



# Northern Virginia Transportation Authority

*The Authority for Transportation in Northern Virginia*

**FINANCE COMMITTEE**  
**Thursday, September 22, 2016 1:00PM**  
**3040 Williams Drive, Suite 200**  
**Fairfax, VA 22031**

## AGENDA

**I. Call to Order/Welcome** Chairman Parrish

**II. Summary Minutes of the June 16, 2016 Meeting**  
*Recommended action: Approval [with abstentions from those who were not present]*

### Action Items

**III. Transportation Projects Reserve – Advisory Panel Proposed Policy** Mr. Biesiadny  
*Recommended Action: Recommend Authority Approval of Draft Policy*

**IV. Contingency Reserve – Advisory Panel Recommendation** Mr. Biesiadny  
*Recommended Action: Recommend Authority Adoption of Advisory Panel Recommendation and Related Budget Action*

**V. Budget Adjustment – Exchange of Funding Source on FY2014 Projects** Mr. Longhi, CFO  
*Recommended Action: Recommend Authority Approval of Budget Adjustments*

**VI. Budget Adjustment – FY2017 Revenue and Working Capital Reserve** Mr. Longhi, CFO  
*Recommended Action: Recommend Authority Approval of Budget Adjustment*

**VII. Legislative Services Contract** Mr. Longhi, CFO  
*Recommended Action: Recommend Authority Contract Approval*

### Information/Discussion Items

**VIII. Plan of Finance for FY2017 Project Program** Mr. Longhi, CFO

**IX. Draft Project Advancement Policy** Mr. Longhi, CFO

**X. NVTA Monthly Revenue Report** Mr. Longhi, CFO

**XI. NVTA Operating Budget Report** Mr. Longhi, CFO

**XII. Financial Activities Update** Mr. Longhi, CFO

**Closed Session**

**Adjournment**

**XIII. Adjournment**

**Next Meeting: October 20, 2016 at 1:00PM**  
3040 Williams Drive, Suite 200, Fairfax, Virginia



**Northern Virginia Transportation Authority**  
*The Authority for Transportation in Northern Virginia*

**FINANCE COMMITTEE**  
**Thursday, June 16, 2016 1:00PM**  
**3040 Williams Drive, Suite 200**  
**Fairfax, VA 22031**

**MEETING SUMMARY**

**I. Call to Order/Welcome**

Chairman Parrish

- Vice-Chair Rishell called the meeting to order at 1:04pm.
- Attendees:
  - ✓ Members: Vice-Chair Rishell; Chairman Bulova (arrived 1:06pm); Chair Randall; Mayor Silberberg.
  - ✓ Staff: Monica Backmon (Executive Director); Michael Longhi (CFO); Peggy Teal (Assistant Finance Officer); Camela Speer (Clerk).
  - ✓ Council of Counsels: Ellen Posner (Fairfax County).
  - ✓ Other Attendees: Tom Biesiadny (Fairfax County); Penny Newquist (Loudoun); Peter Malgieri (Loudoun); Bob Brown (Loudoun); Carl Hampton (Prince William); Allen Scarbrough (Prince William); Pierre Holloman (Alexandria); Megan Cumming (Alexandria); Sarah Crawford (Arlington); Mark Duceman (Herndon); Mary Touhy (Herndon); Calvin Grow (Leesburg); Kristy Choi (PFM).

**Presentation**

**III. PBMares, LLP – Financial Auditing Services**

Mr. Garber, Partner

- Mr. Garber introduced himself and PRMares, the Authority's external financial statement auditor. He noted that he is available should the Committee have any questions and encouraged members to contact him directly should there be any concerns they would like to discuss.
- Mr. Longhi reiterated that the Finance Committee is also the Audit Committee and, as such, have direct access to the auditors, without going through staff for transparency.

*(Chairman Bulova arrived.)*

**II. Summary Minutes of the May 19, 2016 Meeting**

- Chairman Bulova moved approval of the minutes of May 19, 2016; seconded by Mayor Silberberg. Motion carried with three (3) yeas and one (1) abstention [Chair Randall as she was not at the May meeting].

## Action Items

### IV. FY2017 Program Funding Recommendation

Mr. Longhi, CFO

- Mr. Longhi briefly reviewed the debt scenario presentation from the last Committee meeting. He noted:
  - ✓ A new chart was added to show growth rates based on NVRTA revenue forecasts and future assumptions. Noting the estimates are very conservative based on prior direction from the Finance Committee.
  - ✓ The debt service coverage chart was annotated to show a sample calculation noting that for every \$5 in debt service, the Authority needs \$10 in Regional Revenues to provide for debt service coverage.
  - ✓ The future debt and PayGo capacity chart shows a bond issuance in FY2018 and FY2019, then every two years after that. While this is the timing used for these projections, it is anticipated that actual issuance timing will fluctuate.
- Mr. Longhi reviewed the previous debt issuance in FY2014. He noted the bond issuance was for approximately \$69 million, with total bond proceeds of approximately \$74 million.
- It was suggested that interest rates are at historic lows and the Authority may want to take advantage of this. It was noted that this is increasing the NVRTA debt load, and we need to be cognizant of this. While there are important projects, we need to make tough choices and can't fund everything now. Mr. Longhi noted that the Authority would be more inclined to issue debt at the beginning of the Six Year Program.
- A brief conversation followed regarding interest rates and noting that we cannot lock in rates until the bonds are issued. It was stated that the bond issuance needs to be timed with when the money is needed and not based on current interest rates. It was added that debt can be refinanced to garner a lower interest rate. Mr. Longhi stated that PFM is monitoring our current bonds and even though the FY2014 bonds were issued at very low rates, there may be an opportunities to refinance in the future.
- It was noted that every dollar of debt the Authority issues now is a dollar not available for future issuances.
- Mr. Longhi reviewed the next steps in the financing process.
  - ✓ Staff will prepare a financial plan.
  - ✓ May request interim financing to insure all funds are available for projects and wait for bond issuance to reduce interest costs.
- Mr. Longhi reviewed the previous funding programs.
  - ✓ For FY2014 the Authority adopted approximately \$196 million in projects through the use of \$122 million in PayGo and \$74 million in bonds.
  - ✓ For FY2015-16 the Authority adopted approximately \$346 million in projects using only PayGo funds. On an annual basis this represents approximately \$173 million per year.
- Mr. Longhi reviewed the notable factors for the FY2017 Program.
  - ✓ The FY2017 Program is a one year program, marking the last year TransAction 2040 will be used to guide regional transportation investments.
  - ✓ The update to TransAction is expected to be complete in the fall of calendar year 2017.

- ✓ The TransAction update will guide the development of the Authority's first funded Six Year Program or Capital Improvement Plan (CIP).
- ✓ The Authority's first CIP will cover the fiscal years 2018 through 2023.
- ✓ Any resources (PayGo or debt capacity) not utilized for the FY2017 Program will be available for the updated TransAction based CIP.
- Mr. Longhi reviewed the FY2017 process to date, noting the staff project recommendations of \$423 million. He stated that with an available PayGo amount of \$267 million, there is a \$157 million funding gap.
- Mr. Longhi reviewed the suggested motion that the Finance Committee recommend to the Authority a funding cap of \$436,763,235 for the FY2017 Program.
- It was suggested that the funding cap total be rounded to \$450 million. Mr. Longhi responded by noting the difference would be made up in bond proceeds. Ms. Backmon added that the Finance Committee will make this recommendation to the Planning and Programming Committee (PPC) and to the Authority. She noted that the Authority can agree or disagree with the recommendation. Mr. Longhi emphasized this is a funding level recommendation.
- A discussion followed regarding the Route 7/Battlefield Parkway Interchange project. It was noted that 16 of the speakers at public hearing spoke on behalf of this one project. Ms. Backmon responded that there is concern that this project cannot meet the Policy 17 drawdown and active project requirements by FY2019 and that the NVTa staff is working with Leesburg staff to better understand the project timing. It was noted that we should have final schedule information prior to the July 1, PPC meeting. Mr. Longhi added that this project was funded in the FY2015-16 Program and that the first reimbursement request is being processed and indications are that the remaining funding will not be used up until FY2018. It was requested that if this project is deemed not eligible for funding, that the reasoning be submitted to the jurisdiction in writing. It was suggested that the proposed cap of \$450 million does give some flexibility to add funding for this project. It was suggested that the funding cap be raised further to potentially accommodate the funding of this project.
- Mr. Longhi acknowledged that the funding cap could be raised to \$475 million to allow for the possibility of fully funding the Route 7/Battlefield Parkway request. It was noted this will require approximately \$208 million in project funds to be obtained through the issuance of bonds.
- The Committee was reminded that its job is to recommend funding parameters, not to choose the projects for funding.
- Chairman Bulova moved the Finance Committee recommend the Authority not exceed \$475 million in funding for the FY2017 Program. With this amount comprised of \$266,763,235 in FY2017 PayGo funds and \$208 million in project funds obtained through the issuance of bonds; seconded by Chair Randall. Motion carried unanimously.

**V. Revisions to Policy 17 – FY2017 Program First Drawdown**      Mr. Longhi, CFO

- Mr. Longhi noted that the grammatical change recommended at the last meeting had been made as requested.

- Chairman Bulova moved the Finance Committee recommend the Authority approve the modifications to Policy 17 – FY2017 Program Drawdown Policy; seconded by Chair Randall. Motion carried unanimously.

### Information/Discussion Items

#### **VI. NVTA Monthly Revenue Report**

Mr. Longhi, CFO

- Mr. Longhi stated that although State revenues continue to show negative outlooks, NVTA revenues are not being negatively impacted. He added that it is anticipated that there will be no negative changes to the adopted revenue projections for this fiscal year.

#### **VII. NVTA Operating Budget Report**

Mr. Longhi, CFO

- Mr. Longhi briefed the Committee on the NVTA Operating Budget. He noted:
  - ✓ Operating revenue is at 100% of estimate.
  - ✓ May 2016 represents 92% of the fiscal year. Through May 2016, the Authority has utilized 79% of its adjusted expenditure budget.
  - ✓ Operating budget absorbed \$122,000 in expenses from the Regional Revenue Fund and expenses are still within budget.

#### **VIII. Financial Activities Update**

Mr. Longhi, CFO

- Mr. Longhi updated the Committee on additional financial activities.
  - ✓ FY2016 audit has started and is going smoothly.
  - ✓ FY2017 jurisdictional administrative cost notices have gone to jurisdictions. Most jurisdictions choose to have the payment of these administrative costs netted from their 30% revenues.
  - ✓ Annual certification process is starting soon with notices going to localities.
  - ✓ A SPA workshop was recently held and was well attended. It helped to clear up questions and concerns with the process.
  - ✓ At this time there was no need expressed by localities for another workshop on the annual certification process, but NVTA staff will reach out to jurisdictions with new staff members involved in this process.
- Ms. Backmon thanked the Committee for their funding recommendation and added that the Technical Advisory Committee will also be making a project recommendation to the PPC.
- It was stated that the recent legislative proffers change will impact transportation funding. It was suggested that the Authority consider coordinating a future presentation on how these impacts might affect NVTA project funding.

### Adjournment

#### **IX. Adjournment**

- Meeting adjourned at 1:51pm.



## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

### MEMORANDUM

**TO:** Chairman Parrish and Members of the NVTA Finance Committee

**FROM:** Tom Biesiadny, Chairman - Contingency and Transportation Projects Reserve Advisory Panel

**DATE:** September 22, 2016

**SUBJECT:** Transportation Projects Reserve – Advisory Panel Proposed Policy

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1. **Purpose:** Present Advisory Panel draft Transportation Projects Reserve Policy for the Regional Revenue Fund.
2. **Suggested Motion:** *I move the Finance Committee recommend Authority approval of the draft Transportation Projects Reserve in a form approved by the Council of Counsels.*
3. **Background:** The Finance Committee requested staff research and report on the establishment of two reserve funds. One reserve would be for project contingency (Contingency Reserve) and the other to set aside funds for future large scale projects (Transportation Project Reserve). The Executive Director established an Advisory Panel to examine and make recommendations on both reserves. Participation on the Advisory Panel was open to representatives of all member jurisdictions. Participation of jurisdiction transportation and finance representatives was especially welcomed.

