



**Northern Virginia Transportation Authority**  
*The Authority for Transportation in Northern Virginia*

**FINANCE COMMITTEE**  
**Thursday, March 3, 2016 1:00PM**  
**3040 Williams Drive, Suite 200**  
**Fairfax, VA 22031**

**MEETING SUMMARY**

**I. Call to Order/Welcome**

Chairman Parrish

- Chairman Parrish called the meeting to order at 1:02pm.
- Attendees:
  - ✓ Members: Chairman Parrish; Chairman Bulova; Chair Randall; Council Member Rishell.
  - ✓ Staff: Monica Backmon (Executive Director); Michael Longhi (CFO); Peggy Teal (Assistant Finance Officer); Camela Speer (Clerk).
  - ✓ Council of Counsels: Ellen Posner (Fairfax County).
  - ✓ Other Attendees: Tom Biesiadny (Fairfax County); Penny Newquist (Loudoun); Peter Malgieri (Loudoun County); Joanne Carter (PFM); Kristy Choi (PFM); Rob Whitfield.

**II. Summary Minutes of the December 7, 2015 Meeting**

- Chairman Bulova moved approval of the minutes of December 7, 2015; seconded by Council Member Rishell. Motion carried with three (3) yeas and one (1) abstention [Chair Randall as she was not at the December meeting].

**Action Items**

**III. Participation in the Virginia Retirement System, 457 Deferred Compensation Plan**

Mr. Longhi, CFO

- Mr. Longhi briefed the Finance Committee on the proposed participation in the VRS, 457 Deferred Compensation Plan. He noted:
  - ✓ This completes the NVTA employee benefits package.
  - ✓ Based on guidance from the Authority and the Finance Committee NVTA staff researched benefits plans that were equitable with the member jurisdiction plans.
  - ✓ Participation allows employees to designate the amount of their compensation to be transferred to the Plan.
  - ✓ There is no obligation for the Authority to contribute.
  - ✓ The Plan allows employees to set aside savings in a traditional tax deferred or Roth Plan.
  - ✓ Cost of participation is estimated at \$150/year, based on expected participation levels.

- ✓ Staff recommends making participation effective on July 1, 2016.
- ✓ As a cost comparison, if NVTA set up an individual plan, there would be a \$5,000 upfront cost with an annual cost of approximately \$500.
- ✓ Recommended the Authority pay the \$150/year VRS participation fee.
- It was asked if a comparative analysis was done with other entities other than VRS, or was the decision made on a cost basis. Mr. Longhi responded that when staff was researching the full employee retirement plan, we talked to jurisdictions that did not participate in VRS to see if we could join their 457 plan. As with the retirement plans, it was not practical for us to join them from a legal or a processing standpoint. Staff also researched establishing an independent plan just for the Authority and that is where the \$5,000 setup cost and \$500/year costs came from.
- It was asked if the Authority can choose to withdraw from this plan. Mr. Longhi responded that the Authority is locked in for two years, but that after that the Authority can decide to switch to a different plan.
- Chairman Bulova moved the Finance Committee recommend to the Authority approval of the election to participate in the Virginia Retirement System 457 Deferred Compensation Plan through the adoption of resolution 16-05; seconded by Chair Randall. Motion carried unanimously.

**IV. Expenditure Transfer - \$124,700 From Regional Revenue Fund Budget to Operating Budget**

Mr. Longhi, CFO

- Mr. Longhi briefed the Committee on the expenditure transfer. He noted:
  - ✓ The Authority requires ongoing consultation and support from Bond Counsel and a Financial Advisor, as well as the annual payment of bond trustee fees.
  - ✓ In 2016 these fees were budgeted in the Regional Revenue Fund Budget, but subsequently it was determined they were appropriately budgeted in the Operating Budget.
  - ✓ In June of 2015 the Authority approved a three year contract with Public Financial Management Inc. (PFM) for financial advisory services of \$72,000/year.
  - ✓ Bond Council fees are hourly, but based on our current agreement are estimated to be no more than \$50,000/year.
  - ✓ Trustee fees are estimated to be \$2,700/year.
  - ✓ These estimates relate to annual fees and do not include the costs associated with a future bond issuance.
  - ✓ Where appropriate in the future, these annual fees will be wrapped into the cost of issuance on future bond financings and reimbursed to the Operating Budget. In the fiscal year following a bond sale, the reimbursement will be allocated as a credit to the member jurisdictions, reducing their share of the Operating Budget for that year.
- Council Member Rishell moved the Finance Committee recommend to the Authority approval of the expenditure transfer of \$124,700 for Financial Advisor Services, Bond Counsel and Bond Trustee Fees from the Regional Revenue Fund

Budget to the Operating Fund Budget in FY2016; seconded by Chairman Bulova.  
Motion carried unanimously.

