



Northern Virginia Transportation Authority
The Authority for Transportation in Northern Virginia

FINANCE COMMITTEE
Thursday, September 19, 2019 1:30
PM (Room B)
3040 Williams Drive, Suite 200
Fairfax, VA 22031

MEETING SUMMARY

I. Call to Order/Welcome

- Vice Chair Rishell called the meeting to order at 1:42 PM.
- Attendees:
 - ✓ Authority Members: Chairman Nohe; Chairman Bulova; Mayor Rishell, Mayor Wilson (Arrived 1:48 PM);
 - ✓ Other Authority Members: Board Member Cristol
 - ✓ Staff: Monica Backmon (Executive Director); Michael Longhi (CFO); Richard Stavros (Investment & Debt Manager); Peggy Teal (Assistant Finance Officer); Dev Priya Sen (Financial Analyst)
 - ✓ Council of Counsels: Ellen Posner (Fairfax County – Department of Transportation); Rob Dickerson (Prince William County)
 - ✓ Other Attendees: Tarrence Moorner (Alexandria); Paolo Belita (Prince William); Kristy Choi (PFM); Rich Roisman (Arlington County); Penny Newquist (Loudoun); Brent Riddle (Fairfax County); Greg Potts (WMATA); John Irish (Herndon); Mark Duceman (Herndon)

II. Summary Minutes of the June 2013, 2019 Meetings

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

Action Items

III. TransAction Contract Amendment 5: 2019 Tracking Survey

Mr. Longhi, CFO

- Mr. Longhi presented the TransAction Update Contract Amendment 5, which is a request for a 2019 tracking survey to update those previously conducted in 2015 and 2016, noting:
 - ✓ The purpose of the third survey is to identify current awareness and priorities and to assess any changes that may have occurred on any of the key measures from the earlier two waves of research, including:
 1. Transportation issue awareness and perceptions
 2. Perceptions of quality of life in terms of transportation and future outlook
 3. Identification of key factors impacting transportation quality of life
 4. Identification of regional transportation priorities and key projects

5. NVTA and TransAction Plan awareness and performance

- ✓ Mr. Longhi noted that the results of the 2019 tracking survey update will also be used as part of the Request for Proposal (RFP) when the Authority next updates TransAction.
- ✓ Chairman Nohe asked if the tracking survey was the last activity under the current TransAction contract.
- ✓ In response Mr. Longhi said the tracking survey proposed in Amendment 5 is one of several remaining tasks under the current contract. The other tasks are related to the FY2020/25 Six Year Program (SYP) Two Year Update and Long Term Benefit Analysis.
- ✓ Chairman Nohe asked a follow-up question as to the status of the current contractor relative to the new RFP.
- ✓ Mr. Longhi elaborated that the approval of the amendment does not guarantee AECOM and their subcontractor Hearts+Minds will be the consultants for the next TransAction contract award, nor does it preclude them. The next TransAction RFP will be a new open competitive procurement.
- ✓ Mr. Longhi added that the tracking survey costs were within budget.
- Chairman Bulova moved approval; seconded by Chairman Nohe. Motion carried unanimously.

IV. Direct Investment Purchases: Investment Policy Change

Mr. Longhi, CFO

- Mr. Longhi presented the NVTA direct investment purchase initiative, noting this had been discussed at previous Committee meetings. The proposed policy modifications will allow the implementation of direct (electronic) purchase of securities.
 - ✓ Mr. Longhi discussed how direct purchases would reduce the time Mr. Stavros spends on the phone with brokers fielding solicited and unsolicited calls, as the Bloomberg terminal can instantly display multiple offers from broker and dealers.
 - ✓ Mr. Longhi noted, that in addition to better pricing, the direct purchase approach enables Mr. Stavros to quickly click into the specifics of the individual security to make sure it's in compliance with Code of Virginia (a feature Mr. Stavros has been using with the more time-consuming voice transactions).
 - ✓ Mr. Longhi described examples with voice transactions where the NVTA approval process was too slow and NVTA lost opportunities. Direct purchases would improve the internal approval process timeline as Mr. Stavros could more quickly identify, communicate and receive approval for investments.
 - ✓ In addition to saving time, Mr. Longhi added that direct purchases would also improve security and oversight. The CFO will have a Bloomberg terminal as part of the initiative, and Ms. Teal, NVTA's primary investment monitor and Ms. Sen (who has a background in security transactions) will have Bloomberg audit terminals. Thus, providing greater transparency to what is happening with the portfolio and fully implementing the Investment Monitor role called for in the Investment Policy.
 - ✓ Mr. Longhi noted that NVTA's study on direct purchases found the potential for \$400,000 in investment savings (yield increase) from a \$21,000 increase in

subscription service costs.

