

REVISED

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

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

FROM: John Mason, Interim Executive Director

DATE: May 2, 2014

SUBJECT: Proposed FY2015 Authority Budget

1. **Purpose.** Presentation of proposed FY2015 Authority Budget as approved and recommended by the NVTVA Finance Committee.
2. **Suggested motion.** *I move approval of the proposed FY2015 Authority Budget comprised of the FY2015 Operating Budget, FY2015 30% Funds Budget and FY2015 70% Regional Revenue Budget.*
3. **Background.** The Authority budget is comprised of three segments; Operating Budget, 30% Funds Budget and 70% Regional Revenue Budget.
 - a. Proposed budget is consistent with guidance approved at April 17th meeting with the exception of the use of 70% interest (estimated to be \$52,500 for FY2015). At the Finance Committee meeting on May 2, Council of Counsels recommended that we not use 70% interest for anything other than the 70% fund as it was not explicitly addressed in the recent bond case in Fairfax Circuit Court.
 - b. Projected Authority tax revenue for FY2015 is \$290,234,874.
 - c. Carryover from FY2014 is expected to be approximately \$270,000 (approximately 30% of the approved FY2014 budget).
 - d. Interest earned on 70% Regional Revenue for FY2015 is projected at \$52,500.
 - e. The Authority's operating budget, net of revenue and carryover, is allocated to, and paid by, member jurisdictions based on population.
 - f. The Authority is required under §15.2-4838.1 B.1. to disburse 30% of revenues received to member jurisdictions. The projected 30% distribution for FY2015 is \$87,070,462.
 - g. The remaining 70% Regional Revenue must first be used to meet any debt service requirements, reserve requirements of the debt policy with the remaining balance available for projects to be approved by the Authority. The projected 70% regional revenue for FY2015 is \$203,516,912.
4. **Operating Budget.** The proposed FY2015 Operating Budget is presented on Attachment A. The attachment includes the approved FY2014 budget and a FY2016 projection for comparison purposes.

- a. Revenue.
 - 1) Carry forward from FY2014. Unobligated/unexpended operating budget funds from FY2014 will be available for allocation to the FY2015 budget. This amount is projected at \$270,000.
 - 2) Total FY2015 operational revenue. Operational revenue is estimated as \$270,000.
- b. Expenditures. FY2015 is the first full year of expenditures for the Authority.
 - 1) Personnel expenditures. Personnel costs were estimated based on guidance provided by the Authority on April 17, 2014. The Authority is undergoing an actuarial study to evaluate joining the Virginia Retirement System (VRS). The study is not expected to be complete until the end of June. Authority action in FY2015 will be needed to join VRS. Best efforts were made on estimating the cost of benefits in absence of the actuarial study.
 - 2) Professional services. The majority of professional service expenditures in the FY2014 budget (\$205,000) was related to financing preparation and closing costs. These costs are reimbursable through debt proceeds. For FY2015 these costs are moved to the 70% regional funds, where they will be reimbursed through debt proceeds. One-time expenses of \$46,200 for Transaction Update Outreach have been included.
 - 3) Technology/communication. Two significant one-time expenses in the category for FY2015 are the acquisition of an accounting system (\$25,000) and the revision of the Authority web site (\$30,000).
 - 4) Administrative expenses. This expenditure category will have lease and moving costs as well as the expense of furnishing and equipping the new office location when the Authority moves with NVRC.
- c. Authority member jurisdiction support. The net operating cost of \$1,149,472 is prorated to member jurisdictions as shown at the bottom of Attachment A.

5. **30% Fund Budget.** The Authority is required under 15.2-4838.1 B. 1. to disburse 30% of revenues received to member jurisdictions. Attachment B has the details of the 30% Fund Budget. Upon arrival from the Commonwealth these receipts are placed in a special revenue fund.
 - a. The Authority expects to receive \$290,234,874 in taxes during FY2015.
 - b. Based on expected revenue, the Authority must appropriate 30% or \$87,070,462 for distribution to member jurisdictions as stipulated in 15.2-4838.1 B. 1.
 - c. Distributions will occur monthly as revenues are received and contingent on jurisdiction compliance with the Memorandum of Agreement between the Authority and member jurisdictions.
6. **70% Regional Revenue Budget.** The Authority expects to receive \$203,516,912 in 70% Regional Revenue, as shown on Attachment C. The Authority debt policy and Master Indenture of Trust sets a priority for the assignment of these revenues.
 - Senior debt service requirements.
 - Debt service reserve requirements (if due).

