



Northern Virginia Transportation Authority
The Authority for Transportation in Northern Virginia

FINANCE COMMITTEE
Thursday, October 18, 2018
1:00 PM
3040 Williams Drive, Suite 200
Fairfax, VA 22031

MEETING SUMMARY

I. Call to Order/Welcome

Mayor Rishell

- Mayor Rishell called the meeting to order at 1:10 PM.
- Attendees:
 - ✓ Members: Mayor Rishell; Chairman Nohe; Chairman Bulova; Mayor Silberberg (arrived 1:21 PM)
 - ✓ Staff: Monica Backmon (Executive Director); Michael Longhi (CFO); Richard Stavros (Investment & Debt Manager); Peggy Teal (Assistant Finance Officer); Yolanda Thomas-Jones (Clerk).
 - ✓ Council of Counsels: Ellen Posner (Fairfax County)
 - ✓ Other Attendees: Brittany Martin (Prince William County); Tarrence Moorer (City of Alexandria); Liang Shan (PFM); Noelle Dominguez (Fairfax County); Anna MacDonald (United Bank).

II. Summary Minutes of the September 20, 2018 Meeting

- September 20, 2018 summary minutes were not available, will be emailed at later date.

Presentation

III. FY2018 Audit Presentation

Mr. Michael Garber, Partner, PBMares, LLP

- Mr. Garber presented the FY2018 Draft Financial and Compliance Reports, noting the Authority received an unmodified (clean) audit opinion. He added, the Independent Auditor's Report is not included in the draft reports.
- Mr. Garber highlighted the NVTa Management's Discussion and Analysis on page 4 of the report. He noted the special revenue funds/regional funds in the overview.
- Mr. Garber mentioned the Financial Highlights noted on page 5 of the report, including the Fund Financial Statements.
- Mr. Garber acknowledged the differences in the current 'Balance Sheet-Governmental Funds', on page 16, versus previous years balance sheets.
 - ✓ The Regional Revenue Fund, the restricted amount has been broken out. He noted the 'restricted' at \$371 million, has not been designated. The working capital reserve is \$120 million. Restricted-for appropriated projects is \$429 million. Previously, only the Regional Revenue fund total was reflected on the balance sheet.
- Mr. Garber referred to the Schedule of Changes in Restricted Funding for Appropriated Projects on pages 68 and 69 of the report.

- ✓ He noted the details outlined for each project and its appropriations.
- Mr. Garber mentioned the Other Post Employment Benefits (OPEB) for NVTA was only \$75,000 and reported for Governmental Accounting Standards Board (GASB) compliance. He added that the NVTA received an unmodified audit opinion on compliance as well.
- Mr. Garber referred to the Financial Statements within the Draft Financial and Compliance Reports, highlighting:
 - ✓ Pages 1, 2 and 3 are the independent auditor's opinion.
 - ✓ The final document will include a copy of the Arrangement Letter and the Representation Letter for signature.
- Mr. Garber noted there were no significant difficulties in the audit. He added, current audit adjustments were not needed, and there were no past audit adjustments.
- Mr. Garber discussed the Management Letter enclosed in the report.
 - ✓ Auditor's noted some of the investments appeared to be of foreign holdings, which are not allowed by the Authority's Investment Policy. Upon further investigation and gathering of documentation, it was determined the investments were acceptable under the Policy.
 - ✓ Auditor's suggested the Authority continue to work with their custody service provider to clearly indicate the type of investment being held and that we continue to stay within Policy guidelines.
- Mayor Rishell thanked Mr. Garber and PBMares, LLC for the clear and thorough audit report.
- Mr. Longhi complimented and clarified the amount of work that went into preparing project listings along with financial statements. He thanked the Finance Committee for choosing the subscription service that will address NVTA's issues.

Action Items

- IV. FY2018 Financial Compliance Audit Reports** Mr. Longhi, CFO
- Mr. Longhi sought the Finance Committee recommendation of Authority acceptance of the Draft FY2018 Financial and Compliance Reports.
 - Mr. Longhi directed the Finance Committee to page 68 of the draft FY2018 Financial and Compliance report noting:
 - ✓ After discussion with PBMares, NVTA has created a report that reflects restriction of the funds.
 - ✓ \$690 million of the Authority's balance are specifically tied to projects, noting which projects the funds are connected to.
 - ✓ The schedule reflected the Authority's financial transparency. It notes the balance, while specifically detailing the allocation of funds.
 - ✓ Mayor Rishell thanked Mr. Longhi and his team for their hard work and efforts.
 - ✓ Ms. Teal directed the committee to page 16 of the Finance and Compliance Report noting the Balance Sheet, under Fund Balances. The balance agrees with the 'Restricted- for appropriated project funding' amount.
 - ✓ Mayor Rishell mentioned this report can prevent the NVTA from being targeted by the General Assembly. Mr. Longhi added, an additional benefit is the transparency to the credit agencies.

- ✓ Ms. Backmon noted the projects in three previous funding programs have SPA's. The Authority action at the October meeting approved five SPA's funded under the SYP that are legally binding. She added, if the revenues for those projects went away, the Commonwealth of Virginia would be responsible.
- ✓ Mr. Longhi added the auditors made two recommendations in their management letter which are agreed to by NVTA management:
 - Implement procedures to monitor and update rating risk within the Authority's growing investment portfolio. In response to this recommendation, the Finance Committee recommends Authority approval of a FY2019 budget transfer to obtain investment monitoring subscriptions services.
 - Continue to work with the Authority's investment custody service provided to avoid investment classification errors by the outside contract custodian bank.
- Chairman Bulova moved the Finance Committee recommend to the Authority, acceptance of the draft Northern Virginia Transportation Authority Financial and Compliance Audit reports for the fiscal year ended June 30, 2018, seconded by Mayor Silberberg. Motion carried unanimously.

