

Approved February 15, 2018



Northern Virginia Transportation Authority
The Authority for Transportation in Northern Virginia

FINANCE COMMITTEE

Thursday, January 18, 2018 1:00PM
3040 Williams Drive, Suite 200
Fairfax, VA 22031

MEETING SUMMARY

I. Call to Order/Welcome

Chairman Parrish

- Chairman Parrish called the meeting to order at 1:01pm.
- Attendees:
 - ✓ Members: Chairman Parrish; Mayor Rishell; Chairman Bulova; Chair Randall; Mayor Silberberg
 - ✓ Staff: Monica Backmon (Executive Director); Michael Longhi (CFO); Carl Hampton (Investment & Debt Manager); Peggy Teal (Assistant Finance Officer); Sarah Camille Hipp (Communications & Public Relations Manager); Yolanda Thomas-Jones (Clerk).
 - ✓ Council of Counsels: Ellen Posner (Fairfax County); Steve MacIsaac (Arlington County); Rob Dickerson (Prince William County)
 - ✓ Other Attendees: Chairman Nohe; Chair Cristol via telephone; Paul Doku (Fairfax County); Tom Biesiadny (Fairfax County); Bob Brown (Loudoun County); Allan Fye (Alexandria); Paolo Belita (Prince William); JoAnne Carter (PFM); Kristie Choi (PFM).
- Chairman Parrish noted Chairman Nohe's attendance at the meeting and that Chair Cristol, Arlington County, was attending via teleconference.

II. Summary Minutes of the October 19, 2018 Meeting

- Mayor Rishell moved approval of the minutes of October 19, 2018; seconded by Chairman Bulova. Motion carried unanimously.

Action Items

III. 2018 Finance Committee Meeting Schedule

Chairman Parrish

- Chairman Parrish noted that the Finance Committee met four times in 2017. He noted that the committee would meet only if they had agenda items to discuss in 2018.
- Chair Randall motioned for the approval of the 2018 Finance Committee Meeting Schedule. Chairman Bulova seconded. Motion carried unanimously.

IV. Budget Transfer- Communication Expenditure Classifications Mr. Longhi, CFO

- Mr. Longhi stated the FY2018 operating budget included \$87,000 of funding for communications functions with the flexibility to obtain the services on a contract or direct hire basis. During the budget development process a preference for a direct hire was expressed. The Communication and Public Affairs Manager position, was filled through a direct hire. This budget transfer moves the approved funding into the personnel budget classification.
- During the course of the past year, the NVTa was able to renegotiate the financial advisor service contract. A portion of these savings were re-allocated to fund the Communication and Public Affairs position full time. Mr. Longhi highlighted the need to control the Authority's message and get information dispatched promptly. The position is responsible for basic communications as well as outreach efforts and other engagements in working closely with the nine member jurisdictions and agencies.
- Chairman Bulova moved for the approval of the Budget Transfer for Communication Expenditure Classification, seconded by Mayor Rishell. Motion carried unanimously

Information/Discussion Items

Due to pressing schedule commitments on the part of many Committee members, Chairman Parrish reordered the agenda to first review and discuss Item VII Financial Analysis of the Governor's Proposed Biennium Budget/HB1319.

V. PayGo Taper Analysis Mr. Longhi, CFO

VI. Monthly Revenue Report Mr. Longhi, CFO

VII. Financial Analysis of Governor's Proposed Biennium Budget Mr. Longhi, CFO

- Mr. Longhi gave an analysis of the Governor's Proposed Budget, which later became HB 1319. It was noted the analysis may change in the future as events in the General Assembly unfold. Governor McAuliffe released a budget proposal on December 18, 2017. As it relates to NVTa, the budget calls for an increase in the Transient Occupancy Tax (TOT) and Grantors Tax in Northern Virginia, as well as a diversion of 40% of NVTa's annual revenue through an allocation of 35% for WMATA and an allocation of 5% for Virginia Railway Express (VRE) capital and operating needs.
- Mr. Longhi discussed the impact of the proposed budget on the NVTa adopted Six Year Revenue Projections and proposed FY2018-2023 Six Year Program (SYP), this analysis focused on four areas:
 - Impact of proposed increased TOT and Grantor's Tax rates.
 - Impact of the proposed 40% revenue diversion.
 - Summary of impacts on the Local Distribution Fund (30%).
 - Summary of impacts on the Regional Revenue Fund and PayGo supporting the Authority's FY2018-2023 Six Year Program (SYP)
- Mr. Longhi noted that the impact of the proposed increased TOT and Grantor's Tax rates highlighting:

