

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY**MEMORANDUM**

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

FROM: Michael Longhi, Chief Financial Officer

SUBJECT: Direct Investment Purchases: Budget Amendments

DATE: September 13, 2019

- 1. Purpose:** To seek Northern Virginia Transportation Authority (NVTA) approval of a budget transfer to enable the implementation of Investment Management and Monitoring Services needed to pursue Direct (electronic) Purchases. The NVTA Finance Committee reviewed the proposed budget amendment and unanimously recommended Authority approval at their September 19, 2019 meeting.
- 2. Suggested Motion:** *I move Authority approval of a \$21,261.91 transfer from the NVTA Operating Reserve as detailed in Table 1 below.*
- 3. Background:**
 - a.** The NVTA investment portfolio has reached more than \$1 billion in size and today requires enhanced security and oversight, and improved price transparency, more comparable to other funds its size.
 - i.** Enhanced Oversight: CFO level oversight (electronically with a Bloomberg terminal), improves coordination and analysis with staff, adds another audit trail, and improves how quickly NVTA can respond to market opportunities.
 - ii.** Price Transparency: Direct Purchases using the Bloomberg terminal offers lower costs (by creating more competition between brokers and reducing broker commissions) as well as improving deal capture by avoiding lengthy negotiations or sales calls.
 - iii.** Performance Analysis: Direct Purchases monitoring platforms allow for more deep analysis of transactions (pinpointing which brokers and counterparties gave the best transactions or pricing).
 - b.** The NVTA Five Year Strategic Plan in Goal IV calls for; 'Supporting transportation infrastructure development through excellent stewardship of tax payer dollars, maximizing opportunities from existing sources... '.
 - c.** Interest income from the NVTA portfolio exceeded the FY2019 Budget Projection by \$12 million (unaudited) in realized income.

d. The subscription/direct purchase tools have an additional benefit of improved pricing for securities leading to greater yield. The greater yield will generate as much as \$400,000.00 in additional interest income for the Regional Revenue Fund (70%).

4. **Proposed Transfer:** After conducting significant research into Direct Purchases, NVTA staff have determined the best combination of tools to implement this strategy would be to add a second Bloomberg Anywhere subscription with real time pricing, and expanding the Inter Continental Exchange (ICE) Best Ex Reporting Service subscription.

- a. The transfer noted in Table 1 below, will fund the implementation of the investment tools for the final 8 months of this fiscal year.
- b. The FY2020 cost of the additional subscriptions and one-time implementation costs (to be funded from the Operating Reserve) is \$21,261.91
- c. The Operating Reserve will be replenished as part of the FY2021 Operating Budget.
- d. The ongoing annual costs for all investment services, starting in FY2021 are estimated at \$52,344.40.

Table 1			
Investment Management Platform Subscription Costs (Transfer From Operating Reserve)			
	Current FY2020	Revised FY2020	FY2021
Bloomberg Anywhere Subscription	\$ 25,680.00	\$ 40,080.00	\$ 47,280.00
Bloomberg Real Time Pricing Module	\$ 1,530.00	\$ 2,719.60	\$ 3,314.40
Bloomberg One time Installation Fee		\$ 50.00	
Computer		\$ 3,272.31	
ICE Best Ex Reporting Service		\$ 1,750.00	\$ 1,750.00
Monitor		\$ 600.00	
Budget Amount	\$27,210.00	\$48,471.91	\$52,344.40
One time		\$ 3,922.31	
FY2020 Budget Transfer Amount		\$21,261.91	

5. **Next Steps.** With Authority approval of the transfer in October, the service can be implemented in November.