

NVTA Financial Working Group

Fairfax Department of Transportation

4050 Legato Road, Suite 400

Fairfax, Virginia 22033

Monday, September 16, 2013

2:00 p.m.

- I. Introductions
- II. Approval of Summary of August 21, 2013, Meeting
- III. Review of Overarching Questions
 - A. Finalize Tax and Fee Revenue Estimates
 - a. Status of Jurisdictional Responses: Verification of Imposition of Commercial & Industrial Property Tax or Equivalent and Calculation of Maintenance of Effort
 - B. Discussion of Bond Validation and Other Documents
 - a. Status of NVTA Bond Validation Proceedings
 - b. Status of Letter to Treasury Board
 - C. Discussion of Revenue Distribution to Towns
 - a. Review Draft Document on Distribution of Revenues to Towns
 - b. Discussion of Recommendations
- IV. Other Topics for Discussion
 - A. Projects Agreements between NVTA and Jurisdictions/Implementing Agencies
 - i. Status of MOA for Transferring Funding to Local Governments and/or Implementing Agencies
 - ii. Status of Cash Flow for Expenditures
 - iii. Documentation of Expenditures
 - B. Development of Annual Budget
 - i. Status of Coordination with Organizational Working Group and Interim Executive Director
 - ii. Preparation of Recommendations for September 26, 2013, Meeting
 - C. Status of Review of Liability and Insurance Requirements
 - D. Status of Preparation of Revised Debt and Financial Policies
 - E. Status of Review of Procurement Procedures
 - F. Identification of Additional Items for Discussion
- V. Other Business

- VI. Items Referred from Other Working Groups
 - a. Draft MOA between VDOT/DRPT and NVTA
- VII. Items to Refer to Other Working Groups
- VIII. Summarize Recommendations Made by Working Group for the September 26, 2013, NVTA Meeting; Additional Information Requirements; Persons Responsible for Securing Information; and Direction to Staff Coordinators
- IX. Next Meeting
- X. Adjourn

Northern Virginia Transportation Authority Financial Working Group
Meeting #8, August 21, 2013

Notes with Follow-up Items

- Mayor Euille led introductions.
- The minutes of August 1 were approved.
- Tom Biesiadny (Fairfax County) lead the discussion of the summary of the jurisdiction responses to the request of information regarding the maintenance of effort in transportation for 2011-2013 and intentions regarding the collection of a \$0.125 per \$100 Commercial and Industrial (C&I) property tax or equivalent, and an estimate of how much such a C&I tax would generate.
- Not all jurisdictions are proposing to levy the \$0.125 C&I property tax. Rather, some jurisdictions propose to fund on equivalent amount by some other source, as stated in their responses.
- In cases where a jurisdiction does not raise the equivalent of a \$0.125 per \$100 C&I tax, the revenue distributed to the jurisdiction will be reduced by the difference between the amount of revenue that would be received under the tax and/or other sources. At this time such gaps exist for the following jurisdictions:
 - Fairfax City
 - Falls Church
- Outstanding information is needed from:
 - Arlington County will adopt, but response and estimates are forthcoming.
 - Prince William County response – to be provided shortly.
 - Manassas and Manassas Park responses.
- Monica Backmon (Prince William County) raised the question regarding the gas tax collected by PRTC and its relationship to maintenance of effort (MOE) calculation.
- PRTC and NVTC do not have the same legal and fiscal relationship to the jurisdictions.
- Fairfax County shows the funds from NVTC in its books, while Prince William does not regard PRTC gas tax the same way.
- Scott Kalkwarf (NVTC) said that the Consolidated Annual Financial Report (CAFR) shows NVTC as a joint venture and there is a financial relationship regarding capital projects.
- The Legal Working Group was asked to clarify whether gas tax revenues should be included in the MOEs.
- The Legal Working Group will also confirm if debt service and debt proceeds issued/received after 7/1/2013 can or should be used for MOE and C&I calculations.
- Ellen Posner (Fairfax County) provided status of bond validation suit. There were three actions by third parties. Fairfax and Falls Church became plaintiffs and Delegate Bob Marshall filed an answer.
- The NVTA's Letter to the Treasury Board will be considered before NVTA's September meeting.
- The Electronic Funds Transfer (EFT) agreement has been accepted by the Commonwealth and will be used to transfer funds to NVTA.

