



PLANNING COORDINATION ADVISORY COMMITTEE

Wednesday, January 22, 2025, 6:30 p.m.

Meeting will be held in the 6th Floor Conference Room

The meeting will be livestreamed on [NVTA's YouTube Channel](#)¹

AGENDA

- I. **Call to Order/Welcome** Chair Colbert

Action

- II. **Summary Notes of November 20, 2024, Meeting** Chair Colbert
Recommended action: Approve meeting notes

- III. **2025 Meeting Calendar** Chair Colbert
Recommended action: Approve meeting calendar

- IV. **Policy 30 Update and Recommendation** Mr. Longhi, CFO
Suggested Motion: I move PCAC recommend adoption of proposed Policy 30 – Funding Cost Underestimates, Overruns and Transfers as presented in the attached draft.

Discussion/Information

- V. **CY 2025 Transportation Planning and Programming Activities (Verbal Update)** Mr. Jasper, Principal

- VI. **NVTA Update (Verbal Update)** Ms. Backmon, CEO

Adjournment

- VII. **Adjournment**

Next Meeting: TBD

¹ If technical difficulties arise, the meeting may be audio or video recorded. Any recordings will be made available on the [Planning Coordination Advisory Committee Meetings](#) webpage.

PLANNING COORDINATION ADVISORY COMMITTEE

Wednesday, November 20, 2024, 5:00 pm

Northern Virginia Transportation Authority

Virtual Meeting

Live-streamed on YouTube

MEETING SUMMARY

I. Call to Order/Welcome

- Mayor Colbert (Town of Vienna), Chair of the Committee, welcomed Committee members and called the meeting to order at 5:05 p.m.
- Attendees: This was a virtual meeting held on an online collaboration platform.
 - **PCAC Members:** Mayor Colbert (Chair, Town of Vienna); Board member Cunningham (Arlington County); Supervisor Walkinshaw (Fairfax County); Supervisor Glass (Loudoun County); Council Member Bagley (City of Alexandria); Council Member Underhill (City of Falls Church); Council Member Stehle (City of Fairfax); Council Member Smith (City of Manassas).
 - **NVTA Staff:** Monica Backmon (Chief Executive Officer); Michael Longhi (Chief Financial Officer); Keith Jasper (Principal, Transportation Planning and Programming); Harun Rashid (Planning Analytics Manager).

II. Action Items:

- A. **Summary Notes of June 20, 2024, and October 23, 2024, meetings:** The meeting summaries were unanimously approved.

III. Discussion/Information Items:

A. Resubmitted Projects with Cost Overruns – Policy Development Update:

- Mr. Longhi discussed salient points on this topic, which were presented in a staff memo to the Authority during the November 14, 2024, meeting. In this memo, staff recommended against funding cost underestimates/overruns, while presenting three options to address the issue: A) Not funding cost underestimates/overruns, B) Add a petition process to option A, and C) Fund Cost Underestimates/Overruns. Option C presents several challenges to overcome, including the need to address 47 issues identified during the analysis of a similar initiative in 2015-16.
- Authority members provided guidance to pursue option B, which would establish a policy to not fund cost underestimates/overruns but allow project sponsors to submit a petition for additional funding under extraordinary circumstances that

could not have been anticipated. In the same discussion, members also suggested to not consider any fund transfers between projects.

- While avoiding specific scenarios that could later frame expectations, Mr. Longhi responded to questions regarding the potential processes/steps involved if a petition is submitted as a part of a two-year update of the Six Year Program. Such a petition will go through each statutory/standing committee for consideration and associated recommendations to the Authority.
- Following the update, committee members provided clarification through the following questions/comments:
 - (Mayor Colbert) *If the Authority decides not to fund cost overruns, it will still fund the original approved amount?* Yes, Authority will fund the project according to existing contract (Standard Project Agreement).
 - (Supervisor Walkinshaw) *Defining unique/extra-ordinary situation for a potential petition will be challenging. For the NVTAs-funded projects that are not progressing well, is cost-escalation a major issue?* According to NVTAs staff analysis with project cost reimbursements, it appears there are other factors for a project to not move forward as originally estimated. For example, staff analysis shows there is a widening gap between expected and actual reimbursements.
 - (Council member Stehle) *Extra-ordinary circumstances can arise from changes in federal policies, or top-down changes in project management/funding.* Situations like this will need to be considered on an individual case basis, there will not be any scenario guidance in the proposed policy.
 - (Board member Cunningham) *While inflation is not being considered as an extra-ordinary situation, it can be challenging for project implementation. Because of this reason, I am inclined to support option A above.* Inflation is not ‘unique’, it would apply to all projects. Also, in estimating regional fund revenues available for a two-year update of the Six Year Program, inflation and other financial scenarios (e.g., recession) are considered.