After several meetings the Advisory Panel prepared a draft policy for the Transportation Projects Reserve utilizing a reserve of debt capacity as an alternative to reserving PayGo capacity in the form of a cash reserve. The Advisory Panel also formulated a recommendation on the Contingency Reserve which is presented in a separate report.

4. **Comments:** The Finance Committee expressed an interest in establishing a cash reserve (Transportation Projects Reserve) within the Regional Revenue Fund to permit the Authority to set aside funds for future large scale projects. The Advisory Panel made the following observations related to such a reserve:
  - a. **Funding the Reserve** – The reserve is recommended to be established through a reservation of debt capacity. Since the debt capacity is supported by the Regional Revenue Fund, the reserve can only be used for transportation projects or debt service payments, consistent with the provisions in HB 2313 (2013).
  - b. **Reserve Level** - A reserve size of at least \$100 million was considered as a bench mark as that amount is indicative of a large transportation project.
  - c. **Project Eligibility** - To ensure compliance with HB 2313 projects must undergo all required screening and ranking processes before funding from the reserve could be approved by the Authority.

- d. **PayGo Impact** – Using FY2017 as an example, the current FY2017 Regional Revenue Fund budget has \$267 million for PayGo after paying debt service on the Series 2014 Bonds and other obligations:
  - i. If the reserve were to be funded at \$100 million in 1 year, PayGo availability for that year would be reduced by approximately 38%.
  - ii. If the reserve were to be funded over three years, (\$33.3 million per year totaling \$100 million), PayGo availability would be reduced by approximately 13% a year for three years.
- e. **Debt Capacity** – Debt financing is typically employed for projects with significant project costs and/or for which PayGo resources are not available in a single year. As shown in the May 19, 2016 ‘Debt Capacity Analysis’ presentation prepared for the Authority by our Financial Advisor PFM, the Authority currently has a significant amount of unused debt capacity.
- f. **Reserving Debt Capacity** – Reserving a percentage of debt capacity for transportation projects would hold resources in reserve for future large scale projects.
  - i. Establishing this reserve by reserving debt capacity would eliminate any immediate impact on PayGo projects.
  - ii. As shown in the May 19, 2016 ‘Debt Capacity Analysis’ prepared for the Authority by PFM (Attachment A), the Authority’s estimated debt capacity through 2037 is approximately \$1.8 billion. For example, if the Authority were to reserve 5.5% of its total debt capacity for the reserve, that amount would be equal to \$99 million.
  - iii. Any project under consideration would be required to go through the mandatory screening processes. Therefore, determining and executing a plan of finance for that project could be done concurrently with the project screening. The plan of finance would only be executed if the project received Authority approval.
  - iv. The long term impact on PayGo available funds for projects would be attributable to the annual debt service payments on future bond issuances.
- g. **Reserve Capacity Evaluation** – The Transportation Projects Reserve and amount of debt capacity reserved for its use will be evaluated as part of the annual Regional Revenue Fund budget evaluation and adoption process.

**5. Advisory Panel Recommendation.** The Advisory Panel recommends a strategy of reserving debt service capacity in an amount of \$100,000,000, or 5.6% of the Authority’s FY2016 through FY2037 estimated capacity of \$1.8 billion as the funding mechanism for the reserve, as shown in Attachment B.

**Coordination:**

Contingency and Transportation Project Reserve Advisory Panel  
 NVTAFinancial Advisor – Public Financial Management (PFM)  
 Council of Counsel

**Attachments:**

Attachment A: Debt Scenarios & Capacity Analysis, prepared by PFM, May 19, 2016  
 Attachment B: Transportation Projects Reserve – Debt Capacity Reserve





# Debt Capacity Analysis

prepared for

# Northern Virginia Transportation Authority

## Finance Committee

May 19, 2016

Presented by  
JoAnne Carter, Managing Director

Public Financial Management, Inc.  
4350 N. Fairfax Dr., Suite 580  
Arlington, VA 22203



**The PFM Group**  
Public Financial Management, Inc.  
PFM Asset Management LLC  
PFM Advisors

# Key Assumptions

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- Assumes bond issuance during FY 2018
  - Timing of issuance would be planned to match construction cash flow
- Issuance of senior lien bonds with fully bond-funded Debt Service Reserve Fund (“DSRF”)
- 20 year amortization with a level debt service structure
- Current interest rates plus a 50bps cushion
- Preliminary revenue estimate for FY 2016 totaling \$218.2 million (70% Regional Revenues)
- Revenue forecasts for out years reflect recent estimates developed with revenue estimation committee

# Scenario Summary

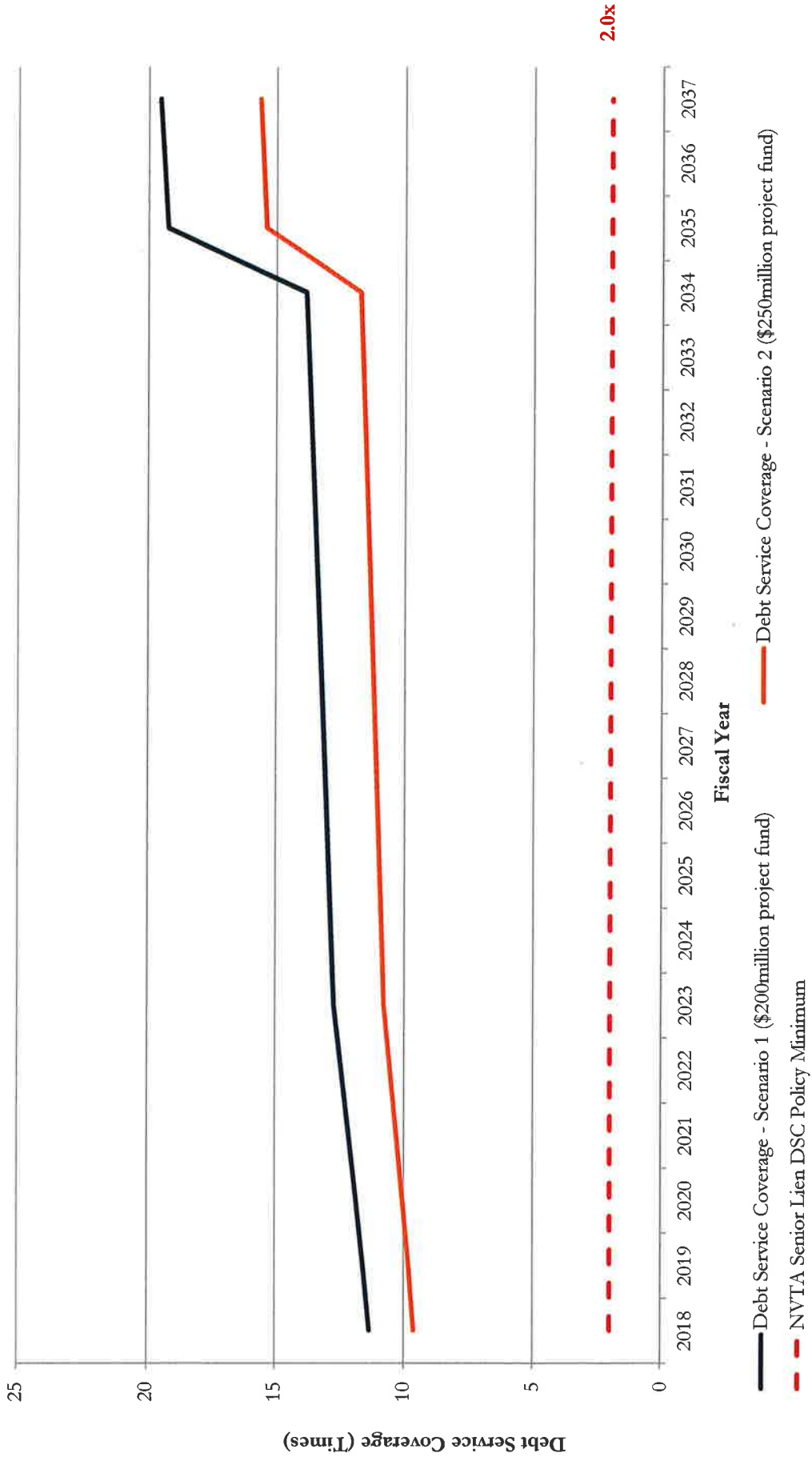
*NVTA's debt policy uses debt service coverage ("DSC") as the primary metric for measuring the affordability of its debt and capacity for new debt.*

	Existing Only	Scenario 1 (\$200 million)	Scenario 2 (\$250 million)
Min DSC	41.3x	11.3x	9.6x
Avg DSC	46.9x	13.8x	11.6x
Max DSC	50.5x	19.5x	15.6x

$$\begin{array}{c}
 \text{Debt} \\
 \text{Service} \\
 \text{Coverage}
 \end{array}
 =
 \frac{\text{NVTA Regional Revenue (70\%)}}{\text{Debt Service}}$$

# Forecasted Debt Service Coverage

Forecasted Debt Service Coverage  
(Existing Debt and FY 2018 Issue)



Note: Assumes only the existing Series 2014 debt service and the assumed FY 2018 bond issue's debt service (at varying project fund amounts). No additional debt is assumed beyond FY 2018.

# Forecasted Debt Service

Existing & Forecasted Debt Service  
(Existing Debt and FY 2018 Issue)



Note: Assumes only the existing Series 2014 debt service and the assumed FY 2018 bond issue's debt service (at varying project fund amounts). No additional debt is assumed beyond FY 2018.

# Estimated Debt & PAYGO Capacity

- Senior lien bonds with fully funded bond-funded DSRF
- 20 year amortization, level debt service structure
- 20 year historical average interest rates plus a spread of 50bps
- Next issuance in FY 2019 and assumed issuance every other year in equal amounts
- Debt service coverage maintained at or above 2.1x

		FY 2018 Bond Issue						
	FY 2018 Project Fund	Maximum Annual Debt Service ("MADS")	Min DSC	Estimated Remaining Bonding Capacity through 2037	FY 2017-FY2037 Estimated Remaining PAYGO Capacity <sup>1</sup>	Estimated Biennial Issuance		
Scenario 1	\$200 million	\$14.7 million	11.3x	\$1.6 billion	\$3.9 billion	\$163 million		
Scenario 2	\$250 million	\$18.4 million	9.6x	\$1.6 billion	\$3.9 billion	\$158 million		

<sup>1</sup> Total of 70% revenues remaining after debt service is paid.



