



# Northern Virginia Transportation Authority

The Authority for Transportation in Northern Virginia

**FINANCE COMMITTEE**  
**Friday, May 8, 2020 – 1:00 PM**  
**3040 Williams Drive, Suite 200**  
**Fairfax, VA 22031**

## SUMMARY MINUTES

### I. Call to Order/Welcomes

Mayor Parrish, Chairman

- Chairman Parrish called the meeting to order at 1:04 PM.
- Attendees:
  - ✓ Authority Members: Chairman Parrish, Mayor Rishell; Chair Randall, Board Member Cristol (1:06 PM) Chairman McKay (1:04-)
  - ✓ Other Authority Members: Chair Wheeler, Mayor Wilson, Delegate Roem, Mr. Kolb
  - ✓ Staff: Monica Backmon (Executive Director); Michael Longhi (CFO); Richard Stavros (Investment & Debt Manager); Peggy Teal (Assistant Finance Officer); Dev Priya Sen (Financial Analyst); Keith Jasper (Principal, Planning and Programming); Sree Nampoothiri (Transportation Planner); Mackenzie Jarvis (Transportation Planner); Erica Hawksworth (Communications & Public Affairs Manager)
  - ✓ Council of Counsels: Ellen Posner (Fairfax County - DOT) Rob Dickerson (Prince William County); Steve MacIsaac (Arlington County)
  - ✓ Other Attendees: jurisdictional staff and the public attended the meeting on Facebook Live via the Authority's FB page.  
<https://www.facebook.com/TheNVTA/>

### **Adoption of Resolution 20-01 to Find Need to Conduct Meeting by Electronic Communication Means during Governor's declared State of Emergency during COVID-19 Pandemic**

NVTA Council of Counsels *Recommended action: Adoption of Resolution 20-01 for Electronic Meetings During COVID-19 Pandemic (prior to the meeting, a Blue Sheet outlining the resolution was inserted in the Meeting packet, following the Agenda page)*

- Council of Counsel's Rob Dickerson noted the need for a resolution as previously there were limited conditions where electronic meetings were permitted, which has changed in response to the COVID-19 pandemic. The Resolution reflects this change, and is in accordance with the law. Mr. Dickerson added the Council's view that all the items on the agenda were appropriate for the May 8, 2020 electronic meeting.

Chair Randall made the motion to adopt Resolution 20-01 to Find the Need to Conduct Meeting by Electronic Communication Means during the Governor's declared State of Emergency during COVID-19 Pandemic; seconded by Mayor Rishell. Motion carried unanimously.

## II. Summary Minutes of the February 20, 2020 Meeting

Mayor Rishell moved approval of the minutes of the meeting: seconded by Board Member Cristol. Motion carried unanimously

### Action Items

#### III. Regional Revenue Fund - Revenue Projection Update Mr. Longhi, CFO

*Recommended Action: Recommend Authority Adoption of Updated Revenue Estimates*

- Chairman Parrish thanked Mr. Longhi in advance for the “yeoman’s job” he was about to do in presenting substantive and detailed presentations on various recommendations that that the Committee needed to take action on before the May Authority meeting.
- Chairman Parrish thanked the members for being able to move the Finance Committee ahead of the Authority meeting for that purpose.
- Highlighting Table 1, Mr. Longhi presented initial projections for FY2024/25 and revised FY2020/23 projections critical to maintaining PayGo funding of approximately \$1.3 billion for the FY2018 to FY2023 Six Year Program.
- Mr. Longhi addressed the revised revenue estimates for FY2020/23 that take into account the impact of the COVID-19 pandemic (as well as the subsequent recession), and the inclusion of new revenues from the 2019 and 2020 General Assembly sessions.
- Mr. Longhi also noted the addition of two fiscal years (FY2024/25) would also relate to the next action item the Finance Committee would consider which determines the PayGo amount.
- Taking the Committee through various tables breaking down the topline estimates presented in Table 1, Mr. Longhi reviewed NVTAs four tax revenues (Sales Tax, I-81 Corridor Funds, Grantor’s, NVTD Transfer), as well as a table summarizing the impact of COVID-19 on FY2020 through FY2023, which also provided analysis on the status of NVTAs funding restoration.
  - Sales Tax, Table 2: Mr. Longhi directed Committee member’s attention to Table 2, Mr. Longhi reviewed the various models and data sources staff used to determine the impact of COVID-19 on sales tax and other revenues, noting;
    - 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.
    - 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.
    - Regional Domestic Product (RDP) was used to normalize the GDP data to Northern Virginia. Data from George Mason University – Fuller Institute bringing a regional focus.
    - GDP and RDP data were combined with actual sales tax data by each jurisdiction from FY1994 through FY2019.

