

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 15 - Budget Policy

I. Purpose. This Budget Policy is adopted to implement the budget program for the Northern Virginia Transportation Authority (NVTA) as required by the NVTA Bylaws Article VIII, Section C- Budget & Fiscal Year and *Code of Virginia* §15.2-2503 through 15.2-2507. The purpose of the NVTA's Budget Policy is to clarify the responsibilities, deadlines and budget process required to minimize risk of non-compliance. The goal of the budget process is to aid the NVTA governing body in the preparation and approval of the annual Fiscal Year Operating, 30% Local Distribution Fund and 70% Regional Revenue Fund Budgets containing an itemized listing of expenditures, financial borrowings and estimated revenues before the start of the new fiscal year.

II. General.

A. Budget Calendar. The CFO will publish a Budget Calendar each year that specifies each of the budget tasks, events and decisions required along with deadlines for each specific task. The calendar will be shared with all groups contributing to the overall process. This will aid in the coordination of data needed from the NVTA Committees and member jurisdictions and keep the Authority informed of key deadlines for decision making and publishing the budget.

B. Budget Tasks. The Budget tasks include budget guidance from the Authority, estimating revenues, expenditures, debt service and working capital contributions. They also include determining the NVTA's general and administrative expenses billed to the member jurisdictions.

III. Revenue Projections.

A. Prepare Revenue Projections. Revenue projections are calculated for the next biannual timeframe. Multi-year projections provide a necessary planning tool for regional projects.

B. Annually, the Revenue Subcommittee, including the CFO, will request updated two (2) year revenue projections from each of the Member Jurisdictions. The local projections will be used to estimate NVTA's Sales Tax, Grantors Tax and Transient Occupancy revenues.

C. The monthly variances between the projected revenue per source and the actual revenue received will be closely monitored. Mid-year budget amendments will be proposed to the Authority if it is determined the fiscal year's projected revenue is significantly under or over stated.

D. The NVTA staff will analyze the effects of pending or potential changes to the revenue due to tax rates or the tax bases.

- E. The CFO will work with the revenue subcommittee made up of representatives from member jurisdictions to develop consensus on the revenue forecasts.

IV. Prepare NVTA Expenditure Projections.

- A. Multi-year expenditure projections should be prepared to correspond with the revenue projections.
- B. The NVTA Act, *Code of Virginia* §33.2-2510 specifies the use of the NVTA revenues. The “30 Percent Share” distributed to member jurisdictions is calculated based on the final revenue estimates.
- C. The Administrative expenses of the Authority, provided in the Annual Operating Budget, will be paid by the member jurisdictions either by a deduction from the “30 Percent Share” or paid directly to the NVTA annually by July 15.
- D. The remaining seventy percent or Regional NVTA Funds will be calculated based on the final revenue estimates.
- E. Funds are first allocated to Debt Service. Amortization Schedules will be used to project annual Debt Service. Financial Advisors can provide estimates for expected debt service associated with new issuances.
- F. Regional NVTA Funds will be available for approved “pay as you go” or PayGo projects.
- G. Remaining amount is available for transfer to Working Capital Reserve, if required, based on the Working Capital Reserve Funding Policy. The Reserve is set by the Debt Policy number nine (9) at six months of the budgeted annual Regional NVTA Funds.

V. Prepare NVTA Administrative Operating Budget.

- A. The Administrative Operating Budget is limited solely to the administrative expenses of the Authority and excludes debt service, working capital reserve funding and project costs such as construction, operation or acquisition of transportation facilities.
- B. Generally, budget amounts are estimated by averaging expenses for the past three to five years and adjusting for anticipated changes and other known economic factors. Until such history is available, administrative expenses, except those listed below, will be budgeted based on available data adjusted for designated growth factors.

C. Personnel Costs and Benefits.

1. Personnel costs are estimated by first projecting salaries for the budget year based on the approved budgeted positions and the sum of the current pay rate plus merit increases.
2. Once the salaries are calculated, the FICA, Unemployment, LT Disability and Workers Compensation are calculated based on the current rates, adjusted as needed.
3. The retirement contribution is calculated based upon the budgeted salary amounts using the present employee group.
4. The health insurance costs are based on the current rates escalated by an anticipated increase, with a provision for increased coverage.

D. Office Rent. The office rent budget includes all fees specified in the lease for the upcoming fiscal years. The budget is calculated based upon the known costs specified in the lease with a maximum contingency for increased CAM costs if required in the lease.

E. Professional Services.

1. Professional services include the costs for outside auditing, financial consulting, technical and legal services.
2. Auditing fees are budgeted based on the contract in the fiscal year the services are performed.
3. Financial consulting and legal services are budgeted using contracted maximum rates with a contingency for additional services.
4. Technical services are budgeted based on anticipated additional needs.
5. Each of these items should include an estimated cost for planned events such as moving or new debt issuance.

F. Computer Expense. Computer expense is budgeted for the purchase of new computer equipment, contracted network support, access fees, staff training and miscellaneous computer supplies.

G. Furniture and Equipment. This category provides for the anticipated replacement and acquisition of office furniture and equipment.

H. Public Information. Public Information includes technical studies, the annual report, and any brochures etc. printed for use by the general public.

- VI. Appropriated Surplus.** Included as a source of revenue is a projected excess accumulated surplus that is available to offset the proposed operating budget expenses. This surplus is in excess of the Authority's anticipated minimum operating reserve set at 20% of operating expenditures. Where a projected budgetary deficit exists, the current budget will have to provide funds to bring this budgetary deficit to the required level.
- VII. Reporting.** Each month a budget to actual variance report is prepared for the Finance Committee and the Authority's review.

Approved by the Finance Committee: December 5, 2014

Approved by Northern Virginia Transportation Authority: December 11, 2014