

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

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

FROM: Mayor Rishell, Finance Committee Chair

DATE: April 14, 2022

SUBJECT: Proposed FY2023 Regional Revenue Fund Budget

- 1. Purpose:** To seek the Northern Virginia Transportation Authority (NVTA) adoption of the Proposed FY2023 Regional Revenue Fund Budget as recommended by the Finance Committee.
- 2. Suggested Motion:** *I move Authority adoption of the Proposed FY2023 Regional Revenue Fund Budget, as presented in Attachment A, and FY2023 Project Appropriations as presented in Attachment B.*
- 3. Background:**
 - a. Regional Revenues (70% funds) are largely programmed through the Authority's approval of specific projects in the Six Year Program (SYP) and subsequent updates, after all debt service and reserve funding obligations are met for a fiscal period.
 - b. Any unused funds or excess revenue from one fiscal year are accumulated as Restricted Fund Balance and will be available for the FY2026/27 update to the SYP.
 - c. Funding recommendations for the FY2026/27 update to the SYP will be presented to the Committee in the format of updated revenue projections, leading to a PayGo funding level for FY2026/27.
 - d. Two forward appropriation requests for projects in the FY2024/25 two-year update to the SYP were received. Both requests are in the NVTA staff recommended budget. The requests are:
 - i. Arlington County, \$650,000 for W&OD Trail Enhancements
 - ii. Prince William County, \$24 million for Summit School Rd. Extension and Telegraph Rd. Widening
 - e. Authority adoption/programming of the FY2026/27 update to the SYP is currently estimated for summer of calendar 2022.
 - f. Finance Committee guidance is to conservatively estimate revenues.

- g. The details of the Proposed FY2023 Regional Revenue Fund Budget are presented in Attachment A.

(ED. Note - The following report sections tie to the Notes Column on Attachment A.)

4. Revenues:

- a. **Sales Tax Revenues:** As of January 2022, which represents sales and use taxes collected through November 2021, actual sales tax revenue has exceeded the Authority FY2022 projections by 16%. The Commonwealth of Virginia is experiencing a similar trend. On a year-to-date basis, sales tax collections have risen 15.7 percent compared to last fiscal year. FY2023 revenue estimates reflect this trend.
- b. **Interstate Operations & Enhancement Program (IOEP) Transfer:** Previously referred to as I-81 revenues, this revenue source was changed as a result of the (HB1414/SB890, 2020) Omnibus Transportation Bill. The General Assembly moved this revenue from a monthly basis, based on revenues such as heavy truck registrations, highway use and diesel fuel taxes; to an annual allocation based on funds available for the Highway Construction Program under the Interstate Operations and Enhancement Program. The revenue projection for FY2023 is based on estimates developed by VDOT.
- c. **Regional Congestion Relief Fee (Grantor's Tax):** The 2020 Omnibus Transportation Bill as amended, reinstated the Authority's Grantor's Tax receipts at a reduced rate of \$0.10/100. FY2022 actual year-to-date revenues as of January 2022, have exceed the annual fiscal year projection. FY2023 revenue estimates reflect the trend of rising residential assessed values and significant volume of sales transactions.
- d. **Commonwealth of Virginia Northern Virginia District Transfer:** This revenue line is a fixed \$20 million transfer from the Commonwealth's Northern Virginia Transportation District Fund to the NVTA. It is a fixed amount and therefore is negatively impacted by inflation.
- e. **CoVA interest** is earned on funds while they are processed by the Commonwealth and before arriving at the Authority.
- f. **Future Financing/Forward Appropriations (if required):**
 - i. This budget classification reflects the FY2023 Revenue Fund Appropriations for the inaugural SYP (Attachment B). 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 referred to as Forward Appropriations.
 - ii. This strategy is saving the Authority approximately \$200 million compared to a traditional 20-year debt funding approach.
 - iii. The classification recognizes that if the majority of FY2019/23 SYP and potential FY2024/25 forward appropriated projects were to exceed their original cash flow projections, outside liquidity would need to be obtained. This is a worst-case

scenario which does not include the potential use of the \$120 million Working Capital Reserve.