- COVID-19 case and fatality predictions were tracked from several sources since the downturn was triggered by the pandemic.
    - Multi factor shock analyses were conducted to look at best worse case scenarios.
  - Mr. Longhi noted that staff did take into account Internet sales tax, noting FY2020 was the first-year sales tax on Internet sales was coming to the Authority. For the projections, staff wrapped the Internet sales tax into the overall sales tax number.
  - Mayor Rishell asked Mr. Longhi to confirm that the Internet sales tax is wrapped into the full total of sales tax estimates, summarized in Table 1.
  - Mr. Longhi confirmed, also noting the Internet sales tax is not broken out as a data point that NVTa receives from the Commonwealth. Though he noted, staff had provided a breakout on Internet sales estimates in Table 2 for FY20 and FY21.
- I-81 Corridor Funds, Table 3: Mr. Longhi then turned to Table 3 and addressed projected I-81 revenue impacts from COVID-19 as well as the previously reported issue that revenue received has not been in accordance with projections originally produced by the Commonwealth.
  - For I-81 Corridor Revenues, similar COVID-19 analytics were used as with the Sales Tax, in addition to freight truck spot market information from Bloomberg and the Wall Street Journal reflecting the freight truck spot market experiencing a 70% reduction within a few weeks.
  - Referring to Table 3, initial projections for I-81 Corridor Revenues was \$10 million, reaching \$20 million by FY2022 with projected growth afterwards. However, this was significantly revised by VDOT with FY2022 estimates going down by 64% and FY2023-FY2024 estimates going down by 44%-45%.
  - Mr. Longhi noted that the presented estimates were not based on VDOT's numbers but rather on actual remittances coming in based on a phased in approach inclusive of the phased in percentage growth anticipated by the Commonwealth, NVTa continues to recommend. Table 3 further shows a COVID-19 impact of \$4.8 million for FY2020/23.
  - Mr. Longhi noted that he did not expect a COVID-19 impact in FY2023 as freight traffic increases projected that year would be a sure sign that the economy is emerging from recession.
- Grantor's Tax, Table 4: Highlighting Table 4, Mr. Longhi noted the Authority has had experience with the Grantor's tax and should be viewed as a reinstatement, as well as a new revenue. Grantor's tax was originally supposed to start (restart) at \$30 million in FY21, a projection both supported by the amended 2020 Omnibus Transportation Bill and NVTa internal forecasts.
  - Mr. Longhi outlined various COVID-19 impacts;

