capacity, the Member Localities and the other project sponsors are referred to as "Project Sponsors"). See the section "*NVTa Financing Program*" and "*Northern Virginia Transportation Authority*."

The Bonds

The issuance of the Bonds is authorized by the provisions of (i) Chapter 25, Title 33.2 of the Virginia Code and (ii) a resolution adopted by NVTa on July 24, 2013, and supplemented and amended on October 24, 2014 (the "Authorizing Resolution"). The Bonds are being issued pursuant to a Master Indenture of Trust dated as of December 1, 2014 (the "Master Indenture"), as supplemented by a First Supplemental Indenture of Trust dated as of December 1, 2014 (the "First Supplemental Indenture" and collectively, with the Master Indenture, the "Indenture"), each between NVTa and Regions Bank, as trustee for the Bonds (the "Trustee").

* Preliminary, subject to change.

The Bonds are the first series of bonds issued by NVTa under the Indenture. The Bonds and any additional bonds issued in the future under the Indenture are referred to collectively as the "Transportation Bonds."

Purpose of the Bonds

NVTa will use the proceeds of the Bonds, along with other available funds, to (a) pay the issuance and financing costs of the Bonds, (b) fund a debt service reserve fund and (c) finance and refinance the costs of the construction and acquisition of (i) certain transportation projects in the Member Localities and (ii) certain mass transit capital projects serving the Member Localities (collectively, the "Projects"). A portion of the proceeds will be applied to redeem the principal of and premium and interest on NVTa's Taxable Bond Anticipation Note, Series 2014, issued on June 26, 2014, in the principal amount of \$74,642,000 (the "BAN"). See the section "*NVTa Financing Program*."

NVTa will deposit a portion of the proceeds of the Bonds and the unspent proceeds of the BAN into the Project Fund (as defined herein) established pursuant to the Indenture. See the section "*Application of Proceeds of the Bonds*."

Limited Obligations

The Bonds are limited obligations of NVTa and payable solely from the revenues, moneys and other property pledged by NVTa for such purpose, which principally consist of Regional NVTa Revenues (as defined below). The Bonds are not a debt of the Commonwealth or any political subdivision thereof (including any Member Locality) other than NVTa. Neither the faith and credit nor the taxing power of the Commonwealth or any of its political subdivisions (including any Member Locality) is pledged to the payment of the Bonds. NVTa has no taxing powers.

Substantially all of the revenues pledged to secure and pay the Bonds are expected to be a portion of the receipts from additional retail sales and use taxes, recording fees and transient occupancy taxes levied by the General Assembly of Virginia (the "General Assembly") in the Member Localities (as more specifically defined below, the "HB 2313 Transportation Revenues"), deposited into the Northern Virginia Transportation Authority Fund (the "NVTa Fund"), and appropriated by the General Assembly from the NVTa Fund to NVTa. Such additional taxes and fees were imposed by the 2013 General Assembly in HB 2313 (as defined below). See "HB 2313 Transportation Revenues" in the section "*Northern Virginia Transportation Authority Fund*." As required by HB 2313 and the Indenture, the HB 2313 Transportation Revenues are to be applied as follows:

- 30% of the HB 2313 Transportation Revenues will be distributed on a pro rata basis to the Member Localities (such 30% share will be referred to below as the "Local NVTa Revenues"). Local NVTa Revenues are not pledged to the payment of the Bonds.
- 70% of the HB 2313 Transportation Revenues will be referred to below as the "Regional NVTa Revenues," are pledged to the payment of the Bonds, and will otherwise be available to fund regional transportation projects and mass transit projects to benefit the Member Localities.

In addition, the Bonds are payable from and secured by moneys held in certain funds established under the Indenture. See the sections "*Sources of Payment and Security for the Bonds*" below and "*Summary of the Indenture*" in Appendix A.

NVTa's authority to receive any or all of the HB 2313 Transportation Revenues may be eliminated, changed or limited at any time by action of the General Assembly and neither the General Assembly nor NVTa can or will pledge, covenant or agree to impose or maintain at any particular rate or level any of such taxes and fees or the HB 2313 Transportation Revenues for the benefit of the holders of the Bonds, the Trustee or any other person or entity. In addition, HB 2313 provides that the additional taxes and fees that raise the HB 2313 Transportation Revenues will expire on December 31 of any year in which the General Assembly appropriates any of revenues for any non-transportation-related purpose. See "Risks of Non-Appropriation, Diversion of Appropriations and Future Legislative Actions" in the section "*Investment Considerations*."

Future series of Transportation Bonds are expected to be payable from and secured by the above-described revenues, receipts, funds and moneys on a parity with the Bonds, except with respect to the Debt Service Reserve Fund established with respect to a Series of Transportation Bonds, as provided under the Indenture. See the sections "*Sources of Payment and Security for the Bonds*" and "*Northern Virginia Transportation Authority Fund*."

The Bonds are not secured by any mortgage or lien on any transportation facilities of the Commonwealth, NVTa, the Member Localities or the other Project Sponsors or by a pledge of the revenues derived from any such

facility. If NVTa should fail to make any payment on the Bonds when due, the Trustee and the owners of the Bonds shall have no right to take possession of any transportation facilities or to exclude the Commonwealth, NVTa, a Member Locality or other Project Sponsor from possession of them.

Validation

On July 25, 2013, NVTa instituted a bond validation proceeding in the Circuit Court of Fairfax County (the "Court"). The bond validation was challenged and a hearing was held before the Court in late September 2013. On October 11, 2013, the Court entered a Final Order by which the Court validated, among other things, (i) the constitutionality of HB 2313 and the HB 2313 Transportation Revenues, (ii) all actions of NVTa taken in connection with the proposed issuance of the Bonds, including the adoption and approval of the Authorizing Resolution, (iii) the process by which NVTa selected the FY2014 Bond Projects and the other projects to be funded by the Regional NVTa Revenues received in Fiscal Year 2014, (iv) the pledges of revenues and receipts and other security for the Bonds provided pursuant to the Authorizing Resolution, and (v) the terms, covenants and provisions contained in the Authorizing Resolution. The Final Order dismissed with prejudice the challenge to the bond validation and declared that, in the event no appeal of the Final Order was taken within the time prescribed in Section 15.2-2656 of the Virginia Code, the Final Order is binding and conclusive as to the validity of the Bonds and the other matters addressed therein. The Supreme Court of Virginia has indicated that no appeal was made within the prescribed time.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY FUND

General

In HB 2313, the General Assembly established the NVTa Fund, a special nonreverting fund in the state treasury for Planning District 8, on the books of the Comptroller of Virginia. All of the HB 2313 Transportation Revenues are required to be paid into the state treasury and, subject to appropriation, credited to the NVTa Fund. Interest earned on moneys in the NVTa Fund remains in and is credited to the NVTa Fund. Any moneys remaining in the NVTa Fund, including interest thereon, at the end of each fiscal year of the Commonwealth will not revert to the Commonwealth's general fund, but shall remain in the NVTa Fund.

The HB 2313 Transportation Revenues will be deposited monthly by the Comptroller into the NVTa Fund and thereafter distributed to NVTa.

HB 2313 Transportation Revenues

The HB 2313 Transportation Revenues are derived from three sources, which are (i) an additional retail sales and use tax, (ii) an additional grantor's recordation tax (referred to as the "regional congestion relief fee"), and (iii) a regional transient occupancy tax. The three sources are described below.

1. *Additional Retail Sales and Use Tax.* A retail sales tax at the current rate of 5.3% is imposed on every transaction occurring throughout the Commonwealth involving (i) the business of selling at retail or distributing tangible personal property; (ii) the leasing or rental of tangible personal property as part of an established business; (iii) the storing for use or consumption in the Commonwealth of any item or article of tangible personal property or leasing or renting such property within the Commonwealth; (iv) the furnishing of transient accommodations; or (v) the selling of certain services. The tax on sales is based on the gross sales price of each item or article of tangible personal property. The seller collects the tax from the customer by separately stating the amount of the tax and adding it to the sales price or charge. The tax on accommodations, leases and rentals, which is based upon the lessor's gross proceeds from the leases and rentals, is collected by the lessor by separately stating the amount of tax and adding it to the charge made to the lessee. The tax on items or articles of tangible personal property stored in the Commonwealth for use or consumption in the Commonwealth is based on the cost price of each item or article. The tax on taxable services is based on the gross sales of services.

A use tax at the current rate of 5.3% is imposed on the use or consumption of tangible personal property throughout the Commonwealth, or the storage of such property outside the Commonwealth for use or consumption in the Commonwealth. This tax applies to (i) tangible personal property purchased outside the Commonwealth that would have been subject to sales tax if purchased in the Commonwealth and (ii) purchases, leases or rentals made in the Commonwealth if the sales tax was not paid at the time of purchase, lease or rental. In general, the tax is based on the cost price of each item or article of tangible personal property used or consumed in the Commonwealth or the cost price of each item or article of tangible personal property stored outside the Commonwealth for use or

consumption in the Commonwealth. The Virginia Code provides various exclusions and exemptions to the retail sales and the use tax.

In HB 2313, the General Assembly levied and imposed in each of the Member Localities an additional retail sales and use tax of 0.70 percent, effective July 1, 2013, which is dedicated to the NVTAFund. Based on the current statewide sales and use tax rate of 5.3% and the additional sales and use tax of 0.70% dedicated to the NVTAFund, the total current sales and use tax rate imposed in the Member Localities is 6.0%. The additional tax is not levied upon food purchased for human consumption. The additional tax is added to the standard rate of retail sales and use tax imposed by the Virginia Code and is subject to all provisions of the Virginia Code applicable to the standard retail sales and use tax and the rules and regulations published with respect thereto. No discount for small dealers under Section 58.1-622 of the Virginia Code is allowed for the additional tax. The additional tax is administered and collected by the State Tax Commissioner in the same manner and subject to the same penalties as provided for the standard retail sales and use tax.

[Historic Collections]

Monthly notice of the additional retail sales and use tax collections by the Commonwealth for the NVTAFund are received on approximately the 10th day of the month with the actual transfer of funds, and cash availability to the Authority, occurring on approximately the 20th of the month. Transmittal of collection data and cash occur in the second month after the date of the transaction. For example, retail sales and use tax on a December transaction will arrive to the NVTAFund in February.

2. *Regional Congestion Relief Fee.* Recordation taxes are imposed on every deed and deed of trust (mortgage) admitted to record in the Commonwealth subject to certain exceptions and exemptions. In addition to any other recordation tax or fee imposed under the Virginia Code, in HB 2313 the General Assembly imposed an additional recordation tax, designated as the "regional congestion relief fee," on each deed, instrument, or writing by which lands, tenements, or other realty located in any of the Member Localities is sold and is granted, assigned, transferred, or otherwise conveyed to or vested in the purchaser or any other person, by such purchaser's direction. The rate of the regional congestion relief fee, when the consideration or value of the interest, whichever is greater, equals or exceeds \$100, is \$0.15 for each \$100 or fraction thereof, exclusive of the value of any lien or encumbrance remaining thereon at the time of the sale, whether such lien is assumed or the realty is sold subject to such lien or encumbrance. The regional congestion relief fee became effective on July 1, 2013.

The regional congestion relief fee is to be paid by the grantor, or any person who signs on behalf of the grantor, of any deed, instrument, or writing subject to the fee.

Section 58.1-802.2 of the Virginia Code prohibits any deed, instrument, or other writing subject to the regional congestion relief fee from being recorded unless certification of the clerk wherein first recorded has been affixed thereto that the regional congestion relief fee has been paid.

The regional congestion relief fees are collected by the clerk of the court in each Member Locality and paid into the state treasury as soon as practicable. Such fees are then deposited into the NVTAFund by the Comptroller of Virginia.

[Historic Collections]

Monthly notice of the regional congestion relief fee received by the Commonwealth for the NVTAFund is received on approximately the 10th day of the month with the actual transfer of funds, and cash availability to NVTAFund, occurring on approximately the 15th of the month. Transmittal of collection data and cash occur the month after the date of the transaction. For example, the regional congestion relief fee on a December transaction will arrive to the NVTAFund in January.

3. *Regional Transient Occupancy Tax.* In HB 2313, the General Assembly imposed, in addition to any other fees and taxes imposed under law, an regional transient occupancy tax at the rate of two percent of the amount of the charge for the occupancy of any room or space occupied in any of the Member Localities, effective July 1, 2013. The regional transient occupancy tax is imposed only for the occupancy of any room or space that is suitable or intended for occupancy by transients for dwelling, lodging, or sleeping purposes.

The regional transient occupancy tax is administered by the Member Locality in which the room or space is located in the same manner as it administers the other transient occupancy taxes authorized for the Member Locality under the Virginia Code. The revenue generated and collected from the tax is deposited by the local treasurer into the state treasury and transferred by the Comptroller into the NVTAFund.

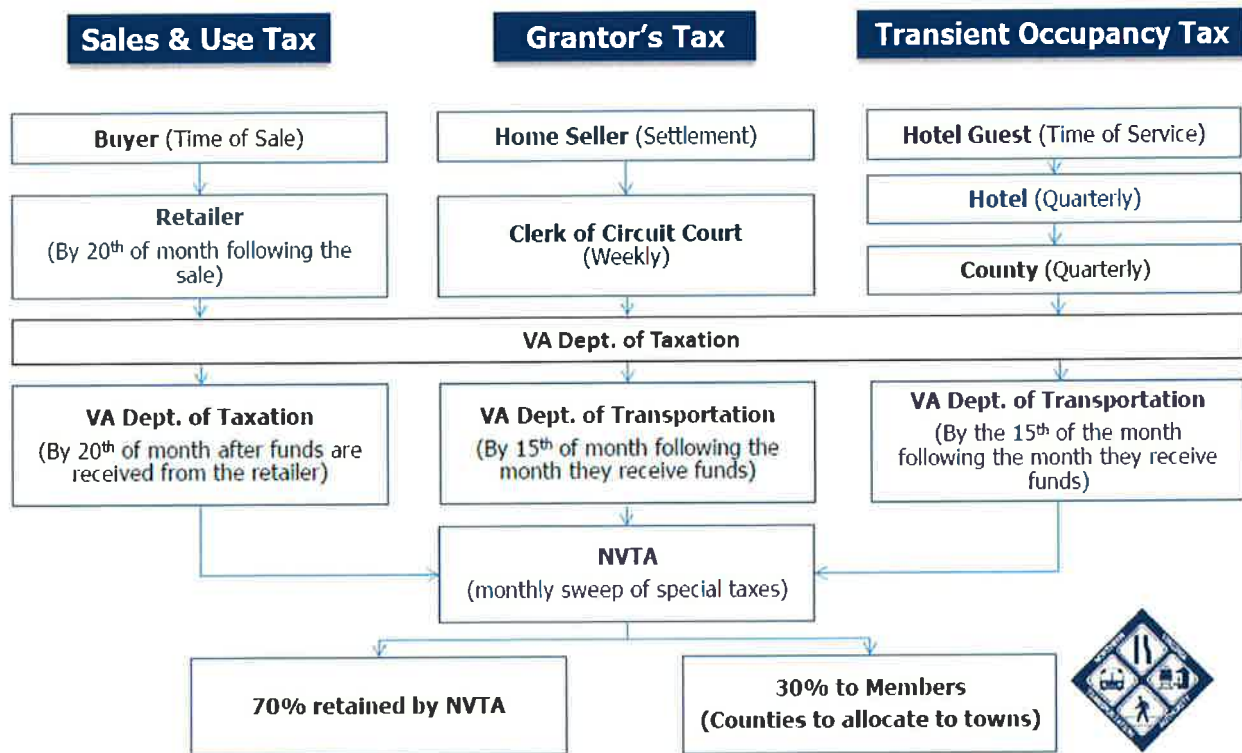
[Historic Collections]

Monthly notice of the regional transient occupancy tax received by the Commonwealth for the NVTAFund is received on approximately the 10th day of the month with the actual transfer of funds, and cash availability to NVTAFund, occurring on approximately the 15th of the month. Businesses are required to remit the fee on a quarterly basis. Many businesses elect to make monthly remittances. All payments by businesses are accepted and are remitted to the NVTAFund in the next monthly cycle. Most but not all jurisdictions are on the same quarterly cycle. Transmittal of collection data and cash occur on a monthly basis for the proceeding month's transactions with quarterly peaks based on jurisdiction specific due dates.

Memorandum of Agreement Regarding Collection and Transfer of HB 2313 Transportation Revenues

NVTAFund, VDOT and DRPT have entered into a Memorandum of Agreement to establish procedures and expectations, and define each agency's roles and responsibilities, with respect to the HB 2313 Transportation Revenues, the NVTAFund and certain of the Projects to be funded by NVTAFund. Under the Memorandum of Agreement, VDOT agrees to function as a "pass-through" agency for budgeting and appropriation purposes, and VDOT agree not to withhold any administrative costs in connection with such actions. Further, VDOT and DRPT will include a request for appropriation of the funding for the NVTAFund in the Commonwealth's budgeting process and will use best efforts to secure General Assembly approval. For further description of the Memorandum of Agreement see the section "Summary of the Memorandum of Agreement" in Appendix A.

Below is a chart that sets forth the flow of HB 2313 Transportation Revenues from collection by the Commonwealth to distribution to NVTAFund. For a chart that sets forth the flow of HB 2313 Transportation Revenues under the Indenture, see the section "Summary of the Indenture" in Appendix A.



Application of HB 2313 Transportation Revenues Transferred from NVTAFund

Once received by NVTAFund from the NVTAFund, the application of the HB 2313 Transportation Revenues is no longer subject to appropriation by the General Assembly, but rather is governed by the Virginia Code, including HB 2313 and the Indenture. The Indenture requires NVTAFund to deposit the HB 2313 Transportation Revenues received from the NVTAFund into the Revenue Fund established under the Indenture.

As required by Section 33.2-2510 of the Virginia Code and the Indenture, 30% of the HB 2313 Transportation Revenues (the "Local NVTAFund Revenues") will be distributed on a pro rata basis to the Member Localities through the Member Locality Distribution Fund to be applied first to fund the Operating Fund and second to fund transportation

projects and purposes authorized under Section 33.2-2510 and selected by the Member Localities. If, however, any of the Member Localities appropriates or allocates its share of the Local NVTAs Revenues to a non-transportation purpose, such Member Locality shall not be the direct beneficiary of any of such revenues in the year immediately succeeding the year in which such Local NVTAs Revenues were appropriated or allocated to a non-transportation purpose. In such event, the Local NVTAs Revenues that would otherwise be payable to the Member Locality so appropriating or allocating to a non-transportation purpose will constitute Regional NVTAs Revenues for the impacted Fiscal Year; however, the use of Regional NVTAs Revenues for a project located within such Member Locality would not be affected. **Local NVTAs Revenues are not pledged to the payment of the Bonds.**

NVTA FY2014 Revenue Performance

The Authority ended FY2014 with a 2% negative variance from revenue projections. Of the three revenue types, Retail Sales and Use Tax had the largest estimate to actual variance (-3.9%). The FY2015/16 estimates were developed with the FY2014 actuals to date for Retail Sales and Use Tax known. The rate of growth for this tax was reduced in FY2015 from earlier estimates. Due to FY2014 being the first year of revenue estimates the Authority did not obligate all of the FY2014 regional revenues to projects, leaving approximately \$82 million of the original revenue estimate as potential unallocated fund balance. The estimate to actual comparison is presented below:

	<u>FY2014 Budget</u>	<u>FY2014 Actual</u>	<u>% Change Budget vs. Actual</u>
Additional Sales and Use Tax	\$232,456,223	\$223,371,345	-3.9%
Regional Congestion Relief Fee	\$34,676,789	\$38,008,947	9.6%
Additional Transient Occupancy Tax	\$24,348,642	\$24,222,873	-0.5%
Total	\$291,481,654	\$285,603,165	-2.0%

[May be adjusted to show only the 70% revenues]

Historical and Projected HB 2313 Transportation Revenues

The following table shows the amounts of the HB 2313 Transportation Revenues that were deposited or are forecasted to be deposited into the NVTA Fund for the Fiscal Years 2014 through 2020. The receipts from the additional retail sales and use tax and regional congestion relief fee are deposited to the NVTA Fund monthly, based on actual collections. The transient occupancy tax has a quarterly due date, with many businesses electing to pay monthly. The receipts from additional transient occupancy tax are deposited to the NVTA Fund monthly based on actual collections. HB 2313 Transportation Revenues accrued during each Fiscal Year are deposited to the NVTA Fund by September 30 of each subsequent Fiscal Year. The NVTA accrues these revenues to the proper Fiscal Year by revenue type.

Historical and Projected HB 2313 Transportation Revenues (in millions)

NVTA Estimates

<u>Fiscal Year :</u>	<u>2014 Estimate</u>	<u>2014 Actual (Unaudited)</u>	<u>2015 Estimate</u>	<u>2016 Estimate</u>	<u>2017 Projection</u>
Additional Sales and Use Tax	\$232,456,223	\$223,371,345	\$228,073,196	\$232,756,820	\$237,536,625.11
Regional Congestion Relief Fee	\$34,676,790	\$38,008,947	\$36,903,666	\$37,202,478	\$37,503,710
Additional Transient Occupancy Tax	\$24,348,642	\$24,222,873	\$25,258,011	\$25,632,398	\$26,012,334
Total	\$291,481,655	\$285,603,165	\$290,234,873	\$295,591,696	\$301,052,669

NVTA Estimates

<u>Fiscal Year :</u>	<u>2018 Projection</u>	<u>2019 Projection</u>	<u>2020 Projection</u>	<u>2021 Projection</u>
Additional Sales and Use Tax	\$242,414,586	\$247,392,720	\$252,473,082	\$257,657,773
Regional Congestion Relief Fee	\$37,807,380	\$38,113,510	\$38,422,118	\$38,733,225
Additional Transient Occupancy Tax	\$26,397,902	\$26,789,185	\$27,186,268	\$27,589,237
Total	\$306,619,869	\$312,295,415	\$318,081,468	\$323,980,234

[May be adjusted to show only the 70% revenues]

NVTA Revenue Projections

The FY2015/16 revenue projections were developed through a multi-Member Locality collaborative process. A revenue estimation sub-group was formed with staff participation from Fairfax, Loudoun, Prince William and Arlington Counties as well as the City of Alexandria. These five Member Localities comprise approximately 95% of the Authority's total revenue.

The growth rates projected for the 5 jurisdictions noted above were combined and weighted to reach a general growth factor. This growth factor was used to estimate revenue from the remaining four jurisdictions. The general growth factor was used for approximately 5% of the projected revenue.

Estimates of revenue developed by the Commonwealth are also reviewed. The Commonwealth estimates are higher than the NVTA estimates for fiscal years 2015 through 2020. NVTA has chosen to utilize the locally determined estimates based on their conservative nature and strong utilization of Member Locality information. The Table below shows the Commonwealth estimates compared to NVTA estimates.

NVTA Estimates	2014 Estimates NVTA Actual/ Unaudited	2015 Estimate Commonwealth	2015 Estimate NVTA	2016 Estimate Commonwealth	2016 Estimate NVTA	2017 Projection Commonwealth	2017 Projection NVTA	2017 Projection Commonwealth
Fiscal Year :								
Additional Sales and Use Tax	\$223,371,345	\$208,900,000	\$228,073,196	\$236,100,000	\$232,756,820	\$244,400,000	\$237,536,625	\$253,900,000
Regional Congestion Relief Fee	\$38,008,947	\$37,700,000	\$36,903,666	\$37,700,000	\$37,202,478	\$37,700,000	\$37,503,710	\$37,700,000
Additional Transient Occupancy Tax	\$24,222,873	\$24,000,000	\$25,258,011	\$27,300,000	\$25,632,398	\$28,300,000	\$26,012,334	\$29,300,000
Total	\$285,603,165	\$270,600,000	\$290,234,873	\$301,100,000	\$295,591,696	\$310,400,000	\$301,052,669	\$320,900,000

NVTA Estimates	2018 Projection NVTA	2019 Projection Commonwealth	2019 Projection NVTA	2020 Projection Commonwealth	2020 Projection NVTA	2020 Projection Commonwealth
Fiscal Year :						
Additional Sales and Use Tax	\$242,414,586	\$264,100,000	\$247,392,720	\$274,700,000	\$252,473,082	\$285,700,000
Regional Congestion Relief Fee	\$37,807,380	\$37,700,000	\$38,113,510	\$37,700,000	\$38,422,118	\$37,700,000
Additional Transient Occupancy Tax	\$26,397,902	\$30,500,000	\$26,789,185	\$31,700,000	\$27,186,268	\$33,000,000
Total	\$306,619,869	\$332,300,000	\$312,295,415	\$344,100,000	\$318,081,468	\$356,400,000

[May be adjusted to show only the 70% revenues]

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Members

Pursuant to its enabling legislation, NVTA has 17 members as follows: the chief elected official, or a designee, of each Member Locality; two members of the House of Delegates appointed by the Speaker of the House; one member of the Senate appointed by the Senate Committee on Privileges and Elections; and two citizens who reside in Member Localities, appointed by the Governor. In addition, the Director of the Virginia Department of Rail and Public Transportation, or his/her designee; the Commissioner of Highways, or his/her designee; and the chief elected officer of one town in a county which is a Member Locality, will serve as non-voting members of NVTA. The

current membership of NVTa and the related Member Locality (or town) or appointing official or body are set forth below:

<u>Voting Members:</u>	<u>Title</u>	<u>Member Locality</u>
Hon. Martin Nohe	NVTa Chairman	Prince William County
Hon. William D. Euille	NVTa Vice Chairman	City of Alexandria
Hon. Sharon Bulova	Member	Fairfax County
Sandra Bushue	Member	Governor's Appointee
Hon. Adam Ebbin	Member	Virginia Senate
Gary Garczynski	Member	Governor's Appointee
Hon. Mary Hughes Hynes	Member	Arlington County
Hon. J. Randall Minchew	Member	Virginia House of Delegates
Hon. Harry J. "Hal" Parrish, II	Member	City of Manassas
Hon. Jeanette Rishell	Member	City of Manassas Park
Hon. Thomas Davis Rust	Member	Virginia House of Delegates
Hon. R. Scott Silverthorne	Member	City of Fairfax
Hon. David Snyder	Member	City of Falls Church
Hon. Scott York	Member	Loudoun County

Non-Voting Members:

Helen Cuervo	VDOT
Jennifer Mitchell	VDRPT

Town Representative:

Kristen C. Umstatt	Town of Leesburg
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Martin E. Nohe - Chairman of the Northern Virginia Transportation Authority (NVTa)

Mr. Nohe started his first term on the Prince William County Board of Supervisors in January 2004. He joined the NVTa as the Prince William County representative in 2005. From 2006 through 2008 Mr. Nohe was the Vice-Chairman of the Authority. He has served as the Authority Chairman since 2009. Mr. Nohe has served on several other regional boards including the Potomac and Rappahannock Transportation Commission and the Northern Virginia Regional Commission (NVRC). He chaired the NVRC for two years. Mr. Nohe is the Prince William County representative on the Virginia Rail Express Board. Mr. Nohe is the president of a family owned business located in Prince William County and serving Northern Virginia. Mr. Nohe holds a bachelor's degree in economics from George Mason University in Fairfax Virginia and is a graduate of the University of Virginia's Sorensen Institute for Political Leadership.

NVTa Staff

Monica Backmon - Executive Director NVTa

Ms. Backmon has been the Executive Director of NVTa since May of 2014. Previously she served as the Regional Transportation Planner for Prince William County. She was employed by Prince William County (PWC) for ten years prior to joining NVTa. Ms. Backmon has worked alongside Northern Virginia regional partners on a variety of initiatives, most recently as the chair of the NVTa's Jurisdiction and Agency Coordinating Committee, co-chair of the Authority's Financial Working Group; coordinator of the Efficiency and Consolidation Task Force; and as the project manager for TransAction 2040, an update of the Authority's long range transportation plan. Ms.

Backmon has a B.S. in Psychology and Master's Degree in Urban Planning (MURP) from the University of Illinois at Urbana-Champaign in Champaign, IL.

Michael B. Longhi - Chief Financial Officer NVT

Mr. Longhi was appointed CFO in November 2013. Prior to NVT he served as the Fairfax County Auditor of the Board, from July 2010. Mr. Longhi spent ten years working in the Arlington County Treasurer's Office where he was responsible for cash management, investments, banking services and revenue accounting. Prior to Arlington County, Mr. Longhi was employed by Prince William County for 12 years. His last position at PWC was Treasury Manager. Mr. Longhi has a BS from American University in Washington DC and a Masters in Public Administration from George Mason University in Fairfax Virginia.

Peggy M. Teal, CPA - Assistant Finance Officer

Ms. Teal joined NVT in January 2014. Prior to NVT she served as the Assistant Finance Director for the City of Dover, Delaware. Ms. Teal was responsible for cash management, investments, banking services, debt management and employee benefit plan management. Prior to the City of Dover, Ms. Teal served as the Vice President of Finance and Technology for Independent Newspapers for 17 years. Ms. Teal has a BS in Business Management with a concentration in Accounting from West Chester University in West Chester Pennsylvania and received her Certified Public Accounting license in 1987 from the Pennsylvania State Board of Accountancy.

