



Northern Virginia Transportation Authority
The Authority for Transportation in Northern Virginia

FINANCE COMMITTEE
Thursday, December 15, 2016 1:00PM
3040 Williams Drive, Suite 200
Fairfax, VA 22031

AGENDA

- I. Call to Order/Welcome** Chairman Parrish
- II. Summary Minutes of the November 17, 2016 Meeting**
Recommended action: Approval [with abstentions from those who were not present]

Action Items

- III. IRS Section 125 Premium Only Plan** Mr. Longhi, CFO
Recommended Action: Recommend Authority Approval of IRS Section 125 Premium Only Plan
- IV. Investment Safekeeping and Custody Service Agreement** Mr. Longhi, CFO
Recommended Action: Recommend Authority Approval of Proposed Investment Safekeeping and Custody Agreement

Information/Discussion Items

- V. FY2018 - Local Distribution Fund Budget** Mr. Longhi, CFO
- VI. FY2018 – Regional Revenue Fund Budget** Mr. Longhi, CFO
- VII. FY2018 – Authority Operating Budget** Ms. Backmon, Executive Director
- VIII. Financial Statement Audit Services** Mr. Longhi, CFO
- IX. Call/Defeasance Options for Series 2014 Bonds** Mr. Longhi, CFO
- X. NVTA Monthly Revenue Report** Mr. Longhi, CFO
- XI. NVTA Operating Budget Report** Mr. Longhi, CFO

Adjournment

- XII. Adjournment**

Next Meeting: January 19, 2017 at 1:00PM
3040 Williams Drive, Suite 200, Fairfax, Virginia



Northern Virginia Transportation Authority

The Authority for Transportation in Northern Virginia

FINANCE COMMITTEE

Thursday, November 17, 2016 1:00PM

3040 Williams Drive, Suite 200

Fairfax, VA 22031

MEETING SUMMARY

I. Call to Order/Welcome

Chairman Parrish

- Chair Parrish called the meeting to order at 1:01pm.
- Attendees:
 - ✓ Members: Chairman Parrish; Chair Randall; Mayor Silberberg (arrived 1:11pm); Council Member Rishell.
 - ✓ Staff: Monica Backmon (Executive Director); Michael Longhi (CFO); Carl Hampton (Investment & Debt Manager); Peggy Teal (Assistant Finance Officer).
 - ✓ Council of Counsels: Ellen Posner (Fairfax County); Rob Dickerson (Prince William).
 - ✓ Other Attendees: Noelle Dominguez (Fairfax County); Penny Newquist (Loudoun); Sarah Crawford (Arlington); Pierre Holloman (Alexandria); Melvin Waldrop (PFM).

II. Summary Minutes of the September 22, 2016 Meeting

- Council Member Rishell moved approval of the minutes of September 22, 2016; seconded by Chair Randall. Motion carried unanimously.

Action Items

III. TransAction Update (RFP 2015-01) Contract Change Order

Ms. Backmon, Executive Director

- Ms. Backmon briefed the Committee on the TransAction Update Contract Change Order, highlighting:
 - ✓ HB2313 requires projects funded with 70% Regional Revenues be in TransAction, or subsequent updates.
 - ✓ TransAction is undergoing the first update since HB2313 in 2013.
 - ✓ One year into update of TransAction.
 - ✓ Projects funded with 70% Regional Revenues also need to be evaluated under the HB599 process.
 - ✓ HB599 process for the three previous funding programs has been undertaken by the Virginia Department of Transportation (VDOT), separately from the NVTA evaluation process.
 - ✓ HB599 requires that VDOT evaluate a minimum of 25 projects every four years.

- ✓ VDOT has indicated they consider HB599 an unfunded mandate and the next HB599 evaluation is anticipated to be four years from now.
- ✓ Only projects that are in TransAction and evaluated by HB599 can be considered for HB2313 funding.
- Ms. Backmon stated that through discussions with VDOT and the Commonwealth, the Commonwealth has agreed to fund the HB599 incorporation into the current TransAction update. She noted that the TransAction proposed methodology for HB599 is very similar to the methodology that VDOT used. VDOT has approved the methodology and will still need to certify that the evaluation was done in accordance with HB599 and its criteria.
- Ms. Backmon noted that by incorporating HB599 into TransAction, the projects that are adopted as part of TransAction will be the universe of funding projects until the next update. She added that this means all projects will have been evaluated by HB599 and there will not be a limit of 25 projects. Ms. Backmon stated that this is critical to the development of a Six Year Program. She added that Delegate LeMunyon, as the patron of HB599, has been briefed on this plan and he is supportive.
- Ms. Backmon added that the HB599 legislation calls for the process to be completed in coordination with the Authority and the Virginia Department of Rail and Public Transportation (DRPT). She noted the legislation also states that VDOT can use the modeling of a consultant or the Authority.
- Chairman Parrish stated that working together makes good sense for both VDOT and the NVTA. Ms. Backmon confirmed this, adding that VDOT can evaluate projects that are not in TransAction as part of HB599. She noted that VDOT can fund projects without evaluating them as part of HB599, however, the Authority cannot fund projects without the HB599 evaluation. She suggested this could severely restrict the Authority in its planning and programming.
- A question was raised as to why HB599 is considered an unfunded mandate by VDOT. Ms. Backmon clarified that funding was not assigned to the process when the legislation was passed. VDOT had to find monies, partially using federal funds, to complete the evaluations conducted so far.
- A question was raised as to whether it was this financial reason that this was not considered and inserted in the TransAction contract in July 2015. Ms. Backmon noted that HB599 was adopted a year before HB2313. She stated that when the TransAction contract was awarded in 2015, we were still working out the nuances of incorporating this process, as the legislation states that VDOT must perform this evaluation. Mr. Longhi added that waiting for these negotiations to be completed prior to awarding the TransAction contract might have delayed the process by a year and a half. He noted that at the time, we were hopeful that we would ultimately be able to include the HB599 process in TransAction, but we didn't want to delay the start of the TransAction update.
- Clarification was requested, noting that the Commonwealth has agreed to fund HB599 evaluation in TransAction, as to what the functional difference is between the HB2313 and HB599 evaluations. Ms. Backmon responded that HB2313 is a revenue source, and as part of that revenue source, it identifies some key things the Authority must do in order to be eligible to apply these revenues to projects. She clarified that these requirements include project inclusion in TransAction and evaluation through the HB599 process. She stated that HB599 is a technical evaluation and analysis which had no project funding source attached to it.

- Clarification was requested as to whether the Commonwealth has now agreed to fund the technical analysis required in HB599. Ms. Backmon clarified that the Commonwealth had surplus funds from those planned for the FY2015-16 HB599 analysis. She stated that this is the source of funds to be used to incorporate HB599 into TransAction. Ms. Backmon added that VDOT will review the analysis specific to HB599 prior to providing the funds, therefore, this will be a reimbursement, provided the analysis is done according to the legislation.
- In response to the question regarding whether projects for the Six Year Program would be considered every two years, Ms. Backmon stated that this is what is proposed in order to achieve synergy with the Commonwealth's Six Year Plan.
- Clarification was requested as to why the Commonwealth would fund the HB599 process again in two years, if it is only mandated every four years. Ms. Backmon responded that we are not sure they will. She added that at this point, we are just working to incorporate HB599 into TransAction, which is regarded as a five year plan. She noted that there is an out year the way the legislation is currently written, stating the HB599 process must be done every four years at a minimum. Ms. Backmon noted that ultimately, HB599 needs to be done in a cycle compatible with when the Authority needs HB599. She added that this has been discussed with Delegate LeMunyon. Ms. Backmon clarified that if HB599 is incorporated into TransAction, then next time it will be needed is for the next TransAction update.
- Ms. Backmon stated that VDOT will need to certify each HB599 analysis.
- Chairman Parrish stated that this may ultimately be a more efficient way to accomplish this process, with VDOT and the NVTA working together. Ms. Backmon confirmed this is our intent and suggested it was the original intent of the legislation as well.
- Council Member Rishell moved the Finance Committee recommend Authority approval of the TransAction Update Contract – Amendment 1 (RFP2015-01), subject to approval of the Receipt of Funding; seconded by Chair Randall.

(Mayor Silberberg departed.)

- In response to a further question regarding the Commonwealth's funding source for this amendment, Ms. Backmon responded that this was originally a State Research Planning (SPR) grant. She noted this was a federal grant, and there was a desire not to federalize the HB599 process, therefore, the Secretary's Office suggested the federal monies could be traded for state monies from the Office of Intermodal Planning. Chairman Parrish stated that the Commonwealth moved money around in the state budget to compensate for this. Mr. Longhi added that the NVTA is accepting state money, not federal money. Ms. Backmon stated that all these tasks are specifically related to incorporating HB599 into TransAction.
- Motioned carried unanimously.

(Mayor Silberberg returned.)

IV. Receipt of Funding – TransAction Contract Change Order

Ms. Backmon, Executive Director

- Chair Randall moved the Finance Committee recommend Authority approval of the acceptance of up to \$600,000 from the Commonwealth of Virginia for the purpose of incorporating the HB599 project evaluation process into the current TransAction Update; seconded by Council Member Rishell. Motion carried unanimously.

Information/Discussion Items

VI. Update – Acquisition of Investment Safekeeping and Custody Services

Mr. Longhi, CFO

- Mr. Longhi updated the Committee on the acquisition of Investment Safekeeping and Custody Services. He noted this was a component of the FY2017 Budget. Mr. Longhi reviewed the purpose of a Custody Service firm and stated that these services are required by State Code. He added that the Authority’s investments will be approximately \$600 million at peak. Mr. Longhi highlighted recent developments:
 - ✓ NVTA staff consulted with member jurisdictions with large active investment programs with intent to “ride” one of their contracts. It was determined the best course of action was to issue an NVTA RFP for this service.
 - ✓ Issued RFP for custody service.
 - ✓ Established an evaluation committee comprised of investment professionals from Fairfax and Loudoun Counties, and NVTA staff.
 - ✓ Six responses were received and evaluated by the committee.
 - ✓ Three firms were chosen with which to enter negotiations.
 - ✓ Initial negotiations resulted in cost reductions of approximately \$100,000.
 - ✓ Evaluation committee participated in and concluded best and final negotiations which have resulted in significant reductions to proposed fees.
- Mr. Longhi reviewed next steps:
 - ✓ One reason fees are potentially so high is that due to the artificial compression of interest rates due to Federal interest rate policy.
 - ✓ Banks and financial service firms are moving away from interest based earnings and moving to fees for services.
 - ✓ Projected size of investment portfolio has increased from initial estimates due to projected future project reimbursements.
 - ✓ Investment earnings for FY2017 are budgeted at \$1.9 million. With the Investment & Debt Manager position, this estimate was increased to \$3.5 million and now we are comfortable projecting an increase to \$4.5 million.
 - ✓ Contract preparation is underway, therefore final contract fees have not been negotiated. The anticipated fees are currently \$25,000.
- Mr. Longhi concluded that the negotiations were substantial and this is very aggressive pricing.
- Mr. Longhi stated that as these fees are not budgeted in the FY2017 Budget. NVTA staff will make a recommendation to the Committee in December to use budgeted Bond Council Fees that that will not be used in the near future to fund the Custody Services contract for the remainder of FY2017. This will be approximately \$12,500 for FY2017, with a budget recommendation in the FY2018 Budget for approximately \$25,000.

- In response to a question about additional revenue to offset the expense, Mr. Longhi stated that we are projecting an additional \$1 million in revenue, based on current investment methodology. He added this projection could be much higher when we start investing in the types of investments for which Custody Services are needed.

V. FY2018 Budget Guidance (Discussion)

Mr. Longhi, CFO

- Mr. Longhi briefed the Committee on the FY2018 Budget Guidance discussion points. He reviewed points in the Operating Budget:
 - ✓ Communication/Public Outreach options. Discussed as part of FY2017 Budget, but tabled in favor of Legislative Services. Recognition that the Authority needs to ‘control its own message’ as stated by Authority Members. Currently this work is accomplished through existing staff, primarily Administrative Assistant/Clerk and significant time from the Executive Director and Chief Financial Officer. Mr. Longhi noted that in some weeks 30% of his time is spent on communications versus financial efforts. Examples of various tasks and needs were reviewed. As presented the budget proposal allows flexibility to hire part-time staff or use contract services, for which the estimated costs are only \$2,000 apart. Staff requested to present the budget request in a manner which will allow the Executive Director the latitude to search for an individual and then move to contract services if a qualified individual cannot be found. There was discussion that ultimately a need for a full-time person may develop. Committee recommended moving forward with this budget initiative.
 - ✓ Multimodal Transportation Trends in Northern Virginia. Proposed as a supplement to the Authority’s Annual Report. Most of expense will be to contract for graphic design support. Goal of product is to establish and publish a baseline and track the impact of Authority funding and projects to the region. This will be an analytical report to show the impact of transportation improvements and to continue on the work being done through TransAction. It will be an annual report, starting next year. Committee recommended moving forward with this budget initiative.
 - ✓ Custody/Safekeeping Services. Reviewed previously with some further discussion. Committee recommended moving forward with this budget initiative.
 - ✓ Portfolio Tracking Software. For portfolios of over \$500,000,000 accounting, reporting and transparency standards are necessary to show investments. This software is necessary for this and helps ensure compliance with the NVTA Investment Policy, State Code, accounting standards and audit standards. Software will not require hardware purchases. Committee recommended moving forward with this budget initiative.
 - ✓ Planning Technology. Based on data being gathered as part of TransAction, NVTA staff are developing a technology plan to start doing our own mapping, modeling and analysis. NVTA members have expressed an interest in having additional maps showing NVTA project impacts. We are currently using Fairfax County to support this need. NVTA staff have the expertise to support the use of this technology. Opportunities to share resources with NVRC are being reviewed. Expense is both capital and operating. A multi-year technology plan is being developed to implement the regional planning functions of the NVTA. Future years will include more

planning and analysis functions. Committee recommended moving forward with this budget initiative.

- ✓ Internship Program. Based on the reception given to presentations made by Mr. Jasper at George Mason University (GMU), there is a significant amount of interest in regional planning by local university students. Paid internships are considered to draw top talent. Dr. Zhu, NVTA TAC member, is a professor at GMU and is advising NVTA staff on this initiative. Dr. Zhu is also helping Mr. Jasper look into the Federal Work Study Program which may significantly or completely fund this program. There was a brief discussion regarding the benefits and challenges of interns and the NVTA's role as a model transportation organization. NVTA staff would ensure any internship program benefits both the Authority and the student. Committee requested more information while recommending moving forward with this budget initiative.
- ✓ Increases Not Itemized – Mr. Longhi discussed base budget increases which were not itemized. These increases include compensation increases consistent with member jurisdiction and agency budgets. Other increases include inflationary, contract and technology escalations. Additionally, Mr. Longhi requested having a statement in the operating budget that the retirement plan will be full funded. Since this direction has not been specifically provided in the past when the General Assembly offers Virginia Retirement System (VRS) participants the opportunity to not fully fund their plans the question must be formally presented to the Authority. The Committee affirmed the continued full funding of the retirement plan and directed staff to proceed with the development of base budget changes.
- Mr. Longhi stated that the Regional Revenue Fund Budget will be developed using prior Finance Committee guidance. He noted that this budget projects the amount of FY2018 PayGo funds. Mr. Longhi stated that with the potential funding withdraw from the FY2017 Program of the I-66/Route 28 Interchange Project, there will be \$100 million returning to the Regional Revenue Fund. NVTA staff and the NVTA Financial Advisors are examining options to use these funds to off-set expenses of the Series 2014 Bonds. It is anticipated that the options that could benefit the Authority will be presented to the Committee in December. It was clarified that the option to use the \$100 million to fund additional projects is also part of the analysis.
- Mr. Longhi stated that the Local Distribution Fund Budget will be developed using the usual processes. Noting that the prior direction of the Finance Committee to include budget language which will permit timely distributions from the Local Distribution Fund as revenues are actually received from the Commonwealth. This language allows the fund distribution to continue even though the Local Distribution Fund revenues will vary from the presented estimate.
- Mr. Longhi summarized that the Operating Budget new initiative costs are estimated to total \$149,000-\$164,000. The Committee recommended moving forward with all new initiatives.

VII. NVTA Monthly Revenue Report

Mr. Longhi, CFO

- Mr. Longhi reported that NVTA revenue is currently coming in at 1.5% above estimates and no changes to the revenue estimates are anticipated at this time.

VIII. NVTA Operating Budget Report

Mr. Longhi, CFO

- Mr. Longhi reported that we are 33% into FY2017 and have used 29% of the Operating Budget.

Adjournment

IX. Adjournment

- Meeting adjourned at 2:03pm.

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NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

FOR: Chairman Parrish and Members of the NVRTA Finance Committee
FROM: Michael Longhi, Chief Financial Officer
DATE: December 15, 2016
SUBJECT: IRS Section 125 Premium Only Plan

1. **Purpose:** Presentation of proposed IRS Section 125 Premium Only Plan. This plan permits the Authority to treat certain employee contributions for health and life insurance costs on a pre-tax basis. This treatment reduces the income tax obligations of the Authority and its employees.
2. **Suggested Motion:** *I move the Finance Committee recommend Authority approval of the ADP Premium Only Plan IRS Section 125 Compliance Service with resolution and authorize the Chief Financial Officer to sign related service documents.*
3. **Background:**
 - a. The Internal Revenue Service in IRS Section 125 permits the treatment of employee costs for health and life insurance on a pretax basis if a Premium Only Plan is in place and certain record keeping and verification processes are established and followed.
 - b. Authority Life and Health Insurance benefits were established with the understanding that staff would be covered under the Commonwealth's Premium Only Plan. Recent conversations with the Commonwealth indicate it is more prudent for the Authority to establish its own plan.
 - c. The Authority uses ADP as a payroll service provider. The ADP services cover all other aspects of current payroll processing, direct deposit, employee deductions as well as Federal and State income tax preparations and payments.
 - d. ADP offers a service for compliance with IRS Section 125 related to Premium Only Plans for an annual cost of \$350.00.
 - e. Use of the Premium Only Plan Service will allow health and life insurance to continue to be treated on a pretax basis.
 - f. The estimated cost of Authority staff resources which would be needed to develop and maintain a plan greatly exceed the \$350 annual fee charged by ADP.
4. **Next Steps** - With Finance Committee approval, the proposed use of the ADP Premium Only Plan Service Agreement will be submitted for Authority approval at the Authority's January 2017 meeting.

Attachments: ADP – Premium Only Plan (POP) Service Agreement and Resolution

PREMIUM ONLY PLAN (POP) SERVICE AGREEMENT DESCRIPTION OF SERVICES

For the initial fee and annual administrative fee set forth in Section I of this Premium Only Plan Service Agreement, ADP will provide Services to assist the Client in establishing and maintaining Client's Plan as follows: If Client is an ADP Payroll client, Client will receive Services applicable to ADP Payroll Clients as specified below but subject to the last sentence of this paragraph hereof. If Client is not an ADP Payroll client at the time the ADP POP is established or ceases to be an ADP Payroll client at any time thereafter, the Services provided to the Plan will be, as of the effective date of the payroll change, only those Services provided by ADP to Standalone Payroll Clients. Only ADP Payroll Clients listed in the Client Training and Procedure Document receive compliance testing services and clients that have migrated from the Easy Pay to the Run ADP Payroll product will receive compliance testing services not earlier than the first day of the plan year beginning after January 1, 2014 or such other later date that is administratively feasible.

a. Plan Establishment

- Plan document (including Plan Highlights reflecting specific Plan terms elected by Client).
- Forms of Resolution and Record of Adoption for Client's use in adopting the Plan.
- *[ADP Payroll Client Only]* Plan-level setup with ADP Payroll to enable Client to enter participant-level payroll deductions and compliance coding.

b. Employee Orientation and Enrollment Support

- Initial Enrollment - ADP will provide the following materials to support the initial enrollment of eligible employees in the Plan by Client:
 - Plan Summary and Benefits Calculator to explain the Plan to employees.
 - Plan enrollment/salary reduction agreement forms for execution by eligible employees.
- Annual Open Enrollment - ADP will provide Plan enrollment/salary reduction/waiver form to the Client for execution by eligible employees.

c. Reporting Support

- *[ADP Payroll Client Only]* Provide information to assist Client in preparing Form 5500 annual report (if any).

d. Compliance Testing Services and Support

- (i) ADP will provide compliance testing services, subject to (d)(ii) and (iii) below, or compliance testing support in the form of worksheets to assist Client in conducting compliance testing as required under Code Section 125:
 - "Nondiscriminatory Classification Test – Eligibility" that tests for any discrimination in favor of highly compensated individuals as to eligibility to participate in the Plan *[Testing service provided to ADP Payroll Clients subject to the first paragraph above][Worksheets provided to all other Clients]*
 - "Concentration Test" that tests for discrimination in favor of key employees as to benefits funded through the Plan *[Testing service provided to ADP Payroll Clients subject to the first paragraph above][Worksheets provided to all other Clients]*
 - "Nondiscriminatory Classification – Contributions and Benefits Tests" that tests for discrimination in favor of highly compensated participants as to contributions and benefits *[Worksheets provided to all Clients]*

Note: If you are uncertain of your status as an ADP Payroll Client with regard to the POP, please contact the POP Client Service team.