- ✓ Governor's one-time reduction in the tax rate for FY2021 effectively reducing revenue by half or \$15 million.
- ✓ 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.
- ✓ Recession impacts include stifled growth of the revenue line through the estimation period based on commercial real estate (office space utilization) concerns. NVTVA continues to project an economic impact from COVID-19 in 2022 and 2023 as a result. For 2024 and 2025, NVTVA held the estimate steady at \$30 million.
- NVTD Transfer: The Northern Virginia Transportation District, named by the Commonwealth, is a transfer of \$20 million from the Commonwealth to the Authority, noted Mr. Longhi, and as such, a table was not necessary. The straight transfer was approved in the Omnibus Transportation Bill (2020 General Assembly Session). Mr. Longhi noted that the revenue has no growth prospects and should not experience any economic impacts, assuming there are no legislative or budget amendments. The transfers will start at the beginning of the fiscal quarter.
- COVID-19 and Funding Restoration Summary, Table 5: Mr. Longhi noted that the Table 5 addresses funding restoration, which is why Sales Tax was not included. Mr. Longhi continued with his update;
  - Table 5 shows the impact of COVID-19 on FY2020 through FY2023, the remaining years in the current Six Year Program. The COVID-19 impact is estimated at \$40.2 million.
  - The table also shows, Mr. Longhi noted, the impact of VDOT estimate changes compared to what was shared during the 2020 General Assembly Session. 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 NVTVA's actual receipts is included due to induced uncertainty.
  - Mr. Longhi noted that VDOT impact on estimate changes far surpassed the revenue declines caused by COVID-19 by more than \$7 million.
  - FY21 combined losses are substantially higher than FY20, FY22, and FY23 because of the Governor's phase in of Grantor's Tax, which was a COVID-19 related item, Mr. Longhi added.
- Mayor Rishell asked, when considering past revenue, when would NVTVA be fully recovered from the COVID-19 recession.
- Mr. Longhi answered the estimate for recovery is between 2024 and 2025.
- Chair Randall inquired as to how long the virus will impact NVTVA's revenue stream.
- Mr. Longhi answered that the economic impact of COVID-19 would mostly affect 2021, 2022 revenues, and to some extent in 2023. But the COVID-19 impact is mostly gone by 2024 and 2025, Mr. Longhi added. The impact on 2024 and 2025

is the suppression of Grantor's tax based on the expected impact on the commercial real estate market.

Chair Randall moved that the Finance Committee recommend the Northern Virginia Transportation Authority adopt the FY2020/25 revenue projections presented in Table 1. Motion was seconded by Mayor Rishell. Motion passed unanimously.

#### **IV. FY2024/25 PayGo Determination**

Mr. Longhi, CFO

*Recommended Action: Recommend Authority Adoption of FY2024/25 PayGo Determination*

- Mr. Longhi noted that the PayGo determination is the net revenue, the previous motion was the gross revenue. NVRTA went through a series of calculations to take the gross revenues and turn them into PayGo, which is the amount that is available for project funding. As indicated in Table 1, total available PayGo for projects is \$522,151,962 million.
- A big concern in developing the PayGo, Mr. Longhi noted, was whether the Authority would be able to preserve the funding for the current Six Year Program, given the COVID-19 pandemic's expected economic impact. 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.
- Mr. Longhi noted he was pleased to announce that the current Six Year Program would be preserved as a result of funding restoration by the General Assembly, and due to NVRTA finance practices that were put in place (such as maintaining emergency reserves).
- In explaining NVRTA's various strategic responses to the COVID-19 pandemic, Mr. Longhi explained the Finance Committee's agreement to employ a revenue taper, whereas the Finance Committee underutilized revenue in the last 3 years of the current Six Year Program to be used in the event of an emergency revenue shortfall. As such, this emergency reserve could now be used to help preserve the original Six Year Plan.
  - Mr. Longhi reviewed the calculation steps involved in the PayGo estimation analysis, noting some of the steps were based on current known data points, some are based on estimates extended over a six-year horizon.
    - Known data points are:
      - ✓ Audited Fund Balances
      - ✓ Proposed Taper Release
      - ✓ Debt Service
      - ✓ Proposed Taper Reinstatement
    - Estimates include:
      - ✓ Portfolio interest earnings (adjusted for COVID-19 and financial market turmoil)
      - ✓ Future TransAction Update costs
      - ✓ Technical support costs (Long Term Benefits, CRRC, SYP Updates)
      - ✓ Regional modeling and data initiatives
      - ✓ Operating budget transfer



- Chairman Parrish noted that he had discussed the plan with Mr. Longhi and supported the plan, noting his belief that it was a reasonable approach, it does not go too far, and it is helpful for Northern Virginia and Northern Virginians.
- Mayor Rishell asked for confirmation, if the credit ratings are not being impacted NVTA could go to short-term financing, but that would not be the same as going to the market in to sell long term bonds.
- Mr. Longhi affirmed and added that short-term debt was listed as an emergency back-up plan in the event the revenue estimates were to be found to be too aggressive, though he reiterated this was not his belief.
- But if revenues did not come in as projected, Mr. Longhi expanded, and the Authority were to commit another \$522 million of projects, NVTA could use short-term financing to cover some of that gap.
- Chairman Parrish asked and Mr. Longhi affirmed, the short-term financing would only be used as necessary, and that the NVTA is not planning its use.

