

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

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

**FROM:** Mayor Parrish, Chairman, Finance Committee

**DATE:** October 5, 2016

**SUBJECT:** Budget Adjustment – Exchange of Funding Source on FY2014 Projects

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- 1. Purpose:** A budget adjustment to transfer bond proceeds to projects actively requesting reimbursements thus ensuring expenditure of Series 2014 bond proceeds in time to meet Internal Revenue Service (IRS) regulations. This action is intended to ensure compliance with Federal Tax Regulations generally requiring 85% of tax exempt bond proceeds be spent within three years of the issuance of tax exempt bonds.
- 2. Suggested Motion:** *I move Authority approval of the budget transfer of bond proceeds from Series 2014 bond funded projects into cash funded projects and the replacement of these proceeds by the transfer of Authority FY2014 PayGo funding (cash) as presented in Attachment A.*
- 3. Background:**
  - a. In December 2014 the Authority issued Tax Exempt Revenue Bonds to support the construction of transportation improvement projects in the region (the FY2014 Program).
  - b. As of September 2016, four of the projects initially assigned funding from the Series 2014 bonds have not submitted any requests for reimbursements, and the jurisdictions/agencies which are managing these projects have indicated that these projects will not request reimbursement for all, or most of, the bond proceeds by December 2017.
  - c. The Internal Revenue Service regulations require an issuer to certify its reasonable expectation to spend a minimum of 85% of bond proceeds within 3 years of the bond sale.
  - d. Transferring a portion of the Authority's 2014 Revenue Bond proceeds to fund a set of projects that were initially cash funded is appropriate and will enable the expenditure of the Series 2014 proceeds in time to comply with the IRS regulations.
  - e. Authority staff have identified cash funded projects which are eligible for capital financing pursuant to Resolution 07-24-13-C adopted July 24, 2013, and the Authority's financial policies and either have incurred, or are expected to incur, the required level of expenditure prior to December 2017.

- f. The transfer of the funding sources for these projects is effectively a budget transfer which makes no changes in the total amount funded or any of the terms of the subject projects.
- g. Current information on the projects originally selected for use of bond proceeds is contained in Attachment B. This information was provided to NVTA staff from the project sponsors.
- h. Details of the projects originally funded through PayGo are presented in Attachment C Project Descriptions – Projects Originally Funded With PayGo.
- i. Standard Project Agreements (SPAs) for projects using bond proceeds include a Tax Covenant as Appendix D. VDOT included the Appendix D Tax Covenant in the Rt. 28 Widening (SB Dulles Toll Rd to Rt. 50) and Rt. 28 Hot Spot Improvements SPAs.
- j. Loudoun County, following the direction provided at the time, did not include the Appendix D Tax Certificate in the Belmont Ridge Road Project. The Loudoun County Board of Supervisors authorized the Tax Certificate on September 22, 2016 amending the project SPA packet to include Appendix D.

**Coordination:**

- a. NVTA Finance Committee
- b. Bond Counsel
- c. Council of Counsel
- d. NVTA's Financial Advisor (PFM)
- e. Arlington County
- f. Virginia Railway Express
- g. Virginia Department of Transportation
- h. Loudoun County
- i. Prince William County

**Attachments:**

- A. Budget Transfer – Series 2014 Bond Projects.
- B. Notes on Projects Originally Funded Through Series 2014 Bonds.
- C. Project Descriptions – Projects Originally Funded With Bond Proceeds

## Transfer of FY2014 Project Funding Sources:

<u>Project Sponsor</u>	<u>Project</u>	<u>Transfer From PayGo to Bond Funded</u>	<u>Transfer From Bond Funded To PayGo</u>
Arlington	Boundary Channel Drive		\$ 4,335,000
Prince William	Rt. 28, Linton Hall to Fitzwater		28,000,000
VRE	Lorton Station 2nd Platform		7,900,000
VRE	Alexandria Station Tunnel Platform Extension		1,300,000
Loudoun	Widening of Belmont Ridge Road	\$20,000,000	
VDOT	Rt. 28 Widening (SB Dulles Toll Rd to Rt. 50)	20,000,000	
VDOT	Rt. 28 Hot Spot Improvements	<u>535,000</u>	
		<u>\$ 40,535,000</u>	<u>\$ 40,535,000</u>

