



Northern Virginia Transportation Authority
The Authority for Transportation in Northern Virginia

FINANCE COMMITTEE
Friday, April 17, 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 1:02pm.
- Attendees:
 - ✓ Members: Chairman York; Chair Hynes (arrived 1:08pm); Mayor Parrish, Council Member Rishell.
 - ✓ Staff: Monica Backmon (Executive Director); Michael Longhi (CFO); Peggy Teal (Assistant Finance Officer); Keith Jasper (Program Coordinator); Camela Speer (Clerk).
 - ✓ Council of Counsels: Ellen Posner (Fairfax County); Steve MacIsaac (Arlington County).
 - ✓ Other Attendees: Noelle Dominguez (Fairfax County); Peter Malgieri (Loudoun County); Carl Hampton (Prince William County); Kristy Choi (PFM).

II. Summary Minutes of the February 20, 2015 Meeting

- Mayor Parrish moved to approve the minutes of February 20, 2015; seconded by Council Member Rishell. Motion carried unanimously.

Action Items

III. Budget Adjustment – FY2014 Regional Revenue Fund

Mr. Longhi, CFO

- Mr. Longhi briefed the Committee on the budget adjustment to cancel an FY2014 appropriation of \$7 million in Regional Revenue Funds. He noted:
 - ✓ This is a voluntary withdraw from the Washington Metropolitan Area Transit Authority (WMATA).
 - ✓ The \$7 million is programmed in the Regional Revenue Fund and this action will make those funds available for Regional Revenue Fund purposes.
- Council Member Rishell moved that, based on the voluntary request from the Washington Metropolitan Area Transit Authority (WMATA) to withdraw its FY2014 funding request of \$7 million for new buses, the Finance Committee

recommend to the Authority cancellation of the FY2014 appropriation; seconded by Mayor Parrish.

- It was noted that the request was withdrawn due to WMATA needing more time for coordination of this purchase.
- Motion carried unanimously.

IV. Draft FY2016 – Regional Revenue Fund Budget

Mr. Longhi, CFO

- Mr. Longhi briefed the Committee on the draft proposed FY2016 Regional Revenue Budget. He noted that the Executive Director is forming an advisory panel to develop policy recommendations related to the establishment of a Contingency for Approved Projects and a Transportation Projects Reserve, within the Regional Revenue Fund. He reviewed the items contained in the Fund, specifically noting:
 - ✓ There is consensus to use Regional Revenue Funds of \$2.5 million for the TransAction Update.
 - ✓ The Contingency for Approved Projects and the Transportation Projects Reserve are included in the draft budget, however, no funds will be taken out of the reserves until the policies for them have been established.
 - ✓ The following wording changes have been requested to the staff report on the item referencing the Transportation Projects Reserve:
 - “This reserve is targeted to ensure funds ‘may be’ instead of ‘are’ available.”
 - Strike the word “leverage” with the new sentence reading, “This reserve may also be used to set aside resources for projects which additional funding may not have been previously available . . .”.
- Mr. Longhi explained the reserves.
 - ✓ The Contingency for Approved Projects is proposed at 3.8% of the FY2016 budget and is targeted to assist with approved projects that although they have a contingency built into their budget, may have unanticipated overrun costs that exceed the built in contingency. It has been made clear to project submitters that they need to include a contingency in all project budgets. If the Contingency Fund is not used it will carry over to next year. To use this reserve, the Committee must approve use of these funds.

(Chair Hynes arrived.)

- ✓ The Transportation Projects Reserve is targeted to be used as a “savings account” for future projects. All funds in the Regional Revenue budget are restricted. This reserve would be an accumulator. It may be used to leverage other funding sources and as a reserve for projects that would be so large in size that they could cause a dip in funding for other projects.
- Chairman York stated that he is absolutely in support of the Transportation Projects Reserve, as there will be regional projects that will have large budgets, whether transit or roadway.

