



Northern Virginia Transportation Authority
The Authority for Transportation in Northern Virginia

FINANCE COMMITTEE
Wednesday, June 13, 2019 5:30 PM
3040 Williams Drive, Suite 200
Fairfax, VA 22031

MEETING SUMMARY

I. Call to Order/Welcome

- Vice Chair Rishell called the meeting to order at 5:35 PM.
- Attendees:
 - ✓ Members: Mayor Parrish (Arrived 5:43PM); Chairman Nohe; Chairman Bulova; Mayor Rishell, Mayor Wilson (Arrived 6:11 PM)
 - ✓ Staff: Monica Backmon (Executive Director); Michael Longhi (CFO); Richard Stavros (Investment & Debt Manager); Peggy Teal (Assistant Finance Officer); Yolanda Thomas-Jones (Clerk); Keith Jasper (Principal, Transportation Planning and Programming);
 - ✓ Council of Counsels: Ellen Posner (Fairfax County) Rob Dickerson (Prince William County)
 - ✓ Other Attendees: Bob Brown (Loudoun County); Tarrence Moorer (Alexandria); Noelle Dominguez (Fairfax County); Paolo Belita (Prince William); JoAnne Carter (PFM) Kristy Choi (PFM)

II. NVTA Community Bank Program – Presentation postponed due to compressed meeting time and significant agenda.

III. Summary Minutes of the February 21, 2019 and March 21, 2019 Meetings

- Chairman Bulova moved approval of the minutes of the meeting; seconded by Chairman Nohe. Motion carried unanimously.

Action Items

IV. Long-Term Care Insurance Program

Mr. Longhi, CFO

- Mr. Longhi presented the Commonwealth of Virginia's Long Term Care Insurance program which is offered through the Virginia Retirement System (VRS), noting:
 - ✓ When benefits for the Authority were set up in 2014, VRS had earlier suspended participation in long-term care programs for VRS Plan 1 and Plan 2 members.
 - ✓ VRS is now offering long term care insurance, with the following features:
 - ✓ Political Subdivision (employers) must opt in by June 14, 2019.
 - ✓ Participation is a voluntary decision of employees and immediate family members, who will bear the cost of the premiums.

- ✓ Term is for three years, after which the program can be terminated by either party upon 60-day notice.
- ✓ Participation in the VRS program will provide access to long term care insurance based on a significantly large, but as yet undetermined, actuarial pool. Large actuarial pools typically lower insurance premiums substantially over individual policies.
- Mr. Longhi noted that there will not be a fiscal impact on the Authority as all costs are paid by participating employees.
- With Authority approval on June 13th, NVTA staff would be eligible for participation in the program when it starts in the Fall of this year.
- A resolution was attached that is prepared for the Authority's meeting (later that evening) asking for authorization for the Executive Director to sign.
- Chairman Parish noted that he had discussed the proposal at length with Mr. Longhi and he would recommend moving forward with a motion.
- Chairman Bulova moved approval for the participation in the Long Term Care Agreement; seconded by Mayor Rishell. Motion carried unanimously.

IV.a TransAction Update (RFP#2015-01) Contract, Amendment 4

Mr. Longhi, CFO

- Mr. Longhi presented the TransAction Update Contract Amendment 4, noting:
 - ✓ In 2015, the Authority approved the contract for the first update to TransAction since HB2313 funding.
 - ✓ As part of the Request for Proposal and contract, the Authority envisioned the need for ongoing technical services until the next TransAction update.
 - ✓ Examples of these technical services include congestion reduction relative-to-cost, long-term benefit calculations, and other technical services.
 - ✓ Mr. Longhi noted that the request to approve Amendment 4 had been moved ahead one month (which would have originally occurred at the July Finance Committee meeting) to align the process with the timeline of the 2-Year Update.
 - ✓ Mr. Longhi noted Mr. Jasper was in the process of finalizing negotiations with AECOM, which will include the finalization of the scope of work, schedule and final cost. Mr. Longhi added the wording of the proposed Motion, that the cost was not to exceed budgeted amounts, was done so as to give Mr. Jasper negotiating room on costs.
- Chairman Bulova moved that the Authority approve the attached transaction update contract, Amendment #4, in an amount not to exceed funds appropriated for this purpose. Seconded by Mayor Rishell. Motion carried unanimously

Information/Discussion Items

V. Investment Portfolio Report

Richard Stavros, Investment & Debt Manager

- Mr. Stavros presented the monthly report on investment activities and portfolio performance through May 31, 2019.
- Mr. Stavros referenced the 'blue sheet' attachment titled NVTA Performance Milestone, including a table comparing various benchmarks, noting:
 - ✓ The NVTA portfolio hit a performance milestone; the portfolio's yield of 2.61% at the end of May outperformed all of its benchmarks, some by as much as 20 basis points, as

well as outperforming other government investment pools and funds in the Commonwealth of Virginia.