## Notes on Projects Originally Funded Through Series 2014 Bonds

1. **Arlington County - Boundary Channel Drive (\$4,335,000)** - The Boundary Channel Drive Interchange was approved for \$4,335,000 in funding by NVTA in FY 2014. At that time, the anticipated start date for construction was in FY 2015, with completion by FY 2017. Since the time that schedule was developed, more refined concept plans and estimates necessitated the incorporation of project elements which were not previously included due to lack of a completed transportation analysis, in-depth site analysis, and stakeholder input. Additionally, we experienced longer than anticipated review times from stakeholders such as the Pentagon and National Park Service, and a longer than expected NEPA process. The project is now anticipated to begin construction in FY 2019 with completion in FY 2021.
2. **Virginia Railway Express - Alexandria Pedestrian Tunnel Project (\$1,300,000)** - In 2013, the Alexandria Pedestrian Tunnel Project Feasibility Study recommended retaining the existing at-grade pedestrian crossing for ADA access to the East Platform. Review of the Feasibility Study recommendations with stakeholders at the start of engineering design determined that retaining the at-grade crossing was not desirable or appropriate, particularly since the majority of the project funding was coming from an FHWA railroad at-grade crossing elimination program. Conceptual studies indicated the need to add an elevator on the West Platform for access to the tunnel, change the access to the tunnel from the west side and completely eliminate the at-grade pedestrian crossing.

In addition, more extensive construction coordination than expected has been required with CSXT, the host railroad for VRE and Amtrak service. The Feasibility Study recommended construction using the Sequential Excavation Method, which has been used successfully by WMATA and others in the region. CSXT is comfortable with the tunneling methodology but had concerns regarding the construction of the vertical circulation elements at three locations along the tunnel in close proximity to active tracks where support of excavation (SOE) is required. Typically, the construction contractor is responsible for the design and execution of SOE during construction upon approval by CSXT and VRE. In this case, however, CSXT required more details regarding anticipated SOE performance in the engineering design phase, adding significantly more time and effort than was anticipated. The SOE approach, in conjunction with the additional time and effort needed for conceptual studies and coordination with CSXT and the other stakeholders (WMATA, City of Alexandria and VDOT) has caused the schedule to slip. When the project was initiated in 2012, it was estimated that it would take 12 months for the design and 12 months for the construction. We now estimate completing design in Spring 2017 and beginning construction in mid-2017. Current estimates for construction range from 2½ to 4 years, which will have a pronounced effect on the overall schedule and cost of the project. VRE is exploring opportunities to pre-qualify construction contractors possibly resulting in a reduced construction duration for the project.

3. **Virginia Railway Express - Lorton Platform Project (\$7,900,000)** - Before work on the Lorton Platform Project could proceed, VRE was contacted by DRPT, which was in the midst of the DC2RVA study for higher speed rail. DRPT was concerned the existing platform, and the proposed improvements, might need to be demolished to make way for a future rail alignment. Therefore, Notice to Proceed (NTP) was delayed while that was evaluated. Lorton Engineering Study 2015 was initiated to reconcile the projected DC2RVA alignments. Ultimately it showed the alternatives shown by the DC2RVA study could be accomplished without demolishing the existing platform. However, this delay has significantly impacted the original schedule. Engineering for the Lorton Second Platform was bundled with several other similar platform projects in what has been named the Penta-Platform Corridor Improvement Project. That RFP was issued May 6, 2016. The Board authorized entering into the contract July 15, 2016 with NTP given in August, 2016. Preliminary Engineering and NEPA is estimated to take 24 months, along with a potentially concurrent design phase at some of the more strategic and site ready locations such as Lorton and Franconia Springfield. Construction is anticipated to begin no later than summer 2018.
  
4. **Prince William County – Route 28 Linton Hall to Fitzwater Drive (\$28,000,000)** – NVTA staff have observed very active construction activity related to this project. Prince William County staff report the project is proceeding using non-NVTA funds at this time. Some of the non-NVTA funding sources require earlier expenditure on the project.

## Project Descriptions – Projects Originally Funded With PayGo

- 1. Route 28 from Route 50 to the Dulles Toll Road (\$20,000,000)** – This project, when complete, will widen Route 28 southbound from the Dulles Toll Road to Route 50 by one traffic lane. This project will provide additional capacity on a highly congested north-south corridor that provides travel within and between three counties in this region as well as connections to the Dulles International Airport and major east-west highways such as I-66, Route 50, and the Dulles Toll Road/Greenway.
- 2. Route 28 Hot Spot Improvements (\$12,400,000)** – Four Route 28 Hot Spot Improvements in Loudoun County from Sterling Boulevard to the Dulles Toll Road are being executed to relieve congestion. Route 28 is a major regional roadway connecting north and south areas of Northern Virginia, and connecting to the Dulles Toll Road and Dulles International Airport.
- 3. Belmont Ridge Road (\$20,000,000)** – Widening of approximately 10,200 linear feet of Belmont Ridge Road between Gloucester Parkway and Hay Road, including a grade separation structure to carry the Washington & Old Dominion (W&OD) trail over Belmont Ridge Road. This is a 2 lane widening for reducing congestion for commuters and school related traffic, it will also improve the operation and safety of this corridor. Safety at several intersections will be enhanced, particularly at the intersection with Route 7.