



Northern Virginia Transportation Authority
The Authority for Transportation in Northern Virginia

FINANCE COMMITTEE
Friday, February 20, 2015 1:30PM
3040 Williams Drive, Suite 200
Fairfax, VA 22031

MEETING SUMMARY

I. Call to Order/Welcome

Chairman York

- Chairman York called the meeting to order at 1:34pm.
- Attendees:
 - ✓ Members: Chairman York; Chair Hynes (arrived 1:38pm); Chairman Bulova, Council Member Rishell.
 - ✓ Staff: Monica Backmon (Executive Director); Michael Longhi (CFO); Peggy Teal (Assistant Finance Officer); Camela Speer (Clerk).
 - ✓ Council of Counsel: Ellen Posner (Fairfax County).
 - ✓ Other Attendees: Tom Biesiadny (Fairfax County); Mark Thomas (Fairfax County); JoAnne Carter (PFM); Rob Whitfield (Fairfax County Tax Payers Alliance).

II. Summary Minutes of the January 16, 2015 Meeting

- Chairman Bulova moved to approve the minutes of January 16, 2015; seconded by Council Member Rishell. Motion carried unanimously.

Action Items

III. Approval of Audit Service Agreement

Mr. Longhi, CFO

- Mr. Longhi updated the Finance Committee (in its role as Audit Committee) that the Authority can utilize an existing contract rider option contained in the Audit Services contract between PBMares and the Fairfax Water Authority.
- It was asked what the next steps were and if this recommendation would go to the Authority. Mr. Longhi answered that the necessary documentation will be developed and presented to the Finance Committee next month, but that this decision can be made by the Committee and does not require Authority approval.
- Chairman Bulova moved to approve the Audit Service agreement with PBMares LLP for fiscal years 2015 and 2016; seconded by Council Member Rishell. Motion carried unanimously.

Information/Discussion Items

IV. FY2016 - Operating Budget Draft Review

Ms. Backmon, ED

- Ms. Backmon briefed the Committee on the draft FY2016 Operating Budget. She noted:

(Chair Hynes arrived.)

- ✓ Previous guidance from the Committee has been incorporated.
- ✓ The projected carry over from the FY2015 budget will lower the cost to member jurisdictions. The carry over includes the 20% operating reserve required by the Debt Policy.
- ✓ One time expenses in the FY2015 budget for the office relocation are not needed in FY2016.
- ✓ There are no anticipated changes in staffing levels. Annual compensation increases will be based on member jurisdiction compensation levels in FY2016 budgets.
- ✓ Staff benefit package is still being completed.
- ✓ Professional development costs have been incorporated as several staff members have professional certifications that require ongoing professional development, particularly in finance and investment activities.
- ✓ Staff is in the process of examining several public outreach options, including taping and streaming Authority meetings. Explained the video concept and noted that we are planning to pair it with the Authority's 15th anniversary in a few years. It will be an educational video about the Authority.
- A question was raised as to whether there was a preset way to determine compensation increases. Mr. Longhi responded that last year it was based on jurisdictional increases. This year we have estimated for a set percentage until we get this year's jurisdictional budget numbers. Actual compensation changes for individual employees are performance based, within the budget set by the Authority. It was suggested that staff include guidance statements for how compensation increases are developed and acknowledged that using the average of what jurisdictions are doing makes sense for budgeting. There was general agreement for this concept.
- It was noted that WMATA streams the audio of meetings and suggested the Authority do the same. There was general agreement for this idea.
- It was asked if the budget includes staff development for transportation, in addition to investment and financing. Ms. Backmon replied that it does.
- Ms. Backmon added that is a spreadsheet in the meeting packet that reflects the FY2016 costs to member jurisdictions, noting these costs are lower than last year.
- The question was raised as to whether the draft budget as presented was complete. Mr. Longhi responded that was and is ready to present as an information item to the Authority at its next meeting.
- It was suggested that the Committee should make a recommendation on the budget and then present it to the Authority. It was noted that this should be done with the

understanding that the proposed staff compensation increase of 4.5% is a cap and will be adjusted based on information available prior to the Authority meeting.

- Chairman Bulova moved to forward and endorse the FY2016 Draft Operating Budget to the Authority, with the caveat that the amount budgeted for staff compensation increases will be predicated on jurisdictional increases; seconded by Council Member Rishell.
- Mr. Longhi added that the Authority budget has been under preparation for some time and that jurisdictional numbers are just being made public this week, noting not all member jurisdictions have released budget drafts yet.
- Motion carried unanimously.

V. FY2016 - 30% Revenue Budget Draft Review

Mr. Longhi, CFO

- Mr. Longhi updated the Committee on the Draft FY2016 30% Revenue Budget. He noted the Authority will continue to follow HB 2313 (2013) guidance and 30% funds will be distributed as quickly as practical.
- It was suggested the Committee approve this draft budget and present it to the Authority for approval at its next meeting.
- Chair Hynes moved to forward and endorse the FY2016 Draft 30% Revenue Budget to the Authority; seconded by Chairman Bulova. Motion carried unanimously.

VI. FY2016 - 70% Regional Revenue Budget Draft Review

Mr. Longhi, CFO

- Mr. Longhi briefed the Committee on the Draft Regional Revenue Budget. He reviewed the existing reserves, required in the Authority Debt Policy.
 - ✓ Operating Reserve is set at 20% of the adopted operating budget and is contained in the operational budget.
 - ✓ Debt Service Reserve is funded through bond proceeds and protects the bondholders.
 - ✓ Working Capital Reserve equals at least six (6) months of budgeted regional revenue funds. This is to protect projects from revenue disruptions.
- It was clarified that the Working Capital Reserve is set aside unless needed and would be replenished if used.
- Mr. Longhi reviewed the assumptions in the Draft Regional Revenue Budget.
 - ✓ Carryover from FY2015 is not available as FY2015-16 project selection is not complete.
 - ✓ HB 2313 revenues will continue to be estimated conservatively.
 - ✓ TransAction update is estimated at approximately \$2.5 million.
 - ✓ A contingency fund is included to support already approved projects which may request additional funds due to unforeseen circumstances. Research indicated that this percentage should be based on experience, but the Authority

does not have that experience yet. Proposed number is 3.8 % of the revenue stream.

