



**Northern Virginia Transportation Authority**  
*The Authority for Transportation in Northern Virginia*

**FINANCE COMMITTEE**  
**Thursday, June 18, 2020 – 1:00 PM**  
**3040 Williams Drive, Suite 200**  
**Fairfax, VA 22031**

**Meeting Held via WebEx and Live Streamed on YouTube**

**SUMMARY MINUTES**

**I. Call to Order/Welcome**

Mayor Parrish, Chairman

- Mayor Parrish called the meeting to order at 1:02 PM.
- Attendees:
  - ✓ Authority Members: Mayor Parrish, Mayor Rishell; Chair Randall, Board Member Cristol
  - ✓ Other Authority Members: Delegate Watts; Delegate Roem; Senator Boysko, Ms. Hynes
  - ✓ Staff: Monica Backmon (Executive Director); Michael Longhi (CFO); Richard Stavros (Investment & Debt Manager); Peggy Teal (Assistant Finance Officer); Dev Priya Sen (Financial Analyst); Keith Jasper (Principal, Planning and Programming); Sree Nampoothiri (Transportation Planner); Erica Hawksworth (Communications & Public Affairs Manager)
  - ✓ Council of Counsels: Ellen Posner (Fairfax County - DOT) Rob Dickerson (1:15-) (Prince William County); Steve MacIsaac (Arlington County)
  - ✓ Other Attendees: jurisdictional and agency staff and the public attended the meeting via the Authority's YouTube channel

**II. Summary Minutes of the May 8, 2020 Meeting**

*Recommended Action: Approval [with abstentions from those who were not present]*

Mayor Rishell moved approval of the minutes of the meeting; seconded by Chair Randall. Motion carried unanimously.

**Action Items**

**III. Resolution Finding the Need to Conduct the June 18, 2020 Finance Committee Meeting Electronically**

Mayor Parrish, Chairman

*Recommended Action: Adoption of Resolution*

Board Member Cristol made the motion to adopt Resolution 20-01 to Find the Need to Conduct Meeting by Electronic Communication Means during the Governor's declared State of Emergency during COVID-19 Pandemic; seconded by Mayor Rishell. Motion carried unanimously.

#### **IV. VRE Lorton and Rippon Station Projects Acceptance of Withdrawal/Cancellation**

Mr. Longhi, CFO

*Recommended Action: Recommend Authority Cancel/Accept Withdrawal of VRE Lorton and Rippon Station Projects*

- Mayor Parrish noted that he had asked Ms. Backmon and Mr. Longhi to provide a lengthy discussion of the facts related to the next two items, as they relate to the very serious matter of project withdrawals or cancellations.
- Mr. Longhi clarified the use of the term “accept withdrawal/cancellation” as it relates to the VRE projects. He noted VRE staff have reported that the Lorton and Rippon Station projects no longer fit the project descriptions that were adopted by the Authority, and the project completion dates were extended to 2030.
- The issue came to the Authority’s attention, Mr. Longhi noted, when project updates were submitted in May for the Executive Director’s monthly Regional Project Status Report. Three VRE projects had substantial changes, the VRE Lorton and Rippon Projects, as well as the Franconia-Springfield Platform Improvements. But, Mr. Longhi added, VRE clarified the Franconia-Springfield Platform Improvements project description was still valid, and the completion date would be sooner than 2030.
- With respect to the Lorton and Rippon Station projects, Mr. Longhi noted VRE staff reported the project descriptions were invalid due to an evolving DRPT fourth track plan that pushed out the completion date past 2030. VRE indicated they would submit a withdrawal recommendation to their various boards. But the VRE staff’s opportunity to present a withdrawal request was delayed by the COVID-19 pandemic forcing the cancellation of several meetings.
- Mr. Longhi noted, to add the \$16.9 million value of the Lorton and Rippon Station projects to the \$522 million proposed as part of the NVTA’s Two-Year Update (scheduled to go to the Authority for action in July) it had become necessary to cancel the projects. He further noted, the NVTA’s Planning and Programming Committee (PPC) was meeting a day after this Finance Committee meeting, and would need a final funding amount as the PPC would be determining project recommendations for the Authority’s July meeting.
- Mr. Longhi noted that were the VRE to subsequently ask to withdraw the projects, after the Authority cancellation, the record would reflect project withdrawal not cancelled to have an accurate reflection of what was intended to occur, prior to the pandemic.
- Mr. Longhi emphasized that the VRE and NVTA staff had been working closely on this issue.
- Mayor Parrish indicated that Chairman McKay, who could not be present due a meeting with Governor Northam, but had issued a statement on the VRE projects proposed for cancellation. Mayor Parrish asked Ms. Backmon to summarize Chairman McKay’s position for the Committee.