- ✓ Mr. Longhi showed the policy is proposed to change in three places;
 - Page 6 of the policy recognizes that a Bloomberg terminal selection would be considered part of a competitive process.
 - Page 4 restricts transactions to brokers that have been screened by NVTA.
 - Page 2 makes it clear that NVTA's investment monitors, Ms. Teal, NVTA's prime monitor, and Ms. Sen, will be able to see every transaction that goes through the Bloomberg.
- ✓ Mr. Longhi noted that NVTA will not change the delivery versus payment policy requirement on page 11. This important security protocol puts NVTA's money in the hands of a 3rd party, who holds it until the party selling the security puts the security in its hands, and then does the exchange.
- ✓ Mayor Rishell congratulated the finance team on the initiative to save \$400,000 in costs.
- ✓ Chairman Nohe moved approval; seconded by Chairman Bulova. Motion carried unanimously

V. Direct Investment Purchases: Budget Amendments

Mr. Longhi, CFO

- Mr. Longhi presented the budget transfer that supports the implementation of the Direct Investment Purchase initiative, noting that the background was the same as the previous discussion.
- Mr. Longhi noted the budget action requested allows the implementation of direct security purchases this fiscal year.
 - ✓ The budget action allows the use of the Operating Reserve to pay the \$21,000 cost of implementing direct purchases this year, with the fund being replenished in the FY2021 budget.
 - ✓ Mr. Longhi discussed the portfolio's realized and unrealized gains; interest income from the NVTA portfolio exceeded the FY2019 Budget Projection by \$12 million (unaudited) in realized income.
 - ✓ Mr. Longhi discussed the implication of realized and unrealized gains and losses on the Authority's financial statements and budget practices.
 - ✓ Mr. Longhi discussed the addition of a service by Inter Continental Exchange (known as ICE) as part of the direct purchase initiative which will perform an evaluation every fiscal year showing how well the portfolio performed from a transaction standpoint (whether the acquiring of investments were optimal, and how well brokers have been treating NVTA from a cost standpoint)
- Chairman Bulova moved approval; seconded by Chairman Nohe. Motion carried unanimously.

VI. Office Lease Renewal

Mr. Longhi, CFO

- Mr. Longhi reported that all the goals the Finance Committee set out in previous discussions had been achieved in the proposed lease. The new lease terms include:
 - ✓ Clearer delineation of shared and non-shared spaces and common area costs.
 - ✓ Reduced cost to the Authority.
- Mr. Longhi noted that the lease renewal with NVRC has 2 base years and three "approximate" one year renewal options. Mr. Longhi explained his use of the term

“approximate” is because the rent calculation is on Oct. 6 and the expiration is at the end of October. Thus, Mr. Longhi continued, the fiscal year does not line up with the calendar year, nor with the lease term calendar period.

- Mr. Longhi noted the annual lease costs of \$169,000 for the year starting October 6, 2019 with increases to \$191,000 for the final (2025) term of the lease.
- Mayor Wilson moved approval; seconded by Chairman Bulova. Motion carried unanimously. As part of their approval recommendation, and for purposes of transparency, Mayor Rishell, Chairman Bulova, and Chairman Nohe noted for the record, that they also serve as Commissioners on NVRC.

Information/Discussion Items

VII. Policy 29 Report

Mr. Longhi, CFO

- Mr. Longhi reviewed the two year development background of Policy 29 prior to its authorization by the Authority in April 2019. The primary policy objective is to establish clear communications regarding the status, and if appropriate, challenges which face NVTA projects. The communication is accomplished through prompt execution of SPA’s, reports and meetings as well as updates to the Executive Director’s monthly report to the Authority.
- Mr. Longhi added all active projects through all funding cycles were reviewed for this report.
- Mr. Longhi further noted that during the two year development period of Policy 29, there was a remarkable increase by jurisdictions and agencies in the frequency and detail of:
 - Project reports
 - Project reimbursements
 - Updates to Appendix A’s (project schedule updates)
 - Updates to Appendix B’s (cash flow schedule updates)
 - Project closeouts
- Mr. Longhi noted these activities by jurisdictions and agencies supported the Policy 29 goals of increasing communication and advancing projects.
- Mr. Longhi reported that three project sponsors (Arlington County, the Town of Herndon and Fairfax County) had reportable policy violations or concerns.
 - ✓ Mr. Longhi reviewed the reported status of the Arlington County Ballston Metrorail West Entrance project.
 - Board Member Cristol asked to speak to the Committee and noted the Ballston Metrorail West Entrance project has the attention of Arlington County and the project is of strategic interest, particularly I-66 commuters.
 - Board Member Cristol further discussed efforts to bring the Ballston project into compliance, adding that the project would start to get back on track soon as there is a dedicated project manager on County staff and updated environmental and engineering studies, funded by NVTA, in process.
 - Board Member Cristol referred to a letter that was shared with the Authority from WMATA General Manager Paul Wiedefeld to Arlington County Manager Mark Schwartz sharing WMATA’s commitment to the project.