- (ii) ADP will perform the compliance tests as set forth above as outlined in the Client Training and Procedures Document, as amended and supplemented from time to time (hereinafter, "Procedures Document") provided to the Client if the requisite data is supplied to ADP in a complete and timely manner. Client acknowledges that ADP may, in its discretion, elect to perform these compliance tests on the basis of certain assumptions expressly set forth in Procedures Document provided to the Client in the event that the Client fails to provide the requisite data on a complete and timely basis. Client further acknowledges that ADP is entitled to rely on the accuracy of data supplied by the Client.
- (iii) In accordance with Section III(f) of this Agreement, Client acknowledges that it is obligated to determine whether Client is a member of a controlled group under Code Sections 414(b) and 414(c) or a member of an affiliated service group under Code Section 414(m) and to notify ADP of same, that ADP is entitled to rely upon Client's certification in this regard, and that ADP is further entitled to rely upon the payroll and participant coding entered by Client in performing compliance testing (if applicable). If Client is a member of a controlled group or affiliated service group, Client acknowledges that ADP will be able to provide compliance testing services only if all members of the Client's controlled group or affiliated service group are payroll clients of ADP, are on the same ADP payroll service product, processed within the same ADP payroll region, and Client has properly coded its payroll and participant data in accordance with ADP Procedures Document.

e. Plan Amendment Support

Upon notice by Client of intention to amend the Plan, ADP will provide:

- Revised Plan Highlights.
- Forms of Resolution of Amendment for execution.
- Implementation of Client's amendment to add and/or eliminate pre-tax benefit(s).

f. Dedicated Client Services Assistance

- Dedicated Premium Only Plan Service Team with toll-free access.

ADP Premium Only Plan (POP) – Plan Information Form



(check here if Plan is an existing plan that is converting to an ADP POP at this time)

1. Legal Name of Company Sponsoring Plan: Northern Virginia Transportation Authority

2. Business Entity Type: C Corporation, Sole Proprietorship, Partnership, S Corporation*, Limited Liability Co. (LC & LLC), Not-For-Profit

* Note: IRS Regulations prohibit a sole proprietor, partner, members of an LLC (In most cases), or individuals owning more than 2% (or treated as owning more than 2% under stock attribution rules) of an S corporation from participating in the Premium Only Plan. Other employees, however, may participate.

3. Federal/Employer Identification Number (Must be 9 digits): 9000348182
This is the Sponsor's employer identification number for federal tax filing purposes.

4. ADP Parent Code: Additional Codes:

5. Contact Person: (Primary): Peggy Teal Title: Assistant Finance Officer
(Secondary): Michael Longhi Title: Chief Financial Officer

6. Street Address: 3040 Williams Drive Suite 200
City, State, Zip: Fairfax, VA 22031

7. Phone (Primary): 703-642-4654 Fax: E-Mail: peggy.teal@thenovaaauthority.org
(Secondary): 703-642-4653 Fax: E-Mail: michael.longhi@thenovaaauthority.org

8. Premium Only Plan Effective Date: Enter the first day of the month in which participants will be permitted to make salary reduction elections under the Plan. If this is an amendment and restatement of an existing plan, enter the date of the amendment and restatement and also enter the plan's original effective date.
a. A new plan effective as of the first day of (MM/DD/YY) 1/1/2017
b. An amendment and restatement of an existing Section 125 plan effective as of the first day of (MM/DD/YY)
State the original effective date of the plan

9. Plan Year: The plan year for this POP Plan will end on 12/31/2017 (must be the last day of a calendar month). The Plan Year is a 12-consecutive month period that determines, among other things, the 12-month period over which testing must be performed and when open enrollment for the POP will occur. It is recommended that the Sponsor select a Plan Year matching the contract year of the Benefits funded by the POP in order to coordinate open enrollment periods.

10. Plan Number: (3 digit number) – A 3-digit plan number assigned by the plan sponsor that begins with "5" (for example 501). For a new plan, the Sponsor assign the next available number in sequence based on numbers currently assigned to its welfare plans (sponsors should never reuse a number previously assigned to another plan).

11. Benefits – The benefits selected below shall be funded through the POP:
Health Insurance, Dental Insurance, Group Term Life Insurance *, Disability Insurance**, Vision Care Insurance, Accidental Death/Dismemberment Insurance

* Premiums for Group Term Life coverage are paid through POP on a pre-tax basis up to \$50,000; the cost of coverage in excess of \$50,000 will be included in participants' taxable income as imputed income as required by law. Dependent group term life insurance premiums cannot be funded through POP if also eligible for exclusion as a de minimis fringe benefit; in this case, dependent group term life may only be offered outside POP on an after-tax basis.

** If disability insurance is paid for on a pre-tax basis, any benefits received are taxable to the employee. Under most circumstances, it is recommended that disability insurance not be included in the POP.

Note: Insurance products with return-of-premium or benefit-building features cannot be paid for on a pre-tax basis.

12. Plan Name: Northern Virginia Transportation Authority Premium Only Plan
(e.g., Acme Company Premium Only Plan) (70 characters maximum)

13. Name of Plan Administrator (please print): Northern Virginia Transportation Authority
The POP document provides that the Sponsor is the Plan Administrator unless the Sponsor designates another person or entity as Plan Administrator.

14. Controlled Group (Check appropriate box and place initials next to each client certification that is checked. General information intended to assist the Client in determining whether its business may be part of a controlled group or affiliated service group is available upon request):

ALL CLIENTS: After examining the ownership and/or service relationships applicable to our business, I certify that our business (check one):

- IS NOT in a controlled group with any other business **AND** IS NOT in an affiliated service group with any other business, as described in IRS regulations. **Please Initial Here** _____
- IS in a controlled group with one or more other business(es) **AND/OR** IS in an affiliated service group with one or more other business(es) as described in IRS regulations. **Please Initial Here** _____
 - If I have concluded that our business IS in a controlled group or affiliated service group, all members of that controlled group or affiliated service group, as applicable, are ADP Payroll clients on the same ADP Payroll product, and within the same ADP Payroll region. **Please Initial Here** _____
 - If I have concluded that our business IS in a controlled group or affiliated service group, all members of that controlled group or affiliated service group, as applicable, are not on the same ADP payroll product, are not within the same ADP payroll region or are not ADP Payroll clients. I acknowledge that I will not be able to rely upon the compliance testing performed by ADP Premium Only Plan in this situation.

Please Initial Here _____

I further acknowledge that (I) any general information ADP may provide regarding controlled groups and affiliated service groups is not a comprehensive description of the controlled group or affiliated service group rules (which are complex), (II) any such information described in clause (I) is not offered or intended by ADP as tax or legal advice and (III) ADP has no responsibility or obligation to determine if our business is or is not part of a controlled group or affiliated service group. If the plan is inadvertently offered to an entity that is not a member of a controlled group or affiliated service group, our company will take timely action to remove such non-member from the plan. I further acknowledge that it is our company's responsibility to periodically review the controlled group/affiliated service group status of our business and to take appropriate and timely action with regard to the nondiscrimination tests applicable to our Premium Only Plan so as to ensure the Plan's continued compliance with applicable provisions of the Code.

Please Initial Here _____

The following are the members of my controlled group or affiliated service group (if additional space is needed, this page may be photocopied and attached):

Provide legal names of affiliated entities	ADP Code(s)	Same ADP Payroll Region (Y/N)?	Same ADP Payroll Product? (Y/N)	Participating in the Premium Only Plan (Y/N)?

15. ADP Premium Only Plan (POP) – Additional Information

- a. **Eligibility Requirements** (Enter the number of "Months of Service", "Other" or "Hours per week" below to specify any minimum service and/or employment requirements that must be met before an employee may participate in the Premium Only Plan, subject to the following limitations: (1) the Client may not impose a waiting period of longer than one year (12 months) except that a shorter waiting period must be applied if the POP includes group health plan coverage. Under the Affordable Care Act, group health plans generally may not impose a waiting period of longer than 90 days for plan years beginning on or after January 1, 2014. Since eligibility periods for all coverages underlying the POP must be the same, you will need to limit the waiting period under any POP that includes a group health plan coverage to a maximum period permitted under applicable IRS waiting period guidance (Treas. Reg. § 54.9815-2708); and (2) the Client may not impose different employment requirements for different employee groups (e.g. the Client may not provide for immediate eligibility for one group of employees and require another group to work 6 months before becoming eligible for the Plan). Note: Failure to adhere to these restrictions may leave Client unable to rely on the Nondiscriminatory Classification – Eligibility Test. Use "Other" to specify a non-waiting period eligibility requirement (e.g., an employee classification requirement). However, use "Hours per Week" to exclude part-time employees as a class. Note: Exclusion of part-time employees may affect the Sponsor's ability to pass the Nondiscriminatory Classification – Eligibility Test. Please refer to ADP Premium Only Plan Client Training and Procedure Document for further information.

Months of Service: Benefits are effective the month following new employee's hire date _____
If the Plan will require employees to work a number of months (measured from date of hire) before becoming eligible to make salary reduction contributions under the Plan, specify the number of months (**not to exceed 12 months except POP plans that include group health plan coverage**, effective for plan years beginning on or after January 1, 2014, the maximum waiting period may not exceed 90 days)

Other: _____
If the Plan will impose a different employment requirement (for example, 31 days of employment) or no employment requirement at all (i.e., immediate Eligibility upon hire), indicate this here (**not to exceed 12 months except POP plans that include group health plan coverage**, effective for plan years beginning on or after January 1, 2014, the maximum waiting period may not exceed 90 days)

Hours per week: _____
If the Plan will exclude employees scheduled to work less than a certain numbers of hours per week (e.g. Part-time employees), indicate this here.

b. Participation Date: (Select the date that employees who meet the above eligibility requirements shall become Participants in the Plan): Note: The participation date should always coincide with the date as of which a participant's underlying benefit coverage will begin to be funded on a pre-tax basis by the Premium Only Plan.

Immediately upon satisfying the Plan's eligibility requirements (recommended if coverage includes a group health plan with a 90 day waiting period)

The first day of the month after the Plan's eligibility requirements have been satisfied.

Other (specify – must be prospective) _____

c. Agent for Service of Legal Process (may be the same as Plan Sponsor):

Name: _____ Phone Number: _____

Address: _____
Street City State Zip

16. **Acknowledgement.** Client hereby certifies that the information provided above is true and correct. I understand that I or another representative of my business will need to contact ADP Retirement Services if any of the information contained herein changes at a future date. Client acknowledges that it will not be able to rely on any nondiscrimination compliance testing provided by ADP if the Plan or participant information is not up to date as of the test date. Client acknowledges ADP is not a law or accounting firm and may not provide legal or tax advice. Questions on legal and tax issues including, but not limited to, taxability of benefits should be referred to Client's legal counsel and/or tax advisor.

Client Signature: _____ Date: _____

Print Name: _____

Title: _____



Premium Only Plan (POP) - Service Agreement

Parent Company Code	Processing Region	Salesperson Name	DM Code	County

This SERVICE AGREEMENT (the "Agreement") dated _____, between Northern Virginia Transportation Authority with offices at 3040 Williams Dr Suite 200, Fairfax VA 22031 ("Client") and ADP, LLC ("ADP") with its principal offices located at One ADP Boulevard, Roseland, New Jersey 07068, sets forth an agreement between Client and ADP by which ADP will provide administrative services (the "Services") as described herein to Client in connection with Client's sponsorship of a premium only plan under Section 125 of the Internal Revenue Code of 1986, as amended (the "Code") in the form of the ADP Premium Only Plan (the "Plan"). Any Service that ADP agrees to provide with respect to the Plan, whether or not specifically described herein, is subject to the terms of this Agreement. Client and ADP agree as follows:

I. Services and Fees/Bank Information

For an initial fee of \$ Waived and an annual administrative services fee of \$ 350, ADP will provide the services described in the attached Description of Services to assist the Client in establishing and maintaining the Client's Plan in Client's capacity as sponsor of said Plan.

BANK INFORMATION (For Billing and Collection of ADP Service Fees)

DIRECT DEBIT ACCOUNT AUTHORIZATION (Required by Bank) Check only if applicable:

USE CURRENT ADP PAYROLL BANK ACCOUNT (same account as tax services; Client Account Agreement completed for those services will apply)

If you do **not** wish to ACH debit the same bank account as ADP Payroll (tax services) for payment of service fees payable under this Agreement, please complete a Client Account Agreement form with respect to the bank account(s) you plan to ACH debit.

II. Adherence to Procedures

Client agrees that ADP will provide the Services in accordance with procedures established by ADP, which ADP may modify at any time. ADP will provide a copy of these procedures to Client, who will use the Services in accordance with the procedures. To the extent that the procedures require action to be taken by Client, Client agrees that Client will timely act as required in accordance with the procedure(s) in question.

III. Client Obligations

Client (and not ADP) shall be responsible for (i) compliance with all laws and governmental regulations affecting Client's business; (ii) any use Client may make of the Services to assist it in complying with any laws and governmental regulations; and (iii) the tax-compliant status of the Plan under Code Section 125 or for payment of any federal, state or other taxes or penalties which may be charged against the Plan, highly compensated participants or key employees (as defined under the Code) participating in the Plan, or other parties to the Plan (including but not limited to, all federal, state or other taxes or penalties which may be charged against the Plan or other parties to the Plan and as indicated in other materials supplied to Client by ADP). In elaboration of the foregoing, Client's responsibilities include, but are not limited to:

a. Implementing Participant Elections

- Distributing and collecting all enrollment materials on a timely basis.
- Enrolling newly-eligible employees in the Plan and in benefits funded through the Plan.
- Notifying ADP of any new or terminated participants for whom Plan-related payroll deductions will be established or terminated by the Client.
- Determining the appropriateness of any eligible employee's request for a mid-year election change.
- Implementing participant-level payroll deductions to reflect participant elections.

b. Records and Notices

- Retaining copies of required Plan information for inspection by employees, and for Plan audit, including annual reports, Plan documents and copies of insurance policies.
- Copying and distributing required notices and Plan information.
- Retaining copies of employee enrollment forms.
- Notifying employees of provisions of underlying benefit arrangements funded through the Plan, including but not necessarily limited to deductibles, premium costs and co-payments.

c. Filings

- Filing all reports required by governmental authorities.

d. Premium Payments

- Collecting and transmitting premium payments for all insured benefits funded through the Plan.

e. Employee Coding (where applicable)

- Coding and updating employee payroll data where required by ADP to perform the services set forth in Section I of this Agreement, as described in the Procedures document provided to Client.

f. Compliance Testing

- Determining whether Client is a member of a controlled group under Internal Revenue Code Sections 414(b) and 414(c) or member of an affiliated service group under Section 414(m) and notifying ADP of same.
- Conducting such compliance testing for the Plan as may be required by law. (Note that any compliance testing conducted by ADP under the terms of this Agreement is advisory only, and that the accuracy of any such testing depends on Client's ability to provide accurate, complete and timely data.)
- Making any necessary adjustments so that the Plan is in compliance with the requirements of Code Section 125 and regulations thereunder.

IN NO EVENT SHALL THE CLIENT RELY SOLELY ON ITS USE OF THE SERVICES PROVIDED BY ADP IN COMPLYING WITH ANY LAWS OR GOVERNMENTAL REGULATIONS.

IV. Fee and Payment Terms

Client acknowledges that ADP's fee schedule as set forth in Section I above is periodically revised. Client will receive written notice of any changes at least sixty (60) days before the changes become effective. ADP will provide Client with an annual bill in advance for the Services of this Agreement. **These fees shall not be refundable in the event the Plan terminates or the Client terminates this Agreement during the year.** All invoices shall be paid by the Client within ten (10) days after receipt. If the Client fails to pay any amount due under this Agreement, the Client shall pay interest at 1-1/2% per month (but not to exceed the maximum amount allowed by law) on such delinquent amount from the due date thereof until the date of payment. Client agrees to reimburse ADP for any and all expenses ADP may incur, including but not limited to interest and reasonable attorney fees, in taking action to collect any amounts due ADP hereunder.

V. Disclaimer of Warranties

EXCEPT AS EXPRESSLY SET FORTH HEREIN, ADP EXPRESSLY DISCLAIMS ANY WARRANTY, EITHER EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, NON-INTERRUPTION OF USE, AND FREEDOM FROM PROGRAM ERRORS WITH RESPECT TO THE SERVICES, THE ADP PRODUCTS, ANY CUSTOM PROGRAMS CREATED BY ADP OR ANY THIRD-PARTY SOFTWARE DELIVERED BY ADP.

VI. Ownership of Proprietary Rights

Any documents, forms, and related documentation made available, directly or indirectly, by ADP to Client as part of the Services (the "ADP Products") are the exclusive and confidential property of ADP or the third parties from whom ADP has secured the right to use such ADP Product. All rights, title and interest in or any copyright, trademark, service mark, trade secret, and other proprietary right relating to the ADP Products and the related logos, product names, etc. are reserved. The use of any software included in, or supplied by ADP for use with, the ADP Products shall be governed by the license agreement (whether written, shrinkwrapped or on-line) delivered with such software.

VII. Protection of Client Files

ADP will take reasonable precautions to prevent loss of or alteration to Client files in its possession. ADP is not Client's recordkeeper; Client will, to the extent it deems necessary, keep copies of all source documents of information delivered to ADP.

VIII. Nondisclosure

All Confidential Information disclosed hereunder will remain the exclusive and confidential property of the disclosing party. Notwithstanding the foregoing, the receiving party may disclose Confidential Information to the extent necessary to comply with any law, rule, regulation or ruling applicable to it and to the extent necessary to enforce its rights under this Agreement. Upon the request of the disclosing party, the receiving party will return or destroy all Confidential Information of the disclosing party that is in its possession. Client agrees that ADP may use Client's and Client's employees' and participants' information for purposes other than performance of the Services but only in an aggregated, anonymized form, such that neither Client nor Client's employees or participants may be identified, and Client will have no ownership interest in such aggregated, anonymized data. For purposes of this Section, "Confidential Information" shall mean: all information of a confidential or proprietary nature provided by the disclosing party to the receiving party for use in connection with the Services, but does not include (i) information that is already known by the receiving party, (ii) information that becomes generally available to the public other than as a result of disclosure by the receiving party in violation of this Agreement, and (iii) information that becomes known to the receiving party from a source other than the disclosing party on a non-confidential basis. Confidential Information of ADP also includes all ADP trade secrets, processes, proprietary data, information or documentation related thereto, or any pricing or product information furnished to Client by ADP.

IX. Indemnification

Client shall indemnify and hold harmless ADP and its employees, agents, and/or subcontractors from and against any loss, damage, liability, claim, cost, and expense, including reasonable legal fees, which it incurs by reason of this Agreement unless resulting from the gross negligence or willful misconduct of ADP or its employees, agents, or subcontractors.

X. Limitation of Liability

This Section X sets forth the full extent of ADP's liability for damages resulting from this Agreement or the Services rendered or to be rendered hereunder, regardless of the form in which such liability or claim for damages may be asserted, and sets forth the full extent of Client's remedies. ADP and Client acknowledge that the fees charged by ADP for the Services (including any additional services to which ADP and Client may subsequently agree) to be provided hereunder reflect the allocation of risk set forth in this Section X.