- Ms. Backmon noted that Chairman McKay acknowledged that he was aware that the Lorton and Rippon Station projects had been impacted by the Virginia Rail Improvement Program.
- Ms. Backmon recounted Chairman McKay's statement noting the Virginia Rail Improvement Program requires the Lorton and Rippon Station projects to be re-designed in a way that will not be consistent with the adopted project applications. As such, Ms. Backmon relayed Chairman McKay's concurrence with withdrawing/cancelling the project funding.
- Chairman McKay's statement also noted VRE has the ability to apply for regional funds for these stations or other capacity improvements in the future, and that he welcomes them to do so in the future if needed.
- As the only member of the NVRTA Finance Committee who is also on the VRE Operations Board, and immediate past chair, Board Member Cristol noted her appreciation of the close collaboration between VRE staff and NVRTA staff, particularly its finance staff. Board Member Cristol also shared her hope that the dollars that might otherwise have been awarded to VRE, are awarded instead to another project that is equally critical for the future of VRE expansion, and that is the DRPT Franconia-Springfield Passenger Rail Bypass Project, a key project which separates commuter rail from commercial or freight rail.
- Mayor Parrish noted that Arlington should be proud of an advocate such as her, and added that while the funding is taken up at the Finance Committee, the matter of how it is spent will be taken up at the Planning and Programming Committee (PPC)
- Having spoken earlier in the afternoon with DRPT Executive Director Jennifer Mitchell, Delegate Roem shared Ms. Mitchell's comments on the Passenger Rail Bypass Project. Delegate Roem also affirmed her support for the project and its regional benefits.
- Mayor Parrish acknowledged Delegate Roem as another excellent advocate.

Mayor Rishell moved Finance Committee recommend Authority cancellation or acceptance of withdrawal of the VRE Lorton and Rippon Station Projects unencumbering a combined \$16.9 million in project funding, seconded by Board Member Cristol. Motion carried unanimously.

### **Information/Discussion Items**

- V. WMATA Orange/Blue Line Traction Power Projects Cancellation** Mr. Longhi, CFO
- Mayor Parrish highlighted the importance of the WMATA topic for discussion and noted his instructions to staff to spend a significant amount of time to help the Finance Committee better understand the legislation with regard to NVRTA's funding.
  - Mayor Parrish also noted he asked staff to cover other matters including NVRTA's Policy 29 – which the Authority had passed – in the context of the WMATA traction power upgrades and its potential cancellation.
  - Mr. Longhi noted the item first came to the Committee's attention in 2019 as part of the first Policy 29 report. While the WMATA project did not fit the strict guidelines of

the Policy 29, staff did bring the project before the Finance Committee because of ongoing concerns with the two projects.