NVT Financial Policies

On December 12, 2013, NVT adopted written debt management policies to govern the implementation of its debt program. The purpose of the policy is to support the furtherance of NVT's construction program while achieving the lowest cost of capital on its borrowings. Certain policies are summarized below:

Debt affordability. To ensure that NVT maintains an affordable level of debt, the policy sets forth minimum levels of debt service coverage that NVT will seek to maintain. For senior lien debt such as Additional Transportation Bonds, NVT will target the ratio of annual Regional NVT Revenues to annual senior lien debt service at a minimum of 2.0 times. For subordinate lien debt, NVT will target the ratio of annual Regional NVT Revenues minus annual debt service on senior lien debt to annual subordinate lien debt service at a minimum of 1.3 times. See "Additional Transportation Bonds" in the section "*Sources of Payment and Security for the Bonds.*"

Reserve levels. To provide adequate project fund liquidity, NVT has established a working capital reserve. The policy sets this reserve level equal to at least six months of the budgeted annual Regional NVT Revenues. Such funds may be used within a Fiscal Year to manage any mismatches in the actual receipt of regional revenue and the disbursement of funds for project construction to project implementing entities. NVT commenced the funding of the working capital reserve in Fiscal Year 2015, and intends to build the reserve to the policy target of \$101,582,206 over an 18-month period.

The audited financial statements of NVT for Fiscal Year 2014 are included in Appendix B. *[NOTE PBMARS would like a draft copy of the POS prior to the financials being included in the document. Also it is doubtful timing will permit the formal presentment of financials to NVT before they are needed in the POS.]*

NVT Operating Budget

The Operating Budget for NVT is \$1.3 million. NVT operates with six full time employees. The costs of the operating budget are allocated to the Member Localities based on population. Member Localities have the option of paying their share of the operating budget directly or by having the amount deducted from their July 30% distribution. The Regional Revenue Fund (70% funds) does not support the NVT operating budget.

NVT makes extensive use of subject matter experts from Member Localities. Examples of this regional collaboration are:

- Revenue Estimation Team - This team uses the economic data and models developed by Member Localities for their revenue estimates to help develop the NVTAs revenue estimates. This participation resulted in the FY2015/16 estimates having jurisdiction detailed analysis supporting 95% of the total Authority projections.
- Debt Selection Advisory Team – This team consists of the debt managers and finance officers from Arlington, Fairfax, Loudoun and Prince William Counties as well as representative from the Cities of Fairfax and Manassas. The team assisted with the selection of the underwriter pool and is available for assistance, strategy discussions and recommendations when requested by the NVTAs.

In addition to the projects being financed, the NVTAs also has approved FY2014 PayGo funding of \$122 million for 25 transit and roadway projects. In FY2014 the NVTAs left approximately \$82 million of estimated revenue as unallocated. The balance of the unallocated revenue is available to support FY2015/16 projects.

NVTAs FINANCING PROGRAM

The NVTAs financing program starts with a regional transportation plan titled TransAction 2040. Projects listed in TransAction 2040 can be put forward when a call for projects in a funding cycle is announced. The authority is currently working toward a six year plan for project selection and funding. TransAction 2040 contains the regional transportation priorities for Northern Virginia. TransAction 2040 and updates is a fiscally unconstrained plan.

TransAction 2040

The NVTAs is charged with developing a regional transportation plan for Northern Virginia, including transportation improvements of regional significance. The NVTAs updates this plan every five years. The TransAction 2040 plan represents an update of the TransAction 2030 plan which was adopted by the NVTAs in 2006. TransAction 2040 is designed to extend the planning horizon, allowing for consistency with the National Capital Regional Transportation Planning Board (TPB) Financially Constrained Long-Range Plan (CLRP). TransAction 2040 is a fiscally unconstrained plan.

NVTAs normally updates its long range transportation plan every five years. TransAction 2040 was adopted in December 2012, thus triggering the need for the next update to be complete by 2017. The full process to update TransAction 2040 is expected to take two years, beginning in early calendar 2015. NVTAs believes it is prudent to engage the public and key stakeholders as early as possible. Therefore a Listening Session to seek public input on the scope of the work for the plan update was held in October 2014.

FY2014 Bond and PayGo Project List

In FY2014, the NVTAs approved 34 projects selected from the approved long range transportation plan, TransAction 2040, for regional funding. Eight (8) projects were financed, twenty-four (24) projects were funded through pay-as-you-go, while two (2) projects were funded with both sources.

FY2014 Bond Projects			
Locality	Project Name	Phase	Funding Amount
County			
Arlington	Boundary Channel Drive Interchange	Construction	\$4,335,000
Fairfax	Innovation Center Metrorail Station*	Design/ Right-Of-Way (ROW)/Construction	20,000,000
Loudoun	Route 28 Hot Spot Improvements - Loudoun Segment (Sterling Boulevard and the Dulles Toll Road)	Design/Construction	6,400,000
	Leesburg Park and Ride	Acquisition of Land	1,000,000
Prince William	Route 28 from Linton Hall Road to Fitzwater Drive	Construction	28,000,000
City			
Fairfax	Chain Bridge Road Widening/ Improvements	Design/ROW/Construction	5,000,000
Agency			
Virginia Railway Express (VRE)	VRE Rolling Stock**	Purchase of nine (9) Rail Cars	19,800,000
	VRE Lorton Station second platform	Design/Construction	7,900,000
	VRE Alexandria station tunnel and platform improvements	Construction	1,300,000
			93,735,000
Total FY2014 Net Project Amount			\$73,935,000

**Projects received both PayGo and bond funds.*

*** On _____ 17, 2014, VRE withdrew its funding request of \$19.8 million for Rolling Stock.*

FY2014 PAY-AS-YOU- GO Projects			
Locality	Project Name	Phase	Funding Amount
County			
Arlington	Columbia Pike Multimodal Street Improvements	Construction	12,000,000
	Silver/Blue Line Mitigation	Purchase four (4) buses	1,000,000
	Crystal City Multimodal Center	Design/Construction	1,500,000
Fairfax	Route 28 Widening 6 to 8 lanes (SB from the Dulles Toll Road to Route 50)	Design/Build	20,000,000
	Route 28 Widening 6 to 8 lanes (NB from McLearen Road to Dulles Toll Road)	Design/Build	11,100,000
	Innovation Center Metrorail Station	Design/ROW/Construction	21,000,000
Town of Herndon	Herndon Parkway Intersection Improvements at Van Buren St.	Final Design/ROW Acquisition	500,000
	Herndon Parkway Intersection Improvements at Sterling Road	Design/ROW/Construction	500,000
	Herndon Metrorail Intermodal Access Improvements	Design/ROW/Construction	1,100,000
Loudoun	Widening of Belmont Ridge Road, North of Dulles Greenway	Design/Construction	20,000,000
	Route 28 Hot Spot Improvements*	Design/Build	6,000,000
	Transit Buses	Purchase two (2) transit buses	880,000
Town of Leesburg	Edwards Ferry Road at the Route 15 Leesburg Bypass Grade Separation	Design	1,000,000
Prince William	Route 1 from Featherstone Road to Mary's Way	Design	3,000,000
City			
Alexandria	DASH Bus Expansion	Purchase of five (5) transit buses	3,250,000
	Traffic Signal Upgrades/Transit Signal Priority	Design/Construction	660,000
	Shelters and Real-Time Transit Information for DASH/WMATA	Construction	450,000
	Potomac Yard Metrorail Station EIS	Planning/PE	2,000,000
Falls Church	Pedestrian Access to Transit	Design/ROW/Construction	700,000
	Funding for Bus Shelters	Design/ROW/Construction	200,000
	Pedestrian Bridge at Van Buren Street	Design/Construction	300,000

Agency				
Northern Virginia Transportation Commission (NVTC)	Transit Alternatives Analysis Study in the Route 7 Corridor (King Street, Alexandria to Tysons Corner)	Phase 2 Planning Study		838,000
Potomac & Rappahannock Transportation Commission (PRTC)	PRTC New Gainesville Service	Purchase one (1) bus		580,000
Virginia Railway Express (VRE)	VRE Gainesville-Haymarket Extension Project Development	Corridor Study		1,500,000
Washington Metropolitan Area Transit Authority (WMATA)	Traction Power Upgrades on the Orange Line in Virginia	Design/Construction		5,000,000
	New Buses on Virginia Routes	Purchase ten (10) transit buses		7,000,000
	Total FY2014 PAY-AS -YOU-GO Project Amount			\$122,058,000

Fiscal 2015/16 Project Selection

TransAction 2040 and its subsequent updates represents the NVTAs long range project plan. In order for a project to be eligible for selection in the FY15/16 Two Year Program, the project must be included in TransAction 2040. Also, road projects must have been evaluated in accordance with HB599 by the Virginia Department of Transportation. The PIWG, comprised of staff from NVTAs Member Localities and chaired by NVTAs Chairman Nohe, uses a formal screening and selection process to determine which projects to recommend to the Authority for inclusion in the FY15/16 Two Year Program for funding. The project evaluation and screening process for the FY15/16 Two Year Program, is currently underway. At this time, these projects are expected to be funded on a PayGo basis using FY15/16 available revenues.

Long Range Planning (Six Year Capital Improvement Plan)

The NVTAs Finance Committee is in the initial stages of developing a six year funding program similar to a jurisdictional capital improvement plan (CIP). This plan will include options for the use of PayGo and financing in future years.

Developed within the adopted Debt Policy, this plan will address the role of funding on project selection, ensuring NVTAs is not placed in an adverse cash flow position and the long term costs of financing are known. This plan will examine the use of interim financing which is then wrapped into permanent financing allowing NVTAs to ensure projects can advance while limiting interest and overhead costs as well as arbitrage and other compliance obligations.

[Suggest that there be some discussion of the general discussion of the statutory guidance (now 33.2-2510). Followed by slightly more detail on the FY 2014 selection (PIWG evaluation)].

Standard Project Agreement

NVTAs has developed a Standard Project Agreement (SPA) to formalize the terms under which an approved project will receive funding. The SPA is submitted by the jurisdiction or agency which is sponsoring the project. This is also the agency which will be receiving the funding on a reimbursement basis as the project progresses. Even though all projects eligible for a SPA have already been approved by the NVTAs, each SPA requires NVTAs approval and approval of the governing body of the jurisdiction or agency. In addition to formalizing the terms of the project funding, the SPA also memorializes the project cash flow timing. NVTAs may adjust project cash flow timing to ensure availability of funds. The SPA approval process provides a baseline for NVTAs to consolidate project cash flows into one overall analysis inclusive of all projects and plan cash flow on a financed and PayGo basis for all project activities.

THE BONDS

Description of the Bonds

The Bonds will be issued as fully registered Bonds in book-entry form. The Bonds will be dated their date of delivery, will be issued in denominations of \$5,000 or integral multiples of \$5,000, and will bear interest from the dated date thereof, payable semiannually on each _____ 1 and _____ 1, beginning _____ 1, 2015, at the rates and will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement. Interest on the Bonds will be computed on the basis of a year of 360 days and twelve 30-day months. Interest will be payable to the registered owners of the Bonds at their addresses as they appear on the fifteenth day of the month preceding the interest payment date on the registration books kept by the Trustee. Principal of, premium, if any, and interest on the Bonds will be paid by the Trustee to The Depository Trust Company ("DTC") for distribution as described in the subsection "Book-Entry Only System" below and in Appendix F.

One fully registered Bond for each maturity, in the applicable aggregate principal amount of such maturity, will be registered in the name of Cede & Co. and deposited with DTC, in accordance with the Indenture. So long as the Bonds are required to be registered in the name of Cede & Co., as nominee for DTC, or a successor securities depository or a nominee therefor, transfers of ownership interests in the Bonds will be settled through the book-entry only system of DTC or such successor securities depository, if any. For a description of DTC and its book-entry only system, see the subsection "Book-Entry Only System" below and Appendix F.

Optional Redemption

The Bonds maturing on or before _____ 1, _____, * will not be subject to optional redemption. The Bonds maturing on and after _____ 1, _____, * will be subject to optional redemption prior to their respective maturities on and after _____ 1, _____, * at the sole option of NVTA, in whole or in part (in increments of \$5,000), at any time, at par plus interest accrued on the principal amount to be redeemed to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Bonds maturing on _____ 1, _____, * are subject to mandatory sinking fund redemption on _____ 1 in the years and in the amounts set forth below, at par plus accrued and unpaid interest to the date fixed for redemption.

Redemption Date	Principal Amount
(_____ 1)	

^

^ Final Maturity.

Selection of Bonds for Redemption

If less than all of the Bonds are called for optional redemption, the maturities of the Bonds to be redeemed will be called in such order as NVTA may determine. If less than all of the Bonds of any maturity are called for optional or mandatory redemption, the Bonds to be redeemed will be selected by DTC, as hereafter defined, or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, will be selected by the Trustee by lot in such manner as the Trustee in its discretion may determine. In either event, each portion of \$5,000 principal amount shall be counted as one Bond for such purpose.

Notice of Redemption

Notice of redemption will be given by the Trustee by registered or certified mail not less than 30 nor more than 60 days before the redemption date to DTC, or, if DTC is no longer serving as securities depository for the Bonds, to the substitute securities depository, or if none, to the registered owners of the Bonds to be redeemed at their addresses shown on the registration books maintained by the Trustee. Such notice of redemption also will be given to certain securities depositories and certain national information services which disseminate such redemption notices. Such notice may state that the redemption of the Bonds to be redeemed is conditioned upon the occurrence of certain future events, including, without limitation, the deposit of moneys, in an amount sufficient to effect the redemption, with the Trustee on or before the date fixed for redemption. All Bonds called for redemption will cease to bear interest on the specified redemption date, provided funds sufficient for the redemption of such Bonds in accordance with the Master Indenture are on deposit with the Trustee. If such moneys are not available on the redemption date, such Bonds or portions thereof will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption. On presentation and surrender of the Bonds called for redemption at the place or places of payment, such Bonds will be paid and redeemed provided sufficient funds are on deposit with the Trustee. During the period that DTC or its nominee is the registered owner of the Bonds, the Trustee will not be responsible for mailing notices of redemption to the actual beneficial owners of the Bonds (the "Beneficial Owners").

* Preliminary, subject to change.

Book-Entry Only System

Appendix F contains a description of DTC's procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal and interest on the Bonds to DTC, its nominee, Direct Participants, Indirect Participants or Beneficial Owners (each as defined in Appendix F), confirmation and transfer to beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners. Such description is based solely on information furnished by DTC and neither VRA nor the Underwriters make any representations about such information. **So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, any such notices of redemption will be mailed solely to DTC and distribution of such notices to Direct Participants and Indirect Participants will be the sole responsibility of DTC, and distribution of such notices to Beneficial Owners will be the sole responsibility of the Direct Participants and Indirect Participants.**

ESTIMATED SOURCES AND USES OF FUNDS

Set forth below are the amount and components of the proceeds of the sale of the Bonds and the application of the proceeds on the date of delivery of the Bonds:

Sources:

Principal Amount of Bonds	\$
[Net] Original Issue [Premium/Discount]	
	<hr/>
Total	\$
	<hr/>

Uses:

Redemption of the BAN	\$
Deposit to Debt Service Reserve Fund	
Deposit to Cost of Issuance Fund*	
Underwriters' Discount	
	<hr/>
Total	\$
	<hr/>

*Includes costs of credit ratings, printing, financial advisor, bond counsel, trustee and related parties and services.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

Limited Obligations

The Bonds are limited obligations of NVT A and payable solely from the revenues, moneys and other property pledged by NVT A for such purpose. The Bonds are not a debt of the Commonwealth or any political subdivision thereof (including any Member Locality) other than NVT A. Neither the faith and credit nor the taxing power of the Commonwealth or any of its political subdivisions (including any Member Locality) is pledged to the payment of the Bonds. NVT A has no taxing powers.

The Bonds are not secured by any mortgage or lien on any transportation facilities of the Commonwealth, NVT A, the Member Localities or any other Project Sponsor or by a pledge of the revenues derived from any such facility. In the event of a failure to make any payment on the Bonds when due, neither the Trustee nor the owners of the Bonds shall have any right to take possession of any transportation facilities or to exclude the Commonwealth or NVT A from possession of them. Many of the transportation projects anticipated to be funded by NVT A are not revenue-producing facilities and the revenues from those that are revenue-producing will inure to the benefit of the Commonwealth, Member Localities or other Project Sponsors and not be available to NVT A.

Regional NVT A Revenues

The Bonds and any other Transportation Bonds issued and outstanding under the Indenture will be equally and ratably payable from and secured by (i) the Regional NVT A Revenues and (ii) from moneys in certain funds

established under the Indenture and pledged to the payment thereof. See the section *"Summary of the Indenture"* in Appendix A.

As outlined in the chart below, Regional NVTAs Revenues are required under the Indenture to be applied first for deposit, ratably, into the Bond Debt Service Fund for the Bonds and the Bond Debt Service Funds established for future Series of Transportation Bonds, amounts necessary to pay debt service on the Bonds and the other Transportation Bonds. Amounts in the Bond Debt Service Funds will be used to pay debt service on the Bonds and the other Transportation Bonds as and when due.

Any Regional NVTAs Revenues remaining after the deposits into the Bond Debt Service Funds will be then applied to cure deficiencies in any Debt Service Reserve Funds established as additional security for any series of Transportation Bonds and to pay Subordinate Obligations as provided in the Indenture. Any Regional NVTAs Revenues remaining will be transferred to the General Fund and may be applied by NVTAs to, among other things fund (i) transportation projects selected by NVTAs that are contained in TransAction 2040 or (ii) mass transit capital projects that increase capacity.

NVTAs authority to receive any or all of the HB 2313 Transportation Revenues, including the Regional NVTAs Revenues, may be eliminated, changed or limited at any time by action of the General Assembly and neither the General Assembly nor NVTAs can or will pledge, covenant or agree to impose or maintain at any particular rate or level any of such taxes and fees or the HB 2313 Transportation Revenues for the benefit of the holders of the Transportation Bonds, the Trustee or any other person or entity.

Debt Service Reserve Fund. Except as specifically below, the amount in the Debt Service Reserve Fund established for the Bonds will be used solely to cure deficiencies in the amount on deposit in the Related Bond Debt Service Fund and only with respect to the Bonds. If there are insufficient funds in the Related Bond Debt Service Fund to pay the principal of and interest on the Bonds when due, then the Trustee shall transfer the amount of deficiency from the amount, if any, on deposit in the Debt Service Reserve Fund to such Bond Debt Service Fund.

The Reserve Requirement for the Bonds has been set at an amount equal to the maximum Principal and Interest Requirements on the Bonds in the then-current or any future Fiscal Year. The amount of the Reserve Requirement on the issue date of the Bonds is \$ _____ and the Debt Service Reserve Fund for the Bonds will be fully funded on the issue date from the proceeds of the Bonds. The First Series Supplemental permits NVTAs to elect to allow the Debt Service Reserve Fund to provide for the payment of and to secure any Series of Additional Transportation Bonds issued to refund the Bonds in part.

As described in the *"Summary of the Indenture"* in Appendix A, in lieu of maintaining and depositing money or securities in the Debt Service Reserve Fund, NVTAs may deposit with the Trustee a DSRF Credit Facility in an amount equal to all or a portion of the Reserve Requirement. The Trustee will make a drawing on or otherwise obtain funds under any DSRF Credit Facility before its expiration or termination (i) whenever money is required for the purposes for which Debt Service Reserve Fund money may be applied and (ii) unless such DSRF Credit Facility has been extended or a qualified replacement for it delivered to the Trustee, in the event NVTAs has not deposited immediately available funds equal to the applicable Reserve Requirement at least two Business Days preceding the expiration or termination of such DSRF Credit Facility..

Additional Transportation Bonds. NVTAs may issue one or more series of additional Transportation Bonds under the Indenture on parity with the Bonds upon satisfaction of various conditions. The Indenture provides that additional Transportation Bonds may be issued only (i) to finance or refinance the costs of the projects authorized for NVTAs funding under the Virginia Code, (ii) to refund any Transportation Bonds issued under the Indenture, and (iii) for a combination of such purposes.

The Indenture requires as a condition to the issuance of any Additional Transportation Bonds for non-refunding purposes the filing with the Trustee of a certificate to the effect that, during any twelve consecutive months of the eighteen months preceding the issuance of the Additional Transportation Bonds, the Regional NVTAs Revenues were not less than 2.0 times the maximum annual Principal and Interest Requirements during the current or any future Fiscal Year on the Bonds Outstanding and the Series of Transportation Bonds to be issued. See the section *"Summary of the Indenture"* in Appendix A.

In addition, NVTAs is permitted to issue debt secured by the Regional NVTAs Revenues; provided such debt is subject and subordinate to the payment of any Transportation Bonds and to the deposits required to be made under the Indenture and such Subordinate Obligations cannot be declared immediately due and payable upon the

occurrence of a default under it if payment of the Transportation Bonds has been accelerated as described in the subsection "*Summary of the Indenture – Events of Default and Remedies Upon Default*" in Appendix A

INVESTMENT CONSIDERATIONS

Risks of Non-Appropriation, Diversion of Appropriations and Future Legislative Actions

The Availability of HB 2313 Transportation Revenues is Dependent on the NVTAFund by the General Assembly. The General Assembly is responsible for setting the rates of the taxes under HB 2313 and appropriating the revenues generated by such taxes to NVTAFund.

NVTAFund makes no representation that the General Assembly will maintain the rate of the taxes or continue to make transfers to the NVTAFund or appropriations of amounts from the NVTAFund to NVTAFund. In addition, NVTAFund makes no representation that the General Assembly will not repeal or materially modify the legislation creating the NVTAFund or imposing the taxes and fees the collections from which are the HB 2313 Transportation Revenues deposited into the NVTAFund. The General Assembly is not legally required to make the aforementioned transfers and appropriations or to refrain from repealing or modifying such legislation.

HB 2313 in General. HB 2313 is a broad-based transportation initiative providing not only for the collection and application of HB 2313 Transportation Revenues, but also makes several other changes to the revenues collected by the Commonwealth, and the distribution of such revenues, primarily for the benefit of transportation, certain of which are summarized below.

HB 2313 eliminates the \$0.175 per gallon tax on motor fuels, and replaces it with a percentage-based tax of 3.5% for gasoline and 6% for diesel fuel. The bill provides for a refund of an amount equal to a 2.5% tax paid on diesel fuel for passenger cars, pickup or panel trucks, and trucks having a gross vehicle weight rating of 10,000 pounds or less.

HB 2313 raises the state sales and use tax across the Commonwealth from 4% to 4.3% and designates the increased revenues for the Commonwealth's Highway Maintenance and Operating Fund, the Intercity Passenger Rail Operating and Capital Fund, and the Commonwealth Mass Transit Fund.

HB 2313 establishes procedures for the collection of the state sales and use tax from retail dealers located outside Virginia for sales made into the Commonwealth, contingent upon the federal government passing legislation authorizing such collection. In the event that such revenues are collected, a portion of the revenues will be allocated to localities for education, a portion will be allocated to localities with a stipulation that some of the funds be used by the locality for transportation needs, and a portion of the revenues will be deposited in the Transportation Trust Fund. A portion will also be used to reimburse localities that currently impose a retail sales tax on the sale of certain fuels used for domestic consumption, as the bill also repeals the authority to impose such tax. If the federal government does not pass legislation authorizing the Commonwealth and other states to collect sales taxes from retail dealers located outside the respective state by January 1, 2015, then the motor fuels tax imposed on gasoline will be raised from 3.5% to 5.1% (the motor fuels tax on diesel fuel will remain at 6%, but the diesel fuel refund for passenger cars, pickup or panel trucks, and trucks weighing less than 10,000 pounds will be in an amount equal to a 0.9% tax paid). If the federal government passes such legislation after January 1, 2015, the rate of tax on gasoline will revert to 3.5%.

HB 2313 amends the tax on the sale of motor vehicles (the "titling tax"). Currently, the titling tax is 3%. A new rate of 4.15% will be phased in over four years, commencing July 1, 2013. The revenues resulting from the increase are to be deposited in the Highway Maintenance and Operating Fund.

HB 2313 increases the share of existing general sales and use tax revenues used for transportation from a 0.50% sales and use tax to a 0.675% sales and use tax, phased in over four years, commencing July 1, 2013. The additional allocation will be deposited into the Highway Maintenance and Operating Fund.

HB 2313 imposes additional state taxes and a fee in the Hampton Roads region ("Planning District 23") to be used solely for new construction projects on new or existing roads, bridges, and tunnels in Planning District 23.

HB 2313's "Sunset Provision." Enactment Clause 14 provides in part that the provisions of HB 2313 that generate additional revenue through state taxes or fees for transportation throughout the Commonwealth and in Planning District 8 and Planning District 23 shall expire on December 31 of any year in which the General Assembly appropriates any of such additional revenues for any non-transportation-related purpose or transfers any

of such additional revenues that are to be deposited into the Commonwealth Transportation Fund or any subfund thereof for a non-transportation-related purpose. The aforementioned Transportation Trust Fund and Highway Maintenance and Operating Fund are subfunds of the Commonwealth Transportation Fund. *Appropriations Acts and "Savings Clauses."* A sunset provision similar to the one in HB 2313 is included in a 2007 transportation bill that funds, among other things, the Highway Maintenance and Operating Fund. Since 2007, the General Assembly has adopted several appropriations acts where the revenues generated by the 2007 transportation bill were used for a non-transportation-related purposes and activated the applicable sunset provision. However, when an appropriation act caused the sunset provision to be activated, the General Assembly has also adopted a savings clause in the appropriation act to preserve the ability to collect the applicable revenues.

The Appropriations Act for the 2014-2016 biennium adopted by the General Assembly in June 2014, as amended in September 2014, addresses projected general fund revenue shortfalls in part by deferring a portion of the increase in the portion of the general sales and use tax revenues to be deposited into the Highway Maintenance and Operating Fund, including revenues generated pursuant to HB 2313. The deferral of revenues did not affect the appropriation of HB 2313 Transportation Revenues to NVTa; however, the deferral did cause HB 2313's sunset provision to be activated. The General Assembly included in both the original Appropriations Act and the amendment a savings clause to override the sunset provision in HB 2313.

No assurance can be given that the General Assembly will not activate HB 2313's sunset provision in future appropriation acts, and no assurance can be given that if the sunset provision is activated that the General Assembly will include a savings clause to override the sunset provision.

Economic Conditions Affecting the NVTa Fund

The availability of HB 2313 Transportation Revenues in the NVTa Fund is dependent on a number of economic factors. The bulk of such revenues consists of the additional retail sales and use taxes described above in this Section, which may fluctuate based on, among other things, the condition of the economies of the Member Localities, the Commonwealth and the United States, population growth, income and employment levels, levels of tourism, weather conditions, fuel prices, road conditions, and the availability of alternate modes of transportation. There can be no assurance that downturns in any of the numerous factors affecting these revenues will not significantly affect the availability of revenues in the NVTa Fund and the ability of NVTa to make timely payments on the Bonds if the other elements of the HB 2313 Transportation Revenues are not available therefor.

Risks Posed to Sales Tax Receipts by Internet Retail Sales

Recent Developments and Current Budget of the Commonwealth

[To Come.]

[Additional Risk Factors]

[To Come.]

DEBT SERVICE REQUIREMENTS AND REVENUE COVERAGE

The following table sets forth for each Fiscal Year the amounts needed in each annual period for payment of principal of and interest on the Bonds, as of the date of the issuance of the Bonds. The Bonds are the first series of Transportation Bonds to be issued under the Master Indenture.

Fiscal Year	2014 Bond Principal	2014 Bond Interest	Total Fiscal Year Debt Service
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
Totals	\$	\$	\$

[Revenue Coverage Table to Come]

CERTAIN LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approving opinion of McGuireWoods LLP, Richmond, Virginia, Bond Counsel, which will be furnished at the expense of NVTa upon delivery of the Bonds, substantially in the form set forth in Appendix D. Bond Counsel's opinion will be limited to matters relating to the authorization and the validity of the Bonds and to the federal income status of interest on the Bonds, as described in the section "*Tax Matters*." Bond Counsel has not been engaged to investigate the financial resources of NVTa, the Commonwealth or the ability to provide for payment of the Bonds, and Bond Counsel's opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase the Bonds.

Certain legal matters will be passed upon for NVTa by the [Council of Counsels] and for the Underwriter (as hereinafter defined) by their counsel, Sidley Austin, LLP, New York, New York.

TAX MATTERS

Opinion of Bond Counsel – Federal Income Tax Status of Interest

Bond Counsel's opinion will state that, under current law, interest on the Bonds (including any accrued "original issue discount" properly allocable to the owners of the Bonds) (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code, and (ii) is not a specific item of tax preference for

purposes of the federal alternative minimum tax imposed on individuals and corporations (a "Specific Tax Preference Item"). However, for the purpose of computing the alternative minimum tax imposed on certain corporations, interest on the Bonds must be included in determining adjusted current earnings. See "Form of Bond Counsel Opinion" in Appendix D hereto.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Bonds.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of NVTA or about the effect of future changes in the Tax Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. NVTA has covenanted, however, to comply with the requirements of the Tax Code.

Reliance and Assumptions; Effect of Certain Changes

In delivering its opinion regarding the treatment of interest on the Bonds, Bond Counsel is relying upon certifications of representatives of NVTA, the Underwriters and other persons as to facts material to the opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by NVTA. The Tax Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation and not become a Specific Tax Preference Item. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The tax compliance agreement to be entered into by NVTA with respect to the Bonds contains covenants (the "Covenants") under which NVTA has agreed to comply with such requirements. Failure by NVTA to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includible in gross income for Federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the tax compliance agreement, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Bonds, are in many cases required to be reported to the IRS in a manner

similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount

The "original issue discount" ("OID") on any Bond is the excess of such Bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such Bond. The "issue price" of a Bond is the initial offering price to the public at which price a substantial amount of such Bonds of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The issue price for each maturity of the Bonds is expected to be the initial public offering price set forth on the inside front cover page of this Official Statement (or, in the case of Bonds sold on a yield basis, the initial offering price derived from such yield), but is subject to change based on actual sales. OID on the Bonds with OID (the "OID Bonds") represents interest that is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

Interest in the form of OID is treated under Section 1288 of the Tax Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Bond"). In general, under Section 171 of the Tax Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Effects of Future Enforcement, Regulatory and Legislative Actions

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, the IRS will, under its current procedures, treat NVTAs as the taxpayer. As such, the beneficial owners of the Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and various State legislatures. Such legislation may effect changes in federal or State income tax rates and the application of federal or State income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or State income tax purposes. The U.S. Department of the Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Tax Code and court proceedings may be filed the outcome of which could modify the federal or State tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the Bonds, regulatory interpretation of the Tax Code or actions by a court involving either the Bonds or other tax-exempt obligations will not have an adverse effect on the Bonds' federal or State tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal or State tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Opinion of Bond Counsel – Virginia Income Tax Consequences

Bond Counsel's opinion also will state that, under current law, interest on the Bonds is exempt from income taxation within the Commonwealth. Bond Counsel will express no opinion regarding (i) other tax consequences arising with respect to the Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the Bonds should consult their own tax advisors regarding such other tax consequences arising under the laws of the Commonwealth or the tax status of interest on the Bonds in a particular state or local jurisdiction other than the Commonwealth.