- Transient Occupancy Tax (TOT) revenue would increase \$81.4 million over five of the six years in the projection period
- Grantor's Tax revenue would increase \$155.5 million over five of the six years in the projection period.
- This results in total revenue increase of \$236.9 million. This increased revenue is not transferred to the NVTA.
- He noted that TOT and Grantor's are the most volatile of the Authority's three taxes.
 - Over the last 21 years in the four member counties, TOT has seen year to year increases of 41.6% and decreases of 15.8%. Also in the same counties, the Grantor's Tax has seen year to year increases of 33.6% and decreases of 21.2%.
 - This volatility makes these two taxes less reliable and predictable, raising the reliance on Sales Tax as an overall stabilizing force for NVTA's combined revenue streams when considering an 'off the top' diversion of 40% of total revenue.
 - NVTA revenue is based on transactions within each members' jurisdiction, the impact of the rate increases will be uneven.
- Mr. Longhi discussed the impact of the Proposed 40% Revenue Diversion:
 - Total revenue currently projected over the six year period is \$2.1 billion (gross).
 - The proposed increased TOT and Grantors tax rates, which totals an additional \$236.9 million, raises the projection to \$2.3 billion (gross).
 - The 40% diversion reduces total revenue available to the NVTA to \$1.5 billion (gross).
 - He stated that while two increased tax rates generate more revenue, the end result of the 40% diversion is that the Authority [and its members] will see a total revenue reduction of approximately \$562 million over the six year period, negatively limiting the upcoming SYP.
- Chairman Nohe stated that legislators don't discuss the context of the net reduction of revenue available to the NVTA. They discuss the total number that would flow to Metro under this proposal, which is larger than \$110M, or they discuss it in terms of percentages of an increase.
 - The way the legislation is proposed it, eliminates the 70% and 30% split and breaks into 4 categories (Metro, VRE, Authority and localities). Thus, 30% funds become 18% funds and the 70% funds become 42% funds.
 - He stated it has been difficult to get someone to discuss the impact on the dollar amounts for the Authority.
- Mr. Longhi summarized the Impacts on the Local Distribution Fund (30%):
 - The Local Distribution Fund sends 30% of revenues raised in a jurisdiction, back to that jurisdiction.
 - Actual 30% proceeds are completely dependent on the transactions within a jurisdiction.
 - Each jurisdiction has specific local economic factors which create differing strengths among the three NVTA taxes applied through HB2313 and collected within each member jurisdiction.

- With 40% of revenue diverted 'off the top' the impact on the 30% funds is disproportionate among jurisdictions.
- In the adopted revenue projections, the Local Distribution Fund receives \$626.8 million for the 30% distributions to member jurisdictions.
- When including the proposed increased tax rates and the 40% diversion, the available funds decrease to \$458.2 million or a \$168.7 million reduction over the six year period.
- The reduction is just for five of the six years in the SYP, since the proposed budget does not apply to FY2018. An additional \$39.4 million would have been reduced from the 30% distribution if the proposed budget covered all years of the SYP.
- FY2018 has \$100M fund balance because of the cancellation of the I-66 Project. The fund balance has an effect of offsetting the impact on fiscal years 2019 through 2023.
- Mr. Longhi also summarized the impacts on the Regional Revenue Fund and PayGo supporting the Six Year Program.
 - The PayGo level for the SYP has not been finalized at this time as the NVTa Finance Committee is still reviewing several factors and has not made a recommendation to the Authority.
 - The informal PayGo conceptual level for SYP discussion purposes has been approximately \$1.5 billion.
 - Using the same modeling, and accounting for the proposed two increased tax rates as well as the 40% diversion (including the impact on interest earnings, taper amounts and carryforward), PayGo availability for the SYP under the Governor's proposed budget is approximately \$1.116 billion.
- Chair Randall stated that the impact was greater than she anticipated.

Closed Session began 1:36pm

Closed Session reconvened at 2:33pm

Chair Randall left at 2:33pm

Reconvening the regular meeting, Chairman Parrish asked staff if there were any additions to the remaining written staff reports. With no additions to those reports the meeting was adjourned.

Adjournment

- Meeting adjourned at 2:35pm.