

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: Adoption of Regional Revenue Fund – Revenue Projection Update

I. Purpose: To seek Northern Virginia Transportation Authority (NVRTA) adoption of revised FY2020/23 and new FY2024/25 revenue projections as unanimously recommended by the Finance Committee.

II. Suggested Motion: *I move the Northern Virginia Transportation Authority adopt the FY2020 to FY2025 revenue projections presented in Table 1:*

Table 1

	Revised/Proposed FY2020 to FY2025 Revenue					
	Revised FY2020	Revised FY2021	Revised FY2022	Revised FY2023	Proposed FY2024	Proposed FY2025
Sales Tax	\$ 190,819,996	\$ 218,287,309	\$ 269,593,219	\$ 294,409,812	\$ 301,770,057	\$ 309,314,308
I-81 Corridor Fund	\$ 2,300,000	\$ 2,128,723	\$ 3,910,372	\$ 6,015,957	\$ 6,015,957	\$ 6,015,957
Grantor's		\$ 11,100,000	\$ 19,500,000	\$ 24,000,000	\$ 30,000,000	\$ 30,000,000
NVTD Transfer		\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000
Totals	\$ 193,119,996	\$ 251,516,032	\$ 313,003,591	\$ 344,425,769	\$ 357,786,014	\$ 365,330,265

III. Background:

- a. Revenues are monitored monthly with projection revisions typically made concurrent with new funding program updates.
- b. In addition to making initial projections for FY2024/25 Table 1 shows revised FY2020/23 projections critical to maintaining PayGo funding of approximately \$1.3 billion for the FY2018 to FY2023 Six Year Program.
- c. The FY2020/23 projections are revised estimates for:
 - i. COVID-19 pandemic and related recession.
 - ii. Inclusion of new revenues from the 2019 and 2020 General Assembly sessions.
- d. The revised and initial projections are complicated by:
 - i. A general economic collapse in the last quarter of FY2020.
 - ii. Extension of the collapse in FY2021, most significantly in the first quarter and extending at a lesser scale into FY2022.

- iii. Unemployment levels increasing sharply (in weeks) with projections potentially exceeding the Great Depression.
- iv. Clouded scientific timelines for ramp up of (Personal Protective Equipment's (PPE), beneficial use period, widespread testing capacity and vaccine discovery/testing/production/distribution.
- v. Historic national and international central bank monetary policy intervention.
- vi. Financial market collapse.
- vii. Freight spot market 70% collapse in weeks, with extended repercussions.
- viii. Petroleum price war between Russia and Saudi Arabia.
- ix. Governors sales tax remittance deferral (accounting, revenue and projection data impacts).
- x. Length of current disruptions leading to lasting economic changes to retail, office space, personal services and leisure market sectors.
- xi. Economic data availability for model use in calendar year format being applied in final/first fiscal quarter models.
- xii. COVID-19 case and fatality counts still rising.
- xiii. Phased re-opening with uncertainty of public's willingness to engage in prior commercial and social activities.
- xiv. Recovery curve shape; V, U, L, or W.

IV. Discussion: Each of the Authority's four revenues are addressed in turn below, with a recap of the impact on the revenue restoration provided in the 2019 and 2020 General Assembly sessions. These are summary tables, a detailed master analysis is attached to this report.

V. Sales Tax (Table 2):

- a. As the largest of the four revenues sales tax received significant focus with projection models based on Gross Domestic Product (GDP) history from prior downturns.
- b. GDP data was used to capture the strongest data from national sources including Underwriting Banks, Bloomberg, independent economic firms and publications such as the Wall Street Journal.
- c. Regional Domestic Product (RDP) was used to normalize the GDP data to Northern Virginia. Data from George Mason University – Fuller Institute was also used to help bring a regional focus.
- d. GDP and RDP data were combined with actual sales tax data by each jurisdiction from FY1994 through FY2019.
- e. COVID-19 case and fatality predictions were tracked from several sources since the downtown was triggered by the pandemic.
- f. Multi factor shock analyses were conducted to look at best worst case scenarios.

g. Referring to Table 2 below:

1. Starting point is Base Sales Tax Projections, originally calculated with input from member jurisdictions.
2. The benefit of the addition of Internet Sales Tax, new in FY2020, is absorbed into the base in FY2022.
3. Revenue reductions are related to the COVID-19 pandemic (dollars and % of sales tax).
4. COVID-19 impact stops in FY2023 as lasting effects have become absorbed in the base.
5. First time projections are presented for FY2024 and FY2025.