# Debt Capacity Summary

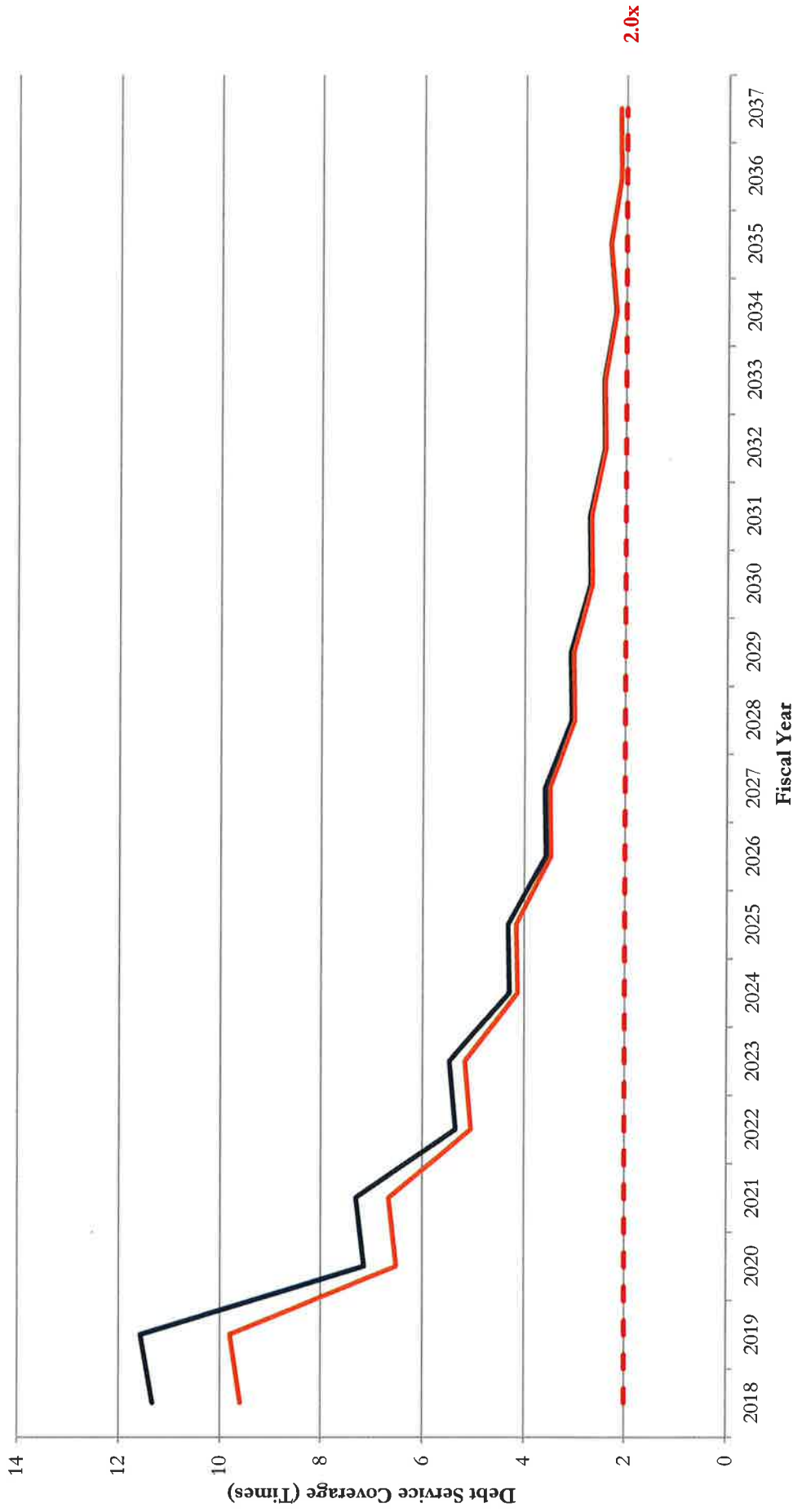
*Debt capacity analysis assumes NVTA remains above its 2.0x debt policy threshold for debt service coverage.*

	Existing Only	Scenario 1 (\$200 million)	Scenario 2 (\$250 million)
Min DSC	41.3x	2.1x	2.1x
Avg DSC	46.9x	4.5x	4.2x
Max DSC	50.5x	11.6x	9.8x

$$\text{Debt Service Coverage} = \frac{\text{NVTA Regional Revenue (70\%)}}{\text{Debt Service}}$$

# Forecasted Debt Service Coverage Multi-Year Issuance

Forecasted Debt Service Coverage  
(Existing Debt & New Issue + Future Issues)



— Debt Service Coverage - Scenario 1 (\$200million project fund)      — Debt Service Coverage - Scenario 2 (\$250million project fund)

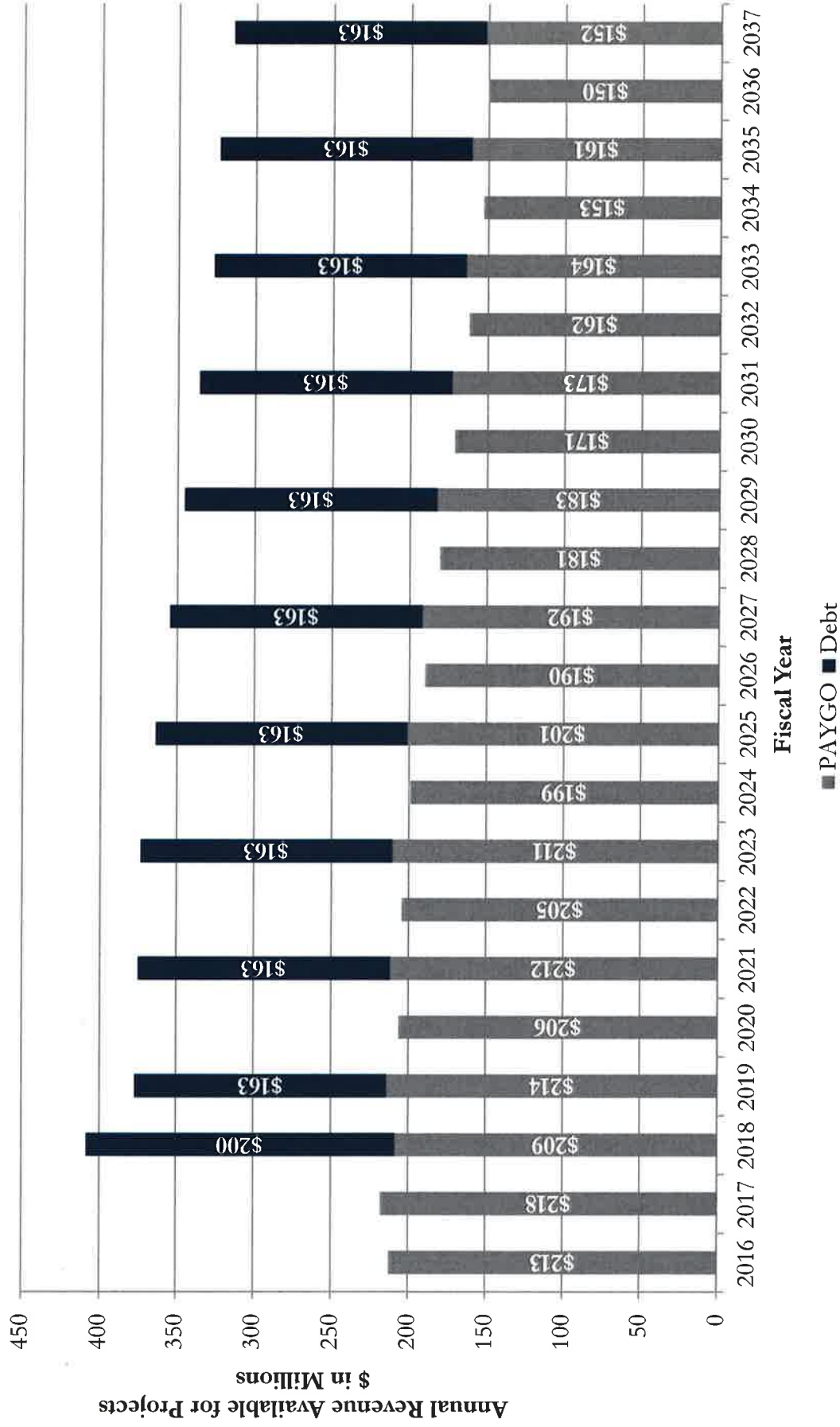
- - - NVTA Senior Lien DSC Policy Minimum

Note: Assumes bond issuance every other year between 2019 and 2037 (at varying project fund amounts).



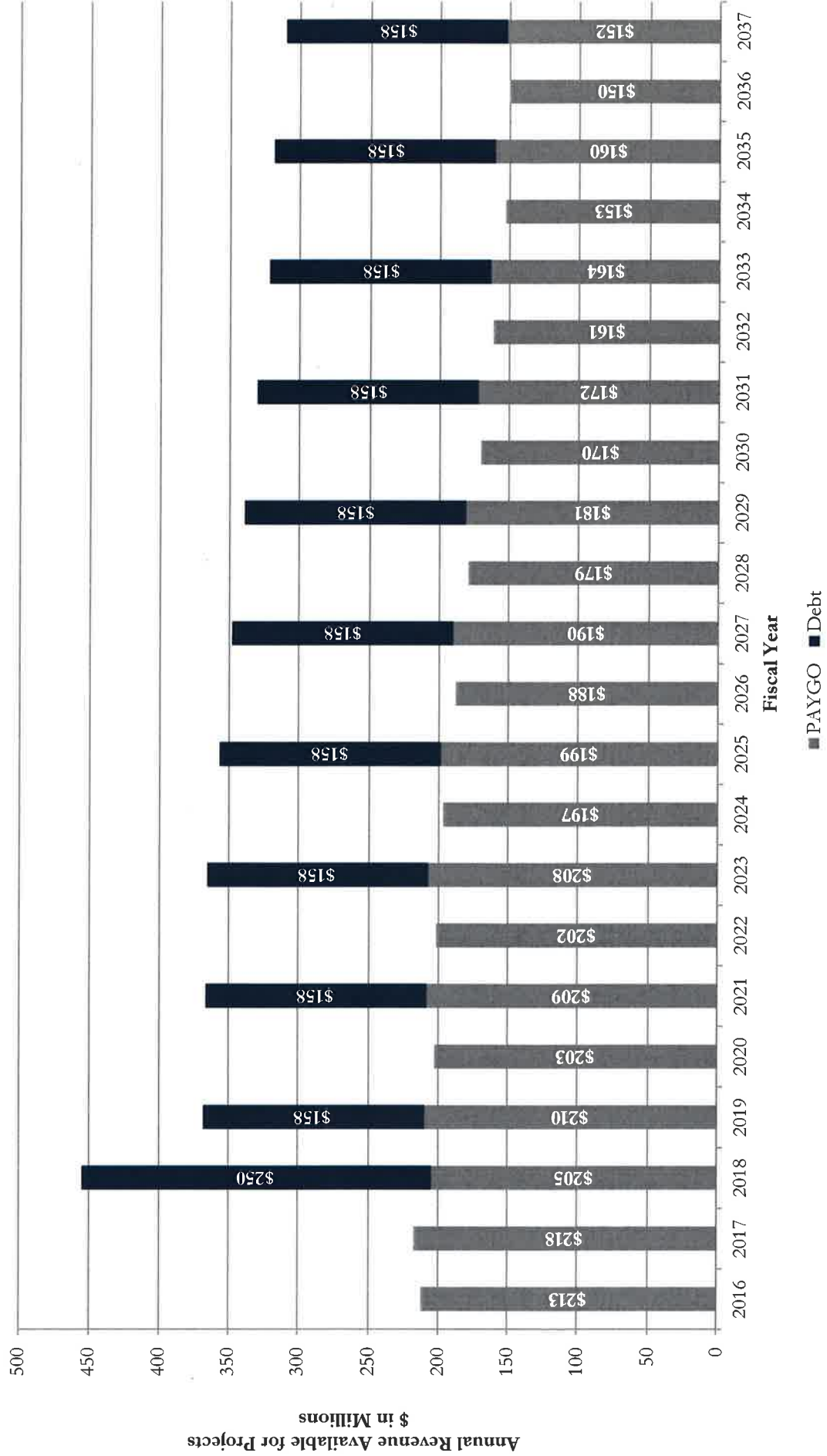
# Future Debt & PAYGO Capacity under Scenario 1

Total Amounts Available for NVTA Projects  
Scenario 1 (\$200 million project fund in FY 2018)



# Future Debt & PAYGO Capacity under Scenario 2

Total Amounts Available for NVTA Projects  
Scenario 2 (\$250 million project fund in FY 2018)



# Credit Considerations

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- NVTAs additional bonds test in the Indenture and its debt service coverage threshold adopted debt policy protects NVTAs & investors from over-leveraging
- Rating agencies fully anticipated NVTAs to actively leverage its revenue stream in the future as its CIP evolves
  - Moody’s: “While coverage levels are expected to decline ...even if NVTAs fully funded 100% of projects that are currently under evaluation, debt service coverage would still remain a strong 3.1 times, exceeding NVTAs’s senior lien debt service target of 2.0 times.”
  - Fitch: “Risk to overleveraging is addressed through a fairly strong additional bonds test (ABT)... currently roughly \$840 million in projects identified for such review...if entirely bond financed, would result in MADS close to \$70 million according to Fitch estimates and DSC of 2.9x from fiscal 2014 pledged revenues...”
  - S&P: “...projects under consideration for funding in fiscal years 2015 and 2016 total \$769.6 million. If NVTAs were to fund 100% of currently identified projects in full with debt only, we understand projected DSC would remain more than 3.1x.”
- Communication with credit analysts regarding the Authority’s capital improvement plan is important
- PFM believes no negative credit pressure exists based on preliminary analysis