**V. Meeting Schedule for 2016**

Chairman Parrish

- Mayor Parrish noted the proposed Finance Committee meeting dates for the next 12 months. He suggested the meetings be held the third week of the month to provide sufficient time for staff to prepare any Finance Committee materials for the NVTA meetings on the second Thursday of the following month.
- There was consensus that Thursday would be the preferred day for all members.
- It was asked if there would be an August meeting, as most County Boards recess in August. It was noted that the August meeting would only be held if needed.
- It was suggested that the December meeting be placed in the “if needed” category as well.
- Mr. Longhi suggested that if there are no action items for any scheduled Finance Committee meeting, the meeting could be cancelled in advance.
- Chairman Parrish suggested the March 17, 2016 meeting may not be necessary and that that Committee would determine that later in this meeting.
- Chair Randall moved to adopt the proposed Finance Committee meeting schedule for the third Thursday of the month, as amended by the Committee; seconded by Chairman Bulova. Motion carried unanimously.

**Information/Discussion Items**

**VI. Proposed FY2017 Local Distribution Fund (30%) Budget**

Mr. Longhi, CFO

- Mr. Longhi briefed the Finance Committee members on the proposed FY2017 Local Distribution Fund (30%) Budget. He noted that:
  - ✓ This budget is really a requirement for the NVTA financial reports.
  - ✓ This budget is recommended by the Committee and approved by Authority and allows us to disperse the 30% funds to the jurisdictions.
  - ✓ The Authority will actually disperse the funds as they are received, in accordance with HB 2313, so if there is any variation to this budget, we do what is required in HB 2313.
  - ✓ The projection for FY2017, based on revenue estimates that were approved in September of 2015, is \$95,883,763. This is divided among individual jurisdictions based on transactions that occurred in each jurisdiction.
- It was noted that the charts in the staff report show the tax type breakdowns. Mr. Longhi added that there is \$30,000 in interest included in the estimate. The interest is earned while the money is held at the State.

**VII. Proposed FY2017 Regional Revenue Fund (70%) Budget**

Mr. Longhi, CFO

- Mr. Longhi briefed the Finance Committee on the proposed FY2017 Regional Revenue Fund (70%) Budget. He noted:

- ✓ Sales tax, transient occupancy tax and grantor's tax revenue amounts are consistent with the October 2015 Authority adoption of the FY2017 to FY2023 revenue projections. In addition, estimates are included for projected interest earnings during FY2017.
- ✓ Total revenue is estimated at \$225,628,780.
- ✓ Prior to determining funds available for project funding, the annual debt service payment and reserve amounts must be budgeted. The Authority currently has two Regional Revenue Fund reserves as required in the adopted Debt Policy and a contingency for approved projects.
  - Debt service principal and interest for FY2017 is budgeted at \$5,551,150.
  - Debt Service Reserve is funded through bond proceeds and exists to protect NVTA's bondholders. Since it is funded through bond proceeds, there is no expenditure in the budget for the Debt Service Reserve.
  - Working Capital Reserve (WCR) must be equal to at least six months of the budgeted Regional Revenues and is intended to protect the approved projects from any revenue disruptions. The WCR may be used to manage any mismatches in the actual receipt of revenue and the disbursement of funds for projects. This also protects the bond holders and enables the Authority to respond to unforeseen circumstances which disrupt revenue. Added that one of the concerns in the past was disruption in the approval of the State budget.
    - It was asked what the purpose of the incremental adjustment in this budget is. Mr. Longhi responded that the adjustment is to bring the total amount of the reserve up to the required six month level. He noted that the initial funding for this reserve was completed in FY2016. The adjustment for FY2017 is \$3,706,879.
  - Contingency for Approved Projects was adopted by the Authority at 3.8% of estimated Regional Revenue Fund revenue. The policy for this reserve is in development. Based on the projected revenue for FY2017 \$257,353.48 needs to be added to this reserve.
- ✓ The carry forward and release for project funds amount represents unassigned Regional Revenue Funds from prior fiscal periods and previously assigned project funds that have been released, typically due to the project being finished under budget. This amount is projected at \$50,649,838.50 for FY2017 and includes some interest.
- ✓ The funding available for projects is the amount available through the proposed FY2017 Regional Revenue Fund for PayGo projects. The actual amount programmed for projects will be determined when the Authority adopts the FY2017 Project Program. Total availability for FY2017 is \$266,763,235.62.
- ✓ The Cumulative Regional Revenue Reserve Balances include the \$112.8 million for WCR, \$5.5 million for Debt Service Reserve and \$8.5 million for Contingency Reserve. Noted, the Contingency Reserve is in place, but no expenditures can be made from this reserve until a policy is adopted.
- Ms. Backmon explained the concept for the Contingency Reserve. She noted that last year the Finance Committee recommended the Contingency Reserve to address potential project cost overruns. The reserve was recommended at 3.8%