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- Tom Biesiadny drafted a one page summary regarding distribution of revenue to the towns as the basis for a form document NVTA will design in September. Several comments were provided.
- Ellen Posner and Scott Kalkwarf to have a discussion with Kevin Greenlief (Fairfax County) after this meeting regarding the specificity of revenue sources for the Town of Vienna, since the town only has one hotel.
- The Memorandum of Agreement (MOA) for Transferring Funds to localities was discussed.
- Jason Friess (Arlington) and the subgroup met on cash flows and other ways to look at expenditures in relation to the overall cash flow projects from project managers and will present at the next meeting.
- The staff coordinators from the Financial, Legal and Organizational Working Group met with John Mason to discuss the NVTA's annual budget that also includes positions. The administration costs will be reviewed with the budget.
- Further discussion will take place regarding the administrative costs invoicing.
- Scott Kalkwarf brought up check signing requirements for NVTA above \$5,000. The consensus was that checks should be counter signed by the Vice Chair for the time being.

Additional Follow-up Items

- Legal Working Group will review how proffers should be handled.
- Conference call regarding liability and insurance on August 27 and recommendations will be brought to this group at the next meeting.
- John Mason will follow up with NVTA for the details that are outstanding to finalize the budget. Will be presented at the next meeting.
- Debt subcommittee will bring debt and financial policies to next meeting.
- Procurement procedures are scheduled for a conference call and will be brought to the next meeting.
- NVTA needs to put into place a procedure for how the transfer of 30% share will occur.
- CFO job description is with John Mason for adding the recommended changes.
- Discussion on what can be used for the local match for other projects. The draft MOA from the Commonwealth says only the 30% can be used as local match . Need to discuss further in legal working group.
- The issue of how to reflect the Gas tax in the MOEs was also referred to legal working group.
- On 9/16, additional discussion about the distribution of revenue to towns will be important..
- Next meeting on September 16 at 2pm.

5.D.

**Financial Working Group
Northern Virginia Transportation Authority**

MEMORANDUM

TO: Martin E. Nohe, Chairman
Northern Virginia Transportation Authority

Members
Northern Virginia Transportation Authority

FROM: William Euille, Chairman
Financial Working Group
Northern Virginia Transportation Authority

SUBJECT: Report of the Financial Working Group (Agenda Item 5.D.)

DATE: September 20, 2013

Background:

Since the July 24, 2013, Authority meeting, the Financial Working Group has met three times to continue its efforts to implement the financial aspects of HB 2313. Several subcommittee meetings were also held. Progress on each of the working group's activities is discussed below.

Imposition of Commercial and Industrial Property Tax

On July 19, 2013, Chairman Nohe wrote to the Authority's nine jurisdictions seeking information about each jurisdiction's intention regarding the implementation of the Commercial and Industrial (C&I) Property Tax for Transportation at \$0.125 per \$100 value or set aside an equivalent amount of money for transportation from another source. HB 2313 states that if a jurisdiction fails to do either, the amount of money it will receive from NVTA as part of the distribution of the 30 percent of revenue will be reduced. NVTA has received responses from all of the local governments. Two jurisdictions are implementing the C&I tax at \$0.125 per \$100. Six jurisdictions are planning to raise an equivalent amount of money from other sources. One jurisdiction has imposed the C&I tax at \$0.055 per \$100. Since this jurisdiction will not meet the statutory requirement, NVTA will be required to reduce the funding being distributed to the local jurisdiction from the 30 percent funding it is required to distribute. The difference will be added to the 70 percent regional funding that NVTA is retaining. Each jurisdiction's submission is summarized in Attachment A.

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Local Maintenance of Effort

HB 2313 also requires that each local jurisdiction maintain the same level of spending on transportation as it did on average in FY 2011, FY 2012 and FY 2013. To gather this information, Chairman Nohe's letter also asked each jurisdiction to calculate its transportation expenses over the last three fiscal years, excluding bonds, bond debt service, state aid and federal funding. Each of the nine jurisdictions has responded, and their responses are summarized in Attachment A.

Status of Action by the Treasury Board

Following the Authority's July 24, 2013, meeting, Chairman Nohe wrote to the Commonwealth Treasury Board seeking an exemption from typical Treasury Board approval for selling bonds supported by the three taxes that the Authority will be receiving from the Commonwealth as a result of HB 2313. The Authority's bond counsel also coordinated this issue with Treasury Board staff. The Treasury Board is scheduled to consider the Authority's request at its meeting on September 18, 2013. An update on the Treasury Board's action will be provided at the NVTA meeting.

