



NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

The Authority for Transportation in Northern Virginia

FINANCE COMMITTEE

Thursday, April 3, 2014 3:00 pm

Fairfax County Government Center, 12000 Government Center Parkway

Fairfax, VA 22035

Conference Room 7

AGENDA

- I. Call to Order/Welcome Chairman York
- II. Prior Meeting Minutes (Not applicable, Initial Meeting)

Action Items

- III. Approval of Calendar Year Meeting Schedule Chairman York
Recommended action: Approval of Schedule

Information/Discussion Items

- IV. Review of Authority Bylaw Charge for Committee
Mr. Mason, Interim Executive Director
- V. Update of Financial Activities Related to Bylaws Mr. Longhi, CFO
- VI. Review of FY 2014 to 2016 Revenue Estimates Mr. Longhi, CFO

Closed Session

Adjournment

- VII. Adjournment

Next Meeting: May 2, 2014 – 2:00 pm

3060 Williams Drive (Suite 510)

Fairfax, Virginia

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

TO: Members of the NVTA Finance Committee

FROM: Chairman York, Finance Committee Chair

SUBJECT: Meeting schedule for Calendar Year 2014

DATE: April 3, 2014

- 1. Recommendation:** Approve the attached schedule for Finance Committee meetings in calendar year 2014, with any revisions from the April 3, 2014 meeting.
- 2. Suggested motion:** *I move approval of the proposed finance committee meeting schedule for calendar year 2014, as revised.*
- 3. Background:** NVTA staff attempted to determine a regular monthly meeting date and time available to committee members. The attached schedule is the result of that effort.

Attachment: Finance Committee Meeting Schedule for CY 2014

III. Attachment

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

FINANCE COMMITTEE Meeting Schedule for CY 2014

April 3	3:00pm	Fairfax County Government Center
May 2	2:00pm	NVTA Conf. Rm.
June 6	2:00pm	NVTA Conf. Rm.
July 3 (discussion)	2:00pm	NVTA Conf. Rm.
August 1 (optional)	2:00pm	NVTA Conf. Rm.
September 5	2:00pm	NVTA Conf. Rm.
October 3	2:00pm	NVTA Conf. Rm.
November 7	2:00pm	NVTA Conf. Rm.
December 5	2:00pm	NVTA Conf. Rm.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

TO: Chairman York and Members of the NVTA Finance Committee
FROM: John Mason, Executive Director
DATE: April 3, 2014
SUBJECT: Review of Authority Bylaw Charge for the Finance Committee

1. **Purpose:** Review the bylaw charge for the Finance Committee.
2. **Background:** The Authority approved the attached bylaws for the Finance Committee on June 12, 2008.
3. **Comments:**
 - a. As noted on the attachment, the committee is required to meet the Open Meeting Requirements of the Virginia Code.
 - b. The bylaws list a series of specific charges to the committee in Section B. These charges cover:
 - i. Reviewing the annual budget presented by the executive director.
 - ii. Reviewing budget amendments proposed by the executive director.
 - iii. Overseeing NVTA's financial policies.
 - iv. Monitoring contracts.
 - v. Monitoring expenditures.
 - vi. Reviewing revenue estimates.
 - vii. Approving the selection of an audit firm and audit work plan.
 - viii. Assisting with other financial activities as directed by the NVTA.
 - c. The bylaws address committee organization such as:
 - i. Membership – structure and terms
 - ii. Chairman and vice chairman appointments
 - iii. Staff support
 - iv. Quorum and voting

Attachment: NVTA Bylaws, Article V – Finance Committee, Approved June 12, 2008

IV. Attachment

NVTA Bylaws, Article V – Finance Committee, Approved June 12, 2008

Reproduced from NVTA Bylaws Approved June 12, 2008
Article V (Page 7)

