

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

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

FROM: Mayor Parrish, Chairman, Finance Committee

DATE: June 2, 2017

SUBJECT: Finance Committee Report of the May 18, 2017 Meeting

1. **Purpose:** To provide a report of the monthly activities of the Northern Virginia Transportation Authority's (NVTA) Finance Committee.
2. **Background:** The Finance Committee last met on May 11, 2017. The next meeting is scheduled for June 15, 2017 at 1:00PM. The following summarizes the May 11th meeting:
3. **Action Items:**
 - a. **Policy 9 – Debt Policy (Revisions)**
 - i. The Committee received a briefing on proposed revisions to the NVTA Debt Policy.
 - ii. Proposed policy changes relate to capping the Working Capital Reserve (WCR) at \$120 million.
 - iii. The proposed policy change will result in an estimated \$18 million increase in PayGo funds between FY2018 and FY2024.
 - iv. In preparation for the proposed revision NVTA staff consulted, informed and worked with:
 1. All three rating agencies (Fitch, Moody's and Standard and Poor's)
 2. The Authority's Financial Advisor (PFM)
 3. Bond Counsel and Council of Counsels
 - v. The Committee unanimously agreed to recommend Authority approval of the Debt Policy Revisions.
 - b. **Policy 17 – Capital Asset Accounting (Revisions)**
 - i. The Committee reviewed proposed revisions to Policy 17 – Capital Asset Accounting (revisions) to account for the FY2017 establishment of an equipment Replacement Reserve within the Operating Fund.
 - ii. The reserve is designed to provide funding for necessary replacements over time and avoid large one time operating budget spikes.
 - iii. The policy revisions require the reserve level and annual contribution to be evaluated as part of the annual operating budget process.
 - iv. The policy revisions limit the reserve use only to replacing existing outdated or non-operational equipment, furniture and fixtures. This prevents the use of the reserve to expand capital assets.

- v. Future use of the reserve to replace a shared GIS plotter with the Northern Virginia Regional Commission (NVRC) was addressed with the Finance Committee.
- vi. Minor clarifications and updates were included in the proposed changes.
- vii. The Committee unanimously agreed to recommend Authority approval of the Capital Asset Accounting Policy revisions.

c. Policy 29 – Project Activation, Progress and Monitoring (New)

- i. The Committee received a briefing on the proposed policy which is modelled after two previously adopted policies; Policy 24 – Standard Project Agreement Activation and Policy 25 – FY2017 Program First Drawdown Commitment.
- ii. Policy 24 and Policy 25 do not apply to projects approved in FY2018 or later.
- iii. The draft of the new policy seeks to provide guidance related to approved projects in FY2018 and later.
- iv. The Committee received a report on the level of schedule but unreimbursed expenses.
- v. The Committee requested NVRTA staff review the draft reimbursement provisions.

4. Discussion Items:

a. Funding the Six Year Program. The Committee received a briefing and discussed guidance on funding the Six Year Program (SYP).

- i. The briefing included:
 1. The funding environment for the SYP.
 2. Benefits and options created through conservative revenue estimates and fiscal planning.
 3. Recognition that member jurisdictions and agencies often adjust their own Capital Improvement Plans through changing the scheduled timing of their own projects. The conservative planning for the Authority’s SYP recognizes such adjustments would be more challenging when projects are awarded by a regional body to multiple jurisdictions and agencies over a continuing six year cycle.
 4. Benefits of establishing a reputation for ‘reasonable expectation’ that adopted future fiscal year project approvals will receive planned appropriations.
 5. A discussion of PayGo Availability and Determination.
 6. A discussion of PayGo utilization, noting:
 - a. Timing of approval of the SYP in relation to actual revenue receipts.
 - b. Use of a declining amount of estimated revenue in the final three years of the SYP.
 - c. Options created in addressing revenue changes, funding projects and/or utilizing debt that are afforded by not fully programming 100% of the estimated revenue in the last three years of the SYP.
 7. A discussion of Debt Capacity Determination.

8. A discussion of Debt Capacity Utilization, noting:
 - a. Debt financing structures.
 - b. When to use debt financing.
 - c. Impact of debt financing on future PayGo availability.
 - d. Debt financing relative to the Authority's current level of appropriated yet unexpended project funding approvals.

- b. Investment Portfolio Report.** The Committee received its first report of investment performance noting:
 - i. NVTA has implemented the Authority's investment program designed to comply with State Law, the NVTA Investment Policy, accounting standards and best practices for public funds/fixed income investments.
 - ii. Reporting of investment activities focuses on accountability to the Finance Committee, clarity and transparency.
 - iii. As of April 30, 2017, \$438.4 million was moved from low interest earning positions to higher earning instruments.
 - iv. The Authority's portfolio is achieving a 1.15% rate of return compared to the investment policy benchmarks of:
 1. Fed Funds Rate: 0.90%
 2. Treasury 90 Day T-bill: 0.88%
 3. Virginia Local Government Investment Pool: 0.89%
 4. Virginia State Non-Arbitrage Program: 1.09%
 - v. The initial interest earnings estimate for FY2017 was \$1.9 million. With the implementation of the investment program, FY2017 interest earnings have the potential to exceed \$5 million.

- c. Monthly Revenue Report.** The Committee received a report on Authority revenues for FY2017 and 30% transfers to member jurisdictions. It was noted there are no recommendations for changes to the revenue estimates at this time.

- d. Monthly Operating Budget Report.** The Committee received a report on the Authority FY2017 Operating Budget. It was noted there are no recommendations for changes to the Operating Budget at this time.

- e. Credit Rating Affirmation.** The Committee received a report on the recent affirmation by Fitch Ratings of the Authority's AA+, Outlook Stable credit rating.