# Conclusion

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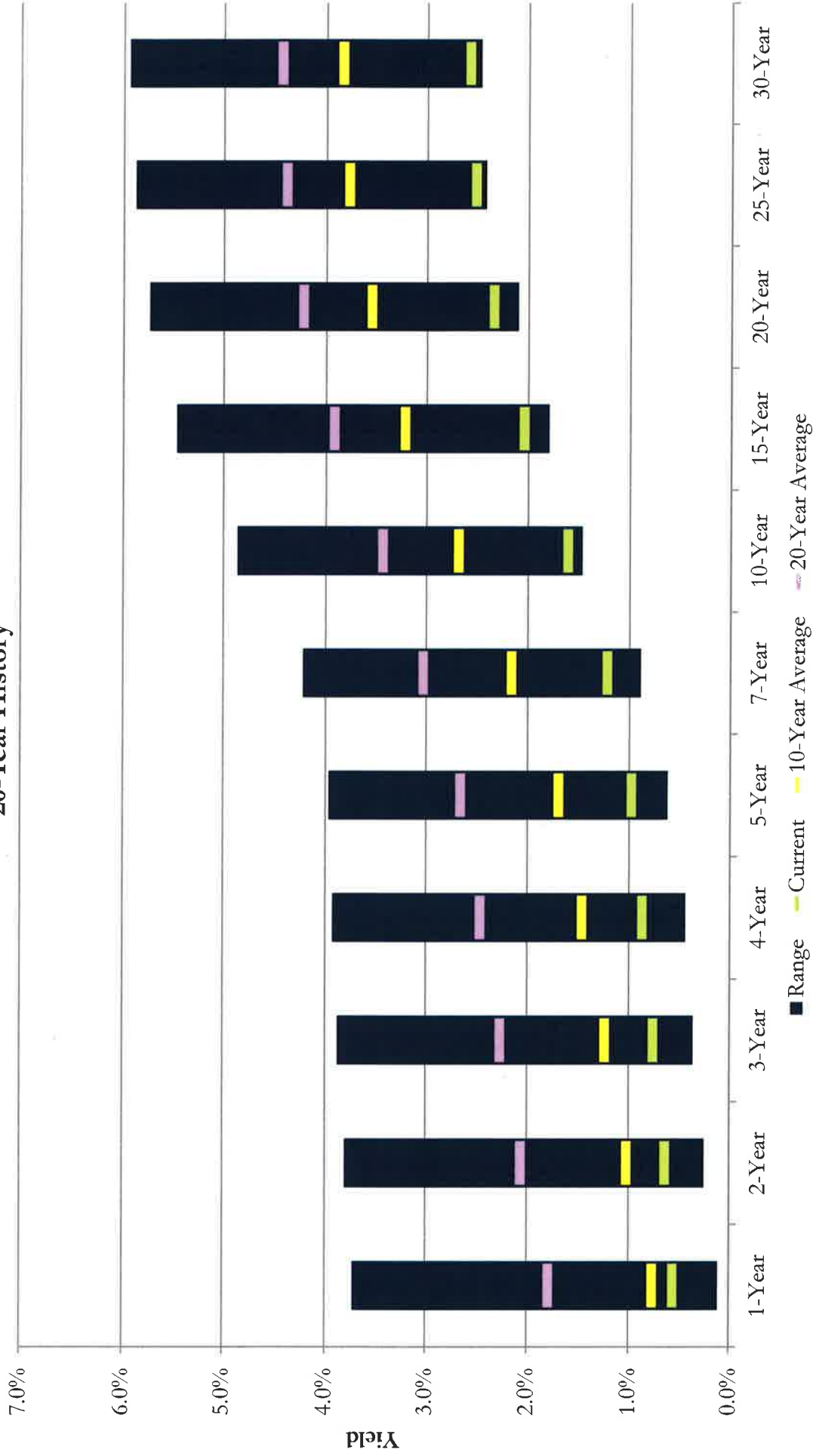
- NVTAs have significant debt capacity
- Even with a bond issue at various amounts contemplated, NVTAs would maintain debt and PAYGO capacity for future projects
- Debt service coverage would remain healthy above 2.0x under any scenario
- While communication with credit agencies is critical, PFM views no negative credit pressure based on range of current borrowing scenarios

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# Appendix

# Municipal Yield Curve Changes

Triple-A Rated GO Bond Yields  
20-Year History



Note: Market conditions as of May 9, 2016.

# **NORTHERN VIRGINIA TRANSPORTATION AUTHORITY**

## **Policy XXX – Transportation Projects Reserve**

### **Debt Capacity Reserve Policy**

- I. **Purpose.** The purpose of this policy is to ensure resources are available for future large scale projects as approved by the Authority in accordance with HB 2313(2013).
- II. **Policy.** The Authority establishes a Transportation Projects Reserve to ensure capacity for future large scale projects as approved by the Authority in accordance with HB 2313(2013).
- III. **Specific Provisions of Policy.**
  - a. **Transportation Project Reserve Priority** – The Transportation Projects Reserve will be in addition to and will only be permitted when all other reserves required in the NVRTA Debt Policy (Policy Number 9) are at or above their policy requirements.
  - b. **Funding the Reserve** – The reserve will be funded through a reservation of debt capacity in an amount of \$100,000,000 which is currently 5.6% of the Authority's estimated debt capacity of \$1.8 billion, calculated as of FY2016, and measured through FY2037.
  - c. **Reserve Capacity Evaluation** – The Transportation Projects Reserve and amount of debt capacity reserved for its use will be evaluated as part of the annual Regional Revenue Fund budget evaluation and adoption process.
  - d. **Project Eligibility** - To ensure compliance with HB 2313 all projects must undergo all required screening and ranking processes before funding through the reserve will be approved by the Authority. All projects funded through this reserve must otherwise also be eligible for funding through the NVRTA's Debt Policy.

**Approved by the Finance Committee:**

**Approved by Northern Virginia Transportation Authority:**

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

**FOR:** Chairman Parrish and Members of the NVTA Finance Committee

**FROM:** Tom Biesiadny, Chairman - Contingency and Transportation Projects Reserve Advisory Panel

**DATE:** September 22, 2016

**SUBJECT:** Contingency Reserve – Advisory Panel Recommendation

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- 1. Purpose:** Present Advisory Panel Contingency Reserve Recommendations.
- 2. Suggested Motion:** I move the Finance Committee recommend Northern Virginia Transportation Authority adoption of the Contingency and Transportation Projects Reserve Advisory Panel recommendation and recommend authorizing the NVTA CFO to undertake the necessary accounting transactions to reflect the elimination of the Contingency Reserve.
- 3. Background:** The Finance Committee requested staff research and report on the establishment of two reserve funds. One reserve for project contingency (Contingency Reserve) and the other to set aside funds for future large scale projects (Transportation Project Reserve). The Executive Director established an Advisory Panel to examine and make recommendations on both reserves. Participation on the Advisory Panel was open to representatives of all member jurisdictions. Participation of jurisdiction transportation and finance representatives was especially welcomed.

After several meetings the Advisory Panel prepared this recommendation for the Contingency Reserve. The Advisory Panel also formulated a recommendation on the Transportation Project Reserve which is presented in a separate report.

- 4. Comments:** The Finance Committee expressed an interest in establishing a Contingency Reserve within the Regional Revenue Fund to provide funding to achieve completion of approved Authority projects encountering cost overruns.

Initial funding of the reserve occurred with the FY2016 budget adoption with the provision that the reserve could not be utilized until a policy covering its use was adopted by the Authority. In FY2017, the reserve level was funded at \$8,573,894 in keeping with an objective of maintaining the reserve at 3.8% of Regional Revenue Fund annual revenues. The Advisory Panel, through policy development meetings made the following observations related to the reserve:



- a. A contingency reserve has the potential to shift project risk in some measure from the project sponsor to the NVTA. The Advisory Panel determined the NVTA should not absorb this risk.
- b. Past project performance (requests to use contingency) would need to be made a formal part of the contingency request and possibly future project evaluation processes.
- c. The NVTA Contingency Reserve had been referred to as a 'last resort' option. The Advisory Panel questioned how the NVTA, at current staffing levels would be able to ensure other options are exhausted.
- d. If a Contingency Reserve were to be offered, the Advisory Panel recommended localities be required to commit their 30% funds as part of the 'other options' noted above prior to making a contingency request. However this raised additional questions:
  - 1. What if the locality 30% funds are already committed by contract or other governing body action?
  - 2. Are there equity issues with Agencies since they do not receive 30% funds?
  - 3. Should and how will project sponsors be required to affirm they have no other financial options other than to request contingency use? (Given the complexity and scope of the various fund structures and budgeting as well as accounting methods, this could be extraordinarily complex, intrusive and staff time consuming.)
- e. Having a contingency reserve and thus a portion of project risk being transferred to the NVTA would necessitate the requirement for project contingency assumptions to be disclosed as part of the project descriptions. This disclosure would then become part of the project assessment process.
- f. The Advisory Panel questioned if contingency costs could be meaningfully disclosed without the additional disclosure of all cost components. Such disclosure would be expensive, time consuming, while potentially adding little value to the actual project.
- g. The Advisory Panel cautioned that in an environment of broad economic changes such as inflationary labor, raw and finished material cost increases, a significant number of projects could face escalating costs at the same time for the same reasons. This potential raised questions as to:
  - 1. The sufficiency of the funding level of the Contingency Reserve.
  - 2. How will NVTA staff recommendations be formulated?
  - 3. Is there an equity issue when some project sponsors may have committed additional local funds to the project contingency while others are depending on the NVTA contingency reserve?
- h. The Advisory Panel recognized NVTA project evaluation and selection processes could be impacted through the application of Contingency Reserve funds:
  - 1. Cost is a consideration in the NVTA project selection decision, additional costs would impact the score and may have changed the initial funding decisions.

2. The existence of a NVTA contingency reserve may induce project submitters to reduce their project contingency or other cost factors in their project estimates. Therefore, the existence of a contingency reserve with a stated purpose of reducing the risk of not achieving completion of a project, may unintentionally cause a broader risk shift.
  3. Multi-phase projects have an opportunity to absorb cost increases through future requests for sequential phase funding. Those costs would then be part of the next project description, evaluation and rating.
    - i. The Advisory Panel recognized that few if any project grants from other sources came with the expectation that a contingency fund would be available to a project sponsor.
    - j. The Advisory panel noted that under the terms of the NVTA Standard Project Agreement (SPA) the project sponsor agrees to provide a complete project as described in the SPA and therefore has already agreed to and conceivably planned for contingencies.
    - k. While no formal requests for use of the Contingency Reserve has been received by the NVTA, project status discussions have indicated there is approximately \$24 million in potential project cost overruns, which is almost 3 times the current targeted contingency level.
    - l. Increasing the contingency level to \$24 million would have reduced FY2017 PayGo by almost 10% and increased the need for debt financing.
    - m. Replenishing a contingency reserve on an annual basis will make a significant reduction in PayGo resources, thereby delaying future NVTA project awards or forcing a greater reliance on debt financing.
- 5. Advisory Panel Recommendation:** After careful consideration of the benefits and drawbacks related to a NVTA Contingency Reserve and in light of the above considerations, the Advisory Panel recommends that a Contingency Reserve not be established.
- 6. Next Steps:** If the Finance Committee concurs and forwards the recommendation to not establish a Contingency Reserve, the NVTA CFO will request a FY2017 Regional Revenue Fund budget transfer to remove the reserve funding designation of \$8,573,893.78, effectively transferring those funds to available fund balance in the Regional Revenue Fund. Those funds will then be available for future FY2018 Project Program decisions by the Authority.



## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

### MEMORANDUM

**FOR:** Chairman Parrish and Members of the NVTa Finance Committee  
**FROM:** Michael Longhi, Chief Financial Officer  
**DATE:** September 22, 2016  
**SUBJECT:** Budget Adjustment – Exchange of Funding Source on FY2014 Projects

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1. **Purpose:** This is a budget adjustment to transfer bond proceeds to projects actively requesting reimbursements thus ensuring expenditure of Series 2014 bond proceeds in time to meet IRS regulations. This action is intended to ensure compliance with Federal Tax Regulations generally requiring 85% of tax exempt bond proceeds be spent within three years of the issuance of tax exempt bonds.
2. **Suggested Motion:** *I move the Finance Committee recommend Authority approval of the budget transfer of bond proceeds from Series 2014 bond funded projects into cash funded projects as presented in Attachment A, and the replacement of these proceeds by the transfer of Authority FY2014 PayGo funding (cash) as presented in Attachment A.*
3. **Background:**
  - a. In December 2014 the Authority issued Tax Exempt Revenue Bonds to support the construction of transportation improvement projects in the region (the FY 2014 Project Program).
  - b. As of September 2016, five of the projects initially assigned funding from the Series 2014 bonds have not submitted any requests for reimbursements, and the jurisdictions/agencies which are managing these projects have indicated that these projects will not request reimbursement for all, or most of, the bond proceeds by December 2017.
  - c. The Internal Revenue Service (IRS) regulations require an issuer to certify its reasonable expectation to spend a minimum of 85% of bond proceeds within 3 years of the bond sale.
  - d. Transferring a portion of the Authority's 2014 Revenue Bond proceeds to fund a set of projects that were initially cash funded is appropriate and will enable the expenditure of the Series 2014 proceeds in time to comply with the IRS regulations.
  - e. Authority staff have identified cash funded projects which are eligible for capital financing pursuant to Resolution 07-24-13-C adopted July 24, 2013, and the Authority's financial policies and either have incurred, or are expected to incur, the required level of expenditure prior to December 2017.

- f. The transfer of the funding sources for these projects is effectively a budget transfer which makes no changes in the total amount funded or any of the terms of the subject projects.
- g. Current information on the projects originally selected for use of bond proceeds is contained in Attachment B. This information was provided to NVTA staff from the project sponsors.
- h. Details of the projects originally funded through PayGo are presented in Attachment C Project Descriptions – Projects Originally Funded With PayGo.
- i. Standard Project Agreements (SPAs) for projects using bond proceeds include a Tax Covenant as Appendix D. VDOT included the Appendix D Tax Covenant when approving the Rt. 28 Widening (SB Dulles Toll Rd to Rt. 50) and Rt. 28 Hot Spot Improvements SPAs.
- j. Loudoun County, following the direction provided at the time, did not include the Appendix D in the Widening of Belmont Ridge Road Project. Loudoun County staff will request approval of the Loudoun County Board of Supervisors to amend the project SPA packet to include Appendix D.

**Coordination:**

- a. Bond Counsel
- b. Council of Counsel
- c. NVTA's Financial Advisor (PFM)
- d. Arlington County
- e. Virginia Railway Express
- f. Virginia Department of Transportation
- g. Loudoun County
- h. Prince William County

**Attachments:**

- A. Budget Transfer – Series 2014 Bond Projects.
- B. Notes on Projects Originally Funded Through Series 2014 Bonds.
- C. Project Descriptions – Projects Originally Funded With Bond Proceeds

# Attachment: A

## Transfer of FY2014 Project Funding Sources:

<b>Project Sponsor</b>	<b>Project</b>	<b>Transfer From PayGo to Bond Funded</b>	<b>Transfer From Bond Funded To PayGo</b>
Arlington	Boundary Channel Drive		\$ 4,335,000
Prince William	Rt. 28, Linton Hall to Fitzwater		28,000,000
VRE	Lorton Station 2nd Platform		7,900,000
VRE	Alexandria Station Tunnel Platform Extension		1,300,000
Loudoun	Widening of Belmont Ridge Road	\$20,000,000	
VDOT	Rt. 28 Widening (SB Dulles Toll Rd to Rt. 50)	20,000,000	
VDOT	Rt. 28 Hot Spot Improvements	535,000	
		<u>\$ 40,535,000</u>	<u>\$ 40,535,000</u>

# Attachment: B

## Notes on Projects Originally Funded Through Series 2014 Bonds

1. **Arlington County - Boundary Channel Drive (\$4,335,000)** - The Boundary Channel Drive Interchange was approved for \$4,335,000 in funding by NVTA in FY 2014. At that time, the anticipated start date for construction was in FY 2015, with completion by FY 2017. Since the time that schedule was developed, more refined concept plans and estimates necessitated the incorporation of project elements which were not previously included due to lack of a completed transportation analysis, in-depth site analysis, and stakeholder input. Additionally, we experienced longer than anticipated review times from stakeholders such as the Pentagon and National Park Service, and a longer than expected NEPA process. The project is now anticipated to begin construction in FY 2019 with completion in FY 2021.
2. **Virginia Railway Express - Alexandria Pedestrian Tunnel Project (\$1,300,000)** - In 2013, the Alexandria Pedestrian Tunnel Project Feasibility Study recommended retaining the existing at-grade pedestrian crossing for ADA access to the East Platform. Review of the Feasibility Study recommendations with stakeholders at the start of engineering design determined that retaining the at-grade crossing was not desirable or appropriate, particularly since the majority of the project funding was coming from an FHWA railroad at-grade crossing elimination program. Conceptual studies indicated the need to add an elevator on the West Platform for access to the tunnel, change the access to the tunnel from the west side and completely eliminate the at-grade pedestrian crossing.

In addition, more extensive construction coordination than expected has been required with CSXT, the host railroad for VRE and Amtrak service. The Feasibility Study recommended construction using the Sequential Excavation Method, which has been used successfully by WMATA and others in the region. CSXT is comfortable with the tunneling methodology but had concerns regarding the construction of the vertical circulation elements at three locations along the tunnel in close proximity to active tracks where support of excavation (SOE) is required. Typically, the construction contractor is responsible for the design and execution of SOE during construction upon approval by CSXT and VRE. In this case, however, CSXT required more details regarding anticipated SOE performance in the engineering design phase, adding significantly more time and effort than was anticipated. The SOE approach, in conjunction with the additional time and effort needed for conceptual studies and coordination with CSXT and the other stakeholders (WMATA, City of Alexandria and VDOT) has caused the schedule to slip. When the project was initiated in 2012, it was estimated that it would take 12 months for the design and 12 months for the construction. We now estimate completing design in Spring 2017 and beginning construction in mid-2017. Current estimates for construction range from 2½ to 4 years, which will have a pronounced

effect on the overall schedule and cost of the project. VRE is exploring opportunities to pre-qualify construction contractors possibly resulting in a reduced construction duration for the project.

3. **Virginia Railway Express - Lorton Platform Project (\$7,900,000)** - Before work on the Lorton Platform Project could proceed, VRE was contacted by DRPT, which was in the midst of the DC2RVA study for higher speed rail. DRPT was concerned the existing platform, and the proposed improvements, might need to be demolished to make way for a future rail alignment. Therefore, Notice to Proceed (NTP) was delayed while that was evaluated. Lorton Engineering Study 2015 was initiated to reconcile the projected DC2RVA alignments. Ultimately it showed the alternatives shown by the DC2RVA study could be accomplished without demolishing the existing platform. However, this delay has significantly impacted the original schedule. Engineering for the Lorton Second Platform was bundled with several other similar platform projects in what has been named the Penta-Platform Corridor Improvement Project. That RFP was issued May 6, 2016. The Board authorized entering into the contract July 15, 2016 with NTP given in August, 2016. Preliminary Engineering and NEPA is estimated to take 24 months, along with a potentially concurrent design phase at some of the more strategic and site ready locations such as Lorton and Franconia Springfield. Construction is anticipated to begin no later than summer 2018.
4. **Prince William County – Route 28 Linton Hall to Fitzwater Drive (\$28,000,000)** – NVTA staff have observed very active construction activity related to this project. Prince William County staff report the project is proceeding using non-NVTA funds at this time. Some of the non-NVTA funding sources require earlier expenditure on the project.

# Attachment: C

## Project Descriptions – Projects Originally Funded With PayGo

- 1. Route 28 from Route 50 to the Dulles Toll Road (\$20,000,000)** – This project, when complete, will widen Route 28 southbound from the Dulles Toll Road to Route 50 by one traffic lane. This project will provide additional capacity on a highly congested north-south corridor that provides travel within and between three counties in this region as well as connections to the Dulles International Airport and major east-west highways such as I-66, Route 50, and the Dulles Toll Road/Greenway.
- 2. Route 28 Hot Spot Improvements (\$12,400,000)** – Four Route 28 Hot Spot Improvements in Loudoun County from Sterling Boulevard to the Dulles Toll Road are being executed to relieve congestion. Route 28 is a major regional roadway connecting north and south areas of Northern Virginia, and connecting to the Dulles Toll Road and Dulles International Airport.
- 3. Belmont Ridge Road (\$20,000,000)** – Widening of approximately 10,200 linear feet of Belmont Ridge Road between Gloucester Parkway and Hay Road, including a grade separation structure to carry the Washington & Old Dominion (W&OD) trail over Belmont Ridge Road. This is a 2 lane widening for reducing congestion for commuters and school related traffic, it will also improve the operation and safety of this corridor. Safety at several intersections will be enhanced, particularly at the intersection with Route 7.



## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

**FOR:** Chairman Parrish and Members of the NVTa Finance Committee  
**FROM:** Michael Longhi, Chief Financial Officer  
**DATE:** September 22, 2016  
**SUBJECT:** Budget Adjustment – FY2017 Revenue and Working Capital Reserve

---

1. **Purpose:** Discuss proposed adjustments to the FY2017 Regional Revenue Budget as outlined below.
2. **Suggested Motion:** *I move the Finance Committee recommend Authority approval of a \$7,472,264.85 increase to the FY2017 Regional Revenue Fund Budget – Working Capital Reserve, with this increase to be funded from FY2016 carryover.*
3. **Background:**
  - a. Revenue amounts for FY2016 have been finalized and have recorded a positive variance to budget of \$21.4 million. Of this variance, 30% has been disbursed to member jurisdictions in accord with HB2313. The balance, or 70% of the variance, is recognized within the Regional Revenue Fund. The 70% (Regional Revenue Fund) amount is \$14,948,530
  - b. The variance amount triggers a change in the starting balance for the adopted FY2017 Regional Revenue Fund budget. The revised starting balance changes the policy required amount of the Working Capital Reserve (WCR).
4. **FY2017 Regional Revenue Fund Budget Adjustments:**
  - a. Recognize FY2016 Year End Performance. Increase carryover for FY2016 from \$0 to \$14,948,529.69
  - b. Working Capital Reserve Required Incremental Adjustment. Increase the WCR contribution for FY2017 by \$7,472,264.85 to maintain compliance with the Authority's Debt Policy.

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

**FOR:** Chairman Parrish and Members of the NVTA Finance Committee  
**FROM:** Michael Longhi, Chief Financial Officer  
**DATE:** September 22, 2016  
**SUBJECT:** Legislative Services Contract

---

1. **Purpose:** Proposed Legislative Services Contract for consideration of a recommendation to the Authority for approval.
2. **Suggested Motion:** *I move the Finance Committee recommend to the Authority, approval of the proposed Legislative Service Agreement with McGuireWoods Consulting LLC, subject to satisfactory conclusion of contract terms.*
3. **Background:**
  - a. As part of the FY2017 Operating Budget, the Authority appropriated \$60,000.00 to secure Legislative Services.
  - b. A Request for Proposals (RFP) was issued on August 2, 2016 with a proposal due date of August 23, 2016 at noon.
  - c. Notice of this open procurement was placed on the NVTA website and with the Commonwealth's eVA procurement notice system.
  - d. Thirteen firms expressed an interest in the procurement.
  - e. A non-mandatory pre-proposal conference was held on August 11, 2016.
  - f. Seven firms submitted proposals in response to the RFP.
  - g. Five firms were determined to have submitted responsive and responsible proposals eligible for consideration by the RFP evaluation team.
  - h. The RFP evaluation team consisted of:
    - i. NVTA's Executive Director
    - ii. Prince William County's Legislative and Intergovernmental Affairs Director
    - iii. City of Alexandria's Legislative and Intergovernmental Affairs Director
    - iv. Arlington County's Legislative and Intergovernmental Affairs Director
    - v. Fairfax County, Department of Transportation - Legislative Liaison
    - vi. NVTA's Chief Financial Officer
  - i. The evaluation team also assisted in the development of the Scope of Work and other portions of the RFP.
  - j. Based on an evaluation of the firm's technical proposals the evaluation team determined three firms should move into the oral presentation/best and final offer negotiation stage of the procurement process.