IV. NVTAs Update: Ms. Backmon reiterated that this issue was also discussed at the November Authority meeting, and the staff is currently working on a draft language for the policy. She also mentioned that NVTAs staff will contact localities for new appointees to the committee for CY2025.

V. Adjourn: The next meeting of the PCAC has not been scheduled and will be determined based on the committee members’ availability, considering the extended holidays in December.
The meeting was adjourned at 5:30 pm.

2025

Planning Coordination Advisory Committee Proposed Meeting Schedule

January						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

February						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	

March						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

April						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

May						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

June						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

July						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

August						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

September						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

October						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

November						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

December						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

FOR: Chair Colbert and Members
Planning Coordination Advisory Committee

FROM: Michael Longhi, Chief Financial Officer

DATE: January 15, 2025

SUBJECT: Recommendation to Approve Policy 30 – Funding Cost Underestimates, Overruns and Transfers

1. **Purpose:** To seek the Planning Coordination Advisory Committee (PCAC) approval to endorse the policy to address resubmitted projects that have experienced a cost underestimate, overrun and/or is requesting a transfer.
2. **Suggested Motion:** I move PCAC recommend adoption of proposed Policy 30 – Funding Cost Underestimates, Overruns and Transfers as presented in the attached draft.
3. **Background:**
 - a. At the July 11, 2024, Authority meeting, a directive was made for Authority staff to return with a policy to deal with resubmitted projects that have experienced a cost underestimate, overrun and or requesting a transfer between projects, by the end of the calendar year.
 - b. The fundamental aspects of this directive (funding cost underestimates and overruns) were reviewed by the Authority's Finance Committee in 2015 and 2016. Additionally, a regional Advisory Panel was established by the Chief Executive Officer, to collect key insights from regional jurisdiction staff regarding the composition of a policy to fund project cost overruns through the establishment of a Contingency Reserve.
 - c. At the October 5, 2016, meeting the Authority acted, based on the Finance Committee and Advisory Panel recommendations, to eliminate the funding of project cost overruns and no longer pursue the development of a related policy. The associated 2016 staff report for this Authority action is attached.
 - d. The 2016 staff report was presented to and discussed with:
 - I. The Authority on October 17th.
 - II. The Technical Advisory Committee (TAC) on October 16th.
 - III. The Planning Coordination Advisory Committee (PCAC) on October 23rd.
 - IV. The Planning and Programming Committee (PPC) on November 18th
 - V. The Regional Jurisdiction Coordinating Committee (RJACC) on September 26th, October 24, November 21 and December 19th.

