



Northern Virginia Transportation Authority

The Authority for Transportation in Northern Virginia

FINANCE COMMITTEE

Thursday, October 13, 2022 – 6:00 PM

3040 Williams Drive, Suite 200

Fairfax, VA 22031

Meeting conducted in person and live streamed via YouTube

MEETING SUMMARY

1. Call to Order/Welcome

- Mayor Rishell called the meeting to order at 6:05 PM.
- Attendees:
 - Committee Members: Mayor Rishell; Chair Randall; Council Member Snyder.
 - Staff: Monica Backmon (Chief Executive Officer); Michael Longhi (CFO); Peggy Teal (Assistant Finance Officer); Dev Priya Sen (Investment & Debt Manager); Adnan Malik (Senior Accountant); Amanda Sink (Executive Assistant to CEO).
 - Council of Counsels: Daniel Robinson (Fairfax County); Robert Dickerson (Prince William County).
 - Others: Mr. Garber (Partner, PBMares LLP).

2. Summary Minutes of the September 8, 2022, Meeting

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

Chair Randall moved approval of the minutes of the September 8, 2022, meeting; seconded by Council Member Snyder. Motion carried unanimously.

Action Item

3. FY2022 Audited Financial Statements and Compliance Audit Reports

Recommended Action: Recommend Authority Acceptance of the Audited FY2022 Financial Statements and Compliance Audit Reports

- Mr. Longhi introduced Mr. Garber (Partner, PBMares, LLP) to present and provide his opinion on the FY2022 audited financial statements.
- Mr. Garber highlighted the Management's Discussion and Analysis section from the audit report year over year and noted the following:
 - Project cost distributions of \$57 million for project sponsor reimbursement of authorized cost represents a \$66 million decrease when compared to June 30, 2021. The Authority funds projects on a reimbursement and not on a grant basis. Therefore, the Authority has no control over the submission of reimbursement requests for the expended project costs by the project sponsors.
 - The Authority's Special Revenue Funds (Local Distribution Fund and Regional Revenue Fund) reported an increase in fund balance of \$204 million representing funding appropriated for adopted regional transportation project programs. This increases the overall fund balance to \$1.441 billion as of June 30, 2022.

- Mr. Garber briefly discussed the report on internal control compliance and summarized that there were no issues noted in the report.
- Mr. Garber concluded by noting that that FY2022 Financial Reports received an unmodified (clean) audit opinion. This opinion reflects that the Authority’s financial statements, in all material respects, fairly and accurately present the financial position of the Authority for FY2023.
- Chair Randall asked if the decrease in \$66 million project reimbursements is due to no drawdowns of projects submitted by localities and asked if there is a timeline. Ms. Backmon responded that often projects have other funding sources on the projects. However, NVTA staff is reaching out to the localities on the drawdowns as noted in the project status report.
- Mr. Longhi commended Ms. Teal for her work in preparing for and completing the audit, emphasizing the continuing record of clean opinions is reflective of the work she does all year.
- The Finance Committee members recognized Ms. Teal’s efforts and expressed appreciation for her efforts and professionalism.

Chair Randall moved the Finance Committee recommend Authority acceptance of the Audited FY2022 Financial Statements and Compliance Audit Reports, seconded by Council Member Snyder. Motion carried unanimously.

Information/Discussion Items

4. FY2024 Budget Guidance

Mr. Longhi

- Mr. Longhi reviewed material for the Committee to provide guidance on the development of NVTA’s three budgets for FY2024 – Local Distribution Fund Budget (30%), Regional Revenue Fund Budget (70%), and Operating Budget Fund.
- Local Distribution Fund Budget (30%):
 - The Local Distribution Fund Budget supports the monthly distribution of 30% funds to member jurisdictions.
 - The guidance provided by the Finance Committee previously has been to estimate revenues cooperatively, transparently, and conservatively.
 - Maintain budget authorization to distribute the full funds received from the Commonwealth monthly while in full compliance with the Code of Virginia and NVTA policies. Utilize regional revenue funds for operating budget costs, eliminating reductions in jurisdiction Local Distribution Fund (30%) revenue.
- Regional Revenue Fund Budget (70%):
 - Mr. Longhi described the function of the Regional Revenue Fund Budget and how it is the source for transportation project funding by the Authority.
 - The Regional Revenue Fund budget’s priority, as legally required in the Code of Virginia and NVTA’s Bond Indenture and Debt Policy, is to first fund all debt service obligations.

