

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

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

FROM: Mayor Jeanette Rishell, Finance Committee Chair

DATE: March 2, 2023

SUBJECT: Adoption of FY2024 Regional Revenue Fund Budget

1. **Purpose:** To seek the Northern Virginia Transportation Authority (NVTA) adoption of the proposed FY2024 Regional Revenue Fund Budget as recommended by the Finance Committee.
2. **Suggested Motion:** *I move Authority adoption of the FY2024 Regional Revenue Fund Budget as presented in the Attachment.*
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 FY2028/29 update to the SYP.
 - c. Funding level recommendations for the FY2028/29 update to the SYP will be presented to the Committee in the format of updated revenue projections, leading to a PayGo funding level for FY2028/29.
 - d. A forward appropriation request from the FY2026/27 update to the SYP was received from Prince William County for the Van Buren Road N. Ext. Rt.234 to Cardinal Dr project.
 - e. The only project sponsor to request funding from the FY2024/25 update to the SYP is Arlington County for the Rosslyn Multimodal Network Improvements.
 - f. Both requests are included in the staff recommended budget.
 - g. Authority adoption/programming of the FY2028/29 update to the SYP is currently estimated for summer of calendar year 2024.
 - h. Finance Committee guidance is to conservatively estimate revenues.
 - i. The details of the proposed FY2024 Regional Revenue Fund Budget are presented in Attachment A.

(ED. Note - The following report sections are tied to the Notes Column in the Attachment.)

4. Revenues:

- a. **Sales Tax Revenues:** Projected Sales Tax receipts for FY2024. Revenue estimates will be revised in the Fall of 2023 for FY2024 through FY2029. These estimates as adopted by the Authority will determine the PayGo funding level for the FY2028/29 update to the SYP.
- 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 Omnibus Transportation Bill moves 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 FY2024 is based on estimates developed by Virginia Department of Transportation (VDOT).
- c. **Regional Congestion Relief Fee (Grantor's Tax):** Projected Grantor's Tax receipts for FY2024. Revenue estimates will be revised in the Fall of 2023 for FY2024 through FY2029. These estimates as adopted by the Authority will determine the PayGo funding level for the FY2028/29 update to the SYP.
- 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:** This is interest earned on funds while they are processed by the Commonwealth and before arriving at the Authority.
- f. **Future Financing/Forward Appropriations (if required):**
 - I. The Authority implemented a project funding strategy which relies on Balance Sheet strength 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 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. Given the low amount of funding requested by project sponsors for FY2024 this amount is effectively zero.
- g. **Investment Portfolio Earnings:** This budget line reflects the NVTa portfolio interest earnings. This revenue is entirely generated by NVTa's management of \$1.5 billion in appropriated but unexpended funds assigned to projects. The FY2024 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
- V. A significant change in the volume and frequency of project reimbursements will impact this estimate.

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 FY2024 budget.

- a. **Debt service principal and interest:** Total debt service for FY2024 is \$5,550,000.
- b. **Modeling License & Support:** Maintenance, technical support, data storage and license fees for in-house modeling.
- c. **Preliminary Deployment Plan for a Regional Bus Rapid Transit System in Northern Virginia (PDP-BRT)** ¹: The recently adopted TransAction has identified the need to provide Northern Virginians with meaningful travel alternatives to driving alone, to help reduce congestion. One strong approach is the development of a regional BRT system, which builds upon the investments that NVTA has already made in five BRT lines, noted below.

BRT Projects	Approved Funding*	Program
Richmond Highway (Fairfax County)	\$250,000,000	FY2018-2023
	\$80,000,000	FY2022-2027
Duke Street Transitway (Alexandria)	\$12,000,000	FY2018-2023
	\$75,000,000	FY2020-2025
West End Transitway (Alexandria)	\$2,400,000	FY2015-2016
	\$2,200,000	FY2018-2023
Metroway northern extension (Arlington)	\$28,850,000+	FY2018-2023
Route 7 (Fairfax, Falls Church, Arlington, Alexandria)	\$838,000	FY2014
Total	\$451,288,000	

Note *: excludes related projects, and any funding using 30% Local Revenues

Note +: includes non-BRT elements at Pentagon City (part of the same SPA)

While these five projects are being advanced independently of one another, a strategic approach at the regional level is needed to enhance BRT initiatives and work towards

¹ Project name changed to better identify NVTA’s existing and ongoing BRT investments. Prior project name was Bus Rapid Transit - Preliminary Deployment Plan (BRT-PDP).

the synergistic and potentially seamless regional BRT system. NVTA was the first entity to identify this regional need and is uniquely qualified to lead this initiative given its NoVA footprint, regional focus, demonstrated multimodal history and experience leading such initiatives, and established coordination mechanisms.