Agreements

There four agreement that the Authority will be asked to consider. These agreements include:

- a) An agreement between the Authority and its nine member jurisdictions outlining the policies and procedures associated with the distribution of the 30 percent funding that HB 2313 requires be distributed to the local governments. STATUS: Members of the Financial and Legal Working Groups have met to discuss the various items that should be included in the agreement and have reached consensus on how to approach some of these items. Discussions are continuing with the anticipation that a draft agreement can be presented for the Authority's consideration at its October 24, 2013, meeting.
- b) An agreement between each county and its town(s) for the distribution of the 30 percent funding that HB 2313 requires be distributed to the local jurisdictions and proportionately to the towns. STATUS: As described below, the Financial Working Group has discussed procedures for distributing revenues to the towns. These procedures will be incorporated into a standard agreement that each of the three counties will execute with its town(s). This agreement will closely follow the agreement between the Authority and

the counties, but will also include specific information about the distribution of each revenue source and documentation requirements. An initial draft of items to be included in the agreement has been developed and distributed for review. If the agreement between the Authority and its member jurisdictions is finalized for the October 24, 2013, it is conceivable that the town agreement can be finalized as well.

- c) An agreement between the Authority and agencies implementing projects and services funded by the 70 percent funding that the Authority will be retaining for regional projects. Since the Authority will have limited capabilities to implement projects and services on its own, particularly in the short term, it will need to coordinate with local jurisdictions, regional transportation agencies and state transportation agencies, and potential others, to implement projects and services using the 70 percent funding that the Authority will retain. To accomplish this, the Authority will need to develop a standard agreement with these implementing agencies establishing appropriate policies and procedures to protect the Authority, outline the reimbursement practices and specify documentation and records keeping requirements. STATUS: The Financial and Legal Working Groups have not begun to work on this agreement yet. It is anticipated that it will be ready for the Authority's consideration at the December 12, 2013, meeting.

- d) An agreement between the Authority and the Commonwealth (Virginia Department of Transportation and the Department of Rail and Public Transportation) related to the roles and responsibilities of each agency associated with the collection and distribution of the regional transportation revenues, the implementation of projects and the applicability of the Authority's regional funding for local matches to state transportation funding. STATUS: VDOT and DRPT have prepared a draft agreement for the Authority's consideration. The Financial and Legal Working Group are in the process of reviewing the agreement. It is anticipated that an agreement will be ready for the Authority's consideration at the December 12, 2013, meetings.

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Distribution of Revenues to the Towns

HB 2313 requires that counties ensure that the town(s) within their boundaries receive a proportional share of the revenues made available to the counties. The Financial Working Group has been discussing ways to determine the proportional share and the procedures for making these revenues available to the towns. Draft procedures have been developed and are being reviewed. It is anticipated that these procedures will be submitted to the Authority for consideration at the October 24, 2013, meeting.

Liability and Insurance Requirements

A subcommittee of the Financial Working Group met the risk managers from several of the jurisdictions and members of the Legal Working Group to review the Authority's current insurance coverages and identify additional coverage needs. The risk managers have provided their recommendations. These recommendations have been sent to the Authority's Executive Director for his use.

Debt and Financial Policies

A subcommittee of the Financial Working Group met several times with the Authority's financial advisors, bond counsel and members of the Legal Working Group to update the debt and financial policies in anticipation of a bond sale in Spring 2014. These policies were approved by the Authority in 2008. This assumes that the Authority ultimately prevails in the bond validation suit. These policies address various aspects of NVTA's financial requirements for a bond sale, including coverage ratios, reserve requirements, and the selection of future financial advisors and bond counsel, etc. Significant progress has been made in revising the document. It is anticipated that this document will be submitted to the Authority for consideration in December 2013 or January 2014.

Procurement Procedures

A subcommittee of the Financial Working Group met with procurement staff from several of the jurisdictions and members of the Legal Working Group to review the Authority's current procurement procedures which were adopted in 2008 and recommend changes. There have been revisions to the Virginia Public Procurement Act during the last five years. The procurement
Martin E. Nohe, Chairman

officials provided recommendations for amendments. The procurement policy is being updated with these recommendations. It is anticipated that the policy will be submitted for the Authority's consideration at the October 24, 2013, meeting.