LEGALITY FOR INVESTMENT

The Bonds are securities in which all public officers and bodies of the Commonwealth and its political subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees and other fiduciaries in the Commonwealth may properly and legally invest funds under their control.

No representation is made as to the eligibility of the Bonds for investment or for any other purpose under the laws of any other state.

LITIGATION

There is no litigation now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or in any way contest or affect the validity of the Bonds, any proceeding of NVTAs taken with respect to their issuance or sale, or any appropriation of funds to pay debt service on the Bonds.

CONTINUING DISCLOSURE

Rule 15c2-12 in General. Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), prohibits an underwriter from purchasing or selling municipal securities unless it has determined that the issuer of such securities and/or other persons deemed to be materially "obligated persons" (hereinafter referred to as "MOPs" and each, a "MOP") have committed to provide (i) on an annual basis, certain financial information, including when and if available audited financial information and operating data ("Annual Reports"), to the Municipal Securities Rulemaking Board (the "MSRB") via the MSRB's Electronic Municipal Market Access system ("EMMA"), the internet address of which is <http://emma.msrb.org/>, or any successor system and (ii) notice of various events described in Rule 15c2-12 ("Event Notices"), to the MSRB.

As summarized in Appendix E, NVTA will undertake in the First Supplemental Indenture to provide, for the benefit of the holders of the Bonds, to provide to the MSRB (i) Annual Reports with respect to itself as issuer and its financing program and (ii) Event Notices as required. NVTA has not previously undertaken to provide continuing disclosure.

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") assigned the Bonds ratings of _____, _____, and _____, respectively.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. Such ratings reflect only the respective views of such organizations. Reference should be made to the individual rating agency for a fuller explanation of the significance of the rating assigned by such rating agency. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by any of the rating agencies if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by the Underwriters pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") between NVTA and _____, as representative of the Underwriters. The Bond Purchase Agreement sets forth the obligation of the Underwriters to purchase the Bonds at an aggregate purchase price of \$_____ (representing the sum of the \$_____ par amount of the Bonds, plus net original issue premium of \$_____, less an underwriting discount of \$_____ on such Bonds) and is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Bonds if any are purchased. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. The public offering prices may be changed from time to time at the discretion of the Underwriters.

[Citigroup Global Markets Inc. has provided the following paragraph for inclusion in this Official Statement, and NVTA cannot and does not assume any responsibility for the accuracy or completeness of such statements or information:

[Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

[J.P. Morgan Securities LLC has provided the following paragraph for inclusion in this Official Statement, and NVTA cannot and does not assume any responsibility for the accuracy or completeness of such statements or information:

[J.P. Morgan Securities LLC ("JPMS"), one of the underwriters of the Bonds, has entered into a negotiated dealer agreement (the "Dealer Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue price. Pursuant to the Dealer Agreement (if applicable to this transaction), CS&Co. will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

The Underwriters have provided the following two paragraphs for inclusion in this Official Statement, and NVTA cannot and does not assume any responsibility for the accuracy or completeness of such statements or information

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and

their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for NVT A for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of NVT A.

FINANCIAL ADVISOR

NVT A has retained Public Financial Management, Inc. of Arlington, Virginia ("PFM"), as Financial Advisor in connection with the issuance and sale of the Bonds. Although PFM has assisted in the preparation of this Official Statement, PFM is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. PFM is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

MISCELLANEOUS

The references in this Preliminary Official Statement to the Indenture and other documents are brief outlines of certain of their provisions. These outlines do not purport to be complete and reference is made to such documents, copies of which will be furnished by NVT A, upon request made to _____

So far as any statements made in this Preliminary Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Preliminary Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Bonds.

The purpose of this Preliminary Official Statement is to supply information to prospective buyers of the Bonds. All quotations from and summaries and explanations of laws contained in this Preliminary Official Statement do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

NVT A has deemed this Preliminary Official Statement final as of its date within the meaning of Rule 15c2-12, except for the omission of certain information permitted to be omitted under Rule 15c2-12.

The distribution of this Preliminary Official Statement has been duly authorized by NVT A.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

By: _____
Martin E. Nohe, Chairman

APPENDIX A

DEFINITIONS AND SUMMARIES OF THE INDENTURE AND OTHER DOCUMENTS

DEFINITIONS

In addition to the terms previously defined in this Official Statement, the following words used in this Appendix A will have the following meanings unless a different meaning clearly appears from the context:

"Account" means any account established in a Fund with respect to a Related Series of Transportation Bonds or otherwise pursuant to the terms of the Master Indenture or any Supplemental Indenture.

"Accreted Value" means with respect to Capital Appreciation Bonds of any Series, the amount set forth in the Related Series Supplement as the amount representing the initial public offering price plus the accreted and compounded interest on such Bonds as of any point in time.

"Agency Obligations" means senior debt obligations of U.S. government-sponsored agencies that are not backed by the full faith and credit of the U.S. government, including, but not limited to, Federal Home Loan Mortgage Corporation debt obligations, Farm Credit System consolidated system wide bonds and notes, Federal Home Loan Banks consolidated debt obligations, Federal National Mortgage Association debt obligations, Student Loan Marketing Association debt obligations, Resolution Funding Corporation debt obligations, and U.S. Agency for International Development guaranteed notes.

"Amortization Requirement" as applied to any Term Bonds of any maturity for any Bond Year, means the principal amount or amounts fixed by, or computed in accordance with the terms of, the Related Series Supplement for the retirement of such Term Bonds by mandatory purchase or redemption on the Principal Payment Date or Dates established by such Series Supplement.

"Annual Budget" means the administrative expense budget of NVTa for any Fiscal Year as adopted by NVTa, as it may be amended from time to time throughout such Fiscal Year.

"Bankruptcy Law" means Title 11 of the United States Code, as it is amended from time to time and any successor to or replacement of such Title and any other applicable federal or state bankruptcy, insolvency or other similar law.

"Bond Counsel" means (i) McGuireWoods LLP or (ii) other counsel selected by NVTa which is nationally recognized as experienced in matters relating to obligations issued or incurred by states and their political subdivisions.

"Bond Credit Facility" means a line of credit, letter of credit, standby bond purchase agreement, municipal bond insurance or similar credit enhancement or liquidity facility established to provide credit or liquidity support for all or any portion of a Series of Transportation Bonds as provided in the Related Series Supplement.

"Bond Credit Provider" means, as to all or any portion of a Series of Transportation Bonds, the Person providing a Bond Credit Facility, as designated in the Related Series Supplement in respect of such Bonds.

"Bond Debt Service Fund" means the Bond Debt Service Fund established with respect to a Series of Transportation Bonds.

"Business Day" means any day on which commercial banking institutions generally are open for business in New York and Virginia.

"Capital Appreciation Bonds" means Transportation Bonds the interest on which is compounded and accumulated at the rates and on the dates set forth in the Related Series Supplement and is payable upon redemption or on the maturity date of such Bonds or on the date, if any, upon which such Bonds become Current Interest Bonds.

"Commonwealth" means the Commonwealth of Virginia.

"Cost of Issuance Fund" means the Cost of Issuance Fund established with respect to a Series of Transportation Bonds.

"Current Interest Bonds" means Transportation Bonds the interest on which is payable currently on the Interest Payment Dates provided therefor in the Related Series Supplement.

"Custodian" means a bank or trust company that is (i) organized and existing under the laws of the United States or any of its states and (ii) selected by NVTa and acceptable to the Trustee.

"Debt Service Reserve Fund" means the Debt Service Reserve Fund established with respect to a Series of Transportation Bonds. No Debt Service Reserve Fund shall secure any Subordinate Obligations.

"Defeasance Obligations" means noncallable (i) Agency Obligations, (ii) Government Obligations, (iii) Government Certificates, (iv) Defeased Municipal Obligations, and (v) Defeased Municipal Obligation Certificates.

"Defeased Municipal Obligation Certificates" means evidence of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a Custodian.

"Defeased Municipal Obligations" means obligations of the Commonwealth or any county, city, town, district, authority, agency, political subdivision or other public body of the Commonwealth that are rated in the highest rating category by any Rating Agency, provision for the payment of the principal of and redemption premium, if any, and interest on which has been made by the deposit with a trustee or escrow agent of Government Obligations or Government Certificates, the maturing principal of and interest on which, when due and payable, will along with any cash held by the trustee or escrow agent provide sufficient money to pay the principal of, redemption premium, if any, and interest on such obligations.

"DSRF Credit Facility" means a letter of credit, surety bond or similar credit enhancement facility acquired by NVTa to substitute for cash or investments required to be held in a Debt Service Reserve Fund for any Series of Transportation Bonds pursuant to the Related Series Supplement.

"DSRF Credit Provider" means the Person providing a DSRF Credit Facility.

"Escrow Fund" means an escrow fund relating to a Series of Refunding Bonds that may be established pursuant to the Related Series Supplement.

"Event of Default" means any of the events enumerated in the subsection "Events of Default and Remedies Upon Default" below.

"Facilities Agreement" means any contract or agreement that the Authority may enter into with one or more of the Member Localities or with the other parties contemplated by subdivision 4 of Section 33.2-2500 of the Virginia Code pursuant to which NVTa receives payments, as such contract or agreement may be modified, altered, amended and supplemented from time to time in accordance with its terms.

"Fiscal Year" means the twelve-month period commencing on July 1 of one year and ending on June 30 of the following year.

"Fund" means any fund established pursuant to the terms of the Master Indenture or any Supplemental Indenture.

"GAAP" means generally accepted accounting principles, existing from time to time, as applicable to state and local governmental units.

"Government Certificates" mean certificates representing ownership of United States Treasury bond principal at maturity or interest coupons for accrued periods, which bonds or coupons are held in the capacity of custodian by a Custodian that is independent of the seller of such certificates.

"Government Obligations" means direct obligations of, or obligations the payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America.

"HB 2313" means the Governor's substitute for House Bill 2313, which the Virginia General Assembly adopted on April 3, 2013, and is set forth in Chapter 766 of the Virginia Acts of Assembly-2013 Session.

"HB 2313 Transportation Revenues" means the revenues dedicated to the NVTA Fund under Sections 58.1-638, 58.1-802.2 and 58.1-1742 of the Virginia Code as provided in HB 2313 and any other funds that may be appropriated to the NVTA Fund by the General Assembly.

"Interest Payment Date" means any _____ 1 or _____ 1, as the case may be; provided, however, that "Interest Payment Date" may mean, if so provided in a Series Supplement, such other date or dates provided therein or permitted thereby.

"Interest Requirement" for any Interest Payment Date, as applied to all of the Current Interest Bonds or a portion thereof, means the total of the interest regularly scheduled to become due on such Bonds on such Interest Payment Date. Interest expense shall be excluded from the definition of Interest Requirement to the extent that proceeds of any Transportation Bonds or other funds are held by the Trustee to pay such interest. Unless NVTA shall otherwise provide in a Supplemental Indenture, interest expense on Bond Credit Facilities drawn upon to purchase but not to retire Transportation Bonds, to the extent such interest exceeds the interest otherwise payable on such Bonds, shall not be included in the determination of an Interest Requirement.

"Local NVTA Revenues" has the meaning set forth in the subsection "Revenue Fund and Flow of Funds."

"Majority Owners" means the Owners of at least 51% of the aggregate principal amount of the Transportation Bonds Outstanding.

"Master Indenture" means the Master Indenture of Trust dated as of December 1, 2014, between NVTA and the Trustee, as the same may be modified, altered, amended and supplemented in accordance with its terms by one or more Series Supplements and other Supplemental Indentures.

"Member Localities" means, collectively, the Counties of Arlington, Fairfax, Loudoun, and Prince William, and the Cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park and any other localities which may be added to NVTA by amendment to the Virginia Code.

"Member Locality Distribution Fund" means the Member Locality Distribution Fund established under the Master Indenture.

"NVTA" or "Authority" means the Northern Virginia Transportation Authority, a political subdivision of the Commonwealth of Virginia.

"NVTA Debt" means any bonds or other evidences of debt that NVTA is permitted to issue under the Virginia Code.

"NVTA Fund" means the Northern Virginia Transportation Authority Fund established pursuant to Section 33.2-2509 of the Virginia Code.

"NVTA Representative" means (i) any of the Chairman, Vice Chairman or Executive Director of NVTA and (ii) any other member, officer or employee of NVTA authorized by resolution of NVTA to perform the act or sign the document in question.

"NVTA Revenues" means, in any period, all revenues received by NVTA during such period, except for the revenues and receipts from any Toll Facility for such period. Subject to the foregoing, NVTA Revenues shall include the following: (i) all HB 2313 Transportation Revenues, (ii) payments received by NVTA under any

Facilities Agreement (except to the extent such payment may be generated by a Toll Facility), and (iii) any and all other revenues that may be identified as NVTAs Revenues pursuant to a Supplemental Indenture.

"Officer's Certificate" means a certificate signed by an NVTAs Representative and filed with the Trustee.

"Operating Expenses" means any expenditure made or to be made by NVTAs that is properly categorized as an "expense" under GAAP, including without limitation the administrative expenses of NVTAs and expenses incurred by or on behalf of NVTAs with respect to the operation and maintenance of any Project but shall exclude for this purpose expenses related to the payment of debt service on any Transportation Bonds or Subordinate Obligations.

"Operating Fund" means the Operating Fund established under the Master Indenture.

"Opinion" or **"Opinion of Counsel"** means a written opinion of any attorney or firm of attorneys, who or which may be Bond Counsel or counsel for NVTAs or the Trustee.

"Optional Tender Bonds" means any Transportation Bonds issued under the Master Indenture a feature of which is an option on the part of the Owners of such Bonds to tender to NVTAs, or to the Trustee, any Paying Agent or other fiduciary for such Owners, or to an agent of any of the foregoing, all or a portion of such Bonds for payment or purchase.

"Outstanding" when used in reference to the Transportation Bonds and as of a particular date, means all such Bonds authenticated and delivered under the Master Indenture except:

- (a) Any Bond canceled or required to be canceled by the Trustee at or before such date;
- (b) Any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered under the Master Indenture;
- (c) Any Bond deemed paid under Article XII of the Master Indenture except that any such Bond shall be considered Outstanding until its maturity or redemption date only for the purpose of actually being paid and for purposes of Articles III and IV and Section 6.1 (or the corresponding provisions of the Related Series Supplement, as the case may be); and
- (d) Any Bond not deemed Outstanding under, but only to the extent provided for in, Section 15.2 of the Master Indenture.

"Owner" means the registered owner of any Transportation Bond.

"Paying Agent" means any national banking association, state bank, bank and trust company or trust company appointed by NVTAs to fulfill the duties of a "paying agent" for the Transportation Bonds or any portion thereof as commonly understood in the municipal bond market and meeting the qualifications of, and subject to the obligations of, the Trustee in the Master Indenture. Unless otherwise provided in a Supplemental Indenture, the Trustee shall be the Paying Agent.

"Payment Date" means a date that is an Interest Payment Date or a Principal Payment Date or both.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

"Principal" or **"principal"** means (i) with respect to a Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unpaid interest) except when used in connection with the authorization and issuance of Transportation Bonds and with the order of priority of payments of Transportation Bonds after an Event of Default in which case "principal" means the initial public offering price of the Capital Appreciation Bond (the difference between the Accreted

Amount and the initial public offering price being deemed interest) and (ii) with respect to the principal amount of any Current Interest Bond, the principal amount of such Bond payable in satisfaction of an Amortization Requirement, if applicable, or at maturity.

"Principal and Interest Requirements" for any Payment Date or for any period means the sum of the Principal Requirements and the Interest Requirements for such date or such period, respectively.

"Principal Payment Date" means any _____ 1 upon which the principal amount of any Transportation Bond is stated to mature or upon which the principal of any Term Bond is subject to redemption in satisfaction of an Amortization Requirement or such other date or dates as may be provided by the Related Series Supplement.

"Principal Requirement" means for any Principal Payment Date, as applied to all Transportation Bonds or a portion thereof, the total of the principal regularly scheduled to become due on such Principal Payment Date. Principal payments shall be excluded from the definition of Principal Requirement to the extent that proceeds of any such Bonds or other funds are held by the Trustee to pay such Principal.

"Project" means any transportation facility or project that NVTa may finance or provide pursuant to the Virginia Code.

"Project Fund" means the Project Fund to be established as with respect to a Series of Transportation Bonds.

"Purchase Price" means the purchase price established in any Series Supplement for Optional Tender Bonds as the purchase price to be paid for such Bonds upon an optional or mandatory tender of all or a portion of such Bonds.

"Rating Agency" means, with respect to any Transportation Bonds Outstanding, any nationally recognized credit rating agency if and for so long as such rating agency, at the request of NVTa, maintains a rating on such Bonds.

"Rating Confirmation" means written evidence that no rating that has been requested by NVTa and is then in effect from a Rating Agency with respect to a Series of Transportation Bonds will be withdrawn, reduced, or suspended solely as a result of an action to be taken hereunder.

"Rebate Amount" means the liability of NVTa under Section 148 of the Tax Code (including any "yield reduction payments") with respect to any Series of Transportation Bonds as may be calculated or specified (including with such reserves or error margin as NVTa may deem appropriate) in accordance with the Related Series Supplement or the Related Tax Regulatory Agreement.

"Rebate Fund" means the Rebate Fund to be established with respect to a Series of Transportation Bonds.

"Refunding Bonds" shall have the meaning set forth in the subsection "Issuance of Transportation Bonds" below.

"Regional NVTa Revenues" means the NVTa Revenues remaining after NVTa has made the FIRST distribution described in the subsection "Revenue Fund and Flow of Funds" below.

"Reimbursement Fund" means the Reimbursement Fund Related to a Series of Transportation Bonds that may be established by the Related Series Supplement.

"Reimbursement Obligations" means any reimbursement or payment obligations of NVTa for which moneys in the Reimbursement Fund are pledged or payable pursuant to the provisions of the Master Indenture or any Series Supplement.

"Related" means (i) when used with respect to any Fund, Account or Series of Bonds, the Fund, Account or Series of Bonds so authorized, designated and established by this Master Indenture and the Series Supplement authorizing a particular Series of Transportation Bonds, (ii) when used with respect to a Series Supplement, Tax Regulatory Agreement or other document contemplated hereunder, such document authorizing or related to a particular Series of Transportation Bonds, or Supplemental Indenture related thereto and (iii) when used with respect to a Bond Credit Facility, DSRF Credit Facility or Reimbursement Obligation, the Bond Credit Facility or DSRF Credit Facility securing a particular Series of Transportation Bonds and the Reimbursement Obligation entered into in connection therewith.

"Reserve Determination Date" means (i) the tenth day after each Interest Payment Date, or, if such day is not a Business Day, on the first Business Day thereafter or (ii) any other date set forth in a Series Supplement or an Officer's Certificate for the valuation of a Debt Service Reserve Fund.

"Reserve Requirement" means, with respect to a Debt Service Reserve Fund established for a Series of Transportation Bonds, the maximum Principal and Interest Requirements on such Bonds in the then-current or any future Fiscal Year, unless a greater or lesser amount is specified in the Related Series Supplement.

"Revenue Fund" means the Revenue Fund established under the Master Indenture.

"Serial Bonds" means the Transportation Bonds of a Series that are stated to mature in semiannual or annual installments and that are so designated in the Related Series Supplement.

"Series" means all of the Transportation Bonds of a particular series authenticated and delivered pursuant to the Master Indenture and the Related Series Supplement and identified as such pursuant to such Series Supplement, and any such Bonds of such Series thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Master Indenture and such Series Supplement, regardless of variations in lien status, maturity, interest rate, sinking fund installments or other provisions.

"Series Supplement" means a Supplemental Indenture providing for the issuance of a Series of Transportation Bonds, as such Series Supplement may be modified, altered, amended and supplemented by a Supplemental Indenture in accordance with the provisions of the Master Indenture.

"Subordinate Obligations" means any other NVT A Debt that is made specifically subordinate as to payment and security to the Transportation Bonds.

"Supplemental Indenture" means any indenture supplementary to or amendatory of the Master Indenture or any Supplemental Indenture or Series Supplement now or hereafter duly executed and delivered in accordance with the provisions of the Master Indenture, including a Series Supplement.

"Tax Code" means the Internal Revenue Code of 1986, as amended, as in effect upon the issuance of and thereafter applicable to any Series of Transportation Bonds and the regulations of the U.S. Department of the Treasury promulgated thereunder as in effect upon the issuance of and thereafter applicable to such Bonds.

"Tax Regulatory Agreement" means, with respect to any Series of Transportation Bonds, the Tax Certificate and Regulatory Agreement, dated the date of the issuance of the Related Series of Transportation Bonds, entered into by NVT A for the benefit of the Owners of the Transportation Bonds of such Series, as the same may be modified, altered, amended or supplemented pursuant to its terms.

"Term Bonds" means all or some of the Transportation Bonds of a Series, other than Serial Bonds, that shall be stated to mature on one or more dates and that are so designated in the Related Series Supplement.

"Toll Facility" means a facility provided in or to the service area embraced by NVT A upon which tolls for the use thereof are imposed, collected, and set, provided that such facility is either newly constructed or reconstructed solely with revenues of NVT A (or revenues that are under its control) in such a way as to increase the facility's traffic capacity.

"Trustee" means a trustee to be named, and its successors serving in the same capacity under the Master Indenture.

"Variable Rate Bonds" means any Transportation Bonds the interest rate on which is not established, at the time such Bonds are issued, at a single numerical rate for the entire term of such Bonds.

"Verification Agent" means (i) a firm of nationally-recognized independent certified public accountants or (ii) any other qualified firm acceptable to NVTa and the Trustee.

"Virginia Code" means the Code of Virginia of 1950, as amended.

SUMMARY OF THE INDENTURE

The following, in addition to the information presented in the sections *"Bonds"* and *"Sources of Payment and Security for the Bonds,"* summarizes certain provisions of the Indenture. This summary does not purport to be comprehensive or definitive and is qualified by reference to the Indenture and any additional supplemental agreements in their entireties, copies of which may be obtained at the office of NVTa. See the section *"Miscellaneous."*

Establishment of Trust

Security for Transportation Bonds. In order to provide for the payment of the principal of and the premium, if any, and interest on the Transportation Bonds issued under the Master Indenture, and to secure the performance of all of the obligations of NVTa with respect to such Bonds, the Master Indenture and the Series Supplements, subject to the terms thereof, NVTa has pledged and granted to the Trustee:

(a) All of the Regional NVTa Revenues; and

(b) All other property of any kind mortgaged, pledged or hypothecated to provide for the payment of or to secure the Transportation Bonds by NVTa or by anyone on its behalf and with its written consent at any time as and for additional security under the Master Indenture and the Series Supplements in favor of the Trustee, which is authorized to receive all such property at any time and to hold and apply it subject to the terms of the Master Indenture and the Series Supplements.

In order to provide for the payment of the principal of and the premium, if any, and interest on each Series of Transportation Bonds issued hereunder, and to secure the performance of all of the obligations of NVTa with respect to such Series, the Master Indenture, and the Related Series Supplement, subject to the terms thereof, NVTa has pledged and granted to the Trustee with respect to such Series (and to such Series only) the money and investments held in the Related Project Fund (if any), Bond Debt Service Fund and Debt Service Reserve Fund (if any).

Bond Credit Facility. Any Bond Credit Facility which is given to secure some, but not all, of the Transportation Bonds, together with money drawn or paid under it, will be held by the Trustee solely as security for such Bonds of the Series to which such Bond Credit Facility is Related. Neither such Bond Credit Facility nor any money drawn or paid under it will secure the payment of any other Series of Transportation Bonds. The status of the Bond Credit Facility as a bond or a Subordinate Obligation or otherwise will be provided for in the Related Series Supplement.

Issuance of Transportation Bonds

In General. NVTa may issue Transportation Bonds, subject to the terms and conditions contained in the Master Indenture, for any purpose permitted to be financed from the proceeds of NVTa Debt under the Virginia Code, including without limitation the construction and acquisition of any Project and the refunding of any Transportation Bonds previously issued and Outstanding. Such Bonds may be issued in any form permitted by law,

including, but not limited to, Current Interest Bonds, Variable Rate Bonds, Capital Appreciation Bonds, Optional Tender Bonds, Serial Bonds or Term Bonds or any combination thereof.

NVTA shall not issue or incur any NVTA Debt that will be secured by a pledge of revenues, money or property pledged by the Master Indenture to the payment of any Series of Transportation Bonds, except for such Transportation Bonds and Subordinate Obligations.

Subject to the restrictions described in the previous paragraph, NVTA reserves the right in its sole discretion and without the consent of the Trustee or any Owner of any Transportation Bond or the holder or owner of any Subordinate Obligation to issue from time to time NVTA Debt for any lawful purpose authorized by the Virginia Code.

Parity of Transportation Bonds. The Master Indenture constitutes a continuing irrevocable pledge of the Regional NVTA Revenues and other revenues, money and property of NVTA pledged as described in the subsection "Establishment of Trust" above to secure payment of the principal of and premium, if any, and interest on all Transportation Bonds which may, from time to time, be executed, authenticated and delivered under the Master Indenture. Except as otherwise described herein, all Transportation Bonds shall in all respects be equally and ratably secured under the Master Indenture without preference, priority or distinction on account of the time of their authentication, delivery or maturity, so that all such Bonds at any time outstanding under the Master Indenture will have the same right, lien and preference under the Master Indenture with respect to the pledge described in the subsection "Establishment of Trust" above with like effect as if they had all been executed, authenticated and delivered simultaneously. Nothing in the Master Indenture will be construed, however, as (i) requiring that any Transportation Bonds bear interest at the same rate or in the same manner, have the same or an earlier or later maturity, have the same Principal or Interest Payment Dates, or be subject to mandatory or optional redemption before maturity on the same basis as any other such Bonds, (ii) prohibiting NVTA from entering into financial arrangements, including any Bond Credit Facility or DSRF Credit Facility, designed to assure that funds will be available for the payment of certain Transportation Bonds at their maturity or tender for purchase, or (iii) prohibiting NVTA from pledging funds or assets of NVTA other than those pledged under the Master Indenture or any Supplemental Indenture for the benefit of any Transportation Bonds.

Conditions to the Issuance of Additional Transportation Bonds. Before the issuance and authentication of an additional Series of Transportation Bonds, NVTA shall deliver to the Trustee the following principal documents:

(a) An original executed counterpart of the Related Series Supplement which may include provisions (i) authorizing the issuance, fixing the principal amount and setting forth the details of the Transportation Bonds of the Series then to be issued, the interest rate or rates and the manner in which such Bonds are to bear interest, the Principal and Interest Payment Dates of such Bonds, the purposes for which such Bonds are being issued, the date and the manner of numbering such Bonds, the series designation, the denominations, the maturity dates and amounts, the Amortization Requirements or the manner for determining such Amortization Requirements, and any other provisions for redemption before maturity; (ii) for Bond Credit Facilities for the Series and for the Funds to be established with respect to the Series of such Bonds as required or authorized under the Master Indenture; (iii) for the application of the proceeds of such Bonds of the Series; (iv) any term or condition necessary or expedient for the issuance of such Bonds constituting Variable Rate Bonds or Optional Tender Bonds, including without limitation, tender and remarketing provisions, liquidity facility provisions and provisions for establishing the variable rate and changing interest rate modes; (v) for the amount, if any, to be deposited into the Related Debt Service Reserve Fund, which will be an amount at least equal to the Reserve Requirement for the Bonds of the Series then to be issued; and (vi) for such other matters as NVTA may deem appropriate.

(b) Except for the Bonds and for any Series of Refunding Bonds, an Officer's Certificate to the effect that during any twelve consecutive months of the eighteen months preceding the issuance of the Series of Transportation Bonds to be issued the Regional NVTA Revenues were not less than 2.0 times the maximum annual Principal and Interest Requirements during the current or any future Fiscal Year on the Bonds Outstanding and the Series of Bonds to be issued;

(c) If the Transportation Bonds of the Series then to be issued are to be issued to refund Transportation Bonds issued and outstanding under the Master Indenture ("Refunding Bonds") evidence satisfactory to the Trustee that NVTa has made provision for the payment or redemption of all of the Transportation Bonds to be refunded as required by the Master Indenture and the Related Series Supplements and for the payment of the estimated expenses of NVTa and the Trustee incident to the refunding, including, if applicable, the fees of the Verification Agent and the escrow agent for the Related Escrow Fund;

(d) An opinion of Bond Counsel to the effect that (i) the Transportation Bonds of the Series then to be issued have been duly authorized, (ii) all conditions precedent to the issuance of such Bonds have been fulfilled (iii) the Related Series Supplement has been duly authorized, executed and delivered by NVTa and complies in all respects with the requirements of the Master Indenture and (iv) such Bonds are valid and legally binding limited obligations of NVTa and are secured by the Master Indenture and the Related Series Supplement to the extent provided therein.

