

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

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

**FROM:** Dev Sen, Financial Analyst

**DATE:** March 4, 2021

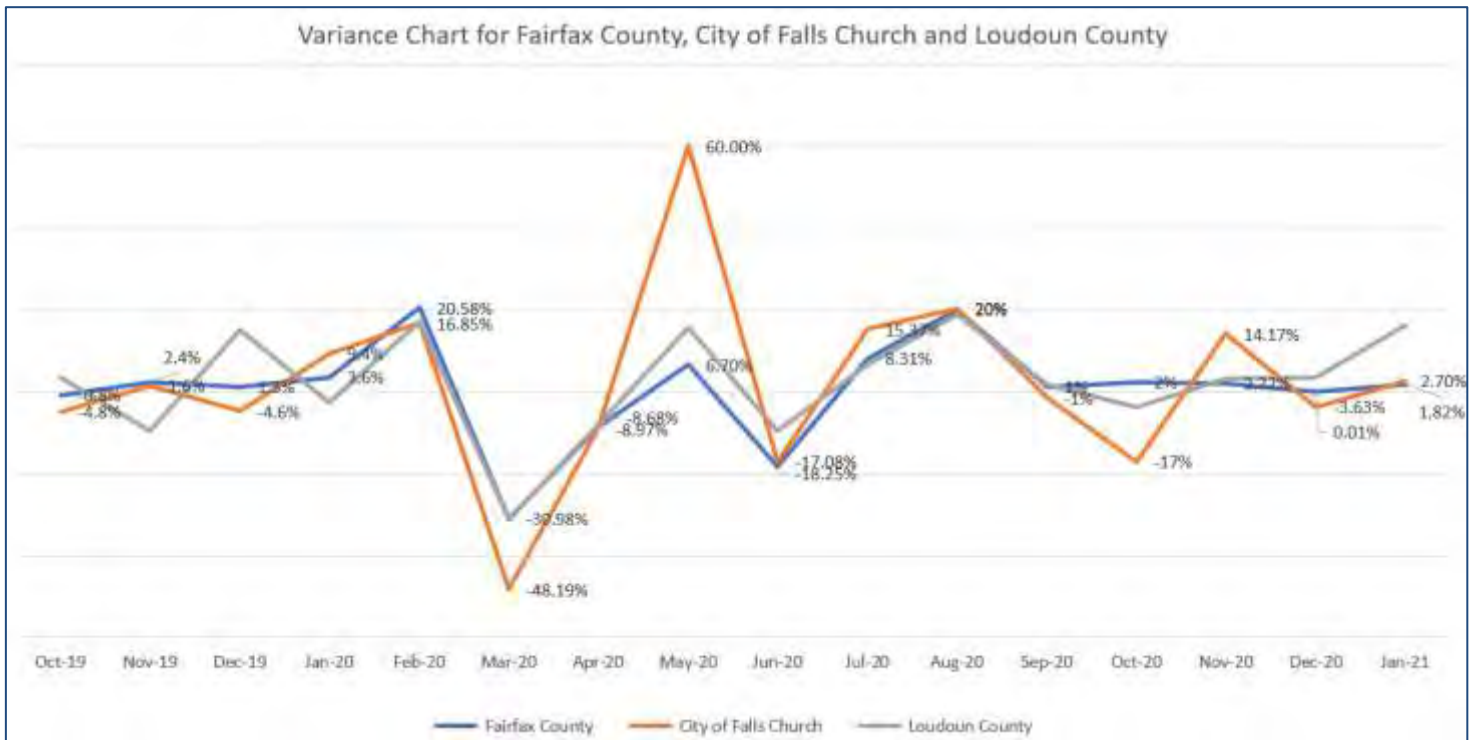
**SUBJECT:** Revisions to Policy 19 - Local Distribution (30% Funds)