- k. A single firm (McGuireWoods Consulting LLC) was unanimously selected for award of the Legislative Services Contract by the RFP evaluation team.
- l. With the Finance Committee approval, and subject to the satisfactory conclusion of contract terms, the contract with McGuireWoods Consulting LLC will be submitted for Authority approval at their October 2016 meeting.
- m. McGuireWoods Consulting LLC will then start work to support the Authority's 2017 Legislative Program.

**Coordination:**  
Council of Counsels

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

**TO:** Chairman Parrish and Members of the NVTA Finance Committee

**FROM:** Michael Longhi, Chief Financial Officer

**SUBJECT:** Plan of Finance for FY 2017 Project Program

**DATE:** September 22, 2016

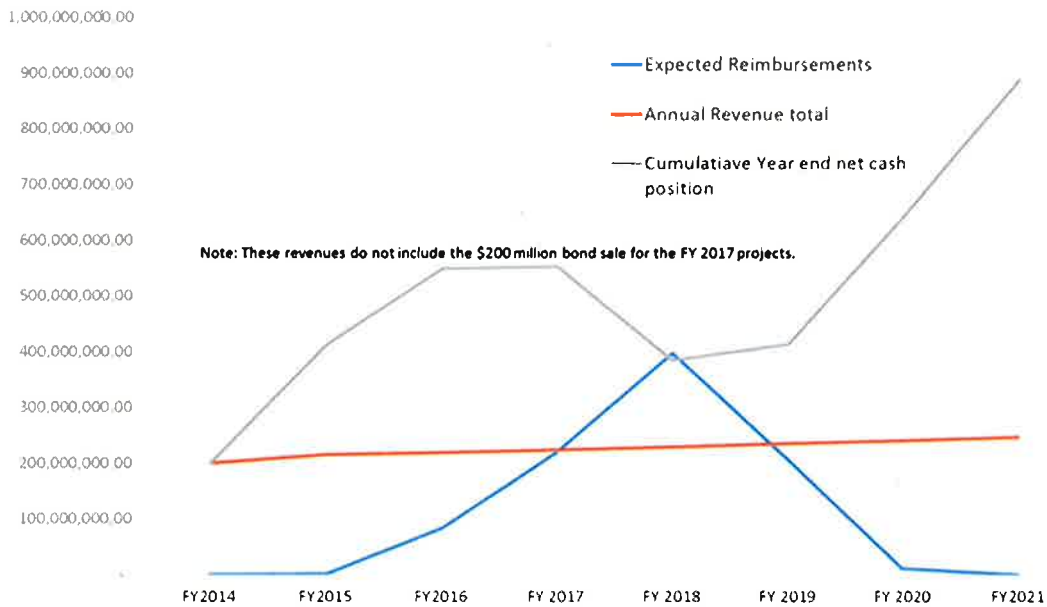
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**1. PURPOSE:** Discussion of Plan of Finance for FY 2017 Project Program.

**2. BACKGROUND:**

- a. The FY2017 Project Program of \$466 million approved by the Authority incorporate funding of approximately \$200 million from bonds.
- b. Using the draft spending plans submitted with some project requests, NVTA staff estimate that bond funds to support the FY2017 Project Program will not be needed until the latter part of FY2018.
- c. Although VDOT has not yet tendered a spending plan for the I-66 project (\$300 million), based on general experience, expenditure timing is currently anticipated to be approximately \$10 million in FY2017, \$190 million in FY2018 and \$100 million in FY2019.
- d. NVTA staff have reviewed the draft cash flow projections of all approved projects and the estimated Regional Revenue Fund revenues of the Authority.
- e. This review has demonstrated that the current and future cash balances of the Authority are, and will remain, very strong. (See chart below.)
- f. Indications from the review of the revenues, project cash flows, and projected cash balances currently point toward the earliest need for the issuance of bonds being late FY2018.
- g. As cash flow data is updated through receipt of Standard Project Agreements (SPA's) for the FY 2017 program and cash flows are updated for the FY2014 through FY2015/16 programs, the convergence point on the graph will more likely move right, to a later point in time.

### NVTA Revenue, Project Expenditures, and Cumulative Balances FY 2014 -FY2021



- h. The final SPA submissions (due by January 2017) will provide better cash flow projections and will become the basis of future recommendations.
- i. Deferring the issuance of bonds into FY2018 or later will create several beneficial effects:
  - i. Elimination of any FY2017 debt service obligations.
  - ii. Significant reduction, or elimination, of debt service in FY2018 of upwards of \$14.7 million.
  - iii. The spend down timing (an IRS imposed requirement) will be deferred until later, making it easier for project sponsors to comply with this regulation.
  - iv. Creating greater flexibility in dealing with the overall funding of the entire set of FY2017 projects.
- j. A review of the final SPAs (by January 2017) will also indicate whether the Authority would be well served to initiate a short term interim financing program to support the project expenditures pending the issuance of \$200 million of long term bonds.
- k. Interim financing options include establishing a line of credit, a short term variable rate note, or using a commercial paper program.
- l. Some reasons to consider interim financing are:
  - i. It would create flexibility for dealing with variations in project scheduling and expenditures.
  - ii. Properly employed, it may lower the overall cost of borrowing.
  - iii. It may defer some debt service expenses.
  - iv. It would ensure the Authority achieves compliance with IRS regulations.

**3. Next Steps:**

- a. Staff will continue to monitor the FY2017 and earlier project spending patterns and projections, while also evaluating available financing options including interim financing and the timing for permanent, fixed rate, tax exempt long term financing.
- b. The Authority's Financial Advisor will be consulted as additional project expenditure cash flow information becomes available.
- c. Further recommendations to the Finance Committee on the timing and any financing options will be made after the FY2017 Project Program SPA's are received and evaluated.

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

**FOR:** Chairman Parrish and Members of the NVTA Finance Committee

**FROM:** Michael Longhi, Chief Financial Officer

**DATE:** Sept 22, 2016

**SUBJECT:** Draft Project Advancement Policy

---

**1. Purpose.** To discuss a draft policy which will determine the process the Authority uses to remove appropriations from projects which are not advancing to completion.

**2. Background.** The Authority assigns funding to a project with the clear expectation of progress as outlined in the Project Description/Scope of Work. Project funding is appropriated at the point that the Authority approves the project. The Standard Project Agreement (SPA) (covered in Policy 12) provides details of expected utilization and timing of the appropriated funds, specifically the cash flow summary included in the SPA - Appendix B.

There are three common indicators that a project ~~previously~~ approved by the Authority has the potential to not advance toward completion. These indicators are present when project(s):

- a. Have not received SPA approval by the Authority within six months of the NVTA project plan adoption.
- b. When there has not been project activation/progression within six months of an executed Standard Project Agreement (SPA). Project activation/progression is documented through monthly updates submitted to NVTA and reported in the Executive Director's monthly report to the Authority.
- c. A project sponsor has not submitted an initial expenditure reimbursement request within 24 months of the project's approval by the NVTA.

If a project sponsor is unable to complete project activation – either due to circumstances within or outside of the sponsor's control – the best interest of the Authority may be served by cancelling the project and the appropriation.

If a project sponsor is unable to achieve one or more of the draft policy three requirements for the project, the project sponsor may request an extension of time. Requests for extension of time must be made to the Executive Director. The Executive Director may request additional information prior to submitting a recommendation to the Finance Committee.

In all cases, agreement will be sought with the implementing jurisdiction or agency. If agreement is not forthcoming, the Executive Director may take a project cancellation recommendation to the Finance Committee prior to referral to the Authority for action.

Expenditure reimbursement requests presented later than then scheduled (as documented in the SPA) results in disruption of the Authority's investment program. Therefore, expenditure reimbursements presented later than they were scheduled in the project SPA - Appendix B may require an additional 45 days for the Authority to process/complete the reimbursement.

Project sponsors are consistently encouraged to keep their SPA-Appendix B's up to date. The process to update an Appendix B with NVTA staff is not complicated or time consuming.

Upon action by the Authority to remove funding, all funds made available from actions taken under this policy will be returned to the Regional Revenue Fund for future allocation by the Authority.

**3. Next steps.** With comments from the Finance Committee, the policy draft will be presented to the following committees:

- Planning and Programming

- Governance and Personnel

- Regional Jurisdiction and Agency Coordinating Committee

- Council of Counsels



**NORTHERN VIRGINIA TRANSPORTATION AUTHORITY**  
**Policy Number XX – Project Activation/Progress**

- I. **Purpose.** The purpose of this policy is to provide a mechanism for the Authority to release appropriations for previously approved projects which are not advancing in accordance with their submitted project description or Standard Project Agreement (SPA). All projects were approved by the Authority, based in part, on project readiness, and how the region would benefit from congestion reduction impacts.
- II. **General.**
- A. This policy will be in effect for all projects approved by the Authority beginning in FY2018 and which are funded through the Regional Revenue Fund
  - B. The following are three specific milestones which the Authority will utilize to assess project progress:
    - a. SPA approval by the Authority within six months of the NVTA project plan adoption.
    - b. Project activation/progression within six months of an executed Standard Project Agreement (SPA). Project activation/progression is documented through monthly updates submitted to NVTA and reported in the Executive Director's monthly report to the Authority.
    - c. A project sponsor's submission of an initial expenditure reimbursement request within 24 months of the project's approval by the NVTA.
  - C. For any project which appears to have missed, or is about to miss, one of these three milestones, the project's sponsor may request an extension of time. Requests for extension of time must be made to the Executive Director.
  - D. The Executive Director may request additional information from the project sponsor prior to submitting an extension request to the Finance Committee.
  - E. In any case of a project's non-performance, agreement will be sought with the implementing jurisdiction or agency. If agreement is not forthcoming, the Executive Director may take a project cancellation recommendation to the Finance Committee prior to referral to the Authority for action.
  - F. Authority approved SPAs reserve and restrict the cash capacity of the NVTA. Expenditure reimbursement requests presented later than they are scheduled (as documented in the SPA) results in disruption of the Authority's investment program. Therefore; expenditure reimbursements presented later than they were scheduled in their project's SPA - Appendix B may require an additional 45 days for the Authority to process/complete the reimbursement.
  - G. Project sponsors are strongly encouraged to keep their SPA - Appendix Bs up to date. Appendix Bs can be updated in accordance with Policy 12.
  - H. All NVTA funds de-appropriated from actions taken under this policy will be returned to the Regional Revenue Fund for future allocation by the Authority.

### **III. Responsibilities.**

#### **A. Project sponsoring jurisdiction or agency primary responsibilities:**

1. Completion of SPAs within six months of project approval by the Authority.
2. Document project activation/progression through monthly updates submitted to NVTA for inclusion in the Executive Director's monthly report to the Authority.
3. Submittal of first drawdown request within two years of the Project's approval/funding appropriation.
4. Continued updates as necessary in the project SPA - Appendix B reimbursement timing/schedule.