- ✓ Mr. Stavros, noting NVTA's investment policy stresses safety-first, explained the performance milestone was achieved without taking additional risk, as the results were primarily from the purchase of U.S. Treasuries, considered one of the world's safest investments.
- ✓ Mr. Stavros attributed the performance milestone to a rate shock model analysis undertaken by the finance team in response to the Fed's rate hike pause in early 2019, and in response to worsening global economic indicators.
- ✓ The rate shock model analysis gave NVTA an early warning (first mover advantage) on responding to weakening economic fundamentals and falling rate trends.
- ✓ NVTA tapped its excess liquidity (\$100+ million from Agency bonds that were called early in the year) to acquire U.S. Treasury bonds at rates that may ultimately be the highest of 2019 and 2020 because of expected Fed rate cuts.
- ✓ Chairman Bulova asked.....
- ✓ In response Mr. Stavros said he built the rate shock model in the February/March timeframe confirming that the yield curve inversion was a major consideration in the analysis.
- ✓ Mr. Stavros highlighted the fall in the 2-Year U.S. Treasury to 1.88, adding that some NVTA benchmarks had lost performance due to their shorter duration, or were more immediately impacted by interest rate declines, such as local government investment pools.
- ✓ At the meeting, both Mr. Longhi and Mr. Stavros stressed that as rates continue to fall, the NVTA's portfolio performance will also ultimately decline with the market.
- ✓ Mr. Longhi noted, however, very safe fixed income portfolio's tend to hold their value longer as the market is declining (as they do not speculate on upturns).
- ✓ Mr. Longhi, also noted, had NVTA remained in the underperforming VIP 1-3 Bond Fund, exited in 2018, NVTA would not have achieved its performance milestone.
- ✓ Chairman Bulova thanked and praised staff for a great job.

VI. Monthly Revenue Report

Mr. Longhi, CFO

- Mr. Longhi announced the addition of a new forecasting model that adds a higher level of analytical sophistication to verify that revenue estimates are on track.
- In response to the unexpected fall in Sales Tax revenue a few months ago (which turned out to be an outlier or non-repeating occurrence) staff developed a more statistical approach with respect to NVTA's actual performance to estimates.
- Mr. Stavros completed that task and it will be a routine attachment to the Monthly Revenue Report moving forward.

VII. Operating Budget Report

Mr. Longhi, CFO

- Mr. Longhi reported that all revenues were in and the NVTA's Operating Budget was in line with projections.

- Mr. Longhi added that though the operating budget might appear as though NVTA was underspending, this appearance was the result of timing issues.
- Mr. Longhi affirmed that the operating budget was on track to meet its end of fiscal year projections, and no adjustments were recommended.

VIII. Finance Activities Outline

Mr. Longhi, CFO

- Mr. Longhi previewed the areas finance staff would be working on during the summer, as the next Finance Committee would not be meeting until late September. Notable activities include;
 - ✓ NVTA would be completing the Annual Audit
 - ✓ Recruitment, hiring and on-boarding the new financial analyst position
 - ✓ Preparing for Phase 2 of the Public Information System (PIMS) and June kickoff.
 - ✓ Revisions to the annual certification process for 30% funds to increase the transparency of Town fund balances, ensure adequacy of staffing charge documentation.
 - ✓ Policy revision related to SB1716 revenue distributions.
 - Mr. Longhi noted the proposed methodology was statistically back tested by Mr. Stavros and Ms. Teal.
 - Presentment of proposed methodology to the RJACC to ensure a complete and transparent understanding of the process by member jurisdictions.
 - ✓ Mr. Longhi discussed initial investment research which is finding pricing advantages which could be achieved through direct (electronic) purchases of investments, as compared to phone transactions with brokers.
 - ✓ The Finance Committee will be presented with proposed policy revisions, a savings analysis and the methodology to conduct direct (electronic) purchases of investments while maintaining clear oversight and verification to maintain NVTA's conservative investment policy.
- Mr. Longhi added that NVTA had received an indication from VRE that it will voluntarily withdraw one of its projects – the Alexandria Station Tunnel (\$1.3 million – programmed in 2014). The project encountered engineering issues that could not be reconciled with the approved project description.

Closed Session -Procurement Discussion

- At 5:54 PM, Chairman Parish moved the Finance Committee convened a closed meeting as authorized by Virginia Code sections 2.2-3711 (A)(3) and (A)(29) for the purpose of discussing potential contractual agreements by NVTA with third parties regarding the leasing of real estate necessary for the performance of NVTA's statutory missions. Seconded by Chairman Bulova, Motion carried unanimously.
- At 6:45 PM>>>>>

Meeting adjourned: 6:38 PM
Next Meeting September 19, 2019