- a. Responsibilities of Client. Client will be responsible for (i) the consequences of any instructions Client may give to ADP; (ii) Client's failure to use the Services in the manner prescribed by ADP; and (iii) Client's failure to supply accurate information to ADP.
- b. Errors and Omissions. ADP's sole liability to Client or any third party for claims of any type or character arising from errors or omissions in the Services that are caused by ADP shall be to address and resolve the Client's complaint with respect to the alleged errors or omissions.
- c. Force Majeure. Any party hereto will be excused from performance under this Agreement for any period of time that the party is prevented from performing its obligations hereunder as a result of an act of God, war, earthquake, civil disobedience, court order, labor dispute, or other cause beyond the party's reasonable control.
- d. Limit on Monetary Damages. ADP shall not have any monetary liability under this Agreement for any damages resulting from claims made by Client or any third party arising from or related to any and all causes covered by subsections X(a)-(c) and X(e). ADP's sole liability under this Agreement for damages (monetary or otherwise, including legal fees) resulting from claims made by Client or any third party arising from or related to any and all causes not covered by subsections X(a)-(c) and X(e) shall be limited in each instance to the lesser of either (i) the amount of actual damages incurred by Client, or (ii) the amount which will not exceed the administrative fee charged by ADP for the Services for the one year period during which the damage or injury is alleged to have occurred. The foregoing limitation shall not apply to actual damages incurred by Client as a direct result of the criminal or fraudulent acts of ADP or any of its employees.
- e. No Consequential Damages. ADP SHALL NOT BE LIABLE FOR SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS) WHICH CLIENT OR ANY THIRD PARTY MAY INCUR OR EXPERIENCE ON ACCOUNT OF ENTERING INTO OR RELYING ON THIS AGREEMENT OR THE SERVICES, EVEN IF ADP HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

XI. Duration

This Agreement will be effective from the date of Client's signature below and will continue until the date as of which this Agreement is terminated. Either Client or ADP may terminate this Agreement upon 30 days written notice to the other; notice provided to ADP by Client shall be sent via certified mail, return receipt requested or a similar method that provides Client with a receipt demonstrating that notice was received by ADP. Client and ADP acknowledge and agree that continuing obligations under this Agreement, including but not limited to those obligations relating to indemnification and confidentiality, shall survive the termination of this Agreement.

XII. Restriction on Use

Client agrees that Client may use the Services, including but not limited to the documents provided by ADP, only during the time that this Agreement is in effect.

XIII. Inducement; Amendment of Agreement

Client acknowledges that it has not been induced to enter into this Agreement by any representation or warranty not set forth in this Agreement. This Agreement constitutes the entire agreement between the parties and supersedes all prior writings or agreements with respect to its subject matter. This Agreement may be modified by ADP on 60 days notice; provided that this Section shall not be in derogation of ADP's right to amend the procedures provided to Client at any time, in accordance with Section II of this Agreement.

XIV. Plan Amendments

Client acknowledges that its authority to amend the terms of the Plan shall be limited to amending that portion of the Plan which sets forth the terms of the Plan that are unique to Client, including, but not limited to, eligibility, benefits funded through the Plan (which shall be limited to the benefits permitted by ADP) and the Plan Year. Client agrees that Client will provide notification of any such amendment to ADP before such amendment becomes effective. Client acknowledges that ADP shall be under no obligation to provide administrative support under the terms of this Agreement to Client in connection with any amendment to the Plan by Client which is beyond the Client's amendment authority as set forth herein.

XV. Assignment

This Agreement shall not be assigned by Client without the prior written consent of ADP. ADP may designate any agent or subcontractor, without notice to, or the consent of Client, the obligation to perform such tasks and functions to complete any Services.

XVI. Severability

In case any provision of this Agreement (or any portion thereof) is held to be or becomes invalid, illegal or unenforceable in certain circumstances, the validity, legality or enforceability of the remaining provisions of this Agreement, or of such provision in other circumstances, shall not in any way be affected or impaired thereby.

XVII. Third Party Beneficiaries

No employee, agent or other person associated with Client is intended to be a third party beneficiary under the terms of this Agreement.

XVIII. Governing Law

This Agreement shall be governed by New Jersey Law without regard to its conflicts of law provisions.

XIX. Form and Method of Execution

Each party agrees that the other may execute this Agreement by facsimile and that any such execution by facsimile will be deemed an original for evidentiary purposes in any proceeding arising under or pursuant to this Agreement. Each party further agrees that this Agreement may be executed and countersigned in counterparts.

Client agrees to the terms above, acknowledges that it has reviewed the attached Description of Services and has provided such other information as requested by ADP pertaining to the establishment and operation of the Plan.

Company Name: _____ ADP, LLC _____

Signature: _____ Signature: _____

Name: _____ Name: _____

Date: _____ Date: _____

THIS AGREEMENT MUST BE SIGNED BY THE V.P, PREMIUM ONLY PLANS OR ANOTHER AUTHORIZED REPRESENTATIVE OF ADP. ADP'S SALES PERSONNEL DO NOT HAVE THE AUTHORITY TO LEGALLY BIND ADP.



PREMIUM ONLY PLAN

PLAN DOCUMENT

SECTION 1

PRELIMINARY MATTERS

- 1.1 Form.** The Premium Only Plan (“POP”) is set forth in this document, the accompanying Plan Highlights which is incorporated herein by reference and made a part hereof, and any amendments to these documents.
- 1.2 Plan Purpose.** This Plan is designed and intended to qualify as a cafeteria plan under Code Section 125, and is to be interpreted in a manner consistent with Code Section 125. The sole purpose of this Plan is to provide Participants with the opportunity to elect to receive taxable compensation or to pay their share of premiums for various Eligible Benefits on a pre-tax basis.

SECTION 2

DEFINITIONS

- 2.1 “Accidental Death and Dismemberment Insurance”** means any policy or program of accidental death and dismemberment insurance coverage offered or maintained by the Sponsor or a Participating Affiliate.
- 2.2 “Affiliate”** means any corporation, partnership or other entity with which the Sponsor constitutes a controlled group of corporations, a group of trades or businesses (whether or not incorporated) under common control or an affiliated service group as defined under Code Sections 414 (b), (c), (m), (n) or (o).
- 2.3 “Child”** means any child of a Participant described in Code Section 152(f)(1) who has not attained age 27 as of the end of the Participant’s taxable year.
- 2.4 “Code”** means the Internal Revenue Code of 1986, as may be amended from time to time. Reference to a specific provision of the Code shall include such provision and any valid regulation promulgated thereunder, or corresponding provision of any successor revenue law thereto.
- 2.5 “Dental Insurance”** means any policy or program of dental insurance coverage offered or maintained by the Sponsor or a Participating Affiliate.
- 2.6 “Dependent”** means (1) any person who is a dependent of a Participant within the meaning of Code Section 152, determined without regard to subsections (b)(1), (b)(2) and (d)(1)(B) thereof and (2) a Participant’s Child.
- 2.7 “Disability Insurance”** means any policy or program of long-term disability insurance coverage offered or maintained by the Sponsor or a Participating Affiliate.
- 2.8 “Effective Date”** means the day the Plan begins as stated in the Plan Highlights. Notwithstanding the foregoing, the Plan may not be effective prior to the date the Plan is adopted. The effective date of an amendment and restatement of an existing Plan shall be the date stated in the Plan Highlights but shall be no earlier than the date the amended and restated Plan is adopted.
- 2.9 “Eligible Benefits” or “Benefits”** means the benefits permitted under Code Section 125(f) and the regulations thereunder, including (but not necessarily limited to) Health Insurance, Dental Insurance, Vision Insurance, Accidental Death and Dismemberment Insurance, Disability Insurance and Life Insurance as listed in the Plan Highlights and which are more fully described in separate written documents. Notwithstanding the preceding sentence, Eligible Benefits for purposes of the Plan shall be limited to those benefits supported under the Service Provider’s POP program.

- 2.10 **“Employee”** means a person who performs services for the Sponsor or Participating Affiliate and receives compensation for his services other than a pension, retirement allowance, retainer or fee under contract. Such persons may include persons who are common law employees, leased employees described in Code section 414(n) or full-time life insurance salesmen defined in Code section 7701(a)(20). Person who act only as directors or independent contractors are not Employees, although persons who serve in a dual status (i.e., persons performing services both as an employee and as a director or independent contractor) are Employees to the extent they serve in an employee capacity. Persons who are sole proprietors, partners owning an interest in a partnership, 2% shareholders (as defined in Code Section 1372(b)) of an S corporation or owners of a pass-through entity (such as a limited liability company) are not Employees. If an individual is not considered to be an employee of the Sponsor or Participating Affiliate in accordance with the preceding sentences for a Plan Year, a subsequent determination by the Sponsor, Participating Affiliate, any governmental agency or court that the individual is an employee of the Sponsor or Participating Affiliate, even if such determination is applicable to a prior Plan Year, will not have a retroactive effect for purposes of eligibility to participate in the Plan.
- 2.11 **“ERISA”** means the Employee Retirement Income Security Act of 1974, as amended, and corresponding provisions of future laws. Reference to a specific provision of ERISA shall include such provision and any valid regulation promulgated thereunder.
- 2.12 **“Health Insurance”** means any policy or program of group health insurance coverage offered or maintained by the Sponsor or a Participating Affiliate that is a qualified benefit within the meaning of Code Section 125(f).
- 2.13 **“Highly Compensated Individual or Participant”** means any individual or Participant who is a Highly Compensated Individual or a Highly Compensated Participant as defined under Code Section 125.
- 2.14 **“Key Employee”** means any Employee who is a key employee of the Sponsor or a Participating Affiliate within the meaning of Code Section 416(i)(1) at any time during the preceding Plan Year.
- 2.15 **“Life Insurance”** means any policy or program of group term life insurance coverage offered or maintained by the Sponsor or a Participating Affiliate.
- 2.16 **“Participant”** means any Employee who meets the requirements for participation specified in Article 3.
- 2.17 **“Participating Affiliate”** means an Affiliate that adopts the Plan in accordance with Section 8.3.
- 2.18 **“Plan”** means the Premium Only Plan (“POP”) set forth in this document and the accompanying Plan Highlights, as amended from time to time.
- 2.19 **“Plan Administrator”** means the Sponsor of the Plan, unless otherwise designated by the Sponsor in the Plan Highlights.
- 2.20 **“Plan Highlights”** means the accompanying document, which is incorporated into the Plan by reference and made a part hereof, which sets forth specific features of the Plan as specified by the Sponsor.
- 2.21 **“Plan Year”** means a twelve (12) consecutive month period that commences and ends on a date selected by the Sponsor and set forth in the Plan Highlights. The Plan Year is also the period of coverage for each Eligible Benefit specified in the Plan Highlights for purposes of the requirements of Code Section 125. A Sponsor may specify a short Plan Year of less than twelve (12) consecutive months in the Plan Highlights, or change a Plan Year to a different twelve (12) consecutive month period than the initial Plan Year specified in the Plan Highlights, but only if the specification of a short Plan Year or a change to a Plan Year is made for a valid business purpose and is otherwise permitted under Code Section 125.
- 2.22 **“Salary Conversion Amount”** means the portion of a Participant's compensation reserved for the payment of Eligible Benefits under the Plan for a Plan Year.

- 2.23 **“Service Provider”** means ADP, LLC, or any subsidiary or division thereof which has contracted with the Sponsor to provide plan documentation and related services in connection with the Plan, and any successor in interest thereto.
- 2.24 **“Sponsor”** means the employer identified in the Plan Highlights. “Sponsor” also means any successor entity assuming the obligations created in this Plan. Solely for purposes of nondiscrimination testing under Code Section 125, the Sponsor shall include all entities that are treated as an Affiliate.
- 2.25 **“Vision Insurance”** means any policy or program of vision insurance coverage offered or maintained by the Sponsor or a Participating Affiliate.

SECTION 3

PARTICIPATION

- 3.1 **Eligibility Requirements.** An Employee shall be eligible to participate in the Plan if he meets the eligibility requirements specified in the Plan Highlights. If this Plan is an amendment and restatement of an existing plan, any Employee who was a participant in the existing plan shall continue to be eligible to participate in the Plan. Persons who are not Employees are not eligible to participate in the Plan.
- 3.2 **Participation Date and Initial Election.** An eligible Employee shall become a Participant in the Plan effective as of the later of the date on which he satisfies the requirements of Section 3.1 or the Effective Date of the Plan. Each eligible Employee shall be required to sign and complete an election form in accordance with the provisions of Section 5.1 prior to commencing participation in the Plan. Participation shall commence on the participation commencement date specified in the Plan Highlights, which date shall not be retroactive to any date prior to the date the eligible Employee becomes a Participant; provided, however, that the participation commencement date may be retroactive to the date of hire for a newly-hired eligible Employee (other than an Employee who is rehired within 30 days after terminating employment or an Employee who returns to employment after an unpaid leave of absence of less than 30 days) if such Employee signs and completes the election form required by Section 5.1 within 30 days after his date of hire.
- 3.3 **Duration of Participation.** Except as otherwise provided in Sections 4.4, 5.2, and 7.2 of this Plan, an eligible Employee shall continue as a Participant so long as he remains in the employment of the Sponsor or Participating Affiliate and continues to meet the eligibility requirements of Section 3.1.
- 3.4 **Reinstatement of Participant.** A former Participant will again become a Participant if and when he meets the eligibility requirements of Section 3.1 and, if terminated and rehired within the same Plan Year, may make a new election hereunder for the remainder of the Plan Year in accordance with Section 5 of this Plan. Notwithstanding the previous sentence, if a former Participant is rehired within a period of time specified by the Plan Administrator in its administrative rules and procedures and within the same Plan Year as the initial termination of employment, the former Participant, upon satisfaction of the eligibility criteria of Section 3.1, may not make a new enrollment election hereunder for the remainder of the Plan Year and the Sponsor or Participating Affiliate, as applicable, shall reinstate such Participant’s coverage elections that were in effect immediately prior to termination of employment.

SECTION 4

CONTRIBUTIONS AND BENEFITS

- 4.1 **Salary Conversion Election.** Each Participant may elect to receive full payment of compensation in cash or to apply a portion of compensation toward the payment of premiums for Eligible Benefits for the Participant or the Participant’s spouse or Dependent. A Participant’s salary conversion election shall be effective only for compensation that is not currently available to the Participant. Upon receipt of a Participant’s salary reduction election, the Sponsor or Participating Affiliate, as applicable, shall reduce the Participant’s future compensation for the Plan Year by an amount determined based upon the Participant’s election of Eligible Benefits. Except as provided in Section 5, any election for Eligible Benefits shall be effective for the Plan Year to which such election relates.

- 4.2 **Maximum Salary Conversion Amount.** The total amount of compensation eligible for conversion in any one Plan Year shall not exceed the total cost of Benefits available under the Plan with respect to that Participant. Employees who become eligible to participate in the Plan on a date other than the first day of the Plan Year shall be eligible to convert an amount of compensation equal to the maximum Salary Conversion Amount times a fraction, the numerator of which will be the number of full months remaining in the Plan Year and the denominator of which will be twelve. The maximum Salary Conversion Amount available to Participants receiving insurance benefits through the Plan shall be increased by the amount of any increase in the cost of such insurance benefits occurring during the Plan Year.
- 4.3 **Forfeitability of Contributions.** Any salary conversion amounts made by a Participant for Eligible Benefits shall not be returned to the Participant, provided, however, that notwithstanding the foregoing, such payments may be returned to the extent they result from a processing error by the Sponsor, a Participating Affiliate, the Service Provider or a third-party carrier.
- 4.4 **Termination of Contributions.** If a Participant fails to make any contributions required to pay for a Benefit he has elected, the Plan Administrator shall terminate provision of the Benefit to the Participant unless other arrangements have been made with the Participant. The Participant may renew election of the terminated Benefit at the beginning of the Plan Year following termination of the Benefit, provided that he satisfies the eligibility requirements of Section 3.1 and 3.2 for the new Plan Year.
- 4.5 **Eligible Benefits.** Notwithstanding that a Participant's Salary Conversion Amounts may be used to pay premiums under this Plan for one or more of the Eligible Benefits set forth in the Plan Highlights, said Benefits will not be provided by this Plan but by the specific Benefit plan made available by the Sponsor and Participating Affiliates and elected by the Participant. Any insurance benefits payable to Participants are described in the contracts or policies issued by the insurance companies or, with respect to a self-insured arrangement, described in the plan document governing said arrangement.
- (a) The Plan provides only for payment of premiums for the Eligible Benefits selected by Participants. Actual terms of the insurance coverage are separately and exclusively governed by the insurance policies or the plan document in the case of a self-insured arrangement.
 - (b) The Sponsor and Participating Affiliates do not guarantee payment of any claims arising for benefits under the insurance policies, or plan document, as the case may be, nor does eligibility under the Plan guarantee that Participants will satisfy any insurer's requirements for eligibility to receive insurance.
 - (c) If premium costs change during the Plan Year, a revised schedule of premium costs will be distributed.
- 4.6 **No Deferred Compensation.** At no time shall this Plan permit a Participant to defer the receipt of compensation or benefits from one Plan Year to another Plan Year, except as expressly permitted by Code Section 125.

SECTION 5

ELECTION PROCEDURES

- 5.1 **Initial Elections.** The Plan Administrator shall coordinate initial elections by making election forms available to newly eligible Employees as they become eligible or at such earlier time as the Plan Administrator deems appropriate. The election form shall permit an eligible Employee to elect Eligible Benefits, and the eligible Employee must complete, sign and return the form to the Plan Administrator. If the Employee returns the election form before his effective date of participation pursuant to Section 3.2, the election shall be effective on his effective date of participation. If the Employee returns the election form within 30 days after his effective date of participation, the election shall be effective on the first day of the first pay period following the later of his effective date of participation or the date the election form is received by the Plan Administrator. The previous sentence notwithstanding, if the Plan Highlights specifies a participation commencement date that is retroactive to the date of hire for a newly-hired Eligible Employee (other than an Employee who is rehired within 30 days after terminating employment or an Employee who returns to

employment after an unpaid leave of absence of less than 30 days) who returns the election form within 30 days after his date of hire, the election shall be effective retroactive to such Employee's date of hire. If an Employee fails to return a completed initial election form within 30 days after the participation commencement date, the Employee's failure to make an election is governed by Section 5.6. Notwithstanding the foregoing, if this Plan is an amendment and restatement of a previously existing plan, the Plan Administrator may but need not obtain re-executed election forms from current Participants reaffirming their election to participate if the Plan Administrator determines in its discretion that the enrollment forms currently in effect at the time of said amendment and restatement are consistent with the terms of this Plan. Except as otherwise provided in Section 5, an initial election shall be irrevocable for the remainder of the Plan Year to which such election relates.

5.2 Annual Elections. The Plan Administrator shall coordinate annual elections by making election forms available to each eligible Employee and Participant approximately 30 days prior to the beginning of each Plan Year, or during such earlier time as the Plan Administrator may prescribe. The election form shall permit an eligible Employee to elect Eligible Benefits, and shall permit a Participant to change or revoke a prior election of Eligible Benefits. All election forms must be completed and returned on or before the date specified by the Plan Administrator for making annual elections. An eligible Employee's or Participant's annual election shall be effective on the first day of the Plan Year following the date specified by the Plan Administrator for making annual elections. If an Employee fails to return a completed annual election form on or before the date specified by the Plan Administrator, the Employee's failure to make an election is governed by Section 5.6. Except as otherwise provided in this Section 5, an annual election shall be irrevocable for the remainder of the Plan Year to which such election relates.

5.3 Change in Status. A Participant may change or revoke an election during the Plan Year if the Participant experiences an event as described in Section 5.4 below, including a Change in Status, and such change or revocation satisfies the consistency requirements of Section 5.4. Any permissible change or revocation must be made in the manner prescribed by the Plan Administrator within a reasonable period of time as established by the Plan Administrator following the date of the Change in Status or other event. For purposes of this Plan, a "Change in Status" shall mean any of the following events:

- (a) The Participant's marriage, death of the Participant's spouse, divorce, legal separation, or annulment;
- (b) Birth, death, adoption, or placement for adoption of a Dependent with a Participant;
- (c) A change in the employment status of the Participant or the Participant's spouse or Dependent(s), including termination or commencement of employment, strike or lockout, beginning or returning from an unpaid leave of absence, and a change in worksite that requires a change in elections under an underlying Benefit. In addition to the foregoing, if eligibility for a cafeteria plan (including this Plan) or other benefit plan of the Sponsor or Participating Affiliate or the employer of the Participant's spouse or Dependent, depends on such an individual's employment status and a change in the individual's employment status causes the individual to gain or lose eligibility under such plan, that change will constitute a change in employment under this Section 5.3(c);
- (d) Events that cause the Participant's Dependent(s) to satisfy or cease to satisfy eligibility requirements for coverage under a Benefit plan on account of attainment of age, student status, or any similar circumstances specified in the applicable Benefit plan;
- (e) A change in residence by the Participant, the Participant's spouse, or the Participant's Dependent(s); and
- (f) Any other events, determined in the sole discretion of the Plan Administrator, to be a Change in Status under any regulation, ruling, release or statement issued under Code Section 125.

