



NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

The Authority for Transportation in Northern Virginia

FINANCE COMMITTEE
Friday, June 6, 2014 1:00 pm
3060 Williams Drive, Suite 510
Fairfax, VA 22031

MEETING SUMMARY

I. Call to Order/Welcome

Chairman York

- Chair York called the meeting to order at 1:03pm.
- Attendees:
 - ✓ Members: Chair York; Board Member Hynes; Chairman Bulova; Council Member Rishell.
 - ✓ Staff: Monica Backmon (Executive Director); Michael Longhi (CFO); Camela Speer (Clerk).
 - ✓ Council of Counsel: Ellen Posner (Fairfax County), Steve MacIsaac (Arlington County).
 - ✓ Other Staff: Tom Biesiadny (Fairfax County), Carl Hampton (Prince William County); Penny Newquest (Loudoun County), Kristy Choi (PFM), JoAnne Carter (PFM).
 - ✓ Visitors: Steve Schemmel (Bank of America), Ed Bianchi (Bank of America).

II. Summary Minutes of the May 2, 2014 Meeting

Ms. Teal

- Council Member Rishell moved to approve the minutes of May 2, 2014; seconded by Chairman Bulova. Motion carried with three (3) yeas and one (1) abstention [with Chair York abstaining as he was not at the May meeting].

Action Items

III. Establish Account With The State Non Arbitrage Program For Line of Credit

Mr. Longhi, CFO

- Mr. Longhi presented the planned opening of an account with the State Non Arbitrage Program (SNAP) to hold the funds previously approved by the Authority for the Line of Credit (LOC) matched reserve. He emphasized that the purpose behind having a SNAP account is to provide access to an investment pool where we can safely put the reserve accounts, ensure liquidity and receive an appropriate yield.
- Chairman Bulova moved that the Finance Committee concur with the planned opening of a SNAP account to hold the funds designated as a match reserve for the Authority line of credit financing. And, that the Authority Chairman sign the attached Certificate of Authorization reviewed by the Council of Counsels and

Bond Counsel. Seconded by Council Member Rishell. Motion carried unanimously.

Information/Discussion Items

IV. NVTAs Operating Budget Report Mr. Longhi, CFO

- Mr. Longhi presented the Operating Budget Report. He noted that the original FY2015 projection anticipated a savings of \$270K from FY2014 that is programmed into the FY2015 projection. It is expected that this number is achievable.
- The budget policies being developed include a provision requiring any budget surplus from one year to be used to offset future operating budgets and proportional expense sharing of member jurisdictions.

V. NVTAs Receipts Report Mr. Longhi, CFO

- Mr. Longhi updated the Finance Committee on the HB 2313 receipts, revenue estimates and distribution. He noted that:
 - ✓ Actual to estimate comparison for revenues through May show a 5% negative variance of \$14.1million.
 - ✓ The end of year revenue decline is greater than previously projected due to:
 1. Sales tax not rebounding from the snow storms earlier in the year.
 2. Transient Occupancy Tax (TOT) went from a 5% positive variance to a -10% variance in one month.
- It was noted that these taxes are consumer driven. The Authority has verified numbers as best we can and are not seeing any errors in the processing of the money or posting transactions. Jurisdictions indicate that federal sequestration is a significant factor in the variances.
- NVTAs is required by the 30% Memorandum of Agreement to distribute the annual operating cost notices to jurisdictions by June 1, 2014. The notices were distributed on time and we are currently working on the annual certification of the use of FY2014 funds. We are working with the Financial Working Group to get consensus and to make sure we meet our requirements without being overly burdensome on the jurisdictions.
- Discussion followed regarding the tax revenues.
 - ✓ Fairfax is seeing similar tax trends.
 - ✓ This is a 5% variance on a revenue line that effectively had never been predicted before in this combination. The work done by the jurisdictions that built the original revenue estimates is pretty good for the first set of predictions.
 - ✓ Loudoun adjusted its TOT tax predictions more quickly at the end of year and as a result is doing pretty well based on the new predictions.

- ✓ A revenue decline of approximately \$14M will have no impact on projects. Expect revenue information from the Commonwealth next week. If there is an impact it will be on the LOC in relation to the match reserve. Have scenarios that will mitigate that as well. It is not anticipated that this will disrupt projects.
- ✓ FY2015 and FY2016 revenue estimates are more conservative than FY2014 and original estimates for FY2015.
- ✓ Will know final receipts of most tax categories in August and all in September.
- Further discussion followed regarding the State budget impasse and the impact on NVTA in the event of a State government shutdown.
 - ✓ It was noted that the NVTA has the ability to sustain operations for six (6) months, with taking some conservative measures. At current level of activity operations can be sustained for four months.
 - ✓ If the State closes treasury or reporting operations that the NVTA relies on, we may not be able to distribute 30% Funds. If funds are received, but tax data is not, NVTA could come to an accord on how to distribute some of the money to jurisdictions and reconcile later when proper reporting is received.
 - ✓ There is a possibility if the State shuts down there will be no funds distributed to the NVTA. However, taxes will continue to be collected.
 - ✓ Once cash is received by the Authority, NVTA will distribute to jurisdictions within a few days.
- It was noted that the only jurisdictions not receiving 30% distributions are Manassas and Falls Church.

VI. Update on NVTA Financing Activities (no written report) Mr. Longhi, CFO

- Mr. Longhi presented a brief update on the NVTA financing activities and the issuance of a LOC with a match reserve. He noted:
 - ✓ This will allow the Authority to maximize our proceeds from the LOC before June 30, 2014.
 - ✓ Have had the benefit of the NVTA's Selection Advisory Team, our financial advisor PFM, legal advice from Council of Counsels and Bond Counsel from McGuireWoods throughout the process.
 - ✓ Released a Request For Proposal (RFP) on May 2, 2014.
 - ✓ Received very favorable response through ten (10) proposals with very competitive rates as well as terms.
 - ✓ The Selection Advisory Team reached unanimous agreement. As advised by PFM and McGuireWoods, we pursued clarification of some terms with Bank of America/Merrill Lynch, the bank which presented the most favorable terms. Proposal terms and questions have been clarified in concept between Authority and the bank. Anticipate closing agreement next week.
- Recommended course of action is to complete the LOC with Bank of America/Merrill Lynch. In addition to the lowest cost in terms of the rates and fees, they also proposed very favorable legal terms consistent with the RFP. This will allow a timely closing with a receipt of proceeds by the end of the fiscal year.

- The Commonwealth budget uncertainties have been discussed with the bank. The LOC structure will allow the Authority to move forward toward permanent financing through Bonds or use of the match reserve with few costs and with little, if any, disruption to projects depending on the direction taken by the Commonwealth.
- Most recent revenue data will be received next week. Will then wrap up terms with the bank and proceed with the LOC.
- Discussion followed regarding the potential for budget approval delays in future years. It was noted that a Debt Service Reserve fund will be established as part of the financing for an event like the Commonwealth not providing revenues on time. It was also noted that this type of risk is being experienced across the Commonwealth right now and many Bond issuances are being held up until the budget is adopted. It was added that the programming of FY15 projects within the 70% Regional Revenue Fund will occur concurrent with decisions on the Working Capital Reserve.

Adjournment

VII. Adjournment

- Meeting adjourned at 1:21pm.