



Northern Virginia Transportation Authority

The Authority for Transportation in Northern Virginia

II.

FINANCE COMMITTEE
Thursday October 17, 2019 – 1:00 PM
3040 Williams Drive, Suite 200
Fairfax, VA 22031

MEETING SUMMARY

I. Call to Order/Welcome

- Chairman Parrish called the meeting to order at 1:07 PM.
- Attendees:
 - ✓ Authority Members: Mayor Parrish, Chairman Nohe (Arrived 1:15 PM); Chairman Bulova; Mayor Rishell, Mayor Wilson (Arrived 1:25 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: Michael Garber (PBMares, L.L.P); Tarrence Moorner (Alexandria); Rich Roisman (Arlington County); Penny Newquist (Loudoun); Sarah Sade (Loudoun); Jessica Futrell (Loudoun); Noelle Dominguez (Fairfax County)

II. Summary Minutes of the September 19, 2019 Meeting

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

Action Items

III. FY2019 Financial Statement and Compliance Audit

Mr. Garber, PBMares, LLP

- Mr. Garber presented the FY2019 Draft Financial and Compliance Reports, noting the Authority received an unmodified (clean) audit opinion.
- Additionally, Mr. Garber noted (highlighting the second of the two-part audit opinion issued) that the Authority's internal control and compliance standards received an unmodified (clean) audit opinion.
- Mr. Garber presented a second report, the Independent Audit Report to Authority Board Members, reviewing various sections of both reports.
- Mr. Garber drew the Board's attention to the Regional Revenue Fund, highlighting the report showing effectively all funds are restricted to transportation projects already approved by the Authority.
- Mayor Parrish noted the importance of communicating the point to the Commonwealth's collective leadership in Richmond and in jurisdictions that these monies are committed to

transportation projects. Mayor Parrish thanked Mr. Garber for pointing out this information specifically.

- Mr. Garber noted significant work had been done in adopting various GASB standards this year. Mr. Garber thanked Ms. Teal and the finance team for doing a great job in employing the new GASB standards in the financial statements.
- Chairman Bulova moved the Finance Committee recommend Authority acceptance of the draft Northern Virginia Transportation Authority Financial and Compliance Audit Reports and Independent Audit Report to Authority Board Members for the fiscal year ended June 30, 2019, seconded by Mayor Rishell. Motion carried unanimously.

IV. Revisions to Policy 19 – Local Distribution (30% Funds)

Mr. Longhi, CFO

- Mr. Longhi discussed revisions to Policy 19 – which is the policy for the distribution of 30 percent funds. The revisions were necessary as part of the implementation of two new bills (SB1468 and SB1716).
- Noting the policy had not been updated since adoption in 2014, Mr. Longhi highlighted other changes in the language that were needed, such as reflecting NVTA’s loss of the grantors and TOT taxes in 2018, as well as improving the clarity of the language of the annual certification process.
- The biggest change to the policy, Mr. Longhi noted, was that the Authority would distribute the SB1716 funds effectively in the same manner as monthly sales tax, whereas if the jurisdiction received 20% of sales tax it would receive 20% of the new funding.
- Mr. Longhi added this policy was the result of several consultations with RJACC to consider various approaches, where NVTA presented historical analysis that showed no material difference between monthly and annual distributions.
- Mr. Longhi added that the policy changes were coordinated with the Council of Counsels and Bond Counsel as well as the Authority’s Financial Advisor, PFM.
- Calling for a motion, Mayor Parrish noted that it was appropriate that NVTA allowed stakeholders to review the proposed changes amongst various groups, as ultimately the Finance Committee has to make a recommendation to the Authority.
- Chairman Bulova moved approval; seconded by Mayor Rishell. Motion carried unanimously.

V. Revisions to Policy 20 – Regional Revenue (70% Funds)

Mr. Longhi, CFO

- Mr. Longhi noted that the background for the policy modifications is the same for Policy 20 as for Policy 19, which are necessary as part of the same two bills (SB1468 and SB1716).
 - ✓ Specifically, the Policy 20 revisions are a result of SB1468, which provides the Authority flexibility to pay operating and administrative expenses through assessments to member jurisdictions or via a transfer from the Regional Revenue Fund (70% Revenues).
 - ✓ In consultation with Council of Counsels, Bond Counsel and NVTA’s Financial Adviser, Mr. Longhi noted, the wording presented is consistent with NVTA’s

master bond indenture, and captured the fact that the additional funds from SB1716 (I-81 funds) are not bondable.

