



# Northern Virginia Transportation Authority

The Authority for Transportation in Northern Virginia

## FINANCE COMMITTEE

Thursday, September 17, 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 1:00 PM.
- Attendees:
  - ✓ Authority Members: Mayor Parrish; Mayor Rishell; Chairman McKay; Board Member Cristol
  - ✓ Other Authority Members: Delegate Watts; Delegate Roem (1:15 PM); Senator Boysko; Ms. Hynes
  - ✓ Staff: Monica Backmon (Executive Director); Michael Longhi (CFO); Peggy Teal (Assistant Finance Officer); Dev Priya Sen (Financial Analyst)
  - ✓ Council of Counsels: Rob Dickerson (Prince William County); Steve MacIsaac (Arlington County); Daniel Robinson (Fairfax County); Joanna Anderson (City of Alexandria)
  - ✓ Other Attendees: Jurisdictional and agency staff and the public attended the meeting via the Authority's YouTube channel

### II. Summary Minutes of the June 18, 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 Board Member Cristol. Motion carried unanimously.

## Action Items

### III. Resolution Finding the Need to Conduct the September 17, 2020 Finance Committee Meeting Electronically

Mayor Parrish, Chairman

*Recommended Action: Adoption of Resolution*

Board Member Cristol made the motion to adopt Resolution 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. Investment Policy Revisions

Mr. Longhi, CFO

*Recommended Action: Recommend Authority Approval of Policy Revisions*

Mr. Longhi provided an update on the proposed Investment Policy revisions by noting:

- The current Investment Policy was adopted on December 11, 2014, and was revised twice in 2019.
- The proposed changes were reviewed by the Council of Counsels and the policy revision has nine objectives:
  - Add Fitch Ratings, as one of at least two of three rating agencies;
  - Add International Bank of Reconstruction and Development (IBRD) and Asian as well as African Development Bank (ADB) bonds issued by the World Bank, with 36-month maturity limit and limited to a maximum of 15% of the portfolio;
  - Add/update State Code citations;
  - Delete the State Code appendix, replacing it with embedded code references;
  - Updating policy language (such as: GASB-40, CFO for treasurer, internal policy references);
  - Add language to address a security downgrade;
  - Update language/processes from manual paperwork to e-confirms and e-statements;
  - Extending the maturity period of qualified bonds issued by Virginia cities and counties from 36 to 60 months;
  - Reduce the maximum percent of the portfolio permitted to be invested in Virginia municipal bonds from 75% to 30%;
- Mr. Longhi noted the proposed draft, if recommended by the Finance Committee will be presented for consideration at the Authority's October 2020 meeting.

Mayor Rishell moved the Finance Committee recommend Authority approval of the Investment Policy Revisions, seconded by Chairman McKay. Motion carried unanimously.

#### V. Conflict of Interest Policy Revisions

Mr. Longhi, CFO

*Recommended Action: Recommend Authority Approval of Policy Revisions*

Mr. Longhi provided an update on the Conflict of Interest Policy by noting the following objectives:

- To make the Statement of Economic Interest (Statement) reporting cycle once a year instead of twice.
- Update procedural wording for Statement filing and staff recusal.
- Correct/Update references to the Code of Virginia.
- The current policy underwent numerous revisions with NVTA's Council of Counsels and staff resulting in the track change version becoming illegible. Therefore, in the interest of clarity, the current Policy is proposed to be repealed and replaced with the current draft.

- Mr. Longhi noted that with the Finance Committee recommendation, the proposed replacement policy will be presented for consideration at the Authority's October 2020 meeting.

Board Member Cristol moved the Finance Committee recommend Authority approval of Policy Revisions, seconded by Mayor Rishell. Motion carried unanimously.