5.4 Events Permitting a Mid-Plan Year Election Change. Notwithstanding the irrevocability requirements of Sections 5.1 and 5.2 of this Plan, a Participant may change an election during a Plan Year under the circumstances and in the manner described below.

- (a) **Change in Status.** If a Participant experiences a Change in Status, as defined in Section 5.3, the Participant may make a new election as long as that election is consistent with the Change in Status. A new election is consistent with a Change in Status if, as determined in the sole discretion of the Plan Administrator, the election change is on account of and corresponds with a Change in Status that affects eligibility for Eligible Benefits or benefits under the plan of a

Dependent's or Participant's spouse's employer. In addition, the following special consistency requirements must be satisfied, if applicable:

- (i) Loss of Spouse or Dependent Eligibility. If the Change of Status is the Participant's divorce, annulment or legal separation from a spouse, the death of a spouse or Dependent, or a Dependent ceasing to satisfy the eligibility requirements for coverage, a Participant's mid-year election options are limited to canceling accident or health insurance coverage (as defined in Section 5.4(k)(i) below) for the spouse involved in the divorce, annulment or legal separation, the deceased spouse or Dependent, or the Dependent that ceased to satisfy the eligibility requirements for coverage. No other election is consistent with such a Change in Status, provided that if a Participant or his spouse or Dependent becomes eligible for continuation coverage under a plan maintained by the Sponsor or a Participating Affiliate as provided in Code Section 4980B (COBRA) or any similar state law, the Participant may increase his pre-tax election to pay for the continuation coverage for himself, his spouse or Dependent, as applicable.
 - (ii) Coverage Under Another Employer's Plan. If a Participant or his spouse or Dependent gains eligibility for coverage under another cafeteria plan or underlying benefit plan funded by a cafeteria plan due to a change in the Participant's marital status or a change in employment status of the Participant, his spouse or Dependent, a Participant's election under this Plan to cease or decrease coverage for that individual corresponds with that Change in Status only if coverage for that individual goes into effect or is increased under the other plan.
- (b) Significant Curtailment of Coverage. If coverage offered to a Participant or Participant's spouse or Dependent is significantly curtailed or ceases during a Plan Year, affected Participants may revoke their elections for such coverage under the Plan. Each such affected Participant may make a new election prospectively for "similar coverage" under another plan, if any, that is made available for the remainder of the Plan Year. Such an election is to be made within a reasonable period of time as established by the Plan Administrator after the coverage is significantly curtailed or ceases. Coverage is deemed to be significantly curtailed only if there is an overall reduction in coverage provided under the plan so as to constitute reduced coverage generally. In all events, the Plan Administrator will determine in its sole discretion and in accordance with prevailing Internal Revenue Service guidance whether a curtailment is "significant" and whether other coverage is "similar coverage."
- (c) Medicare/Medicaid Entitlement. If a Participant or a Participant's spouse or Dependent who is enrolled in a Sponsor's or Participating Affiliate's accident or health plan (as defined in Section 5.4(k)(i) below) becomes entitled to Medicare or Medicaid (other than coverage consisting solely of pediatric vaccine benefits under Section 1982 of the Social Security Act), the Participant may make a prospective election change to cancel or reduce coverage for the Participant or his spouse or Dependent, as applicable, under the Plan. In addition, if a Participant or his spouse or Dependent who has been entitled to such coverage under Medicare or Medicaid loses eligibility for such coverage, the Participant may make a prospective election change to commence or increase coverage of that Participant, spouse or Dependent under a Sponsor's or Participating Affiliate's accident or health plan. An election change is to be made within a reasonable period of time as established by the Plan Administrator after the event described in this Section 5.4(c).
- (d) Judgment, Decree or Order. If a Sponsor or Participating Affiliate is in receipt of a judgment, decree or order resulting from a divorce, legal separation, annulment, or change in legal custody, including a qualified medical child support order (as defined in Section 609 of ERISA) with respect to a Dependent child or Dependent foster child of a Participant, and if such a court order requires accident or health coverage (as defined in Section 5.4(k)(i) below) for a Participant's Dependent child or Dependent foster child, the Plan Administrator shall change the Participant's election under the Plan to comply with the order. Specifically, a Participant may (i) change his or her election to provide coverage for the Dependent child or Dependent foster child if the order requires the Participant to provide coverage; or (ii) change his or her election to revoke coverage for the Dependent child or Dependent foster child if the order requires the Participant's spouse, former spouse or other individual to provide coverage for such child and that coverage is provided.
- (e) Addition, Significant Improvement, or Elimination of Option. If a Sponsor or Participating Affiliate

adds or eliminates a benefit package option (as defined in Section 5.4(k)(ii) below) or other coverage option, or significantly improves coverage under an existing benefit package option or other coverage option, during a Plan Year, affected Participants or, if applicable, Employees who are otherwise eligible to participate in the Plan, may prospectively elect the newly-added or significantly improved option, or elect another option if an option has been eliminated, and make corresponding election changes with respect to other benefit package options providing similar accident or health coverage, subject to the terms of the underlying coverage. The Plan Administrator will determine in its sole discretion whether a benefit or coverage option has been added or significantly improved. An election change is to be made within a reasonable period of time as established by the Plan Administrator after the event described in this Section 5.4(e).

- (f) Change in Cost of Coverage. If the cost of any coverage payable by a Participant under a qualified benefits plan maintained by a Sponsor or Participating Affiliate is increased (or decreased) during the Plan Year, the compensation reduction amount of each Participant shall be automatically adjusted consistent with such change in required costs. If the cost of coverage payable by a Participant under the Plan for a benefit package option significantly increases (or significantly decreases), as determined by the Plan Administrator in its sole discretion, a Participant may make a corresponding prospective change in his election under the Plan or revoke an existing election and, in lieu thereof, receive on a prospective basis coverage under another coverage option, if any, providing similar coverage. The Plan Administrator, in its sole discretion, shall determine whether a benefit or benefit coverage provides “similar coverage” and whether a cost increase or decrease is “significant.”
- (g) Change in Coverage of Spouse or Dependent Under Other Employer’s Plan. A Participant may make a prospective election change that is on account of and corresponds with a change made under another employer plan (including a plan of the Sponsor or a Participating Affiliate or a plan of the Participant’s spouse’s, former spouse’s, or Dependent’s employer) if:
- (i) the other cafeteria plan or qualified benefits plan permits its participants to make an election change that would otherwise be permitted under proposed or final Internal Revenue Service regulations under Code Section 125 (disregarding the provisions described in this Section 5.4(g)); or
 - (ii) the Plan’s Plan Year is different from the period of coverage under the other cafeteria plan or qualified benefits plan.

The Plan Administrator will determine in its sole discretion and in accordance with IRS guidance whether a Participant’s elected change is on account of and corresponds with the foregoing. An election change is to be made within a reasonable period of time as established by the Plan Administrator after the event described in this Section 5.4(g).

- (h) Special Enrollment Rights. If a Participant or his spouse or Dependent is entitled to special enrollment rights under a group health plan in accordance with Code Section 9801(f), a Participant may revoke a prior group health coverage election and make a new election that corresponds with such special enrollment right to the extent required by Code Section 9801 (and the regulations and other guidance issued thereunder). As required by the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), a special enrollment right will arise if:
- (i) The Participant or his spouse or Dependent declined to enroll in group health plan coverage because he had other coverage, and eligibility for the other coverage is terminated due to: (A) exhaustion of the maximum period of COBRA coverage, if the other coverage was COBRA coverage, or (B) the loss of eligibility for the coverage or employer contributions for the coverage were terminated, if the other coverage was not COBRA coverage (provided, however, that a mid-year election change pursuant to this subsection must be elected not later than 30 days after the event giving rise to the special enrollment right);

- (ii) The Participant acquires a new spouse or Dependent as a result of marriage, birth, adoption, or placement for adoption. An election to add previously eligible Dependents due to acquisition of a new spouse or Dependent child shall be deemed consistent with the special enrollment right. An election change on account of a HIPAA special enrollment right resulting from birth, adoption, or placement for adoption of a new Dependent child may be effective retroactively by up to 30 days to the date of birth, adoption, or placement for adoption, subject to the provisions of the underlying group health plan; or
- (iii) The Participant or a Dependent is covered under a State Medicaid or State Children's Health Insurance Plan and that coverage is terminated due to a loss of eligibility for such coverage, or the Participant or a Dependent becomes eligible for State premium assistance under a State Medicaid or State Children's Health Insurance Plan. An election change on account of a HIPAA special enrollment right resulting from these events must be elected not later than 60 days after the event that creates the special enrollment right.

- (i) **Loss of Other Group Health Coverage.** A Participant may prospectively change his election to add group health coverage for the Participant or his spouse or Dependent if such individual loses group health coverage sponsored by a governmental or educational institution, including a state children's health insurance program (SCHIP) under Title XXI of the Social Security Act; a medical care program of an Indian Tribal government (as defined in Code Section 7701(a)(40)), the Indian Health Service or a tribal organization; a state health benefits risk pool; or a foreign government group health plan, subject to the terms of the applicable benefit package option.
- (j) **Other Permitted Election Changes.** In addition to the foregoing, a Participant shall be permitted to change his elections under the Plan to the extent the Plan Administrator determines that such change is consistent with the Code and with regulations, rulings, releases and other guidance issued under the Code.
- (k) **Definitions.**
 - (i) "Accident or health coverage" means coverage under an accident or health plan as defined in Code Section 105 and its underlying regulations, including, but not limited to, Accidental Death and Dismemberment Insurance, Dental Insurance, Disability Insurance, Health Insurance; Life Insurance; or Vision Insurance as elected in the Plan Highlights.
 - (ii) "Benefit package option" means an Eligible Benefit or Benefit as defined in Section 2.9 above or an option for coverage under an underlying accident or health plan (for example, an indemnity, HMO, or PPO option under an accident or health plan).

5.5 Nondiscrimination Requirements. The Plan Administrator may in its sole and absolute discretion take any actions that it deems appropriate to ensure compliance with all applicable non-discrimination requirements and all applicable limitations on Benefits provided to Key Employees or Highly Compensated Individuals or Participants. These actions may include without limitation the modification of elections by Key Employees and Highly Compensated Individuals or Participants with or without their consent.

5.6 Failure to Make Elections. An eligible Employee who fails to return a completed election form to the Plan Administrator on or before the date specified for making an initial election under Section 5.1 shall be deemed to have elected to receive his compensation in cash. A Participant who fails to return a completed election form to the Plan Administrator on or before the specified date for making an annual election for a subsequent Plan Year under Section 5.2 shall be deemed to have (a) reelected the same Benefit coverages, if any, in effect for the Participant just prior to the end of the preceding Plan year and (b) agreed to convert the Participant's compensation for the subsequent Plan year equal to the Participant's share of premiums during such Plan Year for the Benefit coverages.

5.7 Automatic Termination of Election. Elections made under this Plan (or deemed to be made under Section 5.6 shall automatically terminate on the date on which the Participant ceases to be a Participant in the Plan, although coverage or benefits under the underlying health benefit plan may continue if and to the extent provided by such plan. Salary reductions under this Plan shall terminate as of the last payroll date prior to the Participant's transfer to an employment classification that causes him to be ineligible to participate in the Plan or receive Eligible Benefits.

- 5.8 **Family and Medical Leave Act.** If a Participant is on an unpaid leave of absence pursuant to the Family and Medical Leave Act (FMLA), the Participant shall be allowed to continue participation in the Plan in any manner consistent with Internal Revenue Service Regulations including, without limitation, (a) the prepayment of premiums;
- (b) payment during the term of the Participant's FMLA leave on the same schedule as payments would be made if the Participant were not on leave; or (c) under any system voluntarily agreed to by the Participant and the Sponsor or Participating Affiliate, as applicable, that is not inconsistent with said Regulations.
- 5.9 **Unpaid (Non-FMLA) Leave of Absence.** The Participant's commencement of, and subsequent return from, an approved unpaid leave of absence shall each be treated as a Change in Status. An authorized leave of absence granted by the Sponsor or Participating Affiliate, as applicable, pursuant to which the Employee, in accordance with the Sponsor's or Participating Affiliate's employment policies and procedures, may continue participation in the Benefits will not interrupt participation in the Plan. In the absence of any employment policies or procedures permitting continued participation in the Plan, a Participant shall cease participation in the Plan upon commencement of an unpaid (non-FMLA) leave of absence. If the Sponsor's or Participating Affiliate's employment policies and procedures permit continued participation in the event of an approved unpaid leave of absence, the Participant may, upon commencing an approved unpaid (non-FMLA) leave of absence, choose either to continue participation in the Plan, on a pre-tax or an after-tax basis, or to terminate coverage under the Plan. If the Participant elects to continue coverage on a pre-tax basis while on an unpaid leave of absence, the Participant will be required to pay the cost of coverage during the leave in such manner as determined by the Sponsor or Participating Affiliate, as applicable, which may include, but is not necessarily limited to, the prepayment of premiums. On return to active employment, a Participant who terminated coverage under the Plan may be treated as incurring a Change in Status and such Participant shall be allowed to make a new election under the Plan in accordance with the Change in Status provisions of the Plan.

SECTION 6

PLAN ADMINISTRATION

- 6.1 **Plan Administrator.** The Plan Administrator is the named fiduciary with full authority and responsibility to control and manage the operation and administration of the Plan. The Plan is subject to contract administration.
- 6.2 **Powers.** The Plan Administrator shall have the exclusive right and discretion to interpret the Plan (but not to modify or amend the Plan) and to decide any and all questions arising in the administration, interpretation and application of the Plan. The Plan Administrator shall establish whatever rules it finds necessary for the operation and administration of the Plan. The decisions of the Plan Administrator or its action with respect to the Plan shall be conclusive and binding upon all persons having or claiming to have any right or interest in or under the Plan.
- 6.3 **Claims Procedure.** Any claim which arises under an Eligible Benefit shall not be subject to review under this Plan, and the Plan Administrator's authority under Section 6.2 shall not extend to any matter as to which an administrator under any such other insurance plan is empowered to make determinations under such plan. Notwithstanding the foregoing, any residual claims under this Plan shall be subject to any claims procedures that may be established by the Plan Administrator or required by law.
- 6.4 **Review Procedure.** Any person whose claim under this Plan has been denied may file a written appeal with the Plan Administrator within 90 days after receipt by the claimant of written notification of the denial. The claimant or his authorized representative may review any pertinent documents and submit any issues or comments to the Plan Administrator. The claimant and/or his authorized representative shall be afforded an opportunity to meet with the Plan Administrator for a full and fair review of the claim and the Plan Administrator's decision. The decision of the Plan Administrator on appeal will normally be made within 60 days of its receipt of a written appeal. The time for rendering a decision may be extended for an additional 60 days because of special circumstances by the Plan Administrator providing written notice of such extension to the claimant. The claimant shall be notified in writing of the decision of the Plan Administrator and the reasons therefore, including references to specific Plan provisions. If the claimant is not notified of the decision within 60 days (120 days under special circumstances) then the claim shall be deemed denied on appeal.
- 6.5 **Information to be Furnished.** Participants shall provide the Plan Administrator with such information and evidence, and shall sign such documents, as may reasonably be requested from time to time for the purpose of administration of the Plan.

SECTION 7

AMENDMENT AND TERMINATION OF THE PLAN

7.1 Amendment.

- (a) The Service Provider may amend any part of the Plan at any time, including, without limitation, retroactive amendments necessary to ensure that the Plan meets or continues to meet the requirements of Code Section 125, regulations, revenue rulings, and any other guidelines published by the Internal Revenue Service. The Service Provider shall provide written notice of any amendment to the Employer, so long as the Employer has engaged and retained the Service Provider to provide administrative services in connection with the Plan under a services agreement from time to time in effect; provided, however, that the Service Provider shall be under no obligation to amend the Plan or provide written notice of any amendment to the Sponsor after the termination of any such services agreement. The Service Provider may require a Sponsor to execute a new Plan Highlights and return it to the Service Provider when an existing POP is amended and restated by the Service Provider.
- (b) The Sponsor, acting through a duly authorized officer, partner or sole proprietor, as the case may be, may amend the Plan at any time, or from time to time by executing a new Plan Highlights. The previous sentence notwithstanding, the Sponsor's authority to amend the Plan shall be limited to those terms of the Plan that are unique to the Sponsor as specified in the Plan Highlights, including, but not limited to, eligibility, Eligible Benefits funded through the Plan and the Plan Year. Any amendment to the Plan adopted by the Sponsor shall be deemed to be an amendment to the Plan on behalf of the Sponsor and any Participating Affiliate. No amendment to the Plan adopted by the Sponsor shall be effective before the Sponsor has provided notification of said amendment to the Service Provider.
- (c) No amendment shall affect the rights of Participants to receive payment for Eligible Benefits incurred prior to the date the amendment is adopted.

7.2 Termination. The Plan is intended by the Sponsor to be a permanent program for the benefit of its Employees. The Sponsor nevertheless reserves the right to terminate the Plan, acting through duly authorized officer, partner or sole proprietor, as the case may be, at any time and for any reason. Such termination shall be effected by a written instrument executed by the Sponsor with the same formality as this instrument. The Sponsor shall provide written notice of the termination to the Service Provider. Termination of the Plan shall not affect the rights of Participants to receive payment for Eligible Benefits incurred prior to the date as of which the requisite action is taken by the Sponsor to terminate the Plan.

SECTION 8

MISCELLANEOUS

- 8.1 No Employment Rights Conferred. The adoption and maintenance of the Plan shall not be deemed to constitute a contract between the Sponsor or any Participating Affiliate and any Participant or to be a consideration for, or an inducement to or condition of, the employment of any person. Nothing herein contained shall be deemed to: (i) give to any Participant the right to be retained in the employment of the Sponsor or any Participating Affiliate, (ii) interfere with the right of the Sponsor or any Participating Affiliate to discharge any Participant at any time, (iii) give to the Sponsor or any Participating Affiliate the right to require any Participant to remain in its employment, or (iv) interfere with any Participant's right to terminate his employment with the Sponsor or any Participating Affiliate at any time.
- 8.2 Treatment of Participant Contributions. The Sponsor and Participating Affiliates shall have no right, title or interest in any Participant salary deferral contributions, whether or not placed in trust, nor shall any part of any trust established by a Sponsor or Participating Affiliates revert or be repaid to the Sponsor or Participating Affiliates, directly or indirectly.
- 8.3 Participation in the Plan by an Affiliate. With the consent of the Sponsor, any Affiliate may adopt the Plan by taking appropriately documented legal action. A Participating Affiliate may terminate its participation in the Plan or discontinue making contributions on behalf of its Employees to the Plan by appropriate written action as described in the preceding sentence.

- 8.4 **Governing Law.** The Plan is governed by the Code and the Treasury regulations promulgated thereunder, but the Sponsor does not guarantee the favorable tax treatment sought by the Plan. To the extent not preempted by federal law, the provisions of the Plan shall be construed, enforced and administered according to the laws of the state or commonwealth of the Sponsor's principal office.
- 8.5 **Gender and Number.** A pronoun or adjective in the masculine gender includes the feminine gender, and the singular includes the plural.
- 8.6 **Severability.** If any provision of the Plan is held invalid or unenforceable, its invalidity or unenforceability shall not affect any other provisions of the Plan, and the Plan shall be construed and enforced as if such provision had not been included herein.
- 8.7 **Indemnification of Sponsor by Participants.** If any Participant receives one or more payments under the Plan that are not for a permitted Benefit, the Participant shall indemnify and reimburse the Sponsor for any liability it may incur for failure to withhold federal or state income tax or Social Security tax from such payments. However, the amount of any required indemnification shall not exceed the additional federal and state income tax that the Participant would have owed if the payments had been made to the Participant as regular cash compensation, plus the Participant's share of any Social Security tax that would have been paid on such compensation, less any such additional income and Social Security tax actually paid by the Participant.
- 8.8 **Captions.** The captions contained herein are inserted only as a matter of convenience and for reference, and in no way define, limit, enlarge, or describe the scope or intent of the Plan, nor in any way shall affect the Plan or the construction of any provision thereof.