- Subordinate debt service requirements (if due).
- Rebate fund requirements (if due).
- a. Additional requirements on the 70% Regional Revenue are:
 - 1) Working Capital Reserve. As part of the project funding process in FY2015 transfers will need to be made to start funding the debt policy requirement of approximately \$101.5 million in Working Capital Reserve.
 - 2) Costs of Issuance. Financing costs will be drawn from the 70% regional revenues with that fund being reimbursed from debt proceeds upon settlement.
 - 3) Regional Projects. When the Authority determines the FY2015 PayGo projects, those funds will be appropriated within 70% Regional Revenues.
- b. FY2015 budget for 70% Regional Revenue. Until the Authority determines the FY2015 projects, budgeting for the 70% Regional Revenues will be very basic. However a budget needs be set at the beginning of the fiscal year.
 - 1) As noted on Attachment C, potential initial funding of the Working Capital Reserve and potential FY2015 bond issuance costs are presented.
 - 2) As the Authority determines FY2015 projects, the level and timing of transfers to reserves will be considered.
 - 3) Until the FY2015 project selection process is underway, the balance of the 70% Regional Revenue remains uncommitted.

Attachments:

- A. Proposed FY2015 Operating Budget
- B. Proposed FY2015 30% Fund Budget
- C. Proposed FY2015 70% Regional Revenue Budget

Coordination: NVTA Finance Committee

XII.A

Northern Virginia Transportation Authority Proposed FY 2015 Operating Budget			
	Adopted FY2014	Proposed FY2015	Projected FY2016
Operating Revenue			
Carry Forward, Prior Fiscal Year	\$ 212,117	\$ 270,000	\$ 229,339
Interest on 70% Regional Funds	\$ 100,000	\$ -	\$ -
Total Operating Revenue	\$ 312,117	\$ 270,000	\$ 229,339
Expenditures			
Personnel:			
Salaries (FT/PT)	\$ 342,628	\$ 611,290	\$ 618,000
Benefits	\$ 122,700	\$ 180,350	\$ 181,400
Taxes		\$ 48,100	\$ 48,600
Subtotal Personnel	\$ 465,328	\$ 839,740	\$ 848,000
Professional Services:			
Audit/Accounting		\$ 27,500	\$ 17,500
Banking Services		\$ 1,000	\$ 1,000
Financial Advisory	\$ 80,000	\$ -	\$ -
Insurance	\$ 3,000	\$ 3,700	\$ 3,700
Legal	\$ 125,000	\$ -	\$ -
Payroll Services		\$ 2,000	\$ 2,000
Transaction Update Outreach		\$ 46,200	\$ -
Public Outreach	\$ 30,000	\$ 23,800	\$ 23,800
Subtotal Professional Service	\$ 238,000	\$ 104,200	\$ 48,000
Technology/Communication			
Accounting & Financial Reporting System		\$ 25,000	\$ 11,809
Hardware Software & Peripherals Purchase		\$ 7,000	\$ 2,000
IT Support Services including Hosting	\$ 16,655	\$ 11,794	\$ 11,794
Phone Service	\$ 11,650	\$ 7,060	\$ 7,060
Web Development & Hosting		\$ 30,000	\$ 5,500
Subtotal Technology/Communication	\$ 28,305	\$ 80,854	\$ 38,163
Administrative Expenses			
Advertisements		\$ 6,000	\$ 6,000
Dues & Subscriptions		\$ 2,500	\$ 2,500
Duplication/Printing	\$ 9,000	\$ 15,000	\$ 15,000
Furniture/Fixtures		\$ 58,000	\$ -
Meeting Expenses	\$ 1,000	\$ 3,600	\$ 3,600
Mileage/Transportation	\$ 6,000	\$ 7,200	\$ 7,200
Miscellaneous Expense (moving expense)		\$ 5,000	\$ -
Office Lease	\$ 5,460	\$ 50,000	\$ 100,000
Office Supplies		\$ 5,200	\$ 5,200
Postage/Delivery		\$ 600	\$ 600
Professional Development/Training		\$ 5,000	\$ 5,000
Subtotal Administrative Expenses	\$ 21,460	\$ 158,100	\$ 145,100
Subtotal Operating Expenditures	\$ 753,093	\$ 1,182,894	\$ 1,079,263
Operating Reserve (20%)	\$ 150,619	\$ 236,579	\$ 215,853
Total Expenditures	\$ 903,712	\$ 1,419,472	\$ 1,295,115
Net Operating Costs/Member Jurisdiction Support	\$ 591,595	\$ 1,149,472	\$ 1,065,776

