

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

TO: Chair Phyllis J. Randall and Members
Northern Virginia Transportation Authority

FROM: Mayor Parrish, Chair - Finance Committee

DATE: May 8, 2020

SUBJECT: FY2024/25 PayGo Determination

- I. **Purpose:** To seek Northern Virginia Transportation Authority (NVTA) adoption of proposed FY2020 to FY2023 PayGo revisions and new PayGo amounts for FY2024/25 as unanimously recommended by the Finance Committee.
- II. **Suggested Motion:** *I move the Northern Virginia Transportation Authority adopt the PayGo Funding recommendations detailed in Table 1 below:*

Table 1

Recommended PayGo Funding FY2020 through 2025					
FY2020	Revised Amounts			New Amounts	
	FY2021	FY2022	FY2023	FY2024	FY2025
\$140,020,254	\$ 213,857,667	\$ 215,082,332	\$ 237,162,973		
	Projected Carry Forward		\$ 47,463,254		
			New PayGo	\$ 239,746,735	\$ 234,941,973
			Total New Available PayGo	\$ 522,151,962	

- III. **Background:**
 - a. The PayGo determination process refines the gross amount of Regional Revenue funds projected to be available in future years to the amount of funds available to support Authority determined regional transportation projects.
 - b. On June 6, 2018, the Finance Committee made a \$1.285 billion PayGo funding recommendation, which when adopted by the Authority, became the revenue source for the first Six Year Program (SYP) covering FY2018 to FY2023.
 - c. NVTA planning staff are currently developing regional transportation project recommendations for the Planning and Programming Committee consideration. Authority adoption of the SYP update is scheduled for July 2020.
 - d. These project recommendations will be a two-year update to the SYP creating a new SYP for FY2020 through FY2025.

- e. Supporting PayGo in the remaining years of the current SYP to follow through on Authority commitments in the midst of the COVID-19 pandemic, record unemployment and financial market turmoil is a critical feature of the presented recommendations.
- f. Supporting current SYP project commitments while attempting to bring the greatest amount of resources to projects in the two-year update, necessitates the proposed temporary suspension of certain prior practices. Those will be detailed in the Key Assumptions section of this report.
- g. Risk mitigation features will also be addressed later in this report.
- h. Total potential value of the FY2020 through 25 SYP will be \$1,328,275,188, with \$522,151,962 available for new projects (FY2024/25).
- i. Revisions for FY2020/23 for new funding approved in the 2019 and 2020 General Assembly Sessions and the COVID-19 Pandemic, were made in the revenue estimates report noted earlier on the agenda.

IV. PayGo Estimation Analysis:

- a. Moving from gross Regional Revenue Fund amounts to PayGo involves 14 calculation steps. Some of these steps are based on current known data points, some are based on estimates extended over a six-year horizon.
- b. Known data points are:
 - i. Audited Fund Balances
 - ii. Proposed Taper Release
 - iii. Debt Service
 - iv. Proposed Taper Reinstatement
- c. Estimates include:
 - i. Portfolio interest earnings (adjusted for COVID-19 and financial market turmoil)
 - ii. Future TransAction Update costs
 - iii. Technical support costs (Long Term Benefits, CRRC, SYP Updates)
 - iv. Regional modeling and data initiatives
 - v. Operating budget transfer
 - vi. Proposed one time use of unaudited projected carryforward
- d. Calculation details can be found on the attached FY2020 through 2025 PayGo Determination Analysis

V. Key Assumptions: In order to mitigate revenue damage brought about by the COVID-19 related recession, the NVTA Finance Team has made the following key assumptions, which while not violating any policy, are a temporary departure from prior practice.

- a. Released \$30.3 million in Revenue Taper Funds. The Taper was specifically designed to mitigate such unknowable events as COVID-19. The Taper is reestablished in FY2024 and FY2025
- b. Previously, we have relied on Audited Fund Balances to increase available PayGo. We propose the addition of \$47.5 million in projected (unaudited) fund balance. We will return to only using Audited Fund Balances in FY2026 estimates.
- c. Current Audited Fund Balance of \$52.5 million is completely deployed in the FY2020/23 horizon instead of carrying forward to FY2024 as part of the recommended revisions.
- d. Portfolio earning increases related to Finance Committee recommendation and Authority support for tools such as Bloomberg Subscriptions has contributed approximately \$18.3 million above the budgeted amount of \$15.3 (On total earnings of \$33.6 million, net of unrealized market gains/losses) to this amount.
- e. Future cost estimates are conservative in light of the estimate range stretching over a six-year time horizon.

VI. Risk Mitigation:

- a. No use of the Working Capital Reserve (WCR) of \$120 million is currently proposed.
- b. NVTA staff recommends no early appropriation (earlier than FY2024) of the projected PayGo of \$522.1 million. This recommendation can be re-examined as the economic picture becomes clearer, after approximately 12 months.
- c. NVTA staff can use SPA Appendix B approvals to manage liquidity demands.
- d. Authority credit ratings, the WCR, new revenue sources and long project horizons provide strong fundamentals for the use of short-term financing if required, to support project commitments.