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AMENDMENT TO THE ADP PREMIUM ONLY PLAN DOCUMENT

WHEREAS, pursuant to Section 7.1(a) of the ADP Premium Only Plan document, the Service Provider may amend the Premium Only Plan at any time; and

WHEREAS, the ADP Premium Only Plan was amended effective July 1, 2007 to add a Massachusetts Addendum that applied to, and provided special Plan provisions for, Massachusetts Sponsors to satisfy the requirements of Massachusetts General Laws, Chapter 151F, and regulations thereunder, which law required Massachusetts Sponsors to establish and maintain a cafeteria plan under Internal Revenue Code Section 125 to permit individuals to pay for health insurance on a pre-tax basis ("Section 125 premium only plan"); and

WHEREAS, Internal Revenue Code Section 125(f)(3), as added by the Patient Protection and Affordable Care Act of 2010, prohibits use of a Section 125 premium only plan by individuals who purchase individual health insurance on a state or federal Exchange or Marketplace, and

WHEREAS, Internal Revenue Service Notice 2013-54 prescribed guidance for Section 125 premium only plans regarding compliance with Code Section 125(f)(3) effective for plan years beginning on or after January 1, 2014, and

WHEREAS, the legislature of the Commonwealth of Massachusetts repealed Massachusetts General Laws, Chapter 151F on March 17, 2014, and

WHEREAS, based on the foregoing, the Service Provider believes it is appropriate to formally amend the ADP Premium Only Plan document to reflect such changes in the law;

NOW THEREFORE, effective for plan years beginning on or after January 1, 2014, the Premium Only Plan is hereby amended to delete the Massachusetts Appendix.

RECORD OF ADOPTION
OF THE
PREMIUM ONLY PLAN
FOR THE EMPLOYEES OF

Northern Virginia Transportation Authority
(Name of Employer)

By signing this Record of Adoption, the Employer approves and adopts the terms of the above-named Plan as stated in the Premium Only Plan document and Plan Highlights and acknowledges that the adoption is in accordance with applicable governing law. A copy of the current Premium Only Plan document and current Plan Highlights is attached to this Record of Adoption and incorporated herein by reference.

(DATE)

(NAME)

(TITLE)



RESOLUTIONS OF ADOPTION

RESOLUTIONS

Of

Northern Virginia Transportation Authority (the Sponsor)

For the Adoption of the

Northern Virginia Transportation Authority Premium Only Plan (the Plan) (Insert Name of Plan)

WHEREAS, the Sponsor desires to adopt the above-named Plan, which includes the attached Premium Only Plan document and accompanying Plan Highlights, for the benefit of its eligible employees.

NOW THEREFORE, be it hereby:

RESOLVED, that the Plan is hereby adopted in substantially the form attached hereto effective as of November 9, 2016, as a cafeteria plan to be maintained by the Sponsor pursuant to Section 125 of the Internal Revenue Code; and be it

FURTHER RESOLVED that the proper individuals (s) as authorized by the Sponsor be and hereby are authorized and directed to take such action and to execute such documents as may be deemed necessary to effectuate the above resolution and to direct counsel to take such action as may be necessary to satisfy any applicable requirements of law.

IN WITNESS WHEREOF, these resolutions have been adopted on this ___day of _____, 20__.

(NAME)

(TITLE)



NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

FOR: Chairman Parrish and Members of the NVTa Finance Committee
FROM: Michael Longhi, Chief Financial Officer
DATE: December 15, 2016
SUBJECT: Investment Safekeeping and Custody Service Agreement

1. **Purpose:** Presentation of proposed Investment Safekeeping and Custody Service Agreement.
2. **Suggested Motion:** *I move the Finance Committee recommend Authority approval of the selection of BB&T for Investment Safekeeping and Custody Services and related FY2017 budget adjustment and authorize the Chief Financial Officer to sign related banking documents.*
3. **Background:**
 - a. Safekeeping and Custody services are a required element of the Investment Program and are necessary to enable Authority staff to comply with the Code of Virginia and the Authority's investment policy for the purchase of investment instruments.
 - b. The Authority's Custody Services contract will have safekeeping responsibilities for approximately \$600 million of Authority investments.
 - c. Investment earnings will increase further when the Safekeeping and Custody Services agreement is engaged, as the infrastructure will be in place to shift from depository based investments to Treasuries, Agencies and other high grade options permitted in the Authority's Investment Policy.
 - d. A Request for Proposals (RFP) was issued with a proposal due date of October 21, 2016.
 - e. Notice of this open procurement was placed on the NVTa website and with the Commonwealth's eVA procurement notice system.
 - f. Six banks submitted proposals in response to the RFP.
 - g. Five banks 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 Chief Financial Officer
 - ii. NVTa's Investment and Debt Manager
 - iii. Loudoun County's Investment Officer
 - iv. Fairfax County's Investment Manager
 - i. The evaluation team met on October 31 and, based on initial reviews of the firms' technical proposals, the committee identified three responding firms with which to enter the oral presentation/best and final offer negotiation stage of the procurement process.

- j. Oral interviews incorporating “best and final” proposals were held on Monday November 14, 2016. A single bank, BB&T, was unanimously selected by the RFP evaluation team as the preferred firm for the Investment Safekeeping and Custody Services contract award.

4. Negotiations.

- a. In connection with the oral interviews, final negotiations with BB&T have resulted in an annual cost of \$25,000, and have incorporated satisfactory technical terms concerning processing of investment purchases, maturities, call and sale settlements.
- b. We believe these negotiations enabled us to identify the firm which provides the best combination of pricing and associated service levels.

5. Next Steps

- a. With Finance Committee approval, and subject to the satisfactory conclusion of contract documentation, the contract with BB&T will be submitted for Authority approval at the Authority’s January 2017 meeting.
- b. After the Authority approval, BB&T will then commence work as the Authority’s Investment Safekeeping and Custody service provider and support the Authority’s investment program. This will enable Authority staff to safely and legally purchase investment instruments which will noticeably improve the interest earned on the Authority’s available cash.
- c. A full year’s cost of this contract will be \$25,000; FY 2018 will be the first year to incur the full year cost for this engagement, and the FY 2018 (and thereafter) operating budgets will reflect this expense.
- d. The FY2017 cost is expected to be \$12,500 and can be absorbed within the FY2017 operating budget. This budget reallocation is possible as a result of the delay in the next bond issuance which will, in turn, delay bond counsel costs.
- e. With Authority approval the FY2017 adjustments will be made to the Operating Budget to reflect a new cost category of Investment safekeeping and Custody Services.

Attachments:

Contract Award Notice – Investment and Custody Services, RFP# 2017-02



Northern Virginia Transportation Authority

The Authority for Transportation in Northern Virginia

January {DRAFT}, 2017

Mr. Allan Westcott, Senior Vice President
Branch Banking and Trust Company
1909 K Street NW
Washington, DC 20006

Dear Mr. Westcott:

The Northern Virginia Transportation Authority (NVTA) has acted to authorize the award of a contract to Branch Banking and Trust Company (BB&T) to perform investment safekeeping and custody services requested in NVTA RFP No. 2017-02 and described in your Technical Proposal and separate Price Proposal dated October 21, 2016.

The following clarifications and modifications apply:

1. BB&T letter dated October 21, 2016 confirming:
 - a. The firm will perform the scope of work identified in NVTA RFP 2017-02 and the services and deliverables outlined in:
 - i. Technical Proposal of October 21, 2016
 - ii. Supplemental document dated October 21, 2016
 - b. The annual fee for services will be \$20,000 plus fees for wire transfers and other similar supplemental services as noted in your RFP response.
2. NVTA selects 'Payment Option One' as presented in the BB&T Price Proposal dated October 21, 2016.
3. The first six month's payment to BB&T will be prorated based on the NVTA start work authorization date.
4. BB&T has conformed to all insurance requirements. A revised Certificate of Liability Insurance is attached noting that NVTA is an additional insured and is included as attachment A.

This letter, together with NVTA RFP 2017-02 and the BB&T Technical Proposal and Price Proposal dated October 21, 2016 and the revisions noted above, provides the agreement to conduct the project under the specified terms and conditions. This letter also constitutes your notice to proceed unless advised otherwise in writing by NVTA on or prior to January {DRAFT}, 2017.

If you concur please sign both originals and return one copy to Carl Hampton, NVTA Investment and Debt Manager. Please contact Mr. Hampton at (703) 642-4658 with any questions.

Sincerely,

Michael Longhi
NVTA Chief Financial Officer

Allan Westcott
Senior Vice President

Date

Custody Agreement

Account Identifying Information

Client Name: **Northern Virginia Transportation Authority (the "Principal")**

Account Name: **NVTA Custody Account**

Effective Date:

Establishment

1.1 Appointment. The Principal appoints Branch Banking and Trust Company (the "Bank") as Custodian for certain assets of the Principal as the Principal may from time to time designate and transfer to the Bank as Custodian into the Custody Account.

1.2 Acceptance. The Bank accepts the appointment as Custodian subject to the terms and conditions of this Custody Agreement (the "Agreement"), and agrees to hold and administer the assets of the Custody Account and to execute this Agreement in accordance with its provisions.

1.3 Distribution. The Bank will distribute so much of the Custody Account, including income and principal, as Principal may direct from time to time, subject to any fees due and owing to the Bank. The Bank will not be liable for any loss or penalty arising from the liquidation of any investment as a result of such distribution directions.

Investment Direction

2.1 No Bank Discretion. The Bank shall follow the written directions of the Principal regarding the investment or reinvestment of the Custody Account assets. In following such directions, the Bank shall be relieved of any fiduciary responsibility for the investments. At the direction of the Principal or any Investment Manager, or in the absence of any directions from the Principal or any Investment Manager, the Bank is authorized to deposit otherwise uninvested cash in the Custody Account in a cash deposit program offered by BB&T, subject to the Terms and Conditions of the selected program. The Principal acknowledges receipt of the Terms and Conditions, and they are incorporated herein by reference.

2.2 Standard. In the exercise and performance of its powers and duties, the Bank shall act at all times with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. The Principal acknowledges that no representation has been made by the Bank concerning the investment performance of the Custody Account, and that the Custody Account assets are not insured by the Bank or by any government agency.

2.3 Mutual Funds. If directed by the Principal, the Bank is specifically authorized to invest in mutual funds registered under the Investment Company Act of 1940, including mutual funds to which Bank or an affiliate provides investment management, custody or other services and for which it receives compensation, or with which it has in common officers, directors or employees.

Powers and Duties of the Custodian

3.1 General Powers. The Bank is authorized to perform acts incidental to its duties under this Agreement at the direction of the Principal, including without limitation the following authority:

- a) To vote or to refrain from voting any stock held in the Custody Account personally or by proxy and to delegate the Bank's powers with respect to stock to a proxy.
- b) To exercise subscription, conversion and other rights and options and to make payments from the Custody Account in connection therewith.

- c) To take any action and to abstain from taking any action with respect to any reorganization, consolidation, merger, dissolution, recapitalization, refinancing and any other change affecting any property held as part of the Custody Account, and in connection therewith to delegate its powers and to pay assessments, subscriptions and other charges from the Custody Account.
- d) To employ agents, experts, and counsel, to delegate powers to, and rely upon information and advice furnished by, such agents, experts and counsel, and to compensate such agents, experts and counsel out of the Custody Account.
- e) From time to time to register any property in the name of its nominee or depository or in its own name or to hold it unregistered or in such form that title shall pass by delivery, provided that the records of the Bank shall at all times indicate the true ownership of such securities.

3.2 Records. The Bank shall keep accurate and detailed accounts of all investments, receipts, disbursements, distributions and other transactions. The Bank's accounts shall be open to inspection and audit by the Principal or any authorized representative at all reasonable times during business hours.

3.3 Statements. The Bank will provide the Principal with a monthly summary of all income and principal transactions and, within a reasonable period of time after the end of the Principal's fiscal year, an annual summary of such transactions and a statement of assets as of such fiscal year end. The Principal agrees that these accountings will be sufficient to comply with the rules and regulations regarding record keeping and confirmation requirements for securities transactions, and directs the Bank not to send notification of each individual transaction. Confirmations can be provided at the Principal's request for each individual securities transaction at no additional charge. When approved by the Principal, the Bank's account shall be binding on the Principal, and the Bank will be released and discharged from any liability or accountability to anyone with respect to all matters set forth therein. Failure by the Principal to object in writing to any specific items in an account within 180 days after its delivery to the Principal will constitute approval of the account by the Principal.

3.4 Disclosure of Information. Pursuant to Securities and Exchange Commission Rule No. 14b-2(b) under the Securities Exchange Act of 1934, the Bank is authorized is not authorized to disclose the Principal's name, address and security positions of current and future security holdings that may be held under this Agreement from time to time.

Administrative Provisions

4.1 Compensation. The Bank shall be entitled to such reasonable compensation for its services as may be agreed upon from time to time by the Principal and the Bank. The Bank shall be entitled to reimbursement for all expenses reasonably incurred by the Bank in the administration of the Custody Account. The Bank's compensation and expenses shall be paid by the Principal or from the Custody Account as directed by the Principal, or if left unpaid by the Principal for a period of more than 45 days from the Custody Account. Fees received by the Bank (or an affiliate) for investment management, custody or other services provided to mutual funds in which the Custody Account is invested, or for other services not contemplated by this Agreement (such as acting as broker), shall be in addition to and not in lieu of fees for serving as Custodian.

4.2 Instructions. The Bank will be entitled to rely on and be protected in acting on instructions from the Principal whether received in writing, by facsimile transmission, by electronic transmission, by telephone, in person, or by other means reasonably believed by the Bank to be from the Principal. The Principal acknowledges that the Bank has authority not to execute any transaction that the Bank reasonably believes may violate applicable statutes and regulations or subject it to liability or loss.

4.3 Cost Basis. As part of the Emergency Economic Stabilization Act of 2008, Congress enacted specific legislation that significantly changes the way financial institutions are required to track and report cost basis information for client accounts. The goal of the legislation is to provide investors with the means to accurately report gains and losses on the sale of securities for their annual tax filings, as well as a method for the taxing authorities to verify the information. The Act also requires a default tax lot selection methodology of "First In – First Out (FIFO)" unless you request a different tax lot method. The Tax Lot Section Method: Tax Advantaged Other – Specify:

4.4 Indemnification. The Principal will fully indemnify and save harmless the Bank, its successors and assigns, from any loss resulting from liability to which the Bank may be subject by reason of any act or conduct except for the Bank's own willful misconduct or negligence in its capacity as Custodian, including all expenses reasonably incurred in its defense should the Principal fail to provide such defense. The Bank shall be under no duty to take any action other than as herein specified with respect to the Custody Account unless the Principal shall furnish the Bank with instructions in proper form; or to defend or engage in any suit with respect to the Custody Account unless the Bank shall have first agreed in writing to do so and shall have been fully indemnified to the satisfaction of the Bank.

4.5 Removal. The Bank may be removed by the Principal at any time upon written notice 30 days in advance of the removal. The Bank may resign as Custodian by filing with the Principal a written resignation, which shall take effect 30 days after the date of the filing, unless before that time a successor Custodian shall have been appointed by the Principal.

4.6 Entire Agreement. This Agreement constitutes the entire agreement between the parties related to the Custody Account. The Bank shall have no duties whatsoever except as are specifically set forth as such in this Agreement, and no implied covenant or obligation will be read into this Agreement against the Bank.

4.7 Governing Law. The laws of the State of _____ will govern the interpretation and operation of this Agreement.

4.8 Amendment. This Agreement may be amended by a written agreement signed by both parties.

Client Name: Northern Virginia Transportation Authority

By: _____

Title:

Date:

Branch Banking and Trust Company

By: _____

Title:

Date:



Wire Transfer Procedures Acknowledgement

This Wire Transfer Procedures Acknowledgement is jointly recognized this ____ (DATE) by and between Branch Banking and Trust Company ("Bank" or "BB&T") and Northern Virginia Transportation Authority ("Client"). Each of the Bank and Client are a party ("Party" and collectively "Parties") to this acknowledgement.

These procedures are intended to clarify processes, roles and responsibilities of each Party to help ensure the timely and accurate execution of wire transfer requests. The Bank and Client acknowledge the following procedures, including the completion of applicable forms pertaining to wire transfers.

Acceptance and execution of request by bank. Client's wire transfer request is considered accepted by Bank only when Bank has successfully completed all applicable security procedures and has authorized processing of the transfer request. Wire transfer requests shall be received via timely e-mail, facsimile, or US mail (or similar means mutually acceptable to each Party and governmental regulators) from an authorized individual identified by Client. Bank reserves the right to reject any transfer requests for any reason; however, this does not in any way relieve Bank of its obligations set forth in Client's fiduciary, agency, or custody agreement. Client acknowledges that the Bank maintains deadlines for wire transfer requests. If Client's request is accepted prior to the deadline, it will be executed by Bank that wire transfer business day. A Client's request accepted after the deadline may be executed the next wire transfer business day. Wire transfer deadlines are subject to change from time to time at the sole discretion of the Bank.

Cancellation or amendment of wire transfer request. Client may not be able to cancel or amend a request after it is received by Bank. However, Bank may, at its discretion, use reasonable efforts to act on the Client's request for cancellation or amendment. Client agrees to indemnify and hold Bank harmless from any and all liabilities, costs and expenses Bank may incur in attempting to cancel or amend the wire transfer.

Account statements. All wire transfers will be reflected on Client's periodic bank statement. In some cases, Bank will also notify Client in writing, electronically, or by a report produced by one of Bank's information reporting services. Client should review each statement or other such Bank notice for any discrepancies in connection with wire transfers. Client must make claims for unauthorized or erroneous wire transfers in writing to the Bank upon discovery of the error or within 14 days after Client receives the first notice or statement which has a discrepancy, whichever is earlier. Failure to do so will relieve Bank of any obligation to compensate Client for the amount of an unauthorized or erroneous wire transfer.

Method used to make the wire transfer. Bank may select any means for the transmission of funds which it considers suitable, including but not limited to Bank's own internal systems or Fedwire. Bank is not responsible for performance failure as a result of an interruption in transfer facilities, labor disputes, power failures, equipment malfunctions, suspension of payment by another bank, refusal or delay by another bank to accept the wire transfer, war, emergency conditions, fire, earthquake, or other circumstances not within Bank's control.

Duty of reasonable care. Bank shall exercise good faith and reasonable care in processing Client's wire transfers. Client shall similarly exercise good faith and reasonable care in communicating wire transfer requests to Bank, and in reviewing bank statements or notices for any discrepancies. Client is responsible for ensuring the accuracy of requests and Bank has no duty whatsoever to verify the accuracy of requests, nor will it be liable for losses or damages arising out of requests containing

erroneous information. Bank is not liable in any case for any special, indirect, exemplary, or consequential damages (including lost profits) of any kind.

Choice of law. If this Acknowledgement is executed in a state where BB&T operates a branch office, the rights, duties and liabilities of the Parties to this Acknowledgement shall be subject to the laws, including, but not limited to Uniform Commercial Code Article 4A, as in effect in that state. If this Acknowledgement is execute in a state where BB&T does not operate a branch office, the rights, duties and liabilities of the Parties to this Acknowledgement shall be subject to the laws, including, but not limited to Uniform Commercial Code Article 4A, as in effect in the state of North Carolina. These choice of law provisions apply without giving effect to any choice of law rules that may require the application of the laws of another jurisdiction. Client and the Bank agree that any lawsuit or other such proceedings arising from or relating to this Acknowledgement shall be subject to the exclusive jurisdiction of the courts of the state whose law governs your account without regard to any conflicting choice of law rules and that venue shall lie in the same state as the law governing your account exclusive of any other state or jurisdiction. If any part of the wire transfer involves the use of the Fedwire, the rights and obligations of the Bank and Client regarding that wire transfer are governed by Regulation J of the Federal Reserve Board.

Inaccurate or incorrect requests. Client acknowledges that when Client provides Bank with a payee name, account number, and address upon requesting a wire transfer, that payment may be made by the payee's bank solely on the basis of the account number even if such account number identifies a payee different from the payee named by Client. Client furthermore acknowledges that its obligation to pay the amount of the wire transfer to Bank is not excused in such circumstances. Bank has no obligation to detect errors in or to question Client's instructions, and Client assumes all risks of any losses resulting from such instructions. If Bank believes instructions are ambiguous or may contain errors, in its sole discretion it may, but is not obligated to, delay the execution of any wire pending receipt of clarification from Client.

Fees and Charges. In addition to Bank's fees and charges, Client shall be responsible for payment of all fees and charges of each domestic or foreign correspondent bank which facilitates a wire transfer or payment. It is customary that such fees and charges are assessed and withheld from the amount of the wire transfer or if assessed to the Bank, passed on to the Client.

