



Northern Virginia Transportation Authority
The Authority for Transportation in Northern Virginia

FINANCE COMMITTEE
Thursday January 16, 2020 – 1:00 PM
3040 Williams Drive, Suite 200
Fairfax, VA 22031

AGENDA

I. Call to Order/Welcome

Mayor Parrish, Chairman

- Chairman Parrish called the meeting to order at 1:13 PM.
- Attendees:
 - ✓ Authority Members: Chairman Parrish, Mayor Rishell; 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: Rob Dickerson (Prince William County); Steve MacIsaac (Arlington County)
 - ✓ Other Attendees: Rich Roisman (Arlington County); Jessica Futrell (Loudoun County); Ray Johnson (Fairfax County); Marcus Wadsworth (Fairfax County); Kristy Choi (PFM);

II. Summary Minutes of the November 21, 2019 Meeting

- Mayor Rishell moved approval of the minutes of the meeting; seconded by Chairman Parrish. Motion passed with Board Member Cristol abstaining.

Presentation

III. Bloomberg Direct/Annual Best Ex Review Mr. Stavros, Investment and Debt Manager

- Mr. Stavros presented an overview of the Bloomberg investment/analytical tools and subscription services recommended by the Finance Committee and approved by the Authority. The demonstration showed how the tools provide real-time market and best price information for the management of the Authority's \$1 billion portfolio.
- Mr. Stavros also reported the results of the Annual Best Ex Report, which is used by NVTa to refine broker interactions to achieve the best pricing in future transactions.
- The Report found NVTa outperformed its peers on bond pricing in FY2019, obtaining the investments at a lower cost than other market participants on average.
- Mr. Longhi noted this result was a significant performance milestone, when considering NVTa competes for bonds against trillion-dollar money market fund managers such as BlackRock and Fidelity.
- Mr. Stavros added that NVTa's biggest brokers, by combined transaction value, offered NVTa the best pricing. The report also identified opportunities to improve performance

by expanding two existing broker relationships offering above average competitive pricing, and discontinuing two other relationships that were below average.

Action Item

IV. Finance Committee Meeting Schedule for CY2020

Mayor Parrish, Chairman

- The Committee adopted a meeting schedule for CY2020; Meetings are planned for the third Thursday of every month.
- Board Member Cristol moved approval; seconded by Mayor Rishell. Motion carried unanimously

Information/Discussion Items

V. FY2021 Budget Guidance

Mr. Longhi, CFO

- Mr. Longhi provided material for the Committee to provide guidance on the development of NVTA's three budgets for FY2021; 1) the Local Distribution Fund; 2) Regional Revenue Fund; and 3) the Operating Fund.
 1. The Local Distribution Fund
 - Mr. Longhi described how the Local Distribution Fund Budget supports the monthly distribution of 30% funds to member jurisdictions.
 - Mr. Longhi noted NVTA maintains budget authorization to distribute the full funds received from the Commonwealth on a monthly basis while in full compliance with the Code of Virginia and NVTA policies. This eliminates the need for budget adjustments if actual receipts exceed estimates.
 - Mr. Longhi added that the NVTA Regional Revenue Fund transfer for operating budget costs eliminates the need to reduce jurisdiction 30% disbursements.
 2. Regional Revenue Fund
 - Mr. Longhi described the function of the Regional Revenue Fund Budget and how it is the source for transportation project funding by the Authority.
 - Mr. Longhi pointed out the Regional Revenue Fund budget directly funds the expenses related to TransAction and Six Year Program updates and directly related technical and consultative support services.
 3. Operating Fund
 - Mr. Longhi described the Operating Fund Budget, which is the central accounting point for all operating and administrative expenses of the Authority.
 - Mr. Longhi indicated, starting in FY2020, the Operating Budget has been funded from a transfer from the Regional Revenue Fund, rather than funding received from member jurisdictions, typically through a reduction in their 30% Local Distribution funds. This action in FY2020 (the first time it was possible) saved member jurisdictions \$2.9 million.
 - Mr. Longhi also reviewed how NVTA accounts for its administrative expenses (e.g. salary increases/costs/inflation/onetime items) and also reviewed new costs and discussed how the overall budget process works.

- Mr. Longhi described new initiatives under consideration with respect to a Communications and Public Outreach initiative to expand social media resources, the potential outsourcing of legal services and enhancements to the Project Information and Management System (PIMMS), as well as the need for extended Software Licenses and Data Analytics to enhance NVTA's transportation planning capabilities.
- In proposing this year's budget review timeline, Mr. Longhi noted the NVTA's Policy 10 - Financial Management, contains a guideline that calls for the Authority adoption of budgets two months prior to the start of a fiscal year, which effectively results in budget adoption occurring by April.

