

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

MEMORANDUM

TO: Chairman Martin E. Nohe and Members
Northern Virginia Transportation Authority

FROM: Mayor Parrish, Chair, Finance Committee

DATE: January 6, 2017

SUBJECT: Finance Committee Report of the December 15, 2016 Meeting

1. **Purpose:** To provide a report of the monthly activities of the Northern Virginia Transportation Authority's Finance Committee.
2. **Background:** The Finance Committee last met on December 15, 2016. The next meeting is scheduled for February 16, 2017 at 1:00PM. The following summarizes the December 15th meeting:
3. **Action Items:**
 - a. **IRS Section 125 Premium Only Plan.**
 - i. The Committee received a briefing on why, given the uncertainty with the Affordable Care Act and changes in the Commonwealth's 'The Local Choice' health plan, establishing a NVTA plan to comply with IRS Section 125 is beneficial.
 - ii. The proposal to enter a service agreement with NVTA's payroll processor (ADP) was discussed, noting it this is the most economical approach in terms of staff time and budget resources.
 - iii. The Committee unanimously agreed to recommend Authority approval of establishing the IRS Section 125 Premium Only Plan through a service agreement with ADP.
 - b. **Investment Safekeeping and Custody Service Agreement**
 - i. The Committee has received prior updates on the progress related to the competitive procurement for this service. The service is a crucial ingredient in establishing the Authority's investment program and is required under the adopted Investment Policy, best practices, audit compliance and accounting standards.
 - ii. The Committee received and discussed the staff report that the competitive procurement resulted in a staff recommendation of BB&T for the provision of this service.
 - iii. The Committee has received estimates that with the continued implementation of the Investment Program interest earnings revenue for the Regional Revenue Fund will increase from \$1.9 million to \$4.5 million for FY2017. With implementation, the FY2018 interest revenue estimate is currently \$5.5 million.
 - iv. Funds to pay for the FY2017 service fees were identified in the Bond Counsel Fee expenditure line.

- v. The Committee unanimously agreed to recommend Authority approval of the contract award for Investment Safekeeping and Custody Services with BB&T and a related budget adjustment. Mayor Parrish abstained from the vote out of an abundance of caution, as a business disclaimer form was not readily available at the meeting.
4. **Discussion Items:** The first three discussion items were presented with the preface that depending on the Committee's direction they could move forward to the Authority in January as Consent Agenda and/or Action Items.
- a. **FY2018 Budget Review.** The Committee reviewed, asked questions and offered comments on the three proposed budgets:
 - i. **Local Revenue Fund Budget**
 - 1. The Committee reaffirmed standing instructions for this budget. This budget is exclusively used to receive 30% revenues from HB 2313 and process distributions to member jurisdictions.
 - 2. The Committee emphasized the presentation of the budget such that all 30% funds received from the Commonwealth are able to be distributed in accord with HB 2313 as promptly as practical.
 - 3. The Committee unanimously supported presenting the budget to the Authority on the January consent agenda.
 - ii. **Regional Revenue Fund Budget**
 - 1. The Committee reaffirmed standing instructions for this budget. The majority of the budget expenditure activity occurs with the adoption of a Project Program.
 - 2. The implications of the expected July 2017 release of FY2017 Funds allocated to the I66/Route 28 Interchange Project were discussed.
 - 3. It was noted that staff will assess whether adjustments to the revenue estimates are needed prior to determining final revenue availability for future project funding.
 - 4. The Committee unanimously supported presenting the budget to the Authority on the January consent agenda.
 - iii. **Operating Budget.** The Committee reviewed the presented FY2018 Base Budget and proposed initiatives. Appreciation was expressed for the level of detail, clarity and transparency provided in all three budgets with an emphasis on the detail by jurisdiction in the operating budget. The proposed initiative details were discussed:
 - 1. Communications / Public Outreach – The establishment of a formal communication function was discussed. Options for obtaining contract services or a part time direct hire were reviewed. Discussion ensued on the different costs that make up a direct hire approach or contract approach and how they end up costing the same. However, it was agreed a direct hire approach would be preferable if possible, recognizing that the individual would not receive the full budget allotment as significant cost would be incurred for office space, equipment and supplies. Estimated cost is \$87,000. The Committee unanimously supported the proposal and the approach of permitting the Executive Director to

attempt to find a part time direct hire opportunity and report back to the Finance Committee.

2. Multimodal Transportation Trends Report – This proposed supplement to the Authority’s Annual Report to track multimodal trends in Northern Virginia was discussed. This proposal will allow the NVTA to start to benchmark progress in producing results for the region. By using data drawn from a number of sources and the TransAction Update, it will show results as a Supplement to the NVTA Annual Report by region, corridor and member jurisdiction. These costs are mostly related to compilation and annual report supplement production. The estimated cost is \$10,000. The Committee unanimously supported the proposal.
3. Investment Management – The requirements for Safekeeping and Custody Services was discussed. The Committee received a report on the negotiations for these services which will result in annual service fees of \$25,000. These fees are significantly reduced from the original proposals. NVTA staff recommended the acquisition of investment tracking software at an annual fee of \$6,000. This software will ensure compliance with the Code of Virginia, the Authority’s Investment Policy and Government Accounting Standards Board (GASB) requirements. The Committee unanimously supported the proposals.
4. Planning Technology (Technology Plan) – Discussion of the formulation of a technology plan starting with Geographic Information System (GIS) mapping, modeling baseline and analysis system capability was discussed. NVRC and NVTA staff are in discussion on potential resource sharing, equipment and license transfers as well as space requirements. Estimated cost for this initiative is \$25,000. The Committee unanimously supported the proposal.
5. Establishment of an Internship Program – A potential internship program was discussed, with the Committee noting that it should produce a benefit to the Authority as well as the student while not being a drain on current resources. The estimated cost is \$6,600. The Committee unanimously supported the proposal.
6. Additional Guidance – Staff compensation, maintaining a fully funded retirement plan, inflationary increases, contract escalations (technology/lease) and technology maintenance were also discussed. The prior practice of benchmarking staff annual performance increases to be consistent with member jurisdiction and agency budgets was discussed. It was agreed to continue the practice and to use 4% as a cap for the FY2018 proposed budget. The Committee directed staff to return with an analysis of the member jurisdiction and agency budgets once those numbers are available.
7. The Committee unanimously supported presenting the budget to the Authority as an Action Item in January. The Committee further directed staff to provide opportunities for member jurisdiction staff to be briefed on the proposals, so they could inform and advise their respective Authority members.

b. Financial Statement Audit Services. In the Committee’s role as the NVTA Audit Committee, it was noted that the agreement with the external auditor ends at the end of this fiscal year. A briefing was provided on securing financial statement audit services

through riding a combined competitive procurement undertaken by PRTC, NVTC and VRE. It was noted that the Authority CFO participated on the evaluation panel for this procurement. The Committee requested to be presented with a detailed action item on this matter at the next meeting.

- c. Call/Defeasance Options for Series 2014 Bonds.** The Committee was presented with a briefing of future options to call or defease the Series 2014 bonds. A financial analysis was presented by staff and discussed. The Committee requested further analysis, options and coordination with member jurisdiction finance and transportation staff.
- d. Monthly Revenue Report.** The Committee received a report on Authority revenues for FY2017 and 30% transfers to member jurisdictions. It was noted there are no recommendations for changes to the revenue estimates at this time.
- e. Monthly Operating Budget Report.** The Committee received a report on the Authority FY2017 Operating Budget. It was noted there are no recommendations for changes to the Operating Budget, other than noted above, at this time.