

CVTA FINANCE COMMITTEE AGENDA 9/11/24; OTHER BUSINESS ITEM 2.

Strategies to Capitalize on Interest Income Earnings

Central Virginia Transportation Authority

BACKGROUND: At its August 14, 2024, regular meeting, the CVTA Finance Committee discussed the excellent performance of the regional funds that have been reinvested while waiting to be programmed for project costs. Following guidance from the Executive Director, members discussed the opportunity to develop plans that could benefit from investment of the regional revenue interest income.

The committee identified opportunities including reinvestment of the funding, allocation of funds to existing regional projects, set-asides for working capital reserve, and establishment of a funding stream for Fall Line wayfinding maintenance needs.

The CVTA TAC was asked to provide input on a possible course of action and for the Executive Director to report back at the September Finance Committee.

Options for application of CVTA Interest Income – September 2024

1. Continued reinvestment of funds with the goal of interest earnings growth
 - o Rely on guidance of the CVTA fiscal agent to identify best short-term reinvestment options as needed
2. Application of interest earnings to regionally-identified projects. With the current interest earnings at \$11.6 million (June 2024), multiple existing projects could be fully funded or partially funded
 - o Existing CVTA Regional projects may include:

Project	Locality	Year of expenditure for allocated funds	Balance remaining
I-64 at Oilville Rd (Rte 617) Interchange	Goochland	2028	\$2,906,512
Route 360 (Woodlake Village Pkwy - Otterdale Rd) Widening	Chesterfield	2026-2030	\$6,552,148
Busy Street Extension	Chesterfield	2027-2029	\$6,805,496
Rt. 360/Walnut Grove Rd Intersection Improvement	Hanover	2028, 2030-2031	\$4,626,811
Rt. 1 and Ashcake Intersection	Ashland	2024	\$3,498,694

- o There are approximately two dozen additional projects that have a balance to complete larger than the available interest earnings. The interest earnings could be applied to reduce the outstanding need for one or multiple of these projects.

- The Fall Line Wayfinding Plan identifies a need for committed funding that provides much-needed resources for maintenance, signage, and related infrastructure along the Fall Line corridor. This funding source has not yet been identified, but would benefit all seven jurisdictions impacted by the project. The dollar amount necessary to seed this funding source is \$1,500,000
- 3. Set aside as the Working Capital Reserve identified in the CVTA financial policies and procedures. The policy requires three months of the budgeted annual CVTA Regional Funds to be included in this reserve. At this time there have been no funds set aside for the reserve.
 - For 2024, the projected regional revenue funds provided by the Commonwealth equals \$71.9 million
 - Based on the 2024 annual funding, the reserve should be set to \$17.975 million.
 - Begin the set-aside for the WCR using the interest income as seed money. Using the \$11.6 million reported for June 2024, the reserve would be 64.5% complete

Potential Interest Income Scenarios

Scenario 1

- Continue reinvestment of the entirety of interest income

Scenario 2

- Apply all of the interest income to the Working Capital Reserve
- Commit a percentage of future interest income reserve to the WCR until it is whole

Scenario 3

- Set aside \$5.8 million (half of the interest income) and apply to the Working Capital Reserve
- Fund the balance of I-64/Oilville, Rt 360/Walnut Grove, or Rt 1/Ashcake
- Apply the remainder to reinvestment

Scenario 4

- Fund the balance of Rt 360/Woodlake/Otterdale or Busy Street
- Fund the Fall Line Maintenance Reserve
- Apply the remainder to the Working Capital Reserve

Scenario 5

- Fund the balance of Rt 360/Woodlake/Otterdale or Busy Street
- Fund the Fall Line Maintenance Reserve
- Apply the remainder to reinvestment

Scenario 6

- Develop a custom funding scenario for some combination of projects
- Apply the remainder to reinvestment, WCR, or both

REQUESTED ACTION: motion to recommend full Authority approval of a spending plan for CVTA Regional Fund interest earnings.