Committees

- A. Open Meeting Requirement.** Consistent with § 2.2-3701 and § 2.2-3707 Va. Code Ann., all Authority-appointed committees and subcommittees (e.g., Finance Committee) of the Authority shall comply with the open meeting requirements of the Virginia Freedom of Information Act.
- B. Finance Committee.**
- (1) **Charge.** This committee shall be responsible for advising the Authority on all financial matters and overseeing financial activities undertaken by the NVTA professional staff, including:
 - (a) Reviewing, commenting on, and recommending the annual budget presented by the Executive Director
 - (b) Reviewing, commenting on, and recommending any budget amendments presented by the Executive Director
 - (c) Overseeing the NVTA's financial policies (e.g., bond, investment, procurement, risk management) and making appropriate recommendations
 - (d) Monitoring contracts for incidental services, including incidental financial services, and recommending task orders
 - (e) Monitoring NVTA's expenditures for compliance with policies and guidance of the NVTA
 - (f) Reviewing annual revenue estimates
 - (g) Approving the selection of an audit firm and audit work plan supporting the annual preparation of financial statements
 - (h) Assisting with other financial activities as may be directed by the NVTA.
 - (2) **Membership.** The Committee shall consist of five (5) members of the NVTA appointed by the Chairman for staggered two year terms.
 - (3) **Chairman.** The chairman and the vice chairman of the Committee shall be appointed by the Chairman of the NVTA.
 - (4) **Staff Support.** Staff support will be provided by the NVTA staff. As requested by the committee chairman, additional support may be provided by jurisdictional or agency staffs.
 - (5) **Quorum and Voting.** A quorum shall consist of a majority (3) of the committee members. The committee shall strive for consensus when developing recommendations. Approval of recommendations or actions shall require an affirmative vote of a majority of the members present, which shall include at least three jurisdictional representatives in the affirmative.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

TO: Chairman York and Members of the NVTA Finance Committee
FROM: Michael Longhi, Chief Financial Officer
SUBJECT: Update on Financial Activities Related to Bylaws
DATE: April 3, 2014

1. **Purpose:** Review of activities undertaken prior to formation of the Finance Committee related to NVTA Bylaws.
2. **Comments:** The NVTA Bylaws charge the Finance Committee with various responsibilities as delineated in the bylaws. Pending formation of the committee, advance work on these charges has occurred as noted below (the items are keyed with a letter designation to Section B(1) of the bylaws):
 - a. **Annual Budget:** A draft FY 2015 budget is in development for the May committee meeting. The FY2015 budget will include startup costs and the office move. Further budget guidance from the Finance Committee is requested.
 - b. **Budget Amendments:** No budget amendments are under consideration at this time.
 - c. **Financial Policies:** Several polices have been established or are in process as noted below:
 - i. **Bond (Debt Policy)** – Completed, no modifications should be made until after the line of credit and initial bond sale are finalized as this is the policy used for the validation suit.
 - ii. **Investment** – Draft being prepared.
 - iii. **Procurement** – Interim Policy in place and is suitable until after the executive director is hired. No major revisions are contemplated at this time.
 - iv. **Risk Management** – Staff recently conducted an insurance review with the VML Insurance Program. Review will result in coverage increases related to vehicle use, formal subtenant relationship, stand alone personal injury and office dislocation coverage. Increase in coverage will result in minimal cost increases for FY 2015. Risk management practices are being incorporated into Authority procedures and will be developed into a policy document.
 - d. **Contracts for Incidental Services:** Other than the audit contract that will be addressed later, Bond Counsel and Financial Advisor are the two most significant services used by the Authority.
 - i. **Bond counsel (McGuireWoods)** is engaged through a letter of agreement approved by the Authority at the July 24, 2013 meeting. This engagement runs through the bond validation suit and initial issuance of bonds.
 - ii. **Financial Advisor Services with Public Financial Management (PFM).** PFM is engaged by riding a Prince William County contract through Authority action on June 20,

2013. That agreement needs improved task clarity for services required through the completion of the line of credit and initial bond sale. An updated task agreement is being drafted which will still utilize the Prince William County procurement. This agreement will be presented to the Finance Committee for review.
- iii. The debt policy envisions both services being rebid by the Authority prior to any large additional financings. The service terms are not required to be set for one financing cycle, multiyear contracts are common.
 - e. Monitoring NVTA's Expenditures – Operating budget reports will be presented to the Finance Committee for review and questions starting with the May meeting. Previously budget reports have been presented at the Authority meetings.
 - f. Review Annual Revenue Estimates – Revenue estimates are being prepared with the participation and cooperation of as many member jurisdictions as possible. The FWG revenue estimate subcommittee met on March 24 and April 3 to review projections for FY 2014 through FY 2016, in preparation for this committee meeting and presentment at the April 17 Authority meeting.
 - g. Audit Firm Selection – The Authority is required to have a FY 2014 audit. Obtaining audit services becomes more difficult and expensive as the end of a fiscal year approaches. Therefore, with the recommendation of the CFO and Executive Director the Financial Working Group Chairman and Authority Chairman approved a contract for this service with PBMares, LLP (the successor name of PBGH, LLP). For procurement purposes, the Authority is riding on the NVTC contract for these services. Consistent with the NVTC contract, the Authority also contracted for consulting services with PBMares for support in the installation and set-up of the general ledger accounting system. The accounting system installation is expected to occur concurrent with the FY 2014 audit activities.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

