

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

TO: Chairman Martin E. Nohe and Members
Northern Virginia Transportation Authority

FROM: Michael Longhi, Chief Financial Officer

SUBJECT: Draft FY2016 Regional Revenue Budget

DATE: April 21, 2015

- A. Recommendation:** Approval of FY2016 Regional Revenue Budget as recommended by the Finance Committee.
- B. Suggested Motion:** *I move approval of the draft FY2016 Regional Revenue Fund budget, with adjustment of the Transportation Projects Reserve to zero pending the establishment of related policies, as recommended by the Finance Committee.*
- C. Background:** Regional Revenues (70% funds) are considered restricted funds and can only be used in accord with HB2313 (2013). After meeting debt service obligations, regional revenues are largely programmed through the Authority's approval of specific projects on a PayGo basis. Any unused funds from one fiscal year are available for use in a future fiscal year. The Finance Committee provided guidance to Authority staff on the budget development during prior meetings.
- D. Assumptions:** The proposed Regional Revenue Fund budget detail follows in Attachment A.
- a. FY2014 Adjustment.** The budget detail has been modified to reflect the increase in available funds of \$7 million related to the withdrawal of the FY2014 Washington Metropolitan Area Transit Authority bus project.
 - b. FY2015 Year End Performance.** Carryover from FY2015 is not available at this time as the project selection process for FY2015-16 is expected in April 2015.
 - c. Revenue Projection.** HB2313 revenues will continue to be estimated conservatively. The FY2016 revenue amounts previously projected will continue to be utilized.
 - d. Professional Services.** Professional services for Regional Revenues are related to legal, regulatory and financial advisory services for bond financing
 - e. TransAction Update.** The Authority will be updating TransAction 2040. The current estimate for the update is \$2.5 million.
 - f. NVTa Advisory Panel.** 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. The advisory panel will address the following items, for future review and comment by the

Finance Committee, prior to a recommendation being made to the Authority:

- i. Funding level
- ii. Funding methodology
- iii. Utilization of funds
- iv. Replenishment of utilized funds

g. Contingency for Approved Projects. This new contingency fund is targeted to support already approved projects requesting additional funds due to unforeseeable circumstances. The draft proposed FY2016 budget sets initial funding as 3.8% of annual revenue. No contingency funds will be utilized until policies for such use are established by the Authority.

h. Transportation Projects Reserve. This reserve is targeted to ensure funding availability to advance regionally significant projects. This reserve may also be used to set aside resources for projects which additional funding may not have been previously available or potential projects which require multiple years of allocations so as to not draw a disproportionate amount of resources in a single year. Project approvals must meet all HB2313 and all other legislative requirements. No reserve funds will be utilized until policies for such use are established by the Authority.

E. Summary. A summary of funding availability for FY2015/16 projects, un-programmed revenue and reserves is included as Attachment B:

a. As proposed in the draft budget, the funds available for projects after funding required debt service obligation, the TransAction update and the proposed contingency reserve is \$371.0 million.

- i. Recommended projects, as will be presented in a later agenda item, total \$345.9 million. These actions will result in \$25.1 million in un-programmed funds.
- ii. All un-programmed funds will remain in the Regional Revenue Fund for future allocation to projects or reserve designations as determined by the Authority.

b. Reserves set aside funds to provide assurance of future resource availability.

- i. The Authority has two required reserves supporting debt service obligations. The Working Capital Reserve which reaches a fully funded level in FY2016 and the Debt Service Reserve which was funded through bond proceeds. These two restricted reserves total \$109.0 million.
- ii. The Finance Committee has recommended the establishment of a Contingency for Approved Projects with a target balance of 3.8% of annual Regional Revenue Fund income. The Finance Committee has established the prospect of a Transportation Project Reserve. The policy details will be developed through a multi-jurisdictional advisory panel.

c. Based on the proposed budget, the Authority will have \$32.9 million in NVTa directed reserves and un-programmed funds and total reserves and un-programmed funds will total \$141.9 million.

F. Next Steps.

- a.** The Authority adoption of the FY2015-16 Two Year Program will effectively appropriate funds for approved projects.
- b.** The Finance Committee will receive reports on the progress of the Advisory Panel on a regular basis until contingency and reserve policies are presented to the Authority for approval.

