



Northern Virginia Transportation Authority
The Authority for Transportation in Northern Virginia

FINANCE COMMITTEE
Thursday, March 21, 2019 2:00PM
3040 Williams Drive, Suite 200
Fairfax, VA 22031

MEETING SUMMARY

I. Call to Order/Welcome

Mayor Rishell, Vice Chairman

- Mayor Rishell called the meeting to order at 2:06pm.
- Attendees:
 - ✓ Members: Mayor Rishell; Chairman Nohe (arrived 2:13pm); Chairman Bulova; Mayor Wilson (via telephone at 2:24pm).
 - ✓ Staff: Monica Backmon (Executive Director); Michael Longhi (CFO); Richard Stavros (Investment & Debt Manager); Keith Jasper (Principal, Transportation Planning and Programming); Sree Nampoothiri (Transportation Planner) Peggy Teal (Assistant Finance Officer); Yolanda Thomas-Jones (Clerk).
 - ✓ Council of Counsels: Ellen Posner (Fairfax County); Rob Dickerson (Prince William County).
 - ✓ Other Attendees: Paul Doku (Fairfax County); Penny Newquist (Loudoun County); Tarrence Moorer (Alexandria); Kristy Choi (PFM). Mark Schofield (VRE); Noelle Dominguez (Fairfax).

II. Summary Minutes of the February 21, 2019 Meeting

(This item was removed from the agenda as the minutes were not ready for presentation.)

Mayor Rishell, with the consent of the Committee members present, moved the agenda items so as to hear Information/Discussion Items, while waiting for additional committee members to arrive to complete a quorum for the Action Items.

Information/Discussion Items

IX. Investment Portfolio

Mr. Stavros, Investment & Debt Manager

- Mr. Stavros provided the Committee with updates on portfolio performance and investment activities through February 28, 2019, noting:
 - ✓ NVTa portfolio complies with the investment policy.
 - ✓ Changes since last month:
 - Duration has backed away with maturities, were moving toward six months are now a little shorter than that.
 - Regarding investment performance we are right in the middle of our four benchmarks.
 - The Fed pause on rate increases and new comments by the Central Bank has heightened market expectations that there will be no rate increases during 2019.

X. Monthly Revenue Report

Mr. Longhi, CFO

- Mr. Longhi updated the Committee on monthly revenue receipts and 30% funds distributed to member localities, noting:
 - ✓ Federal closure did not impact the Authority's revenue too severely.
 - ✓ The Authority has received approximately \$136.3 million through the February 2019 transfers from the Commonwealth. This amount represents six months of sales tax receipts.
 - ✓ All jurisdictions are receiving their 30% funding.
 - ✓ Chairman Bulova asked what would be the impact to the NVT A if the Authority still had the TOT and Grantor's Tax revenue. Mr. Longhi responded that the impact is about \$22.5 million noting the 30% fund is projected at \$79 million whereas last year that was close to \$100 million.

XI. Operating Budget Report

Mr. Longhi, CFO

- Mr. Longhi updated the Committee on the Authority's Operating Budget for FY2019, noting:
 - ✓ Operating revenue is at 100% of estimate.
 - ✓ February 2019 represents 67% of the fiscal year. Through February 28, 2019, the Authority has utilized 57% of its FY2019 expenditure budget with all expense categories remaining within budget.

Chairman Nohe arrived (2:13pm)

Action Items

III. FY2020 Through FY2025 Revenue Projections

Mr. Longhi, CFO

- Mr. Longhi presented the proposed revenue projections for FY2020 through FY2025, noting:
 - ✓ The regional revenue estimation process involves all of the member jurisdictions.
 - ✓ Changes are not recommended to the FY2019 through FY2023 projections.
 - ✓ Mr. Longhi highlighted the table on page one of the staff report noting the new estimates for FY2024 and FY2025.
- Chairman Bulova moved the Finance Committee recommend Authority adoption of the FY2020 - FY2025 revenue projections as presented below, seconded by Chairman Nohe. Motion passed unanimously.