TO: Chairman York and Members of the NVTa Finance Committee
FROM: Michael Longhi, Chief Financial Officer
DATE: April 3, 2014
SUBJECT: Review of Fiscal Year 2014 to 2016 Revenue Estimates

1. **Purpose:** Review the revenue estimates from the three tax sources for the Authority.
2. **Background:**
 - a. The Authority receives revenue for operations, projects and debt service payments from three sources: Sales Taxes, Grantors Taxes and Transient Occupancy Taxes. Current year revenue estimates and projections for future years must be made for planning purposes. Once approved by the Authority, these projections become the basis for future reserve calculations, project allocations and financing decisions.
 - b. As noted on previous monthly reports to the Authority, there is a potential for a 3% negative variance in the FY 2014 Revenue. This would result in a revenue decline of approximately \$8 million, based on receipts through March.
 - c. A variance in the FY 2014 revenue at this level will not impact FY 2014 PayGo or debt funded projects. Rather, it will reduce unallocated revenue or potential transfers to the Working Capital Reserve. No changes to the FY 2014 estimates are recommended at this time.
 - d. The 30% funds distribution to member localities is based on actual funds received, not based on a budgeted amount.
3. **Comments:**
 - a. A revenue estimate subgroup was formed from the Financial Working Group. All member jurisdictions were invited to participate in the subgroup. Fairfax County, Loudoun County, Prince William County, Arlington County and the City of Alexandria contributed information in the development of the updated Authority estimates. Revenues from these five member jurisdictions comprise approximately 95% of the Authority's total revenues.
 - b. The jurisdictions participating in the revenue estimates made projections based on their jurisdiction, taking into consideration their local economic projections and the specific regulations related to the taxes for the Authority. Where a jurisdiction made a specific estimate it was used in the overall estimate for the Authority.
 - c. The growth rates projected by the five largest jurisdictions were combined and weighted to reach a general growth factor. This growth factor was used to estimate revenue from the remaining jurisdictions. The general growth factor was only used for approximately 5% of the projected revenue. The rates of change for jurisdictions and general growth factors are shown on Attachment 1

- d. The table below shows the revised revenue estimates for FY2015 and FY 2016 compared to the previously adopted estimates. Detailed estimates for each jurisdiction are shown on Attachment 2.

Summary FY 2015 and FY 2016 Revenue Estimates						
March 31, 2014 (Accrual Basis)						
WEIGHTED						
	Adopted FY 2014	Previously Adopted FY 2015	FY 2015 w/Revisions	Previously Adopted FY2016	FY 2016 w/Revisions	
Sales	\$ 232,456,223	\$ 239,429,910	\$ 228,073,196	\$ 246,612,807	\$ 232,756,820	
TOT	\$ 24,348,642	\$ 24,584,872	\$ 25,258,011	\$ 24,837,265	\$ 25,632,398	
Grantors	\$ 34,676,790	\$ 34,676,790	\$ 36,903,666	\$ 34,676,790	\$ 37,202,478	
Total	\$ 291,481,655	\$ 298,691,572	\$ 290,234,874	\$ 306,126,862	\$ 295,591,696	
70%	\$ 204,037,159	\$ 209,084,100	\$ 203,164,412	\$ 214,288,803	\$ 206,914,187	
30%	\$ 87,444,497	\$ 89,607,472	\$ 87,070,462	\$ 91,838,059	\$ 88,677,509	

4. Next Steps:

- a. The Financial Working Group received the final numbers at their April 3, 2014 meeting. The estimates will remain open for the next two weeks for any material changes. The final estimates will then be presented to the Finance Committee at their May 2014 meeting with a recommendation for approval.
- b. If the Finance Committee approves the estimates at their May meeting, they will be presented to the Authority with a recommendation for adoption.