- e. The TAC and PCAC did not have meeting quorums and were therefore unable to take official action.
 - f. At the November 14, 2024, Authority meeting, staff were directed to develop the policy to not fund cost underestimates, overruns or transfers between projects. This direction included the development of a petition process for unique and extraordinary circumstances that could not have been anticipated. The direction provided is to set the bar for such petitions very high. Additionally, petitions are to be examined within the context of a two-year update to the Authority's Six Year Program. The timeframe for the policy delivery was extended until the February 2025 Authority meeting.
 - g. A draft policy is attached for Authority review, discussion and feedback, prior to the February 2025 Authority meeting.
- 4. Discussion Items:** The policy development process, informed by prior Authority action, must be guided by whether the Authority is willing to fund cost underestimates/overruns/transfers or not.
- a. Funding Cost Underestimates/Overruns/Transfers.**
 - I. A policy based on this direction will need to address the issues noted in the earlier 2015/2016 work of the Advisory Panel and Finance Committee as well incorporate lessons learned over the last eleven years.
 - II. Prior efforts to form a policy identified 47 issues which will need to be addressed within the policy. The 47 issues cannot address all possible circumstances which will grow exponentially as experiences broaden.
 - III. Addressing the issues involved in the implementation of such a policy will necessitate the expansion of Authority staff and the use of independent external consultants.
 - IV. Implementation of such a policy must occur within the two-year update to the Six Year Program (SYP) call for projects, evaluation and ranking processes to maintain compliance with the Authority's legal requirements.
 - b. Not Funding Cost Underestimates/Overruns/Transfers.**
 - I. A policy to not fund cost underestimates/overruns will be relatively easy to draft.
 - II. If the Authority chooses to direct the development of a policy to not fund cost underestimates/overruns, it can choose to leave an avenue open for project sponsors to submit a petition for additional funding under extraordinary circumstances which could not have been anticipated.
 - III. Such a petition process would need to include, but not be limited to:
 - 1. Provisions to ensure the petitions are only reviewed in the context of an update to the SYP.

2. Petitions should be submitted to the Chief Financial Officer (CFO) and Principle, Transportation Planning and Programming (P,TPP) to provide for an orderly examination and comprehensive NVTA staff review facilitating comprehensive professional recommendations for NVTA's Chief Executive Officer (CEO) to assess.
3. The progress of petition reviews will be dependent on the promptness, completeness and clarity of project sponsor responses to NVTA inquiries. Such inquiries must be expected to be in-depth and thorough.
4. NVTA must have provisions to use the services of independent outside consultants on an on-call basis, to fully examine the petition and form recommendations. (Cost to be paid by project sponsors.)
5. The on-call services will limit the need to preemptively hire full-time NVTA staff.
6. The CEO will make recommendations to the Authority's Finance Committee, PCAC and PPC.
7. The PPC will make recommendations to the Authority as part of a SYP update suite of projects for new funding.
8. Any recommendations will be made within the context of a two-year update to the SYP.

5. Attachments:

- a. Draft Policy 30 – Funding Cost Underestimates, Overruns and Transfers
- b. Recommendation to Eliminate Contingency Reserve – October 5, 2016

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 30 – Funding of Cost Underestimates/Overruns and Transfers

I. Purpose. The purpose of this policy is to establish that project risks due to cost underestimates and/or cost overruns, will not be absorbed by the Northern Virginia Transportation Authority (Authority/NVTA). Upon the adoption of this policy the Authority will not allow the transfer of Authority Regional Revenue Fund project funding between projects.

II. General.

- A. The funding of cost underestimates/overruns/transfers shifts project risks to the NVTA from the Project Sponsor.
- B. Any shift of risks by individual Project Sponsors is incompatible with the regional role of the Authority to increase transportation capacity and reduce congestion.
- C. Project Sponsors are expected to use appropriate, competent professional practices in estimating costs, scheduling and the establishment of contingencies.
- D. The Authority does not set guidelines for cost estimation, contingency levels, scheduling, preliminary engineering, or any project phases/characteristics, recognizing that Project Sponsors, directly and with their expert consultants, are best positioned to make those decisions and determinations.
- E. The Authority deploys all available PayGo funds in two-year updates to the Six Year Program. Therefore, the funding of cost underestimates/overruns will reduce the capacity for new and continuing projects.
- F. Project funding decisions by the Authority are the culmination of a comprehensive evaluation process that is applied consistently across all project funding applications using quantitative and qualitative measures, combined with a formal public comment process. This evaluation process is compliant with NVTA's statutory responsibilities including a requirement that NVTA's funding decisions give priority to projects that achieve the greatest congestion reduction relative to cost.
- G. The funding of cost underestimates/overruns/transfers will bring into question prior funding decisions of the Authority, which were completed within the parameters required in the Code of Virginia at the time of those decisions.