## **VI. Legislative Services Contract**

Mr. Longhi, CFO

*Recommended Action: Recommend Authority Approval of Legislative Services Contract*

- Mr. Longhi noted that the current contract with McGuireWoods Consulting is expiring this fall, a Request for Proposal (RFP) was issued on July 22, 2020 for Legislative Services.
- Mr. Longhi noted that only one firm responded to the RFP after a statewide competitive solicitation.
- McGuireWoods Consulting, was the sole respondent.
- Since only one proposal was submitted, NVTa staff conducted a required price/cost analysis. The analysis and negotiation with McGuire Woods Consulting resulted in validation of the \$75,000/year base, and a reduction in the annual escalation percentage.
- The RFP proposal was evaluated by:
  - NVTa - Executive Director
  - NVTa – Chief Financial Officer
  - Loudoun County - Legislative Liaison
  - Arlington County - Legislative Director
  - Fairfax County - Department of Transportation, Chief – Coordination Section
- Mr. Longhi noted that with Finance Committee approval, the contract with McGuireWoods Consulting LLC will be submitted for Authority consideration at the October 2020 meeting.
- Mayor Parrish expressed an appreciation of the work Ms. Baynard has provided to the Authority Members and the Staff.
- Board Members Cristol also expressed an appreciation of the work of Ms. Baynard and asked how the process of advertisement took place as there were no other bidders?
- Mr. Longhi explained that the Legislative Services RFP was posted on eVA which is a state wide electronic procurement marketplace as well as posted on the Authority's website.
- Mr. Longhi explained that Legislative Services are often not competitively bid and are often wrapped into Legal Advisory services.
- Delegate Watts added her appreciation for Ms. Baynard's efforts by noting that her knowledge is very valuable.

Chairman McKay moved the Finance Committee recommend approval of the proposed Legislative Service Agreement with McGuireWoods Consulting LLC, seconded by Mayor Rishell. Motion carried unanimously.

## Information/Discussion Items

### **VII. Policy 29 Exception Report**

Mr. Longhi, CFO

- Mr. Longhi provided a detailed updated on the Policy 29 Exception Report by noting NVTA has 65 active Standard Project Agreements (SPAs) and 35 that are awaiting activation. There are 42 completed SPAs.
- Mr. Longhi noted that exception notices were sent on 17 projects. Of those 17 projects, 10 were able to document and demonstrate progress resulting in inclusion in this report being unnecessary. If a project had been reported previously, and is still in an exception status, the likelihood of inclusion in this report increased.
- Warning notices were delivered on an additional 17 projects. The warnings notices are a courtesy provided to project sponsors that they have a project which is at risk of being on the next exception report.
- Of these 17 projects, 13 will need to make substantive project expense drawdowns in October 2020, in order to remove the exception status. These 13 projects all received FY2020 appropriations. A total of 14 projects received FY2020 appropriations.
- Project sponsors with exceptions or warnings were offered an opportunity to request de-appropriation of funding to a future fiscal to avoid the policy exception.
- Mr. Longhi noted that:
  - Town of Herndon previously had three projects in exception status. Two projects are showing progress consistent with previously reported plans.
  - The East Elden Street project has fallen short of previous project timing objectives. The Town and VDOT report expenditures starting in June. Mr. Longhi noted that the town and VDOT are preparing expense reimbursements.
  - The Leesburg Rt. 7 Battlefield Interchange Project is reported for the first time. Reimbursements were delayed while agreements between the Town and VDOT were finalized. However, it is important to note VDOT progressed the project during this time using its own cash flow.
  - Fairfax County currently has five projects (1 new, 4 repeats) presented.
  - The report included statements from project sponsors for each of the projects.

### **VIII. Finance Activities Report**

Mr. Longhi, CFO

- Mr. Longhi provided an update on the Reimbursement Parameter Study by noting;
  - Overhead rates are being submitted for reimbursement with almost 80%-100% of reimbursement. NVTA staff have been working with the jurisdictions to redefine what is eligible for project reimbursement.
  - NVTA staff has made significant progress in developing the parameter study and have plans to conduct a workshop with the Jurisdictions and the Agencies.
  - Ms. Hynes asked if legislation defines what constitutes the valid expenditures, to which Mr. Longhi added that the legislation states the funds should be used for project reimbursements and not for any ongoing operations of the Jurisdictional or Agency.