(e) An Officer's Certificate, dated the date of delivery of the Transportation Bonds of the Series then to be issued, to the effect that to the best of the knowledge of the signatory, upon and immediately following such delivery, no Event of Default under the Master Indenture or any Series Supplement with respect to any Series of Transportation Bonds Outstanding will have occurred and be continuing.

Subordinate Obligations. Nothing in the Master Indenture shall prohibit or prevent NVTa from authorizing and issuing Subordinate Obligations for any lawful purpose payable from Regional NVTa Revenues subject and subordinate to the payment of any Transportation Bonds and to the deposits required to be made from Regional NVTa Revenues to the Bond Debt Service Funds, the Debt Service Reserve Funds and the Rebate Funds or any other Fund or Account established to secure any Transportation Bonds, or from securing any Subordinate Obligations and their payment by a lien and pledge of Regional NVTa Revenues junior and inferior to the lien on and pledge thereof for the payment and security of the Transportation Bonds; provided, however, that such Subordinate Obligations may only be declared immediately due and payable upon the occurrence of a default under it if payment of the Transportation Bonds has been accelerated as described in the subsection "Events of Default and Remedies Upon Default" below.

Modification of Certain Definitions. In the case of the following described types of Transportation Bonds, the definition of the term "Principal and Interest Requirements" for the purposes of preparing and delivering the Officer's Certificate regarding the coverage of Regional NVTa Revenues described above shall be modified as follows:

Optional Tender Bonds. If any of the Outstanding Transportation Bonds or additional Transportation Bonds of the Series then to be issued constitute Optional Tender Bonds, then the options of the Owners of such Bonds to tender the same for payment prior to their stated maturity or maturities shall be disregarded, (ii) if such Bonds also constitute Variable Rate Bonds, NVTa shall also make the adjustments described in the next paragraph, and (iii) any obligation NVTa may have, other than its obligation on such additional Transportation Bonds (which need not be uniform as to all Owners thereof), to reimburse any Person for its having extended a Bond Credit Facility shall be disregarded.

Variable Rate Bonds. If any of the Outstanding Transportation Bonds or Transportation Bonds of the Series then to be issued constitute Variable Rate Bonds, then the interest rate used in the above-described computations shall be the greater of (i) the interest rate on any additional Transportation Bonds issued as Variable Rate Bonds for the first period of calculation of such interest and (ii) the weighted average interest rate at which NVTa could reasonably expect to have borrowed on the date of issuance of such Bonds by issuing such Bonds with a fixed rate or rates of interest. NVTa's reasonable expectation shall be established by an Officer's Certificate and a letter of a knowledgeable professional, including NVTa's financial advisor, confirming the interest rate expectation as reasonable.

The conversion of Transportation Bonds constituting Variable Rate Bonds to bear interest at fixed rate or rates or vice-versa, in accordance with their terms, shall not constitute a new issuance of Transportation Bonds under the Master Indenture.

Establishment of Funds and Accounts

Permanent Funds. The Funds listed below have been established under the Master Indenture with respect to all of the Outstanding Transportation Bonds and Subordinate Obligations issued under or in accordance with the Master Indenture and NVTAs operations, and NVTAs will hold each such Fund without commingling the monies held therein.

- (a) Revenue Fund;
- (b) Member Locality Distribution Fund;
- (c) Operating Fund; and
- (d) General Fund.

Series-Specific Funds. The Funds listed below will be established with respect to each separate Series of Transportation Bonds in the Related Series Supplement, and the Trustee shall hold such Funds without commingling the monies held therein, except that (i) NVTAs has the option not to establish a Debt Service Reserve Fund for a Series of Transportation Bonds and (ii) NVTAs shall hold each Cost of Issuance Fund.

- (a) Cost of Issuance Fund;
- (b) Project Fund and/or Escrow Fund, as appropriate;
- (c) Bond Debt Service Fund;
- (d) Debt Service Reserve Fund; and
- (e) Rebate Fund.

The Master Indenture requires a Subordinate Debt Service Fund to be established with respect to each Subordinate Obligation or series thereof issued by NVTAs, and the Trustee shall hold each such Fund without commingling the monies held therein.

NVTAs may direct that a Bond Debt Service Fund and/or Debt Service Reserve Fund established for a Series of Transportation Bonds will also provide for the payment of and/or secure any Refunding Bonds issued to refund such Series in whole or in part.

Certain Special Funds. The Master Indenture permits NVTAs to establish with the Trustee or an escrow agent satisfactory to the Trustee in connection with the issuance of any Series of Refunding Bonds an Escrow Fund to provide for the application and investment of the portion of the proceeds of such Series to be used to refund the refunded Transportation Bonds. Such Escrow Fund shall be established under or in accordance with the Related Series Supplement.

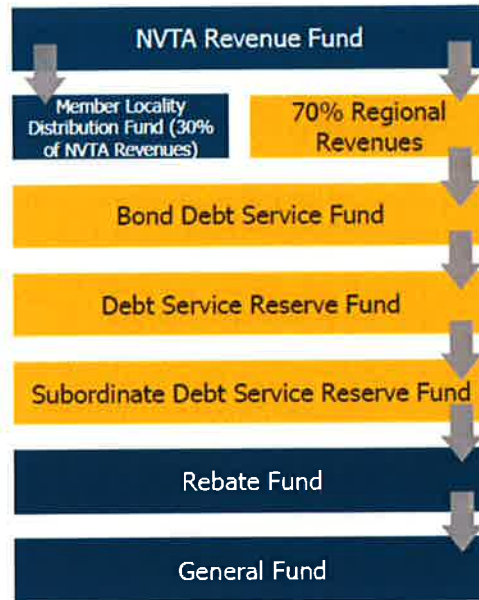
NVTAs may establish with the Trustee in connection with the incurrence of any Reimbursement Obligation a Reimbursement Fund. Amounts held for the credit of any Reimbursement Fund shall be paid out by the Trustee as necessary to enable NVTAs to meet its obligations constituting Reimbursement Obligations. NVTAs may direct that amounts held for the credit of a Reimbursement Fund will be pledged to the payment of any Related Reimbursement Obligation incurred by NVTAs.

Revenue Fund and Flow of Funds

Revenue Fund Generally. NVTAs will hold the Revenue Fund. The Revenue Fund itself is not pledged to secure any of the Transportation Bonds or the Subordinate Obligations. NVTAs will deposit into the Revenue Fund

all NVTAs Revenues, including any HB 2313 Transportation Revenues transferred from the NVTAs Fund, immediately upon receipt.

Flow of Funds under the Indenture. Below is a chart that summarizes the flow of funds under the Indenture.



Monthly Transfers from Revenue Fund. At least once each month, not later than the last Business Day of each month, NVTAs shall make transfers from the Revenue Fund in the amounts and in the order of priority set forth below:

FIRST: To the Member Locality Distribution Fund, 30% (or such other percentage or amount as may be specified or required under Section 33.2-2510.B. of the Virginia Code or other applicable law), of the NVTAs Revenues (the "Local NVTAs Revenues");

SECOND: To each Bond Debt Service Fund ratably, the amount, if any, required so that the balance therein shall equal the amount of principal, if any, and interest due on the Related Series of Transportation Bonds on the next Payment Date; provided that NVTAs shall receive a credit against such transfer for the amount, if any, held in a Bond Debt Service Fund as capitalized interest or otherwise, together with the investment earnings thereon;

THIRD: To each Debt Service Reserve Fund, ratably, the amount, if any, required so that the balance in each such Fund shall equal to the respective Reserve Requirement (which shall include the reimbursement of any DSRF Credit Provider for any drawings on a DSRF Credit Facility and the payment of any interest, penalties or fees assessed by the DSRF Credit Provider);

FOURTH: To each Subordinate Debt Service Fund, ratably, the amount, if any, required so that the balance in each such Fund shall equal the amount of principal, if any, and interest due on the Related Subordinate Obligations on the next ensuing payment date; provided that NVTAs shall receive a credit against such transfer for the amount, if any, held in a Subordinate Debt Service Fund as capitalized interest or otherwise, together with the investment earnings thereon;

FIFTH: To each Rebate Fund the amounts necessary to provide for the payment of any Rebate Amounts with respect to the Related Series of Bonds as confirmed in an Officer's Certificate; and

SIXTH: To the General Fund, the balance remaining in the Revenue Fund.

In the case of Transportation Bonds of a Series secured by a Bond Credit Facility, amounts on deposit in the Revenue Fund may be transferred to the Bond Debt Service Fund or as the case may be, the Related Reimbursement Fund or elsewhere as provided in the Related Series Supplement to reimburse the Bond Credit Provider for amounts drawn under the Bond Credit Facility to pay the principal of and premium, if any, and interest on such Bonds.

Member Locality Distribution Fund. NVTA will hold the Member Locality Distribution Fund and neither such Fund nor the balance therein shall be pledged to secure the Transportation Bonds or the Subordinate Obligations. By the last Business Day of each month, NVTA shall make transfers from the Member Locality Distribution Fund in the amounts and in the order of priority set forth below:

FIRST: To the Operating Fund the amount required, if any, to fund not less than the next 30 days of Operating Expenses, based upon the NVTA's Annual Budget as it then exists; and

SECOND: To the Member Localities, the balance remaining in the Member Locality Distribution Fund, in accordance with Section 33.2-2510.B. of the Virginia Code or other applicable law.

To the extent that Section 33.2-2510.B. of the Virginia Code or other applicable law requires NVTA to reduce the amount of the Local NVTA Revenues distributed to any Member Locality, such amount shall be treated as if deposited into the Revenue Fund and subject to the transfers described in SECOND through SIXTH for the Revenue Fund be treated as Regional NVTA Revenues.

Operating Fund. NVTA will promptly deposit the following amounts in the Operating Fund:

(a) Any amounts made available to NVTA for deposit therein, including funds received from the Member Localities; and

(b) Any amounts transferred thereto from the Member Locality Distribution Fund as described above.

NVTA will hold the Operating Fund and neither such Fund nor the balance therein shall be pledged to secure the Transportation Bonds or the Subordinate Obligations. NVTA will pay Operating Expenses from the Operating Fund as they become due and in accordance with the purposes and amounts provided in the Annual Budget. In determining the balance on deposit in the Operating Fund for any purpose of the Master Indenture, there shall be deducted the amount of any issued but unpaid checks drawn against the Operating Fund.

Bond Debt Service Funds. The Trustee shall promptly deposit the following amounts in each Bond Debt Service Fund:

(a) The amount, if any, of the proceeds of the Related Series of Transportation Bonds required by the Related Series Supplement to be deposited in the Bond Debt Service Fund with respect to accrued and/or capitalized interest;

(b) All amounts required to be transferred to the Bond Debt Service Fund from the Revenue Fund as described above;

(c) Any amounts required to be transferred to the Bond Debt Service Fund from the Bond Debt Service Reserve Fund as provided under the Master Indenture; and

(d) Any other amounts required to be paid to the Bond Debt Service Fund or otherwise made available for deposit therein by NVT A, including amounts made available pursuant to the Related Series Supplement.

The Trustee shall pay out of each Bond Debt Service Fund ratably to the Trustee or, if applicable, the Paying Agent for the Related Series of Transportation Bonds (i) on each Interest Payment Date, the amount required for the payment of interest on such Bonds then due, (ii) on any redemption date, the amount required for the payment of accrued interest on such Bonds to be redeemed, unless the payment of such accrued interest shall be otherwise provided for, and such amounts shall be applied by the Trustee or the Paying Agent, as applicable, to such payment, and (iii) the accrued interest included in the Purchase Price of any such Bonds of the Related Series purchased for retirement pursuant to the Master Indenture.

The Trustee shall pay out of each Bond Debt Service Fund for the Related Series of Transportation Bonds on each Principal Payment Date and redemption date for such Bonds, the amounts then required for the payment of such principal or redemption price, and such amounts shall be applied by the Trustee to such payments either itself or through the Paying Agent for such Bonds.

Debt Service Reserve Funds. Except as specifically described below, the amount in each Debt Service Reserve Fund shall be used solely to cure deficiencies in the amount on deposit in the Related Bond Debt Service Fund and only with respect to the Related Series of Transportation Bonds. If there are insufficient funds in the Related Bond Debt Service Fund to pay the principal of and interest on a particular Series of Transportation Bonds when due, then the Trustee shall transfer the amount of deficiency from the amount, if any, on deposit in the Related Debt Service Reserve Fund to such Bond Debt Service Fund.

Any interest earned from the investment of money in a Debt Service Reserve Fund shall be transferred upon receipt to the Revenue Fund and/or to the Related Rebate Fund to pay any Rebate Amounts in accordance with the Series Supplements and Tax Regulatory Agreements (as confirmed in an Officer's Certificate) to the extent that such transfer will not cause the balance in the Debt Service Reserve Fund to be less than its Reserve Requirement.

On each Reserve Determination Date, the Trustee shall determine if the balance in each of the Debt Service Reserve Funds is at least equal to the Reserve Requirement for the Related Series of Transportation Bonds. In making each such determination, investments in each Debt Service Reserve Fund shall be valued as described in the subsection "Permitted Investments and Valuation of Funds" below or as otherwise provided in the Related Series Supplement. If on any Reserve Determination Date the amount in any Debt Service Reserve Fund is less than its Reserve Requirement, the Trustee shall immediately notify NVT A of such fact and the amount of the deficiency.

In lieu of maintaining and depositing money or securities in a Debt Service Reserve Fund, NVT A may deposit with the Trustee a DSRF Credit Facility in an amount equal to all or a portion of the applicable Reserve Requirement. Any DSRF Credit Facility will permit the Trustee to draw or obtain under it for deposit in the Debt Service Reserve Fund amounts that, when combined with the other amounts in such Fund, are not less than the applicable Reserve Requirement.

The Trustee will make a drawing on or otherwise obtain funds under any DSRF Credit Facility before its expiration or termination (i) whenever money is required for the purposes for which Debt Service Reserve Fund money may be applied and (ii) unless such DSRF Credit Facility has been extended or a qualified replacement for it delivered to the Trustee, in the event NVT A has not deposited immediately available funds equal to the applicable Reserve Requirement at least two Business Days preceding the expiration or termination of such DSRF Credit Facility.

If NVT A provides the Trustee with a DSRF Credit Facility as provided in this subsection, the Trustee will transfer the corresponding amount of funds then on deposit in the applicable Debt Service Reserve Fund to NVT A, provided NVT A delivers to the Trustee (i) an Opinion of Bond Counsel that such transfer of funds will not adversely affect the excludability from gross income for purposes of federal income taxation of interest on any Transportation Bonds the interest on which was excludable on the date of their issuance and (ii) NVT A covenants to comply with any directions or restrictions contained in such opinion concerning the use of such funds.

General Fund. NVTa will hold the General Fund and, except as otherwise provided below, neither such Fund nor any moneys or investments therein shall be pledged to secure the Transportation Bonds or the Subordinate Obligations.

NVTa shall apply the balance in the General Fund, first to cure any deficiency in the amount required to be on deposit in any Bond Debt Service Fund, Debt Service Reserve Fund, Rebate Fund or Subordinate Debt Service Fund, in that order; and then to any lawful purpose approved by resolution of NVTa.

Operation of Certain Series-Specific Funds

Cost of Issuance Funds. NVTa will use the amounts in each Cost of Issuance Fund to pay costs of issuance incurred in connection with the issuance of the Related Series of Transportation Bonds.

Project Funds. There will be deposited into each Project Fund such portion of the proceeds of the Related Series of Transportation Bonds and other amounts as may be specified in the Related Series Supplement. NVTa shall use the amounts in each Project Fund to finance or refinance the Projects in accordance with the requirements of the Related Series Supplement and Tax Regulatory Agreement.

Rebate Funds. NVTa will deposit in each Rebate Fund amounts to be used to pay Rebate Amounts with respect to the Related Series of Transportation Bonds. NVTa shall use the balance in a Rebate Fund to pay the Rebate Amounts and any other obligations under Section 148 of the Tax Code in connection with the Related Series of Transportation Bonds.

Permitted Investments and Valuation of Funds

Permitted Investments. Subject to the provisions of any Supplemental Indenture, any amounts held in any Fund or Account established by the Master Indenture or any Supplemental Indenture be separately invested and reinvested by the Trustee, at the request of and as directed in writing by a NVTa Representative, in any investments which are at the time legal investments for public funds of the type to be invested under Virginia law, including without limitation the Investment of Public Funds Act, Chapter 45, Title 2.2, Code of Virginia of 1950; as amended, or any successor provision of law. Notwithstanding anything to the contrary described herein, NVTa may invest the amounts on deposit in the General Fund to the same extent as provided in Section 33.1-23.03:5 of the Virginia Code for excess funds in the Transportation Trust Fund.

Subject to the provision of any Supplemental Indenture, Investments shall be held by or under the control of the Trustee or NVTa, as the case may be, and while so held shall be deemed a part of the Fund or Account in which the amounts were originally held. The Trustee and NVTa shall sell and reduce to cash a sufficient amount of investments whenever the case balance in any Fund or Account is insufficient for its purposes.

Valuation of Investments. Unless otherwise provided in a Supplemental Indenture, NVTa or the Trustee shall value the investments in each Fund and Account established under this Master Indenture or any Supplemental Indenture and held by it or at its direction as of the last Business Day of each month; provided that, notwithstanding the foregoing, a Debt Service Reserve Fund shall be valued only on Reserve Determination Dates.

Unless otherwise provided in a Supplemental Indenture, each such investment shall be valued (i) at amortized cost if the weighted average life of all investments held in the same Fund or Account is five years or less or (ii) at its fair market value or the amortized cost thereof, whichever is lower if the weighted average life of all investments held in the same Fund or Account exceeds five years. A DSRF Credit Facility shall be valued at the amount that the Trustee is authorized to draw thereon to pay debt service on the Series of Transportation Bonds secured thereby.

Discharge and Defeasance

Discharge of Indenture. If the following conditions exist:

(a) The principal of any and all of the Series of Transportation Bonds and the interest due or to become due thereon together with any redemption premium required by redemption of any of the Transportation Bonds prior to maturity shall be paid, or is caused to be paid, or is provided for as described under the heading "Defeasance" below, at the times and in the manner to which reference is made in the Transportation Bonds, according to the true intent and meaning thereof, or the Outstanding Transportation Bonds shall have been paid and discharged in accordance with the Indenture, and

(b) All of the covenants, agreements, obligations, terms and conditions of NVT A under the Master Indenture shall have been kept, performed and observed and there shall have been paid to the Trustee, the Bond Registrar and the Paying Agents all sums of money due or to become due to them in accordance with the terms and provisions hereof,

then the right, title and interest of the Trustee in the trust estate granted pursuant the Master Indenture will thereupon cease and the Trustee, on the request of and at the expense of NVT A, shall release the Master Indenture and the trust estate and shall execute such documents to evidence such release as may be reasonably required by NVT A and shall turn over to NVT A, or to such other Person as may be entitled to receive the same, all balances remaining in any Funds and Accounts established hereunder except for amounts required to pay the Transportation Bonds.

Provision for Payment of Particular Bonds. If NVT A shall pay or provide for the payment of the entire indebtedness on particular Transportation Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and premium, if any, and interest on such Bonds, as and when the same shall become due and payable;

(b) by delivering such Bonds to the Trustee for cancellation; or

(c) by depositing with the Trustee (or an escrow agent acceptable to the Trustee), in trust, cash and/or Defeasance Obligations in such amount as will, together with the income or increment to accrue on such Defeasance Obligations (the "Defeasance Amount"), be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds at or before their respective maturity dates, without consideration of any reinvestment of the Defeasance Amount, as a Verification Agent will verify to the Trustee's satisfaction and if NVT A shall also pay or provide for the payment of all other sums payable hereunder by NVT A with respect to such Bonds, and, if such Bonds are to be redeemed before their maturity, notice of such redemption shall have been given as provided in the Master indenture (or the corresponding provisions of the Related Series Supplements) or provisions satisfactory to the Trustee shall have been made for the giving of such notice, such Bonds shall cease to be entitled to any lien, benefit or security under the Master Indenture except as described below.

NVT A may at any time surrender to the Trustee for cancellation any Transportation Bonds previously authenticated and delivered that NVT A may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired as described above.

Upon such defeasance all rights of NVT A, including its right to provide for optional redemption of such Bonds on dates other than planned pursuant to such defeasance, shall cease unless specifically retained by filing a written notification thereof with the Trustee on or prior to the date the Defeasance Amount is deposited with the Trustee or escrow agent.

When a Transportation Bond is deemed to be paid as described above, it shall no longer be secured by or entitled to the benefits of the Master Indenture, except for the purposes of any such payment (to the exclusion of all other Owners) from the Defeasance Amount and except for the provisions of payment and redemption provisions of the Master Indenture.

Events of Default and Remedies Upon Default

Events of Default. The occurrence and continuation of one or more of the following events shall constitute an Event of Default with respect to the Transportation Bonds:

(a) default in the payment of any installment of interest in respect of the Transportation Bonds of any Series as the same shall become due and payable; or

(b) default in the payment of the principal of or premium, if any, in respect of the Transportation Bonds of any Series as the same shall become due and payable either at maturity, upon redemption, or otherwise; or

(c) default in the payment of any Amortization Requirement in respect of any Term Bond as the same shall become due and payable; or

(d) failure on the part of NVTa duly to observe or perform any other of the covenants or agreements on the part of NVTa contained in the Master Indenture, a Series Supplement, a Tax Regulatory Agreement or any Transportation Bond (a "Covenant Event of Default"), subject to the provisions described in the subsection "Notice of Certain Defaults; Opportunity to Cure Such Defaults" below; or

(e) appointment by a court of competent jurisdiction of a receiver for all or any substantial part of the Regional NVTa Revenues and the other Funds and Accounts pledged pursuant to the Master Indenture, or the filing by NVTa of any petition for reorganization of NVTa or rearrangement or readjustment of the obligations of NVTa under the provisions of any applicable Bankruptcy Law.

Notwithstanding any other provision of the Master Indenture, failure to pay the principal or any Amortization Requirement of or interest on any Subordinate Obligation will not constitute an Event of Default with respect to any of the Transportation Bonds.

NVTa may, pursuant to a Series Supplement, provide for a particular Series of Transportation Bonds different or additional Events of Default and remedies upon the occurrence thereof including, but not limited to, Events of Default upon the occurrence of events specified in any agreement entered into in connection with the delivery of a Bond Credit Facility and acceleration of the full principal amount of such Bonds.

Remedies Upon Default. If an Event of Default occurs and is continuing, the Trustee may, and upon the written request to the Trustee by the Majority Owners shall, subject to the indemnity requirements of the Master Indenture, by written notice to NVTa, declare the principal of the Transportation Bonds and all interest accrued thereon to the date of acceleration to be immediately due and payable.

At any time after such a declaration of acceleration has been made and before the entry of a judgment or decree for payment of the money due, the Trustee may, or the Majority Owners may by written notice to NVTa and the Trustee, and subject to the indemnity requirements of the Master Indenture, direct the Trustee to, rescind and annul such declaration and its consequences if:

(a) there has been paid to or deposited with the Trustee by or for the account of NVTa, or provision satisfactory to the Trustee has been made for the payment of a sum sufficient to pay: (i) all overdue installments of interest on the Transportation Bonds; (ii) the principal of, and redemption premium, if any, on any such Bonds which have become due other than by such declaration of acceleration and interest thereon; (iii) to the extent lawful, interest upon overdue installments of interest and redemption premium, if any; and (iv) all sums paid or advanced by the Trustee hereunder, together with the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel prior to the date of notice of rescission; and

(b) all Events of Default, other than the nonpayment of principal of, redemption premium, if any, and interest on the Bonds which have occasioned such acceleration, have been cured or waived.

No such rescission and annulment shall affect any subsequent default or impair any consequent right arising therefrom.

Other Remedies. Upon the occurrence and continuation of an Event of Default, the Trustee may in its discretion, and shall at the written request of the Majority Owners, and having been indemnified as provided in the Master Indenture, pursue any available remedy, at law or in equity, to enforce the payment of the principal of and

premium, if any, and interest on such Bonds, to enforce any covenant or condition under the Master Indenture or the Supplemental Indentures or to remedy any Event of Default.

Notwithstanding anything in the Master Indenture or the Supplemental Indentures to the contrary, upon the occurrence and continuation of an Event of Default, the Majority Owners will control and direct all actions of the Trustee in exercising such of the rights and powers conferred by the Master Indenture on the Trustee or the Owners.

So long as any Transportation Bonds are Outstanding, no owner or holder of any Subordinate Obligation may exercise any remedy under the Master Indenture or any Supplemental Indenture.

Restriction on Owners' Actions. No Owner will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Master Indenture or any remedy under the Master Indenture or any Supplemental Indenture or the Transportation Bonds, unless (i) an Event of Default has occurred and is continuing of which the Trustee has been notified as provided in the Master Indenture, or of which it is deemed to have notice thereunder; (ii) the Majority Owners have been made written request of the Trustee to institute the suit, action, proceeding or other remedy, after the right to exercise the powers or rights of action, as the case may be, has accrued, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Master Indenture or to institute the action, suit or proceeding in its or their name; (iii) there has been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred as provided in the Master Indenture; and (iv) the Trustee has not complied with the request within a reasonable time. Such notification, request and offer of indemnity are declared, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Master Indenture or for any other remedy under the Master Indenture. It is intended that no one or more Owners will have any right to affect, disturb or prejudice the security of the Master Indenture, or to enforce any right under the Master Indenture or the Transportation Bonds, except in the manner provided for in the Master Indenture, and that all proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Master Indenture and for the benefit of all Owners. Nothing in the Master Indenture will affect or impair the right of the Owners generally to enforce payment of the Transportation Bonds in accordance with their terms.

Power of Trustee to Enforce. All rights of action under this Master Indenture or under any of the Transportation Bonds secured by it which are enforceable by the Trustee may be enforced without the possession of any of the Bonds, or their production at the trial or other related proceedings. Any suit, action or proceedings instituted by the Trustee may be brought in its own name, as trustee, for the equal and ratable benefit of the Owners subject to the provisions of the Master Indenture.

Waiver of Events of Default; Effect of Waiver. The Trustee will waive any Event of Default and its consequences at the written request of the Majority Owners. If any Event of Default with respect to the Transportation Bonds has been waived as provided in the Master Indenture, the Trustee will promptly give written notice of the waiver to NVT A and by first class mail, postage prepaid, to all Owners if the Owners had previously been given notice of the Event of Default. No waiver, rescission and annulment will extend to or affect any subsequent Event of Default or impair any right, power or remedy available under this Master Indenture.

Application of Money. Any amounts received by the Trustee following an Event of Default will, after payment of the costs and expenses of the proceedings resulting in the collection of the money, the expenses, liabilities and advances incurred or made by the Trustee and the fees (whether ordinary or extraordinary) of the Trustee and expenses of NVT A in carrying out the provisions of the Master Indenture, be deposited in an appropriate Account that the Trustee will establish in the Revenue Fund. The amounts in such Fund shall be applied as follows:

FIRST: To the payment of the persons entitled to it of all installments of interest then due on the Transportation Bonds, in order of the maturity of the installments of such interest and, if the money available is not sufficient to pay in full any particular installment, then ratably, according to the amounts due on such installment, to the persons entitled to it, without any discrimination or privilege;

SECOND: To the payment of the persons entitled to it of the unpaid principal or Amortization Requirements of on any of the Transportation Bonds which have become due (other than such Bonds matured or called for redemption for the payment of which money is held pursuant to the provisions of the Master Indenture), in the order of their due dates and, if the amount available is not sufficient to pay in full such Bonds due on any particular date, then ratably, according to the amount of principal due on such date, to the persons entitled to it without any discrimination or privilege;

THIRD: To the payment of the persons entitled to it of all installments of interest then due on the Subordinate Obligations, in order of the maturity of the installments of such interest and, if the money available is not sufficient to pay in full any particular installment, then ratably, according to the amounts due on such installment, to the persons entitled to it, without any discrimination or privilege; and

FOURTH: To the payment of the persons entitled to it of the unpaid principal or Amortization Requirements of any of the Subordinate Obligations that have become due (other than Subordinate Obligations matured or called for redemption for the payment of which money is held pursuant to the provisions of the Master Indenture), in the order of their due dates and, if the amount available is not sufficient to pay in full such Subordinate Obligations due on any particular date, then ratably, according to the amount of principal due on such date, to the persons entitled to it without any discrimination or privilege.

Whenever money is to be applied as described above, it will be applied at such times, and from time to time, as the Trustee determines, having due regard to the amount of money available for application and the likelihood of additional money becoming available for application in the future. Whenever the Trustee applies such money, it will fix the date on which payment is to be made, and interest on the amount of principal to be paid on such date will cease to accrue. The Trustee will give, in such form as it may deem appropriate, notice to the Owners of the fixing of such payment date.

Notice of Certain Defaults; Opportunity to Cure Such Defaults. Notwithstanding anything to the contrary in the Master Indenture, no Covenant Event of Default will occur until actual notice of the default is given to NVT A by the Trustee or by the Owners of not less than 25% in aggregate principal amount of all Outstanding Transportation Bonds, and NVT A has had (i) 30 days after receipt of the notice with respect to any default in the payment of money or (ii) 90 days after receipt of the notice of any other default to correct the default or to cause the default to be corrected; provided, however, that if the default can be corrected, but cannot within the applicable period, it will not constitute an Event of Default if corrective action is instituted by NVT A within the applicable period and diligently pursued (as determined by the Trustee) until the default is corrected.

Rights of Bond Credit Provider. Notwithstanding anything contained in the Master Indenture to the contrary, until NVT A has reimbursed a Bond Credit Provider for amounts paid under a Bond Credit Facility to pay the interest on or the principal of any Transportation Bonds on any Payment Date, (i) such Bonds shall be deemed to be Outstanding and such Bond Credit Provider shall succeed to the rights and interests of the Owners to the extent of the amounts paid under the Bond Credit Facility until such amounts have been reimbursed and (ii) upon presentation to the Trustee, such Bond shall be registered in the name of the Bond Credit Provider or its nominee.