Development of the PDP-BRT will harness the enthusiasm expressed by members of NVTA's BRT Planning Working Group (comprised of NVTA member jurisdictions, transit agencies, VDOT, Department of Rail and Public Transportation (DRPT), Northern Virginia Transportation Commission (NVTC), Potomac and Rappahannock Transportation Commission (PRTC), the National Capital Region Transportation Planning Board (TPB), Washington Metropolitan Area Transit Authority, Montgomery County, Prince George's County, and District Department of Transportation (DDOT)) to develop an integrated regional BRT system crossing multiple jurisdictional boundaries. Not only will a PDP-BRT identify meaningful transportation choices that could reduce or reverse the need for Northern Virginians to drive alone, but it will also enable a regional BRT system to be implementable decades prior to any future Metrorail extensions in Northern Virginia, which in turn are dependent on the region addressing Metrorail's core capacity barriers.

Onetime Costs: \$2 million

Annual Costs: Cost related to maintaining a deployment plan to be determined as part of core BRT study.

- d. **Six Year Program PayGo Project Funding:** This represents the appropriation of project funding for the SYP. Arlington County has requested appropriation for their Rosslyn Multimodal Network Improvements project (funding for design through construction). Prince William County has requested a forward appropriation from the FY2026/27 update to the SYP to FY2024 for their Van Buren Road N. Ext: Route 234 to Cardinal Dr project (funding for design/engineering/environmental).

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 NVTA Operating Budget from their own revenues (typically their 30% Local Distribution Funds). Projected portfolio income exceeds the Operating Budget Transfer by over 8-fold or 817.3%.
- 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 FY2025 SYPs. It is based on FY2022 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 FY2024/25 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 Fall 2023 as part of preparations for the FY2028/29 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 acted 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 NVTAs bondholders. It is required by the Authority's Debt Policy.

Attachment: Proposed FY2024 Regional Revenue Fund Budget

Northern Virginia Transportation Authority Proposed FY2024 Regional Revenue Fund Budget			
	Adopted FY2023 Budget	Proposed FY2024 Budget	Notes
Revenue 70% Regional Funds			
Sales Tax	\$ 224,885,920	\$ 227,130,358	4a
Interstate Operations & Enhancement Program (IOEP) Transfer	9,388,400	13,757,213	4b
Grantor's Tax	30,360,120	33,174,079	4c
Commonwealth NVTD Transfer	14,000,000	14,000,000	4d
CoVa Interest	87,500	87,500	4e
Bond Proceeds	-	-	
Future Financing/Future Appropriation Finance (if required)	(14,978,715)	-	4f
Investment Portfolio Earnings	20,000,000	35,000,000	4g
Total Revenue	\$ 283,743,225	\$ 323,149,151	
Expenditures			
Debt Service - Principal	\$ 3,100,000	\$ 3,255,000	5a
Debt Service - Interest	2,450,000	2,295,000	5a
Professional Services - Bond Issuance Costs			
Modeling License & Support	88,700	45,645	5b
TransAction Update (PDP-BRT, SYP/CRRC/LTB Tech Support)		2,000,000	5c
Six Year Program PayGo Project Funding	201,064,670	19,874,000	5d
Total Expenditures / Six Year Program Commitments	\$ 206,703,370	\$ 27,469,645	
Net Revenue	\$ 77,039,855	\$ 295,679,506	
Transfers & Carryforward			
Transfer Out to Operating Fund	\$ (3,547,397)	\$ (4,282,184)	6a
Restricted Fund Balance - Carryforward to Six Year Program Update	(73,492,458)	112,794,261	6b
Total Available for Project Assignments/FY2024 Carryforward	\$ (77,039,855)	\$ 108,512,077	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	