



Northern Virginia Transportation Authority
The Authority for Transportation in Northern Virginia

FINANCE COMMITTEE
Thursday, June 16, 2016 1:00PM
3040 Williams Drive, Suite 200
Fairfax, VA 22031

MEETING SUMMARY

I. Call to Order/Welcome

Chairman Parrish

- Vice-Chair Rishell called the meeting to order at 1:04pm.
- Attendees:
 - ✓ Members: Vice-Chair Rishell; Chairman Bulova (arrived 1:06pm); Chair Randall; Mayor Silberberg.
 - ✓ 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); Bob Brown (Loudoun); Carl Hampton (Prince William); Allen Scarbrough (Prince William); Pierre Holloman (Alexandria); Megan Cumming (Alexandria); Sarah Crawford (Arlington); Mark Duceman (Herndon); Mary Touhy (Herndon); Calvin Grow (Leesburg); Kristy Choi (PFM).

Presentation

III. PBMares, LLP – Financial Auditing Services

Mr. Garber, Partner

- Mr. Garber introduced himself and PRMares, the Authority's external financial statement auditor. He noted that he is available should the Committee have any questions and encouraged members to contact him directly should there be any concerns they would like to discuss.
- Mr. Longhi reiterated that the Finance Committee is also the audit committee and, as such, has direct access to the auditors, without going through staff for transparency.

(Chairman Bulova arrived.)

II. Summary Minutes of the May 19, 2016 Meeting

- Chairman Bulova moved approval of the minutes of May 19, 2016; seconded by Mayor Silberberg. Motion carried with three (3) yeas and one (1) abstention [Chair Randall as she was not at the May meeting].

Action Items

IV. FY2017 Program Funding Recommendation

Mr. Longhi, CFO

- Mr. Longhi briefly reviewed the debt scenario presentation from the last Committee meeting. He noted:
 - ✓ A new chart was added to show growth rates based on NVRTA revenue forecasts and future assumptions. Noting the estimates are very conservative based on prior direction from the Finance Committee.
 - ✓ The debt service coverage chart was annotated to show a sample calculation noting that for every \$5 in debt service, the Authority needs \$10 in Regional Revenues to provide for debt service coverage.
 - ✓ The future debt and PayGo capacity chart shows a bond issuance in FY2018 and FY2019, then every two years after that. While this is the timing used for these projections, it is anticipated that actual issuance timing will fluctuate.
- Mr. Longhi reviewed of previous debt issuance in FY2014. He noted the bond issuance was for approximately \$69 million, with total bond proceeds of approximately \$74 million.
- It was suggested that interest rates are at historic lows and the Authority may want to take advantage of this. It was noted that this is increasing the NVRTA debt load, and we need to be cognizant of this. While there are important projects, we need to make tough choices and can't fund everything now. Mr. Longhi noted that the Authority would be more inclined to issue debt at the beginning of the Six Year Program.
- A brief conversation followed regarding interest rates and noting that we cannot lock in rates until the bonds are issued. It was stated that the bond issuance needs to be timed with when the money is needed and not based on current interest rates. It was added that debt can be refinanced to garner a lower interest rate. Mr. Longhi stated that PFM is monitoring our current bonds and even though the FY2014 bonds were issued at very low rates, there may be an opportunities to refinance in the future.
- It was noted that every dollar of debt the Authority issues now is a dollar not available for future issuances.
- Mr. Longhi reviewed the next steps in the financing process.
 - ✓ Staff will prepare a financial plan.
 - ✓ May request interim financing to insure all funds are available for projects and wait for bond issuance to reduce interest costs.
- Mr. Longhi reviewed the previous funding programs.
 - ✓ For FY2014 the Authority adopted approximately \$196 million in projects through the use of \$122 million in PayGo and \$74 million in bonds.
 - ✓ For FY2015-16 the Authority adopted approximately \$346 million in projects using only PayGo funds. On an annual basis this represents approximately \$173 million per year.
- Mr. Longhi reviewed the notable factors for the FY2017 Program.
 - ✓ The FY2017 Program is a one year program, marking the last year TransAction 2040 will be used to guide regional transportation investments.