Amendments and Supplemental Indentures

NVT A and the Trustee may, without the consent of, or notice to, any of the Owners of the Transportation Bonds, enter into such Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Master Indenture or any Supplemental Indenture for any one or more of the following purposes:

- (a) To cure or correct any ambiguity, formal defect, omission or inconsistent provision in the Master Indenture or in a Supplemental Indenture;

- (b) To grant to or confer on the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred on the Owners or the Trustee or either of them;
- (c) To permit the appointment of a co-Trustee or additional Paying Agents under the Master Indenture;
- (d) To subject to the lien and pledge of the Master Indenture additional revenues, properties or collateral;
- (e) To provide for the issuance of coupon Transportation Bonds if authorized under the Related Supplemental Indenture;
- (f) To amend certain provisions of the Master Indenture or any Supplemental Indenture in any manner consistent with Sections 103 and 141 through 150 of the Tax Code (or such other sections of the Tax Code as may be applicable to the Transportation Bonds) as in effect at the time of the amendment;
- (g) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Master Indenture or any Supplemental Indenture, of the Regional NVTAs Revenues or any other moneys, property or Funds or Accounts;
- (h) To modify, amend or supplement the Master Indenture or any Supplemental Indenture as required to permit its qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to permit the qualification of any of the Transportation Bonds for sale under the securities laws of any of the states of the United States, and, if NVTAs and the Trustee so determine, to add to the Master Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939, as amended, or similar federal statute;
- (i) To add to the covenants and agreements of NVTAs contained in the Master Indenture or any Supplemental Indenture other covenants and agreements thereafter to be observed for the Owners' protection, including, but not limited to, additional requirements imposed by virtue of a change of law, or to surrender or to limit any right, power or authority therein reserved to or conferred upon NVTAs;
- (j) To amend, modify or change the terms of any agreements governing any book-entry-only system for any of the Transportation Bonds;
- (k) To provide for the issuance of additional Series of Transportation Bonds (including Refunding Bonds) or any Subordinate Obligations, and to provide for such other related matters as may be required or contemplated by or appropriate under the Master Indenture;
- (l) To provide for the issuance of additional Transportation Bonds that, as expressed in a finding or determination by NVTAs (which shall be stated in the Related Supplemental Indenture, and may be based on an Opinion of Bond Counsel or the written opinion of NVTAs's financial advisor), would not materially affect the security for the Outstanding Transportation Bonds adversely;
- (m) To make any changes necessary to comply with the requirements of a Rating Agency, a Bond Credit Provider, or an DSRF Credit Provider that, as expressed in a finding or determination by NVTAs (which shall be stated in the Related Supplemental Indenture, and may be based on an Opinion of Bond Counsel or the written opinion of NVTAs's financial advisor), would not materially adversely affect the security for the Transportation Bonds;
- (n) To make any other changes that (i) will have no adverse effect upon the ratings currently assigned to the Transportation Bonds by any Rating Agency, as expressed in a Rating Confirmation or (ii) shall not prejudice in any material respect the rights of the Owners of such Bonds then Outstanding, as expressed in a determination or finding by NVTAs (which shall be stated in the Supplemental Indenture, and may be based upon an Opinion of Bond Counsel or the written opinion of NVTAs's financial advisor); and

(o) To restate in one document the Master Indenture and all Supplemental Indentures, which restatement shall then become the Master Indenture for all purposes, effective as of the date of the Master Indenture with respect to matters set forth therein and as of the date of any Supplemental Indenture included in the restatement as to matters set forth in any such Supplemental Indenture. Supplemental Indentures and the Transportation Bonds issued thereunder prior to a restatement shall be deemed to relate to the restated Master Indenture without any further action or amendment.

Exclusive of Supplemental Indentures covered above and subject to the terms and provisions contained in this Section, the Majority Owners shall have the right from time to time, notwithstanding any other provision of the Indenture, to consent to and approve the execution by NVTa and the Trustee of such other Supplemental Indenture or Supplemental Indentures as NVTa shall deem necessary or desirable to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in the Master Indenture or in any Supplemental Indenture; provided, however, that without the consent and approval of the Owners of all of the affected Transportation Bonds then Outstanding nothing in the Master Indenture shall permit, or be construed as permitting (i) an extension of the maturity of the principal of or the interest on any such Bond, (ii) a reduction in the principal amount of any such Bond or the rate of interest on it, (iii) a privilege or priority of any such Bond or Bonds over any other such Bond or Bonds except as otherwise provided herein, or (iv) a reduction in the aggregate principal amount of Transportation Bonds required for consent to such Supplemental Indenture.

If at any time NVTa shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of the Supplemental Indenture to be mailed to each Owner of Transportation Bonds then Outstanding by registered or certified mail to the address of each such Owner as it appears on the registration books for such Bonds; provided, however, that failure to give such notice by mailing, or any defect in it, shall not affect the validity of any proceedings regarding such Supplemental Indenture. Such notice shall briefly state the nature of the proposed Supplemental Indenture and shall state that copies of it are on file at the Trustee's designated corporate trust office for inspection by all Owners. If, within six months or such longer period as shall be prescribed by NVTa following the giving of such notice, the Majority Owners shall have consented to and approved its execution as provided under this Section, no Owner of any such Bond shall have any right to object to any of the terms and provisions contained in it, or its operation, or in any manner to question the propriety of its execution, or to enjoin or restrain the Trustee or NVTa from executing such Supplemental Indenture or from taking any action under its provisions. Upon the execution of any such Supplemental Indenture as in this Section permitted and provided, the Master Indenture shall be deemed to be modified and amended in accordance therewith.

Transportation Bonds owned or held by or for the account of NVTa or any Person controlling, controlled by or under common control with NVTa shall not be deemed Outstanding for the purpose of consent or any calculation of Outstanding Transportation Bonds for purposes of entering into Supplemental Indentures. At the time of any such calculation, NVTa shall furnish the Trustee an Officer's Certificate, upon which the Trustee may rely, describing all such Bonds so to be excluded.

Anything contained in the Master Indenture to the contrary notwithstanding, NVTa and the Trustee may enter into any Supplemental Indenture upon receipt of the consent of the Owners of all Transportation Bonds then Outstanding.

SUMMARY OF THE MEMORANDUM OF AGREEMENT

The following, in addition to the information presented in the section "*Sources of Payment and Security for the Bonds*," summarizes certain provisions of the Memorandum of Agreement between NVTa, the Virginia Department of Transportation ("VDOT") and the Virginia Department of Rail and Public Transportation ("DRPT"). This summary does not purport to be comprehensive or definitive and is qualified by reference to the Payment Agreement in its entirety, copies of which may be obtained at the offices of NVTa.

The HB 2313 Transportation Revenues are collected by the Commonwealth before being transferred to NVTa. Currently, VDOT acts as a pass-through agent for two of the three components of the HB 2313 Transportation Revenues, the Regional Congestion Relief Fee (the grantor's tax) and the Regional Transient Occupancy Tax [??]. The Memorandum of Agreement is intended to establish procedures and expectations, and define each agency's

roles and responsibilities, with respect to the HB 2313 Transportation Revenues, the NVTa Fund and certain of the Projects to be funded by NVTa.

The major provisions of the Memorandum of Agreement are as follows:

- (a) The Virginia Department of Taxation is responsible for collecting the HB 2313 Transportation Revenues and depositing them into the NVTa Fund [is this consistent with the above?];
- (b) HB 2313 Transportation Revenues will be transferred from the NVTa Fund to VDOT for subsequent transfer to NVTa;
- (c) VDOT will function only as a pass-through agency for budgeting and appropriation purposes, and neither VDOT nor DRPT will have any responsibility for the collection or the expenditure of the HB 2313 Transportation Revenues;
- (d) VDOT will not withhold administrative costs from the HB 2313 Transportation Revenues;
- (e) VDOT and DRPT acknowledge that NVTa is empowered to issue debt and the moneys in the NVTa Fund are expected to be used to pay debt service;
- (f) VDOT and DRPT will include a request for appropriation of the funding for the NVTa Fund in the Commonwealth's budgeting process and will use best efforts to secure General Assembly approval; and
- (g) [Additional provisions?].

The Commonwealth's budgetary process, to which certain of the above-described provisions relate, is described in [the subsection "Budgetary Process" within the section "Financial Factors" in Appendix B - Commonwealth of Virginia, Financial and Other Information].

APPENDIX B

**FINANCIAL STATEMENTS OF NVTA FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

APPENDIX C

[DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION REGARDING PLANNING DISTRICT 8]

Member Localities and Economic Data

The Member Localities of the NVTa have strong independent yet regionally cohesive economies. Northern Virginia is one of the nation's high performing regional economies. Its status as a national and international gateway makes it home to 18 Fortune 500 Companies and a diverse mix of employers. The favorable quality of life found in Northern Virginia is attractive to residents and employers, underpinning a strong local economy.

[The underlying strength of the NVTa members is evidenced by seven of the nine Member Localities achieving a triple-A rating. These jurisdictions contribute approximately 98% of the projected NVTa revenues.

The Member Localities receiving the highest ratings contribute the largest percentage of the NVTa revenues. These jurisdictions are known for their resiliency and proactive posture in changing economic times. Nine of the 14 voting members of the NVTa Board are the chief elected representative (or designee) from their respective jurisdictions.]

Population

With a broad, diverse and stable employment base, Northern Virginia has demonstrated favorable population trends and fostered strong wealth and income characteristics for its residents. These factors and more have combined to make the Northern Virginia region a driver of economic activity for the Washington Metro area and the Commonwealth of Virginia. In aggregate, NVTa's nine Member Localities have experienced stable population growth over the past 10 years, with average annual growth over that period of approximately 1.8% per year.

The chart below shows employment by sectors from 2008 to 2013. This chart reflects the regional diversification of employment type and industries.

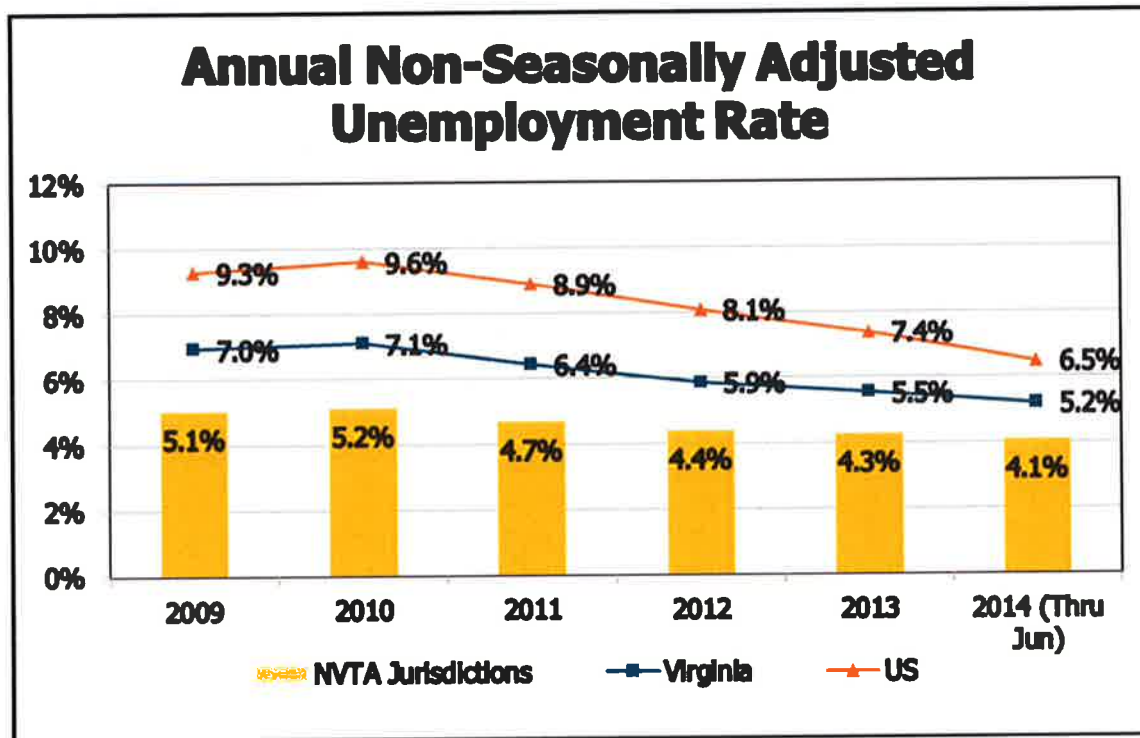
Employment by Categories

2008 to 2013

	2013	2012	2011	2010	2009	2008
Accommodation & Food Services	97,161	94,167	91,047	87,295	87,104	89,566
Administrative, Support, & Waste Mgmt.	75,712	73,194	70,323	70,199	67,719	72,474
Arts, Entertainment, & Recreation	25,366	27,286	25,658	25,646	25,301	25,233
Construction	59,557	59,813	59,017	59,381	59,855	68,999
Educational Services	100,232	98,466	95,636	93,341	91,115	89,032
Finance & Insurance	36,509	35,407	35,215	34,617	33,904	35,818
Health Care and Social Assistance	99,917	99,850	98,115	95,335	92,438	90,208
Information	38,494	38,457	39,593	40,722	44,042	48,185
Management of Companies & Enterprises	27,935	28,565	25,690	25,474	24,868	25,403
Manufacturing	19,119	20,312	20,858	20,589	20,671	22,096
Other Services	54,401	54,249	52,653	51,613	51,374	52,765
Professional and Technical Services	246,610	251,409	248,204	243,429	240,424	236,458
Public Administration	97,152	94,029	93,251	95,178	90,353	85,924
Real Estate, Rental & Leasing	18,906	18,976	18,776	19,269	19,645	20,555
Retail Trade	117,400	116,228	114,698	112,444	110,655	117,068
Transportation and Warehousing	37,705	37,875	37,403	37,783	38,755	40,228
Utilities	4,149	4,355	4,333	2,457	2,589	2,154
Wholesale Trade	23,822	23,574	24,398	23,525	24,905	26,421
Total	1,180,147	1,176,212	1,154,868	1,138,297	1,125,717	1,148,587

[Data to be reformatted to tabular format and sourced.]

Employment across sectors has been steady and the NVTa jurisdictions have shown employment resiliency as evidenced by their low record of unemployment when compared to state and national rates. The following chart provides the annual non-seasonally adjusted unemployment rate for 2009 through June of 2014, with comparisons to the state and national rates.



[Data to be reformatted to tabular format and sourced.]

Employment in NVTa's jurisdictions is expected to continue on a path of sustainable expansion, reflecting the region's ability to capitalize on areas of expected growth such as cyber security, big data and healthcare IT. The chart below shows overall projected employment growth for Member Localities from 2015 through 2040.

Median Family Income

Strong population, employment and sustainable growth, coupled with a robust regional economy, result in the NVTa median family income for Member Localities being higher than both the state and national averages. The chart below shows median family income by jurisdiction with the state and national averages for comparison.

Median Family Income (2012)

Jurisdiction	MFI (2012)
City of Falls Church	\$151,906
Arlington County	\$137,216
Loudoun County	\$127,192
Fairfax County	\$124,831
City of Fairfax	\$122,612
City of Alexandria	\$101,927
Prince William County	\$100,474
City of Manassas Park	\$76,696
City of Manassas	\$71,216
NVTa Average	\$112,674
Virginia Average	\$74,485
US Average	\$62,527

[Data to be reformatted to tabular format and sourced.]

NVTA Regional Revenues

The NVTA Member Localities encompass a strong socioeconomic base with the Retail Sales and Use Tax producing approximately 78% of annual revenue and the Regional Congestion Relief Fee (Grantor's Tax) producing approximately 13% of annual revenue. The Transient Occupancy Tax is approximately 9% of the annual NVTA revenue stream.

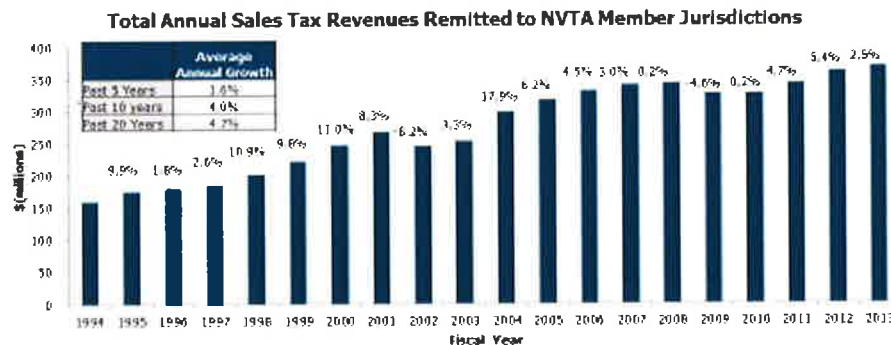
Retail Sales and Use Tax

The Retail Sales and Use Tax (sales tax) accounted for approximately 78% of total NVTA revenue for FY2014. The sales tax revenue in the Member Localities has a long standing, well established record of performance in up and down cycles. The sharpest decline in sales tax occurred in FY2002, during the 9/11 terrorist attacks. During this time Reagan National Airport was closed for 23 days and the Washington Metropolitan area also faced sniper attacks, which adversely impacted retail activity.

As shown on the chart below the NVTA region has only experienced two years of declines in sales tax since 1994. During that time period there have been no instances of consecutive annual declines.

Historical Sales Tax Revenue Trends

Sales tax revenue in the Member Jurisdictions has a long standing and well established track record of sound performance in up and down cycles.



- The sharpest decline occurred in FY 2002, when it contracted by 8.2%
- Since FY 1994, there have been no instances of consecutive annual declines

Sources: Data shown is actual sales tax receipts in each of the 9 Member Jurisdictions in aggregate for years shown.

[Data to be reformatted to tabular format and sourced.]

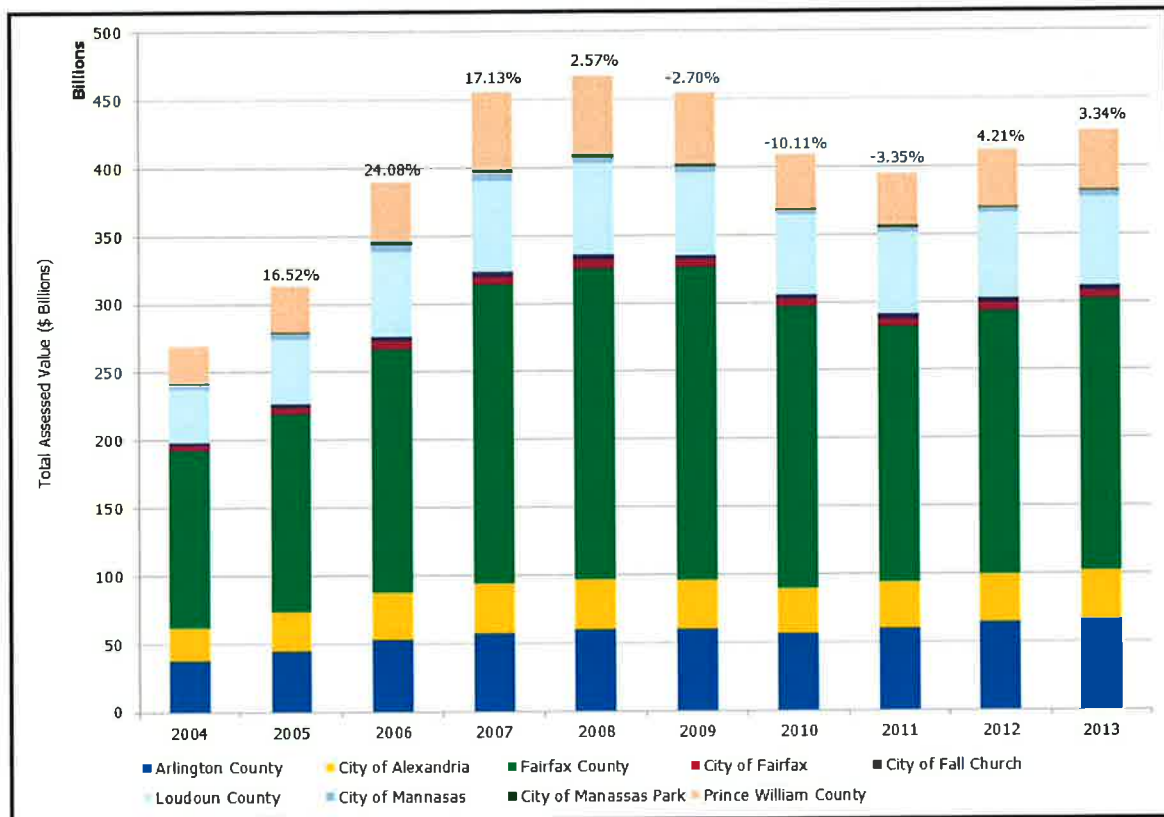
Regional Congestion Relief Fee

The regional congestion relief fee represents approximately 13% of total NVTA revenue for FY2014 and is imposed on real property transfers within the Member Localities. The NVTA jurisdictions have a resilient mix of residential and commercial properties. Properties within the NVTA jurisdictions include single family, multi family, condos, office, retail and industrial as well as undeveloped land. This diversity of property types helps to insulate the impact of changes in a single property type.

The value of these properties over time has formed a solid foundation of underlying economic and financial strength and resiliency. The chart below shows the assessed value by jurisdiction from 2004 to 2013.

Assessed Value by Jurisdiction

2004 to 2013



Source: 9 Member Locality's CAFRs FY04-FY13
[Data to be reformatted to tabular format and sourced.]

Transient Occupancy Tax

The transient occupancy tax represents approximately 9% of the NVTa revenue for FY2014. The Northern Virginia region has shown considerable strength in the market for hotel space. Between 2004 and 2013 the number of hotel rooms has grown within the region as the table below shows.

Total Number of Hotel Rooms				
	2004	2009	2013	Avg. Annual % Growth
Washington, DC-Md-Va	89,338	102,363	105,569	4.0%
Arlington	9,856	10,222	11,040	2.9%
Alexandria	7,346	7,929	8,511	3.7%
Fairfax/Tysons Corner	7,377	8,198	8,654	3.9%
Dulles Airport Area	7,438	10,165	10,319	7.1%
Total (excluding MSA)	32,017	36,514	38,524	-

[Data to be reformatted to tabular format and sourced.]

Arlington, Fairfax and Loudoun counties rank first, second and third respectively based on domestic travel impact in Virginia. In 2013, these three NVTa Member Localities accounted for approximately 33% of domestic travel expenditures in Virginia.

APPENDIX D

FORM OF BOND COUNSEL OPINION

APPENDIX E

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

The following is a summary of the continuing disclosure undertaking made by NVT A under the First Supplemental Indenture for the benefit of the holders of the Bonds. Unless otherwise defined, each capitalized term used herein has the meaning given it in this Official Statement.

Annual Disclosure

- (a) "Annual Disclosure" means the following financial information or operating data:

[TBD]

(b) NVT A shall provide annually the Annual Disclosure on or before March 31, commencing with financial information or operating data for the fiscal year ended June 30, 2014, to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB.

(c) Any Annual Disclosure may be included by specific reference to other documents available to the public on the MSRB's internet web site or previously filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the MSRB.

(d) NVT A shall provide in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, notice specifying any failure of NVT A to provide the Annual Disclosure by the date specified.

Event Disclosure

NVT A shall provide, or cause to be provided through the Dissemination Agent, to the MSRB, notice of the occurrence of any of the following events that may from time to time occur with respect to the Bonds, such notice to be given in a timely manner not in excess of 10 business days after the occurrence of the event:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on any credit enhancement maintained with respect to the Bonds reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of the Owners of the Bonds, if material;
- (h) bond calls, if material, and tender offers;
- (i) defeasance of all or any portion of the Bonds;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of NVT A;
- (m) the consummation of a merger, consolidation, or acquisition involving NVT A or the sale of all or substantially all of the assets of NVT A, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms, if material; and

- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Format of Disclosure

All documents provided to the MSRB pursuant to the requirements of the Rule shall be accompanied by identifying information as prescribed by the MSRB.

Termination

The obligations of NVTa will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of such Bonds.

Amendment

NVTa may modify its continuing disclosure obligations without the consent of the underwriters of the Bonds or Owners of any of the Bonds, provided that the undertaking as so modified complies with the Rule as it exists at the time of modification. NVTa shall within a reasonable time thereafter send to the MSRB a description of such modification(s).

Defaults

(a) If NVTa fails to comply with any covenant or obligation regarding its continuing disclosure undertaking, any holder (within the meaning of the Rule) of Bonds then Outstanding may, by notice to NVTa, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of such covenant or obligation.

(b) Notwithstanding anything in the First Supplemental Indenture to the contrary, any failure of NVTa to comply with any covenant or obligation regarding its continuing disclosure undertaking (i) is not an event of default under the Bonds or the Indenture and (ii) does not give rise to any right or remedy other than that described in paragraph (a) above.

Additional Disclosure

NVTa may from time to time disclose certain information and data in addition to that described in this Appendix E. Notwithstanding anything in the Indenture to the contrary, NVTa has no obligation to continue to provide, or to update, such additional information or data.

Dissemination Agent

NVTa may, in its discretion, from time to time appoint or engage an entity to serve as Dissemination Agent to assist NVTa in fulfilling its covenants and obligations regarding its continuing disclosure undertaking.

BOOK-ENTRY ONLY SYSTEM

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Acceptance of Northern Virginia Transportation Authority Financial and Compliance Reports – Year Ended June 30, 2014

Documents are available at the NVTa website:
<http://www.thenovaauthority.org/meetings.html>.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

TO: Chairman Martin E. Nohe and Members
Northern Virginia Transportation Authority

FROM: Michael Longhi, Chief Financial Officer

DATE: October 24, 2014

SUBJECT: Fiscal Year 2014 Financial and Compliance Audit Report

1. **Purpose.** As a political subdivision of the Commonwealth of Virginia, the Authority is required to complete an annual audit of its financial activities for each fiscal year following standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The Authority contracted with PBMares, LLP to complete the required audit for FY2014.
2. **Suggested motion.** *I move acceptance of the Northern Virginia Transportation Authority Financial and Compliance Audit Report for the year ended June 30, 2014. (Attachment A).*
3. **Current Situation.** The Authority's audit firm PBMares, LLP issued an unmodified (clean) opinion that the Authority financial statements, in all material respects, fairly and accurately present the financial position of the organization for FY 2014. —

A material weakness in internal controls was identified in that the Authority does not have a formal accounting (General Ledger) system. Data integrity cannot be assured without the general ledger system. The audit noted the use of Excel spreadsheets allowed Authority staff to produce monthly financial statements and timely reports to the Board and member jurisdictions.

This situation will be rectified in April of 2015 with the installation of the already contracted for general ledger system. Data for all of FY2014 and year to date FY2015, will be incorporated into the new system.

Attachment: Northern Virginia Transportation Authority, Financial and Compliance Reports,
Year Ended June 30, 2014

**NORTHERN VIRGINIA
TRANSPORTATION AUTHORITY**

**FINANCIAL AND COMPLIANCE REPORTS
Year Ended June 30, 2014**



**Northern Virginia
Transportation Authority**

The Authority for Transportation in Northern Virginia

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

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NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS

Voting Members

Hon. Martin Nohe, NVTa Chairman; Prince William County
Hon. William D. Euille, NVTa Vice Chairman; City of Alexandria
Hon. R. Scott Silverthorne, City of Fairfax
Hon. Sharon Bulova, Fairfax County
Hon. Harry J. "Hal" Parrish, II, City of Manassas
Hon. Jeanette Rishell, City of Manassas Park
Hon. David Snyder, City of Falls Church
Hon. Scott York, Loudoun County
Hon. Mary Hughes Hynes, Arlington County
Hon. Adam Ebbin, Virginia Senate
Hon. J. Randall Minchew, Virginia House of Delegates
Hon. Thomas Davis Rust, Virginia House of Delegates
Sandra Bushue, Governor's Appointee
Gary Garczynski, Governor's Appointee, Commonwealth Transportation Board Member

Non-Voting Members

Helen Cuervo, Virginia Department of Transportation
Jennifer Mitchell, Virginia Department of Rail and Public Transportation

Town Representative

Hon. Kristen C. Umstattd, Town of Leesburg

Certain Authority Staff

Monica Backmon, Executive Director
Michael Longhi, Chief Financial Officer
Margaret Teal, CPA, Assistant Finance Officer

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Authority Board Members
Northern Virginia Transportation Authority
Fairfax, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Northern Virginia Transportation Authority (Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of June 30, 2014, and the respective changes in financial position, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 4-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Auditing Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedules listed in the table of contents as supplementary information and introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
October 13, 2014

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Northern Virginia Transportation Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2014.

The Authority is a political subdivision of the Commonwealth of Virginia, created in 2002 by the Northern Virginia Transportation Authority Act, Title 15.2, of the *Code of Virginia*. The Authority's primary function is to conduct project planning, prioritization and funding of transportation projects for its member jurisdictions in the Northern Virginia region.

In November 2012, the Authority developed its long range plan, Transaction 2040. On April 3, 2013, the Governor's substitute for House Bill 2313 ("HB 2313") was adopted by the Virginia General Assembly. HB2313 provided a dedicated funding stream for transportation projects in Northern Virginia. This legislation coupled with the successful bond validation suite (BVS) enabled the Authority to become fully staffed in May 2014. HB2313 provided a permanent, annual source of revenue for the Authority to implement its mandate. The new revenue streams commenced on July 1, 2013.