IV. FY2020 Local Distribution Fund Budget

Mr. Longhi, CFO

- Mr. Longhi presented the Proposed FY2020 Local Distribution Fund Budget, noting:
 - ✓ Local Distribution Fund (30%) revenues are distributed in their entirety to member jurisdictions in accord with HB2313 (2013), as amended.
 - ✓ Finance Committee guidance is to conservatively estimate revenues.
 - ✓ Member jurisdictions will receive the amount of Local Distribution Funds they are entitled to in accord with HB2313, as amended based on the transactions within the jurisdiction.
 - ✓ Many member jurisdictions either net their jurisdictional share of the NVT A Operating Budget from their 30% Local Distribution Funds received, or pay the obligations from

those funds once received.

- ✓ SB1468, Chief Patron - Senator Black; will permit the Authority to charge the Operating Budget to the Regional Revenue Fund. If the Authority avails itself of this option, it will have the effect of increasing jurisdiction Local Distribution Fund revenues as indicated in Item IV of the staff report.
- ✓ Mayor Rishell noted that this option is important even to the smaller localities.
- ✓ Chairman Bulova offered a big 'thank you' to Senator Black.
- ✓ Mr. Longhi highlighted the proposed FY2020 Local Distribution Budget on page 2 of Item IV of the staff report noting, the carry forward is always zero because we attempt to distribute all the funds by end of the fiscal year. The distribution is noted as \$79.8 million, this is about a \$22.5 million difference in what was anticipated, just for the 30%, if the Authority still had TOT and Grantor's Tax.
- ✓ Mr. Longhi noted the assumptions on this budget are important in that the Authority will continue to follow HB2313 in the management of the Local Distribution Fund, noting the key words 'Actual distributions to jurisdictions will be contingent on completion of the annual certification process and will be determined by the actual revenues received based on transactions within the jurisdiction (as reported by the Commonwealth).'
- ✓ Mr. Longhi emphasized that wording allows the NVTa to distribute higher amounts without having to come back to the for additional appropriations.
- ✓ All prior fiscal year accruals and Commonwealth revenue adjustments of Local Distribution Fund revenues will be distributed to the appropriate jurisdiction in FY2020 in accord with HB2313.
- Chairman Bulova moved the Finance Committee recommend Authority adoption of the Proposed FY2020 Local Distribution Fund Budget as presented, seconded by Chairman Nohe. Motion passed unanimously.

V. **FY2020 Regional Revenue Fund Budget**

Mr. Longhi, CFO

- Mr. Longhi sought Committee recommendation for the Authority budget appropriation action for those projects from the FY2018 to FY2023 Six Year Program (SYP) requiring FY2020 Regional Revenue Funds, noting:
 - ✓ Regional Revenues (70% funds) are largely programmed through the Authority's approval of specific projects in the Six Year Program (SYP).
 - ✓ Any unused funds from one fiscal year are accumulated as restricted fund balance, and will be available for the FY2024/25 update to the SYP.
 - ✓ This process is different than in prior years, the funds are forward accumulating until the two year update.
 - ✓ Finance Committee guidance is to conservatively estimate revenues.
 - ✓ The details of the Proposed FY2020 Regional Revenue Fund Budget were presented in Attachment 1 of the staff report:
 - Revenues were adjusted for the 2018 legislative action to eliminate the Transient Occupancy Tax and Grantor's Tax as available revenue streams.
 - COVA interest is earned on funds while they are processed by the Commonwealth and before arriving at the Authority.
 - The \$383 million classified as Future Financing (if required due to cash flow) was identified as a critical number by Mr. Longhi.
 - This budget category reflects the Revenue Fund Appropriations for the SYP.

