



# Northern Virginia Transportation Authority

*The Authority for Transportation in Northern Virginia*

II.

**FINANCE COMMITTEE**  
**Thursday November 21, 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 1:10 PM.
- Attendees:
  - ✓ Authority Members: Chairman Parrish, Chairman Nohe; Chairman Bulova; Mayor Rishell;
  - ✓ 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: Anna McDonald (United Bank); Mary L. Anderson (United Bank); Tarrence Moorer (Alexandria); Rich Roisman (Arlington County); Sarah Sade (Loudoun); Jessica Futrell (Loudoun); Noelle Dominguez (Fairfax County) Brittany Martin (Prince William County); Kristy Choi (PFM); Antonio Olivo (The Washington Post)

### II. Summary Minutes of the October 17, 2019 Meeting

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

## Presentation

### III. NVTA Community Bank Program

Mr. Stavros, Investment and Debt Manager  
Ms. Anna McDonald, United Bank

- Mr. Longhi introduced NVTA's Community Bank Program, an idea that began in Arlington County where the Treasurer implemented a successful program that was focused on ensuring good community relationships between banks and the county.
- Mr. Longhi noted NVTA is different than other organizations in that the institution needs a large level of immediately available liquidity that usually earns low interest rates.
- What the Community Bank Program achieves is it allows the community banks to use NVTA as a funding source, meaning these dollars that were raised in Northern Virginia stay in Northern Virginia.
- Mr. Longhi added that NVTA has not allowed some banks to participate, as the Investment Policy sets high measures on the minimum size and performance of the bank, as well as reviewing the quality of its management and history of oversight.

- Mr. Stavros continued the presentation, noting that the Community Bank Program is considered a core part of satisfying goal #4 of NVTA's 5-year strategic plan, which is to support transportation infrastructure development through excellent stewardship of taxpayer dollars.
- And the NVTA Community Bank Program identifies high quality financial institutions with common core values that are aligned with NVTA's responsibility of upholding the public trust, Mr. Stavros added.
- Highlighting a slide that summarized the NVTA's community bank relationships, Mr. Stavros noted much like NVTA's U.S. Treasuries and Agencies holdings that are guaranteed by the U.S. government, the community bank money market accounts are required to be collateralized by law, as required in the Virginia Security for Public Deposits Act.
- The CDARS bank CDs are guaranteed by the FDIC, Mr. Stavros added, indicating more than 56% of NVTA's investment portfolio is in U.S. Treasuries, collateralized money markets, insured CD's, and U.S. Government-backed Agencies.
- Furthermore, the community bank slide Mr. Stavros presented also showed that the community banks offered money market and CDs at competitive rate levels last year, an average of 2.25%, though rates have been in decline with the three Fed rate cuts this year.
- As part of the Community Bank Program, Mr. Stavros described the quarterly review that he conducts on all NVTA banks using the FDIC's Quarterly Call Report, confirming the banks continue to meet NVTA requirements such as; 1) the aggregate investments held for any qualifying institution are not to exceed 5% of the institution's total assets 2) All commercial banks wishing to be authorized to provide services must report a minimum 4% or greater in Tier 1 (Core) capital.
- Mr. Stavros turned over the presentation to Ms. Anna McDonald and Ms. Mary L. Anderson from United Bank, who described different aspects of the bank's Community Reinvestment Act (CRA) scoring and other philanthropic initiatives.
- Ms. McDonald described the Community Reinvestment Act, enacted in 1977, which has the intent of encouraging depository institutions to help meet the credit needs of traditionally poorly served communities. Furthermore, Ms. McDonald noted, the CRA requires federal regulators to assess the record of each bank in helping to fulfill its obligation to the community.
- In United Bank's latest CRA exam, Ms. McDonald highlighted that the bank had scored outstanding in all three categories of Lending, Investment and Service. Ms. McDonald noted that less than 10% of banks have received such high scores.
- In the community development non-profit division of United Bank, which covers DC, Maryland and Virginia, Ms. Anderson expanded on the bank's lending activities in Northern Virginia in which the bank has made 120 community development loans totaling approximately \$314 million.
- These loans were made to schools in Virginia, hospitals, and for affordable homes, Ms. Anderson noted, adding the bank also provides deposit and investment services to counties and municipalities.
- Ms. McDonald described several examples of United Bank employee volunteer programs (this year 100 employee volunteers served more than 1200 hours).
- Some of the programs described in detail by Ms. McDonald benefit the Inova Kellar Center (focused on mental health and special education), Junior Achievement Finance Park

(teaching youths financial skills), and Northern Virginia Family Service, where the bank supports various programs related to homeless shelters and training.

- Ms. McDonald highlighted the awards that United Bank has received for the bank's community commitment; in 2018 the bank was recognized with an American Bankers Association Community Commitment Award, and in 2018 and 2019 was recognized with a Washington Business Journal Corporate Philanthropy Award.
- Ms. McDonald announced United Bank's acquisition of Carolina Financial Corp., which will increase the bank's asset size from \$19 billion to \$25 billion, ranking United in the top 35 largest banks in the U.S. based on market capitalization. Ms. McDonald noted United's growth would allow the bank to do more in the community.
- Chairman Parrish thanked Ms. McDonald and Ms. Anderson.