Attachment: FY2020 through 2025 PayGo Determination Analysis

FY2020 Through 2025 PayGo Determination

	FY2018 Appropriated	FY2019 Appropriated	FY2020 Revision	FY2021 Projection	FY2022 Projection	FY2023 Projection	FY18/23 SYP Projections	FY18/23 SYP Original	FY18/23 SYP Difference	FY2024 Projection	FY2025 Projection	FY2024/25 Totals	FY2020/25 Program Total
70%Gross Revenue	\$229,779,968	\$181,248,357	\$ 135,183,997	\$ 176,061,222	\$ 219,102,513	\$ 241,098,038	\$ 1,182,474,095	\$ 1,186,226,439	\$ (3,752,344)	\$ 250,450,210	\$ 255,731,186	\$506,181,396	\$1,277,627,166
+I-66 OTB \$100m Carryover	\$100,000,000						\$ 100,000,000	\$ 100,000,000	\$ -			\$ -	\$ -
Fund Interest Income (Net of Unrealized Gain/Loss)	\$ 5,530,000	\$ 10,000,000	\$ 17,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 47,530,000	\$ 55,530,000	\$ (8,000,000)	\$ 5,000,000	\$ 5,000,000	\$ 10,000,000	\$ 42,000,000
Audited Fund Balance FY2017	\$ 11,314,885						\$ 11,314,885	\$ 11,314,885	\$ -				
Audited Fund Balance FY2019				\$ 41,274,115			\$ 41,274,115	\$ 41,274,115	\$ 41,274,115			\$ -	\$ 41,274,115
Taper Release				\$ 4,884,488	\$ 10,038,515	\$ 15,449,240	\$ 30,372,243	\$ 30,372,243	\$ 30,372,243				\$ 30,372,243
-Existing Debt Service	\$ (5,549,950)	\$ (5,549,950)	\$ (5,549,950)	\$ (5,548,450)	\$ (5,547,500)	\$ (5,550,000)	\$ (33,295,800)	\$ (33,295,800)	\$ -	\$ (5,550,555)	\$ (5,547,250)	\$ (11,097,805)	\$ (33,293,705)
- SB1468 Operating Budget Transfer (Eff FY20)			\$ (2,963,793)	\$ (2,769,220)	\$ (3,047,681)	\$ (3,310,065)	\$ (12,090,759)	\$ (12,090,759)	\$ (12,090,759)	\$ (3,620,568)	\$ (3,801,596)	\$ (7,422,164)	\$ (19,512,923)
-SYP/CRRC Tech Support	\$ (160,000)			\$ (160,000)			\$ (320,000)	\$ (480,000)	\$ 160,000	\$ (160,000)		\$ (160,000)	\$ (320,000)
-LTB Interim Tech Support			\$ (150,000)		\$ (150,000)		\$ (300,000)	\$ (150,000)	\$ (150,000)	\$ (150,000)		\$ (150,000)	\$ (450,000)
Modeling Software					\$ (250,000)		\$ (250,000)	\$ (250,000)	\$ (250,000)				\$ (250,000)
Modeling Licenses & Support					\$ (25,000)	\$ (25,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (25,000)	\$ (25,000)		\$ (100,000)
Big Data' Sources						\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)		\$ (150,000)
-TransAction Update			\$ (3,500,000)				\$ (3,500,000)	\$ (3,500,000)	\$ -		\$ (4,000,000)	\$ (4,000,000)	\$ (7,500,000)
Transfers and Expenditures Estimate Totals	\$ -	\$ (160,000)	\$ (6,613,793)	\$ (2,929,220)	\$ (3,472,681)	\$ (3,385,065)	\$ (16,560,759)	\$ (4,130,000)	\$ (12,430,759)	\$ (4,005,568)	\$ (7,876,596)	\$ (11,732,164)	\$ (28,282,923)
Subtotal	\$341,074,903	\$185,538,407	\$ 140,020,254	\$ 218,742,155	\$ 225,120,847	\$ 252,612,213	\$ 1,363,108,779	\$ 1,315,645,524	\$ 47,463,255	\$ 245,894,087	\$ 247,307,340	\$493,351,427	\$1,329,696,896
Taper Factor			1.000	97.50%	95.00%	92.50%				0.975	0.950		
-Adopted Taper				\$ (4,884,488)	\$ (10,038,515)	\$ (15,449,240)	\$ (30,372,243)	\$ (30,372,243)	\$ -	(6,147,352)	(12,365,367)	(18,512,719)	(48,884,962)
PayGo Amount Available	\$341,074,903	\$185,538,407	\$ 140,020,254	\$ 213,857,667	\$ 215,082,332	\$ 237,162,973	\$ 1,332,736,536	\$ 1,285,273,281	\$ 47,463,255	239,746,735	234,941,973	474,688,708	1,280,811,934
Adopted PFY18/23 PayGo (March 2018)	\$341,074,903	\$185,538,407	\$ 186,892,525	\$ 190,495,043	\$ 190,731,780	\$ 190,540,624	\$ 1,285,273,282						
Difference	\$ -	\$ -	\$ (46,872,271)	\$ 23,362,624	\$ 24,350,552	\$ 46,622,349	\$ 47,463,254						
Appropriated/Committed PayGo		\$524,933,959	\$ 423,324,652	\$ 180,200,000	\$ 22,750,000	\$ 134,064,670	\$ 1,285,273,281						
Cumulative Balance		\$526,613,310	\$ 713,505,835	\$ 904,000,878	\$ 1,094,732,658	\$ 1,285,273,282		SYP Update Total	\$ 522,151,962				