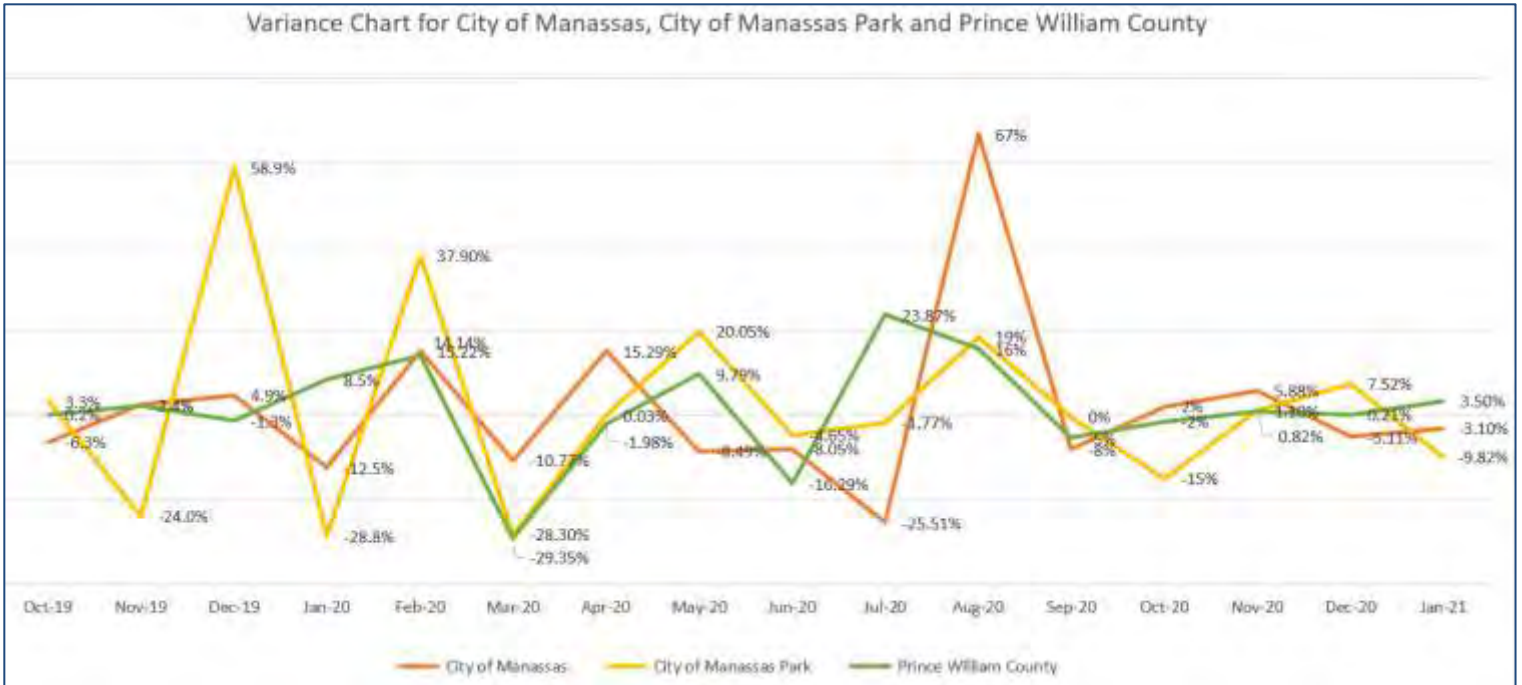
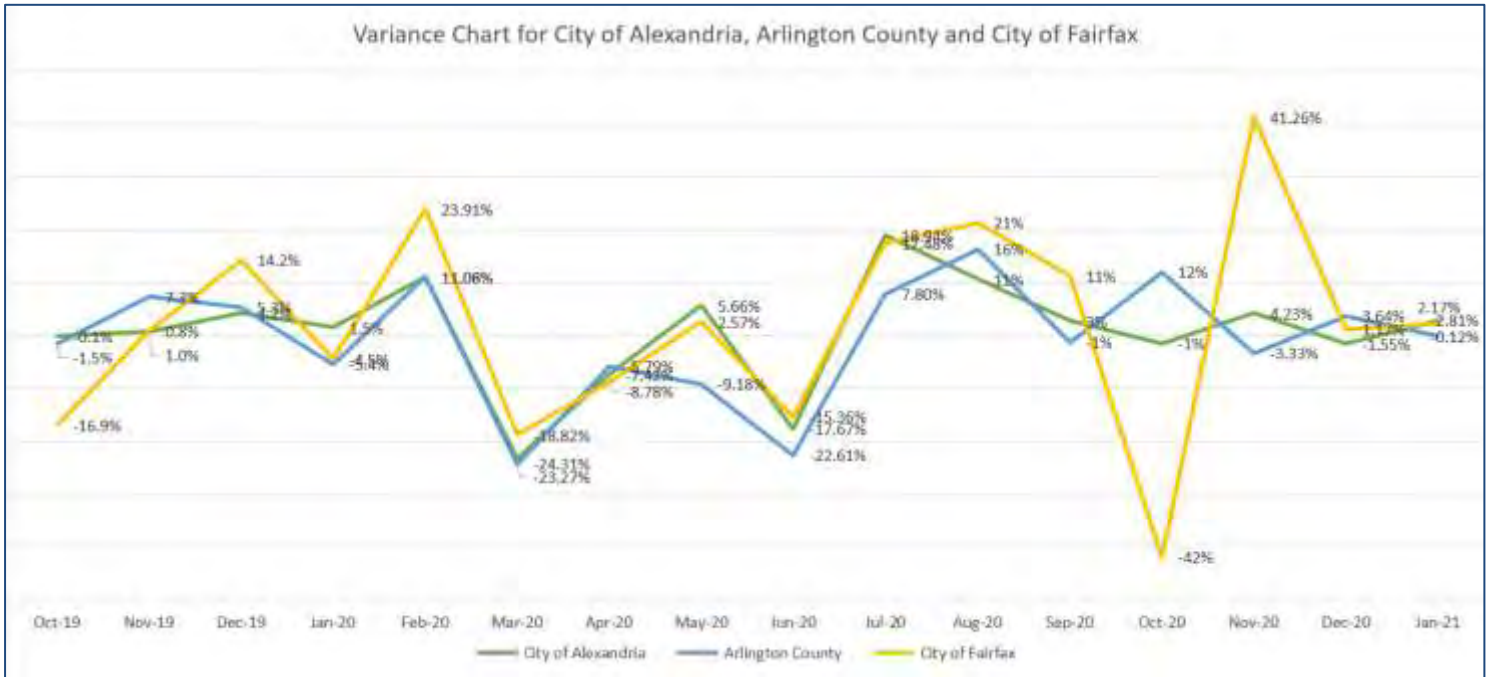
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1. **Purpose:** To seek Northern Virginia Transportation Authority (NVRTA) approval of changes to Policy 19 – Local Distribution (30% Funds) to implement Virginia Code changes as recommended by the Finance Committee.
2. **Suggested Motion:** *I move the Authority approve the attached changes to Policy 19 – Local Distribution (30% Funds).*
3. **Background:**
  - a. Policy 19 – Local Distribution (30% Funds) was last revised in December 2020, to reflect the following revenues received by the Authority:
    - Commonwealth Transportation Fund Transfer (HB1414, 2020)
    - Regional Congestion Relief Fee (HB1414, 2020)
  - b. The reason for the revision to Policy 19 – Local Distribution (30% Funds) in December 2020, was due to the fact that the Commonwealth Transportation Fund Transfer and Regional Congestion Relief Fee (Grantor’s Tax) revenue was to be distributed:
    - i. Based on locality data of where the transaction occurred for Grantor’s Tax.
    - ii. Based on the percentage ratio of each jurisdiction’s Sales Tax to the combined total amount of Sales Tax received for that month for the Commonwealth Transportation Fund Transfer, since there is no locality data with that revenue stream.
  - c. Recent discussions with the Virginia Department of Transportation Chief Financial Officer indicate the Interstate Operations and Enhancement Program (SB1716, 2019) implementation was changed by the 2020 Omnibus Transportation Bill.
    - i. The estimated revenue was reduced from \$20 million to \$13.3 million.
    - ii. Transfer of the revenue was also changed from monthly, to ideally annually in the first month of the fiscal year. However, the timing of distributions in