Attachment: Attachment 1 – Rates of Change from Jurisdictions Making Estimates
Attachment 2 - Detailed FY2015 and FY 2016 Revenue Estimates

Coordination:

Financial Working Group – Revenue Estimate Subgroup
Financial Working Group

VI. Attachment 1

Rates of Change From Jurisdictions Making Estimates April 1, 2014 Unweighted						
FY 15	FY15 Average.	Fairfax County	Loudoun	PWC	Arlington	Alexandria
Sales	1.00%	1.00%	2.00%	2.99%	-2.00%	1.00%
TOT	0.80%	2.00%	1.00%	0.00%	0.00%	1.00%
Grantors	0.80%	0.00%	2.00%	1.00%	0.00%	1.00%
FY16	FY16 Avg.	Fairfax	Loudoun	PWC	Arlington	Alexandria
Sales	1.40%	1.00%	2.00%	3.00%	0.00%	1.00%
TOT	1.59%	3.00%	1.00%	2.97%	0.00%	1.00%
Grantors	1.00%	0.00%	2.00%	2.00%	0.00%	1.00%
Weighted						
FY 15	FY15 Average.	Fairfax County	Loudoun	PWC	Arlington	Alexandria
Sales	1.15%	0.4815%	0.3654%	0.4518%	-0.2245%	0.0725%
TOT	1.02%	0.8397%	0.0339%	0.0000%	0.0000%	0.1501%
Grantors	0.59%	0.0000%	0.3615%	0.1328%	0.0000%	0.1006%
FY16	FY16 Avg.	Fairfax	Loudoun	PWC	Arlington	Alexandria
Sales	1.37%	0.4815%	0.3654%	0.4533%	0.0000%	0.0725%
TOT	1.51%	1.2595%	0.0339%	0.0662%	0.0000%	0.1501%
Grantors	0.73%	0.0000%	0.3615%	0.2656%	0.0000%	0.1006%