Cash Flow Procedures

A subcommittee of the Financial Working Group has been meeting with the Authority's financial advisor to prepare recommendations for cash flow procedures and documentation that will be needed to manage the distribution of the 70 percent funding that the Authority is retaining to implement regional projects and manage its bond proceeds. The subcommittee is also developing the forms that implementing agencies will need to complete to provide data on individual projects. These forms are in the process of review by the entire Financial Working Group. After the working group review is complete, these forms will be brought to the Authority for consideration, as appropriate, or submitted to the Project Implementation Working Group and the Executive Director for their use.

Job Description for Chief Financial Officer

Members of the Financial Working Group reviewed the job description for the Chief Financial Officer and provided comments. The job description has been updated and provided to the Authority's Executive Director for his use.

Initial Revenues

To date, the Commonwealth has transferred \$25.2 million in transportation revenues to the Authority. The revenues collected and transferred are reported in Attachment B.

On-Going Activities

The Financial Working Group is still working on several additional tasks. These include:

- developing audit procedures;
- preparing a recommendation for the Authority related to the calculation of the long-term benefit that jurisdictions will receive from the implementation of the projects and services supported by the 70 percent of funding that the Authority will retain for regional projects.

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Financial Working Group members and I will be available at the NVTA meeting on September 26, 2013, to answer questions.

Cc: Members, NVTA Jurisdiction and Agency Coordinating Committee
Members, NVTA Financial Working Group
Members, NVTA Legal Working Group

Summary of Commercial and Industrial Tax Implementation
and Local Transportation Funding Maintenance of Effort
September 20, 2013

<u>Jurisdiction</u>	<u>Amount \$0.125 C&I Raises</u>	<u>Implementing C&I Tax?</u>	<u>C&I Rate Implemented</u>	<u>Alternative Approach</u>	<u>Amount of Alternative Approach</u>	<u>Transportation Funding Maintenance of Effort</u>
Alexandria	\$11,200,000	No	N/A	Other Local Sources	+\$11,200,000	\$35,466,815
Arlington		Yes	\$0.125	N/A	N/A	\$63,849,059
Fairfax City	\$2,372,727	Yes	\$0.055	N/A	\$1,044,000	\$4,731,115
Fairfax County	\$50,500,000	Yes	\$0.125	N/A	N/A	\$147,317,287
Falls Church	\$898,218	No	N/A	Other Local Sources	\$1,050,000	\$834,363
Loudoun	\$15,170,000	No	N/A	\$0.02 real estate tax; gas tax; proffers	\$31,720,000	\$14,523,810
Manassas	\$1,709,166	No	N/A	Other Local Sources	\$1,709,100	\$996,387
Manassas Park	\$236,000	No	N/A	Other Local Sources	\$236,000	\$135,911
Prince William	\$8,200,000	No	N/A	Other Local Sources	\$8,200,000	\$25,489,910

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES RECEIVED BY JURISDICTION IN WHICH REVENUE WAS GENERATED
JULY 1, 2013 THROUGH SEPTEMBER 20, 2013
(CASH BASIS)

<u>Jurisdiction</u>	<u>Grantor's Tax</u>	<u>Regional Sales Tax</u>	<u>Transient Occupancy Tax</u>	<u>Total</u>
City of Alexandria	\$ 440,420	\$ 1,187,694	\$ 159,869	\$ 1,787,982
Arlington County	683,212	1,721,426	733,944	3,138,582
City of Fairfax	42,283	609,360	-	651,643
Fairfax County	3,162,602	7,692,875	112,696	10,968,173
Falls Church	58,133	172,862	-	230,996
Loudoun County	1,600,172	2,815,303	-	4,415,475
City of Manassas*	-	381,490	5,449	386,939
City of Manassas Park*	-	98,016	-	98,016
Prince William County*	1,049,538	2,474,767	9,415	3,533,720
Total Revenue	\$ 7,036,360	\$ 17,153,792	\$ 1,021,374	\$ 25,211,526

<u>Date Received</u>	<u>Remitting Agency</u>				
8/28/2013	VDOT	\$ 3,551,883	\$ -	\$ -	\$ 3,551,883
9/20/2013	Dept. of Taxation	-	17,153,792	-	17,153,792
9/20/2013	VDOT	3,484,477	-	1,021,374	4,505,851
Total Revenue		\$ 7,036,360	\$ 17,153,792	\$ 1,021,374	\$ 25,211,526

*To date VDOT has been unable to determine the portion of the Grantor's Tax reported for Prince William County that is attributable to the cities of Manassas and Manassas Park.