

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

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

FROM: Phyllis J. Randall, Chair – NVTA Governance and Personnel Committee

DATE: March 2, 2018

SUBJECT: Governance and Personnel Committee Report

1. **Purpose:** To provide a report of the activities of the Northern Virginia Transportation Authority's (NVTA) Governance and Personnel Committee.
2. **Background:** The Governance and Personnel Committee met on February 15, 2018. The next meeting occurred on February 28, 2018. The following summarizes the February 15th meeting:
3. **Discussion Item: 2018 Legislative Update.**

The Committee received an overview of bill filings from Ms. Tracy Baynard of McGuire Woods Consulting, the Authority's legislative liaison. Ms. Baynard described the progress and status of all non WMATA bills which could potentially affect the Authority and then described all of the bills related to WMATA. 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. Issues and concerns surrounding each bill were described, and possible impacts reviewed.
 - c. The House and Senate Gas Tax bills are moving forward
 - d. A western transportation tax district has been proposed for the I-81 corridor. If approved it will be similar to HB 2313.
 - e. There has been reaction to proposed tax increases by realtors and the travel industry.
 - f. The differences between Senate Bill 856 and House Bill 1539 were discussed.
 - g. Concern was expressed by Chair Cristol regarding the WMATA claw-back provisions included in HB 1539.
 - h. There followed a lengthy discussion of the differences between the Bills and strategies for dealing with the Bills with an emphasis on staying engaged with the legislative process.
 - i. The Committee discussed the two WMATA Bills proposed at the Federal level.
 - j. 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'.
 - k. Concerns about the potential reduction of 30% funds to jurisdictions were discussed.

- l.** 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.
 - m.** 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.** Engagement of the legislative 'kill switch'.
 - vi.** General Assembly use of its non-appropriation authority. There was clear discussion that the Authority has 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.
- 4. The Committee asked what the Next Steps Should be.** Ms Baynard recommended watching events develop in Conference Committee before taking positions regarding these bills. She plans to prepare written comments for NVTA's use on the impacts of changes in:
- i.** The 30% local revenues.
 - ii.** The elimination of the Transient Occupancy Tax.
 - iii.** The 'kill switch'.