III. Petition for Policy Exemption.

- A. Project Sponsor petitions for policy exemptions are not encouraged.
- B. Project Sponsor petitions for policy exemptions will be examined rigorously.
- C. Project Sponsors are encouraged to discuss project difficulties with the NVTA Principal, Transportation Planning and Programming (P,TPP) and Chief Financial Officer (CFO) as soon as practical for all parties to attempt to find alternative solutions.
- D. It is the responsibility of the Project Sponsor to only submit a petition for which the Project Sponsor believes it can proficiently demonstrate factual circumstances supported in currently available and detailed records demonstrating project conditions that are unique, extraordinary in circumstance and could not have been anticipated.

- E. The Authority has the sole right and responsibility to determine the use of Regional Revenue Funds within the parameters and processes required in the Code of Virginia.
- F. All petitions for exemption under this policy will be presented to the Authority for final determination.
- G. Petitions must be presented and considered as part of and within the project selection process of the next available update to the Six Year Program's Call for Regional Transportation Projects (CfRTP).
- H. Petitions received after the current CfRTP deadline will not be reviewed until the next CfRTP.
- I. Petitions must be submitted to NVTa's CFO and P,TPP to provide for an orderly examination and comprehensive NVTa staff review facilitating thorough and comprehensive professional recommendations for NVTa's Chief Executive Officer (CEO) to assess.
- J. The P,TPP will provide requirements for the submission of petitions within the Six Year Program Update CfRTP.
- K. At its sole determination, NVTa may use the services of independent outside consultants, of its choosing, on an on-call basis, to fully examine the petition and to form recommendations. The cost of any on-call consultants used for the petition review will be paid by the Project Sponsor.
- L. The progress of petition reviews will be dependent on the promptness, completeness and clarity of Project Sponsor responses to NVTa inquiries. Such inquiries must be expected to be in-depth and thorough.
- M. Delays in the receipt of requested Project Sponsor material and responses will result in a recommendation of No Finding. Authority acceptance of a No Finding recommendation will result in the petition, if not withdrawn by the Project Sponsor, being reviewed as part of the next two-year update to the Six Year Program.
- N. The CEO will make recommendations to the Authority's Finance Committee, Program Coordination Advisory Committee (PCAC), Technical Advisory Committee (TAC) and Planning and Programming Committee (PPC).
- O. The PPC will make recommendations to the Authority as part of a Six Year Program update cycle.
- P. Authority petition decisions are final and non-appealable.

**NORTHERN VIRGINIA TRANSPORTATION AUTHORITY****MEMORANDUM**

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

FROM: Mayor Parrish, Chairman, Finance Committee

DATE: October 5, 2016

SUBJECT: Recommendation to Eliminate Contingency Reserve

1. **Purpose:** Present Advisory Panel Contingency Reserve Recommendations.
2. **Suggested Motion:** *I move the Authority approval of the elimination of the Contingency Reserve in the Regional Revenue Fund as recommended by the NVTa Advisory Panel and reviewed by the NVTa Finance Committee.*
3. **Background:** The Finance Committee requested staff research and report on the establishment of two reserve funds. One reserve for project contingency (Contingency Reserve) and the other to set aside funds for future large scale projects (Transportation Project Reserve). The Executive Director established an Advisory Panel to examine and make recommendations on both reserves. Participation on the Advisory Panel was open to representatives of all member jurisdictions. Participation of jurisdiction transportation and finance representatives was especially welcomed.

After several meetings the Advisory Panel prepared this recommendation for the Contingency Reserve. The Advisory Panel also formulated a recommendation on the Transportation Project Reserve which is presented in a separate report.

4. **Comments:** The Finance Committee expressed an interest in establishing a Contingency Reserve within the Regional Revenue Fund to provide funding to achieve completion of approved Authority projects encountering cost overruns.