- Mr. Longhi added that with the approval of the Committee the draft budget will move forward for Authority adoption next week. The policy adoption will be in the future, noting that the motion includes that no funds in the Contingency Reserve or Transportation Projects Reserve will be used until the policies are adopted.
- Robust conversation followed with the following key points:
 - ✓ Voting for this draft budget will only allow the Transportation Projects Reserve line item to remain in the budget until the policy is developed. If the Reserve is not approved once the policy is written, monies will go back into general fund.
 - ✓ There is a large amount of money available, so it makes sense to keep some for future larger projects.
 - ✓ The citizens paying the tax money want to see results, so perhaps we need to spend the money sooner.
 - ✓ Larger projects could be accomplished through bond funding.
 - ✓ Reserving this money now, before projects are authorized is taking money from projects ready for funding now.
 - ✓ Should have additional conversation about this Reserve when we have the big picture of a full Six Year Program.
 - ✓ Approval of this Reserve is going to be about the policy we write.
 - ✓ Concern was expressed that with the contingencies and reserves there are almost \$130 million sitting in reserves.
- Mr. Longhi added that in ongoing discussions about project funding there is conjecture both that we are spending too much of the money and that we are not spending enough. He noted:
 - ✓ There is currently \$359 million left after all commitments and this was the number given to the PIWG to use when recommending projects for funding. This number accounted for the TransAction Update cost and the reserves. This is the money available for FY2015/16 projects.
 - ✓ The PIWG has recommended \$337.9 million and has now added an additional \$8 million for a total recommendation to the Authority of \$345.9 million, leaving \$13.1 million in un-programmed funds. These funds will stay in the Regional Revenue Fund.
 - ✓ The Working Capital Reserve of \$103.5 million will be fully funded in FY2016. The Debt Service Reserve of \$5.5 million was funded out of bond proceeds. These are Restricted Reserves of \$109 million that have very little latitude as to what can be done with them.
 - ✓ The Contingency for Approved Projects is proposed at \$7.8 million, which is 3.8% of the draft budget. That number is an average percentage for funds of this type.
 - ✓ The Transportation Projects Reserve is proposed at \$12 million or 3%, as previously suggested by the Committee.
- Mr. Longhi summarized that the Authority has directed reserves of \$19.8 million and un-programmed funds of \$13.1 million, for a total of \$32.9 million. When the Restricted Reserves are added, there are \$141.9 million in reserves and un-

programmed funds. This shows that the Authority is being very responsible with its funds and the financial markets like that.

- There was consensus that Mr. Longhi use the spreadsheet presented to the Committee and the same level of detail about the reserves and un-programmed funds when presenting the draft budget to the Authority. It was suggested that a statement be added that the total of \$359 million includes funding for all reserves.
- Further discussion followed about the Transportation Projects Reserve Fund.
 - ✓ It was suggested that the percentage proposed for the Transportation Project Reserve should be revisited.
 - ✓ It was suggested that the amount allocated to the Transportation Projects Reserve should remain with the rest of the money in the Regional Revenue Fund for programming and to do projects. Mr. Longhi responded that from an accounting and a legal perspective, those funds will never leave the Regional Revenue Fund, it is a subcategorization.
 - ✓ It was recommended that there be three pots of money: money for approved projects, a contingency reserve and a percentage of money set aside each year to grow the funds to allow for funding of very large projects.
 - ✓ Policy development is critical.
 - ✓ It was suggested that instead of the Reserve we should just take the money from the available funds when the projects are approved.
 - ✓ It was proposed that we start a savings account for very large projects in the future, or these large projects will not get done.
 - ✓ It was suggested that as we move forward and projects evolve, the smaller projects may be taken care of and larger projects will be able to get the funding.
- Mr. Longhi clarified that this is intended to put a self-imposed restriction on available funds and allow the Reserve to accumulate. He clarified that this is a cumulative fund.
 - ✓ It was noted that there are still proposed projects that can be funded.
 - ✓ It was suggested that we let the money sit until the policy is developed.
 - ✓ It was recommended that the Transportation Projects Reserve line item in the budget be zero and the \$12 million placed with the un-programmed monies.
 - ✓ It was recommended that this needs further discussion at the Authority level.
- Chairman York moved to recommend the Authority approval of the draft FY2016 Regional Revenue Fund budget, minus the \$12 million Transportation Projects Reserve line item; seconded by Chair Hynes. Motion failed with two (2) yeas and two (2) nays.
- It was suggested that there needs to be more discussion on how to fund large projects, and whether to bond them.
- Chairman York moved to recommend the Authority approval of the draft FY2016 Regional Revenue Fund budget, with the adjustment to the Transportation Projects Reserve line item to reflect an amount of zero; seconded by Mayor Parrish.

- Concern was expressed that once things are in writing, they take on a sense of momentum and inevitability.
- It was noted that the Authority had directed staff at the last meeting to draft a policy regarding the Transportation Projects Fund.
- Motion carried unanimously.