future years is dependent on the Interstate Operations and Enhancement Program Fund cash flow.

- d. NVTA updated and utilized prior models of the impact of the timing of fund transfers related to parity among jurisdictions for the 30% distributions. The Regional Jurisdiction and Agency Coordinating Committee was briefed on the prior analyses and has consistently supported methods that provided parity.
- e. The moving the Interstate Operations and Enhancement Program away from monthly transfers will result in significant loss of parity between jurisdictions based on variances in Sales Tax receipts on a month-to-month basis, based on the current policy wording.
- f. Embedded below are three charts. Each chart depicts the variance in three jurisdiction's Sales Tax from October 2019 until January 2021. The charts are grouped by three jurisdictions to improve readability.
- g. Analysis of the variances determined that the Interstate Operations and Enhancement Program revenue and Commonwealth Transportation Fund Transfer revenue should not be distributed on the basis of a current month percentage ratio of Sales Tax. The proposed draft moves the distribution to being based on the ratio of the prior 12 fiscal months of Sales Tax receipts.
- h. The proposed policy change is intended to address any future revenues which do not have jurisdiction data in an attempt to reduce future policy changes.





**Attachment:** Draft Policy 19 – Local Distribution (30% Funds)

# Attachment.

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

### Policy Number 19 – Local Distribution (30% Funds)

- I. Purpose.** In accordance with and subject to the requirements of the - *Virginia Code* thirty percent (30%) of the revenues received by the Northern Virginia Transportation Authority (NVTa) shall be distributed on a pro rata basis. Each jurisdiction shall execute the Memorandum of Agreement (MOA) Regarding Distribution of 30% Funds. Annually, each jurisdiction will complete an Annual Jurisdiction Certification, certifying the use of previously disbursed 30% funds and eligibility to receive the upcoming fiscal years funds.
- II. General.**
- A.** The Authority will segregate funds received from the Commonwealth of Virginia between 30% Local Distribution Funds (“30% Funds”) and 70% Regional Revenue Funds as soon as practicable, as specified in the Virginia Code. The Authority receives the following revenues:
    - a. Sales and Use Tax (HB2313, 2013)
    - b. Interstate Operations and Enhancement Program (SB1716, 2019)
    - c. Commonwealth Transportation Fund Transfer (HB1414, 2020)
    - d. Regional Congestion Relief Fee (HB1414, 2020)
  - B.** The Sales and Use Tax and Regional Congestion Relief Fee will be segregated and distributed to jurisdictions based on the jurisdiction the transaction occurred in each jurisdiction as reported by the Commonwealth. Future revenues with jurisdictional information will be distributed on this basis.
  - C.** The Interstate Operations and Enhancement Program and Commonwealth Transportation Fund Transfer revenues will be segregated and distributed to jurisdictions based on the percentage ratio of each jurisdiction’s Sales Tax to the combined total amount of Sales Tax received for ~~that month~~ the prior 12 fiscal months. Future revenues without jurisdictional information will be distributed on this basis.
  - D.** The Authority will distribute 30% Funds to jurisdictions as soon as practicable contingent on an active Memorandum of Agreement and requirements set out in the Virginia Code.
  - E.** Each jurisdiction shall deposit its 30% Fund revenues received from the NVTa into a separate, special fund (the “NVTa Special Fund”).
  - F.** 30% Funds are to be expended for additional urban or secondary road construction, or other capital improvements that reduce congestion, for other transportation capital improvements which have been approved by the most recent long range transportation plan adopted by the NVTa, or for public transportation purposes, including transit operating expenses.