Setup and Security Procedures. Client shall execute and update account documents identifying the Client representatives authorized to instruct Bank (such as an authorized signers form or other form which identifies authorized Client representatives, collectively, "Authorized Signers Forms") as Bank may require initially or in the subsequent event of material changes in the information contained therein. The Authorized Signers Forms shall specify the accounts subject to the service, the names of persons who are authorized representatives for purposes of initiating and validating wire requests, and other pertinent information as identified in the form. Client acknowledges that all wire transfer requests shall be subject to verification by means of any one or more of the following security procedures, or such other security procedure as the Bank may prescribe from time to time; (i) Telephone Call Back by Bank to Client; (ii) Identification Challenge Questions drawn from information in the Bank's system of record, or (iii) System Verification - consistent with procedures made available by Bank to Client. Client shall not disclose security procedures to any third party unless there is a legitimate business need to make such disclosure. Client shall establish and maintain security procedures to safeguard the information required to verify transfer instructions, and shall notify the Bank immediately if Client has reason to believe that a security procedure has been breached or disclosed to any unauthorized person, or learns of any unauthorized transfer or of any discrepancy in a transfer order. Client agrees that the security procedures described above, standing alone, are commercially reasonable.

Foreign Wires and Fees. If Client requests a wire transfer in U.S. dollars to a beneficiary in a foreign country, Bank may make the transfer in the currency of that country pursuant to our normal procedures

at our buying rate of exchange on or before the transfer date. Such exchange rate may differ from rates offered or published by other sources. Client acknowledges and accepts all risks of currency exchange rate fluctuations between the time a foreign wire request is initiated and the time it is completed. In the event payment of the amount involved shall not have been made by our correspondent bank and the purchaser requests a refund, the Bank will endeavor to notify its correspondent bank to cancel the transaction. Upon receipt by the Bank of confirmation of such cancellation, Bank will, subject to any licensing requirements applicable thereto, refund the amount of the transfer to the purchaser in U.S. Dollars, less Bank's expenses and those of its correspondent bank; and/or if in foreign currency, refund in U.S. Dollars at the Bank's buying rate for the said foreign currency on the date of the refund, less any Bank expenses and those of its correspondent bank. The Bank shall not be under any obligation to affect any refund unless and until funds provided to us for its payment shall have been made freely available to it by its correspondent bank.

Review Acknowledgement. Each Party affirms its review of this Procedural Acknowledgement, its ability to address and clarify associated questions in advance hereof, and its agreement to pursue in good faith the best-practice procedures presented in order to help ensure the accuracy and timeliness of all electronic funds and wire transfer transactions contemplated herein.

Acknowledged by:

Client Name: Northern Virginia Transportation Authority

By: _____

Title: _____

Date: _____

Branch Banking and Trust Company

By: _____

Title:

Date: _____



NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

TO: Chairman Parrish and Members of the NVTa Finance Committee

FROM: Michael Longhi, Chief Financial Officer

SUBJECT: Proposed FY2018 Local Distribution Fund Budget (30%)

DATE: December 15, 2016

- 1. Purpose:** Discussion of Proposed FY2018 Local Distribution Fund Budget, (30%) as outlined below.
- 2. Background:** Local Distribution Fund (30%) revenues are distributed in their entirety to member jurisdictions in accord with HB2313(2013). Previous Finance Committee guidance is to conservatively estimate revenues. Member jurisdictions will receive the amount of Local Distribution Funds they are entitled to in accord with HB2313.
- 3. Assumptions:** The Authority will continue to follow HB2313 in the management of the Local Distribution Fund. The proposed budget is presented below. Actual distributions to jurisdictions will be contingent on completion of the annual certification process and will be determined by the actual revenues received based on transactions within the jurisdiction (as reported by the Commonwealth).

Northern Virginia Transportation Authority Proposed FY2018 30% Local Distribution Budget		
	Adopted FY2017	Proposed FY2018
Income:		
Sales Tax	\$ 74,120,722.00	\$ 76,112,523.00
TOT	8,661,771.00	8,855,087.00
Grantor's Tax	13,071,271.00	13,169,958.00
VA NVTa Fund Interest	30,000.00	30,000.00
Interest Earned		
Total Revenue	95,883,764.00	98,167,568.00
Expenditures		
Distribution to Member Jurisdictions	95,883,764.00	98,167,568.00
Total Expenditures	\$ 95,883,764.00	\$ 98,167,568.00
Budget Balance	\$ -	\$ -

- 4. Next Steps.** With Finance Committee approval and guidance, the proposed budget can be presented to the Authority for adoption.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

TO: Chairman Parrish and Members of the NVTa Finance Committee

FROM: Michael Longhi, Chief Financial Officer

SUBJECT: Proposed FY2018 Regional Revenue Fund Budget

DATE: December 15, 2016

1. **Purpose:** Presentment of proposed FY2018 Regional Revenue Fund Budget as outlined below.
2. **Background:** Regional Revenues (70% funds) are largely programmed through the Authority's approval of specific projects on a PayGo basis, after all debt service and reserve funding obligations are met for a fiscal period. Any unused funds from one fiscal year are available for use in a future fiscal year. Finance Committee guidance is to conservatively estimate revenues. The details of the Proposed FY2018 Regional Revenue Fund Budget are presented in Attachment 1.
3. **Revenues:** The sales tax, transient occupancy tax and grantor's tax revenue amounts are consistent with Authority adoption of the FY2017 to FY2023 revenue projections.
4. **Expenditures:** Prior to determining the funds available for projects, the annual debt service payment and reserve amounts must be budgeted. The Authority currently has two Regional Revenue Fund reserves as required in the adopted Debt Policy.
 - a. **Debt service principal and interest.** Total debt service for FY2018 is \$5,549,950.
 - b. **Debt Service Reserve.** This reserve of \$5,551,000 was funded through bond proceeds and exists to protect NVTa's bondholders.
 - c. **Working Capital Reserve (WCR).** The WCR must be equal to at least six months of budgeted regional revenue funds. The intent of the WCR is to protect approved projects from revenue disruptions. The WCR may be used to manage any mismatches in the actual receipt of revenue and the disbursement of funds for projects. The WCR may also be used for debt service. The WCR enables the Authority to respond to unforeseen circumstances which disrupt revenue. Each year the WCR must be adjusted for projected changes in revenue. The WCR level is adjusted down for FY2018 due to the FY2017 adjustments made by the Authority on at their October 2016 meeting.
5. **Carry Forward/Released Project Funds.** This amount represents unassigned Regional Revenue Funds from prior fiscal periods and previously assigned project funds that have been released. As shown on Attachment 1, this amount is projected at \$16,811,934 for FY2018. This amount does not include the potential de-obligation of \$100 million in PayGo funding allocated to the FY2017 I-66/Route 28 Project. Likewise the previously anticipated

\$200 million in debt financing to support the FY2017 program is not included in the proposed FY2018 budget.

- 6. Funding available for projects.** This is the amount available through the proposed FY2018 Regional Revenue Fund for PayGo projects. The actual amount programmed for projects will be determined when the Authority adopts the FY2018 Program. Total availability for FY2018 is \$248,842,468 as shown on Attachment 1.
- 7. Cumulative Regional Revenue Reserve Balances.** This section shows the reserve balances under the Proposed FY2018 Regional Revenue Fund Budget.
- 8. Next Steps.** With any additional guidance from the Finance Committee, the proposed budget can be presented to the Authority in January for adoption.

Attachment 1: Proposed FY2018 Regional Revenue Fund Budget

**Northern Virginia Transportation Authority
Proposed FY2018 Regional Revenue Fund Budget**

	Adopted FY2017	Budget Adjustment	Revised Budget FY2017	Proposed FY2018	Notes
Revenue 70% Regional Funds					
Sales Tax	\$ 172,948,351		\$ 172,948,351	\$ 177,595,889	
TOT	\$ 20,210,798		\$ 20,210,798	\$ 20,661,868	
Grantor's Tax	\$ 30,499,631		\$ 30,499,631	\$ 30,729,901	
VA NVTA Fund Interest	\$ 70,000		\$ 70,000	\$ 70,000	
Bond Proceeds	\$ -		\$ -		
Reimbursable Expenditures	\$ -		\$ -		
Interest Earned	\$ 1,900,000		\$ 1,900,000	\$ 5,530,000	
Revenue Variance (Regional Funds)	\$ -	\$ 14,948,530	\$ 14,948,530	\$ -	
Total Revenue with Debt Proceeds	\$ 225,628,780	\$ 14,948,530	\$ 240,577,310	\$ 234,587,658	
Expenditures					
Debt Service - Principal	\$ 2,405,000		\$ 2,405,000	\$ 2,500,000	
Debt Service - Interest	\$ 3,146,150		\$ 3,146,150	\$ 3,049,950	
Professional Services - Bond Issuance Costs					
Working Capital Reserve (WCR)					
WCR Required Incremental Adjustment	\$ 3,706,879	\$ 7,472,265	\$ 11,179,144	\$ (2,992,826)	
TransAction Update					
Contingency for Approved Projects Adjust (3.8%)	\$ 257,353	\$ (257,353)	\$ 0	N/A	
Transportation Projects Reserve	\$ -			N/A	
Total Expenditures	\$ 9,515,383	\$ 7,214,911	\$ 16,730,294	\$ 2,557,124	
Current Year Available Balance For Projects	\$ 216,113,397	\$ 7,733,618	\$ 223,847,015	\$ 232,030,534	
Available Project Expenditures (PayGo)	\$ 216,113,397	\$ 7,733,618	\$ 223,847,015	\$ 232,030,534	
Approved FY2017 Project Budget			\$ (266,043,951)		
Carry Forward/Released Project Funds	\$ 50,649,839	\$ 8,316,540	\$ 58,966,379	\$ 16,811,934	
Total Available for Project Assignments	* \$ 266,763,236	\$ 16,050,158	\$ 16,769,443	\$ 248,842,468	
Cumulative Regional Revenue Reserve Balances					
Working Capital Reserve	\$ 112,814,390	\$ 7,472,265	\$ 120,286,655	\$ 117,293,829	
Debt Service Reserve (Held by Trustee)	\$ 5,551,150	\$ -	\$ 5,551,150	\$ 5,551,000	
Contingency for Approved Projects	\$ 8,573,894	\$ (8,573,894)	\$ -	N/A	
Transportation Projects Reserve	\$ -		\$ -	N/A	
Cumulative Reserve Balances	\$ 126,939,434		\$ 125,837,805	\$ 122,844,829	

* SPA Approvals will determine exact assignments by fiscal year

Date: 12/8/2016

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

TO: Chairman Parrish and Members of the NVTA Finance Committee

FROM: Monica Backmon, Executive Director

SUBJECT: Proposed FY2018 NVTA Operating Budget

DATE: December 8, 2016

1. Purpose: Discussion of proposed FY2018 NVTA Operating Budget as outlined below.

2. FY2017 Operating Budget Preparation - Budget Background

Member jurisdictions typically have their share of the Authority Operating Budget deducted from their annual Local Distribution Funds or 30% funds. Most of the Operating Budget expenses of the Authority are related to the management and implementation of the Regional Transportation Plan (TransAction), the presentation for approval and monitoring of regional projects and fiscal management of the Regional Revenue Fund.

For FY2018, the Authority is estimated to receive \$327.1 million in revenue. The Regional Revenue Fund will receive 70% or \$228.9 million of this revenue for debt service and PayGo projects approved by the Authority. Member jurisdictions will receive approximately \$98.1 million or 30% of the annual revenue for transportation projects. The following table shows the 30% funds estimated to be available to jurisdictions in FY2017 and FY2018.

30% Local Distribution			
Jurisdiction	FY2017 Estimate	FY2018 Estimate	FY2018 Increase
Arlington County	\$ 11,755,411	\$ 11,925,327	\$ 169,917
Fairfax County	43,308,359	44,398,323	1,089,964
Loudoun County	16,611,737	17,091,896	480,158
Prince William County	12,674,898	13,038,690	363,792
City of Alexandria	6,407,057	6,471,536	64,479
City of Fairfax	2,237,025	2,296,644	59,619
City of Falls Church	833,218	854,657	21,439
City of Manassas	1,590,794	1,613,899	23,104
City of Manassas Park	435,264	446,596	11,332
	\$ 95,853,763	\$ 98,137,568	\$ 2,283,805

4. FY2017 Base Budget Increases

The following changes to the FY2018 base budget are keyed to the expenditure categories in Attachment 1.

A. Staff Compensation Changes

Based on direction from the Finance Committee, staff performance based compensation changes are budgeted based on the average of annual increases contemplated in NVTAs member jurisdiction proposed budgets and those of other Authorities and Commissions in Northern Virginia. Member jurisdictions have not yet publicized a projected budget change for staff compensation for FY2018. Therefore, a 4% increase is programmed in the base budget for estimation purposes. Changes in compensation impact almost all Personnel Expenditure categories as noted on Attachment 1.

B. Changes in the VRS Annual Required Contribution Rate

Every two years VRS revises the Annual Required Contribution rate (ARC) for the Authority. This rate is determined through an actuarial study conducted by an independent firm contracted by VRS. This is the 'off year' for the ARC calculation as such the budget change is based on overall compensation changes.

C. Change in Audit and Accounting

This change is triggered by an \$800 increase in audit fees. The audit fees increase as the size and complexity of the Authority's financial affairs increase.

D. Insurance

For FY2018 there is a projection that the Authority's liability and property insurance rates will increase by \$525.

E. Payroll Services

Payroll Services are projected to increase by \$350 for the contracted payroll service annual fee related to the implementation of the IRS Section 125 Plan.

F. Public Outreach

Public Outreach is increasing due to increased cost experience of \$1,500 related to the production of the Annual Report.

G. Legal Services/Bond Counsel

Bond Counsel fees are being reduced \$25,000 based on cost experience and with the expectation that any fees related to a new bond issuance will be paid as a cost of debt issuance.

H. Hardware/Software & Peripherals Purchase

This budget line is reduced for the one-time purchase of two lap tops in FY2017.

I. IT Support Services and Hosting

Due to expansions in stored data and incremental increases in service fees a \$2,010 increase in support and hosting fees is anticipated.

J. Web Development and Hosting

The small incremental increase (\$50) in this category is the result of one time services in FY2017 being replaced by a potential (\$5,000) update to the web design for FY2018.

K. Dues & Subscriptions, Professional Development and Training, Industry Conferences

Increases of \$1,475 related to projected cost increases of memberships, certifications and subscription services.

L. Office Lease

Annual NVRC lease escalation of \$1,706.

M. Office Supplies

Budget reduction of \$480 related to removing one-time costs associated with the new positions established in FY2017.

N. Operating Reserve

The NVTA Debt Policy requires a 20% Operating Reserve. Changes in the base budget result in year to year changes in this reserve.

O. Equipment Replacement Reserve

Effective with the FY2017 Operating Budget the Authority approved an Equipment Replacement Reserve to be funded at \$4,500 per year. This reserve recognizes that virtually all the Authority equipment and furnishings were purchased and placed in service at the same time. This reserve is designed to provide funding for replacements over time.

P. FY2017 Base Budget Cost Allocation

The base operating budget cost allocation (amount divided among member jurisdictions based on population) is projected to total \$1,730,675 for FY2018. The following table shows the jurisdiction share of the FY2018 base operating budget:

Jurisdiction Share of Base Budget		
	Allocation %	FY2018 Allocation
Arlington	9.63%	\$ 166,664
Fairfax	46.37%	\$ 802,514
Loudoun	15.37%	\$ 266,005
Prince William	18.20%	\$ 314,983
City of Alexandria	6.55%	\$ 113,359
City of Fairfax	0.95%	\$ 16,441
City of Falls Church	0.58%	\$ 10,038
City of Manassas	1.71%	\$ 29,595
City of Manassas Park	0.64%	\$ 11,076
	100.00%	\$ 1,730,675

5. Proposed FY2018 Budget Additions

As noted in the following proposals, the need for Communication / Public Outreach resources, Investment Management Services, Planning Technology and an Internship Program have been identified.

Attachment 1 shows the FY2017 adopted budget, Preliminary Base Budget for FY2018 and proposed additions to the FY2018 base budget. The proposed additions are detailed below and are keyed to the cost categories in Attachment 1. Additionally, the individual jurisdiction cost allocation impact of the proposed additions is presented as part of the narrative description.

A. Communication/Public Outreach - \$87,000.

For several years there has been recognition that the Authority needs to ‘control its message’. This includes written material for the Annual and JCTA reports, editorials, speaker notes and presentations for Authority members. Audiences have been members of the general public, interest and advocacy groups, media outlets, editorial screeners, as well as coordination with member jurisdiction and agency communication teams. This activity will include social media and website activities. This proposal allows the option for the Executive Director to resource this function through a competitive procurement contract with a communication firm or part time direct hire at an amount not to exceed \$87,000. The following table shows the jurisdictional share of this proposal:

Jurisdiction Share of Communication Svc		
	Allocation %	FY2018 Allocation
Arlington	9.63%	\$ 8,378.10
Fairfax	46.37%	\$ 40,341.90
Loudoun	15.37%	\$ 13,371.90
Prince William	18.20%	\$ 15,834.00
City of Alexandria	6.55%	\$ 5,698.50
City of Fairfax	0.95%	\$ 826.50
City of Falls Church	0.58%	\$ 504.60
City of Manassas	1.71%	\$ 1,487.70
City of Manassas Park	0.64%	\$ 556.80
	100.00%	\$ 87,000.00

B. Multimodal Transportation Trends in Northern Virginia, Supplement to the Annual Report- \$10,000.

This proposed supplement will summarize multimodal transportation trends in Northern Virginia. Initially it will draw upon publicly available data sources, e.g. VDOT, DRPT (potentially embracing NVTC, PRTC, VRE, and WMATA data), DMV, TPB*, RITIS, FHWA, Capital Bikeshare, member jurisdictions and others. The relevant data and analysis generated for TransAction will also be included, e.g. surveys, focus groups. Reporting will focus on the region as a whole, TransAction corridors, and member jurisdictions. The supplement as currently conceived will also include features such as evolving trends in travel options (such as connected/autonomous vehicles). The following table shows the jurisdictional share of this proposal:

Jurisdiction Share of Transp Trend Report		
	Allocation %	FY2018 Allocation
Arlington	9.63%	\$ 963.00
Fairfax	46.37%	\$ 4,637.00
Loudoun	15.37%	\$ 1,537.00
Prince William	18.20%	\$ 1,820.00
City of Alexandria	6.55%	\$ 655.00
City of Fairfax	0.95%	\$ 95.00
City of Falls Church	0.58%	\$ 58.00
City of Manassas	1.71%	\$ 171.00
City of Manassas Park	0.64%	\$ 64.00
	100.00%	\$ 10,000.00

C. Custody and Safekeeping Services - \$25,000

The Authority authorized an Investment and Debt Manager position as a component of the FY 2017 Budget. A principal duty of this position is the implementation of the Authority’s Investment Program, consistent with the adopted Investment Policy. The Authority’s Custody Services contract will have safekeeping responsibilities for approximately \$600 million of Authority investments.

Investment earnings for FY2017 are budgeted at \$1.9 million. With the addition of the Investment and Debt Manager position this estimate increased to \$3.5 million and is now estimated at \$4.5 million for FY2017.