#### **B. NVTA Executive Director**

1. Monitor project progress through requests for reimbursements, submission of project activation/progress reports by project sponsors.
2. Include a report of project status in the Executive Director's monthly report to the Authority. Status reports will be consistent with project progress documented by project sponsors unless otherwise noted.
3. Receive notice from project sponsors of possible delays in submitting their first drawdown request or activating/progressing the project by the deadline.
4. If no submittal of either the SPA, or the first drawdown by their respective deadlines, or if no notice of delay is received, request information from project sponsor as to reason.
5. Request additional information, when required to evaluate project sponsor notice of delay, or response to request for information on delay.
6. Accept requests for project cancellation and forward with recommendation to the Finance Committee prior to referral to Authority with recommendation to accept or reject the request.
7. Evaluate requests for extension of time or other accommodation requested by project sponsor.
8. Make recommendation to the Finance Committee on action to be referred to the Authority.

**Approved by Northern Virginia Transportation Authority:**



## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

### MEMORANDUM

**FOR:** Chairman Parrish and Members of the NVTA Finance Committee  
**FROM:** Michael Longhi, Chief Financial Officer  
**DATE:** September 22, 2016  
**SUBJECT:** Monthly Revenue Report

---

1. **Purpose:** Monthly report of revenue receipts and 30% funds distribution to member localities.
2. **Background:** The attached reports reflect funding received or in process through August 2016. August receipts represent FYE June 30, 2016 final accrued revenues.
3. **Comments:**
  - a. **FY 2016 Revenues (Attachment A)**
    - i. The Authority has received or accrued approximately \$317.1 million through the August 2016 transfers from the Commonwealth. These are effectively the unaudited ending revenue numbers for FY2016.
    - ii. Actual to estimate comparison for revenues through June show a 29.2% positive variance in Grantors Tax, a 3.4% positive variance in Sales Tax and a 10.8% positive variance in Transient Occupancy Tax compared to the adopted revenue estimates.
    - iii. This report reflects 12 months of collections (accrual basis) for Sales Tax and Grantors Tax. Transient Occupancy Tax is still in the accrual stages, due to routine differences in the collection cycles.
    - iv. Overall revenue receipts are 7.25% above estimates for FYE June 30, 2016.
  - b. **FY 2016 Distribution to localities (Attachment B)**
    - i. Through the month of August the Authority was still receiving FY2016 Sales Tax and Transient Occupancy Tax revenues.
    - ii. Of the \$314.5 million actually received by the Authority through August for FY2016, approximately \$94.4 million represents 30% local funds. The difference between the \$314.5 million received and the \$317.1 million noted above is the revenue accruals.
    - iii. All \$94.4 million eligible to be distributed has been transferred to the member jurisdictions as of the end of August. As the accrued revenue amounts for FY2016 arrive those funds will be transferred to the appropriate jurisdictions.
  - c. **FY2014 to FY2016 Year over Year Revenue Comparison (Attachment C).**
    - i. This chart reflects a month to month comparison of revenue by tax type and a year to year comparison of total revenues received through August 2016.

**Attachments:**

- A. Revenues Received By Tax Type, Compared to NVTA Estimates, Through August 2016
- B. FY2016 30% Distribution by Jurisdiction, through August 2016
- C. Month to Month Comparison By Tax Type and YTD Receipts for August 2016, 2015 and 2014

# Attachment A

**NORTHERN VIRGINIA TRANSPORTATION AUTHORITY**  
**REVENUES RECEIVED, BY TAX TYPE AND JURISDICTION, COMPARED TO NVTA BUDGET**  
 Based on: Revenue Data Through August 2016  
 FYE June 30, 2016

Grantors Tax		12	Received		NVTA		Projected Variance
			To Date	Annualized	FY 2016 Budget	Annualized - Actual To Budget	
Transaction Months							
City of Alexandria			\$ 3,718,612	\$ 3,718,612	\$ 3,226,950	\$ 491,662	
Arlington County			\$ 5,956,038	\$ 5,956,038	\$ 4,574,287	\$ 1,381,751	
City of Fairfax			\$ 445,454	\$ 445,454	\$ 292,916	\$ 152,538	
Fairfax County			\$ 20,341,934	\$ 20,341,934	\$ 15,169,980	\$ 5,171,954	
City of Falls Church			\$ 265,779	\$ 265,779	\$ 265,235	\$ 544	
Loudoun County			\$ 9,592,727	\$ 9,592,727	\$ 8,635,320	\$ 957,407	
City of Manassas			\$ 560,381	\$ 560,381	\$ 274,904	\$ 285,477	
City of Manassas Park			\$ 156,139	\$ 156,139	\$ 150,781	\$ 5,358	
Prince William County			\$ 7,018,666	\$ 7,018,666	\$ 4,612,105	\$ 2,406,561	
Total Grantors Tax Revenue			\$ 48,055,731	\$ 48,055,731	\$ 37,202,478	\$ 10,853,253	29.17%
Regional Sales Tax							
Transaction Months		12					
City of Alexandria			\$15,153,759	\$ 15,153,759	\$ 15,039,910	\$ 113,849	
Arlington County			\$24,231,454	\$ 24,231,454	\$ 23,984,390	\$ 247,064	
City of Fairfax			\$7,171,835	\$ 7,171,835	\$ 6,626,350	\$ 545,485	
Fairfax County			\$106,366,189	\$ 106,366,189	\$ 103,110,900	\$ 3,255,289	
City of Falls Church			\$2,316,028	\$ 2,316,028	\$ 2,532,963	\$ (216,935)	
Loudoun County			\$44,733,333	\$ 44,733,333	\$ 40,887,720	\$ 3,845,613	
City of Manassas			\$4,865,823	\$ 4,865,823	\$ 4,684,053	\$ 181,770	
City of Manassas Park			\$1,279,082	\$ 1,279,082	\$ 943,681	\$ 335,401	
Prince William County			\$34,445,071	\$ 34,445,071	\$ 34,946,852	\$ (501,781)	
Total Sales Tax Revenue			\$ 240,562,575	\$ 240,562,575	\$ 232,756,819	\$ 7,805,756	3.35%
Transient Occupancy Tax (TOT)							
Transaction Months							
City of Alexandria	Months	12.00	\$ 2,932,880	\$ 2,932,880	\$ 3,397,640	\$ (464,760)	
Arlington County	Months	12.00	\$ 9,645,925	\$ 9,645,925	\$ 8,890,830	\$ 755,095	
City of Fairfax	Quarters	4.00	\$ 349,855	\$ 349,855	\$ 354,803	\$ (4,948)	
Fairfax County *	Quarters	4.00	\$ 10,564,520	\$ 10,564,520	\$ 9,234,774	\$ 1,329,746	
City of Falls Church	Months	12.00	\$ 164,674	\$ 164,674	\$ 145,473	\$ 19,201	
Loudoun County	Quarters	4.00	\$ 3,154,528	\$ 3,154,528	\$ 2,040,200	\$ 1,114,328	
City of Manassas	Months	12.00	\$ 60,411	\$ 60,411	\$ 79,732	\$ (19,321)	
City of Manassas Park	n/a		\$ -	\$ -	\$ -	\$ -	
Prince William County	Quarters	4.00	\$ 1,527,501	\$ 1,527,501	\$ 1,488,946	\$ 38,555	
Total TOT Revenue			28,400,293	28,400,293	\$ 25,632,398	2,767,895	10.80%
Total Revenue Received			\$ 317,018,599	\$ 317,018,599	\$ 295,591,695	\$ 21,426,904	7.25%

\*Fairfax County TOT includes accrual of \$2,622,154.23 which will be received & 30% distributed in Sept 2016

# Attachment B

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY FY 2016 30% DISTRIBUTION BY JURISDICTION

Based on: Receipts through August 2016

Jurisdiction	Grantor's Tax	*Regional Sales Tax (1)	Transient Occupancy Tax (2)	NVTA Fund Interest	Total	30% Funds	NVTA Operational Budget FY2017	Accrued Interest (3)	Prior Distributions	Current Month Distribution	Total Funds Transferred
City of Alexandria	\$ 3,718,611.60	\$ 15,153,759.06	\$ 2,932,880.24	\$ 9,145.38	\$ 21,814,396.28	\$ 6,544,318.88	\$ -	666.24	\$ 6,097,972.91	\$ 447,012.21	\$ 6,544,985.12
Arlington County	\$ 5,956,038.40	\$ 24,231,454.42	\$ 9,645,924.68	\$ 16,535.92	\$ 39,849,953.42	\$ 11,954,986.03	\$ 159,344.00	1,237.30	\$ 10,833,920.50	\$ 962,958.83	\$ 11,796,879.33
City of Fairfax	\$ 445,454.40	\$ 7,171,835.42	\$ 349,854.62	\$ 3,266.03	\$ 7,970,410.47	\$ 2,391,123.14	\$ 15,719.00	285.53	\$ 2,166,271.24	\$ 209,418.43	\$ 2,375,689.67
Fairfax County (4)	\$ 20,341,933.96	\$ 106,366,188.84	\$ 10,564,519.66	\$ 56,801.09	\$ 137,329,443.55	\$ 41,198,833.07	\$ 767,265.00	3,997.45	\$ 36,752,338.89	\$ 3,683,226.64	\$ 40,435,565.53
City of Falls Church	\$ 265,779.35	\$ 2,316,027.89	\$ 164,674.08	\$ 1,161.37	\$ 2,747,642.69	\$ 824,292.81	\$ 9,597.00	95.18	\$ 751,174.56	\$ 63,616.43	\$ 814,790.99
Loudoun County	\$ 9,592,726.59	\$ 44,733,333.29	\$ 3,154,527.56	\$ 23,628.87	\$ 57,504,216.31	\$ 17,251,264.89	\$ -	1,713.19	\$ 15,857,756.96	\$ 1,395,221.12	\$ 17,252,978.08
City of Manassas	\$ 560,381.10	\$ 4,865,822.81	\$ 60,411.34	\$ 2,278.31	\$ 5,488,893.56	\$ 1,646,668.07	\$ -	190.35	\$ 1,507,155.91	\$ 139,702.51	\$ 1,646,858.42
City of Manassas Park	\$ 156,139.00	\$ 1,279,081.60	\$ -	\$ 598.35	\$ 1,435,818.95	\$ 430,745.69	\$ 10,590.00	-	\$ 386,790.12	\$ 33,365.57	\$ 420,155.69
Prince William County	\$ 7,018,666.35	\$ 34,445,071.45	\$ 1,527,501.07	\$ 17,756.36	\$ 43,008,995.23	\$ 12,902,698.57	\$ 301,148.00	1,332.48	\$ 11,550,907.95	\$ 1,051,975.10	\$ 12,602,883.05
<b>Total Revenue</b>	\$ 48,055,730.75	\$ 240,562,574.78	\$ 28,400,293.25	\$ 134,171.68	\$ 317,149,770.46	\$ 95,144,931.15	\$ 1,263,663.00	\$ 9,517.72	\$ 85,904,289.04	\$ 7,986,496.84	\$ 93,890,785.88