Table 2

Sales Tax Summary						
	Revised FY2020	Revised FY2021	Revised FY2022	Revised FY2023	Proposed FY2024	Proposed FY2025
Sales Tax - Base	\$ 265,846,393	\$ 272,982,830	\$ 287,229,085	\$ 294,409,812	\$ 301,770,057	\$ 309,314,308
Internet (COVID-19 Adj)	\$ 13,195,950	\$ 13,550,185	(Absorbed Above)			
COVID-19 \$	\$ (88,222,347)	\$ (68,245,706)	\$ (17,635,866)			
COVID-19 %	-33.19%	-25.00%	-6.14%			
Revised/Proposed	\$ 190,819,996	\$ 218,287,309	\$ 269,593,219	\$ 294,409,812	\$ 301,770,057	\$ 309,314,308

VI. I-81 Corridor Funds (Table 3):

- a. Starting point is based on NVTA estimates using actual remittances.
- b. VDOT made significant (44% to 64%) reductions, in March of 2020, to its original estimates presented during the 2019 General Assembly Session.
- c. COVID-19 reductions include the same analytics as Sales Tax with additional freight truck spot market information from Bloomberg and the Wall Street Journal.
- d. COVID-19 impact ends in FY2022, based on truck freight being an early recovery indicator.

Table 3

	I-81 Corridor Funds			
	FY2020	FY2021	FY2022	FY2023
VDOT 1st Projection	\$ 10,100,000	\$ 14,800,000	\$ 20,900,000	\$ 21,200,000
VDOT 2nd Projection	N/A	\$ 5,400,000	\$ 11,500,000	\$ 11,900,000
Difference \$?	\$ (9,400,000)	\$ (9,400,000)	\$ (9,300,000)
Difference %	?	-64%	-45%	-44%
NVTA Estimate	\$ 2,900,000	\$ 4,257,447	\$ 6,015,957	\$ 6,015,957
Diff. From 1st Estimate	\$ (7,200,000)	\$ (10,542,553)	\$ (14,884,043)	\$ (15,184,043)
Diff. From 2nd Estimate	?	\$ (1,142,553)	\$ (5,484,043)	\$ (5,884,043)
COVID-19 \$	\$ (600,000)	\$ (2,128,724)	\$ (2,105,585)	\$ -
COVID-19 %	-20.69%	-50.00%	-35.00%	
I-81 Net of COVID19	\$ 2,300,000	\$ 2,128,723	\$ 3,910,372	\$ 6,015,957

VII. Grantor’s Tax (Table 4):

- a. This revenue starts (restarts) in FY2021.
- b. The 2020 Omnibus Transportation Bill as amended, and NVTA initial projections for Grantor’s starting in FY2021 were in agreement at \$30 million.
- c. COVID-19 impacts come in two forms:
 1. Governor’s one-time reduction in the tax rate for FY2021 effectively reducing revenue by half or \$15 million.
 2. Recession impacts developed with much the same data as sales tax with specific data from the Northern Virginia Association of Realtors (NVAR), Bloomberg, Fuller Institute, and the Wall Street Journal, as well as historic data from the region’s four counties starting in FY1994.
 3. Recession impacts include stifled growth of the revenue line through the estimation period based on commercial real estate concerns.

Table 4

	Grantor's Tax			
	FY2020	FY2021	FY2022	FY2023
NVTA Original Projection		\$ 30,000,000	\$ 30,000,000	\$ 30,000,000
Governor's COVID-19 Reduction		\$ (15,000,000)		
Grantor's COVID-19 \$		\$ (3,900,000)	\$ (10,500,000)	\$ (6,000,000)
Grantors Net of COVID19		\$ 11,100,000	\$ 19,500,000	\$ 24,000,000
Grantor's COVID-19 %		-26.0%	-35.0%	-20.0%

VIII. NVTD Transfer (No Table):

- a. This revenue line is a transfer from the Commonwealth’s Northern Virginia Transportation District Fund to the NVTA.

- b. Since it is a transfer of a fixed \$20 million amount it has no economic growth prospects and no COVID-19 impact (assuming no legislative budget amendments).

IX. COVID-19 and Funding Restoration Summary (Table 5)

- a. This table shows the impact of COVID-19 on FY2020 through FY2023, the remaining years in the current Six Year Program. The impact is estimated at \$40.2 million.
- b. The table also shows the impact of VDOT estimate changes compared to what was shared during the 2019 and 2020 General Assembly Sessions. The total impact of the VDOT estimate changes is \$47.8 million, with the direct impact based on changes to the VDOT projections being a reduction of \$35.3 million. An indirect impact of \$12.5 million based on NVTA’s actual receipts is included due to induced uncertainty.

Table 5

		COVID-19 & Restoration Summary				
		FY2020	FY2021	FY2022	FY2023	Totals
I-81		\$ 10,100,000	\$ 14,800,000	\$ 20,900,000	\$ 21,200,000	\$ 67,000,000
	Grantors		\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 90,000,000
	NVTD Transfer		\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 60,000,000
	Total	\$ 10,100,000	\$ 64,800,000	\$ 70,900,000	\$ 71,200,000	\$ 217,000,000
	VDOT Est. Impact	\$ (7,200,000)	\$ (10,542,553)	\$ (14,884,043)	\$ (15,184,043)	\$ (47,810,639)
	COVID-19	\$ (600,000)	\$ (21,028,724)	\$ (12,605,585)	\$ (6,000,000)	\$ (40,234,309)
		\$ (7,800,000)	\$ (31,571,277)	\$ (27,489,628)	\$ (21,184,043)	\$ (88,044,948)
	Net Restoration	\$ 2,300,000	\$ 33,228,723	\$ 43,410,372	\$ 50,015,957	\$ 128,955,052

- X. Next Steps:** Revenue projections feed into the PayGo determination in support of the current FY2018 to FY2023 Six Year Program and two-year update (FY2024 and FY2025). The two-year update project decisions are currently planned for Authority action at the July 2020 meeting.