- ✓ Mayor Parrish asked if the funds need to be separately reported?
- ✓ In response, Mr. Longhi noted that as a result of the SB1716 (I-81) funds not being bondable, those monies will have to be accounted for separately and presented separately in the Financial Statements.
- Mayor Rishell moved approval; seconded by Chairman Nohe. Motion carried unanimously.

Information/Discussion Items

VI. Project Reimbursement Parameters

Mr. Longhi, CFO

- Mr. Longhi presented a study proposal to provide clarity and transparency on Regional Revenue Funds project reimbursements related to direct and indirect costs. The study is to be completed in six months with periodic updates to the Finance Committee.
 - ✓ Mr. Longhi noted some jurisdictions are submitting reimbursements for wages with additional costs added on ranging from 15% to 127%.
 - ✓ Some of these reimbursement requests have included previously deferred pension contributions, overtime, and for non-productive times such as sick leave, vacation and holiday pay.
 - ✓ The goal of the study, Mr. Longhi added, is to provide a transparent, consistent standard for all the jurisdictions.
 - ✓ Mayor Wilson asked if there is a consistent federal or state approach, and if there is a dominant approach?
 - ✓ In response, Mr. Longhi answered that NVT A has done spot research over the years for practices employed by state and federal transportation funding organizations, but no consistent, definitive or dominant guidance has been found to-date.
 - ✓ Mr. Longhi observed that standards for reimbursement vary widely because there are very few entities like the Authority.
 - ✓ The study would work with federal and state agencies as well as RJACC.
 - ✓ Mayor Wilson noted that given the diversity of funding sources that many projects use, NVT A should have a consistent standard.
 - ✓ Chairman Bulova thanked the NVT A finance staff for bringing the proposal forward.

VII. Policy 29 Status Report - Update

Mr. Longhi, CFO

- In an update to the September Policy 29 Status Report, Mr. Longhi stated that no new projects had been identified for Policy 29 non-compliance.
 - ✓ With respect to Arlington County, Mr. Longhi noted the County had put more local money into the project (Ballston Metrorail West Entrance). However, the cost of the project grew larger than the contribution, which has resulted in a continued funding deficit.
 - ✓ Mr. Longhi noted the project is on a trajectory that could result in NVT A staff making a project cancellation recommendation in November. Arlington County requested additional time before the staff recommendation.

- ✓ Board Member Cristol clarified that the status of the award that is in non-compliance of Policy 29 is not for the project funding but rather \$12 million for the design of the project. Board Member Cristol asked if Policy 29 requires a project to show how it will be funded for its next phase in order to be in compliance.
- ✓ Mr. Longhi answered that the project originally landed on the list because it had not spent down the \$12 million in funding substantively.
- ✓ Board Member Cristol acknowledged that Arlington County was non-compliant and noted the County was in the process of identifying funding that would bring the project out of non-compliance.
- ✓ Mr. Longhi responded that what NVTA has done with other jurisdictions in non-compliance of Policy 29 was to establish a path forward to project completion. Using Herndon as an example, Mr. Longhi noted the Town came forward with very aggressive project schedules to make up for lapsed time.
- ✓ The Town also came forward with their project partner VDOT (Virginia Department of Transportation) with a clear commitment that they had the resources, capability and willingness to move through an accelerated project, Mr. Longhi added.
- ✓ Mr. Longhi noted that the Town made clear that they would not request any additional funding from the Authority to resolve the issues with the project.
- ✓ Ms. Backmon noted that when reviewing the Arlington County project the NVTA staff considered the worst-case scenario, whether the project was still viable if the Authority took action to cancel the \$12 million, and could the project still make its recently advanced timelines given the lack of full funding for construction.
- ✓ Board Member Cristol noted that the challenge to the project is that the County needs the funding for the design, which cannot advance without the \$12 million. Board Member Cristol reiterated the County's commitment to exit Policy 29 and follow the needed progress on the project, as well as solidifying construction commitments.
- ✓ Referring to the Herndon-VDOT example, Board Member Cristol asked, absent WMATA signing an agreement putting the project in its Capital Improvement Program, what commitment would be required in a letter from WMATA?
- ✓ Mr. Longhi responded that WMATA would need to indicate that it could support the entire project schedule as identified by the County.
- ✓ Mr. Longhi repeated NVTA's concern that WMATA has indicated that the Silverline Phase 2, Potomac Yards, Safe Track and other projects in Virginia are their top priority.
- ✓ And while in early conversations the County had indicated that it had taken over control over the project, Mr. Longhi noted, significant engineering and complex construction challenges specific to the Ballston Station would require WMATA's review and involvement to complete the project.
- ✓ Chairman Nohe noted that the issue for the NVTA is if the Design is funded but WMATA or another institution does not fund the construction, then what happens to the Authority's \$12 million dollars spent for Design.
- ✓ Chairman Nohe added that the construction of the 2nd entrance is what provides congestion relief, not the design of the project.