Investment earnings will increase further with the Custody Services agreement in place as the infrastructure will be in place to shift from depository based investments to Treasuries, Agencies and other high grade options permitted in the Authority’s Investment Policy. The following table shows the jurisdictional share of this proposal:

	Jurisdiction Share of Custody Service	
	Allocation %	FY2018 Allocation
Arlington	9.63%	\$ 2,407.50
Fairfax	46.37%	\$ 11,592.50
Loudoun	15.37%	\$ 3,842.50
Prince William	18.20%	\$ 4,550.00
City of Alexandria	6.55%	\$ 1,637.50
City of Fairfax	0.95%	\$ 237.50
City of Falls Church	0.58%	\$ 145.00
City of Manassas	1.71%	\$ 427.50
City of Manassas Park	0.64%	\$ 160.00
	100.00%	\$ 25,000.00

D. Portfolio Tracking Software - \$6,000

This software is necessary to meet complex investment tracking and reporting requirements for the investment portfolio. These reporting requirements are set by the Government Accounting Standards Board (GASB) and will assist with audit as well as NVTI Investment Policy compliance. This software will also assist with reporting transparency and meeting industry best practices. The following table shows the jurisdictional share of this proposal:

Jurisdiction Share of Portfolio Management SW		
	Allocation %	FY2018 Allocation
Arlington	9.63%	\$ 577.80
Fairfax	46.37%	\$ 2,782.20
Loudoun	15.37%	\$ 922.20
Prince William	18.20%	\$ 1,092.00
City of Alexandria	6.55%	\$ 393.00
City of Fairfax	0.95%	\$ 57.00
City of Falls Church	0.58%	\$ 34.80
City of Manassas	1.71%	\$ 102.60
City of Manassas Park	0.64%	\$ 38.40
	100.00%	\$ 6,000.00

E. Planning Technology (Technology Plan) - \$25,000

NVTA staff have started the formation of a technology plan starting with Geographic Information System (GIS) mapping to include limited modelling and analysis. Once the TransAction Plan update is complete and the data obtained through the update process is transferred to the Authority, subsequent capabilities and opportunities will be presented in future fiscal years. NVTA and NVRC staff are in discussion on resource sharing, potential equipment and license transfers as well as space changes. The following table shows the jurisdictional share of this proposal:

Jurisdiction Share of GIS Implementation		
	Allocation %	FY2018 Allocation
Arlington	9.63%	\$ 2,407.50
Fairfax	46.37%	\$ 11,592.50
Loudoun	15.37%	\$ 3,842.50
Prince William	18.20%	\$ 4,550.00
City of Alexandria	6.55%	\$ 1,637.50
City of Fairfax	0.95%	\$ 237.50
City of Falls Church	0.58%	\$ 145.00
City of Manassas	1.71%	\$ 427.50
City of Manassas Park	0.64%	\$ 160.00
	100.00%	\$ 25,000.00

F. Transportation Planning Intern Program - \$6,600

The proposed intern program is initially conceived for two semesters as noted below. If approved NVTA staff will further design the program to ensure the Authority and students mutually benefit and the program adds to staff functional capacity. NVTA staff is exploring the

use of the Federal Work Study Program with George Mason University, which could significantly reduce or potentially eliminate the program cost. Descriptions for the Fall and Spring semesters follow:

Fall 2017 Semester (September – December)

- During this first half of this period, NVTA will progress through the final stages of public/stakeholder/jurisdiction/agency engagement towards adoption of TransAction (TA)
- During the latter half of this period, staff will ramp up the development of the Six Year Program (SYP) and develop the proposed Supplement to the 2017 Annual Report (AR2017)
- Intern workload is expected to include
 - supporting the activities of the TA Subcommittee, and RJACC with respect to SYP
 - Support activities for PPC, PCAC and TAC
 - processing, analyzing, and summarizing TA-related feedback
 - analyzing candidate projects/groups of projects for inclusion in SYP
 - supporting data gathering and analysis associated with the proposed AR2017 Supplement
 - maintaining and expanding social media in support of NVTA's outreach
 - supporting the tracking of projects funded with regional revenues, e.g. development of monthly/quarterly reports, monitoring of project websites, participating in site inspections, maintaining project tracking database, attending external public information meetings/hearings
- Real world experience for intern
 - Participation in transportation planning process; adoption phase of TransAction
 - Participation in the transportation programming process; initial development phase of SYP
 - Interactions with jurisdiction and agency staff in formal and semi-formal settings
 - Observation of the regional government process
 - Participation in project oversight activities

Spring 2018 Semester (January – April)

- During this period, NVTA will progress through the initial stages of public/stakeholder/jurisdiction/agency engagement towards adoption of the SYP
- During this period, staff will develop the proposed Supplement to the 2017 Annual Report
- Intern workload is expected to include
 - supporting the activities of the RJACC with respect to SYP
 - Support activities for PPC, PCAC and TAC
 - processing, analyzing, and summarizing SYP-related feedback
 - reviewing candidate projects/groups of projects for inclusion in SYP

- supporting data gathering and analysis associated with the proposed AR2017 Supplement
- maintaining and expanding social media in support of NVTAs outreach
- supporting the tracking of projects funded with regional revenues, e.g. development of monthly/quarterly reports, monitoring of project websites, participating in site inspections, maintaining project tracking database, attending external public information meetings/hearings
- Real world experience to intern
 - Participation in the programming process; development and adoption phase of SYP
 - Interactions with jurisdiction and agency staff in formal and semi-formal settings
 - Observation of the regional government process
 - Participation in project oversight activities

The following table shows the jurisdictional share of this proposal:

Jurisdiction Share of Internship		
	Allocation %	FY2018 Allocation
Arlington	9.63%	\$ 635.58
Fairfax	46.37%	\$ 3,060.42
Loudoun	15.37%	\$ 1,014.42
Prince William	18.20%	\$ 1,201.20
City of Alexandria	6.55%	\$ 432.30
City of Fairfax	0.95%	\$ 62.70
City of Falls Church	0.58%	\$ 38.28
City of Manassas	1.71%	\$ 112.86
City of Manassas Park	0.64%	\$ 42.24
	100.00%	\$ 6,600.00

Summary – New Proposal Costs with Operating Budget Reserve

The table below shows the allocation amounts by member jurisdiction of each of the proposed additions, including the policy required increase to the Operating Budget Reserve.

Summary Proposed FY2018 Budget Additions With Operating Reserve											
	Allocation %	Transportation			Communication Management		Portfolio		GIS Implementation	Operating Budget Reserve	Total
		Internship	Trend Report	Custody Svc	Services	software					
Arlington	9.63%	\$ 636	\$ 963	\$ 2,408	\$ 4,934	\$ 578	\$ 2,408	\$ 3,074	\$ 14,999.64		
Fairfax	46.37%	\$ 3,060	\$ 4,637	\$ 11,593	\$ 28,205	\$ 2,782	\$ 11,593	\$ 14,801	\$ 76,670.49		
Loudoun	15.37%	\$ 1,014	\$ 1,537	\$ 3,843	\$ 9,475	\$ 922	\$ 3,843	\$ 4,906	\$ 25,539.45		
Prince William	18.20%	\$ 1,201	\$ 1,820	\$ 4,550	\$ 11,633	\$ 1,092	\$ 4,550	\$ 5,809	\$ 30,655.65		
City of Alexandria	6.55%	\$ 432	\$ 655	\$ 1,638	\$ 3,461	\$ 393	\$ 1,638	\$ 2,091	\$ 10,306.99		
City of Fairfax	0.95%	\$ 63	\$ 95	\$ 238	\$ 566	\$ 57	\$ 238	\$ 303	\$ 1,559.38		
City of Falls Church	0.58%	\$ 38	\$ 58	\$ 145	\$ 326	\$ 35	\$ 145	\$ 185	\$ 932.31		
City of Manassas	1.71%	\$ 113	\$ 171	\$ 428	\$ 1,004	\$ 103	\$ 428	\$ 546	\$ 2,791.47		
City of Manassas Park	0.64%	\$ 42	\$ 64	\$ 160	\$ 396	\$ 38	\$ 160	\$ 204	\$ 1,064.62		
	100.00%	\$ 6,600	\$ 10,000	\$ 25,000	\$ 87,000	\$ 6,000	\$ 25,000	\$ 31,920	\$ 191,520		

Attachment 1: Preliminary FY2018 Operating Budget

Northern Virginia Transportation Authority Proposed FY2018 Operating Budget					
INCOME:	Adopted Budget FY2017	Proposed Base Budget FY2018	Budget Note	Proposed Budget FY2018	Budget Note
Budget Carryforward including Operating Reserve	\$ 412,571	\$ 388,288		\$ 388,288	
330100 Contribution Member Jurisdiction					
330000 Other Income					
Total Income	\$ 412,571	\$ 388,288		\$ 388,288	
EXPENDITURES:	Adopted Budget FY2017	Proposed Base Budget FY2018		Proposed Budget FY2018	Budget Note
410000 Personnel Expenditures					
110 Salaries-Regular Pay	\$ 943,126	\$ 1,001,653	4A	\$ 1,001,653	
110 Internship	-	-		6,600	5F
130 Health & Dental Benefits	115,200	115,200		115,200	
131 Payroll Taxes	72,258	76,735	4A	76,735	
132 Retirement VRS	93,561	98,622	4B	98,622	
133 Life Insurance	12,355	13,122	4A	13,122	
134 Flex Spending/Dependent Care	604	604		604	
135 Workers Comp	1,037	1,102	4A	1,102	
137 Disability Insurance	13,360	15,920	4A	15,920	
Personnel Subtotal	\$ 1,251,501	\$ 1,322,958		\$ 1,329,558	
420000 Professional Service					
210 Audit & Accounting	\$ 27,500	\$ 28,300	4C	\$ 28,300	
220 Bank Service	750	750		750	
230 Insurance	4,200	4,725	4D	4,725	
240 Payroll Service	1,300	1,670	4E	1,670	
260 Public Outreach	21,500	23,000	4F	33,000	5B
263 Bond Trustee Fees	2,700	2,700		2,700	
265 Investment Custody Fees	-	-		25,000	5C
266 Communication Services	-	-		87,000	5A
262 Financial Advisor Services	72,000	72,000		72,000	
261 Legal Services/Bond Counsel	50,000	25,000	4G	25,000	
264 Legislative Services	60,000	60,000		60,000	
Professional Subtotal	\$ 239,950	\$ 218,145		\$ 340,145	
430000 Technology/Communication					
310 Acctg & Financial Report Systems	\$ 10,000	\$ 10,000		\$ 16,000	5D
320 HW SW & Peripheral Purchase (Exchange upgrade)	5,030	3,620	4H	3,620	
320 HW SW & Peripheral Purchase GIS Total Costs	-	-		25,000	5E
330 IT Support Svc Incl Hosting	14,150	16,160	4I	16,160	
340 Phone Service	7,300	7,250		7,250	
350 Web Develop & Hosting	7,600	7,650	4J	7,650	
Subtotal Technology/Communication	\$ 44,080	\$ 44,680		\$ 75,680	
440000 Administrative Expenses					
410 Advertisement	\$ 1,500	\$ 1,500		\$ 1,500	
411 Dues & Subscriptions	3,710	4,290	4K	4,290	
412 Duplication & Printing	14,592	14,500		14,500	
413 Furniture & Fixture	6,000	-		-	
414 Meeting Expenses	3,600	3,600		3,600	
415 Mileage/Transportation	10,200	10,200		10,200	
416 Misc Exp	-	-		-	
417 Office Lease	116,059	117,765	4L	117,765	
418 Office Supplies	6,880	6,400	4M	6,400	
419 Postage & Delivery	700	700		700	
420 Professional Develop & Training	13,750	14,065	4K	14,065	
421 Industry Conferences	6,420	7,000	4K	7,000	
Subtotal Administrative Expenses	\$ 183,411	\$ 180,020		\$ 180,020	
Expenditure Subtotal	\$ 1,718,942	\$ 1,765,803		\$ 1,925,403	
Operating Reserve (20%)	\$ 343,788	\$ 353,161	4N	\$ 385,081	
Equipment Replacement Reserve	4,500	9,000	4O	9,000	
Total Expenditures	\$ 2,067,230	\$ 2,118,963		\$ 2,310,483	
Cost Allocations	\$ (1,654,659)	\$ (1,730,675)		\$ (1,922,195)	
Member Jurisdiction Support	FY2017 Adopted Budget Amounts*	FY2018 Base Budget Amounts*		FY2018 Proposed Budget Amounts*	
Arlington County	\$ 159,344	\$ 166,664		\$ 185,107	
Fairfax County	767,265	802,514		891,322	
Loudoun County	254,321	266,005		295,441	
Prince William County	301,148	314,983		349,840	
City of Alexandria	108,380	113,359		125,904	
City of Fairfax	15,719	16,441		18,261	
City of Falls Church	9,597	10,038		11,149	
City of Manassas	28,295	29,595		32,870	
City of Manassas Park	10,590	11,076		12,302	
	\$ 1,654,659	\$ 1,730,675	4P	\$ 1,922,195	

*Source Weldon Cooper 2015 Population Estimate percentage:

Cost Allocations are based on the 2015 Population Estimates published on January 27, 2016 by Weldon Cooper Center for Public Service

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

FOR: Chairman Parrish and Members of the NVTA Finance Committee
FROM: Michael Longhi, Chief Financial Officer
DATE: December 8, 2016
SUBJECT: Financial Statement Audit Services

1. **Purpose:** Discussion of a Financial Statement Audit Service Agreement proposal and procurement method.
2. **Background:** The Audit Committee is responsible for approving the selection of an audit firm and audit plan supporting the preparation of annual financial statements. (NVTA Bylaws – Article V. Section B.1.(g))
 - a. Transparency and Competition - Services obtained through public funds are most often best procured in a transparent and competitive environment.
 - i. On February 2, 2015, a Request for Proposals (RFP) for financial statement auditing services was issued jointly by the Northern Virginia Transportation Commission (NVTC), Potomac and Rappahannock Transportation Commission (PRTC) and Virginia Railway Express (VRE) for a base period of three years beginning with FY2015, with options for two additional two-year periods. The RFP was issued in accordance with Section 2.2-4303 of the Virginia Procurement Act.
 - ii. Five proposals were received and ranked by the selection committee in accordance with the guidelines specified in the RFP. The selection committee was made up of the Directors of Finance or Chief Financial Officers from PRTC, NVTC, VRE and the NVTA.
 - iii. The selection committee unanimously recommended to PRTC, NVTC and VRE that the contract be awarded to PBMares, LLP, the highest ranked proposing firm.
 - iv. The governing bodies of PRTC, NVTC and VRE organizations approved the contract award to PBMares, LLP.
 - b. Continuity – PBMares, LLP has served as the financial auditors for the Authority since FY2014 and the auditors for NVTC and VRE since 2003.
 - c. Procurement Method – The Authority can utilize a contract rider option contained in the Financial Audit Services contract between PBMares, LLP and PRTC, NVTC and VRE.
3. **Fiscal Impact:** Within the expected scope of activities, the cost of audit services for FY2017 is estimated at \$28,300.00/year. This amount includes the base audit functions as priced in the attached fee proposal and potential additional services based on an hourly rate for consulting and debt issuance activities. This amount is consistent with the proposed FY2017 Operating Budget.

4. Next steps: With the Committee's approval and guidance, the audit contract and appropriate documentation will be developed with PBMares LLP.

Attachment: PBMares, LLP Non-Binding Audit Fee Proposal dated October 24, 2016

PBMARES, LLP

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY*

OCTOBER 24, 2016

NON-BINDING AUDIT FEE PROPOSAL:

<u>Year Ending</u>	<u>Audit Fee</u>
June 30, 2017	\$ 24,500
June 30, 2018	25,500
June 30, 2019	26,500
June 30, 2020	27,500
June 30, 2021	27,500

These fees includes all out-of-pocket travel costs and report preparation costs.

The fees do not include costs associated with the implementation of, or audit procedures required for new GASB pronouncements or APA requirements.

The fees above do not include the review of any POS or OS in conjunction with the issuance of debt or providing any "comfort letters."

*Procurement based on Northern Virginia Transportation Commission RFP 15-01 "Financial Auditing Services"

<u>Consulting as requested:</u>	<u>Hourly Rates</u>
Partner	\$ 275
Manager	200
Staff	165
Administrative	100

Signed on behalf of PBMares, LLP: (Electronically)

Michael A Garber
Name

Partner **10/24/16**
Title Date

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

FOR: Chairman Parrish and Members of the NVTA Finance Committee
FROM: Michael Longhi, Chief Financial Officer
DATE: December 15, 2016
SUBJECT: Call/Defeasance Options for Series 2014 Bonds

1. **Purpose:** Present for consideration the use of funds from the anticipated de-appropriation of the FY2017 I-66/Route 28 Interchange Project for a cash call or a defeasance of the Authority's 2014 Revenue Bonds.

2. **Background:**

a. When finalized, the Commonwealth's Public Private Partnership (P3) negotiated contract will release \$300 million of NVTA funding commitments. Of this \$300 million, \$200 million negates the need to issue bonds to fund the FY2017 Project Program and \$100 million will increase PayGo capacity in the Regional Revenue Fund.

The Commonwealth has requested de-allocation of these funds be delayed until after the Commonwealth formally executes the contract for the I-66 Outside the Beltway P3 Project which is anticipated for July 2017. Additionally, the TransAction update is anticipated to conclude in 2017 and the Authority's first Six Year Program is expected to be developed in early 2018.

b. Two uses identified for the \$100 million:

i. Apply all the released cash as PayGo for transportation projects in the upcoming Six Year Program.

ii. Use a portion of the released funds to pay down outstanding debt from the Bonds issued by the NVTA in 2014.

1) Staff requested PFM (the Authority's Financial Advisor) to analyze options for using a part of the released funds to refund all or a portion of the outstanding bonds.

a) PFM presented four options for applying released funds to pay down existing debt, and NVTA staff requested a fifth option.

b) Staff and PFM analyzed the five options, and the three most beneficial are presented below.

c. Description of the three scenarios:

- i. **Scenario 1** – Refinance the 2014 bonds at its call date of June 1, 2024, using a new 2024 refunding bond issuance. This assumes no significant change in market interest rates before the call date. This refunding is:
 - 1) estimated to generate \$5.7 million or 13.3% in net present value (NPV) savings as a percentage of refunded par, which is well above NVTAs policy of 3%, and
 - 2) estimated to generate \$7.4 million in gross savings.

Conducting a traditional refunding for savings does not require upfront cash to be set aside; therefore, this Scenario allows all of the released funds to be used for re-appropriation to other PayGo projects. This Scenario must be evaluated on market interest rates at the time of the refunding. Executing a refunding bond sale, is independent from the use of \$100 million in released funds but is included in the Scenarios for comparison purposes.

- ii. **Scenario 2** - Immediately apply approximately \$51.5 million of the released cash into an irrevocable escrow account to affect a legal defeasance of all the callable bonds. This defeasance is:
 - 1) estimated to generate \$4.3 million in NPV savings (or 10.0% in NPV savings as a % of refunded par), and
 - 2) estimated to generate \$20.0 million in gross savings.

This option eliminates any other options for the use of the \$51.5 million placed into the escrow and is effectively an irrevocable decision.

- iii. **Scenario 3** - Hold approximately \$42.8 million of the released cash to perform a cash call on the outstanding bonds on June 1, 2024.
 - 1) A cash call would:
 - a) generate investment earnings on the \$42.8 million held for approximately for 7.5 years of \$6.4 million,
 - b) completely pay off all of the Series 2014 bonds due after the call date,
 - c) generate debt service savings of \$4.9 million NPV savings or 11.5% in NPV savings, representing \$12.6 million in gross savings,
 - d) generate minimum overall gross benefits of \$19.0 million.
 - 2) The \$42.8 million of funds set aside for a potential 2024 cash call will remain completely available to the Authority at any point until the 2024 call date. If desired, the Authority could appropriate these funds for any Regional Revenue Fund (HB 2313) purpose at any time.
 - 3) In a favorable market environment, this Scenario would not preclude the Authority from conducting a refunding bond issuance at or in advance of the June 1, 2024 call date.
 - 4) A return of \$19 million over seven years on a \$42.8 million investment is virtually impossible to obtain with normal investment instruments in this market environment.

3. **Staff Recommendation:** NVTA staff recommends holding \$42,845,000 of the expected released \$100 million for a potential cash call of the outstanding bonds on June 1, 2024 (Scenario 3). This use of these funds would generate the following benefits:
 - a. Over time it would create an estimated additional \$19.0 million of Regional Revenue Fund resources available to be used for projects.
 - b. At the time the decision is made to hold the \$42.8 million until they are committed at the call date, all of the funds and interest thereon will be available if the Authority determines there is a need for a different use of these funds. (Contrary to Scenario 2.)
 - c. It will fully protect the anticipated refunding from interest rate risk.
 - d. It would provide a positive credit rating perception of the Authority by affirming the Authority's prudent, conservative use of its resources.
 - e. It will provide greater flexibility in the Authority's future bond financing(s) by further increasing the Authority's debt capacity once the bonds are paid off in 2024.
4. **Next Steps:** With Finance Committee approval, a proposal for using a part of the released funds to perform a cash call on June 1, 2024, will be submitted for Authority approval at the Authority's January, 2017 meeting.

Attachment: Public Financial Management - NVTA Cash Defeasance Analysis - December 2, 2016.