Attachment: Revised FY2018/23 Revenue – Proposed FY2024/25 Revenue

Revised FY2018/23 Revenue - Proposed FY2024/25 Revenue

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY18/23 SYP	FY18/23 SYP	FY18/23 SYP	FY2024	FY2025	FY2024/25	FY2020/25
	Appropriated	Appropriated	Proposed Revision	Revised Projection	Revised Projection	Revised Projection	Revised Projections	Original	Difference	Revised Projection	Revised Projection	Totals	Program Total
Sales Tax - Base	\$ 253,421,493	\$ 258,926,224	\$ 265,846,393	\$ 272,982,830	\$ 287,229,085	\$ 294,409,812	\$ 1,632,815,836	\$ 1,619,773,594	\$ 13,042,242	\$ 301,770,057	\$ 309,314,308	\$ 611,084,365	\$ 1,731,552,484
Sales Tax - Internet (COVID19 Adj)			\$ 13,195,950	\$ 13,550,185	(Absorbed Above)		\$ 26,746,135		\$ 26,746,135				
COVID-19 \$			\$ (88,222,347)	\$ (68,245,706)	\$ (17,635,866)		\$ (174,103,919)		\$ (174,103,919)				\$ (174,103,919)
COVID-19 %			-33.19%	-25.00%	-6.14%								
Net Sales Tax	\$ 253,421,493	\$ 258,926,224	\$ 190,819,996	\$ 218,287,309	\$ 269,593,219	\$ 294,409,812	\$ 1,485,458,052	\$ 1,619,773,594	\$ (134,315,542)	\$ 301,770,057	\$ 309,314,308	\$ 611,084,365	\$ 1,584,194,700
Transient Occupancy	\$ 30,218,980						\$ 30,218,980	\$ 30,218,980	\$ -				
Truck Reg/Diesel (I-81)			\$ 2,900,000	\$ 4,257,447	\$ 6,015,957	\$ 6,015,957	\$ 19,189,361		\$ 19,189,361	\$ 6,015,957	\$ 6,015,957	\$ 12,031,914	\$ 31,221,275
Trk Reg/Diesel Net of COVID19			\$ 2,300,000	\$ 2,128,723	\$ 3,910,372	\$ 6,015,957	\$ 14,355,052		\$ 14,355,052				
COVID-19 \$			\$ (600,000)	\$ (2,128,724)	\$ (2,105,585)		\$ (4,834,309)		\$ (4,834,309)				
COVID-19 %			-20.69%	-50.00%	-35.00%								
Grantors	\$ 44,616,624			\$ 15,000,000	\$ 30,000,000	\$ 30,000,000	\$ 119,616,624	\$ 44,616,624	\$ 75,000,000	\$ 30,000,000	\$ 30,000,000	\$ 60,000,000	\$ 135,000,000
Grantors Net of COVID19				\$ 11,100,000	\$ 19,500,000	\$ 24,000,000	\$ 54,600,000		\$ 54,600,000	\$ 30,000,000	\$ 30,000,000	\$ 60,000,000	\$ 114,600,000
Grantor's COVID-19 \$				\$ (3,900,000)	\$ (10,500,000)	\$ (6,000,000)	\$ (20,400,000)		\$ (20,400,000)				\$ (20,400,000)
Grantor's COVID-19 %				-26.00%	-35.00%	-20.00%							
Commonwealth NVTD Transfer				\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 60,000,000		\$ 60,000,000	\$ 20,000,000	\$ 20,000,000	\$ 40,000,000	\$ 100,000,000
Total	\$ 328,257,097	\$ 258,926,224	\$ 193,119,996	\$ 251,516,032	\$ 313,003,591	\$ 344,425,769	\$ 1,644,632,084	\$ 1,694,609,198	\$ (5,360,490)	\$ 357,786,014	\$ 365,330,265	\$ 723,116,279	\$ 1,825,181,666
70%	\$ 229,779,968	\$ 181,248,357	\$ 135,183,997	\$ 176,061,222	\$ 219,102,513	\$ 241,098,038	\$ 1,182,474,096	\$ 1,186,226,439	\$ (3,752,343)	\$ 250,450,210	\$ 255,731,186	\$ 506,181,395	\$ 1,277,627,166
30%	\$ 98,477,129	\$ 77,677,867	\$ 57,935,999	\$ 75,454,810	\$ 93,901,077	\$ 103,327,731	\$ 1,227,048,128	\$ 508,382,759	\$ 718,665,369	\$ 107,335,804	\$ 109,599,080	\$ 216,934,884	\$ 547,554,501