- ✓ Mayor Rishell asked what level of oversight is implied by the word “support” in letters (referenced by Board Member Cristol) between WMATA and Arlington.
- ✓ Ms. Backmon answered that the letter from WMATA needs to state that WMATA can support the project timeline.
- ✓ Ms. Backmon further reiterated NVTA’s concern is that with so many other priorities, can WMATA commit to the project schedule that the County has identified.
- ✓ Board Member Cristol noted that the County had been explicit with WMATA and received their agreement to provide the following; 1) some design support, 2) some operational support, and oversight and review of Arlington’s contractor. Board Member Cristol added that the oversight would be supervisory in nature, and the County would be leading the project.
- ✓ With respect to WMATA’s CIP, Board Member Cristol stated that WMATA could not make the commitment of putting the project in its CIP until there is a project coordination agreement, which is contingent on the Design funding.
- ✓ Ms. Backmon added that NVTA staff met with the County and DRPT, which also has Smart Scale funding on the project, to find the best path forward.
- ✓ Mayor Parrish noted that the expectation is that staff will continue to work on these projects and report next month.

VIII. Investment Portfolio Report

Mr. Stavros, Investment & Debt Manager

- Mr. Stavros gave a report and comments on NVTA’s current investment activity and performance, and affirmed the portfolio was in compliance with the Investment Policy, and the investments were acquired on the basis of safety, liquidity and yield.
- Mr. Stavros highlighted page 4 of the report, where NVTA conducted a special year-to-date analysis to evaluate how NVTA’s portfolio had fared against its benchmarks in what has become a more challenging rate environment in the wake of two Federal Reserve rate cuts.
 - ✓ Mr. Stavros reported that NVTA had been able to preserve value and had outperformed its benchmarks over the last six months (March-to-September 2019).
 - ✓ Quantifying the value, NVTA took an average of its four benchmarks (Fed Funds, T-Bill 90, LGIP, VASNAP) and found the difference between NVTA’s yield (2.46%) and the average of the 4 benchmarks (2.11%) was 35 basis points.
 - ✓ As such, NVTA preserved \$1.75 million in income over the six-month period, compared with had the portfolio followed the downward trend of the benchmarks. The performance was attributed to steps taken earlier in the year to increase safety and yield through purchasing U.S. Treasuries.
 - ✓ Mr. Stavros stressed that over time the portfolio performance will move (decline) with the market.
 - ✓ Conversely, if the current trend in falling rates were to reverse, Mr. Stavros added, the portfolio has sufficient liquidity to take advantage of new, higher rate investment opportunities, though current forecasts call for more rate declines.

IX. Monthly Revenue Report

Mr. Longhi, CFO

- Mr. Longhi reported the initial receipt of funds from sales tax, SB1716 and Wayfair out-of-state internet sales.
 - ✓ With respect to its largest funding source, sales tax, Mr. Longhi noted Mr. Stavros would initiate the regional revenue estimate process in November.
 - ✓ Mr. Longhi noted NVTA's has had an effective collaborative effort with jurisdictions on forecasting sales tax, and noted the Authority's own in-house sales tax estimation process has also been very precise.
 - ✓ However, Mr. Longhi noted that NVTA would be seeking more guidance from jurisdictions on the impact of the Internet sales tax and noted there is no local experience on SB1716 funds.
 - ✓ With respect to the SB1716 funds, Mr. Longhi discussed that revenues had not been on a positive trend. Noting the Commonwealth gave guidance that NVTA would receive \$9 million in the first year, Mr. Longhi highlighted the revenues to-date (four months into the fiscal year) appear to be far short of those projections using a straight-line calculation revenue to date should be \$3 million averaging \$750,000 per month. Actual revenue received is under \$500,000 for four months.
 - ✓ Overall guidance from the Commonwealth projects the SB1716 revenues at \$9 million in the first year, \$13 million in the second, and \$20 million in the third. Mr. Longhi added that NVTA would reach out to the Commonwealth for additional information on potential processing delays or other causes.
 - ✓ Mr. Longhi noted his hope that the funding from SB1716 is clarified in the next few months as NVTA staff will be working on PayGo calculations to present to the Finance Committee.

X. Operating Budget Report

Mr. Longhi, CFO

- The Committee received a report and was briefed on the Authority's Operating Budget.

Meeting Adjourned: 2:15 PM
Next Meeting November 21, 2019