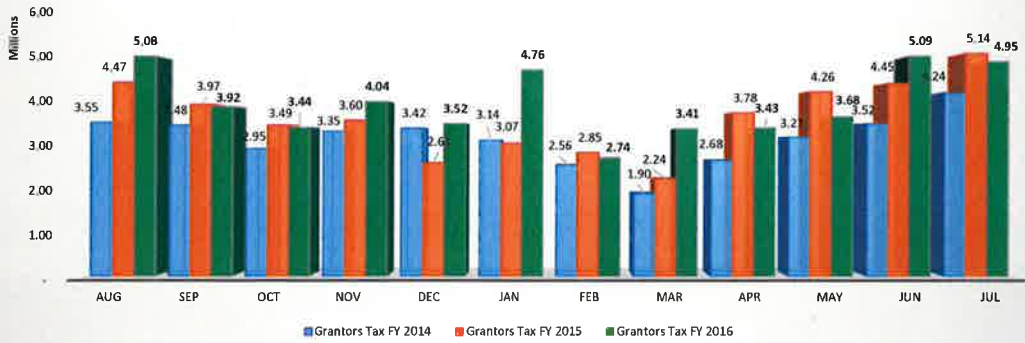
1 Net of Dept. of Taxation Fees

2 County TOT includes any town collections

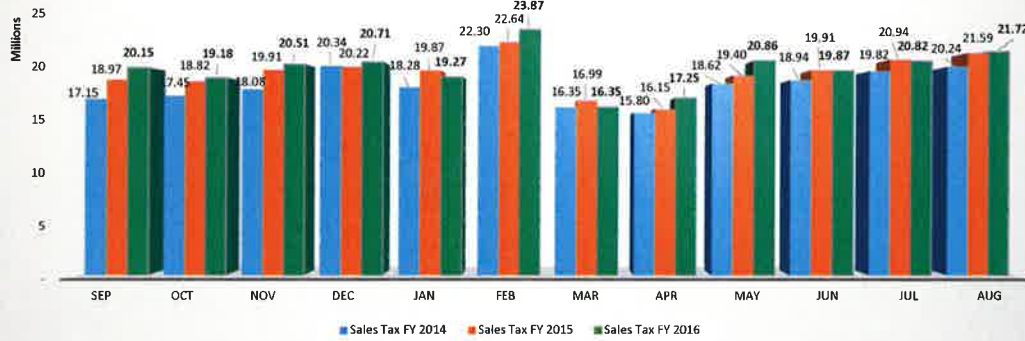
3 Interest earned through 6/30/2016

4 Fairfax County TOT includes accrual of \$2,622,154.23 which will be received & 30% distributed in Sept 2016

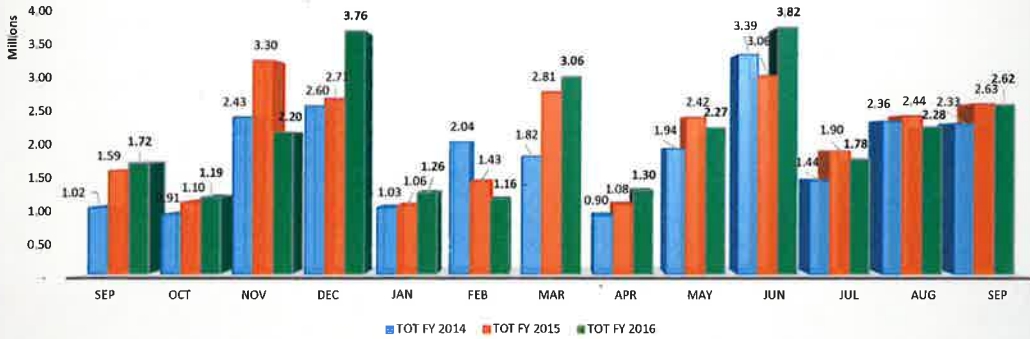
**Grantors Tax  
(month received)**



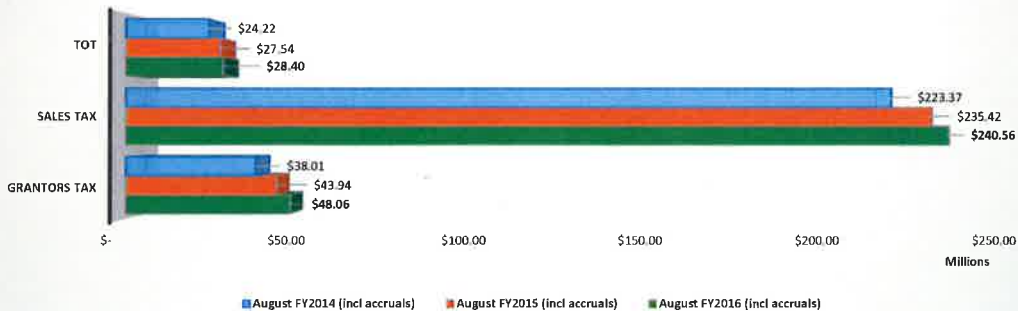
**Sales Tax  
(month received)**



**Transient Occupancy Tax  
(month received)**



**YTD Receipt Comparison August FY2014, FY2015 & FY2016**



## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

**FOR:** Chairman Parrish and Members of the NVTA Finance Committee

**FROM:** Michael Longhi, Chief Financial Officer

**DATE:** September 22, 2016

**SUBJECT:** NVTA Operating Budget

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1. **Purpose:** To update the Finance Committee on the Authority Operating Budget for FY2016.
2. **Background:** The Authority operating budget is funded through the participating jurisdictions. All jurisdictions have contributed their respective share of the FY2016 operating budget. This is the final monthly recap of FY2016 activities.
3. **Comments:** The FY2017 budget was developed with estimates of the ending budget performance from FY2016. The Operating Budget produced the following results:
  - a. Operating revenue is at 100% of estimate.
  - b. On March 10, 2016 the Authority approved a budget adjustment consisting of an expenditure transfer of \$124,700 for Financial Advisor Services, Bond Counsel and Bond Trustee Fees from the Regional Revenue Fund Budget to the Operating Fund Budget.
  - c. As approved by the Authority, the expenditure transfer to the Operating Budget required the use of \$80,850 of excess fund balance rather than being allocated to and paid by member jurisdictions.
  - d. Total expenditures at FYE June 30, 2016, were \$181,687 less than the adjusted budget.
  - e. Carryforward to FY2016 was projected to be \$412,571. Actual carryforward is \$486,800 including the Operating Reserve of \$247, 619.
  - f. The Operating Reserve was not used in FY2016 and rolls forward in total to FY2017.
  - g. The attached statement shows the total operating budget income and expenditure activity for FY2016.

**Attachment:** FY2016 Operating Budget through FYE June 30, 2016



1000 General Fund

Account Object	Description	Current Year				%
		Current Month	Current YTD	Budget	Variance	
<b>Revenue</b>						
330100	Contribution Member Jurisdiction		1,100,262.02	1,100,264.00	-1.98	100
						100
	<b>Total Revenue</b>	0.00	1,100,262.02	1,100,264.00	-1.98	100
<b>Expenses</b>						
410000	<b>Personnel Expenses</b>					
110	Salaries-Regular Pay	14,508.71	693,608.21	678,632.00	-14,976.21	102
130	Health & Dental Benefits		70,925.04	82,752.00	11,826.96	86
131	Payroll Taxes	1,148.79	47,302.74	53,279.00	5,976.26	89
132	Retirement VRS	74.33	48,912.63	50,542.00	1,629.37	97
133	Life Insurance	198.38	8,333.60	8,076.00	-257.60	103
134	Flex Spending/Dependent Care		430.00	478.00	48.00	90
135	Workers Comp		789.00	747.00	-42.00	106
137	Disability Insurance		9,540.93	13,573.00	4,032.07	70
	<b>Total Account</b>	15,930.21	879,842.15	888,079.00	8,236.85	99
420000	<b>Professional Services</b>					
210	Audit & Accounting Services		20,000.00	27,500.00	7,500.00	73
220	Bank Service		134.02	750.00	615.98	18
230	Insurance		3,759.00	3,900.00	141.00	96
240	Payroll Services		1,077.32	1,300.00	222.68	83
250	TransAction Update Outreach		502.13	46,200.00	45,697.87	1
260	Public Outreach		10,549.64	46,300.00	35,750.36	23
261	Legal/Bond Council Services			50,000.00	50,000.00	
262	Financial Services	18,000.00	72,000.00	72,000.00		100
263	Bond Trustee Fees		2,687.50	2,700.00	12.50	100
	<b>Total Account</b>	18,000.00	110,709.61	250,650.00	139,940.39	44
430000	<b>Technology/Communication</b>					
310	Acctg & Financial Report System		4,760.00	12,000.00	7,240.00	40
320	HW SW & Peripheral Purchase		1,585.99	4,000.00	2,414.01	40
330	IT Support Svc Incl Hosting		11,140.93	10,420.00	-720.93	107
340	Phone Service		5,460.05	7,680.00	2,219.95	71
350	Web Develop & Hosting		21,570.00	38,920.00	17,350.00	55
	<b>Total Account</b>		44,516.97	73,020.00	28,503.03	61
440000	<b>Administrative Expenses</b>					
410	Advertisement		911.00	1,500.00	589.00	61
411	Dues & Subscriptions		2,381.25	3,000.00	618.75	79
412	Duplication & Printing	5,000.00	15,336.01	17,000.00	1,663.99	90
413	Furniture & Fixture			1,500.00	1,500.00	
414	Meeting Expenses		2,904.32	3,600.00	695.68	81
415	Mileage/Transportation		4,793.81	7,200.00	2,406.19	67
416	Misc Exp		5,762.57		-5,762.57	

1000 General Fund

Account Object	Description	----- Current Year -----				%
		Current Month	Current YTD	Budget	Variance	
417	Office Lease		103,619.32	93,900.00	-9,719.32	110
418	Office Supplies		2,040.96	10,000.00	7,959.04	20
419	Postage & Delivery		517.96	600.00	82.04	86
420	Professional Develop & Training		4,710.86	9,750.00	5,039.14	48
421	Industry Conferences		3,065.52	3,000.00	-65.52	102
	Total Account	5,000.00	146,043.58	151,050.00	5,006.42	97
	Total Expenses	38,930.21	1,181,112.31	1,362,799.00	181,686.69	87
	Net Income from Operations	-38,930.21	-80,850.29			
Other Expenses						
521000	Transfers					
820	Transfer to Operating Reserve			247,619.00	247,619.00	
	Total Account			247,619.00	247,619.00	
	Total Other Expenses	0.00	0.00	247,619.00	247,619.00	
	Net Income	-38,930.21	-80,850.29			

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

### MEMORANDUM

**TO:** Chairman Parrish and Members of the NVTA Finance Committee

**FROM:** Michael Longhi, Chief Financial Officer

**DATE:** September 22, 2016

**SUBJECT:** Financial Activities Update

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**1. PURPOSE:** Discussion of major activities and initiatives.

**2. DISCUSSION POINTS:**

**a. FY2016 Financial Statement Audit.**

- i. The FY2016 audit is nearing completion. Indications are the Authority will receive an unqualified (clean) audit opinion with no management comments. Audit recommendations are expected to be firm wide recommendations related to upcoming changes in accounting standards.
- ii. The Authority will need to formally accept the audit report. Staff proposes placing the acceptance as an action item on the Authority's October agenda under the conditions the final report is unqualified, free of management comments and includes only routine recommendations.

**b. Investment Program Implementation.**

- i. The Authority approved the addition of an Investment/Debt Manager position in the FY2017 budget. The Authority investment program is being implemented with an initial focus on depository placements such as money fund demand accounts and Certificates of Deposit.
- ii. In accord with the Authority's adopted investment policy, a safekeeping/custody agreement must be in place before the investment program can start to make placements in Treasuries, Agency and Corporate Note type investment instruments.
- iii. We had originally envisioned riding a contract through one of the NVTA member jurisdictions for this service. However, after looking at several contracts with rider options, we are considering that issuing a NVTA Request for Proposals (RFP) for these services may be the best approach. Issuing our own RFP will take 60 to 90 days.
- iv. NVTA recently hosted a meeting of regional investment managers as part of the investment program implementation. Investment managers from Arlington, Fairfax, Loudoun and Prince William counties participated. This meeting allowed the NVTA staff to quickly establish relationships with member jurisdictions.

- v. NVTA is a participant in the VML/VACo Virginia Investment Program (VIP), with the CFO being a member of the program's Board of Trustees.
- vi. NVTA has hosted several VIP investment events with a focus on studying the potential of establishing a daily liquidity fund. The VIP committee undertaking this study is co-chaired by Fairfax County's Investment Manager and NVTA's CFO.
- vii. Investment reports for Finance Committee meetings are in the process of being developed.

**c. Upcoming Activities**

- i. Review of revenue estimates with member jurisdictions and the addition of estimates for FY2024.
- ii. Initial preparation of FY2018 budgets. Staff will seek Finance Committee budget guidance at the October committee meeting.
- iii. Development of a draft set of principles for Finance Committee review to guide future Authority decisions on various financial issues such as project funding cycles, use of debt capacity and reserve amounts. Staff will seek consistency with member jurisdiction best practices when developing draft Finance Principles.