- Discussion followed and the following points were made:
 - ✓ When jurisdictions apply for a project, it is expected that they are building in a necessary contingency amount. It was suggested this fund would duplicate the contingency funds already built into projects.
 - ✓ Construction costs can change quickly and this is the kind of challenge we need to be prepared for.
 - ✓ Agreed cost overruns would most likely happen in the right of way and construction phases.
 - ✓ If contingency fund is based on a percentage of the whole revenue stream, we may be overstating.
- Mr. Longhi noted that contingencies are being included in projects proposals, but from the Authority's perspective this fund would be for cost overruns that the initial project budget cannot absorb.
- It was commented that 3.8% is a good number and can be adjusted as needed. If we don't use it, it rolls over.
- Mr. Longhi noted that this represents about \$7 million.
- Ms. Backmon stated that the Authority will still have the right to approve any uses of the contingency fund when projects apply for additional money. Mr. Longhi added that the project agreements state that additional costs must be approved by the Authority.
- Mr. Longhi noted that there was a discussion to develop policies for this fund. As prior policies with regional impact have been developed with the collaboration of member jurisdictions, we want to do this for these policies as well.
- Chairman York introduced the Transportation Project Reserve. He suggested this reserve would be targeted to allow the Authority to be better prepared for mega projects. Noting that this reserve would be built by taking a percentage of the annual regional revenue and setting it aside for future mega projects.
- It was asked if this refers to projects that may move up in ratings. Mr. Longhi responded that projects would still have to meet the HB 2313 requirements.
- Examples for how this fund could be used were cited as the interchange at Rt. 28 and Rt. 66, I-66 improvements and WMATA capital improvements, all of which will have huge budgets. It was suggested the Authority start to set aside some cash each year to have available for projects like these.
- It was asked if this is for projects that have not been approved yet.
- It was noted that the Authority is currently developing a Six Year Plan. Once we get through the next TransAction update, more projects will be available to be submitted. Therefore, if a regionally significant project comes up, why do we need to save for it when it can come through the regular stream?
- Mr. Longhi noted that this may also give the Authority the opportunity to leverage other funds.
- Discussion followed with the following points being made:
 - ✓ There have been comments from the public that suggest we should not spend every last penny and should save some money for larger projects that may come up.

- ✓ We are already building reserves on the back of FY2015 and FY2016, therefore when these reserves are filled, we will have more cash in future years.
- ✓ Other reserves will roll over at approximately the same level. As currently conceived, this one would continue grow.
- ✓ It was noted that we are taking \$33 million as the last major installment to fund the Working Capital Reserve. Therefore, we will have \$33 million more in FY2017 than in FY2016. It was asked why we should constrain FY2016 more.
- ✓ Once the Capital Reserve is funded the budget will stay relatively level.
- ✓ There is a convergence of budget streams. The total revenue is \$351 million. PIWG has recommended \$338 million in the proposed project list. This leaves \$14 million for the Authority to choose more projects to fund, allowing flexibility. Were the reserve to be set, it would define the amount that moves through for project funding approval. The \$12 million in this reserve is already accounted for in determining the \$351 million funding level.
- ✓ A positive variance in FY2015 project funding will be in addition to this reserve.
- ✓ Might be better to have money not programmed than to take money of the top before programming. There are projects that scored well, why not fund more projects.
- ✓ Policy could be that any leftover funds would be placed in a reserve, but not taken out before programming.
- ✓ This money could be used for future project allocation.
- ✓ We should not spend all available money each year and need to save for mega projects.
- ✓ When the issue of how to fund 8 car trains is resolved, we will need money like this for that project.
- ✓ It may take many years of growth for this reserve to make any difference in a mega project.
- ✓ We currently anticipate that existing projects being recommended will have continued requests. These projects could consume all available FY2017 revenues, without funding any new projects.
- It was suggested that this issue be discussed at the next Authority meeting. Need to discuss reserve fund versus carryover funds and how this fund is going to be used.
- It was noted that in the future mega projects could consume all funding and then no small projects would get funded. It was suggested that we do not want to get to a point where we cannot fund projects.
- There was general agreement to bring this for discussion at the Authority meeting.

VII. NVTA Monthly Revenue Report

Mr. Longhi, CFO

- Mr. Longhi briefed the Committee on the Monthly Revenue Report and noted that revenues are on track. He noted that:
 - ✓ Distribution is continuing to the localities.

- ✓ At this time, only one jurisdiction has not completed its annual certification and we have assurance that they will meet the March deadline.
- ✓ The positive variance shown may shrink as we are seeing fluctuations in the transient occupancy tax.
- Mr. Longhi noted that the Authority had received a letter from the Virginia Department of Taxation that outlines the uses of the fees they have taken. They did not take any fees in February and the Department has committed to keeping us informed of new fees.

VIII. NVTA Operating Budget Report

Mr. Longhi, CFO

- Mr. Longhi presented the Operating Budget Report to the Committee. He noted that it is projected to have left over funds.
- Mr. Longhi noted that the installation of the GL system has started.
- Ms. Backmon added that on the Authority will appoint of the Chairman and the Vice Chairman of the Finance Committee at the next meeting Authority meeting.

Adjournment

IX. Adjournment

- Meeting adjourned at 2:28pm.