

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

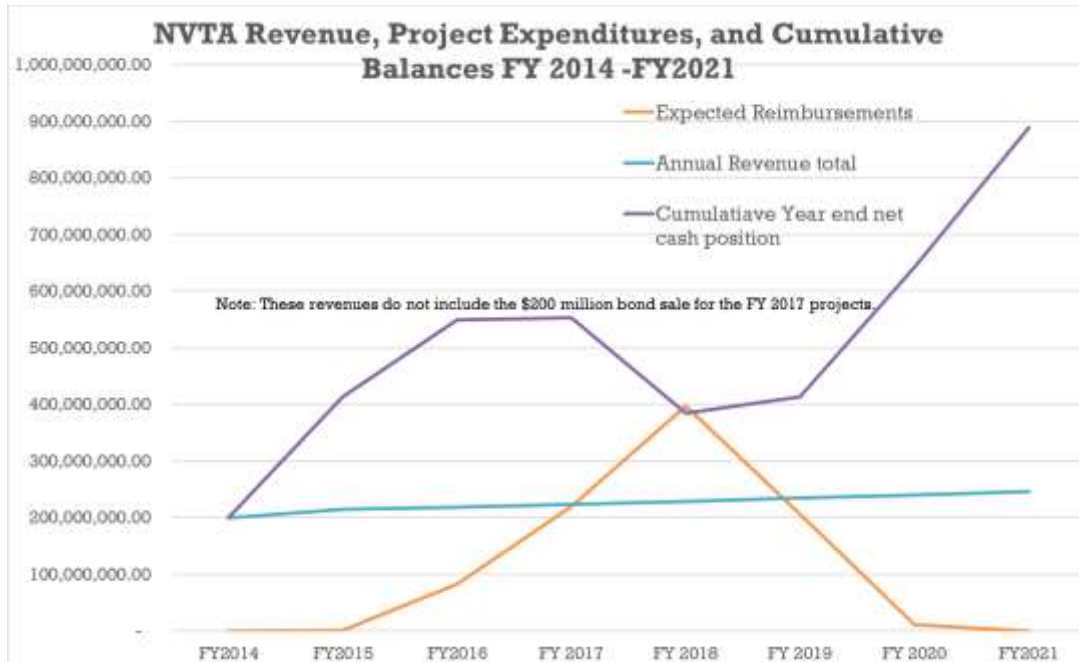
TO: Chairman Martin E. Nohe and Members
Northern Virginia Transportation Authority

FROM: Michael Longhi, Chief Financial Officer

SUBJECT: Plan of Finance for FY2017 Program

DATE: October 5, 2016

1. **PURPOSE:** Discussion of Plan of Finance for FY2017 Program. This briefing was presented to the NVTA Finance Committee on September 22, 2016.
2. **BACKGROUND:**
 - a. The FY2017 Program of \$466 million adopted by the Authority on July 14, 2016, incorporate funding of approximately \$200 million from bonds.
 - b. Using the draft spending plans submitted with some project requests, NVTA staff estimate that bond funds to support the FY2017 Program will not be needed until the latter part of FY2018.
 - c. Although the Commonwealth has not yet tendered a spending plan for the I-66 project (\$300 million), based on general experience, expenditure timing is currently anticipated to be approximately \$10 million in FY2017, \$190 million in FY2018 and \$100 million in FY2019. The NVTA staff projections have been shared with VDOT.
 - d. NVTA staff have reviewed the draft cash flow projections of all approved projects and the estimated Regional Revenue Fund revenues of the Authority.
 - e. This review has demonstrated that the current and future cash balances of the Authority are, and will remain, very strong. (See chart below.)
 - f. Indications from the review of the revenues, project cash flows, and projected cash balances currently point toward the earliest need for the issuance of bonds being late FY2018.
 - g. As cash flow data is updated through receipt of Standard Project Agreements (SPAs) for the FY 2017 program and cash flows are updated for the FY2014 through FY2015/16 programs, the convergence point on the graph will more likely move right, to a later point in time.



- h. The final SPA submissions (due by January 2017) will provide better cash flow projections and will become the basis of future recommendations.
- i. Deferring the issuance of bonds into FY2018 or later will create several beneficial effects:
 - i. Elimination of any FY2017 debt service obligations.
 - ii. Significant reduction, or elimination, of debt service in FY2018 of upwards of \$14.7 million.
 - iii. The spend down timing (an IRS imposed requirement) will be deferred until later, making it easier for project sponsors to comply with this regulation.
 - iv. Creating greater flexibility in dealing with the overall funding of the entire set of FY2017 projects.
- j. A review of the final SPAs (by January 2017) will also indicate whether the Authority would be well served to initiate a short term interim financing program to support the project expenditures pending the issuance of \$200 million of long term bonds.
- k. Interim financing options include establishing a line of credit, a short term variable rate note, or using a commercial paper program.
- l. Some reasons to consider interim financing are:
 - i. It would create flexibility for dealing with variations in project scheduling and expenditures.
 - ii. Properly employed, it may lower the overall cost of borrowing.
 - iii. It may defer some debt service expenses.
 - iv. It would ensure the Authority achieves compliance with the Internal Revenue Service (IRS) regulations.

3. Next Steps:

- a. Staff will continue to monitor the FY2017 and earlier project spending patterns and projections, while also evaluating available financing options including interim financing and the timing for permanent, fixed rate, tax exempt long term financing.
- b. The Authority's Financial Advisor will be consulted as additional project expenditure cash flow information becomes available.
- c. Further recommendations to the Finance Committee on the timing and any financing options will be made after the FY2017 Project Program SPAs are received and evaluated.