



Approved March 15, 2018

Northern Virginia Transportation Authority
The Authority for Transportation in Northern Virginia

FINANCE COMMITTEE
Thursday, February 15, 2018 1:00PM
3040 Williams Drive, Suite 200
Fairfax, VA 22031

MEETING SUMMARY

I. Call to Order/Welcome

Vice Chair Rishell

- Vice Chairman Rishell called the meeting to order at 1:07pm.
- Attendees:
 - ✓ Members: Chairman Bulova; Chair Randall; Mayor Silberberg
 - ✓ Authority Members: Chair Cristol; Ms. Hynes
 - ✓ Staff: Monica Backmon (Executive Director); Michael Longhi (CFO); Carl Hampton (Investment & Debt Manager); Peggy Teal (Assistant Finance Officer); Yolanda Thomas-Jones (Clerk).
 - ✓ Council of Counsels: Ellen Posner (Fairfax County); Steve MacIsaac (Arlington County); Rob Dickerson (Prince William County)
 - ✓ Other Attendees: Arthur Anderson (NVTA Bond Counsel; Tracy Baynard (Legislative Liaison, McGuire Woods Consulting); Tom Biesiadny (Fairfax County); Paul Doku (Fairfax County); Penny Newquist (Loudoun County); Bob Brown (Loudoun County); Meseret Argaw (Loudoun County); Dan Malouff (Arlington); Allan Fye (Alexandria); Tarrence Moorner (Alexandria); Bob Leibbrandt (Prince William County); Maria Sinner (VDOT); Rich Roisman (TPB); Kate Mattice (NVTC); JoAnne Carter (PFM); Kristie Choi (PFM).

II. Summary Minutes of the January 18, 2018 Meeting

- Chair Randall moved approval of the minutes of January 18, 2018; seconded by Mayor Silberberg. Motion carried unanimously.

Action Items

There were no Action Items submitted for the agenda.

Information/Discussion Items

III. Legislative/Budget Impact Update

Mr. Longhi, CFO

- The Committee reviewed and discussed an analysis prepared by NVTA staff addressing the impact of Substitute SB856 and Substitute HB1539. Mr. Longhi explained the analysis was prepared in the context of the Authority's upcoming Six Year Program (SYP) using the Revenue Projections approved by the Authority in the fall.
- Projected FY2018/23 30% distributions would be reduced by \$204.0 million under SB856 and \$273.9 million under HB1539. The elimination of Transient Occupancy Tax (TOT) is \$48.8 million of these amounts.

- The immediate impact on the Regional Revenue and SYP under Substitute SB856 and HB1539, as proposed, would be a reduction in available funding of \$106 million, reducing projected PayGo funding from \$1.511 billion to \$1.405 billion. Mr. Longhi clarified the \$106 million is the impact assessed only on five of the six years in the SYP, since the proposed legislation would become effective in FY2019 and the SYP includes FY2018.
- Equalizing for this one-year difference has a negative impact on both the 30% distribution and the Regional Revenue funds.
 - ✓ The reduction in the 30% Distribution Fund would be increased by \$31 million under Substitute SB856 and \$45 million under HB1539; making the total reduction, over six full years, approximately \$235 million under the Senate bill; and \$304.9 million under the House Bill.
 - ✓ Mr. Longhi further explained FY2018 has a significant carryforward from the withdrawn I66 Route 28 Project. Adjusting for the carryforward and applying the budget provisions to FY2018, results in additional reductions of \$121 million, making the total reduction over six full years approximately -\$227 million. Thus reducing PayGo for the SYP from 1.5 billion to 1.28 billion.
- Mayor Silberberg requested additional information on how the two bills impact the Authority's budget. Mr. Longhi clarified the impact on the Regional Revenue (70% funds) would be the same under both bills as they are written today. The impact on the 30% Local Distribution funds varies between the two bills.
- Ms. Backmon requested Ms. Tracy Baynard (NVTA's Legislative Liaison); provide an overview of the progress and status of SB856 and HB1539. There followed a lengthy discussion by Committee Members, Bond Counsel, Council of Counsels, and NVTA staff. Primary topics included:
 - ✓ Two WMATA bills, Substitute SB856 & HB1539 have 'crossed over', and are expected to be sent to conference committees for negotiation.
 - ✓ There has been reaction to proposed tax increases by realtors and the travel industry.
 - ✓ The differences between Senate Bill 856 and House Bill 1539 were discussed.
 - ✓ It was noted, part of the revenues discussed in both General Assembly bills are Chapter 766 revenues (HB2313) and the use of their proceeds by WMATA may need to be monitored to avoid tripping legislative 'kill switches'.
 - ✓ There was a preference expressed that localities be allowed to determine the source of funding to meet the \$31 million WMATA transfer, with 30% funds being an option, not a mandate.
 - ✓ The proposals to eliminate TOT from the Authority's revenue stream was discussed at length. The discussion included:
 - Financial implications.
 - Probable lowering of NVTA's credit ratings.
 - Providing event disclosure as required by the Municipal Securities Rulemaking Board (MSRB).
 - Impact on interest rates of NVTA's future bond sales.
 - Potential engagement of the legislative 'kill switch'.
 - General Assembly use of its non-appropriation authority. There was discussion that the Authority clearly disclosed this risk in the 2014 Bonds' Indenture and Official Statement.
 - Impact of the General Assembly's non-appropriation action will potentially extend beyond the NVTA to other bond issuers.