The member jurisdictions are the counties of Arlington, Fairfax, Loudoun and Prince William, and the cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park. The Authority has seventeen members as follows: the chief elected official, or their designees, of the nine cities and counties that are members of the Authority; two members of the House of Delegates appointed by the Speaker of the House; one member of the Senate appointed by the Senate Committee on Privileges and Elections; and two citizens who reside in counties and cities embraced by the Authority, appointed by the Governor. In addition, the Director of the Virginia Department of Rail and Public Transportation, or his designee; the Commonwealth Transportation Commissioner, or his designee; and the chief elected officer of one town in a county which the Authority embraces, will serve as non-voting members of the Authority.

All moneys received by the Authority and the proceeds of bonds and other debt instruments are required to be used solely for transportation purposes benefiting the member jurisdictions. Of the HB2313 revenues received, 30% are distributed to member jurisdictions on a pro rata basis for transportation projects and purposes authorized under Section 33.2-2510 and selected by the Member Jurisdiction. The 70% of the HB 2313 revenues are pledged to the payment of bonds and other debt instruments and will otherwise be available to fund regional transportation projects and mass transit projects that increase capacity for the benefit of the Member Localities.

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements

The government-wide financial statements report information about the Authority's reporting entity as a whole using the economic resources measurement focus and accrual basis of accounting.

- Assets of the Authority exceeded its liabilities for the year ended June 30, 2014 by \$199,597,044 (net position). Of this amount, \$390,284 represents unrestricted net position, which may be used to meet the Authority's ongoing obligations. Restricted net position totaled approximately \$199 million and can be used only for transportation projects.

- The Authority's total outstanding debt for the year ended June 30, 2014 was \$74.6 million as a result of interim financing used to provide resources for bond projects approved by the Authority in anticipation of the future issuance of long-term bonds.
- For the fiscal year ended June 30, 2014, contributions and intergovernmental revenue, for the Authority's governmental activities totaled \$285.7 million. Expenses totaled \$86.9 million, which includes \$85.2 million distributed to member jurisdictions in accord with HB2313.

Highlights for Fund Financial Statements

The fund financial statements provide detailed information about the Authority's funds using the current financial resources measurement focus and modified accrual basis of accounting.

- The Authority's General Fund reported an increase in fund balance of \$232,645. The General Fund balance as of June 30, 2014 totaled \$444,761. The Authority's Special Revenue Funds established in the current fiscal year reported fund balances totaling approximately \$198.7 million. The debt service fund reported a fund balance of \$75.1 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of three components: government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

The financial statements presented include all of the activities which are part of the Authority reporting entity using the integrated approach as prescribed by the Governmental Accounting Standards Board (GASB). The government-wide financial statements present the financial picture of the Authority's governmental activities from the economic resources measurement focus using the accrual basis of accounting.

The fund financial statements include a separate column for each of the major governmental funds. The Authority does not have any non-major funds. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. A reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities, with the governmental activities combined. The Statement of Net Position presents the assets and liabilities with the difference reported as net position. The Statement of Activities shows in broad terms changes to net position during the fiscal year.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or declining. Net position is one way to measure financial position but the reader should also consider other indicators, such as general economic conditions.

The Statement of Activities presents information indicating how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will result in cash flows in the future fiscal periods.

Revenue is classified as program or general revenues. Program revenue consists of contributions from the member jurisdictions used to cover the Authority's administrative expenses. General revenues include the three intergovernmental revenues, sales tax, grantors tax and transient occupancy tax received, collected and remitted from the Commonwealth of Virginia. These tax receipts commenced July 1, 2013.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources which have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority only reports governmental funds. The Authority does not operate proprietary funds nor does it maintain fiduciary funds. The governmental funds of the Authority are divided into three categories: General Fund, Special Revenue Funds and Debt Service Fund.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Change in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains four governmental funds: the General Fund, two Special Revenue Funds and a Debt Service Fund. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for each of these funds. The General Fund includes the Authority's operating activities including the cost of the Authority's six member staff. The Local Distribution (30%), Special Revenue Fund reports 30% of the intergovernmental revenue received by the Authority and immediately distributed to the member jurisdictions. The Regional Revenue (70%) Special Revenue Fund reports 70% of the intergovernmental revenue received by the Authority used to fund transportation projects. A Debt Service Fund is used to account for and report financial resources restricted to expenditures for debt service.

The Authority adopts an annual appropriated budget for its General Fund and the two special revenue funds. An internal budgetary comparison statement is maintained for the General Fund to demonstrate compliance with this budget. The budget comparison statements are not included in the financial statements for the current fiscal year because they are not legally adopted and binding budgets.

Notes to the Basic Financial Statements

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary Information

Additional information is presented as a supplement to the basic financial statements. Although not required to be presented and not part of the basic financial statements, the schedules are included to provide additional information of interest to certain financial statement users.

FINANCIAL ANALYSIS OF THE AUTHORITY REPORTING ENTITY AS A WHOLE

Statement of Net Position

The following table presents a summary of the Statement of Net Position for the Authority as of June 30, 2014. Comparative data for June 30, 2013 is unavailable due to fiscal year 2014 being the first year of funding related to HB2313. The Authority's HB2313 revenue stream commenced July 1, 2013.

Summary Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current and other assets	<u>\$ 289,500,245</u>
Total assets	<u>289,500,245</u>
LIABILITIES	
Current and other liabilities	<u>89,903,201</u>
Total liabilities	<u>89,903,201</u>
NET POSITION	
Restricted	199,206,760
Unrestricted	<u>390,284</u>
Total net position	<u>\$ 199,597,044</u>

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$199,597,044, at June 30, 2014.

A significant portion of net position, \$199.2 million or 99.8% represents resources subject to external restrictions. The remaining balance of \$390,284 is unrestricted and may be used to meet the Authority's ongoing obligations to its citizens and creditors.

Current assets consist primarily of amounts due from the Commonwealth of Virginia, cash and cash equivalents, and restricted cash and cash equivalents. As of June 30, 2014, approximately \$50.4 million was due from the Commonwealth of Virginia, of which \$4.2 million is for grantors tax, \$40.1 million is for sales tax and \$6.1 million is for transient occupancy tax. Restricted cash, cash equivalents and investments totaled \$238.5 million of which \$163.4 million restricted for regional transportation projects benefiting the member jurisdictions and \$75.1 million restricted for debt service.

Statement of Changes in Net Position

The following table presents the revenues, expenses and change in net position of the Authority for the fiscal year ended June 30, 2014. Comparative data for June 30, 2013 is unavailable due to fiscal year 2014 being the first year of funding received by the Authority related to HB2313.

Summary Statement of Changes in Net Position Year Ended June 30, 2014

	Governmental Activities
Revenues:	
Program Revenues:	
Operating grants and contributions	\$ 591,595
General Revenue:	
Intergovernmental	285,603,165
Interest income	82,845
Miscellaneous	7,473
Total Revenues	286,285,078
Expenses:	
General and administration	1,674,210
Jurisdictional distributions (30%)	85,225,940
Total Expenses	86,900,150
Change in Net Position	199,384,928
Beginning Net Position	212,116
Ending Net Position	\$ 199,597,044

For the fiscal year ended June 30, 2014, revenues totaled \$286.3 million. Expenses totaled \$86.9 million. A discussion of the key components of the revenue and expense is included in the funds analysis.

FINANCIAL ANALYSIS OF THE REPORTING ENTITY'S FUNDS

Governmental Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Authority governmental funds is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assessing the needs of the Authority's financing requirements.

General Fund. The General Fund is the operating fund of the Authority. At the end of the current year, unassigned fund balance of the General Fund was \$277,984, while total fund balance equaled \$444,761. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 53% of total General Fund expenditures, while total fund balance represents approximately 85% of that same amount.

The fund balance of \$444,761 includes \$150,619 of committed fund balance. The debt policy adopted on December 12, 2013 requires the Authority to maintain an operating reserve sufficient to fund at a minimum 20% of the General Fund operating expenses. This operating reserve may be used at the discretion of the Executive Director, to cover unanticipated increases in the Authority's expenditures. If used, the Executive Director will present a plan to the Authority for restoring the reserve during the next fiscal year budget process.

The Authority adopts an annual operating budget for General Fund operating activities for the purpose of determining the annual contributions from the member jurisdictions required to fund these activities. Total contributions by the nine member jurisdictions equaled \$591,595 for fiscal year 2014.

Debt Service Fund. The debt service fund, a major governmental fund, was established during the current fiscal year. A debt service reserve of \$75,131,000 was established through a transfer from the 70% Regional Revenue Fund. The debt service reserve is required as a legal covenant for the \$74,642,000 line of credit obtained in June 2014 from Bank of America Merrill Lynch to fund bond projects approved by the Authority in July 2013.

Special Revenue Fund. The Authority established two special revenue funds during the current fiscal year, the Local Distribution Fund (30%) and the Regional Revenue Fund (70%), both categorized as major funds in the governmental fund statements. These funds are used to report the intergovernmental revenue received from the Commonwealth of Virginia.

The General Assembly of the Commonwealth of Virginia authorized three new transportation revenue sources for the Authority: 0.7% increase in the sales tax; a two percent increase in the transient occupancy (hotel) tax; and a fifteen cents per hundred dollar of value increase in the grantor's tax (congestion relief fee). These taxes were made effective on July 1, 2013, and are the revenue streams authorized by HB2313.

Of the revenues received, the Local Distribution Fund (30%) reports 30% of the intergovernmental revenue received by the Authority and distributed to the member jurisdictions on a pro rata basis. This revenue can be used by the recipient for additional urban or secondary road construction; capital improvements that reduce congestion; transportation capital improvements which have been approved by the most recent long range transportation plan adopted by the Authority; or for public transportation purposes.

The remaining 70% is recorded in the Regional Revenue Fund (70%). These funds are to be used by the Authority solely for regional transportation projects and purposes benefiting the member jurisdictions and other entities to fund: transportation projects approved by the Authority that are contained in the regional transportation plan, or mass transit capital projects that increase capacity.

DEBT ADMINISTRATION

Debt Administration

At June 30, 2014, the Authority had total debt outstanding of \$74,642,000 which was used to finance the costs of the fiscal year 2014 approved bond projects. The line of credit was issued in the name of the Authority. The line is secured by the pledge of a matched reserve fund held as a separate and distinct fund for the benefit of the bank. Assets of the debt service reserve fund are to be used solely to pay advances, fees and interest. Fiscal year 2014 funds have been pledged to secure the payment of interest and the proceeds of the Authority's permanent financing have been pledged to secure payment of the principal.

Economic Factors and Fiscal Year 2015's Budget

- Northern Virginia is both a nationally and globally significant region.
- It is categorized as having a broad, diverse and stable regional economy.
- The region is the driver of economic activity for the Commonwealth of Virginia.
- In aggregate, the Authority's nine member jurisdictions have experienced stable population growth in the last ten years with growth rates averaging 1.8% per year.
- Among the nine member jurisdictions, job growth has averaged 1.04% per year over the last decade.
- In aggregate, the number of jobs in the Authority's jurisdictions are projected to experience continued growth.
- Unemployment rate in the Authority's jurisdictions is exceptionally low, compared to both the U.S. and the Commonwealth of Virginia. Through June 2014, unemployment in the Authority jurisdictions was 4.08% compared to 5.21% in the Commonwealth and 6.5% nationally.
- Per capita income average of the Authority's jurisdictions is approximately \$44,306 compared to the Commonwealth at \$32,517 and \$27,319 nationally.
- Median family income average of the Authority's jurisdictions is approximately \$112,674 compared to \$74,485 in the Commonwealth and \$62,527 nationally.
- The fiscal year 2015 budget includes a projected 1.9% decrease in sales tax revenue compared to the inaugural fiscal year 2014 budget; a 3.7% increase in transient occupancy tax revenue and a 6.4% increase in grantors tax.
- The Authority's operating budget will increase from \$903,712 in fiscal year 2014 to \$1,419,472 in fiscal year 2015. This increase is reflective of one-time startup costs and the first year of full staffing levels.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those interested. If you have any questions about this report or need additional financial information, contact Michael Longhi, Chief Financial Officer, Northern Virginia Transportation Authority, 3060 Williams Drive, Suite 510, Fairfax, Virginia 22031, or by email to michael.longhi@thenovaauthority.org.

FINANCIAL STATEMENTS

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 505,552
Accounts receivable	74
Due from other governments	50,432,336
Deposits and prepaid items	16,158
Restricted cash, cash equivalents and investments	<u>238,546,125</u>
Total assets	<u>289,500,245</u>
LIABILITIES	
Accounts payable	44,144
Accrued liabilities	2,527
Accrued interest payable	3,644
Compensated absences	8,768
Unearned revenue	72,417
Due to other governments	15,129,701
Line of credit	<u>74,642,000</u>
Total liabilities	<u>89,903,201</u>
NET POSITION	
Restricted	199,206,760
Unrestricted	<u>390,284</u>
Total net position	<u>\$ 199,597,044</u>

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

		Program Revenues	Net (Expense) Revenue and Change in Net Position
	Expenses	Operating Grants and Contributions	Governmental Activities
Functions/Programs			
Governmental Activities:			
General and administration	\$ 1,674,210	\$ 591,595	\$ (1,082,615)
Jurisdictional distributions (30%)	85,225,940	-	(85,225,940)
Total governmental activities	\$ 86,900,150	\$ 591,595	(86,308,555)
General revenues			
Intergovernment revenue:			
Grantors tax			38,008,947
Sales tax			223,371,345
Transient occupancy tax			24,222,873
Interest income			82,845
Miscellaneous			7,473
Total general revenues			285,693,483
Change in net position			199,384,928
Net Position, beginning of year			212,116
Net Position, end of year			\$ 199,597,044

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

**BALANCE SHEET - GOVERNMENTAL FUNDS AND
RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2014**

	General Fund	Local Distribution Fund	Regional Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 505,552	\$ -	\$ -	\$ -	\$ 505,552
Accounts receivable	74	-	-	-	74
Due from other governments	-	15,129,701	35,302,635	-	50,432,336
Deposits and prepaid items	16,158	-	-	-	16,158
Restricted cash, cash equivalents and investments	-	197	163,412,782	75,133,146	238,546,125
Total assets	521,784	15,129,898	198,715,417	75,133,146	289,500,245
LIABILITIES					
Accounts payable	2,079	-	42,065	-	44,144
Accrued liabilities	2,527	-	-	-	2,527
Due to other governments	-	15,129,701	-	-	15,129,701
Unearned revenue	72,417	-	-	-	72,417
Total liabilities	77,023	15,129,701	42,065	-	15,248,789
FUND BALANCES					
Nonspendable	16,158	-	-	-	16,158
Restricted	-	197	198,673,352	75,133,146	273,806,695
Committed	150,619	-	-	-	150,619
Unassigned	277,984	-	-	-	277,984
Total fund balances	444,761	197	198,673,352	75,133,146	274,251,456
Total liabilities and fund balances	\$ 521,784	\$ 15,129,898	\$ 198,715,417	\$ 75,133,146	\$ 289,500,245

Reconciliation of fund balances on the Balance Sheet for the governmental funds to the net position of the governmental activities on the Statement of Net Position

Fund balances - governmental funds	\$ 274,251,456
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Compensated absences are liabilities not due and payable in the current period and, therefore, are not reported in the governmental funds	(8,768)
Accrued interest is a liability not due and payable in the current period and, therefore, are not reported in the governmental fund	(3,644)
Long-term liabilities, including line of credit, are not due and payable in the current period and, therefore, are not reported in the fund:	(74,642,000)
Net Position - governmental activities	\$ 199,597,044

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES -
GOVERNMENTAL FUNDS AND RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	General Fund	Local Distribution Fund	Regional Revenue Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Intergovernmental:					
Grantors tax	\$ -	\$ 11,402,684	\$ 26,606,263	\$ -	\$ 38,008,947
Sales tax	-	67,011,403	156,359,942	-	223,371,345
Transient occupancy tax	-	7,266,862	16,956,011	-	24,222,873
Interest income	-	15,506	65,193	2,146	82,845
Contribution member jurisdictions	591,595	-	-	-	591,595
Miscellaneous	7,473	-	-	-	7,473
Total revenues	<u>599,068</u>	<u>85,696,455</u>	<u>199,987,409</u>	<u>2,146</u>	<u>286,285,078</u>
Expenditures					
Current:					
General and administration	366,423	-	-	-	366,423
Distribution of 30% local funds	-	85,225,940	-	-	85,225,940
Member contributions deducted from 30% funds	-	470,318	-	-	470,318
Issuance cost	156,175	-	668,882	-	825,057
Total expenditures	<u>522,598</u>	<u>85,696,258</u>	<u>668,882</u>	<u>-</u>	<u>86,887,738</u>
Excess of revenues over expenditures	<u>76,470</u>	<u>197</u>	<u>199,318,527</u>	<u>2,146</u>	<u>199,397,340</u>
Other Financing Sources (Uses)					
Transfer to General Fund	156,175	-	(156,175)	-	-
Transfer to Debt Service Fund	-	-	(75,131,000)	75,131,000	-
Financing proceeds	-	-	74,642,000	-	74,642,000
Total other financing sources (uses)	<u>156,175</u>	<u>-</u>	<u>(645,175)</u>	<u>75,131,000</u>	<u>74,642,000</u>
Net change in fund balances	<u>232,645</u>	<u>197</u>	<u>198,673,352</u>	<u>75,133,146</u>	<u>274,039,340</u>
Fund Balances, beginning of year	<u>212,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,116</u>
Fund Balances, end of year	<u>\$ 444,761</u>	<u>\$ 197</u>	<u>\$ 198,673,352</u>	<u>\$ 75,133,146</u>	<u>\$ 274,251,456</u>

Change in fund balances - total governmental funds \$ 274,039,340

Amounts reported for governmental activities in the Statement of Activities are different because:

The change in compensated absences included in the expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds (8,768)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds (3,644)

The issuance of long-term debt (e.g., bonds, leases, line of credit) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position (74,642,000)

Change in net position of governmental activities \$ 199,384,928

See Notes to Financial Statements.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Northern Virginia Transportation Authority (“the Authority”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

A. Reporting Entity

The Authority is a political subdivision of the Commonwealth of Virginia, created in 2002 by the Northern Virginia Transportation Authority Act, Title 15.2, of the *Code of Virginia*. The Authority’s primary function is to conduct project planning, prioritization and funding for regional transportation purposes in for the Northern Virginia area.

In November 2012, the Authority developed its long range plan, Transaction 2040. On April 3, 2013, the Governor’s substitute for House Bill 2313 (the “HB2313”) was adopted by the Virginia General Assembly. HB2313 provided a dedicated funding stream for transportation projects in Northern Virginia. This legislation coupled with the successful bond validation suite (BVS) enabled the Authority to become fully staffed in May 2014. HB2313 provided a permanent, annual source of revenue for the Authority to implement its mandate and the new revenue streams commenced on July 1, 2013.

The member jurisdictions of the Authority are the counties of Arlington, Fairfax, Loudoun and Prince William, and the cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park. The Authority has seventeen members as follows: the chief elected official, or their designees, of the nine cities and counties that are members of the Authority; two members of the House of Delegates appointed by the Speaker of the House; one member of the Senate appointed by the Senate Committee on Privileges and Elections; and two citizens who reside in counties and cities embraced by the Authority, appointed by the Governor. In addition, the Director of the Virginia Department of Rail and Public Transportation, or his designee; the Commonwealth Transportation Commissioner, or his designee; and the chief elected officer of one town in a county which the Authority embraces, will serve as non-voting members of the Authority.

All moneys received by the Authority and the proceeds of bonds and other debt instruments are required to be used solely for transportation purposes benefiting the member jurisdictions. Of the HB2313 revenues received, 30% are distributed to member jurisdictions on a pro rata basis for transportation projects and purposes authorized under Section 33.2-2510 and selected by the Member Jurisdiction. The 70% of the HB 2313 revenues are pledged to the payment of bonds and other debt instruments and will otherwise be available to fund regional transportation projects and mass transit projects that increase capacity for the benefit of the Member Localities.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information of the governmental activities supported by intergovernmental revenues.

The government-wide Statement of Net Position reports net position as restricted when externally imposed constraints are in effect. Internally imposed designations of resources are not presented as restricted net position.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The government-wide Statement of Activities is designed to report the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational requirements of a particular function.

Separate fund financial statements are provided for each of the governmental funds. The governmental funds are reported on a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances (fund equity).

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements – Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues, consisting of Commonwealth of Virginia and local operating contributions, are recognized in the period the funding is made available.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Expenditures are recorded when a liability is incurred under the full accrual method of accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The individual Government Funds are:

1. General Fund - The General Fund is the primary operating fund of the Authority and is used to account for and report all revenues and expenditures applicable to the general operations of the Authority which are not accounted for in other funds. Revenues are derived primarily from contributions from member jurisdictions. The General Fund is considered a major fund for financial reporting purposes.
2. Special Revenue Funds - Special revenue funds account for and report the proceeds of specific revenue sources restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Authority has two special revenue funds. The Local Distribution Fund (30%) reports 30% of the intergovernmental revenue received by the Authority. The 30% funds are distributed to the member jurisdictions on a pro rata basis with each localities' share being the total of the revenues received that are generated or attributable to the locality divided by the total for use according to HB2313. The Regional Revenue Fund (70%) includes amounts to be used by the Authority solely for regional transportation projects and purposes that benefit the member jurisdictions and other entities to fund transportation projects selected by the Authority that are contained in the regional transportation plan, or mass transit capital projects that increase capacity. Both special revenue funds are considered a major fund for financial reporting purposes.
3. Debt Service Fund - The Debt Service Fund is used to account for and report financial resources that are restricted or committed for expenditures related to principal and interest.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgeting

The Authority adopts an annual operating budget for the planning and administrative activities of the General Fund. The budgeting process enables the Authority to determine the annual contributions required from the member jurisdictions to fund its planning and administrative activities. Accumulated fund balances in excess of anticipated minimum operating cash requirements are used as a revenue source in subsequent budgets. The Authority also adopts a budget for the Local Distribution Fund (30%) which promptly distributes 30% of the revenue from tax proceeds to the nine member jurisdictions based on their respective revenue contribution through the taxes submitted to the state.

To fund the various transportation projects approved by the Authority, the Regional Revenue Fund (70%) budget includes all debt service obligations and costs of issuance as well as PayGo projects.

E. Other Significant Accounting Policies

1. Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less. The investment in the Local Government Investment Pool (LGIP or Pool) and the Virginia State Non-Arbitrage Program (SNAP or Pool), are 2a7-like pools and are reported at the Pool's share price.

2. Restricted Cash, Cash Equivalents and Investments

Restricted cash, cash equivalents and investments as reported in the Statement of Net Position are comprised of intergovernmental deposits that shall be used solely for regional transportation purposes benefiting the member jurisdictions.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements using the consumption method.

4. Capital Assets

Capital assets include property and equipment and computer hardware with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. For constructed assets, all costs necessary to bring assets to the condition and location necessary for the intended use are capitalized. As of June 30, 2014, the Authority had no capital assets.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

4. Capital Assets (Continued)

Depreciation and amortization of all exhaustible equipment, leasehold improvements and intangibles is charged as an expense against operations using the straight-line method over the following estimated useful lives:

<u>Asset Category</u>	<u>Useful Life (years)</u>
Computer Hardware & Peripherals	4
Office Furniture	7-10
Office Equipment	5-10
Leasehold Improvements	Life of the lease

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2014.

Funding of transportation capital projects: For projects approved and funded by the Authority with regional revenue funds (70%) either as a PayGo or financed project; the Authority does not take ownership of such projects. Therefore, these projects are not reflected on the Authority's financial statements.

5. Compensated Absences

The Authority's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from the Authority's service. The liability for such leave is reported as incurred in the government-wide statements. Vacation leave for the Authority employees is granted to all full and part-time employees and is earned based upon the length of employment. Employees with zero to ten (10) years of service may carryover a maximum of 240 hours of accumulated leave. Employees with more than 10 years of service may carryover 360 hours of leave. The allowed accumulated leave earned yet not paid has been recorded as a liability on the Statement of Net Position.

Accumulated sick leave lapses when employees leave the Authority and, upon separation from service, no monetary obligation exists.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

6. Long-term Obligations

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal consumes the current financial resources. In the government-wide financial statements, financing obligations are reported as liabilities in the Statement of Net Position. The Authority recognized bond issuance costs in the governmental funds as a current period expense in accordance with GASB Statement No. 65. The Authority incurred \$825,057 of issuance costs in fiscal year 2014.

7. Fund Equity

The Authority reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance classification includes amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact (corpus of a permanent fund).

Restricted fund balance classification includes amounts constrained to specific purposes by their providers (higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance classification includes amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance classification includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official body to which the governing body delegates the authority.

Unassigned fund balance classification includes the residual balance of the General Fund that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The General Fund balance includes \$150,619 categorized as committed fund balance as of June 30, 2014. The debt policy adopted by the Authority on December 12, 2013 requires the Authority to maintain an operating reserve sufficient to fund at least 20% of the General Fund operating expenses. This operating reserve may be used at the discretion of the Executive Director, to cover unanticipated increases in the Authority's expenditures. If used, the Executive Director will present a plan to the Authority for restoring the reserve during the next fiscal year budget process.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

7. Fund Equity (Continued)

When fund balance resources are available for a specific purpose in more than one classification, the Authority will consider the use of restricted, committed, or assigned funds prior to the use of unassigned fund balance as they are needed.

8. Net Position

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Were the Authority to have capital assets, the net position caption "net investment in capital assets" would consist of capital assets, net of accumulated depreciation and amortization, reduced by outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Authority first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

9. Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Deposits and Investments

At June 30, 2014, cash, cash equivalents, and investments consisted of the following, at cost, which approximates fair value:

Governmental Activities

Cash	\$ 505,552
Restricted:	
LGIP	163,412,979
SNAP	75,133,146
Total restricted	<u>238,546,125</u>
Total	<u>\$ 239,051,677</u>

Maturities of all investments are less than one year.

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes; bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

As of June 30, 2014, the reporting entity had investments of \$163,412,979 in the LGIP for governmental activities. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share. The LGIP has been assigned an "AAAm" rating by Standard & Poor's.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

As of June 30, 2014, the Authority had investments of \$75,133,146 in the Commonwealth of Virginia State Non-Arbitrage Program ("SNAP"). SNAP has been established by the Treasury Board of the Commonwealth of Virginia pursuant to the SNAP Act (Chapter 47, Title 2.2, *Code of Virginia* 1950, as amended) to provide comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of tax-exempt borrowings and other financings of Virginia Issuers subject to Section 148 (and related sections) of the Internal Revenue Code. The SNAP Fund is managed to maintain a dollar-weighted average portfolio maturity of 60 days or less and seeks to maintain a constant net asset value per share of \$1.00. The SNAP Fund invests in obligations of the United States Government and its agencies, high quality debt obligations of U.S. companies and obligations of financial institutions, and is rated "AAAm" by Standard & Poor's.

The Authority's investment authority and permitted instruments are contained in resolutions approved by the Authority members.

Credit Risk

The investment policy specifies credit quality for certain types of investments, in accordance with the *Code of Virginia*, and the policy specifies the qualifications for institutions providing depository and investment services.

Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, deposits may not be recovered. All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. If any member bank fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. With the ability to make additional assessments, the multiple bank collateral pool functions similarly to depository insurance. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 3. Due To/From Other Governments

At June 30, 2014, due from other governments consisted of the following:

Due from Commonwealth of Virginia:	Local Distribution Fund	Regional Revenue Fund	Total
Grantors Tax	\$ 1,270,528	\$ 2,964,564	\$ 4,235,092
Sales Tax	12,018,137	28,042,319	40,060,456
Transient Occupancy Tax	1,841,036	4,295,752	6,136,788
Total	\$ 15,129,701	\$ 35,302,635	\$ 50,432,336

Amounts due to other governments as of June 30, 2014 consisted of the following:

	Amount
City of Alexandria	\$ 1,160,134
Arlington County	1,908,163
City of Fairfax	341,535
Fairfax County	6,800,702
City of Falls Church	132,330
Loudoun County	2,479,888
City of Manassas	260,884
City of Manassas Park	65,302
Prince William County	1,980,763
Total	\$ 15,129,701

Note 4. Intergovernmental Revenues, Commonwealth of Virginia

Intergovernmental revenues from the Commonwealth of Virginia include additional fees or taxes imposed in each of the Member Jurisdictions as follows:

An additional Retail Sales Tax of .7% is added to the standard rate of retail sales tax imposed by the Virginia Code. The additional tax is not levied upon food purchased for human consumption.

A Regional Congestion Relief Fee (Grantors Tax) equivalent to \$0.15 for each \$100 of value imposed on every deed and deed of trust admitted to record in the Commonwealth subject to certain exceptions and exemptions.

An additional Regional Transient Occupancy Tax (Hotel) at a rate of two percent of the amount of the charge for the occupancy of any room or space.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 5. Operating Leases and Agreements

Governmental Activities

The Authority leased office space under a temporary agreement which commenced on October 1, 2013 and expired August 31, 2014. The Authority is currently leasing its facilities on a month-to-month basis. Rent expense as reported in the government-wide financial statements totaled \$5,141.

Note 6. Long-Term Debt Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2014:

Primary Government:

Governmental Activities	Beginning Balance	Increases	Ending Balance	Due in One Year
Compensated Absences	\$ -	\$ 8,768	\$ 8,768	\$ 8,768
Total governmental activities	\$ -	\$ 8,768	\$ 8,768	\$ 8,768

Note 7. Line of Credit

During 2014, the Authority approved financing for certain transportation projects to be financed with proceeds from a line of credit obtained in June 2014. The line of credit has a stated interest rate of LIBOR plus 0.2% annum (.35% at June 30, 2014) and is subject to various covenants. The outstanding balance on the line was \$74,642,000 at June 30, 2014. Proceeds from the line of credit allowed the Authority to fully fund approved bond projects, while preparing for an inaugural bond issuance in fiscal year 2015.