- g. Investment Portfolio Earnings** reflects the NVTAs portfolio interest earnings. This revenue is entirely generated by NVTAs management of \$1.3 billion in appropriated but unexpended funds assigned to projects. The FY2023 estimate includes:
 - i. Positive monthly cash flows
 - ii. Increased revenue
 - iii. Impact of anticipated Federal Reserve action on interest rates
 - iv. Positive inflationary pressures on the fixed income markets

5. Expenditures: Prior to determining the funds available for projects, the annual debt service payment and reserve amounts must be budgeted. No additions to the reserves are required from the proposed FY2022 budget.

- a. Debt Service Principal and Interest:** Total debt service for FY2023 is \$5,550,000.
- b. Modeling License & Support:** With in-house modeling and CUBE software coming onboard during FY2022, maintenance and technical support costs have been added to the FY2023 budget.
- c. Six Year Program PayGo Project Funding:** This represents the appropriation of project funding for the Six Year Program, and staff recommended forward appropriations from the FY2024/25 Program to FY2023. The appropriation details are presented in Attachment B.

6. Transfers and Carryforward

- a. Transfer Out to the Operating Fund:** Utilizing the authorization provided in SB1468 (2019), member jurisdictions are relieved from the obligation of funding the NVTAs Operating Budget from their own revenues (typically their 30% Local Distribution Funds). Projected portfolio income exceeds the Operating Budget Transfer by almost six-fold or 578.5%.
- b. Restricted Fund Balance - Carryforward to FY2024:** This amount reflects net positive or negative variances in the Authority's revenue projections, interest earnings and released balances from completed or cancelled projects. Negative variances result from forward appropriating funding in previous fiscal years to the FY2018 to F2025 SYP. It is based on FY2021 audited actual balances.
- c. Total Available for Project Assignments/FY2024 Forward Appropriation:** This amount reflects net positive or negative variance in the Regional Revenue Fund. When this amount is positive, it serves as an accumulator for funds to be available for projects as part of the FY2026/27 two-year update to the Six Year Program. When this amount is negative, it reflects the timing of recently adopted funding program updates net of immediately available (not future revenue). Future updates will adjust revenue projections as part of the future PayGo recommendation. The next PayGo

recommendations will be made in Spring 2022 as part of preparations for the FY2026/27 update to the SYP.

7. Cumulative Regional Revenue Reserve Balances:

- a. Working Capital Reserve (WCR):** The 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.
- b. Debt Service Reserve:** This 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.

Attachments:

- A. Proposed FY2023 Regional Revenue Fund Budget
- B. Proposed FY2018 to FY2025 Six Year Program Appropriation Schedule

Northern Virginia Transportation Authority Proposed FY2023 Regional Revenue Fund Budget			
	Adopted FY2022 Budget	Proposed FY2023 Budget	Notes
Revenue 70% Regional Funds			
Sales Tax	\$ 197,039,152	\$ 224,885,920	4a
Interstate Operations & Enhancement Program (IOEP) Transfer	9,310,000	9,388,400	4b
Grantor's Tax	17,850,000	30,360,120	4c
Commonwealth NVTD Transfer	14,000,000	14,000,000	4d
CoVa Interest	101,430	87,500	4e
Bond Proceeds	-	-	
Future Financing/Future Appropriation Finance (if required)	(59,270,665)	(14,978,715)	4f
Investment Portfolio Earnings	5,200,000	20,000,000	4g
Total Revenue	\$ 184,229,918	\$ 283,743,225	
Expenditures			
Debt Service - Principal	\$ 2,950,000	\$ 3,100,000	5a
Debt Service - Interest	2,597,500	2,450,000	5a
Professional Services - Bond Issuance Costs	-		
Modeling License & Support	29,150	88,700	5b
TransAction Update (SYP/CRRC/LTB Tech Support)	400,000		
Six Year Program PayGo Project Funding	33,300,000	201,064,670	5c
Total Expenditures / Six Year Program Commitments	\$ 39,276,650	\$ 206,703,370	
Net Revenue	\$ 144,953,268	\$ 77,039,855	
Transfers & Carryforward			
Transfer Out to Operating Fund	\$ (2,744,809)	\$ (3,547,397)	6a
Restricted Fund Balance - Carryforward to Six Year Program Update	(142,286,859)	(73,492,458)	6b
Total Available for Project Assignments/FY2024 Carryforward	\$ (145,031,668)	\$ (77,039,855)	6c
Cumulative Regional Revenue Reserve Balances			
Working Capital Reserve	\$ 120,000,000	\$ 120,000,000	7a
Debt Service Reserve (Held by Trustee)	5,551,000	5,551,000	7b
Cumulative Reserve Balances	\$ 125,551,000	\$ 125,551,000	