- G.** Each jurisdiction is required to complete the NVTA annual certification by August 1 each year in the format required by the NVTA confirming the 30% Funds it received were used in compliance with the Virginia Code. If the certification is not received by August 1, transfers of the current fiscal year 30% Funds will cease until the certification is submitted in good form.
- H.** Administrative expenses of the NVTA, as set forth in the NVTA’s annual budget (not otherwise funded through other sources), shall be allocated among the member jurisdictions based on population (as specified in HB2313), alternatively the Authority may determine through the annual budget process that such expenses will be charged to the 70% Regional Revenue Fund in accordance with SB1468 (2019).
- I.** The member jurisdictions are required to adopt the commercial and industrial (C&I) property tax for transportation at a rate of \$0.125 per \$100 valuation and deposit the revenues into its NVTA Special Fund or deposit an equivalent amount into its NVTA Special Fund for transportation improvements by March 1 of each year for the current fiscal year. The amount required to be deposited will be referred to below as the “C&I Equivalency Transfer”
- J.** If a jurisdiction fails to deposit the full amount of the C&I tax or equivalent transfer into its NVTA Special Fund, the NVTA shall reduce its disbursement of 30% funding by the difference between the amounts deposited compared to the amount required to be deposited.
1. If the full amount of the C&I Equivalency Transfer is not deposited by August 1st, and the annual certification not completed in a compliant form by August 1st, then the NVTA will halt 30% Funds distributions for that fiscal year.
  2. 30% Funds held by the NVTA due to an incomplete or missing C&I equivalency transfer or a noncompliant annual certification shall be held in escrow by the NVTA until March 1st of that fiscal year.
  3. On March 1st of that fiscal year any 30% Funds matched by an equivalency transfer will be remitted to the jurisdiction, conditioned upon the annual certification being complete and accepted by the NVTA.
  4. Any 30% Funds held after March 1 due to a missing or incomplete C&I Equivalency Transfer or noncompliant annual certification will be irrevocably transferred for that fiscal year to the 70% Regional Revenue Fund for use as determined by the Authority.
- K.** Each jurisdiction is required to maintain its Maintenance of Effort based on the average transportation expenditures for FY2011, 2012 and 2013, or lose its share of the 30% Funds for the fiscal year succeeding the year in which it did not maintain its transportation expenditures as set forth in Enactment Clause 14 of Chapter 766.

- L. The NVTA has a continuing responsibility to ensure that the 30% Funds are properly spent.
- M. The NVTA and the member counties are required to work cooperatively to ensure that the towns with populations greater than 3,500 receive their respective shares of the 30% Funds.
- N. Information regarding the receipt of all revenues, all 30% transfers to jurisdictions and the payment of the Authority administrative expenses will be open and transparent to all member jurisdictions and reported to the Finance Committee and the Authority at their regular meetings.

### **III. Responsibilities.**

#### **A. Chief Financial Officer (CFO) Reporting to Executive Director.**

1. The CFO will be responsible for accepting the funds from the Commonwealth, investing and safekeeping the funds, distributing the funds to the member jurisdictions, and providing periodic reports on deposits and disbursements to member jurisdictions, the Finance Committee and the Authority.
2. The initial disbursement to the jurisdictions will be made no later than one (1) month following the execution of the MOA by the jurisdictions. Subsequent distributions shall occur monthly or as soon as practicable.
3. The CFO will monitor member jurisdictions compliance with their respective MOA's and advise the Executive Director of any non-compliance.

#### **B. Member Jurisdictions.**

1. Must comply with the terms of the MOA and the Virginia Code in regard to the use of 30% Funds.
2. Each jurisdiction is responsible for paying its share of the Authority's administrative expenses by July 15 of each year for those fiscal years that the Authority has determined to charge member jurisdictions rather than the 70% Regional Revenue Fund, for administrative expenses reflected in the NVTA's Annual Operating Budget.
3. If the Authority determines to charge administrative expenses to member jurisdictions, each member jurisdiction can choose to provide its share of the administrative expenses by asking the Authority to reduce the amount it will receive from its 30% Funds or by paying the invoice from other sources by July 15.
4. By August 1 of each year, the Chief Administrative Officer (CAO) of each member jurisdiction will certify that the jurisdiction has adopted the C&I tax at \$0.125 per

\$100 valuation or set aside an equivalent amount of local revenues for transportation purposes in their special fund. The CAO will certify that the jurisdiction met the maintenance of effort requirement for the previous fiscal year.

5. Counties must ensure that towns with a population of 3,500 or more comply with the requirements of HB 2313. Counties are required to enter into a formal MOA with their towns (over 3,500 population).
6. All city, county and town records must be maintained for five years from the date the record was created. All parties must comply with the Public Records Act, and all applicable state and federal laws regarding records retention.

**Approved by the Finance Committee: December 5, 2014**

**Approved by Northern Virginia Transportation Authority: December 11, 2014**

**Revision 1:**

**Approved by the Finance Committee: October 17, 2019**

**Approved by the Northern Virginia Transportation Authority: November 14, 2019**

**Revision 2:**

**Approved by the Finance Committee: November 19, 2020**

**Approved by the Northern Virginia Transportation Authority: December 17, 2020**