Note 8. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To reduce insurance costs and the need for self-insurance, the Authority has joined with other political subdivisions in the Commonwealth of Virginia in VML Insurance Programs. The Authority has coverage with the VML Insurance Programs. Each Program member jointly and severally agrees to assume, pay and discharge any liability. The Authority pays VML the contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Program and claims and awards are to be paid.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 9. Pending GASB Statements

At June 30, 2014, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Authority. The statements which might impact the Authority are as follows:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will improve accounting and financial reporting by state and local government for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Statement No. 68 will be effective for fiscal years beginning after June 15, 2014.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, amends Statement No. 68 related to transition provisions for certain pension contributions made to defined benefit pension plans prior to implementation of Statement No. 68 by employers and nonemployer contributing entities. The provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68.

Management has not yet determined the effect these statements will have on its financial statements.

Note 10. Subsequent Events

The Authority is currently negotiating a three year lease for office space with Northern Virginia Regional Commission.

A decision to implement a retirement benefit plan through Virginia Retirement System (VRS) was approved on September 11, 2014. The fiscal year 2015 estimated cost to implement the VRS plan is approximately \$61,500.

SUPPLEMENTARY INFORMATION

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENDITURES
GENERAL FUND**

Year Ended June 30, 2014

Expenditures	
Advertising	\$ 1,034
Computer and software purchases	12,690
Copier printing and duplication	4,344
Employee group insurance	20,469
Employer payroll taxes	22,745
Bank fees and other services	1,393
Insurance and liability bonds	2,673
Meeting expenses - NVTa	743
Memberships and subscriptions	685
Mileage and transportation	1,365
Office rent	5,141
Office supplies	4,007
Postage and delivery	202
Professional services	1,500
Professional development and training	3,868
Salaries and wages	271,219
Technical and hosting services	11,332
Telephone	1,013
	<hr/>
Total expenditures	\$ 366,423

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF CHANGES IN NET POSITION BY JURISDICTION

LOCAL DISTRIBUTION FUND (30%)

Year Ended June 30, 2014

Revenues	City of Alexandria	Arlington County	City of Fairfax	Fairfax County	City of Falls Church	Loudoun County	City of Manassas	City of Manassas Park	Prince William County	Totals
Intergovernmental:										
Commonwealth of Virginia										
Grants tax	\$ 938,956	\$ 1,294,177	\$ 110,101	\$ 4,708,834	\$ 80,653	\$ 2,565,377	\$ 139,678	\$ 68,024	\$ 1,496,884	\$ 11,402,684
Sales tax	4,498,898	6,993,637	2,108,435	29,915,008	642,387	11,478,868	1,385,271	325,275	9,663,624	67,011,403
Transient occupancy tax	848,326	2,511,447	61,656	2,852,110	22,535	604,351	16,537	-	349,900	7,266,862
Interest Income	1,146	1,964	424	6,731	135	2,664	280	71	2,091	15,506
Total revenues	6,287,326	10,801,225	2,280,616	37,482,683	745,710	14,651,260	1,541,766	393,370	11,512,499	85,696,455
Expenditures										
Distribution of 30% local funds	6,287,292	10,745,580	2,274,697	37,198,645	742,158	14,651,237	1,531,706	389,820	11,404,805	85,225,940
Member contributions deducted from 30% funds	-	55,610	5,916	283,965	3,550	-	10,057	3,550	107,670	470,318
Total expenditures	6,287,292	10,801,190	2,280,613	37,482,610	745,708	14,651,237	1,541,763	393,370	11,512,475	85,696,258
Net change in fund balance	34	35	3	73	2	23	3	-	24	197
Fund Balance, beginning of year	-	-	-	-	-	-	-	-	-	-
Fund Balance, end of year	\$ 34	\$ 35	\$ 3	\$ 73	\$ 2	\$ 23	\$ 3	\$ -	\$ 24	\$ 197

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Authority Board Members
Northern Virginia Transportation Authority
Fairfax, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of the Northern Virginia Transportation Authority (Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 13, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, Questioned Costs and Corrective Action Plan, we identified one deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings, Questioned Costs, and Corrective Action Plan as item 2014-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
October 13, 2014

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND CORRECTIVE ACTION PLAN Year Ended June 30, 2014

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified	<u>√</u> Yes	<u> </u> No
Significant deficiency identified	<u> </u> Yes	<u>√</u> No
Noncompliance material to financial statements noted	<u> </u> Yes	<u>√</u> No

II. FINANCIAL STATEMENT FINDINGS

Identifying Number: 2014-01

Requirement: The Authority should maintain its financial data in a formal accounting system.

Condition: During the course of our audit it was noted the Authority does not have a formal accounting system. Currently, the Authority relies on excel spreadsheets to capture financial transactions. While the use of excel spreadsheets provide the Authority the ability to produce monthly financial statements and timely reports to the Board and member jurisdictions, the Authority is unable to maintain financial data within a general ledger system featuring adequate controls over financial reporting or a complete audit trail of transactions.

Effect: Without a formal accounting system the potential exists for financial data to be manipulated or for errors to occur that could go undetected.

Recommendation: While our audit procedures did not indicate any instances of financial data being manipulated or errors, we recommend the Authority implement a formal accounting system to allow management to establish adequate controls over financial reporting.

Corrective Action Taken or Planned: Management concurs with the finding the Authority should maintain its financial data in a formal accounting system. The Authority has the acquisition and implementation of a general ledger accounting system under contract. Implementation of the system is currently scheduled for April 2015. Management is actively attempting to advance this scheduled implementation. It is Management's intent to fully load all fiscal year 2014 transactions as well as year to date fiscal year 2015 transactions into the new system.

**NORTHERN VIRGINIA
TRANSPORTATION AUTHORITY**

**REPORT TO THE HONORABLE
AUTHORITY BOARD MEMBERS**

October 17, 2014



ASSURANCE, TAX & ADVISORY SERVICES



To the Honorable Authority Board Members
Northern Virginia Transportation Authority
Fairfax, Virginia

We are pleased to present this report related to our audit of the basic financial statements and compliance of the Northern Virginia Transportation Authority (Authority) for the year ended June 30, 2014. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial and compliance reporting process.

This report is intended solely for the information and use of the Authority Board Members and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Authority.

PB Mares, LLP

Harrisonburg, Virginia
October 17, 2014

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

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NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

REQUIRED COMMUNICATIONS

Year Ended June 30, 2014

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the basic financial statements audit and compliance reporting process, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and compliance reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America; <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States and <i>Specifications for Audits of Authorities, Boards and Commissions</i> provided by the Auditor of Public Accounts of the Commonwealth of Virginia have been described to you in our arrangement letter dated August 8, 2014.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.
Accounting Policies and Practices	Preferability of Accounting Policies and Practices Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. The Authority adopted all GASB statements currently in effect since its last audit.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

REQUIRED COMMUNICATIONS (Continued)

Year Ended June 30, 2014

Area	Comments
Accounting Policies and Practices (Continued)	<p>Significant or Unusual Transactions</p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Management's Judgments and Accounting Estimates</p> <p>We are not aware of any sensitive accounting estimates made by management.</p>
Audit Adjustments	<p>There were no audit adjustments made to the original trial balance presented to us to begin our audit.</p>
Uncorrected Misstatements	<p>We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.</p>
Disagreements With Management	<p>We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the basic financial statements.</p>
Consultations With Other Accountants	<p>We are not aware of any consultations management had with other accountants about accounting or auditing matters.</p>
Significant Issues Discussed With Management	<p>No significant issues arising from the audit were discussed with or were the subject of correspondence with management.</p>
Significant Difficulties Encountered in Performing the Audit	<p>We did not encounter any significant difficulties in dealing with management during the audit.</p>
Significant Written Communications Between Management and Our Firm	<p>Copies of significant written communications between our firm and management of the Authority, including the representation letter provided to us by management, are attached.</p>

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NEW GASB PRONOUNCEMENTS

Year Ended June 30, 2014

At June 30, 2014, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the Authority. The statements which might impact the Authority are as follows:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Statement No. 68 will be effective for fiscal years beginning after June 15, 2014.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB Statement No. 68*, requires a state or local government employer (or nonemployer contributing entity in a special funding situation), to recognize a net pension liability measured as of a date (the measurement date), no earlier than the end of its prior fiscal year. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

ARRANGEMENT LETTER



August 8, 2014

Northern Virginia Transportation Authority
3060 Williams Drive, Suite 510
Fairfax, Virginia 22031

Attention: Monica Backmon, Executive Director

The Objective and Scope of the Audit of the Financial Statements

You have requested we audit the financial statements of the Northern Virginia Transportation Authority (Authority) as of and for the year ended June 30, 2014. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing opinions on the financial statements.

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards and Commissions* provided by the Auditor of Public Accounts for the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America. Also, an audit is not designed to detect fraud or errors that are immaterial to the financial statements. The determination of abuse is subjective; therefore, *Government Auditing Standards* do not expect us to provide reasonable assurance of detecting abuse.

In making our risk assessments, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate to the Finance Committee *(a)* any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and *(b)* any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

The funds that you have told us are maintained by the Authority and that are to be included as part of our audit are listed here:

- General Fund
- 30% Distribution Fund
- 70% Regional Revenue Fund
- Debt Service Fund

There are no component units that should be included in your financial statements.

Our report on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and specifications identified above. Our report on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts, and any state or federal grant, entitlement, or loan program questioned costs of which we become aware, consistent with requirements of the standards and specifications identified above.

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that management and when appropriate, those charged with governance, acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- c. For establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;
- d. For *(a)* making us aware of significant vendor relationships where the vendor is responsible for program compliance, *(b)* following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings, and a corrective action plan, and *(c)* report distribution including submitting the reporting package(s); and

e. To provide us with:

- (1) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
- (2) Additional information that we may request from management for the purpose of the audit;
- (3) Unrestricted access to persons within the Authority from whom we determine it necessary to obtain audit evidence; and
- (4) If applicable, responses to any findings reported on the schedule of findings and questioned costs.

As part of our audit process, we will request from management and when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit including among other items:

- a. That management has fulfilled its responsibilities as set out in the terms of this letter; and
- b. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that the Authority complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Authority involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, analysts, regulators, or others;

Management is responsible for the preparation of the required supplementary information (RSI) and supplementary information in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the RSI and supplementary information in any document that contains the RSI and supplementary information and that indicates that the auditor has reported on such RSI and supplementary information. Management also agrees to present the RSI and supplementary information with the audited financial statements or, if the RSI and supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the RSI and supplementary information no later than the date of issuance of the RSI and supplementary information and the auditor's report thereon.

The Finance Committee is responsible for informing us of its views about the risks of fraud or abuse within the Authority, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the Authority.

The Authority agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, the Authority agrees to contact us before it includes our reports or otherwise makes reference to us, in any public or private securities offering.

Our association with an official statement is a matter for which separate arrangements may be necessary. The Authority agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the Authority seeks such consent, we will be under no obligation to grant such consent or approval.

The Authority's Records and Assistance

If circumstances arise relating to the condition of the Authority's records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion, issue a report, or withdraw from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the Authority's books and records. The Authority will determine that all such data, if necessary, will be so reflected. Accordingly, the Authority will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by Authority personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Michael Longhi, Chief Financial Officer. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

Other Relevant Information

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

In accordance with *Government Auditing Standards*, a copy of our most recent peer review report can be located on our website at www.pbmares.com.

Fees, Costs, and Access to Workpapers

Our fees for the audit and accounting services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement, plus direct expenses. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission.

Our fee for the services described in this letter will not exceed \$17,750 unless the scope of the engagement is changed, the assistance which the Authority has agreed to furnish is not provided, or unexpected conditions are encountered, in which case we will discuss the situation with you before proceeding and upon approval of both parties. All other provisions of this letter will survive any fee adjustment.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, the Authority agrees it will compensate us for any additional costs incurred as a result of the Authority's employment of any of our partners or professional employees.

In the event we are requested or authorized by the Authority or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for the Authority, the Authority will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The documentation for this engagement is the property of PBMares, LLP. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of PBMares, LLP audit personnel and at a location designated by our Firm.

Claim Resolution

We and the Authority agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than two years after the later of the date of the issuance of our audit report or the date of this arrangement letter if no report has been issued. The Authority waives any claim for punitive damages. PBMares, LLP's liability for all claims, damages and costs of the Authority arising from this engagement is limited to the amount of fees paid by the Authority to PBMares, LLP for the services rendered under this arrangement letter.

Reporting

We will issue a written report upon completion of our audit of the Authority's financial statements. Our report will be addressed to Board Members of the Authority. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph, or withdraw from the engagement.

In addition to our report on the Authority's financial statements, we will also issue the following reports:

- Report on internal control related to the financial statements. This report will describe the scope of testing of internal control and the results of our tests of internal controls.
- Report on compliance with laws, regulations, and the provision of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements.

Northern Virginia Transportation Authority
August 8, 2014
Page 6 of 6

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

PBMares, LLP



Michael A. Garber, Partner

MAG/bds

Confirmed on behalf of Northern Virginia Transportation Authority:


Monica Backmon, Executive Director

8/21/14
Date

REPRESENTATION LETTER



Northern Virginia Transportation Authority

The Authority for Transportation in Northern Virginia

October 13, 2014

PBMares, LLP
P. O. Box 1226
Harrisonburg, Virginia 22803

This representation letter is provided in connection with your audit of the basic financial statements of Northern Virginia Transportation Authority (Authority) as of and for the year ended June 30, 2014 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Compliance Considerations

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm management:

1. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.
2. Has not identified any instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
3. Has not identified any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts that have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
4. Has not identified any instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
5. Has a process to track the status of audit findings and recommendations.
6. Has provided views on the auditor's reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.
7. Acknowledges its responsibilities as it relates to nonaudit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

We confirm, to the best of our knowledge and belief, as of October 13, 2014, the following representations made to you during your audit:

Financial Statements

8. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated August 8, 2014, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
9. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
10. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
11. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
12. We have disclosed all interfund transactions, including interfund transfers, which have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
13. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment have been disclosed.
14. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
15. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Net position and fund balance classifications.
 - b. The fair value of investments.
 - c. Leases and material amounts of rental obligations under long-term leases.
 - d. The effect on the financial statements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB Statement No. 68*, which has been issued, but which we have not yet adopted.
 - e. Deposits and investment securities categories of risk.
 - f. Line of credit or similar arrangements.
 - g. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.

16. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
 - a. The Authority has no significant amounts of idle property and equipment.
 - b. The Authority has no plans or intentions to discontinue the operations of any activities or programs or to discontinue any significant operations.
17. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
 - a. To reduce receivables to their estimated net collectable amounts, if necessary.
18. There are no:
 - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.
 - c. Material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification.
 - d. Guarantees, whether written or oral, under which the Authority is contingently liable.
 - e. Agreements to repurchase assets previously sold.
 - f. Security agreements in effect under the Uniform Commercial Code.
 - g. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
 - h. Liabilities which are subordinated in any way to any other actual or possible liabilities.
 - i. Debt issue repurchases options or agreements, or sinking fund debt repurchases ordinance requirements.
 - j. Significant estimates and material concentrations known to management which are required to be disclosed.

- k. Authorized but unissued bonds and/or notes.
 - l. Risk financing activities.
 - m. Derivative financial instruments.
 - n. Special or extraordinary items.
 - o. Arbitrage rebate liabilities.
 - p. Risk retentions, including uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2014 and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2014.
 - q. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
 - r. Material losses to be sustained as a result of purchase commitments.
 - s. Environmental cleanup obligations.
 - t. Contractual obligations for construction and purchase of real property or equipment.
19. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.
20. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders that is not disclosed in the financial statements.
21. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
22. Net position (restricted and unrestricted) and fund balances are properly classified and, when applicable, approved.
23. Expenses or expenditures have been appropriately classified in or allocated to functions and programs in the Statement of Activities, and allocations have been made on a reasonable basis.
24. Revenues are appropriately classified in the Statement of Activities within program revenues and general revenues.
25. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

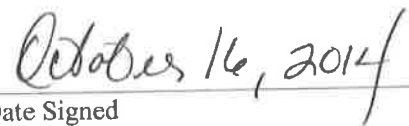
26. We have provided you with:
- a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the governing body and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
27. All transactions have been recorded in the accounting records and are reflected in the financial statements.
28. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
29. We have no knowledge of allegations of fraud or suspected fraud, affecting the Authority's financial statements involving:
- a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
30. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements received in communications from employees, former employees, analysts, regulators, or others.
31. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
32. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
33. We have informed you of the material weakness in the design or operation of internal controls that could adversely affect the Authority's ability to record, process, summarize, and report financial data.
34. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

Supplementary Information

35. With respect to supplementary information presented in relation to the financial statements as a whole:
- We acknowledge our responsibility for the presentation of such information.
 - We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
36. With respect to the Management's Discussion and Analysis presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:
- We acknowledge our responsibility for the presentation of such required supplementary information.
 - We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
37. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY


Monica Backman, Executive Director


Date Signed


Michael Longhi, Chief Financial Officer


Date Signed



To the Honorable Authority Board Members
Northern Virginia Transportation Authority
Fairfax, Virginia

In connection with our audit of the financial statements of the Northern Virginia Transportation Authority (the Authority) for the year ended June 30, 2014, we have the following comment, suggestion, and information for your consideration.

We consider the following item to be a control deficiency that should be communicated to the Authority.

Payroll Procedures

We noted during the course of the year, the Authority, due to staffing limitations, did not have formal procedures related to the approval, recording and processing of payroll. As employees were hired and the Authority became fully staffed, policies and procedures were implemented to ensure payroll was being reviewed and approved appropriately. Subsequent to year end, with the hiring of the Executive Director, payroll is being reviewed by three members of management of the Authority.

The following suggestion we have included for your consideration.

Accounting Policy and Procedures Manual

It was noted the Authority is currently in the process of purchasing an accounting system. As a result of implementing a new accounting system, many changes related to the processing and reporting of financial information may occur. We recommend management update its policy and procedure manual related to financial reporting to reflect the responsibilities of individuals to align with the new accounting system.

* * * * *

This report is intended solely for the information and use of management, the Authority, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

If you have any questions concerning this item, or if we can be of further assistance, please contact us. We thank you for the opportunity to conduct your audit for the year ended June 30, 2014 and express our appreciation to everyone for their cooperation during this engagement.

PBMares, LLP

Harrisonburg, Virginia
October 13, 2014

Measuring Long-Term Benefit
October 16, 2014

Executive Summary

HB 2313 requires that when allocating the 70 percent regional revenues, the Authority must ensure that each locality's long-term benefit will be approximately equal to the revenues raised by the three taxes and fees in the respective locality. Since April 2014, a subcommittee of the Financial Working Group and the Council of Counsels have been meeting to prepare recommendations for the Authority's consideration on how to determine the long-term benefit by locality of the investments that the Authority will make in transportation projects.

The subcommittee general believes that this determination should be as simple and transparent as possible, while meeting the legislative intent as efficiently as possible.

Before addressing long-term benefit specifically, the subcommittee discussed how to determine whether a project is regional or not. The subcommittee recommends that the Authority consider any project included in its TransAction 2040 (and subsequent updates) as "regional," since the TransAction 2040 Plan is modeled as a whole, rather than by individual projects.

The subcommittee believes that the use of the word "approximately" equal in the statute provides some flexibility to the Authority, and leads to the conclusions that determination of benefit is not a mathematical or strictly financial calculation.

The subcommittee discussed the length of time that should be considered when determining benefit. It recommends that the Authority assess benefit on a retrospective basis every ten years, and use the results in subsequent project selection processes to address any inequities. The subcommittee also believes that "long-term" ultimately has no specific end, so that the benefit determination should continue to occur every ten year. The frequency of these determinations can be reassessed in the future.

For transit projects, the subcommittee recommends that the determination of benefit for system-wide Washington Metropolitan Area Transit Authority and Virginia Railway Express projects be based on subsidy allocation formulas for the Authority member localities that are also members of each of these agencies. Improvements to the core Virginia stations for each of these systems should also be included in the system-wide calculations. Other station improvements should primarily benefit the locality in which the station is located. For multi-locality transit projects, the benefit should primarily be to the localities involved. For local transit projects, the benefit should primarily be to the locality in which the project is located.

For roadway, bicycle, pedestrian and intelligent transportation system (ITS) projects, the subcommittee recommends that benefit be determined in two ways. First, using the regional travel demand model (or future improved analysis tool), the congestion relief benefits of all Authority-funded the projects

completed by the analysis year should be calculated by the jurisdiction of residence of the users of these completed facilities. Second, benefit should be assessed based on the localities in which the projects are located. The subcommittee believes that location of a project is a surrogate for many other benefits, such as economic development and safety. The subcommittee does not recommend that secondary benefits of project be assessed, since doing so would add significant complications and effort to the determination and probably would not produce significantly different results than using congestion relief and location.

Background

In approving HB 2313, the General Assembly authorized three new transportation revenue sources for Northern Virginia. They are: A 0.7 percent increase in the sales tax; a two percent increase in the transient occupancy (hotel) tax; and a ten cent increase in the grantor's tax (congestion relief fee). These taxes were effective on July 1, 2013, and apply in the nine cities and counties who are members of the Northern Virginia Transportation Authority.

Of these revenues, 30 percent are returned to the localities (assuming each individual locality has met specific conditions), based on the revenues generated in or attributable to each locality. This revenue can be used for "additional urban or secondary road construction; for other capital improvements that reduce congestion; for other transportation capital improvements which have been approved by the most recent long range transportation plan adopted by the Authority; or for public transportation purposes".

The remaining 70 percent is to be used by the Authority "solely for transportation projects and purposes that benefit the counties and cities embraced by the Authority to fund (i) transportation projects selected by the Authority that are contained in the regional transportation plan or (ii) mass transit capital projects that increase capacity". HB 2313 also directs that the Authority "shall give priority to selecting projects that are expected to provide the greatest congestion reduction relative to the cost of the project and shall document this information for each project selected".

In addition, HB 2313 specifies that when allocating the 70 percent regional revenues, the Authority must ensure that each locality's long-term benefit will be approximately equal to the revenues raised by the three taxes and fees in the respective locality [1]. The General Assembly did not define "long-term," "benefit" or "approximately equal." As a result, the Authority must determine how to apply these terms and how to determine benefit and attribute it to member localities. In addition, the Authority will need to track the revenues collected in each locality over time.

To implement HB 2313, the Authority re-established five working groups that were originally created in 2007 to implement HB 3202, and gave each working group a charge. The Authority's charge to the Financial Working Group included providing recommendations to that Authority, in conjunction with the Council of Counsels, on how to determine long-term benefit. The Financial Working Group

[1] Actual language from Code of Virginia: "With regard to the revenues distributed under subdivision 1, each locality's total long-term benefit shall be approximately equal to the proportion of the total of the fees and taxes received by the Authority that are generated by or attributable to the locality divided by the total of such fees and taxes received by the Authority."

established a Long-Term Benefit Subcommittee that has been meeting since April 2014 to address this portion of the Financial Working Group's charge. The Council of Counsels participated in the subcommittee meetings and provided legal advice as necessary, including review of this document. The subcommittee reviewed the "long-term benefit" language included in HB 2313, and the policy that was developed in 2007 to allocate revenues from HB 3202. As a tax statute, the constitutionality of HB 2313 depends on the ability of the Authority to ensure that the tax revenues benefit the entire region, rather than a specific area or locality. The statute also requires the Authority to ensure that the proportionality requirement contained in the legislation is satisfied. The Council noted that Judge Dennis Smith approved the way the Authority allocated its FY 2014 revenues in his ruling in the Authority's bond validation case. This concept of geographic balance is important to the constitutionality of the statute. As noted below, the determining benefit is not strictly a financial calculation, such as dollars spent in each locality, because "benefit" can be determined in different ways. Some of these ways are not easily monetized.

As the subcommittee began its discussions, **there was a general consensus that the Authority should try to keep the determination of benefit as simple and transparent as possible, while meeting the legislative intent as efficiently as possible.** There was concern that an elaborate method of measuring benefit could be costly, and such an approach would reduce the amount of funding that the Authority has to spend on projects. In addition, it was also recognized that the Authority has a very small staff. Whatever form of determination is developed cannot be overly labor intensive, because the staff resources are not available to continue to maintain a complicated analysis. The subcommittee also recognized that there are existing tools available, and in the future, better regional tools may be developed to assist the Authority with this analysis. It is anticipated that the state of the practice for modeling tools will change over time.

The subcommittee noted that the Project Implementation Working Group and the Jurisdiction and Agency Coordinating Committee are focused on project selection, based on criteria established by the Authority. Also, the determination of benefit should not be a criterion used in allocating funding to projects, although "geographic balance" is a selection criterion. The qualitative criterion of geographic balance plays an important role in project selection on an annual basis, along with numerous other criteria. The subcommittee generally believed that if this criterion is applied at project selection, it increases the likelihood that long-term benefit will be achieved when it is determined in the future. The subcommittee also felt that it was important to clarify the definition of "regional projects."

The following summarizes the subcommittee's discussions and recommendations to address each of the major terms outlined in HB 2313.

Regional Projects

There was some discussion about the kinds of projects that should be considered "regional." The subcommittee recommends that the language used in HB 2313 should be used as the guide for determining whether a project is "regional" or not. HB 2313 allows the Authority to use its portion of the regional funding for "transportation projects and purposes that benefit the counties and cities

embraced by the Authority to fund (i) transportation projects selected by the Authority that are contained in the regional transportation plan or (ii) mass transit capital projects that increase capacity.” In keeping with this statutory direction, the **subcommittee recommends that any project included in the regional transportation plan (currently TransAction2040) can be considered “regional,” because the plan needs to be considered as a whole and is modeled as a whole, rather than as isolated projects.** Each of the projects included in TransAction 2040 contribute to improving mobility in the region.

Approximately Equal

The subcommittee believes that the General Assembly’s inclusion of the word “approximately” is intended to provide flexibility to the Authority in terms of how benefit is determined. The General Assembly did not use the word “exactly” which is a reflection of the fact that any determination of benefit will not be an exact mathematical calculation. The word “approximately” is more appropriate, because revenues will fluctuate with the economy and travel patterns will change. This makes a strict calculation of benefit impractical.

Long-Term

Since HB 2313 did not define, “long-term,” the Authority has discretion in determining the duration to be determined. The dictionary defines “long-term” as “lasting for, relating to, or involving a long period of time.” The Long-Term Benefit Subcommittee of the Financial Working Group considered several durations for “long-term.” They included:

- five years,
- the length of a Six Year Program;
- ten years;
- 20 years; and
- the horizon of the long range transportation plan (currently TransAction 2040).

Initially, the subcommittee believed that the length of the Six Year Program would constitute a minimum and probably be sufficient. There was concern about keeping records for an extended period of time. For example, the Washington Metropolitan Area Transit Authority had difficulty reconciling the cost of the 103-mile Metrorail system. In that case, construction spanned 40 years. When the construction was complete, some of the records needed to conduct the reconciliation were no longer available. There was also concern that while TransAction 2040 has about a 30-year horizon, the plan is financially unconstrained, and, therefore, it isn’t clear that the entire plan will be funded. In addition, priorities and approaches could change over that period of time. There was general consensus that five years was too short. The Authority’s Technical Advisory Committee also discussed the definition of “long-term” and recommended to the Authority that this time frame should be no less than six years. There was also consensus that determining benefit annually was impractical, since most projects will take multiple years to implement and large projects can take as many as ten years to complete. In addition, typically existing models focus on specific analysis years.

After discussion, the subcommittee was leaning toward recommending that “long-term” be defined as the length of the Six Year Program. However, based on additional conversations after the discussion of the definition of “benefit,” the subcommittee concluded that “long-term” in this context does not have an endpoint.

The subcommittee recommends that the Authority maintain an on-going determination of benefit with no specific end point. In addition, the subcommittee recommends that this determination be reviewed retrospectively every ten years to ensure that benefits are relatively in balance with tax collections. After these reviews, if it is determined that the benefit is not as proportional as required by law, adjustments can be made in future project selections to address any under representation of benefit. Also the subcommittee recommends that only completed projects be included in this periodic determination. The frequency of the reviews should be assessed in the future.

Several members of the Technical Advisory Committee questioned whether ten years was too long and whether taxpayers and elected officials would want to see benefits before then. The subcommittee discussed these concerns and concluded that as a result of the annual project selection process, taxpayers and elected officials will know which projects are moving forward. In addition, public events like ground breakings, ribbon cuttings and actual construction are also ways to inform taxpayers and elected officials that the Authority’s funds are being used to benefit various parts of the region during the time between the formal assessments that are proposed for every ten years.

A member of the Technical Advisory Committee was also concerned that a project completed in year one might lose its benefit by year ten. The subcommittee did not believe that this would be the case. Most transportation projects have a useful life of at least 20 years. In addition, transit buses typically have a useful life of at least 12 years.

Two members of the Technical Advisory Committee also suggested the concept of a rolling analysis of beginning after six years and then undertaken annually. The subcommittee believes that this approach would be very labor intensive and not necessarily an effective use of the Authority’s resources.

The use of the benefit determination in subsequent project selection efforts was supported by a member of the Technical Advisory Committee.

Benefit

Since “benefit” is not defined in the statute, the subcommittee looked at numerous ways to determine benefit. The subcommittee reviewed the factors included in the Authority’s authorizing legislation, the factors used in TransAction 2040, and the factors included in HB 599 (2012). Although some subcommittee members advocated the use of a simple calculation of dollars spent in each locality, the consensus of the subcommittee recognized that “benefit” should not be a strictly financial calculation, such as dollars spent in a locality or the conversion of benefit measures, like travel time savings, into monetary terms. The subcommittee believes that such a financial calculation would be inconsistent

with both HB 2313 and the Fairfax County Circuit Court's ruling on the Authority's bond validation suit. The subcommittee further noted that by returning 30 percent of the revenues to the localities, based on collection, each locality that qualifies has the ability to determine how those funds are spent. While each locality has a vote on how the Authority spends the 70 percent funding it retains, the decisions about how these funds are spent rest with the Authority as a whole.