- As part of that adoption, the Authority implemented a project funding strategy which relies on the strength of the Authority's Balance Sheet to advance the timing of project funding, by fully funding projects in the first fiscal year they require money.
 - This strategy saves the Authority approximately \$194 million, over 20 years, compared to tradition project funding approaches.
 - Mr. Longhi noted that the external auditors seek to be sure the Authority knows this number, \$383 million, is what would have to be financed, were project reimbursements to exceed cash flow.
 - As of the preparation of the report, FY2019 project appropriations of \$527 million have only resulted in approximately \$1 million in reimbursement requests (the Loudoun County - Route 9 project in the Town of Hillsboro).
 - City of Falls Church project with NOVA Parks has a \$23,000 reimbursement in the pipeline.
 - Investment Portfolio Earnings reflects the NVTAs portfolio interest earnings. Currently actual earnings are trending at a level which will result in an \$8 million positive variance to budget.
 - Debt service principal and interest total \$5,549,950.
 - TransAction Update tech support (the procurement starts in FY2020 so the appropriation has to be in the same year) is \$3,650,000 and provides \$3,500,000 for the next update of TransAction and \$150,000 for technical support for Long Term Benefit analysis.
 - Six Year Program PayGo Project Funding represents the \$570 million that will be in a following Action Item appropriating funding for 20 projects in FY2020.
- ✓ Mr. Wilson joined via conference call (2:24pm)
 - Transfers and Carryforward: Mr. Longhi noted this is a new budget item, proposing the use of the Regional Revenue Fund to support the Operating Budget.
 - Utilizing the authorization provided in SB1468 (2019), this will transfer for cost of funding the NVTAs Operating Budget from the jurisdictions to the Regional Revenue Fund.
 - Transferring the cost from the jurisdictions to the Regional Revenue Fund will increase the net available 30% Local Distribution Funds for FY2020 to member jurisdictions as noted on page 2 of the staff report.
 - Mr. Longhi noted that through the passage of this budget, the Finance Committee is recommending the Authority use the ability in SB1468.
 - This action results in \$2.9 million being transferred with the Finance Committee recommendation and the Authority's approval to the Operating Fund for the Operating Budget.
- ✓ Chairman Bulova asked if all jurisdiction had been asked if they wished to see Senator Black's bill utilized for the transfer. Mr. Longhi responded discussions occurred with all jurisdictions and none had said no.
- ✓ Chairman Nohe added that the Authority needs to make this an expectation. Noting there are many ways to poise it but ultimately it provides more funds to jurisdictions. Chairman Nohe added this provides a higher level of operating budget certainty to the Authority.

- ✓ Mayor Rishell asked if the jurisdictions can be forced to set aside the monies for the operating budget. Mr. Longhi responded the operating memo would allow the Authority to net a jurisdiction share of the operating budget from 30% distributions.
- ✓ Chairman Bulova stated it makes sense to approach funding the budget this way.
- ✓ Mr. Longhi noted the Authority will have this decision each year and could change its direction in the future.
- ✓ Mayor Rishell added the 70% regional funding would still do regional projects on a balanced basis.
- ✓ Chairman Bulova noted this does take money from the Regional Revenue Fund.
- ✓ Ms. Backmon agreed while noting this ability has need in place in Hampton Roads since 2016 and when Senator Black was asked to patron the Bill, it was with the understanding that the operating budget is very small compared to the Regional Revenue Fund, which can support the transfer just on interest earnings.
- ✓ Ms. Backmon also noted that the 30% Funds have a lot more flexibility than the 70% funds so jurisdictions end up with more money, to be used for a greater variety of purposes as long as the use is in accord with HB2313.
- ✓ Mr. Longhi highlighted line 6b of the proposed budget noting \$12 million is from closed out projects and prior positive revenue variances and does not include the \$8 million that is expected in this year's interest earnings. He further noted:
 - The budget proposes taking a conservative approach by only booking the audited positive variance from prior years.
 - Taking the audited positive variance approach is the most transparent and allows a reader of the financial statements or budget to trace the funding source.
 - If estimates for positive variance were used instead of audited actual adjustments would have to be made each year and transparency would be diminished.
- ✓ The positive variances flowing around the regional revenue fund are more than supporting the transfer. The resultant \$9.8 million will just increase over time as we get closer to programming the 2024 and 2025 update to the SYP.
- ✓ Working Capital Reserve (WCR) is required by the Authority's Debt Policy. The Authority took action in June 2017 to cap the Working Capital Reserve at \$120 million.
- ✓ Debt Service Reserve of \$5,551,000 was funded through bond proceeds and exists to protect NVTA's bondholders. It is required by the Authority's Debt Policy.
- ✓ Mr. Longhi noted both of the above reserves are fully funded so they have no impact on the proposed budget.
- Chairman Bulova moved the Finance Committee recommend to the Authority adoption of the Proposed FY2020 Regional Revenue Fund Budget, as presented in Attachment 1, seconded by Chairman Nohe. Motion passed unanimously.