### **Information/Discussion Items**

#### **IV. Policy 29 Status Report**

Mr. Longhi, CFO

- Mr. Longhi noted there were no new projects identified for Policy 29 discrepancies, and then updated the Finance Committee on the status of previously reported, Policy 29 projects.
  - ✓ Fairfax County: Mr. Longhi noted that County staff made some progress in catching up on the documentation or administrative processes, updating NVTA on the status of projects.
  - ✓ Town of Herndon: Mr. Longhi reported that the Town was still moving through its right-of-way acquisitions, making solid progress on the commitments they made to bring their projects into compliance.
  - ✓ Arlington County: Mr. Longhi reported that there had been a lot of dialogue and exchanges of correspondence on the Ballston Metrorail West Entrance, but there continue to be concerns over WMATA's ability to commit resources to make sure the project can achieve the timeline that had been laid out in the revised project description.
    - Noting the project's cost increases, Mr. Longhi expressed concern that while Arlington County had committed \$25.5 million of additional funding (via a new funding application to NVTA), the project costs increased by \$40 million to \$130.
    - Mr. Longhi noted the NVTA staff recommendation is to cancel the project, allowing the project to come back at a future date and reapply for funding when it had addressed the various funding and timeline issues.
    - Board Member Cristol responded that the Ballston Metrorail West Entrance project was no longer in Policy 29 non-compliance as the project had begun to spend down and could provide information that the project is underway, presenting a copy of an invoice.
    - Board Member Cristol voiced disagreement with NVTA's staff position that that Design funding should not be advanced until there is a plan for construction funding. Board Member Cristol also reiterated Arlington County's support, referencing a letter from Arlington's chair to Ms. Backmon and the Director Mitchell of the Department of Rail and Public Transportation (DRPT).
    - Board Member Cristol, reemphasizing a point she made at the last NVTA Finance Committee meeting, explaining WMATA cannot include the

project into their Capital Improvement Plan until a project coordination agreement is in place, which cannot be executed until the design is complete.

- Chairman Parrish called for a review of the new materials that Board Member Cristol submitted on the status of the project, and recommended no action be taken until the January timeframe to give all the parties time to review and discuss the submission.
- Having reviewed the correspondence and materials, Mayor Rishell noted she did not get the impression that WMATA support and engagement was contingent upon design completion, noting it appeared to be contingent upon their capacity.
- Board Member Cristol responded that WMATA has a very large staff to manage multiple projects.
- Addressing Board Member Cristol, Chairman Nohe said he would be happy to see resolution in the next 40 days, but noted that NVTA had been discussing the project for five years, since 2015.
- Responding to Chairman Parrish's question on his view of the best options, Chairman Nohe thought the best option would be to sit down with the three parties (WMATA, DRPT, Arlington) and get the commitments that are needed. Alternatively, the next best scenario, is NVTA defunding the project and letting the project "reset" or apply again for funding once the issues are resolved.
- Chairman Nohe offered to sit down with Arlington and WMATA in an effort to resolve the issues so that the project could move forward.
- Board Member Cristol maintained that NVTA would lose a regional project that reduces congestion if the funding was pulled, setting a bad precedent for the jurisdictions. The project would alleviate traffic on 66 (due to the station's closer proximity) and increase bus curb space.
- Chairman Nohe recalled that in 2015 when the project was first approved there were other valid congestion reducing projects that could have gone to construction by now.
- Ms. Backmon noted that the meetings should focus on providing a level of certainty regarding what WMATA can and cannot do.
- Mayor Rishell asked if in the next few weeks NVTA would have a document signed by WMATA's Paul Wiedefeld committing to the project.
- Board Member Cristol responded that a letter from WMATA was not possible until there was a project coordination agreement.
- Mayor Rishell noted she found it difficult to understand how the design stage of the projects affects WMATA's ability to commit to the project, knowing all their other commitments and responsibilities.
- Ms. Backmon noted that WMATA had revised its procedures on how it handles projects that they are not funding.
- Mayor Rishell and Chairman Nohe discussed various potential alternative funding mechanisms that would be contingent on the completion of the project.
- Ms. Backmon further noted in the event that Arlington County spent the design funds and the County does not have the construction funds, the

question would then become how much time would be given to the County to acquire the construction funds, or possibly refund the design cost to the Authority.