Attachments:

- A.** Draft FY2016 70% Regional Revenue Budget
- B.** FY2015/16 Regional Revenue Fund Summary

Coordination:

Finance Committee

Northern Virginia Transportation Authority Proposed FY 2016 70% Regional Revenue Budget			
	Adopted FY2015	Current FY2015 Projections	Proposed FY2016
Revenue 70% Regional Funds			
Sales Tax	\$ 159,651,238.00	\$ 159,651,238.00	\$ 162,929,774.00
TOT	\$ 17,680,608.00	\$ 17,680,608.00	\$ 17,942,679.00
Grantor's Tax	\$ 25,832,566.00	\$ 25,832,566.00	\$ 26,041,735.00
State/Federal Grants	\$ -	\$ -	\$ -
Bond or LOC Proceeds	\$ -	\$ -	\$ -
Reimbursable Expenditures	\$ 300,000.00	\$ -	\$ -
Interest Earned	\$ 52,500.00	\$ 120,000.00	\$ 70,000.00
Revenue Variance (Regional Funds)	\$ -	\$ -	\$ -
Total Revenue with Debt Proceeds	\$ 203,516,912.00	\$ 203,284,412.00	\$ 206,984,188.00
Expenditures			
Debt Service - Principal	\$ 6,000,000.00	\$ 1,485,000.00	\$ 1,504,739.14
Debt Service - Interest	\$ -	\$ 2,310,000.00	\$ 3,238,550.00
Professional Services - Bond Issuance Costs	\$ 300,000.00	\$ 125,000.00	\$ 300,000.00
Working Capital Reserve (WCR)	\$ 66,028,434.00	\$ 67,721,472.00	\$ 33,860,736.00
WCR Required Incremental Adjustment	\$ -	\$ -	\$ 1,909,886.00
TransAction Update	\$ -	\$ -	\$ 2,500,000.00
NEW Contingency for Approved Projects (3.8%)	\$ -	\$ -	\$ 7,865,399.14
NEW Transportation Projects Reserve	\$ -	\$ -	\$ -
Total Expenditures	\$ 72,328,434.00	\$ 71,641,472.00	\$ 51,179,310.28
Available Balance For Projects	\$ 131,188,478.00	\$ 131,642,940.00	\$ 155,804,877.72
Projected Project Expenditures (PayGo)	\$ 131,188,478.00	\$ 131,642,940.00	\$ 155,804,877.72
Carry Forward Unassigned Project Funds	\$ 83,634,787.00	\$ 83,634,787.00	\$ -
Total Available for Project Assignments *	\$ 214,823,265.00	\$ 215,277,727.00	\$ 155,804,877.72
Funding Availabvle for FY2015 and FY2016			\$ 371,082,604.72
Cumulative Regional Revenue Reserve Balances			
Working Capital Reserve	\$ 66,028,434.00	\$ 67,721,472.00	\$ 103,492,094.00
Debt Service Reserve (Held by Trustee)	\$ 75,300,000.00	\$ 5,551,150.00	\$ 5,551,150.00
Contingency for Approved Projects	\$ -	\$ -	\$ 7,865,399.14
Transportation Projects Reserve	\$ -	\$ -	\$ -
Cumulative Reserve Balances	\$ 141,328,434.00	\$ 73,272,622.00	\$ 116,908,643.14

* SPA Approvals will determine exact assignments by fiscal year

Impact on funds available for projects after regional revenue contingency			
Percentage Rate	Contingency Amt.	FY2015/16 Available Funds	
3.80%	\$ 7,865,399.14	\$	371,082,604.72
4.00%	\$ 8,279,367.52	\$	370,668,636.34
4.50%	\$ 9,314,288.46	\$	369,633,715.40
5.00%	\$ 10,349,209.40	\$	368,598,794.46
5.25%	\$ 10,866,669.87	\$	368,081,333.99
6.00%	\$ 12,419,051.28	\$	366,528,952.58
7.00%	\$ 14,488,893.16	\$	364,459,110.70
8.00%	\$ 16,558,735.04	\$	362,389,268.82
9.00%	\$ 18,628,576.92	\$	360,319,426.94
10.00%	\$ 20,698,418.80	\$	358,249,585.06
12.00%	\$ 24,838,102.56	\$	354,109,901.30
14.00%	\$ 28,977,786.32	\$	349,970,217.54

FY2015/16 Regional Revenue Fund Summary
(All figures in millions)

Funds Available for projects	\$ 371.0	(Net after all commitments and recommended reserves)
Projects Recommended to PIWG	\$ 337.9	
PIWG April 13 Recommendation	<u>\$ 8.0</u>	
Total FY15/16 Recommended Projects	\$ 345.9	
FY2015/16 Un-programmed Funds	\$ 25.1	

Cumulative Regional Revenue Fund Reserve Balances

Working Capital Reserve	\$ 103.5	Debt Policy
Debt Service Reserve	<u>\$ 5.5</u>	Debt Policy
Restricted Reserves	\$ 109.0	
Contingency for approved projects	\$ 7.8	Policy in development
Transportation Projects Reserve	<u>\$ -</u>	Policy in development
NVTA Directed Reserves	\$ 7.8	
NVTA Directed Reserves/Un-programmed Funds	\$ 32.9	(\$25.1mm +\$7.8mm)
Total Reserves and Un-programmed Funds	\$ 141.9	(\$109.0mm + \$32.9mm)