

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

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

FROM: Mayor Parrish, Chairman – NVTA Finance Committee

DATE: March 2, 2018

SUBJECT: Finance Committee Report of the February 15, 2018 Meeting

1. **Purpose:** To provide the Northern Virginia Transportation Authority (NVTA) with a report of NVTA Finance Committee activities.
2. **Background:** The Finance Committee last met on February 15, 2018. The next meeting is scheduled for March 15, 2018 at 1:00PM. Mayor Rishell, Finance Committee Vice-chair, chaired the meeting as Mayor Parrish had a schedule conflict. The following summarizes the February 15th meeting:
3. **Action Items:** There were no Action Items submitted for the agenda.
4. **Discussion Items:**
 - a. **2018 Legislative/Budget Impact Update.** The Committee reviewed and discussed an analysis prepared by NVTA staff addressing the impact of Substitute SB856 and Substitute HB1539. The analysis was undertaken in the context of the Authority's upcoming Six Year Program (SYP) addressing impacts on:
 - i. Local Distribution Fund (30%): Projected FY2018/23 30% distributions would be reduced by \$204.0 million under SB856 and \$273.9 million under HB1539.
 - ii. Regional Revenue Fund (70%) SYP Impact: The immediate impact on the SYP would be a reduction in available funding of \$106 million, reducing projected PayGo funding from \$1.511 billion to \$1.405 billion. Note, this is the impact assessed only on five of the SYP six years, since the proposed legislation would become effective in FY2019.
 - iii. Full Six Year Impact: The analysis noted the proposed budget is effective in FY2019. However, the NVTA SYP includes FY2018. Equalizing for this one year difference, the negative impact on the two areas noted above increase:
 1. Local Distribution Fund (30%): Reduction would be increased by \$31 million, making the total reduction over six full years approximately \$235 million for SB856 and \$304.9 for HB1539.
 2. Regional Revenue Fund (70%): FY2018 has significant carryforward from the withdrawn I66 Route 28 Project. Adjusting for the carryforward and applying the budget provisions to FY2018 results in additional reductions of \$121 million, making the total reduction over six full years approximately -\$227 million. Thus reducing PayGo for the SYP from 1.5 billion to 1.28 billion.

3. Legislative Update: The Committee received an overview of the progress and status of SB856 and HB1359 from Ms. Tracy Baynard of McGuire Woods Consulting, the authority's legislative liaison. There followed a lengthy discussion by Committee Members, Bond Counsel, Council of Counsels, and NVTA staff. Primary topics included:
- a. Two WMATA bills have 'crossed over', and are expected to be sent to conference committees for negotiation.
 - b. There has been reaction to proposed tax increases by realtors and the travel industry.
 - c. The differences between Senate Bill 856 and House Bill 1539 were discussed.
 - d. It was noted, part of the revenues discussed in both General Assembly bills are Chapter 766 revenues (HB2313) and the use of their proceeds by WMATA may need to be monitored to avoid tripping legislative 'kill switches'.
 - e. There was a preference expressed that localities be allowed to determine the source of funding to meet the \$31 million WMATA transfer, with 30% funds being an option, not a mandate.
 - f. The proposals to eliminate Transient Occupancy Tax (TOT) from the Authority's revenue stream was discussed at length. The discussion included:
 - i. Financial implications.
 - ii. Probable lowering of NVTA's credit ratings.
 - iii. Providing event disclosure as required by the Municipal Securities Rulemaking Board (MSRB).
 - iv. Impact on interest rates of NVTA's future bond sales.
 - v. Potential engagement of the legislative 'kill switch'.
 - vi. General Assembly use of its non-appropriation authority. There was discussion that the Authority has clearly disclosed this risk in the 2014 Bonds' Indenture and Official Statement.
 - vii. Impact of the General Assembly's non-appropriation action will potentially extend beyond the NVTA to other bond issuers.
 - viii. The NVTA has very substantial balance sheet strength which corresponds to very little default risk.
 - ix. The NVTA has, and will continue to have, very strong debt service coverage ratios. Currently NVTA has over 40 times coverage, dropping to an estimated 38 times if NVTA revenues are reduced.
 - x. A number of legal and administrative issues remain unsettled.

- b. FY2018-2023 Six Year Program – PayGo Taper Analysis:** The Committee has been receiving analysis and discussing the potential of incorporating a deliberate underutilization of Authority revenues (referred to as a taper) in the last three years of the FY2018-2023 Six Year Program. Further discussion and any staff recommendations await the finalization of the General Assembly’s budget and legislative action.
- c. FY2019 Operating Budget Guidance:** The Committee received a report and provided guidance on proposed base budget changes and new initiatives for the FY2019 Operating Budget. In addition to base budget changes related to annual compensation, insurance rate changes and contract escalations, the Committee received three proposals for new initiatives:
- a. Development of a Regional Design and Engineering Contract Availability Pool. This initiative would use outside procurement services to establish a pool of qualified design and engineering firms for optional use by member jurisdictions and agencies. The proposal has a onetime cost of \$25,000.
 - b. Dedicated GIS Server: Running the Geographical Information System (GIS) on its current server location is causing increasing performance issues for NVTA administrative applications. Separating GIS from NVTA’s administrative server provides an additional layer of server security. The proposal has an annual cost of \$6,500.
 - c. Program Monitoring and Management System (PMMS): This initiative is split between two fiscal periods. Staff recommends only proceeding with the first phase in FY2019 with the understanding that the second phase in FY2020 is necessary to complete the objectives.
 - i. Six Year Plan Application Automation (proposed for FY2019). This is an automated and simplified approach to streamlining the project application process. The next potential call for project could be in early calendar 2019 (FY2019). The proposal has a onetime cost of \$60,000.
 - ii. Project Status Monitoring (proposed for FY2020). This component of the PMMS will streamline and enhance critical programmatic responsibilities to ensure that NVTA’s regional projects deliver their intended scope, with schedule and budget monitoring tools. Phases will include an online project dashboard. FY2020 onetime costs are estimated at \$115,000. Annual maintenance costs are estimated at \$25,000.
- d. Investment Portfolio Report:** The Committee received reports and was briefed on the performance of the Authority’s investment portfolio. The portfolio is performing within policy requirements and is slightly exceeding performance benchmarks.
- e. Monthly Revenue Report:** The Committee received a report and was briefed on the Authority’s revenue receipts and distributions of 30% funds to member localities. Revenue performance is 1.98% above projections. Staff noted that sales tax receipts are improving over early fiscal year performance.

- f. **NVTA Operating Budget:** The Committee received a report and was briefed on the Authority's Operating Budget. All operating revenue has been received for the fiscal year. Expenditures were reported as of December which is 50% of the fiscal year. Expenditures through the same period are at 46% of budget.