Member Jurisdiction Support				
	2010 Population	FY 2014 Support Amounts	FY 2015 Support Amounts	FY 2016 Support Amounts
City of Alexandria	6%	\$ 37,270	\$ 72,417	\$ 67,144
Arlington County	9%	\$ 55,610	\$ 108,050	\$ 100,183
City of Fairfax	1%	\$ 5,916	\$ 11,495	\$ 10,658
Fairfax County	48%	\$ 283,965	\$ 551,747	\$ 511,573
City of Falls Church	1%	\$ 3,550	\$ 6,897	\$ 6,395
Loudoun County	14%	\$ 84,006	\$ 163,225	\$ 151,340
City of Manassas	2%	\$ 10,057	\$ 19,541	\$ 18,118
City of Manassas Park	1%	\$ 3,550	\$ 6,897	\$ 6,395
Prince William County	18%	\$ 107,670	\$ 209,204	\$ 193,971
	100%	\$ 591,595	\$ 1,149,472	\$ 1,065,776

XII.B

Northern Virginia Transportation Authority Proposed FY 2015 30% Fund Budget				
	Adopted FY2014	Proposed FY2015	Projected FY2016	
Revenue 30% Funds				
Sales Tax	\$ 69,736,867	\$ 68,421,959	\$ 69,827,046	
TOT	\$ 7,304,593	\$ 7,577,403	\$ 7,689,719	
Grantor's Tax	\$ 10,403,037	\$ 11,071,100	\$ 11,160,743	
Revenue Variance (Regional Funds)	\$ (3,390,431)	\$ -	\$ -	
Total Revenue	\$ 84,054,066	\$ 87,070,462	\$ 88,677,508	
Expenditures				
30% Distribution to Member Jurisdictions	\$ 84,054,066	\$ 87,070,462	\$ 88,677,508	
Total Expenditures	\$ 84,054,066	\$ 87,070,462	\$ 88,677,508	
Ending Fund Balance	\$ -	\$ -	\$ -	

XII.C

Northern Virginia Transportation Authority Proposed FY 2015 70% Regional Revenue Budget			
	Adopted FY2014	Proposed FY2015	Projected FY2016
Revenue 70% Regional Funds			
Sales Tax	\$ 162,719,356	\$ 159,651,238	\$ 162,929,774
TOT	\$ 17,044,049	\$ 17,680,608	\$ 17,942,679
Grantor's Tax	\$ 24,273,753	\$ 25,832,566	\$ 26,041,735
State/Federal Grants	\$ -	\$ -	\$ -
Bond or LOC Proceeds	\$ 75,300,000	\$ -	\$ -
Reimbursable Expenditures	\$ -	\$ 300,000	\$ -
Interest Earned	\$ 100,000	\$ 52,500	\$ 70,000
Revenue Variance (Regional Funds)	\$ (7,911,004)	\$ -	\$ -
Total Revenue with Debt Proceeds	\$ 271,526,154	\$ 203,516,912	\$ 206,984,188
Expenditures			
Matching LOC/Debt Service Reserve	\$ 75,300,000	\$ -	\$ -
Working Capital Reserve	\$ -	\$ 66,028,434	\$ 37,463,660
PAYG Expenditures	\$ 122,058,000		
Bond Expenditures	\$ 73,935,000		
Debt Service	\$ 573,000	\$ 6,000,000	\$ 6,000,000
Bond Issuance Cost	\$ 792,000	\$ 300,000	\$ -
Projected Project Expenditures		\$ 131,188,478	\$ 163,520,528
Interest Transferred to Operating Budget	\$ 100,000	\$ -	\$ -
Total Expenditures	\$ 272,758,000	\$ 203,516,912	\$ 206,984,188
Available Balance	\$ (1,231,846)	\$ -	\$ -
Cumulative Reserve Balances			
Working Capital Reserve (50%)	\$ -	\$ 66,028,434	\$ 103,492,094
Matching/DSR Reserve	\$ 75,300,000	\$ 75,300,000	\$ -
Cumulative Reserve Balances	\$ 75,300,000	\$ 141,328,434	\$ 103,492,094