- From the letter, Board Member Cristol added a major potential milestone would be the inclusion of the project into the WMATA CIP (Capital Improvement Plan). To do so, a project coordination agreement is needed, which would come out of the preliminary engineering work now underway. WMATA General Manager Paul Wiedefeld's letter summarized the process, Board Member Cristol added.
 - ✓ Ms. Backmon noted staff is working on the update of the SYP and mentioned a recommendation at the October or November Finance Committee meetings relative to any project funding that will be deallocated or deprogrammed. This will allow NVTA staff to revise its PayGo estimates and produce a more accurate number for SYP update.
 - ✓ Vice Chair Rishell noted that NVTA staff should be given the opportunity to review the WMATA letter and report back to the Finance Committee and suggested an ongoing status report on Policy 29 violations.
- Mr. Longhi reported the Town of Herndon has three projects in violation of Policy 29. He reviewed the details of the three projects and violations, noting:
 - ✓ The Town of Herndon promptly produced a detailed and well thought out plan to address the policy violations.
 - ✓ Mr. Longhi noted the Town proposal includes completing the three projects with their own resources (rather than requesting additional NVTA funding) and on an aggressive timeline.
 - ✓ Mr. Longhi recommended the continued monitoring of the Town's progress.
- Mr. Longhi then reviewed the Fairfax County report status which has 12 projects with Policy 29 violations or concerns.
- Mr. Longhi noted Fairfax County staff provided information on September 6th related to 9 of the 12 projects. NVTA staff is in the process of reviewing this information.
 - ✓ Chairman Bulova noted that she had been in contact with staff on the Policy 29 violations (timeliness of documentation and production of materials) and stated that the issues would be resolved.
 - ✓ Mr. Longhi noted that the issues appear to be administrative rather project based.
- During the preparation of the Policy 29 analysis, Mr. Longhi noted that two WMATA projects were reviewed, noting while not included in the Policy 29 violation analysis, the review raised separate significant questions. Mr. Longhi noted WMATA responded to these concerns the day before, which NVTA staff was in the process of reviewing.
 - ✓ With respect to the WMATA projects, Chairman Nohe stated state law and NVTA policy is clear that multi-jurisdictional projects cannot be funded outside of the region unless the other extra-regional bodies, in this case the District of Columbia and Maryland, have fully funded their share of the project, according to the written rules, to the same extent that NVTA has.
- Chairman Bulova added that the Policy 29 is an important initiative as it brings issues to the Board that it needs to be aware of, particularly as it's important that the money put to projects is being used and those projects are moving, not languishing, adding a greater level of care is always required with taxpayer dollars.

VIII. Investment Portfolio Report

Mr. Stavros, Investment & Debt Manager

- Mr. Stavros affirmed the portfolio was managed on the basis of Safety, Liquidity and then Yield (SLY).
- Mr. Stavros noted since the last meeting bond markets had been extremely volatile, but NVTA's portfolio continued to outperform its benchmarks.
 - ✓ Mr. Stavros attributed the continued performance to NVTA's significant expansion of U.S. Treasury holdings in early 2019 to enhance safety, just before rates started to fall.
 - ✓ Mr. Stavros noted that the portfolio's performance would be impacted over time by the Federal Reserve's September 18th rate cuts - the second this year - lowering rates by 25 basis points to a range of 1.75% to 2% in response to slowing U.S. economic growth.
 - ✓ NVTA's portfolio continued to be very liquid to meet project liabilities, with a small average duration of .56 or just a little more than 6 months.
 - ✓ Mr. Stavros highlighted the portfolio had expanded \$36 million since the last report. Mr. Longhi added that the portfolio had officially crossed the \$1 billion mark.
 - ✓ On the \$1 billion portfolio, Ms. Backmon stressed the money had already been assigned or committed to transportation projects.
 - ✓ Ms. Backmon also pointed out that the size of the portfolio was indicative and a consequence of the fact that some projects take time, particularly when public involvement can change the direction of transportation projects.
 - ✓ Vice Chair Rishell thanked and congratulated Mr. Stavros on his work.

IX. Monthly Revenue Report

Mr. Longhi, CFO

- Mr. Longhi reported that NVTA revenues, which were at the time unaudited, had closed the fiscal year above target, and he confirmed all jurisdictions received their 30% funds through the course of the year.

X. Operating Budget Report

Mr. Longhi, CFO

- Mr. Longhi reported the operating budget closed out the year with a small positive balance, noting unspent funds will carry over to fund the next budget cycle.
 - ✓ Vice Chair Rishell thanked the entire NVTA staff on its hard work and producing a substantial agenda, as well as thanking the finance team for finding \$400,000 in savings in the investment portfolio.

Meeting Adjourned: 2:23 PM
Next Meeting October 17, 2019