Mayor Rishell moved to seek Northern Virginia Transportation Authority (NVTA) Finance Committee recommendation for Authority adoption of proposed FY2020 to FY2023 PayGo revisions and new PayGo amounts for FY2024/25. Motion was seconded by Board Member Cristol. Motion carried unanimously.

**V. FY2021 Regional Revenue Fund Appropriations**

Mr. Longhi, CFO

*Recommended Action: Recommend Authority Adoption of FY2021 Project Appropriations*

- Mr. Longhi presented the FY2021 Regional Revenue Fund appropriations, noting these projects were approved in the current FY2018/23 Six Year Program.
- Mr. Longhi further noted the complete program appropriation schedule attached to the staff report which shows how projects have changed their appropriation requests over the years.
- He further noted that when originally adopted, FY2023 only had \$1.9 million scheduled for appropriation. Currently project progression is such that sponsors have moved \$132 million in projects further down the appropriation calendar.

Chair Randall moved that the Finance Committee recommend the Northern Virginia Transportation Authority appropriate \$180.2 million of FY2021 Regional Revenue Funds to the six projects in the FY2018-FY2023 Six Year Program as detailed in Table 1; seconded by Chairman Parrish. Motion carried unanimously.

**VI. TransAction Contract Amendment 6: COVID-19 2020 Travel Behavior**

Mr. Longhi, CFO

*Recommended Action: Recommend Authority Approval of Contract Amendment 6*

- Mr. Longhi noted that the current item is an amendment to the existing TransAction contract whereas the planning staff see the current COVID-19 pandemic creating a need and opportunity to measure changing travel trends to evaluate what travel modes are chosen as people return to work. Also, planning staff want to analyze how teleworking becomes a more permanent and wider spread trend as a result.

- The original contract envisioned the need for unpredictable activities, and proposed not to exceed cost amount of \$50,000 is still within the contingency reserve on the original contract.
- Ms. Backmon added that NVTa has been in communication with some chambers and representatives of the business community with regard to how the transition back to work will occur when COVID-19 infections begin to subside. The study will also help populate the data sets in the update to TransAction which started in January, and will give planners a view on what the new-normal will look like.
- Ms. Backmon also noted that the study would also allow planners the ability to utilize the data to evaluate and get a better understanding whether travel behavior has been permanently or temporarily changed because of the COVID-19 pandemic.
- Ms. Backmon added some business leaders have communicated that they have found that their employees can be very productive working from home, and they may or may not reduce the brick-and-mortar space that is being utilized. In addition, she noted various Virginia transportation agencies have also expressed an interest in discovering how commuting will look as we go forward, but no one really has the data set.
- Ms. Backmon noted that she intends for the data to be part of the NVTa's TransAction long range transportation plan, even though the plan is 20 to 25 years, which will be used to populate the Six Year Plan that is updated on a bi-annual basis.
- The data will allow planners to develop scenarios that will insure that the investments that the Authority makes will reach their material and useful life.
- Chair Randall noted that the virus is unprecedented and asked if there is any modelling anywhere that can speak to what could happen in the future as far as transit.
- Ms. Backmon answered that various parties are in the process of having conversations, reaching out to the business community and transit providers over what kind of details and inputs should be incorporated in the model; but at present there are is no data given the novelty of the transportation impacts of COVID-19.