- Chairman Parrish asked the various parties to report back on the progress of the additional talks.
- ✓ WMATA: Mr. Longhi discussed 3 issues with two WMATA projects (Orange and Blue Line traction power upgrades).
  - Resolution 14-8: Referencing a letter received from WMATA's CFO dated September 18, Mr. Longhi noted the NVTA has not received adequate financial documentation establishing that Maryland and D.C. are making specific project contributions, as opposed to general contributions. This documentation is needed to substantiate that WMATA is not in violation of NVTA Resolution 14-8 which seeks to ensure that if a project extends beyond Northern Virginia and if there are other funding parties (in this case Maryland and DC), those parties are paying their share. Mr. Longhi added that WMATA staff have indicated they would be sending more detailed financial documentation.
  - Project Scope: Mr. Longhi noted the second issue is project scope, noting NVTA seeks to reduce congestion, and putting more electricity on a circuit alone does not reduce congestion, adding more rail cars to transport more people is what reduces congestion. The Orange Line project specified 100 percent 8-car trains, while the Blue Line project continuous and consistent 8-car trains. The WMATA CFO identified fiscal year 2021 as the budget year to determine the level of service noting WMATA has not committed to a timeframe to achieve 8 car train service levels.
  - Internal Cost Allocations: Mr. Longhi discussed the 100% overhead on labor costs that WMATA is charging, noting every dollar paid per hour that goes into labor comes with a second dollar of overhead. Mr. Longhi offered the issue could be resolved if WMATA begins submitting project reimbursement requests for steel, cable, and outside contract costs adding that he is in discussions with WMATA and is waiting their reply.

## V. Financial Activities Report

Mr. Longhi, CFO

- Mr. Longhi reported that the NVTA finance team will be seeking budget guidance for the Operating, Regional Revenue and Local Distribution Funds in January. Mr. Longhi noted that Mr. Stavros had begun the revenue estimate process with the jurisdictions, with a focus on identifying the Internet component of the sales tax increases.
- On the SB1716 (I-81) revenue shortfall, Mr. Longhi noted Ms. Teal had received a reply on NVTA's inquiry to the Commonwealth which confirmed there have been implementation delays. The Commonwealth reported more funds should be received by February. However, they also noted that the first year target of \$9 million was going to be difficult to reach.
  - ✓ Mr. Longhi added the delays were reportedly due to the Commonwealth having to coordinate at different fuel distribution levels (getting filing forms out) and instituting the new tax across various platforms. Further, the Commonwealth had been in the midst of system conversions and replacements, prior to the new legislation being passed.

- In response to the Committee’s request for updates on the two TransAction contract amendments, approved by the Authority, Mr. Longhi reviewed the salient details. He noted, NVTA is still within the approved TransAction budgets, and no additional Committee or Authority action was required.
  - ✓ Amendment 4 - Technical Analysis Services: The amendment covers the two year Update and the Long Term Benefit analysis. The final amendment costs were originally projected at \$121,180, whereas the actual costs are closer to \$155,100, or \$33,920 higher. The sum also includes a \$9,000 contingency.
    - 2-Year Update: The costs were largely driven by the number and mix (size, complexity and mode) of the projects. Mr. Longhi added several of the projects being reviewed are over \$100 million.
    - Long Term Benefit: Mr. Longhi noted the increased costs were a result of having to update the TransAction 2040 Baseline for the Long Term Benefit analysis for modeling, which is an additional cost of \$10,800, but which will considerably improve the accuracy of the analysis.
  - ✓ Amendment 5 – Tracking Survey: Mr. Longhi noted the new survey incorporates a larger social media component than the previous survey and now will include queries on pricing incentive tradeoffs, e-bikes, e-scooters, the bus transformation project as well as housing choice and affordability. As a result, the costs increased by \$8,100 to \$56,800.

## **VI. Investment Portfolio Report**

**Mr. Stavros, Investment & Debt Manager**

- Mr. Stavros presented the monthly report on investment activities and portfolio performance through October 31, 2019.
- Referencing last month’s performance, Mr. Stavros noted that the portfolio was continuing its seven month trend of outperforming its benchmarks. However, as noted before, the portfolio performance will ultimately move (decline) with the market given the three Fed rate cuts in 2019.
- Mr. Stavros noted that the amount of income that was preserved was \$1.75 million over six months compared to if the portfolio followed the downward trend of the benchmarks.
- Mr. Longhi thanked the Committee for the Bloomberg tools that they had recommended to and were approved by the Authority, noting these tools are enabling staff to maintain the portfolio’s performance.
- Mr. Longhi noted that NVTA had conducted its first Bloomberg electronic transaction, as authorized by the Authority in October. Specifically a \$5 million J.P. Morgan commercial paper purchase was completed, in which NVTA saved \$1,500 on the transaction.
- Chairman Parrish noted the difficulty and challenges of being above the portfolio’s benchmarks, which NVTA continues to do, and congratulated Mr. Stavros on his good work.

## **VII. Monthly Revenue Report**

**Mr. Longhi, CFO**

- The Committee received a report on the Authority’s Monthly Revenue Report.
- Noting the previous discussion on SB1716 funds, Mr. Longhi added Ms. Teal had done the first distribution of the SB1716 funds in the 30 percent distribution. It was noted total

SB1716 revenues only totaled \$625,000 over 5 months whereas \$780,000 was expected per month based on the Commonwealth's \$9 million full year estimate.

**VIII. Operating Budget Report**

Mr. Longhi, CFO

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

**Adjournment**

**IX. Adjournment**

**Meeting Adjourned: 2:29 PM**

**Next Meeting January 16, 2020 at 1:00PM (Room B)**

3040 Williams Drive, Suite 200, Fairfax, Virginia