and the Authority adopted this. The money is budgeted, however, the policy has not been adopted regarding the use of the Contingency Reserve. She added that an Advisory Panel was developed to help formulate this policy. Ms. Backmon noted that the Panel raised some concerns regarding the fact that the Authority evaluates project cost when it considers funding a project. Specifically, if the project costs change after its initial evaluation, how would this cost change impact the scoring and evaluation of a project. She noted that this request could be a small amount, or an amount large enough that the Authority may not have chosen to fund the project. Ms. Backmon added that there were other considerations as well. She concluded that the Advisory Panel will be reconvened, the policy will be developed and will come to the Finance Committee for recommendation to the Authority.

- The proposed Virginia General Assembly bill SB 549 regarding proffers was discussed.

### **VIII. Proposed FY 2017 NVTA Operating Budget**

Ms. Backmon, ED

- Ms. Backmon stated that the NVTA's Operating Budget comes from the jurisdictions' 30% funds and explained the options and procedures involved. She noted that in FY2017 the Authority is estimated to receive \$319.5 million in revenue. The Regional Revenue Fund will receive 70% or \$223.6 million of this revenue for debt service and PayGo projects approved by the Authority. Member jurisdictions will receive approximately \$95.9 million or 30% of the annual revenue for transportation projects. Ms. Backmon added that the bills currently under consideration in the General Assembly that refer to the Weldon Cooper population projections versus estimates do have an impact on the NVTA Operating Budget. Per current State code, the NVTA uses Weldon Cooper population projections to determine the jurisdictional allocations to the Operating Budget. Allocations based on both projections and estimates have been shown in the staff report to show the difference. Ms. Backmon added that it is anticipated that these bills will be approved, requiring the NVTA to use Weldon Cooper population estimates instead of projections for future allocations. The Authority will use whatever allocation methodology is required as of July 1, 2016 to allocate the Operating Budget expenses.
- There was a brief conversation about the Weldon Cooper methodologies and the differences in the allocations to the jurisdictions based on the two methodologies.
- Ms. Backmon reviewed the FY2017 base budget increases:
  - ✓ Based on Finance Committee guidance, employee compensation is commiserate to the jurisdictions employee compensation. Based on research, member jurisdictions are looking at a 3.5% average increase.
  - ✓ Increase in VRS annual required contribution rate.
  - ✓ Increase in insurance costs.
  - ✓ As explained in the Expenditure Transfer item, Financial Advisory, Bond Counsel and Bond Trust Fees have now been included in the FY2017 base budget.
  - ✓ Increase of \$1,900 for IT support services.
  - ✓ Increase of \$10,200 for office lease.

- ✓ Increases in postage, professional development, training and conference costs for staff.
- ✓ NVTA Debt Policy requires a 20% Operating Reserve. This has been increased based on increases in the Operating Budget.
- Mr. Longhi explained the FY2017 base budget cost allocations to jurisdictions. He noted that these allocations do not include the requests for budget additions in FY2017.
- Ms. Backmon stated that the FY2017 budget addition requests include two full time positions, a Transportation Planner and an Investments & Debt position. She added that in December of 2014 the Authority adopted an investment policy and that staff would like the resources to start implementing this policy.
- Mr. Longhi noted that based on the request at the last Finance Committee meeting, NVTA staff have met with staff in all jurisdictions to review these additional budget requests. He explained the Investment and Debt position will be a key resource in performing complex financial analysis of current and proposed projects, as well as ensuring post issuance and IRS compliance with bond regulatory requirements, in addition to implementing the Authority's investment policy. He highlighted the quantitative measures that provide evidence of the Authority's growing future fiscal position:
  - ✓ Balance sheet as of December 31, 2015 was \$560 million. Most of this is placed with LGIP, which is a safe investment, but pays a low interest rate.
  - ✓ As of the end of February, 2016, the Authority's balance sheet had grown to \$575.8 million. It is growing at about \$16 million a month. This is reflective of cash on hand, but of note, the Authority has adopted transportation projects for a bulk of this money.
  - ✓ Annual project reimbursements are projected to reach approximately \$242.7 million. Each reimbursement gets screened by a Program Coordinator, the Assistant Finance Officer and the CFO.
  - ✓ Monthly 30% distributions will total \$95.8 million this year.
  - ✓ FY2017 revenue is projected at \$320 million.
  - ✓ FY2017-2023 revenue is projected to exceed \$2.4 billion.
  - ✓ NVTA debt capacity will be \$1.8 million.
- Mr. Longhi stated that the Authority's Investment Policy is about 50 pages long and requires much due diligence. He added that we need to ensure that funds are invested safely, with an eye towards liquidity and yield. The yield when implementing the Investment Policy on a very conservative basis will increase interest earnings by \$1.6 million, which will go into the Regional Revenue Fund. However, the cost for this position will come from the Operating Budget.
- Mr. Longhi noted that the cost implications to each jurisdiction for this position are included in the staff report.
- Ms. Backmon explained the Transportation Planner position and the reason for the name change from Program Coordinator. She highlighted the current activities of the Program Coordinators:
  - ✓ Monitoring 64 active projects.
  - ✓ Evaluating 24 projects as part of the FY2017 Program.
  - ✓ Updating TransAction.
  - ✓ Intend to develop full Six Year Program when TransAction is complete.