- Using an analogy to explain the project challenges, Mr. Longhi noted that each project sits on a three-legged stool, if you lose any one of the legs the stool topples over.
- Mr. Longhi continued, the three legs are:
  - Resolution 14-8 that requires other jurisdictions to contribute an appropriate share (region-wide to include DC and Maryland) to shared extraterritorial infrastructure projects.
  - The overhead that WMATA charges on projects, adding at one time staff proposed to WMATA to exclude the overhead charges and thus charge the Authority for fixed items such as material and direct contractor costs.
  - 8-car trains, traction power does not by itself produce any congestion reduction; traction power needs to be utilized through the deployment of 8-car trains.
- In WMATA's applications for both projects they cited that they would be committed to capacity increases via 8-car trains by 2025, which gave them an appreciable amount of time since the first funding approval was for the 2014 program, and the second funding approval was for the 2017 program.
- Mr. Longhi indicated NVTA had raised this issue several times with WMATA and asked for updates or a plan of when they expected to get to 8-car trains.
  - Last year, Mr. Longhi noted, WMATA reported that it would be a fiscal 2020 budget decision; it was in the fiscal 20 budget but the WMATA Board did not act upon it.
  - More recently, Mr. Longhi was told it was a fiscal 2021 budget issue, however in the pre-pandemic budget draft NVTA found no reference to 8-car trains.
  - The COVID-19 pandemic impact on ridership also raises questions about the rationale for WMATA's deployment of 8-car trains.
- In sum, Mr. Longhi noted the staff recommendation to cancel the projects, in the absence of WMATA producing a schedule that is acceptable, but he reiterated that even with a new schedule the issues outlined, if not resolved, might still be obstacles to the project.
- Framing the start of discussion, now opened to the Committee's deliberation, Mayor Parrish noted that there were a number of points that needed to be reviewed. He indicated, for example, the legislation that provided the revenue sources for NVTA requires congestion reduction relative to cost. In addition, Mayor Parrish pointed out there is a potential legal issue, that some characterize as a kill switch, if the NVTA does not accomplish its function as indicated legislatively the NVTA could go away.
- Mayor Parrish asked Ms. Backmon, generally, not related to the WMATA issue, if she would highlight the NVTA's responsibility.
- Ms. Backmon specified that the Authority by law is not permitted to fund maintenance or operations.
- And in reference to the so-called kill switch, she acknowledged the common reference to a particular citation in the law. Ms. Backmon noted and affirmed if it is

determined that NVTA is using the 70% regional revenue outside of the confines of the law, the institution could face legal concerns.

- Asked by Mayor Parrish if there were additional comments, Ms. Backmon noted that Mr. Longhi had articulated very well that NVTA wants to work well with all of its regional partners, and that the institution needs further discussion on a date-certain regarding the capacity addition that traction power upgrades facilitate. Ms. Backmon also pointed out that the traction power upgrade in itself does not produce increased capacity; however, it is the means for increased capacity through 8-car trains.
- Chair Randall noted that she has been speaking with Matt Letourneau, her colleague and representative on WMATA, on setting up a meeting early next week, which would be attended by herself, Mayor Parrish as chair of Finance, Ms. Backmon, Mr. Longhi, and Board Member Cristol, and other appropriate staff from WMATA. Chair Randall noted the meeting would allow a substantive discussion by having more information on both sides.
- Chair Randall shared her concern that the WMATA Board and NVTA may have a different understanding of the information, or different information, and noted her belief that the staff, as do some of the elected officials on both sides, need to have a discussion to decide how the information should be interpreted uniformly. Mayor Parrish concurred with the need for a meeting and further discussion.
- Mayor Rishell also noted her support for Chair Randall's proposed meeting and noted her hope that the discussion will be fact based. Noting her understanding that WMATA receives \$500 million more each year, \$154 million from Virginia.
- Mayor Rishell questioned why WMATA is resisting the cancellation of the \$22 million for the traction power upgrade projects, and if there was other information or issues related to WMATA that may not have become known, and she questioned what that might be.
- Delegate Watts noted that she appreciated the conversation that was currently being had to clarify the issue with WMATA, and added her hope that NVTA's recommendation will not reflect that the nexus between the traction power upgrades and the 8-car trains isn't something that couldn't be honored under the enabling legislation, because the two things do go together.
- Delegate Watts noted the need to clarify WMATA's position as to why this cannot be funded under the long-term maintenance borrowing that the \$154 million dollars has financed, and along with the other two jurisdictions, the annual payment, is something that needs to be clarified. Delegate Watts added that what also needs to be clarified is whether this is purely a timing issue because of the effect of COVID-19 on revenue and ridership.
- Offering her support for the Authority's continuing dialogue with WMATA to clarify the issue, Ms. Hynes noted that she was a past WMATA Board member when both projects were submitted and could offer a historical perspective that could be helpful to the discussion.
  - Ms. Hynes noted that the landscape was very different in 2014 and 2015 from what it is today, and at the time WMATA had not yet finished the procurement of the 7000 Series cars. The plan was that more than half of those cars would be used to expand the fleet, and this was beyond what the