VI. Attachment 2

FY 2015 and FY 2016 Revenue Estimates								
March 31, 2014 (Accrual Basis)								
		Adopted FY	FY2014	WEIGHTED	FY 2015	Adopted	FY 2016	
		2014	w/Revisions	Adopted FY	w/Revisions	FY2016	w/Revisions	
				2015				
Arlington	Sales	\$ 24,473,867	\$ 24,473,867	\$ 25,208,083	\$ 23,984,390 2	\$ 25,964,326	\$ 23,984,390 2	
	TOT	\$ 8,890,830	\$ 8,890,830	\$ 8,979,739	\$ 8,890,830 2	\$ 9,069,536	\$ 8,890,830 2	
	Grantors	\$ 4,574,287	\$ 4,574,287	\$ 4,574,287	\$ 4,574,287 2	\$ 4,574,287	\$ 4,574,287 2	
	Total	\$ 37,938,985	\$ 37,938,985	\$ 38,762,109	\$ 37,449,507	\$ 39,608,149	\$ 37,449,507	
Fairfax County	Sales	\$ 104,977,104	\$ 104,977,104 1	\$ 108,126,417	\$ 100,596,000 2	\$ 111,370,210	\$ 103,110,900 2	
	TOT	\$ 9,984,936	\$ 9,984,936 1	\$ 10,084,786	\$ 8,965,800 2	\$ 10,185,633	\$ 9,234,774 2	
	Grantors	\$ 15,169,980	\$ 15,169,980 1	\$ 15,169,980	\$ 15,169,980 2	\$ 15,169,980	\$ 15,169,980 2	
	Total	\$ 130,132,020	\$ 130,132,020	\$ 133,381,183	\$ 124,731,780	\$ 136,725,823	\$ 127,515,654	
City of Alexandria	Sales	\$ 15,806,507	\$ 15,806,507	\$ 16,280,702	\$ 14,891,000 2	\$ 16,769,123	\$ 15,039,910 2	
	TOT	\$ 3,570,388	\$ 3,570,388	\$ 3,606,092	\$ 3,364,000 2	\$ 3,642,153	\$ 3,397,640 2	
	Grantors	\$ 3,391,565	\$ 3,391,565	\$ 3,391,565	\$ 3,195,000 2	\$ 3,391,565	\$ 3,226,950 2	
	Total	\$ 22,768,460	\$ 22,768,460	\$ 23,278,359	\$ 21,450,000	\$ 23,802,841	\$ 21,664,500	
Loudoun	Sales	\$ 39,833,324	\$ 39,833,324 1	\$ 41,028,324	\$ 40,086,000 2	\$ 42,259,173	\$ 40,887,720 2	
	TOT	\$ 806,445	\$ 806,445 1	\$ 814,509	\$ 2,020,000 2	\$ 822,654	\$ 2,040,200 2	
	Grantors	\$ 6,093,105	\$ 6,093,105 1	\$ 6,093,105	\$ 8,466,000 2	\$ 6,093,105	\$ 8,635,320 2	
	Total	\$ 46,732,873	\$ 46,732,873	\$ 47,935,938	\$ 50,572,000	\$ 49,174,932	\$ 51,563,240	
Prince William	Sales	\$ 32,943,958	\$ 32,943,958	\$ 33,932,277	\$ 33,928,982 2	\$ 34,950,245	\$ 34,946,852 2	
	TOT	\$ 530,452	\$ 530,452 1	\$ 535,757	\$ 1,446,000 2	\$ 541,114	\$ 1,488,946 2	
	Grantors	\$ 4,476,903	\$ 4,476,903	\$ 4,476,903	\$ 4,521,672.00 2	\$ 4,476,903	\$ 4,612,105 2	
	Total	\$ 37,951,313	\$ 37,951,313	\$ 38,944,936	\$ 39,896,654	\$ 39,968,262	\$ 41,047,903	
City of Fairfax	Sales	\$ 6,462,525	\$ 6,462,525	\$ 6,656,401	\$ 6,536,626	\$ 6,856,093	\$ 6,626,350	
	TOT	\$ 345,984	\$ 345,984	\$ 349,444	\$ 349,526	\$ 352,938	\$ 354,803	
	Grantors	\$ 289,079	\$ 289,079	\$ 289,079	\$ 290,799	\$ 289,079	\$ 292,916	
	Total	\$ 7,097,588	\$ 7,097,588	\$ 7,294,924	\$ 7,176,951	\$ 7,498,110	\$ 7,274,069	
City of Falls Church	Sales	\$ 2,470,340	\$ 2,470,340	\$ 2,544,450	\$ 2,498,666	\$ 2,620,784	\$ 2,532,963	
	TOT	\$ 141,857	\$ 141,857	\$ 143,276	\$ 143,309	\$ 144,708	\$ 145,473	
	Grantors	\$ 261,761	\$ 261,761	\$ 261,761	\$ 263,319	\$ 261,761	\$ 265,235	
	Total	\$ 2,873,958	\$ 2,873,958	\$ 2,949,487	\$ 2,905,294	\$ 3,027,254	\$ 2,943,671	
City of Manassas	Sales	\$ 4,568,248	\$ 4,568,248	\$ 4,705,295	\$ 4,620,629	\$ 4,846,454	\$ 4,684,053	
	TOT	\$ 77,750	\$ 77,750	\$ 71,271	\$ 78,546	\$ 78,527	\$ 79,732	
	Grantors	\$ 271,303	\$ 271,303	\$ 271,303	\$ 272,917	\$ 271,303	\$ 274,904	
	Total	\$ 4,917,301	\$ 4,917,301	\$ 5,047,869	\$ 4,972,092	\$ 5,196,285	\$ 5,038,689	
City of Manassas Park	Sales	\$ 920,350	\$ 920,350	\$ 947,961	\$ 930,903	\$ 976,400	\$ 943,681	
	Grantors	\$ 148,806	\$ 148,806	\$ 148,806	\$ 149,692	\$ 148,806	\$ 150,781	
	Total	\$ 1,069,157	\$ 1,069,157	\$ 1,096,767	\$ 1,080,595	\$ 1,125,206	\$ 1,094,463	
Total NVTA Revenue	Sales	\$ 232,456,223	\$ 232,456,223	\$ 239,429,910	\$ 228,073,196	\$ 246,612,807	\$ 232,756,820	
	TOT	\$ 24,348,642	\$ 24,348,642	\$ 24,584,872	\$ 25,258,011	\$ 24,837,265	\$ 25,632,398	
	Grantors	\$ 34,676,790	\$ 34,676,790	\$ 34,676,790	\$ 36,903,666	\$ 34,676,790	\$ 37,202,478	
	Total	\$ 291,481,655	\$ 291,481,655	\$ 298,691,572	\$ 290,234,874	\$ 306,126,862	\$ 295,591,696	
	70%	\$ 204,037,159	\$ 204,037,159	\$ 209,084,100	\$ 203,164,412	\$ 214,288,803	\$ 206,914,187	
	30%	\$ 87,444,497	\$ 87,444,497	\$ 89,607,472	\$ 87,070,462	\$ 91,838,059	\$ 88,677,509	
Notes:								
	1	No revision, based on meetings						
	2	Revisions based on specific jurisdiction estimates						
Blank	General growth factors (below) used:							
	FY15	Sales		1.15%				
		TOT		1.02%				
		Grantors		0.59%				
	FY16	Sales		1.37%				
		TOT		1.51%				
		Grantors		0.73%				