VI. FY2020 Operating Budget

Mr. Longhi, CFO

- Mr. Longhi presented the proposed FY2020 NVTA Operating Budget noting:
 - ✓ This is the same budget discussed at last month's meeting except for three changes:
 - \$1,800 increased lease estimate to include tax changes and escalations.
 - \$600 for an iPad purchased to support communications

- efforts in capturing videos.
 - \$120 increase computer data storage capacity.
- ✓ Mr. Longhi offered to go through the budget detail again.
- ✓ Chairman Bulova noted the funding of a financial position and a planner seems to be in order. She raised the question of the second planner position in the same year.
- ✓ Mr. Longhi responded that the heart of the Planner request is that when the Authority started funded operations, almost all tasks were done sequentially, meaning one after the first. For the future, in order to maintain the expected schedule for SYP updates TransAction updates etc. things must occur in parallel.
- ✓ Working on programs that are established and moving forward as well as preparing for the next round of updates, requires additional resources to keep the planned schedules.
- ✓ Without staffing the choices become whether to do an update to the SYP and when to update TransAction.
- ✓ Mr. Longhi highlighted the staff report that explains in great detail regarding the need for the requested Transportation Planner positions.
- ✓ He further noted that every reimbursement request that comes to the Authority goes to a Planner first. So, the same work measures which support the finance position also support the planner request.
- ✓ Ms. Backmon added the same night the TransAction update was adopted the Call for Projects for the Six Year Program was authorized. Staff undertook these activities sequentially and without pause, yet was resource constrained regarding the in-house planners to do the work.
- ✓ She emphasized that there is and needs to remain a robust planning process as required by legislation and expected for transparency.
- ✓ Ms. Backmon noted the TransAction update could be pushed back, but the long-range plan-TransAction, quickly becomes outdated. She added that there was no Transform 66 Project when we were developing TransAction 2040 and that the current TransAction does not include the most recent planned improvements on I-95.
- ✓ Mayor Wilson acknowledged his appreciation of the constraints of staffing on the NVTA side and added his support for the Financial Analyst position. He added pause with two Regional Planner positions, stating he is more comfortable with one planner position at this time.
- ✓ Chairman Bulova inquired about the effect of adding one versus two positions (Planners) noting the concern is workload.
- ✓ Ms. Backmon responded the concern is workload and meeting the timelines established for funding programs and the Strategic Plan, amongst others.
- ✓ Chairman Nohe added Prince William's initial concerns was the larger expense on the jurisdictions. Since then Senator Black's Bill was adopted which included NVTA's responsibility for the HB599 evaluation. From his perspective, NVTA doing the HB599 evaluation is absolutely the right way to do it. But it does increase the workload.
- ✓ Mayor Rishell noted Manassas Park is fine with the proposal. She reflected as a city they are seeing the long term consequences of not

staffing appropriately to the workload.

- Chairman Nohe moved the Finance Committee recommend Authority adoption of the proposed FY2020 Operating Budget as presented Attachment 1, seconded by Chairman Bulova. Motion passed unanimously.