In trying to determine the benefits of projects, the subcommittee considered a variety of existing ways that the Authority or others are already employing. The rationale for this approach was to try to use work that is already being conducted to minimize the cost of determining benefit and allow more funding to be allocated to projects. This approach will also allow limited staff time to be employed to other more important activities. While the subcommittee considered multiple benefit measures, and the possibility of measuring benefit differently depending on the type of project, in the end the subcommittee opted for a more simplified methodology in which the benefits of all non-transit projects are determined in the same way.

Regional Transit Agencies

Some of the Authority's funding will be allocated to projects associated with the Washington Metropolitan Area Transit Authority (WMATA) and the Virginia Railway Express (VRE). This category only affects projects being undertaken by these two agencies. Other transit projects that have benefits across localities are discussed in the "Multi-Locality Benefits" section below. The allocation of funds to these agencies presents some challenges based on the restrictions included in HB 2313. It was noted that both agencies have existing formulas for allocating local subsidies. The Metrorail formula takes into account population, population density, ridership and stations. The Metrobus formula includes population, population density, ridership, miles of service and hours of service. The current Authority members who are also members of WMATA Compact are: the City of Alexandria, Arlington County, the City of Fairfax, Fairfax County, the City of Falls Church, and Loudoun County. (Although Loudoun County is a member of the WMATA Compact, it will not become a contributing member until Phase 2 of the Silver Line opens in 2018. In the future, it is anticipated that Loudoun County will also be a member). The VRE formula is based on ridership for the Participating Jurisdictions (Fairfax, Manassas, Manassas Park and Prince William). (Arlington and Alexandria are Contributing Jurisdictions whose subsidies are calculated differently). While there was some sentiment that the benefits of projects implemented by these agencies should be determined similar to roadway projects, there was also concern that determining benefit differently than the funding formulas could lead to confusion and potentially inequity and/or conflict. In addition, the funding formulas for allocating local subsidies for these two regional providers have been designed with benefit in mind, rather than each locality paying for the projects constructed in that locality.

Accordingly, **the subcommittee recommends that the benefit of projects implemented by these two regional agencies be generally measured as follows:**

- **for system-wide projects, the benefits of the investments should be attributed to each of the nine localities based on the appropriate established cost-sharing formula (Metrorail,**

Metrobus, or VRE) for those localities that are included in the formula and are members of the Authority only. This category would include the Alexandria and Crystal City stations for the VRE, since they are generally considered destination or system-wide stations. Improvements to these two stations are not the singular responsibility of Alexandria and Arlington, respectively. For Metrorail, the committee concluded that there are six stations which should be considered “core” station in Virginia. They are: Arlington Cemetery, Crystal City, Pentagon, Pentagon City, Ronald Reagan Washington National Airport, and Rosslyn. The benefits of improvements at these stations should be determined on a system-wide basis, rather than attributing all of the benefits to Arlington County. In the future, the Washington Dulles International Airport Station would also be considered a system-wide station.

- **for specific station or transit center improvements (i.e. platform extensions, additional parking, expanded bus bays, better access, additional vertical circulation, etc.) the benefits should generally be attributed to the locality in which the facility is located.**

Regarding the WMATA subsidy allocation, the Federal Transit Administration now requires transit agencies to conduct a ridership survey for each mode every five years. WMATA complies with this requirement. If this requirement or WMATA’s practice changes, it may be necessary for the Authority to work with WMATA to secure the availability of the most current ridership data. In this event, the Authority could consider funding a survey for the Virginia portions of the WMATA system. The survey would be conducted by WMATA in the same way it conducts its other periodic surveys.

A member of the Technical Advisory Committee suggested using Person Miles Traveled rather than the approach outlined above; however, the subcommittee believed that doing so could lead to contradictory results, and this alternative approach would require significant modeling resources.

Multi-locality Transit Projects

Multi-locality transit projects, such as the Crystal City-Potomac Yards Busway and the Columbia Pike Streetcar are becoming more common in Northern Virginia. The benefits of these types of projects will need to be determined on a case by case basis. However, in general, **the subcommittee believes that the majority of the benefits of multi-locality projects will be attributed to the localities in which the project is located.**

Local Transit

For investments in local transit systems, the benefits will generally be attributed to the locality in which the transit system is located.

Roadway Projects

The existing measures considered for determining the benefit of roadway projects included measures from TransAction 2040, the HB 599 study being conducted by VDOT, and the Authority’s FY 2014 Project Selection Process. The subcommittee also discussed the new Commonwealth Transportation Board

project selection process stipulated by HB2. However, since the details of this selection process are still being developed, it probably will be some time before using parts of the HB 2 process can be considered. In addition, HB 2 does not include any requirements for determining the benefits of transportation investment by locality as HB 2313 does.

Factors from TransAction 2040, HB 599 and the FY 2014 Project Selection Process that the subcommittee considered for determining benefit include:

- Congestion Relief
- Safety
- Connections between Activity Centers
- Multimodal Choices
- Air Quality
- Freight Movement
- Intelligent Transportation Systems

Most of the subcommittee's discussions were focused on the congestion relief criteria, because this is a primary factor in HB 2313. There was unanimity that "congestion relief" is an important benefit factor. The subcommittee recognized that the region has existing analysis tools (such as the regional travel demand model's selected link analysis) that can measure some congestion impacts of constructing a specific project or a group of projects on congestion. The current tools can estimate the number of users of a highway facility or group of facilities by locality. If improvements are made to a group of facilities, then each of the jurisdictions who have users on these facilities will benefit. However, it is also true that the benefits are reduced as the distance from the locality increases. In general, the subcommittee believes that the combination on all the Authority funded projects completed at a certain point in time should be used in the travel demand model. Using a network of improvements is a more practical way to determine benefit, rather than determining the benefit of each project individually and then trying to combine the benefits from a number of projects. This approach simplifies the analysis, but also provides more useful results. For example, if 15 Authority funded projects are completed by 2020, all of these projects would be added to the travel demand model, and the net congestion relief benefit of these projects would be determined, compared to congestion without these 15 projects. In this case, projects completed in the same time frame, but funded from other sources, would be included in the baseline, before the projects the Authority funded are added.

However, not all trips are correctly captured by existing models, especially in areas with heavy multimodal use. The subcommittee noted that some new analysis tools may be developed for the HB 2 analysis. It is anticipated that the state of the practice for modeling tools (and any other analysis tools the Authority deems appropriate) will change over time, and the most sophisticated regional modeling tools available should be used to assist the Authority with this analysis, if available. This concept was also supported by a member of the Technical Advisory Committee who noted that new forms of data collection and analysis are being developed.

One locality also suggested using “person capacity” and “travel time” as factors to determining congestion benefits. The locality stated that measuring changes in person capacity directly measures the ability of transportation system to carry more people. The subcommittee disagreed, because simply measuring added capacity does not take into account the congestion on a facility in the first place. This approach could lead to added capacity to facilities that aren’t congested. In addition, the subcommittee noted that the regional travel demand model does use travel time as a factor in the model, in addition to others.

A member of the Technical Advisory Committee pointed out that many travelers will not see congestion relief over the existing condition as a result of the implementation of the Authority-funded projects. The Authority funded projects will more likely ensure that congestion in the future will not be worse than it is today, despite continuing growth. The subcommittee acknowledges that this may be the case for some projects, and the point should be included. However, by modeling a group of Authority funded projects together, there likely will be improvement over the current condition on some parts of the network.

The Technical Advisory Committee member noted that individuals can often secure a congestion relief benefit by changing residences (i.e. locating closer to work), and as a result, public agencies should not be the only groups focused on congestion relief. In general, the subcommittee agreed that location of residence is a factor in achieving congestion relief, but this concept is outside the scope of determining the benefit of projects funded by the Authority.

The subcommittee recommends that the Authority use congestion relief as one of the ways to determine benefit. However, these benefits should be determined by using the cumulative impact of a system of improvements from implemented projects, rather than on a project by project basis.

The subcommittee also did not believe that the following TransAction 2040 measures were practical for measuring benefit: Improved Bicycle and Pedestrian Travel Options, Urgency, Project Readiness, Reductions in Vehicle Miles Traveled, Person Throughput, Reduced Travel Time; Environmental Sensitivity, Land Use Supportive Investments, Management and Operations, and Cost Sharing. Measuring Economic Development was also discussed. Several of these items (such as Reductions in Vehicle Miles Traveled, Person Throughput, Reduced Travel Time) are addressed in measuring reduced congestion on roadways. Others are qualitative measures that result in benefits to the locality where the project is located. As a result, although strict “dollars spent in a locality” is not an appropriate way to determine benefit in this case, it is clear that the locality where a project is located does receive benefits beyond “Congestion Relief” from the implementation of a new investment.

As a result, **the subcommittee recommends that “location of a project” be a factor used in determining benefit.** Doing so is much easier than trying to measure the individual benefits of things like land use supportive investments, safety or economic development.

After discussing each of the other factors above, the subcommittee agreed that while Safety, Connections between Activity Centers, Multimodal Choices, and Freight Movement are important; they are more practically applied as selection criteria, rather than determination of benefit.

Air Quality is also an important consideration; however, it is determined regionally, and there is not an existing tool to segregate in the air quality benefits of a project by individual locality.

HB 599 includes two criteria, Congestion Relief and Emergency Evacuation. Congestion Relief has previously been addressed, and the subcommittee believes that Emergency Evacuation is more a selection criteria, than a determination of benefit. It is also something that is more appropriate in a regional context than it is by individual locality.

In reviewing the FY 2014 project selection criteria, the subcommittee did not find any additional criteria that should be considered for the determination of benefit. Most were either previously discussed or not appropriate (such as Project Readiness) for determining benefit.

The subcommittee discussed whether “benefit” should be determined over the life of a project, the end point or at some other fixed point. The travel demand model typically focuses on specific analysis years, such as 2020, 2030 and 2040. Data is typically not available to conduct the analysis for each individual year. The model can be run with and without a project or group of projects to determine the specific impact on travel of a specific improvement(s). This supports the concept of conducting a calculation of the Congestion Relief benefit at ten year intervals to determine whether the allocation of projects has been proportional or not.

Some of the outer localities were concerned that since they export commuters to the core of the region that the benefits that these localities are entitled to, could be “used up” by projects in the core of the region. It was noted that even in Fairfax County, almost 50 percent of the workers go to a job outside the County, so the concept of exporting workers is not unique to the outer localities. In addition, work trips only comprise about 20 percent of the trips taken every day. The other 80 percent of time are for shopping, education, recreation, dining etc. These trips are often taken closer to a person’s home. Finally, determining benefit for a system of project improvements, rather than individual projects, should also minimize this concern.

Some core jurisdictions were concerned that the Authority would allocate a large percentage of roadway funding to projects in the outer localities, because the core localities are largely built out and do not anticipate major roadway expansions in the future. Ultimately, the subcommittee concluded that the Authority’s project selection process is robust enough to address these concerns.

A member of the Technical Advisory Committee disagreed with the proposed approach of using location of a project as a factor for determining benefit. This member felt that congestion relief benefits should be credited to a jurisdiction regardless of where they occur. The subcommittee agrees for congestion relief benefits should be determined based on jurisdiction of residence of the users regardless of where they occur; however, the subcommittee also believes that the physical location of a project also has benefit to the specific locality, as outlined above. No changes were made to the recommended approach.

In summary, the subcommittee recommends that the two methods for determining the benefits of roadway projects be congestion relief, as modeled using the regional travel demand model (or state of the modeling practice in the future) for all of the projects selected, and the locations of the projects.

Primary and Secondary Benefits

In reviewing the criteria used in each of the various efforts (TransAction 2030, the HB 599 analysis and the FY 2014 project selection criteria), it was noted that some of the criteria are quantitative while others are qualitative. The subcommittee discussed whether to focus on primary benefits or also to include secondary benefits. Primary benefits include things like congestion relief. Secondary benefits may be things like economic development or job growth. For practical reasons and in the interest of keeping the determination as simple as possible, **the subcommittee recommends that the Authority generally focus on primary benefits.** Secondary benefits could be used as a qualitative way to compliment the results of determining primary benefits, if desired. There may be many secondary benefits from a project or group of projects, but it will be difficult to determine where/when these factors no longer apply. Those conclusions, coupled with the fact that including secondary benefits would add significant complexity and time to the process, are reasons why the subcommittee is recommending that secondary benefits be excluded. Moreover, the subcommittee did not believe that the inclusion of secondary benefits would significantly change the overall outcome of the determination process.

Bike and Pedestrian Projects

The travel demand model can calculate the congestion relief benefits of bicycle and pedestrian investments on the adjacent roadway network. As a result, **the determination of benefit for bicycle and pedestrian projects does not need to be done differently than roadway projects.**

Intelligent Transportation Systems (ITS)

The subcommittee recognized that ITS projects, such as real time traffic signal controls, are significantly different than physical roadway improvements. Several methods of measurement were discussed, including person throughput, hours of person delay, response time to emergencies and safety. However, in the end, **the benefits of these types of improvements can be determined in terms of congestion relief (person throughput and hours of delay) and benefits to the locality in which the ITS improvement is located** (emergency response times and safety).

Other Considerations

The subcommittee also discussed whether benefit should be determined prospectively or retrospectively. Initially, there was some support for determining benefit prospectively when project

funding is allocated by the Authority. However, there was concern that projects will be completed at different times and the ultimate benefit could be different than projected benefit. This would still require a retrospective look at some point. There was also concern that the project selection process proceed independently from the benefit determination process at least initially. Although it was suggested that the Authority adopt a specific allocation of benefit at the time each project is selected, this concept was also rejected for similar reasons, including the fact that actual benefits may vary from the benefits identified at the time the project is approved.

It was also noted that the governing bodies of some localities might agree that there is significant benefit to roadway improvements made in an adjacent jurisdiction. For example, the Cities of Manassas and Manassas Park might agree that improvements to Route 28 south of I-66 in either Prince William or Fairfax County would generate a significant benefit for their localities.

The subcommittee also discussed a scenario where a locality might oppose a project even though it has a benefit to that locality. The subcommittee concluded that it is unlikely that the Authority will fund and implement a project in a locality that does not want the project. However, it is possible that a locality may benefit from a project in an adjacent locality, even if the locality doesn't support the project.

Manassas Park Resolution

During the subcommittee's discussions, the Manassas Park Governing Body passed a resolution saying that the variance between a dollar collected in a locality and dollar spent in a locality calculation should be no more than five percent.

This concept was discussed by the subcommittee; however, it was not included in the final recommendation for two primary reasons: 1) whether intended by the City or not, the nature of the resolution seems to indicate that each individual locality controls how the 70 percent funding collected in the locality is spent (or have significant input into whether benefit is assigned to a locality from a project outside the locality). The subcommittee believes this concept is inconsistent with HB 2313. HB 2313 returns 30 percent of the funding to the local governments and allows each governing body to determine how these funds are to be spent, within the requirements of the law. However, the 70 percent is retained by the Authority and decisions regarding these funds are to be made regionally. The Authority is also charged with determining the benefit of the projects it funds. Each of the nine localities will have the opportunity to participate in the Authority's decision making process.

2) As stated earlier the calculation of benefit, as outlined in HB 2313 is not envisioned to be a simple mathematic calculation. As a result, it would be difficult to abide by a five percent variance between dollars collected and dollars spent in a locality.

Other Concepts Discussed, but Not Included

A member of the Technical Advisory Committee expressed a concern that the benefit document does not include any discussion about expansion of the Authority's boundaries in the future and how an

expansion could affect the determination of benefit. The subcommittee discussed this comment, but felt that if the Authority's boundaries are expanded in the future, there will be many different issues that would need to be addressed. Modifying the benefit determination approach would likely be one of these issues. The subcommittee believes that any boundary changes would take time to implement, and there would be sufficient time to address the need for changes to the benefit determination approach.

Conclusions

There was a general consensus that the Authority should try to keep the determination of benefit as simple and transparent as possible, while meeting the legislative intent as efficiently as possible.

Subcommittee recommends that any project included in the regional transportation plan (currently TransAction2040) can be considered "regional," because the plan needs to be considered a whole and is modeled as a whole, rather than as isolated projects.

The subcommittee recommends that any project included in the regional transportation plan (currently TransAction2040) can be considered "regional," because the plan needs to be considered a whole and is modeled as a whole, rather than as isolated projects.

The subcommittee recommends that the Authority maintain an on-going determination of benefit with no specific end point. In addition, the subcommittee recommends that this determination be reviewed retrospectively every ten years to ensure that benefits are relatively in balance with tax collections. After these reviews, if it is determined that the benefit is not as proportional as required by law, adjustments can be made in future project selections to address any under representation of benefit. Also the subcommittee recommends that only completed projects be included in this periodic determination. The frequency of the reviews should be assessed in the future.

The subcommittee recommends that the benefit of projects implemented by these two regional agencies be generally measured as follows:

- **for system-wide projects, the benefits of the investments should be attributed to each of the nine localities based on the appropriate established cost-sharing formula (Metrorail, Metrobus, or VRE) for those localities that are included in the formula and are members of the Authority only. This category would include the Alexandria and Crystal City stations for the VRE, since they are generally considered destination or system-wide stations. Improvements to these two stations are not the singular responsibility of Alexandria and Arlington, respectively. For Metrorail, the committee concluded that there are six stations which should be considered "core" station in Virginia. They are: Arlington Cemetery, Crystal City, Pentagon, Pentagon City, Ronald Reagan Washington National Airport, and Rosslyn. The benefits of improvements at these stations should be determined on a system-wide basis, rather than attributing all of the benefits to Arlington County. In the future, the Washington Dulles International Airport Station would also be considered a system-wide station.**

- for specific station or transit center improvements (i.e. platform extensions, additional parking, expanded bus bays, better access, additional vertical circulation, etc.) the benefits should generally be attributed to the locality in which the facility is located.

The subcommittee believes that the majority of the benefits of multi-locality projects will be attributed to the localities in which the project is located.

For investments in local transit systems, the benefits will generally be attributed to the locality in which the transit system is located.

The subcommittee recommends that the Authority use congestion relief as one of the ways to determine benefit of roadway, bicycle, pedestrian, or intelligent transportation system projects. However, these benefits should be determined by using the cumulative impact of a system of improvements from implemented projects, rather than on a project by project basis.

The subcommittee recommends that location of a roadway, bicycle, pedestrian or intelligent transportation system project be a factor used in determining benefit.

In summary, the subcommittee recommends that the two methods for determining the benefits of roadway, bicycle, pedestrian or intelligent transportation system projects be congestion relief, as modeled using the regional travel demand model (or state of the modeling practice in the future) for all of the projects selected, and the locations of the projects.

The subcommittee recommends that the Authority generally focus on primary benefits.

REVISED

Long Term Benefit

Authority Work Session
October 24, 2014



Northern Virginia
Transportation Authority
The Authority for Transportation in Northern Virginia

Key NVTA Characteristics

- Make decisions by consensus
- Show deference to local interests
- Create a positive regional impact



Session Ground Rules

- Looking for open dialogue
- I will act as facilitator to help us stay on track
- Use of “parking lot” for important issues that may extend beyond the day’s conversation.
- Goal – reach tentative agreement on how the Authority will manage the issue of determining long-term benefit



Background

- General Assembly passed HB 2313 in 2013
- Included three revenue sources for NVT
- Generate nearly \$300 M per year
- Requires NVT to allocate 30% to jurisdictions where funding was raised
- Remaining 70% retained by NVT for regional projects
 - “solely for transportation projects and purposes that benefit the counties and cities embraced by the Authority to fund (i) transportation projects selected by the Authority that are contained in the regional transportation plan or (ii) mass transit capital projects that increase capacity.”



Background (Continued)

- “With regard to the revenues distributed under subdivision 1, each locality's total long-term benefit shall be approximately equal to the proportion of the total of the fees and taxes received by the Authority that are generated by or attributable to the locality divided by the total of such fees and taxes received by the Authority.”
- NVTa charged the Financial Working Group with making a recommendation on how to determine benefit in cooperation with the Council of Counsels
- Working Group established a subcommittee that has been meeting since April to prepare a recommendation.
- Key words: “long-term,” “benefit,” “approximately equal,” and “regional project”



Subcommittee Discussions

- **Keep the determination of benefit simple and transparent. Meet legislative intent as efficiently as possible.**
- “Regional Project”
 - “transportation projects and purposes that benefit the counties and cities embraced by the Authority to fund (i) transportation projects selected by the Authority that are contained in the regional transportation plan or (ii) mass transit capital projects that increase capacity.”
- Subcommittee is recommending **that any project included in the regional transportation plan (currently TransAction2040) can be considered “regional,” because the plan needs to be considered as a whole and is modeled as a whole, rather than as isolated projects.**



Subcommittee Discussions (Continued)

- “Approximately Equal”
 - General Assembly’s inclusion of the word “approximately” is intended to provide flexibility
 - Any determination or attribution of benefit will not be an exact mathematical or financial calculation



Subcommittee Discussions (Continued)

- “Long-Term”
 - five years,
 - the length of a Six Year Program;
 - ten years;
 - 20 years; and
 - the horizon of the long range transportation plan (currently TransAction 2040)
- TAC recommended not less than six years
- Subcommittee initially focused on length of the Six Year Program
- Ultimately, the subcommittee concluded that “long-term” does not have a defined length
- Difference between project selection and benefit determination
- Assess retrospectively every ten years



Subcommittee Discussions (Continued)

- Regional Transit Agencies
 - For system-wide projects, the benefits should be attributed to each of the 9 localities based on established cost-sharing formulas (Metrorail, Metrobus, or VRE) for those localities that are included in the formula and are members of the Authority only.
 - For VRE: include the Alexandria and Crystal City stations, since they are generally considered destination or system-wide stations and not the singular responsibility of Alexandria and Arlington, respectively.
 - For Metrorail: 6 stations should be considered “core” station in Virginia. They are: Arlington Cemetery, Crystal City, Pentagon, Pentagon City, Ronald Reagan Washington National Airport, and Rosslyn. The benefits of improvements at these stations should be system-wide, rather than attributing all of the benefits to Arlington County. In the future, the Washington Dulles International Airport Station would also be considered a system-wide station.
 - For specific station or transit center improvements (platform extensions, additional parking, expanded bus bays, better access, additional vertical circulation, etc.) the benefits should generally be attributed to the locality in which the facility is located.



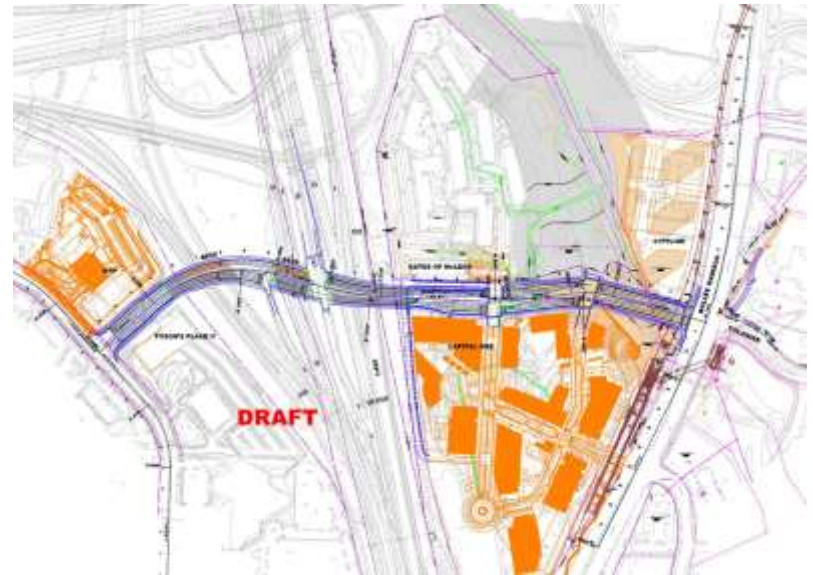
Subcommittee Discussions (Continued)

- Multi-jurisdictional Transit Projects
 - In general, majority of the benefits of this type of project will be attributed to the localities in which the project is located.
- Local Transit
 - the benefits will generally be attributed to the locality in which the transit system is located.



Subcommittee Discussions (Continued)

- Roadway Projects
 - TransAction 2040,
 - HB 599 study being conducted by VDOT
 - FY 2014 Project Selection Process
- Most relevant factors
 - Congestion Relief
 - Safety
 - Connections between Activity Centers
 - Multimodal Choices
 - Air Quality
 - Freight Movement
 - Intelligent Transportation System



Subcommittee Discussions (Continued)

- Use congestion relief as one of the ways to determine benefit. Benefits should be determined by using the cumulative impact of a system of improvements from implemented projects, rather than on a project by project basis.
- Other TransAction 2040 Measures Considered
 - Improved Bicycle and Pedestrian Travel Options, Urgency, Project Readiness, Reductions in Vehicle Miles Traveled, Person Throughput, Reduced Travel Time; Environmental Sensitivity, Land Use Supportive Investments, Management and Operations, and Cost Sharing. Safety, Connections between Activity Centers, Multimodal Choices, and Freight Movement
 - Economic Development was also discussed.
- Other FY 2014 Selection Criteria Considered
 - Project Readiness
- HB 599 Criteria Discussed
 - Emergency Evacuation



Subcommittee Discussions (continued)

- Methods
 - Travel Demand Model or other tool(s) the Authority may choose in the future
 - Completed projects as a system
- **Location of project is a surrogate for other benefits, such as economic development, safety, and support for activity centers.**
- Bike and Pedestrian Projects
- Intelligent Transportation System Projects
- Dollars spent in a jurisdiction
- Concerns and Responses
- Primary vs. Secondary Benefits



Subcommittee Discussions (Continued)

- Other Considerations
 - Prospectively vs. retrospectively
 - Assess benefit when project is selected
 - Benefits outside a jurisdiction
 - Opposition by a jurisdiction
- Manassas Park Resolution
- Future Expansion of NVTB Boundaries
- Input included from
 - Technical Advisory Committee
 - Jurisdiction and Agency Advisory Committee



Questions?

Discussion



RESOLUTION
City of Manassas Park
Interpretation of HB 2313 Verbiage by NVT

MOTION: Councilmember Rishell SECOND: Councilmember Naddoni
Date of Meeting: August 5, 2014

WHEREAS, Manassas Park is aware of discussions at the Northern Virginia Transportation Authority (NVT) about defining the phrase "long-term benefit" as stated in the following section of HB 2313:

"With regard to the revenues distributed under subdivision 1, each locality's total long-term benefit shall be approximately equal to the proportion of the total of the fees and taxes received by the Authority that are generated by or attributable to the locality divided by the total of such fees and taxes received by the Authority." ; and

WHEREAS, Manassas Park understands that this "long-term benefit" discussion will alter the amount of 70% NVT revenue that is returned to the localities from which that revenue was generated, and

WHEREAS, Manassas Park understands there are proposals that would require a locality to provide a set portion of its own 70% NVT funding to a second locality, if it is deemed that the project provided benefit to the first locality; and

WHEREAS, this proposal may result in each locality not receiving funding based upon the taxes that were generated in that locality, as per the transportation statute; and

WHEREAS, the above set portion of a locality's 70% NVT funding may be taken without that locality's approval; and

WHEREAS, Manassas Park understands this would result in the locality receiving a far different share of its proportional 70% NVT revenue than would normally have been distributed from the revenue collected in that locality; and

WHEREAS, Manassas Park recognizes that there are regional concerns that cannot be addressed on a simply parochial basis, but nevertheless, Manassas Park believes that it is possible to address regional concerns without forcing a locality to accept a diversion of its tax payer dollars to another locality; and

WHEREAS, Manassas Park certainly acknowledges that there is some difficulty involved in forcing a dollar for dollar match between revenue generated from a locality and the spending of the revenue attributed to that locality over time, and over the course of large projects; and

WHEREAS, Manassas Park also acknowledges that there will be naturally occurring variances between the revenue generated and the revenue returned to the localities from their 70% portion of the NVT funding; and

WHEREAS, Manassas Park believes that when defining "long-term benefit", the word "approximately" should be a point of consideration, wherein "approximately" implies an effort to move towards an equitable distribution of the 70% revenue in a manner proportional to how that revenue was generated;

NOW, THEREFORE, BE IT RESOLVED, that Manassas Park respectfully requests your assistance in addressing what we believe to be a diversion of tax payer dollars; and

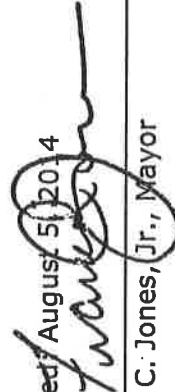
BE IT FURTHER RESOLVED, that Manassas Park requests that "long-term benefit" be defined within the context of the word "approximately", and also that it be considered within the context of the complete clause where it is located in HB 2313; and

BE IT FURTHER RESOLVED, that Manassas Park recommends that the word "approximately" be interpreted and treated as a "variance" of 5%; and

BE IT FURTHER RESOLVED, that Manassas Park acknowledges that any locality may choose to voluntarily allocate any portion of its 70% funding, if the locality considers a project in another locality to be effective in reducing congestion in its own locality; and

BE IT FURTHER RESOLVED, that a copy of this Resolution be prepared for the Virginia House of Delegates, the Virginia Senate, the Office of the Governor, and the NVT as an expression of the Governing Body's opposition to this diversion of funds on behalf of the citizens of the City of Manassas Park.

Approved: August 5, 2014


Francis C. Jones, Jr., Mayor


Attest: Lana A Conner, City Clerk

AYES: Rishell, Naddoni, Banks, Miller, Polk, Shuemaker, Jones
NAYES: None
ABSTAIN: None