- Ms. Backmon added that we currently have two Program Coordinators and that they are stretched thin. She noted that in addition to doing the work of the Authority, the Program Coordinators are:
  - ✓ Monitoring and attending regional meetings that could impact the Authority and are important to regional planning.
  - ✓ Tracking and calculating long term benefits.
  - ✓ Working to incorporating HB 599 into the update of TransAction.
- Ms. Backmon stated that this position is not to plan for the future, but to adjust for the activities already ongoing. She noted that the staff report shows potential starting salaries, total cost for the position and costs to member jurisdictions for this position.
- Ms. Backmon explained the request for a contracted position to provide Legislative Services for the NVTAs. She stated that the anticipated cost is a maximum of \$60,000 for 360 hours of Legislative Services per year. She noted that the need for this position was demonstrated during this General Assembly session when some member localities had different legislative positions than the Authority. Ms. Backmon added that currently the NVTAs works well with jurisdictional legislative staff, but that their primary responsibility is to the jurisdiction. The following questions were discussed:
  - ✓ Would this contract be retainer based, or hourly based on hours used when needed? Mr. Longhi responded that this estimate is based on an estimation of the need for 360 hours of work.
  - ✓ If we don't need all hours, will there be a lesser cost, or is this a retainer? Mr. Longhi responded that the hours would start July 1, 2016 and that this estimate is for a short General Assembly session. He added that the scope of work includes coordinating with jurisdictional and agency legislative liaisons. Mr. Longhi stated that the contract cannot go over 360 hours without Finance Committee and Authority approval. He also noted that if it is a very active legislative session, there could be more hours needed.
  - ✓ Is 360 hours a conservative estimate? Mr. Longhi responded that this is a practical estimate, adding that if work can be done with less hours, it will be. He noted that this estimate is benchmarked based on the 2015 legislative session, which was also a short session.
  - ✓ Are there comparisons available to the needs of other entities like the Authority? Mr. Longhi responded that there are, but that similar entities have different levels of effort than the Authority. He noted that levels of effort change each year. Mr. Longhi emphasized that this is a practical estimate and will allow for regional legislative liaison coordination, while developing a legislative program specifically for the Authority.
- It was noted that while the jurisdictions will continue to monitor legislative activity for the Authority, it is a good idea to have our own representation. It was added that staff needs to ensure this is done as economically as possible and that coordination continues with the regional legislative liaisons. It was noted that the Authority will continue to have legislative challenges and there was consensus to approve the request for the contracting of Legislative Services.
- Mr. Longhi stated that given the size of this proposed contract, it will come to the Finance Committee for approval. He added that staff can provide a monthly report

to the Committee to allow for monitoring of hours and budget. Ms. Backmon noted that this can also be revisited in next year's budget cycle.