VII. **FY2020 Regional Revenue Fund Appropriations**

Mr. Longhi, CFO

- Mr. Longhi presented the budget appropriations for those projects from the FY2018 to FY2023 Six Year Program (SYP) requiring FY2020 Regional Revenue Funds, noting:
 - ✓ Table 1 reflects 20 projects staff putting forward for appropriation.
 - ✓ 17 of those projects were in the original schedule for 2020.
 - ✓ 3 projects have asked to have appropriations accelerated.
 - ✓ The 20 projects in the proposed FY2020 appropriation recommendations total \$570 million.
 - ✓ Three SYP projects representing \$32.6 million in funding scheduled for FY2021 appropriations have requested to advance the appropriation to FY2020.
 - ✓ After a review of each request and discussions with the jurisdictions (as expected in the review to be conducted by the external auditors to forward appropriate so much money), NVTA staff recommend the changes as follow:
 - City of Falls Church - West Falls Church & Joint Campus Revitalization District Multimodal Transportation Project on the corner of Route 7 and Haycock (2018- 051-1) for \$15.7 million. City staff report the acceleration will provide great cost certainty and schedule flexibility with the relocation of a school.
 - City of Alexandria - Dash Transit Service Enhancements & Expansion (2018-043-1) for \$11.9 million. City staff reported that with the accelerated acquisition of electric buses, the charging station component of this project needs to advance.
 - Arlington County - Crystal City Metrorail East Entrance (2018-003- 1) for \$5 million. County staff report the project schedule is being accelerated in support of a corporate headquarters initiative in Crystal City.
 - ✓ Mr. Longhi noted the importance of transparency in adopting a strategy of forward appropriation, noting the first table on page 3, which first looks like an over expenditure \$383 million. However, this reflects the appropriation of 100% of approved project funding in the first year. This strategy allows for projects to move forward faster and with more certainty. This is NVTA's way of helping project sponsors achieve appropriation certainty.
 - ✓ Since the Authority funds projects on a reimbursement basis, the liquidity stays with the Authority.
 - ✓ The liquidity has built up on the Authority's balance sheet, just for the Regional Revenue Fund to \$1 billion.
 - ✓ Noting the Authority appropriated \$523 million for FY2019 projects, with three months left in this fiscal year, as of today, \$1 million dollars has been reimbursed on one project and \$23,000 is coming down the pipeline.
 - ✓ That cash difference, the timing delay, is what allows the NVTA to do this with a balanced budget.
 - ✓ The table at the bottom of page 3 and the line Cash Flow Balances is our projection of

where the Regional Revenue Fund will be at spenddown based on the Appendix B's submitted by project sponsors.

- ✓ Mr. Longhi noted the tools available to backstop a surge in reimbursement requests, specifically:
 - The \$120 million Working Capital Reserve (WCR) which is not included in these numbers.
 - Debt Service Capacity of approximately \$1.4 billion over 20 years.
 - The ability to manage liquidity demands through the approval of Appendix B changes.
- ✓ Advancing SYP projects using NVTAs liquidity, rather than financing is saving the Authority approximately \$194 million over 20 years (or \$9.7 million a year for 20 years).
- Chairman Bulova moved the Finance Committee recommend the Authority budget and appropriate \$570,189,322 of FY2020 Regional Revenue Funds to the 20 projects in the FY2018-FY2023 Six Year Program as detailed in Table 1, seconded by Chairman Nohe. Motion carried unanimously.

VIII. Draft Policy 29- Project Activation, Monitoring and De-Appropriation

Mr. Longhi, CFO

- Mr. Longhi presented draft Policy 29 - Project Activation, Monitoring and De-Appropriation, noting:
 - ✓ There have been two changes since the last meeting:
 - RJACC discussion occurred on February 28, 2019. This discussion resulted in extending the time period for the first project drawdown from 12 to 18 months.
 - An additional clarification edit was added to include Appendix A updates with updates to Appendix B's.
 - ✓ Mayor Rishell inquired as to how projects with multiple funding sources that chose to use other sources first, would be addressed under this policy.
 - ✓ Mr. Longhi replied using Route 28 in Prince William south of Manassas as an example. This project is very active using other funding sources and through strong communication the lack of spending of Authority appropriations has never been an issue.
- Chairman Bulova moved the Finance Committee recommend Authority adoption of Policy 29 - Project Activation, Monitoring and De-Appropriation, seconded by Chairman Nohe. Motion passed unanimously.

Adjournment

- Meeting adjourned at 3:09pm.

Next Meeting: April 18, 2019- 1:00pm