- Only Sales Tax, and the Regional Congestion Relief Fee (Grantor's Tax) can be pledged to debt issuance and used to determine debt service capacity.
- With all debt service obligations budgeted, the resources in this fund are then available for PayGo project funding of Authority approved projects.
- Prior guidance from the Finance Committee has been to:
 - Estimate revenues cooperatively, transparently, and conservatively.
 - Strive to end the fiscal year with small positive actual receipts to budgeted revenue variances (actual receipts slightly higher than budgeted revenues).
 - This budget funds the expenses related to TransAction and Six Year Program updates and directly related technical and consultative support services.
 - Fund the Authority's operating budget through a transfer of funds to the Operating Fund/Budget.
 - The revenue estimate process feeds into the update of the PayGo analysis which will be required for the next Two-Year Program Update for FY2028-FY2029.
- Operating Fund Budget:
 - Starting in FY2020 (per SB 1468), 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.
 - The Operating Budget is presented in the format of base budget increases (contract escalations, inflation, etc.) and new initiatives.
 - Mr. Longhi noted the base budget increases includes Salaries, Health, Dental, and Retirement Costs, Contracted Services, and Operating Reserves. New initiatives are listed separately for discussion by the Committee.
 - Mr. Longhi noted that no additional staffing is being proposed for FY2024.
 - Mayor Rishell thanked Mr. Longhi and asked if NVTA has sufficient staffing, Ms. Backmon responded that NVTA is monitoring on the areas that require sufficient staffing.
 - Chair Randall expressed appreciation for the work provided by the Council of Counsels and noted that at this stage of growth the acquisition of dedicated outside counsel for NVTA is an appropriate consideration for continuity and consistency.
 - Mr. Longhi concluded by referring to the Authority's financial policy which calls for the Authority adoption of budgets two months prior to the start of a fiscal year. This effectively results in the budget adoption occurring by April.

5. Monthly Investment Portfolio Report

- Ms. Sen reviewed the Monthly Investment Portfolio Report as provided in the packet by noting that the benchmarks that compared NVTA's portfolio are on the short end whereas the securities invested by NVTA are currently in the 1–2-year maturity range.
- Ms. Sen concluded her presentation by noting that the benchmark table is being evaluated considering the portfolio has a longer maturity range than reflected in the current benchmarks, and a format will be proposed to the Finance Committee.
- Council Member Snyder asked if NVTA can call on advice from a third party to get guidance on maximizing yield in this volatile market. Mr. Longhi responded noting that NVTA relies on the real-time data analytics tool called Bloomberg, that is used for independent research to analyze individual securities and NVTA has an Investment Consultant on board (Ms. Gilbert) who provides guidance and discusses strategies with the Finance team. Mr. Longhi further added that the NVTA's investment policy reinforces the conservative nature of the portfolio by receiving market level yield without sacrificing safety of the portfolio.

6. Monthly Revenue Report

- Mr. Longhi reviewed and presented the Monthly Revenue Report as provided in the packet. He brought attention to the elimination in the monthly report of individual jurisdiction estimates. The elimination is due to the current projection methodology being based more on the NVTA revenue history rather than projections submitted by jurisdictions.

7. Monthly Operating Budget Report

- Mr. Longhi reviewed and presented the Monthly Operating Budget Report as provided in the packet.

8. NVTA Update (Verbal Report)

- Ms. Backmon noted in the interest of time, she will have comments at the Authority meeting that evening.

Adjournment

- Chair Rishell adjourned the meeting at 6:40 pm.