Initial funding of the reserve occurred with the FY2016 budget adoption with the provision that the reserve could not be utilized until a policy covering its use was adopted by the Authority. In FY2017, the reserve level was funded at \$8,573,894 in keeping with an objective of maintaining the reserve at 3.8% of Regional Revenue Fund annual revenues. The Advisory Panel, through policy development meetings made the following observations related to the reserve:

- a. A contingency reserve has the potential to shift project risk in some measure from the project sponsor to the NVTa. The Advisory Panel believes the NVTa should not absorb this risk.

- b. Past project performance would need to be made a formal part of the contingency request and possibly future project evaluation processes.
- c. The Contingency Reserve had been referred to as a 'last resort' option. The Advisory Panel questioned how the NVTa, at current staffing levels would be able to ensure other options are exhausted.
- d. If a Contingency Reserve were to be offered, the Advisory Panel recommended localities be required to commit their 30% funds as part of the 'other options' noted above prior to making a contingency request. However this raised additional questions:
 - 1. What if the locality 30% funds are already committed by contract or other governing body action?
 - 2. Are there equity issues with Agencies since they do not receive 30% funds?
 - 3. Should and how will project sponsors be required to affirm they have no other financial options other than to request contingency use? (Given the complexity and scope of the various fund structures and budgeting as well as accounting methods, this could be extraordinarily complex, intrusive and staff time consuming.)
- e. Having a contingency reserve and thus a portion of project risk being transferred to the NVTa would necessitate the requirement for project contingency assumptions to be disclosed as part of the project descriptions. This disclosure would then become part of the project assessment process.
- f. The Advisory Panel questioned if contingency costs could be meaningfully disclosed without the additional disclosure of all cost components. Such disclosure would be expensive, time consuming, while potentially adding little value to the actual project.
- g. The Advisory Panel cautioned that in an environment of broad economic changes such as inflationary labor, raw and finished material cost increases, a significant number of projects could face escalating costs at the same time for the same reasons. This potential raised questions as to:
 - 1. The sufficiency of the funding level of the Contingency Reserve.
 - 2. How will NVTa staff recommendations be formulated?
 - 3. Is there an equity issue when some project sponsors may have committed additional local funds to the project contingency while others are depending on the NVTa contingency reserve?
- h. The Advisory Panel recognized NVTa project evaluation and selection processes could be impacted through the application of Contingency Reserve funds:
 - 1. Cost is a consideration in the NVTa project selection decision, additional costs would impact the score and may have changed the initial funding decisions.
 - 2. The existence of a NVTa contingency reserve may induce project submitters to reduce their project contingency or other cost factors in their project estimates. Therefore, the existence of a contingency reserve with a stated purpose of reducing the risk of not achieving completion of a project, may unintentionally cause a broader risk shift.

3. Multi-phase projects have an opportunity to absorb cost increases through future requests for sequential phase funding. Those costs would then be part of the next project description, evaluation and rating.
 - i. The Advisory Panel recognized that few if any project grants from other sources came with the expectation that a contingency fund would be available to a project sponsor.
 - j. The Advisory panel noted that under the terms of the NVTa Standard Project Agreement (SPA) the project sponsor agrees to provide a complete project as described in the SPA and therefore has already agreed to and conceivably planned for contingencies.
 - k. While no formal requests for use of the Contingency Reserve has been received by the NVTa, project status discussions have indicated there is approximately \$24 million in potential project cost overruns, which is almost 3 times the current targeted contingency level.
 - l. Increasing the contingency level to \$24 million would have reduced FY2017 PayGo by almost 10% and increased the need for debt financing.
 - m. Replenishing a contingency reserve on an annual basis will make a significant reduction in PayGo resources, thereby delaying future NVTa project awards or forcing a greater reliance on debt financing.
5. **Advisory Panel Recommendation:** After careful consideration of the benefits and drawbacks related to a NVTa Contingency Reserve and in light of the above considerations, the Advisory Panel recommended to the NVTa Finance Committee that a Contingency Reserve not be established.
6. **Next Steps:** If the Authority eliminates the Contingency Reserve, the reserve funding designation of \$8,573,893.78 will become fund balance in the Regional Revenue Fund. These funds will then be available for future FY2018 Project Program decisions by the Authority.