VI. Policy 29 (Verbal Update)

Mr. Longhi, CFO

- Mr. Longhi gave a brief update on the status of previously reported projects with Policy 29 concerns.
 - ✓ Arlington County: Mr. Longhi reported that there was a draft document under review between NVTA and Arlington on the Ballston Metrorail West project. Mr. Longhi noted he anticipates bringing a proposed solution before the Finance Committee next month based on Arlington County suspending reimbursement requests until WMATA can commit to a project agreement.
 - ✓ Town of Herndon: Mr. Longhi indicated the Town has made progress and is hitting many of its milestones early.
 - ✓ Fairfax County: NVTA staff and Fairfax County continued to work through administrative issues related to the backlog of projects.
 - ✓ WMATA: Mr. Longhi noted that he had follow-up discussions with WMATA to clarify three previously reported issues;
 - Resolution 14-8: NVTA is reviewing a new round of financial documentation.
 - Project Scope: In reference to the Traction Power Upgrades, WMATA has not committed to a timeframe to achieve its goal of 100 percent 8-car trains on the Orange Line project, or continuous and consistent 8-car trains on the Blue Line to reduce congestion as stated in the Project Description forms.
 - Internal Cost Allocations: NVTA staff proposed to WMATA that assuming the other issues are resolved positively, a way forward could be that WMATA only charge Authority funding for items like steel and concrete, etc. leaving out the issue of internal staff time overhead. This proposal was presented to the WMATA General Manager by the NVTA Executive Director and CFO. The General Manager commented that it seemed a very practical solution.
 - ✓ Mayor Parrish noted to Board Member Cristol that staff is continuing to work and report this and the Ballston project.
 - ✓ Board Member Cristol said she appreciated the effort undertaken to find a solution and thanked staff for coming up with the proposal.
 - ✓ Mayor Rishell asked for details on the potential Ballston Project solution.
 - ✓ Noting that the potential agreement is largely based on an idea Mayor Rishell put forward in November 2019, Mr. Longhi replied it effectively calls for Arlington to suspend reimbursement requests until the County and WMATA

execute a project agreement referred to as a PCA. Anticipating that agreement will be initiated within the approximate timeline discussed with the County, NVTa and DRPT in the summer (2019). This will mitigate the financial risk by making sure the project's path forward is clear. The County would then submit reimbursement requests once the PCA was signed. The draft agreement is expected to be presented to the Committee in February.

VII. Investment Portfolio Report

Mr. Stavros, Investment & Debt Manager

- The Committee received a report on the Authority's Investment Portfolio, which is beating investment benchmarks even though the fixed income market has experienced significant rate declines over the reporting period.

VIII. Monthly Revenue Report

Mr. Longhi, CFO

- Mr. Longhi pointed out a table at the back of the report that was not in the Read-Ahead Packet, which analyzes the revenue implications of various bills recently introduced in the Virginia Legislature, HB729, introduced by Delegate Vivian Watts, and Omnibus Bill 1414 introduced by Speaker Filler-Corn.
- Mr. Longhi walked the Finance Committee through the various approaches outlined in the bills that would increase NVTa's revenue, describing the HB729 & HB1414 Preliminary Analysis Table that offered a breakdown of how the proposed new revenues would increase each jurisdiction's revenues.
- Ms. Backmon reminded the Committee that Ms. Tracy Baynard, at the previous Authority meeting, communicated Delegate Watts' objective of developing legislation that would restore the full \$102 million of NVTa revenues diverted to WMATA.
- Board Member Cristol noted the Omnibus Bill HB1414 actually went further than HB729 in restoring NVTa at \$45 million.
- The presented revenue estimates do not include the \$20 million from I-81 that would be received by 2022. Ms. Backmon noted, current receipts are far below the Commonwealth's I-81 statements regarding Authority restoration.
- Mr. Longhi added that the revenue related to Heavy Truck Registration and Diesel Fuel, from the I-81 revenue, has not materialized at the level to support Commonwealth's projections for FY2020.
- Mr. Longhi noted as of now, the NVTa had received \$838,000 from the \$9.2 million that was expected in the first year from I-81, and at the current pace was not expected to finish the year with much more than \$2.5 million in revenues.
- Mr. Longhi reiterated the reported reasons for the delays – the Commonwealth needing to upgrade its systems to collect and distribute the I-81 tax revenues. But until the backlog is cleared, and even after, it may still be a few months more before NVTa can trust in a normalized view of the income distribution, or before a fair estimate could be made.
- For its part, the Commonwealth indicated that some transaction problems will be resolved and an unspecified amount of backlogged revenue will be reflected in the February receipts, Mr. Longhi noted.
- Mayor Rishell asked, once the Commonwealth fixes its distribution system, will the I-81 funding be generally certain; or will the lag add more time before NVTa can be certain.

- Mr. Longhi responded, once the I-81 discrepancy becomes an accounting lag or accrual only process issue, the funding would be clearer. However, even without the lag, the situation is too cloudy at present.
- Ms. Backmon provided a wrap up of the General Assembly, with a general discussion of the various bills and potential new filings.
- Mayor Parrish asked about the impact of the Way Fair Decision on sales tax.
- Mr. Longhi discussed the strong performance of sales tax at 7.5% above projections, with approximately 1% being conservative estimating, 2.5% related to organic growth leaving 4% potentially credited to the implementation of the ‘Internet Sales Tax’.

IX. Monthly Operating Budget Report

Mr. Longhi, CFO

- The Committee received a report on the Authority’s Operating Budget. The report received and discussed showed the Operating Budget was within expected parameters with no changes expected for the fiscal year.

Adjournment

X. Adjournment

Meeting Adjourned: 2:24 PM

Next Scheduled Meeting February 20, 2020 at 1:00PM (Room B)

3040 Williams Drive, Suite 200, Fairfax, Virginia