ATTACHMENT B

NVTA FY2018 to FY2025 Six Year Program & Update Appropriation Schedule

SPA Number	Project ID#	Jurisdiction / Agency	Project	FY2022 Appropriation	Proposed FY2023 Appropriation	FY2024 to FY2025
2018-040-2	40	City of Alexandria	West End Transitway: Northern Segment (Phase 1)	2,200,000		
2018-047-1	47	City of Fairfax	Intersection Improvements at Eaton Place/Chain Bridge Road		10,750,000	
2018-048-1	48	City of Fairfax	Old Lee Highway Multimodal Improvements Phase 1		5,000,000	
2018-012-1	12	Fairfax County	Richmond Highway (Route 1)/CSX Underpass Widening		12,000,000	
2018-017-1	17	Fairfax County	Rock Hill Road Bridge		20,604,670	
2018-021-1	21	Loudoun County	Route 15 Bypass Widening: Battlefield Parkway to Montresor Road		54,000,000	
2018-039-1	39	Prince William County	Construct Interchange at Prince William Parkway and Clover Hill Road		1,900,000	
2018-053-2	53	Town of Dumfries	Widen Route 1 (Fralely Blvd) to six lanes between Brady's Hill Rd and Dumfries Rd (RT234)		44,860,000	
2018-054-3	54	Town of Leesburg	Construct Interchange at Route 7 and Battlefield Parkway		25,000,000	
2018-055-3	55	Town of Leesburg	Interchange Improvements at Route 15 Leesburg Bypass and Edwards Ferry Road	5,400,000		
2018-057-1	57	Town of Vienna	Mill St NE Parking Garage		2,300,000	
2020-063-1	63	Arlington County	Rosslyn Multimodal Network Improvements			11,874,000
2020-064-1	64	Arlington County	CC2DCA Intermodal Connector: From Crystal City to Ronald Reagan Washington National Airport			18,000,000
2020-073-1	73	Arlington County/NVPRK	Arlington W&OD Trail Enhancements		650,000	
2020-045-2	45	City of Alexandria	Alexandria Duke St Transitway			75,000,000
2020-048-2	48	City of Fairfax	Old Lee Highway Multimodal Improvements			8,000,000
2020-049-2	49	City of Fairfax	Roadway Network Northfax West	2,200,000		
2020-069-1	69	City of Fairfax	Jermantown Road/Route 29 Intersection Improvements			700,000
2020-070-1	70	City of Fairfax	Government Center Parkway Extension			3,540,000
2020-071-1	71	City of Falls Church	West Falls Church Access to Transit and Multimodal Connectivity	6,900,000		
2020-072-1	72	City of Falls Church	Downtown Falls Church Multimodal Improvements	8,300,000		
2020-006-3	6	Fairfax County	Richmond Highway Widening From Route 235 North to Route 235 South			120,387,962
2020-014-3	14	Fairfax County	Rolling Road Widening: Hunter Village Drive to Old Keene Mill Road			27,700,000
2020-016-4	16	Fairfax County	Fairfax County Parkway Widening: Lee Highway (Route 29) to Nomes Court			37,400,000
2020-065-1	65	Fairfax County	Soapstone Drive Extension: Sunset Hills Road to Sunrise Valley Drive			15,000,000
2020-066-1	66	Loudoun County	Construct Crosstrail Boulevard (Route 653): Sycolin Road to Dulles Greenway (Route 267)			36,700,000
2020-067-1	67	Loudoun County	Evergreen Mills Road Widening from Northstar Boulevard to Stone Springs Boulevard			18,000,000
2020-036-2	36	Prince William County	North Woodbridge Mobility Improvements	8,000,000		
2020-068-1	68	Prince William County	Summit School Rd Extension and Telegraph Rd Widening		24,000,000	
2020-053-3	53	Town of Dumfries	Widen Route 1 (Fralely Blvd) to six lanes between Brady's Hill Rd and Dumfries Rd (RT234)			78,000,000
2020-058-3	58	VRE	VRE Crystal City Station Improvements			15,800,000
2020-074-1	74	DRPT	Franconia-Springfield Passenger Rail Bypass			22,958,821
Total By Fiscal Year				\$ 33,000,000	\$ 201,064,670	\$ 489,060,783

Note: Denotes FY2024/25 Forward Appropriation