- The NVTA has very substantial balance sheet strength which corresponds to very little default risk.
- The NVTA has, and will continue to have, very strong debt service coverage ratios. Currently NVTA has over 40 times coverage, dropping to an estimated 38 times if NVTA revenues are reduced.
- A number of legal and administrative issues remain unsettled.

IV. FY2018-2023 Six Year Plan- PayGo Taper Analysis

Mr. Longhi, CFO

- Mr. Longhi shared that the Committee has been receiving analysis and discussing the potential of incorporating a deliberate underutilization of Authority revenues (referred to as a taper) in the last three years of the FY2018-2023 Six Year Program. Mr. Longhi explained further discussion and any staff recommendations await the finalization of the General Assembly's budget and legislative action.

V. FY2019 Operating Budget Guidance

Monica Backmon, Executive Director

- The Committee received a report and provided guidance on proposed base budget changes and new initiatives for the FY2019 Operating Budget. In addition to base budget changes related to annual compensation, insurance rate changes and contract escalations, the Committee received three proposals for new initiatives:
 - ✓ Development of a Regional Design and Engineering Contract Availability Pool. This initiative would use outside procurement services to establish a pool of qualified design and engineering firms for optional use by member jurisdictions and agencies. The proposal has a onetime cost of \$25,000.
 - ✓ Dedicated GIS Server: Running the Geographical Information System (GIS) on its current server location is causing increasing performance issues for NVTA administrative applications. Separating GIS from NVTA's administrative server provides an additional layer of server security. The proposal has an annual cost of \$6,500.
 - ✓ Program Monitoring and Management System (PMMS): This initiative is split between two fiscal periods. Staff recommends only proceeding with the first phase in FY2019 with the understanding that the second phase in FY2020 is necessary to complete the objectives.
 - Six Year Plan Application Automation (proposed for FY2019). This is an automated and simplified approach to streamlining the project application process. The next potential call for projects could be in early calendar 2019 (FY2019). The proposal has a onetime cost of \$60,000.
 - Project Status Monitoring (proposed for FY2020). This component of the PMMS will streamline and enhance critical programmatic responsibilities to ensure that NVTA's regional projects deliver their intended scope, with schedule and budget monitoring tools. Phases will include an online project dashboard. FY2020 onetime costs are estimated at \$115,000. Annual maintenance costs are estimated at \$25,000.

VI. Investment Portfolio Report

Mr. Longhi, CFO

- Mr. Longhi walked the Committee through the reports and explained the performance of the Authority's investment portfolio. The portfolio is performing within policy requirements and is exceeding performance benchmarks.

VII. Monthly Revenue Report

Mr. Longhi, CFO

- The Committee received a report and was briefed on the Authority's revenue receipts and distributions of 30% funds to member localities. Mr. Longhi shared revenue performance is 1.98% above projections. He also noted that sales tax receipts are improving over early fiscal year performance.

VIII. NVTA Operating Budget

Mr. Longhi, CFO

- The Committee received a report and was briefed on the Authority's Operating Budget. Mr. Longhi reminded the Committee all operating revenue had been received for the fiscal year during the month of July. He shared the NVTA expenditures reported as of December 31, 2017, representing 50% of the fiscal year, are at 46% of budget.

Adjournment

- Meeting adjourned at 2:05pm.

Next Meeting: March 15, 2018