Silver Line was going to need, it was going to be a major expansion of the fleet, Ms. Hynes noted. It was in that context; Ms. Hynes indicated, that WMATA argued that the traction power upgrades were fundable by NVTA because WMATA could not actually run 8-car trains without upgrading the power.

- Ms. Hynes continued, the earlier series of cars were procured in pairs of two, and the 7000 series, as configured can only run as fours, so there is either a choice of a 4-car train or 8-car train with the 7000 series. That made it possible for WMATA to declare that the 8-car trains on the lines NVTA was improving would absolutely see an increase in carrying capacity.
- In 2015, when Ms. Hynes left the WMATA and Arlington County Boards, she noted decisions were made to use those cars to replace two of the series of existing cars in the fleet, so no major expansion was made in the number of cars, which was a real change in the landscape.
- Ms. Hynes added that the WMATA Board did take those actions to redirect the purchase of the 7000 into replacing many more cars than originally intended, and now we are in a situation where ridership is down.
- Board Member Cristol, speaking in the capacity of NVTC Chair which is the body by which the Northern Virginia jurisdictions that pay into metro organize themselves and have impact over metro's budget, including the capital budget, noted that if the Authority removes funding from the WMATA project, it is important to consider that it will be the responsibility of the Northern Virginia payees into metro to make it up.
- Board Member Cristol declared her support of Chair Randall's meeting initiative to make sure all parties are operating off the same information and the truth of whether WMATA is in compliance.
- Mayor Parrish asked Ms. Backmon to read the balance of Chairman McKay's statement into the record, which as previously noted, the Chairman could not be in attendance due to a meeting with Governor Northam.
  - With respect to the Orange and Blue line traction power upgrade, Chairman McKay noted the complexity of the issue and that when NVTA funding is involved with extra-territorial partners it becomes more complex.
  - Chairman McKay stated that he understands the concerns that the Authority staff has raised, but he is also fully aware of the importance of these projects to the future of WMATA, and they are largely underway.
  - Chairman McKay in the statement said he also believes the work associated with the Orange line and its funding is already complete. Rather than canceling the project, Chairman McKay noted his agreement that it makes sense for all parties to meet and discuss the issues that have been raised.
- Mayor Parrish reiterated that Chairman McKay wanted to make sure his statements were entered into the record, both on the previous VRE cancellation/withdrawal, and on the WMATA traction power upgrade projects.
- Noting his appreciation of information that has become known in the meeting, Mayor Parrish recalled his early concerns over why NVTA would approve funding that became part of the bond validation suit for congestion relief that was not going to occur.

Referencing Ms. Hynes' earlier comments, Mayor Parrish noted his appreciation of the historical context, that at the time the original and second funding was approved, it was believed by WMATA, jurisdictions and others, and the NVTA, that the dollars that the Authority put to congestion relief were going to be used for that purpose.

