



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

**FINANCE COMMITTEE**  
**Thursday, October 19, 2017 1:00PM**  
**3040 Williams Drive, Suite 200**  
**Fairfax, VA 22031**

**MEETING SUMMARY**

**I. Call to Order/Welcome**

Chairman Parrish

- Chairman Parrish called the meeting to order at 1:01pm.
- Attendees:
  - ✓ Members: Chairman Parrish; Mayor Rishell; Chairman Bulova; Mayor Silberberg (arrived 1:13pm).
  - ✓ Staff: Monica Backmon (Executive Director); Michael Longhi (CFO); Carl Hampton (Investment & Debt Manager); Peggy Teal (Assistant Finance Officer); Sarah Camille Hipp (Communications & Public Relations Manager); Camela Speer (Clerk).
  - ✓ Council of Counsels: Ellen Posner (Fairfax County).
  - ✓ Other Attendees: Noelle Dominguez (Fairfax County); Pierre Holloman (Alexandria); Brittany Martin (Prince William); Kristie Choi (PFM).
- Chairman Parrish noted that the Committee accomplished much at its last meeting and was reflected in the items for the Authority meeting.

**II. Summary Minutes of the September 21, 2017 Meeting**

- Chairman Bulova moved approval of the minutes of September 21, 2017; seconded Mayor Rishell. Motion carried unanimously.

**Presentation**

**III. FY2017 Audit Presentation**

Mr. Michael Garber, PBMares, LLP

- Mr. Garber briefed the Committee on the FY2017 audit. He stated that the financial reports have two auditor's opinions, both of which are unmodified or "clean" opinions. The first of these opinions is on the financial statements; the second opinion is on compliance and internal control. There were no issues again this year. He briefly reviewed the financial reports, footnotes, required supplementary information, and the Authority fund structure, noting that the Regional Revenue Fund is building a large fund balance consisting of funds currently appropriated for approved projects.
- In response to a question from Mayor Rishell concerning the "Mark to Market" process, Mr. Longhi explained the investment philosophy of the Authority is to hold investments to maturity, which is very similar to other local government entities. When you buy securities, its value changes in relation to which way the market interest rate is moving. As interest rates moves up (as they are now doing), an investor will require greater return based on the increased interest rate environment, thereby lowering the market value of a

security issued before the market change. The Authority purchases fixed income securities; these are like a contract specifying that on the maturity date, the Authority will receive the principal as well as the interest committed to as part of the security purchase. The inverse is also true if the market interest rate is declining.

- Accounting standards require reporting the Mark to Market value of the portfolio; this is an estimate of the value of the portfolio as if it were sold on the reporting date. Mark to Market adjustments will gradually return to the original purchased interest rate and principal value as the maturity date approaches. This would not be true if we actively traded securities before their maturities. The hold to maturity approach significantly reduces risk to the portfolio.

*(Mayor Silberberg arrived.)*

- Mr. Garber briefly explained the additional audit documents and noted there are no issues to report. There were no problems encountered in working with Authority management or staff. There was one audit adjustment, which was the result of a mark to market correction. No control or compliance issues were noted.
- Chairman Parrish thanked Mr. Garber for his report and service to the Authority.

### **Action Items**

#### **IV. FY2017 Financial and Compliance Audit Reports**

Mr. Longhi, CFO

- Chairman Bulova moved; seconded by Mayor Rishell. Motion carried unanimously.

### **Information/Discussion Items**

#### **V. Investment Portfolio Report**

Mr. Longhi, CFO

- Mr. Longhi commended Ms. Teal on her work to prepare the audits, noting that this year was more work based on the investment portfolio. He thanked Mr. Hampton for his work developing the portfolio as well.
- Chairman Parrish thanked staff as well. Mayor Silberberg noted that not only is staff saving money, but earning it as well noting the Authority is a good steward of public money.
- Mr. Longhi briefed the Committee on the Investment Portfolio Report. He summarized the highlights of the report:
  - The overall makeup of the investment portfolio has not changed. The investments in Negotiable Certificates of Deposit are increasing, and Commercial Paper is decreasing as of this report.
  - A month-to-month comparison shows slightly longer maturities of investments since revenue received will be held for most of FY2018 until the completion of the Six Year Program (SYP).
  - The overall portfolio yield has increased since the end of FY2017 by 10 basis points as of September 30, 2017.

#### **VI. Monthly Revenue Report**

Mr. Longhi, CFO

- Mr. Longhi stated that it is very early in the revenue cycle; three jurisdictions (Alexandria, Prince William County, and City of Fairfax) still need to complete their

certifications but we have discussed their timing issues with each locality. We are working directly with the local staff and do not expect any issues meeting the March 1, 2018 deadline.

- Chairman Bulova asked about the growth rate of the sales tax revenue. Chairman Parrish added, though early in the cycle, grantors tax is up 40% but regional sales tax is down 5%. Mr. Longhi replied the report reflects only one month of Sales Tax revenue due to fiscal year end accruals. The outlier is Fairfax County and we are working with Fairfax staff. Fairfax is coming off a series of adjustments from last year and staff anticipates getting to the level of sales tax projected by December or January. These are annualized comparisons (the annual projection is divided by 12) so it does not take into account the seasonality of the tax receipts. Sales tax is definitely impacted by seasonal sales. Fairfax provided a clear detailed explanation for the variance and we appreciate their transparency.
- Chairman Parrish asked about the seasonal aspect of Grantor's Tax. Mr. Longhi replied that there is some seasonal influence, but it is currently growing at such a large rate so it is difficult to estimate at that level since grantor's tax can also drop off very quickly in reaction to real estate market changes.

## **VII. Operating Budget Report**

Mr. Longhi, CFO

- Mr. Longhi stated that the Operating Revenue is at 100% of estimates. He noted that September 2017 is 25% of fiscal year and we've utilized 23% of the expenditure budget.

## **VIII. Financial Activities (Verbal Report)**

Mr. Longhi, CFO

- Mr. Longhi briefed the Committee on future activities:
  - Working on budget guidance for FY2019 budget
  - We are still working through the three-step process on funding the SYP.
  - First step was finished last month, the approval of the Revenue Estimates.
  - We will go through the PayGo calculations and now we are working on taper percentage.
  - We plan to have a recommendation for the Committee in early 2018 as to a funding strategy.
- Ms. Backmon noted that Mayor Silberberg, Chair Randall, and Mayor Parrish are up for reappointment. Chairman Nohe will be reaching out to them.
- Mayor Silberberg noted the importance of getting the correct taper percentages and the importance of finding the right balance. Mr. Longhi agreed this will be key to establishing the PayGo level.

## **Adjournment**

## **IX. Adjournment**

- Meeting adjourned at 1:34pm.