- ✓ The update to TransAction is expected to be complete in the fall of calendar year 2017.
- ✓ The TransAction update will guide the development of the Authority's first funded Six Year Program or Capital Improvement Plan (CIP).
- ✓ The Authority's first CIP will cover the fiscal years 2018 through 2023.
- ✓ Any resources (PayGo or debt capacity) not utilized for the FY2017 Program will be available for the updated TransAction based CIP.
- Mr. Longhi reviewed the FY2017 process to date, noting the staff project recommendations of \$423 million. He stated that with an available PayGo amount of \$267 million, there is a \$157 million funding gap.
- Mr. Longhi reviewed the suggested motion that the Finance Committee recommend to the Authority a funding cap of \$436,763,235 for the FY2017 Program.
- It was suggested that the funding cap total be rounded to \$450 million. Mr. Longhi responded by noting that the difference would be made up in bond proceeds. Ms. Backmon added that the Finance Committee will make this recommendation to the Planning and Programming Committee (PPC) and to the Authority. She noted that the Authority can agree or disagree with the recommendation. Mr. Longhi emphasized this is a funding level recommendation.
- A discussion followed regarding the Route 7/Battlefield Parkway Interchange project. It was noted that 16 of the speakers at public hearing spoke on behalf of this one project. Ms. Backmon responded that there is concern that this project cannot meet the Policy 17 drawdown and active project requirements by FY2019 and that the NVTa staff is working with Leesburg staff to better understand the project timing. It was noted that we should have final schedule information prior to the July 1 PPC meeting. Mr. Longhi added that this project was funded in FY2015-16 and that the first reimbursement for that is being processed and indications are that the remaining funding will not be used up until FY2018. It was requested that if this project is deemed not eligible for funding, that that the reasoning be submitted to the jurisdiction in writing. It was suggested that the proposed cap of \$450 million does give some flexibility to add funding for this project. It was suggested that the funding cap be raised further to potentially accommodate the funding of this project.
- Mr. Longhi acknowledged that the funding cap could be raised to \$475 million to allow for the possibility of fulling funding the Route7/Battlefield Parkway request. It was noted this will require approximately \$208 million in project funds to be obtained through the issuance of bonds.
- The Committee was reminded that its job is to recommend funding parameters, not to choose the projects for funding.
- Chairman Bulova moved the Finance Committee recommend the Authority not exceed \$475 million in funding for the FY2017 Program. With this amount comprised of \$266,763,235 in FY2017 PayGo funds and \$208 million in project funds obtained through the issuance of bonds; seconded by Chair Randall. Motion carried unanimously.

V. Revisions to Policy 17 – FY2017 Program First Drawdown

Mr. Longhi, CFO

- Mr. Longhi noted that the grammatical change recommended at the last meeting had been made as requested.
- Chairman Bulova moved the Finance Committee recommend the Authority approve the modifications to Policy 17 – FY2017 Program Drawdown Policy; seconded by Chair Randall. Motion carried unanimously.

Information/Discussion Items

VI. NVTA Monthly Revenue Report

Mr. Longhi, CFO

- Mr. Longhi stated that although State revenues continue to show negative outlooks, NVTA revenues are not being negatively impacted. He added that it is anticipated that there will be no negative changes to the adopted revenue projections for this fiscal year.

VII. NVTA Operating Budget Report

Mr. Longhi, CFO

- Mr. Longhi briefed the Committee on the NVTA Operating Budget. He noted:
 - ✓ Operating revenue is at 100% of estimate.
 - ✓ May 2016 represents 92% of the fiscal year. Through May 2016, the Authority has utilized 79% of its adjusted expenditure budget.
 - ✓ Operating budget absorbed \$122,000 in expenses from the Regional Revenue Fund and expenses are still within budget.

VIII. Financial Activities Update

Mr. Longhi, CFO

- Mr. Longhi updated the Committee on additional financial activities.
 - ✓ FY2016 audit has started and is going smoothly.
 - ✓ FY2017 jurisdictional administrative cost notices have gone to jurisdictions. Most jurisdictions choose to have the payment of these administrative costs netted from their 30% revenues.
 - ✓ Annual certification process is starting soon with notices localities.
 - ✓ A SPA workshop was recently held and was well attended. It helped to clear up questions and concerns with the process.
 - ✓ At this time there was no need expressed by localities for another workshop on the annual certification process, but NVTA staff will reach out to jurisdictions with new staff members involved in this process.
- Ms. Backmon thanked the Committee for their funding recommendation and added that the Technical Advisory Committee will also be making a project recommendation to the PPC.
- It was stated that the recent legislative proffers change will impact transportation funding. It was suggested that the Authority consider coordinating a future presentation on how these impacts might affect NVTA project funding.

Adjournment

IX. Adjournment

- Meeting adjourned at 1:51pm.