Northern Virginia Transportation Authority Cash Defeasance Analysis Description of Scenarios

- Scenario 1: No cash defeasance, hypothetical current refunding of the callable Series 2014 Bonds on March 1, 2024
- Scenario 2: Cash defeasance of the callable Series 2014 Bonds on February 1, 2017
- Scenario 3: Set aside \$42.845 million on February 1, 2017 to defease the callable Series 2014 Bonds on June 1, 2024

Northern Virginia Transportation Authority

Cash Defeasance Analysis Results

	Scenario 1	Scenario 2	Scenario 3
Date of Defeasance	March 1, 2024	February 1, 2017	June 1, 2024
Maturities Refunded	2025-2034	2025-2034	2025-2034
Refunded Par	42,845,000	42,845,000	42,845,000
Amount of Cash Required For Defeasance	0	51,505,401	42,845,000
Total Debt Service attributable to Refunded Par	N/A	71,554,375	55,487,500
Gross Savings	7,389,925	20,048,974	12,642,500
NPV ¹ Savings/Cost	5,721,851	4,292,976	4,908,282
NPV Savings/(Cost) as % of Refunded Par	13.35%	10.02%	11.46%
Potential 7-Year Investment Earnings Under Scenario 3	N/A	N/A	6,358,198 ²
Gross Savings for Scenario 1 & 2, Gross Savings + Potential 7-Year Investment Earnings for Scenario 3	7,389,925	20,048,974	19,000,698

Notes: Scenarios 1 & 2 assume escrow is reinvested at rates as of November 29, 2016. Scenario 1 assumes borrowing rates are at a 10-year historical average. ¹NPV calculations for scenarios 2 & 3 use a discount rate of 2.44%, which is the arbitrage yield of the 2014 bonds. NPV calculation for scenario 1 uses a discount rate of 2.15%, which is the arbitrage yield of the hypothetical refunding bonds. All scenarios PV back to February 1, 2017.

² Assumes \$42.8 million is invested at the 7-year UST rate of 2.12%, as of November 29, 2016, between February 2017 and February 2024.

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NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

FOR: Chairman Parrish and Members of the NVTa Finance Committee
FROM: Michael Longhi, Chief Financial Officer
DATE: December 8, 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 through November 2016.
3. **Comments:**
 - a. **FY2017 Revenues (Attachment A)**
 - i. The Authority has received approximately \$84.7 million through the November 2016 transfers from the Commonwealth.
 - ii. Actual to estimate comparison for revenues through November show a 16.3% positive variance in Grantor's Tax, a 0.05% negative variance in Sales Tax and a 1.7% positive variance in Transient Occupancy Tax compared to the adopted revenue estimates.
 - iii. Overall revenue receipts are 2.3% above estimates. No changes to the FY2017 revenue estimates are recommended at this time.
 - b. **FY2017 Distribution to localities (Attachment B)**
 - i. As of the preparation of this report, seven jurisdictions have completed the HB 2313 required annual certification process to receive FY2017 30% funds. Postponements of transfers have been discussed with jurisdictional staff where appropriate.
 - ii. Of the \$84.7 million actually received by the Authority through November for FY2017, approximately \$25.4 million represents 30% local funds of which \$24.6 million has been distributed.
 - c. **FY2014 to FY2017 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 November 2016.

Attachments:

- A. Revenues Received By Tax Type, Compared to NVTa Estimates, Through November 2016

- B. FY2017 30% Distribution by Jurisdiction, through November 2016
- C. Month to Month Comparison By Tax Type and YTD Receipts for November 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 November 2016
 FYE June 30, 2017

Grantors Tax		Received		NVTA		Annualized - Actual		Projected Variance
Transaction Months	4	To Date	Annualized	FY 2017 Budget	To Budget	To Budget	To Budget	
City of Alexandria		\$ 944,241	\$ 2,832,723	\$ 3,322,266	\$	(489,543)		
Arlington County		\$ 1,629,457	\$ 4,888,370	\$ 4,662,589	\$	225,781		
City of Fairfax		\$ 116,520	\$ 349,560	\$ 295,220	\$	54,340		
Fairfax County		\$ 7,615,443	\$ 22,846,330	\$ 20,876,353	\$	1,969,977		
City of Falls Church		\$ 94,261	\$ 282,782	\$ 298,423	\$	(15,641)		
Loudoun County		\$ 3,939,094	\$ 11,817,281	\$ 8,545,066	\$	3,272,215		
City of Manassas		\$ 163,651	\$ 490,954	\$ 339,631	\$	151,323		
City of Manassas Park		\$ 65,051	\$ 195,154	\$ 158,354	\$	36,800		
Prince William County		\$ 2,320,154	\$ 6,960,463	\$ 5,073,000	\$	1,887,463		
Total Grantors Tax Revenue		\$ 16,887,872	\$ 50,663,617	\$ 43,570,902	\$	7,092,715		16.28%
Regional Sales Tax*		Received		FY 2017		Annualized - Actual		Projected Variance
Transaction Months	3	To Date	Annualized	Budget	To Budget	To Budget	To Budget	
City of Alexandria		\$3,804,697	\$ 15,218,789	\$ 14,576,063	\$	642,726		
Arlington County		\$6,216,555	\$ 24,866,219	\$ 24,810,622	\$	55,597		
City of Fairfax		\$1,787,811	\$ 7,151,245	\$ 6,833,280	\$	317,965		
Fairfax County		\$26,279,997	\$ 105,119,989	\$ 112,442,662	\$	(7,322,673)		
City of Falls Church		\$600,569	\$ 2,402,277	\$ 2,304,737	\$	97,540		
Loudoun County		\$12,153,704	\$ 48,614,815	\$ 44,265,375	\$	4,349,440		
City of Manassas		\$1,327,265	\$ 5,309,060	\$ 4,904,149	\$	404,911		
City of Manassas Park		\$368,024	\$ 1,472,098	\$ 1,292,525	\$	179,573		
Prince William County		\$9,197,671	\$ 36,790,683	\$ 35,639,660	\$	1,151,023		
Total Sales Tax Revenue*		\$ 61,736,294	\$ 246,945,175	\$ 247,069,073	\$	(123,898)		-0.05%
Transient Occupancy Tax (TOT)		Received		FY 2017		Annualized - Actual		Projected Variance
Transaction Months		To Date	Annualized	Budget	To Budget	To Budget	To Budget	
City of Alexandria	Months	3.00	\$ 1,100,498	\$ 4,401,991	\$ 3,458,526	\$	943,465	
Arlington County	Months	3.00	\$ 2,378,300	\$ 9,513,201	\$ 9,711,491	\$	(198,290)	
City of Fairfax	Quarters	2.00	\$ 113,403	\$ 226,805	\$ 328,250	\$	(101,445)	
Fairfax County	Quarters	0.50	\$ 1,288,797	\$ 10,310,379	\$ 11,042,184	\$	(731,805)	
City of Falls Church	Months	3.00	\$ 44,444	\$ 177,777	\$ 174,234	\$	3,543	
Loudoun County	Quarters	1.00	\$ 834,866	\$ 3,339,464	\$ 2,562,016	\$	777,448	
City of Manassas	Months	3.00	\$ 19,787	\$ 79,149	\$ 58,868	\$	20,281	
City of Manassas Park	n/a		\$ -	\$ -	\$ -	\$	-	
Prince William County	Quarters	1.00	\$ 331,368	\$ 1,325,472	\$ 1,537,000	\$	(211,528)	
Total TOT Revenue			6,111,463	29,374,238	\$ 28,872,569	\$	501,669	1.74%
Total Revenue Received		\$ 84,735,630	\$ 326,983,030	\$ 319,512,544	\$	7,470,486		2.34%
		\$ 84,735,630						

*The Regional Sales Tax is reported net of fees when applicable.

Attachment B

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY FY 2017 30% DISTRIBUTION BY JURISDICTION

Based on: Receipts through November 2016

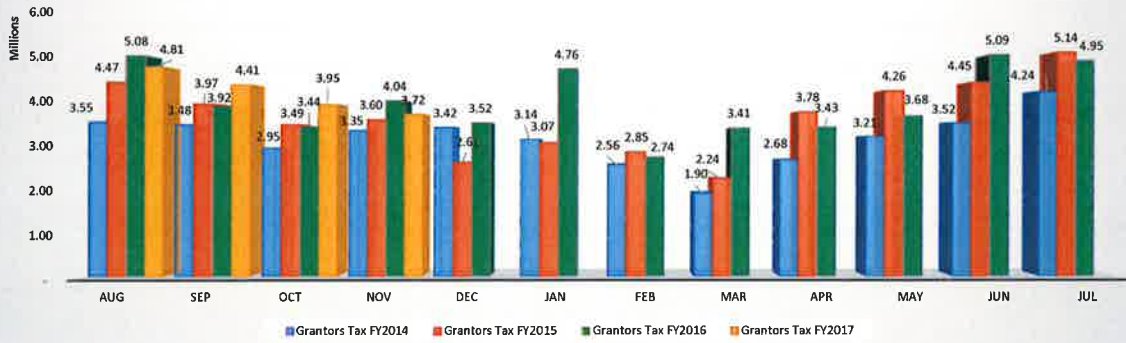
Jurisdiction	Grantor's Tax	*Regional Sales Tax (1)	Transient Occupancy Tax (2)	NVTA Fund Interest	Total	30% Funds	Accrued Interest (3)	Prior Distributions	Current Month Distribution	Total Funds Transferred
City of Alexandria	\$ 944,240.85	\$ 3,804,697.36	\$ 1,100,497.85	\$ 5,304.13	\$ 5,854,740.19	\$ 1,756,422.06	219.73	\$ 1,230,146.54	\$ 526,495.25	\$ 1,756,641.79
Arlington County	\$ 1,629,456.75	\$ 6,216,554.70	\$ 2,378,300.28	\$ 9,389.66	\$ 10,233,701.39	\$ 3,070,110.42	376.68	\$ 2,005,773.59	\$ 1,064,713.51	\$ 3,070,487.10
City of Fairfax	\$ 116,519.85	\$ 1,787,811.36	\$ 113,402.53	\$ 1,924.11	\$ 2,019,657.85	\$ 605,897.36	62.78	\$ 7,173,993.95	\$ 605,960.14	\$ 10,566,858.77
Fairfax County	\$ 7,615,443.45	\$ 26,279,997.30	\$ 1,288,797.38	\$ 34,334.55	\$ 35,218,572.68	\$ 10,565,571.80	1,286.97	\$ 3,277,094.22	\$ 3,392,864.82	\$ 10,566,858.77
City of Falls Church	\$ 94,260.75	\$ 600,569.35	\$ 44,444.14	\$ 666.07	\$ 739,940.31	\$ 221,982.09	31.39	\$ 85,961.65	\$ 222,013.48	\$ 5,083,359.34
Loudoun County	\$ 3,939,093.75	\$ 12,153,703.64	\$ 834,866.08	\$ 14,775.03	\$ 16,942,438.50	\$ 5,082,731.55	627.79	\$ 453,696.78	\$ 1,806,265.12	\$ 5,083,359.34
City of Manassas	\$ 163,651.35	\$ 1,327,265.04	\$ 19,787.13	\$ 1,409.81	\$ 1,512,113.33	\$ 453,634.00	62.78	\$ 2,441,034.76	\$ 44,105.62	\$ 130,067.27
City of Manassas Park	\$ 65,051.25	\$ 368,024.42	\$ -	\$ 377.25	\$ 433,452.92	\$ 130,035.88	31.39	\$ 85,961.65	\$ 44,105.62	\$ 130,067.27
Prince William County	\$ 2,320,154.25	\$ 9,197,670.66	\$ 331,368.08	\$ 11,045.12	\$ 11,860,238.11	\$ 3,558,071.43	439.45	\$ 2,441,034.76	\$ 1,117,476.12	\$ 3,558,510.88
Total Revenue	\$ 16,887,872.25	\$ 61,736,293.83	\$ 6,111,463.47	\$ 79,225.73	\$ 84,814,855.28	\$ 25,444,456.59	\$ 3,138.96	\$ 16,214,004.71	\$ 9,233,590.84	\$ 24,619,621.93

1 Net of Dept. of Taxation Fees

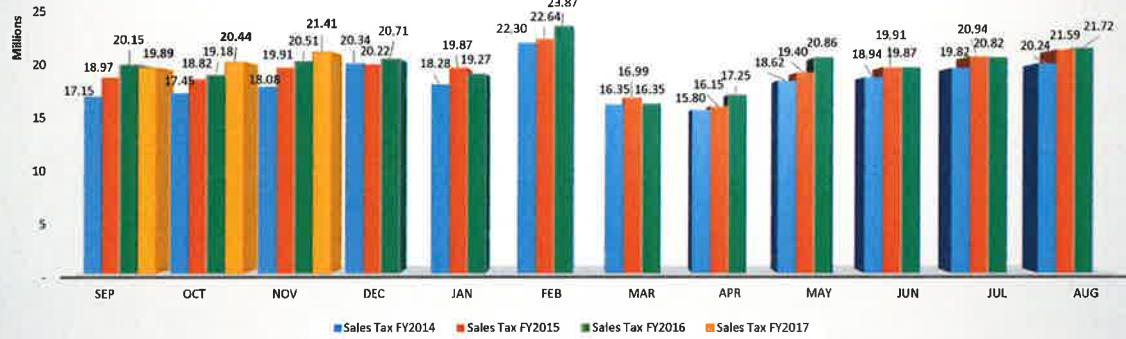
2 County TOT includes any town collections

3 Interest earned through 10/31/2016

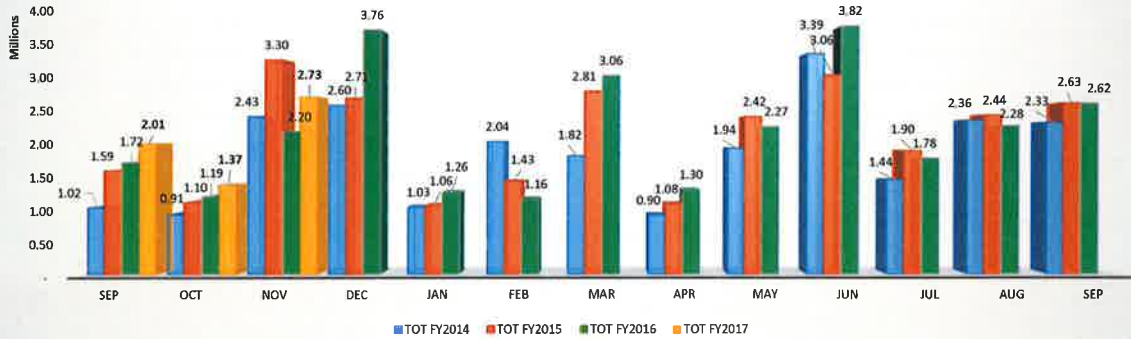
**Grantor's Tax
(month received)**



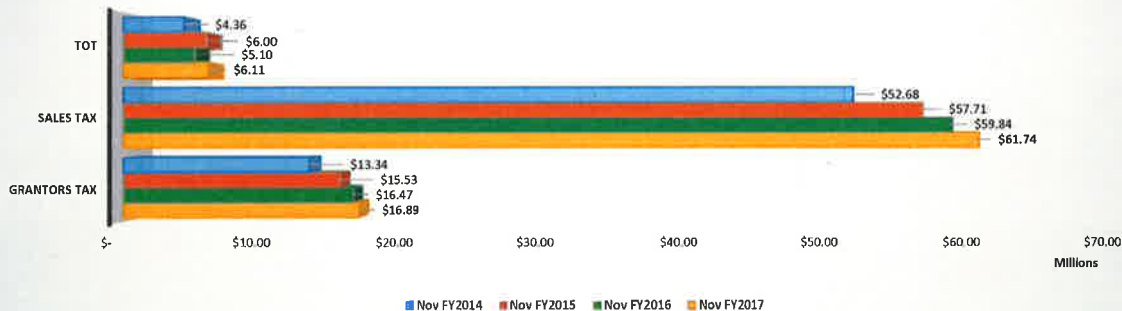
**Sales Tax
(month received)**



**Transient Occupancy Tax
(month received)**



YTD Receipt Comparison November FY2014 to FY2017



NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

FOR: Chairman Parrish and Members of the NVTA Finance Committee

FROM: Michael Longhi, Chief Financial Officer

DATE: December 15, 2016

SUBJECT: NVTA Operating Budget

1. **Purpose:** To update the Finance Committee on the Authority Operating Budget for FY2017
2. **Background:** The Authority operating budget is funded through the participating jurisdictions. All jurisdictions have contributed their respective share of the FY2017 operating budget.
3. **Comments:** Through November 2016, the FY2017 Operating Budget has produced the following results:
 - a. Operating revenue is at 100% of estimate for the entire year.
 - b. November 2016 represents 42% of the fiscal year. Through November 2016, the Authority has utilized 36% of its expenditure budget.
 - c. The attached statement shows the operating budget income and expenditure activity through November 2016 for FY2017.

Attachment: FY2017 Operating Budget through November 30, 2016

1000 General Fund

Account Object	Description	Current Year				%
		Current Month	Current YTD	Budget	Variance	
Revenue						
330100	Contribution Member Jurisdiction		1,654,617.00	1,654,659.00	-42.00	100
						100
	Total Revenue	0.00	1,654,617.00	1,654,659.00	-42.00	100
Expenses						
410000	Personnel Expenses					
110	Salaries-Regular Pay	71,939.50	355,948.77	943,126.00	587,177.23	38
130	Health & Dental Benefits	7,630.32	44,329.08	115,200.00	70,870.92	38
131	Payroll Taxes	3,813.34	22,806.84	72,258.00	49,451.16	32
132	Retirement VRS	7,588.64	35,239.03	93,561.00	58,321.97	38
133	Life Insurance	1,020.94	4,717.20	12,355.00	7,637.80	38
134	Flex Spending/Dependent Care	26.25	78.75	604.00	525.25	13
135	Workers Comp		1,039.00	1,037.00	-2.00	100
137	Disability Insurance	701.75	6,415.98	13,360.00	6,944.02	48
	Total Account	92,720.74	470,574.65	1,251,501.00	780,926.35	38
420000	Professional Services					
210	Audit & Accounting Services		20,250.00	27,500.00	7,250.00	74
220	Bank Service			750.00	750.00	
230	Insurance		4,705.00	4,200.00	-505.00	112
240	Payroll Services	318.61	692.30	1,300.00	607.70	53
260	Public Outreach		5,687.88	21,500.00	15,812.12	26
261	Legal/Bond Council Services			50,000.00	50,000.00	
262	Financial Services		18,000.00	72,000.00	54,000.00	25
263	Bond Trustee Fees			2,700.00	2,700.00	
264	Legislative Services			60,000.00	60,000.00	
	Total Account	318.61	49,335.18	239,950.00	190,614.82	21
430000	Technology/Communication					
310	Acctg & Financial Report System			10,000.00	10,000.00	
320	HW SW & Peripheral Purchase		4,390.90	5,030.00	639.10	87
330	IT Support Svc Incl Hosting	1,324.07	6,481.82	14,150.00	7,668.18	46
340	Phone Service	532.57	2,277.69	7,300.00	5,022.31	31
350	Web Develop & Hosting	195.40	1,224.15	7,600.00	6,375.85	16
	Total Account	2,052.04	14,374.56	44,080.00	29,705.44	33
440000	Administrative Expenses					
410	Advertisement			1,500.00	1,500.00	
411	Dues & Subscriptions	825.00	990.00	3,710.00	2,720.00	27
412	Duplication & Printing		2,381.99	14,592.00	12,210.01	16
413	Furniture & Fixture		5,613.36	6,000.00	386.64	94
414	Meeting Expenses	102.81	1,038.18	3,600.00	2,561.82	29
415	Mileage/Transportation	1,200.59	2,394.91	10,200.00	7,805.09	23
416	Misc Exp		144.48		-144.48	

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY
Income Statement
For the Accounting Period: 11 / 16

1000 General Fund

Account Object	Description	----- Current Year -----				
		Current Month	Current YTD	Budget	Variance	%
417	Office Lease	9,813.60	57,994.02	116,059.00	58,064.98	50
418	Office Supplies	171.89	1,161.30	6,880.00	5,718.70	17
419	Postage & Delivery		43.45	700.00	656.55	6
420	Professional Develop & Training	330.00	1,225.77	13,670.00	12,444.23	9
421	Industry Conferences		4,152.19	6,500.00	2,347.81	64
	Total Account	12,443.89	77,139.65	183,411.00	106,271.35	42
	Total Expenses	107,535.28	611,424.04	1,718,942.00	1,107,517.96	36
	Net Income from Operations	-107,535.28	1,043,192.96			
Other Expenses						
521000	Transfers					
820	Transfer to Operating Reserve			343,788.00	343,788.00	
825	Transf to Equip Reserve			4,500.00	4,500.00	
	Total Account			348,288.00	348,288.00	
	Total Other Expenses	0.00	0.00	348,288.00	348,288.00	
	Net Income	-107,535.28	1,043,192.96			