V. Investment Monitoring and Management Subscriptions Mr. Longhi, CFO

- Mr. Longhi sought Northern Virginia Transportation Authority (NVTA) approval of a budget transfer to enable the FY2019 implementation of Investment Management and Monitoring Services in November.
- Mr. Longhi noted \$35,781.31 that would be withdrawn from the Operating Reserve of FY2019, and replenished as part of the 2020 budget. The ongoing annual cost will be \$48,000.
- Mr. Longhi previously predicted the cost would be between \$20,000 and \$65,000. The costs were economized by using two instead of three services, and having one subscription instead of two. The cost of a second subscription at this time did not seem to be in the best interest of NVTA.
- Chairman Bulova moved Authority approval of a \$35,781.31 transfer from the NVTA Operating Reserve for FY2019 to obtain the Investment Management and Monitoring Services detailed in Table 1 of the staff report. And, authorize the Authority's Chief Financial Officer to sign related subscription service agreements. Seconded by Chairman Nohe. Motion carried unanimously.

VI. Investment Portfolio Report Mr. Stavros, Investment & Debt Manager

- Mr. Stavros gave a report and comments on NVTA's current investment activity and performance.
- Mr. Stavros highlighted the Current Period Reports in the staff report noting:
 - ✓ The portfolio has grown \$24 million since the last report. The portfolio is benefitting from an approved interest rate environment.
 - ✓ NVTA is still focused on core principals of safety, liquidity and yield.
 - ✓ The liquidity in the portfolio has a duration of .43 or less than half a year.
 - ✓ The favorable interest rate environment is benefitting the portfolio by meeting three of four benchmarks.

- ✓ He mentioned even with the high liquidity position, the NVTA is still doing well in the market.
- ✓ Mr. Stavros commented on the repositioning of the VIP 1-3 investment. A higher mark to market loss of \$842,554.07. This is due to the increasing interest rate environment and the VIP Fund Manager had discretion as to which investments were sold to redeem shares.
- Mr. Longhi commented the mark to market loss absorbed when NVTA exited \$46 million in the VIP Fund, ended up being \$89,000 more than anticipated. It stretches out the period it's going to take to make up the loss. This was primarily caused by two things.
 - ✓ Federal Funds Rate going up.
 - ✓ The fact that the Portfolio Manager gets to choose which instruments are to be sold when someone exits the fund. He noted he'd make the same decision if he were in the Fund Managers position. This decision increased the mark to market variance.
 - ✓ Mr. Longhi reflected on a previous question about the outsourcing of management. He noted that a \$900 million portfolio in its totality, would not be put out to management. He estimated \$700 million would be put out for management as a maximum. Currently the management rate would be 2 and a half to 5 basis points, cost of \$1.75 million to \$3.5 million. Internal management is the most efficient way to go. NVTA is still in control of selling instruments.
 - ✓ Mayor Rishell asked was the one-year mark to market loss projected prior to the \$89,000. Mr. Longhi responded no, he was looking at 7 to 8 months previously.

VII. Monthly Revenue Report

Mr. Longhi, CFO

- Mr. Longhi noted the performance is 2% below estimate for Sales Tax, our single revenue source. He added it is not disturbing at this point because the first month of the revenue cycle.
- Mr. Longhi addressed which jurisdictions are getting their 30% Fund distributions. As of September 30th, Alexandria has met its annual certification requirements. As a result, Alexandria will receive a catch-up payment in October and should be on track for the rest of the fiscal year. He added, the City of Fairfax has a different tax deadline, their certification comes in about two months later.

VIII. Operating Budget Report

Mr. Longhi, CFO

- Mr. Longhi updated the Finance Committee on the Authority's Operating Budget for FY2019, noting:
 - ✓ NVTA is at 100% of revenue.
 - ✓ September 2018 represents 25% of fiscal year. Through September 2018, the Authority utilized 22% of its FY2019 expenditure budget.

IX. Project Monitoring and Management System Procurement Update

Mr. Longhi, CFO

- Topic was addressed in Closed Session.

X. Other Financial Activity Updates

Mr. Longhi, CFO

- Mr. Longhi gave a financial update to the Finance Committee noting:
 - ✓ The comments from the jurisdictions have been received for Policy 29. The comments have to be consolidated and re-distributed for additional discussion. Every jurisdiction will be able to see each other's comments.
 - ✓ Currently assessing a RFP for custody services to address issues encountered during last fiscal year's audit. Mr. Longhi stated since it's renewal time, it's prudent to weigh other options in the market.
- November presentation to Finance Committee on investment portfolio's Community Banking Program. This program keeps the resources of the Authority local so that local banks can use the funds for mortgages and business loans.

Closed Session

- At 1:43PM Mayor Rishell moved that the Northern Virginia Transportation Authority enter a closed meeting as authorized by Virginia Code Section 2.2-3711A29, for the purpose of discussing a competitive procurement and potential award of a contract. Seconded by Chairman Bulova. Motion carried unanimously.
- At 1:50PM Mayor Rishell moved that the members of the Finance Committee of the NVTa certify the just concluded closed meeting, only public business matters lawfully exempted from open meeting requirements under Chapter 37, Title 2.2 of the Code of Virginia and only such public business matters as were identified in motion by which the closed session or closed meeting was convened, were heard discussed or considered by the Finance Committee. Seconded by Chairman Bulova. Motion carried unanimously.

Adjourned 1:51 PM

Next Meeting
November 15, 2018