- Mayor Parrish added that as he understands, traction power was part of the means to get to congestion relief, and it was the congestion relief that NVTA could fund, which would be accomplished with the nexus of traction power and congestion relief with 8-car trains.
- Offering his willingness to listen at Chair Randall's upcoming meeting with WMATA, Mayor Parrish noted the central issue, without 8-car trains, it would seem that WMATA is out of compliance and NVTA would have no other option but to follow the recommendations of staff to cancel funding.
- Noting Board Member Cristol's previous comments on the possibility that Northern Virginia jurisdictions could still be left with the responsibility for paying for the project if it was cancelled, Chair Randall reiterated the need for the meeting with WMATA. Specifically, Chair Randall noted that it was not yet clear who would shoulder the financial responsibility of the project (jurisdictions, DC, Maryland) and what apportionment if NVTA cancels the project funding.
- Mayor Parrish thanked all of the members for a substantive discussion and indicated he was not seeking a motion, as this was a discussion item on the agenda. In terms of next steps, Mayor Parrish added his hope that a solution to this matter could be determined before the Authority meets on July 9, so it can take appropriate action.
- Mayor Rishell noted her agreement that no motion should be made; and she added her recommendation that the Finance Committee should provide a formal recommendation of no recommendation to the NVTA.

## **VI. Investment Portfolio Report**

Mr. Stavros, Investment & Debt Manager

- Mr. Stavros noted he had a prepared statement that would cover two items, a regulatory or NVTA compliance action, and he would report on the performance of the portfolio.
- Mr. Stavros reported that he had sold \$53 million (face value) of Toyota bonds, which represents all of NVTA Toyota bond holdings. The investment made a total return of \$553,573.19
- This divestiture was a result of ratings agency downgrades of Toyota to single A in early April and late May.
- Mr. Stavros announced that it was the 14th month of portfolio outperformance of its benchmarks. Mr. Stavros also noted and reaffirmed Mr. Longhi's comments last month attributing the outperformance to critically important investment management systems the Finance Committee had provided.
- Mr. Stavros noted that the portfolio's performance might be limited in the future, as the Federal Reserve has indicated recently that it would hold rates at sub-zero levels until 2022.

**VII. Monthly Revenue Report**

Mr. Longhi, CFO

- Mr. Longhi noted he had received preliminary June receipts for sales tax, which are down a little over 22% from the last year, which is within the range that staff was projecting due to the pandemic.
- Mr. Longhi noted that there has been positive news that the state is not experiencing as hard a decline as anticipated.
- Noting the previously reported 70% decline in freight traffic in the first two weeks of the pandemic that had affected I-81 tax revenue, Mr. Longhi reported that same measure had registered a 22%-24% increase in spot freight traffic market. Mr. Longhi added the improvement in the measure could indicate the potential for a V shaped recovery in that area.
- While it is too early to give firm information on the impact of COVID-19 on the Authority's revenues, Mr. Longhi noted, the current financial or economic impact is well within NVTAs staff projections.

**VIII. Monthly Operating Budget Report**

Mr. Longhi, CFO

- Mr. Longhi noted that NVTAs was well within its budget, though there were some higher expenses related to working remotely, such as opening new technology channels that had not been envisioned as a result of COVID-19. But these expenses are well within the existing budget and operating reserve.

**IX. Other Matters**

- Mr. Longhi noted he was pleased to report that a notice was received from Fitch Ratings that the Authority will maintain its AA+ credit rating, which is the highest possible for a type of organization like NVTAs, as well as a Stable Outlook, which is very positive in the current economic climate.
- Chair Randall noted Fitch Ratings credit rating affirmation as excellent news, and how maintaining the highest credit rating that an institution like NVTAs can have was a testament to Mr. Longhi and finance staff, and to very good decisions of the Finance Committee.

**Adjournment: 2:02 PM**

**X. Adjournment**

**Next Scheduled Meeting July 16, 2020 1:00PM (Room B)**

3040 Williams Drive, Suite 200, Fairfax, Virginia