Chair Randall moved Finance Committee recommendation of Authority approval of the attached TransAction Contract Amendment 6: COVID-19 2020 Travel Behavior in an amount not to exceed \$50,000; seconded by Mayor Rishell. Motion carried with one abstention.

### **Information/Discussion Items**

#### **VII. NVTa Finance Activities During Pandemic**

Mr. Longhi, CFO

- Mr. Longhi noted the activities of the Finance Team during the pandemic. Highlighting the table in the staff report, in the last 45 days the Finance Team had processed \$385.6 million in transactions, such as receiving revenue, project disbursements and continuing the 30% local distributions as scheduled.
- Further, the auditors were able to start the in-house phase of the audit (which they did remotely) Mr. Longhi noted, the preparation of Peggy Teal and Dev Priya Sen were instrumental in maintaining progress.



- In addition, the finance staff was able to move more transactions electronically; jurisdictions were able to submit project reimbursements with all the back-up being submitted electronically with many other of the NVTA's transactions being moved to digitally based.
- Mayor Rishell congratulated the Finance Team on its wonderful work.

### **VIII. Investment Portfolio Report**

Mr. Longhi, CFO

- Mr. Longhi noted the table at the bottom of page 3, which was prepared by Richard Stavros. As the pandemic unfolded, Mr. Longhi noted a considerable amount of work was done to make sure that the portfolio's corporate bonds maintained a low probability of default. The table showed the likelihood of default of NVTA's corporate notes was much less than 1% which was consistent with pre-pandemic estimates.
- Mr. Longhi then directed members to view the chart on page 5, noting the top white line showing the NVTA portfolio is still exceeding its benchmarks. But like any fixed income portfolio that does not involve speculation, Mr. Longhi noted, the NVTA portfolio is also trending toward the market.
- Mr. Longhi added that with the high level of liquidity that NVTA has through its relationships with community banks, it is his hope that as the market turns up, NVTA will be able to capture the upside faster than benchmark portfolios.
- Mayor Rishell asked for more detail on capturing the upside.
- Mr. Longhi responded that since NVTA has large bank balances paying above market interest rates that are negotiated rates with mostly regional banks, once the market or Treasury rates start coming back up, NVTA can quickly start purchasing Treasuries, corporate notes at higher rates.
- The alternative, Mr. Longhi noted, is putting money into very low yielding rates now and having to wait for those bonds to mature. In order to receive 20 basis points (or 1/20<sup>th</sup> of a percent) NVTA would have to lock up the fund for 1-2 years.
- Chairman Parrish congratulated Mr. Stavros on his work, as NVTA's portfolio is still doing better than the general market itself.

### **IX. Monthly Revenue Report**

Mr. Longhi, CFO

- Mr. Longhi noted that NVTA continues to receive receipts that are pre-pandemic (sales tax is reported on a 2-month delay), actual April 2020 sales tax revenue (eight months of sales tax receipts annualized) compared to FY2020 budgeted revenue shows a 6.9% positive variance prior to the COVID pandemic. The budgeted revenue has approximately a 2.5% growth factor from the prior year.

### **X. Monthly Operating Budget Report**

Mr. Longhi, CFO

- Mr. Longhi noted that the operating budget is in good shape, but that there have been additional pandemic-related budget expenses (which are being tracked separately), most notably having to purchase WebEx electronic platforms to host

digital meetings such as these. The additional expenses at this time do not exceed \$10,000.

Mayor Rishell and Chair Randall, thanked everyone that has kept the organization going. Mayor Rishell was impressed with the report of how much was done, and called the NVTa staff the best in Northern Virginia.

Chairman Parrish, in concluding remarks, also thanked Monica Backmon, Michael Longhi (who took on the greatest portion of the meeting) and all NVTa staff members, singling out Richard Stavros for his work on the investment portfolio, and Dev Priya Sen for her work in hosting a successful electronic meeting.

**Adjournment: 2:02 PM**

**XI. Adjournment**

**Next Scheduled Meeting June 18, 2020 1:00PM (Room B)**

3040 Williams Drive, Suite 200, Fairfax, Virginia