- A further question was raised as to whether the contract should be for 360 hours, or 280 hours and then increased as more hours become necessary. Mr. Longhi responded that discussions with firms indicated that this is a reasonable number of hours. He added that we want Legislative Service firms to take the contract seriously and compete for it. If it is too small a contract, it may not garner the level of expertise we are looking for. Mr. Longhi added that an informal bid was solicited to determine the level of effort for this contract and 360 hours was at the lower end of the level of effort.
- It was noted that it is important that NVTA staff is hearing this conversation.
- Mr. Longhi noted some additional increases to the proposed budget:
  - ✓ Additional office lease increases are related to new positions.
  - ✓ Additional Operating Reserve increases are due to Operating Budget increases.
  - ✓ Equipment Replacement Reserve is being set up at \$4,500 per year.
- Mr. Longhi explained the budget proposal breakdowns shown in the staff report.
- Mr. Longhi stated that briefings were held with each jurisdiction on the proposed budget. He added that within the staff report, NVTA staff has attempted to address all questions heard from the jurisdictional staff during these meetings. He noted that one frequent question was how this budget request compares to the support received by other Northern Virginia regional organizations. Mr. Longhi explained that it is difficult to compare the NVTA to other entities as they have different structures and different mandates. He stated that the comparison that is shown is the amount requested by each entity, compared to the amount administered. For FY2017, the proposed NVTA budget is requesting \$1,654,659 from member jurisdictions and is projecting FY2017 expenditures of \$373.8 million. NVRC is requesting \$1,951,258 and will administer \$11.7 million in grants and programs in FY2017. NVTC is requesting \$1,800,499 in total contributions and anticipates administering \$228.9 million in grant and motor fuels tax revenue in FY2017.
- It was stated that some jurisdictional staff members has suggested that the Authority does not need additional staff to support the HB 599 analysis, that the Virginia Department of Transportation (VDOT) should be doing this analysis. It was added that the Authority should not be taking on. Ms. Backmon explained that NVTA staff is working to incorporated HB 599 with TransAction so that there is not a separate HB 599 process. She added that the financial obligation would still be with VDOT. Ms. Backmon further explained that VDOT would like to bring HB 599 in-house because it is expensive to pay a consultant to do this work. She noted that since HB 599 is a necessary part of the NVTA's process, she is working with VDOT to find a cost efficient way to do this evaluation. Ms. Backmon concluded that the Authority is not proposing to pay for the HB 599 analysis. She added that there is a possibility of HB 599 being done in-house with VDOT certifying the results without the need for a consultant team.
- It was clarified that there is a concern that NVTA not supplant VDOT's funding for the HB 599 analysis. It was pointed out that one of the tasks of the new Transportation Planner would be analyzing congestion relief. Ms. Backmon



responded that this position would be working with VDOT through the HB 599 process, but not taking on the financial responsibilities.

- Chairman Parrish suggested the Committee move these budgets to the Authority for approval at the next meeting. There was consensus to move these items to the consent agenda for the March Authority meeting.
- Chair Randall moved the Finance Committee recommend to the Authority approval of the FY2017 Local Distribution Fund (30%) Budget, the FY2017 Regional Revenue Fund (70%) Budget and the FY2017 NVTA Operating Budget; seconded by Chairman Bulova. Motion carried unanimously.
- Appreciation was expressed to the staff for the level of transparency and clarity provided in the budget presentations.

#### **IX. NVTA Monthly Revenue Report**

Mr. Longhi, CFO

- Mr. Longhi stated that NVTA revenues are currently 6.7% above estimates. He noted that based on guidance from the Finance Committee, estimates have been made conservatively. Mr. Longhi suggested this trending overage may be reduced over the rest of the year as current receipts are heavily influenced by the holiday season. He concluded that no changes to the FY2016 revenue estimates are recommended at this time.

#### **X. NVTA Operating Budget Report**

Mr. Longhi, CFO

- Mr. Longhi stated that 100% of operating revenue has been received. January 2016 represents 58% of the year and, through January, the Authority has spent 55% of its expenditure budget. He concluded that even with the inclusion of the expenditure transfer, the Authority will end the year within budget.

#### **XI. Financial Activities Update – (no written report)**

Mr. Longhi, CFO

- No report.
- Ms. Backmon noted that it is anticipated that the fifth Finance Committee member will be appointed soon.
- Chairman Parrish asked where to direct citizens when they have questions about the Authority's projects and their progress. Ms. Backmon suggested sending them to the Authority's website, particularly the Annual Report and the project updates.
- Chairman Parrish noted that NVTA has over \$500 million available and suggested that this money needs to be put to work. Ms. Backmon stated that while all NVTA funded projects are advancing, many have other project funding sources and some of these sources have sun set clauses. Mr. Longhi added that the Authority has put its money to work, but that start up time for the projects has to be taken into account. He concluded that all of the money has been programmed to projects.

Chairman Parrish expressed gratitude that staff is keeping this in mind. Mr. Longhi added that the Authority also disperses money to projects on a reimbursement basis, so project work is done before we reimburse the submitting agency. It was noted that there is now a policy that if projects are not advancing, funding can be withdrawn.

- Chairman Parrish stated that there will be not Finance Committee meeting on March 17, 2016.

## **Adjournment**

### **XII. Adjournment**

- Meeting adjourned at 1:47pm.