Information/Discussion Items

V. TransAction Update – Procurement Status

Mr. Jasper, NVTA

- Mr. Jasper updated that Committee on the status of the TransAction Update procurement. He highlighted:
 - ✓ Need to start very soon.
 - ✓ Update is significant as it is the first one since HB 2313 was passed.
 - ✓ Update needs to be ready for FY2018 for full Six Year Program funding.
 - ✓ The JACC created the TransAction subcommittee to develop a statement of work.
 - ✓ NVTA staff has been working on other components of the RFP.
 - ✓ Will bring to Authority next week to approve the statement of work and the release of the RFP.
 - ✓ It is anticipated that the recommendation of the selected firm will come to the Finance Committee in June.
- Mr. Jasper noted that the cost estimate of \$2.5 million had been developed by the subcommittee by creating the statement of work and attempting to cost the tasks in the statement of work. Additionally, based on various factors and previous budgets, the amount of \$2.5 million was agreed to complete the TransAction Update with a robust process. Mr. Longhi added that this update will also include a more robust public outreach component and that there is a contingency built in. Ms. Backmon stated that the budget for the last update had been \$1.2 million.
- Mr. Jasper confirmed that there are at least three firms in this area with the ability to do this work, possibly double that.

VI. NVTA Advisory Panel – Regional Revenue Fund, Contingency and Reserve Policy Development

Ms. Backmon, ED

- Ms. Backmon stated that the Advisory Panel will help staff develop policies in the future and will involve staff from member jurisdictions and agencies. She clarified that the Advisory Panel will be different from the JACC as there will be a need for financial support, as well as technical support. She noted that there will likely be crossover between the members of the two.

VII. Draft Policy – Standard Project Agreement Activation

Ms. Backmon, ED

- Ms. Backmon stated that the purpose of this policy is to handle projects that have been approved for funding, but do not have an approved SPA. This will allow for the Authority to de-obligate the funds for a project if a SPA is not adopted within 6 months of approval. This is not automatic, but will give the Authority the ability to defund a project not advancing.
- Ms. Backmon clarified that NVTAs staff will discuss these situations individually with submitting jurisdictions or agencies and then report back to the Finance Committee and Authority with a recommendation. She stated that the Authority will need to approve any defunding.
- Ms. Backmon added that this policy will be in effect for the FY2105-16 and FY2017 Programs. She noted that there are still two projects in FY2014 that do not have SPAs. She stated that this policy will need to be revisited when we embark on full Six Year Program, as a six month time frame may not be feasible with a longer term program.

VIII. Financial Activities Update – (no written report)

Mr. Longhi, CFO

- Mr. Longhi summarized that there are two items in the employee benefits package that have not been completed yet.
 - ✓ Short Term and Long Term Disability. This is because it is a challenge to get a good policy with only six employees. He noted that NVRC and NVTC have the same challenge and we are looking into a collaborative procurement, but this may not work. Mr. Longhi clarified that we cannot ride on a contract with another organization, as insurance companies do not allow for that.
 - ✓ 457 Tax Deferral Plan. This is an Employee Tax Deferred Savings Plan and has just been a matter of time resources.
- Mr. Longhi stated that the implementation of the general ledger system was projected to be in April and we are 90% complete. He noted that, in order to maintain consistency with the financial reports currently being presented to Authority, we will be phasing in the new financial reports that this system generates in the fall. He added that we are on budget and do not anticipate any changes. Mr. Longhi thanked Ms. Teal for doing the heavy lifting in setting up the general ledger system.
- Mr. Longhi noted that the Annual Certification process is coming up and while we have no major process problems, there are ways we can make the process smoother. He stated that the NVTAs staff will be presenting a workshop to discuss process and to include lessons learned from the NVTAs staff and the jurisdictional staff. He added that we will be doing the same thing for the SPA process. Mr. Longhi stated that this will be to improve the clarity of the process and will not create any interruption in the acceptance of SPAs.

IX. NVTA Monthly Revenue Report

Mr. Longhi, CFO

- Mr. Longhi noted that the increases being reported recently in the State revenue budget are already incorporated in the NVTA monthly revenue budget.

X. NVTA Operating Budget Report

Mr. Longhi, CFO

- No verbal report.
- Ms. Backmon mentioned the invitation to the upcoming NVTA Ground-breaking on May 11.
- Chairman York asked for an update on the result of the discussion at the PIWG regarding the NVTA funding studies. Ms. Backmon responded that those projects were being updated for further clarification as some of the projects listed as studies were really in the PE stages. She added that some also include initial design and PE in the project request.
- Council Member Rishell asked if the VRE parking expansion is still in the proposed project list. Ms. Backmon responded that it is and that the money requested from the Authority will get this project into PE.

Adjournment

XI. Adjournment

- Meeting adjourned at 2:00pm.