- Ms. Hynes noted that this issue had surfaced on the Commonwealth Transportation Board (CTB) meeting and that they have similar concerns as NVTA.
- Ms. Backmon noted that NVTA is seeking a consensus on the appropriate level of overhead charges.
- Mr. Longhi provided an update on the Annual Independent Audit and noted that the Audit is progressing on time.
  - Mr. Longhi expressed appreciation Ms. Teal's work on completing the audit and invited Ms. Teal to update the Committee with details, Ms. Teal informed that the Audit was conducted 100% electronically without any problems.
  - Ms. Teal noted that NVTA moved from being a mostly paper driven organization to an electronic organization nine months into the fiscal year.
  - Ms. Teal noted that proper checks and balances, and internal controls have made it easier for the Auditors to complete the Audit. All the information is stored on cloud servers and the approvals are done as certified electronic signatures via the Adobe electronic signature.
  - Ms. Teal and Mr. Longhi noted that the Auditors have not mentioned any comments, findings or non-routine recommendations.
- Mr. Longhi informed the Committee that NVTA has issued a Request for Proposal (RFP) for Economic Analysis in addition to the RFP for Legislative Services. He further added that NVTA received 14 expressions of interest, out of which four resulted in proposals and the NVTA staff are conducting proposal interviews.
- Mr. Longhi noted that policy revisions reflecting changes to the two revenue streams from the 2020 General Assembly Session have been drafted. The drafts will be presented to the Finance Committee at the first meeting after the conclusion of the special session.
- Mr. Longhi presented a Revenue Project Funding Summary, illustrating the NVTA FY 2014-2025 Funding Recap. The first table showed the Local Distribution (30%) from FY2014/20 at \$620 million, and Regional Revenue (70%) at \$2.5 billion. When adding the total of Other Funding Recipients like the NVTC, VRE, PRTC, WMATA and DRPT the grand total is \$3.1 billion.

**IX. Investment Portfolio Report**

Mr. Longhi, CFO

- Mr. Longhi noted NVTA has a well-diversified portfolio with investment holdings spread across a number of qualified categories which will be harder to maintain in the current market scenario as Corporations are not issuing Corporate Notes or Commercial Paper.
- Given the change in market dynamics - the Federal Reserve has dropped rates near zero because of the pandemic and longer-dated maturities now pay suboptimal rates. As such, NVTA intends to focus on shorter-term investments until the positive differences between the LGIP rates and Treasuries, Agencies and Corporates plays out (October/November 2020).
- The NVTA portfolio is showing declines while still retaining value compared to the benchmarks. Over time NVTA's portfolio performance will move (decline)

with the market. However, the portfolio is well positioned to take early advantage of rising rates

- Mr. Longhi noted that NVTA's Yield Curve shows that NVTA is trending down with the market but is not at the market level yet.

**X. Monthly Revenue Report**

Mr. Longhi, CFO

- Mr. Longhi noted that NVTA closed out the Fiscal Year 2020 and the June 2020 sales tax revenue plus accruals resulted in a 1.5% positive increase compared to FY2020 original budget projections.
- Mr. Longhi noted that the COVID-19 revised revenue estimates were built around a reduction in Gross Domestic Product (GDP), which was refined to reflect regional GDP. He noted positive news that Northern Virginia's sales tax has shown to be more resilient than the state or nation as a whole.
- Mr. Longhi noted that NVTA is not recommending any changes to the revenue estimates.

**XI. Monthly Operating Budget Report**

Mr. Longhi, CFO

- Mr. Longhi noted that NVTA closed out the Fiscal Year 2020 with a positive budget balance and that NVTA ended up saving some money in the Operating Budget due to COVID-19. Although there were some unexpected expenses related to working remotely, such as purchasing new technology or new cell phone related services. But these expenses are well within the existing budget.

**Other Matters**

- Ms. Backmon informed the Committee members that Ms. Duker has resumed work after maternity leave.

**Adjournment: 1:56 PM**

**XII. Adjournment**

**Next Scheduled Meeting October 15, 2020 1:00PM (Room B)**

3040 Williams Drive, Suite 200, Fairfax, Virginia