



Northern Virginia Transportation Authority
The Authority for Transportation in Northern Virginia

FINANCE COMMITTEE
Thursday, November 17, 2016 1:00PM
3040 Williams Drive, Suite 200
Fairfax, VA 22031

MEETING SUMMARY

I. Call to Order/Welcome

Chairman Parrish

- Chair Parrish called the meeting to order at 1:01pm.
- Attendees:
 - ✓ Members: Chairman Parrish; Chair Randall; Mayor Silberberg (arrived 1:11pm); Council Member Rishell.
 - ✓ Staff: Monica Backmon (Executive Director); Michael Longhi (CFO); Carl Hampton (Investment & Debt Manager); Peggy Teal (Assistant Finance Officer).
 - ✓ Council of Counsels: Ellen Posner (Fairfax County); Rob Dickerson (Prince William).
 - ✓ Other Attendees: Noelle Dominguez (Fairfax County); Penny Newquist (Loudoun); Sarah Crawford (Arlington); Pierre Holloman (Alexandria); Melvin Waldrop (PFM).

II. Summary Minutes of the September 22, 2016 Meeting

- Council Member Rishell moved approval of the minutes of September 22, 2016; seconded by Chair Randall. Motion carried unanimously.

Action Items

III. TransAction Update (RFP 2015-01) Contract Change Order

Ms. Backmon, Executive Director

- Ms. Backmon briefed the Committee on the TransAction Update Contract Change Order, highlighting:
 - ✓ HB2313 requires projects funded with 70% Regional Revenues be in TransAction, or subsequent updates.
 - ✓ TransAction is undergoing the first update since HB2313 in 2013.
 - ✓ One year into update of TransAction.
 - ✓ Projects funded with 70% Regional Revenues also need to be evaluated under the HB599 process.
 - ✓ HB599 process for the three previous funding programs has been undertaken by the Virginia Department of Transportation (VDOT), separately from the NVTA evaluation process.
 - ✓ HB599 requires that VDOT evaluate a minimum of 25 projects every four years.

- ✓ VDOT has indicated they consider HB599 an unfunded mandate and the next HB599 evaluation is anticipated to be four years from now.
- ✓ Only projects that are in TransAction and evaluated by HB599 can be considered for HB2313 funding.
- Ms. Backmon stated that through discussions with VDOT and the Commonwealth, the Commonwealth has agreed to fund the HB599 incorporation into the current TransAction update. She noted that the TransAction proposed methodology for HB599 is very similar to the methodology that VDOT used. VDOT has approved the methodology and will still need to certify that the evaluation was done in accordance with HB599 and its criteria.
- Ms. Backmon noted that by incorporating HB599 into TransAction, the projects that are adopted as part of TransAction will be the universe of funding projects until the next update. She added that this means all projects will have been evaluated by HB599 and there will not be a limit of 25 projects. Ms. Backmon stated that this is critical to the development of a Six Year Program. She added that Delegate LeMunyon, as the patron of HB599, has been briefed on this plan and he is supportive.
- Ms. Backmon added that the HB599 legislation calls for the process to be completed in coordination with the Authority and the Virginia Department of Rail and Public Transportation (DRPT). She noted the legislation also states that VDOT can use the modeling of a consultant or the Authority.
- Chairman Parrish stated that working together makes good sense for both VDOT and the NVTAA. Ms. Backmon confirmed this, adding that VDOT can evaluate projects that are not in TransAction as part of HB599. She noted that VDOT can fund projects without evaluating them as part of HB599, however, the Authority cannot fund projects without the HB599 evaluation. She suggested this could severely restrict the Authority in its planning and programming.
- A question was raised as to why HB599 is considered an unfunded mandate by VDOT. Ms. Backmon clarified that funding was not assigned to the process when the legislation was passed. VDOT had to find monies, partially using federal funds, to complete the evaluations conducted so far.
- A question was raised as to whether it was this financial reason that this was not considered and inserted in the TransAction contract in July 2015. Ms. Backmon noted that HB599 was adopted a year before HB2313. She stated that when the TransAction contract was awarded in 2015, we were still working out the nuances of incorporating this process, as the legislation states that VDOT must perform this evaluation. Mr. Longhi added that waiting for these negotiations to be completed prior to awarding the TransAction contract might have delayed the process by a year and a half. He noted that at the time, we were hopeful that we would ultimately be able to include the HB599 process in TransAction, but we didn't want to delay the start of the TransAction update.
- Clarification was requested, noting that the Commonwealth has agreed to fund HB599 evaluation in TransAction, as to what the functional difference is between the HB2313 and HB599 evaluations. Ms. Backmon responded that HB2313 is a revenue source, and as part of that revenue source, it identifies some key things the Authority must do in order to be eligible to apply these revenues to projects. She clarified that these requirements include project inclusion in TransAction and evaluation through the HB599 process. She stated that HB599 is a technical evaluation and analysis which had no project funding source attached to it.

- Clarification was requested as to whether the Commonwealth has now agreed to fund the technical analysis required in HB599. Ms. Backmon clarified that the Commonwealth had surplus funds from those planned for the FY2015-16 HB599 analysis. She stated that this is the source of funds to be used to incorporate HB599 into TransAction. Ms. Backmon added that VDOT will review the analysis specific to HB599 prior to providing the funds, therefore, this will be a reimbursement, provided the analysis is done according to the legislation.
- In response to the question regarding whether projects for the Six Year Program would be considered every two years, Ms. Backmon stated that this is what is proposed in order to achieve synergy with the Commonwealth's Six Year Plan.
- Clarification was requested as to why the Commonwealth would fund the HB599 process again in two years, if it is only mandated every four years. Ms. Backmon responded that we are not sure they will. She added that at this point, we are just working to incorporate HB599 into TransAction, which is regarded as a five year plan. She noted that there is an out year the way the legislation is currently written, stating the HB599 process must be done every four years at a minimum. Ms. Backmon noted that ultimately, HB599 needs to be done in a cycle compatible with when the Authority needs HB599. She added that this has been discussed with Delegate LeMunyon. Ms. Backmon clarified that if HB599 is incorporated into TransAction, then next time it will be needed is for the next TransAction update.
- Ms. Backmon stated that VDOT will need to certify each HB599 analysis.
- Chairman Parrish stated that this may ultimately be a more efficient way to accomplish this process, with VDOT and the NVTA working together. Ms. Backmon confirmed this is our intent and suggested it was the original intent of the legislation as well.
- Council Member Rishell moved the Finance Committee recommend Authority approval of the TransAction Update Contract – Amendment 1 (RFP2015-01), subject to approval of the Receipt of Funding; seconded by Chair Randall.

(Mayor Silberberg departed.)

- In response to a further question regarding the Commonwealth's funding source for this amendment, Ms. Backmon responded that this was originally a State Research Planning (SPR) grant. She noted this was a federal grant, and there was a desire not to federalize the HB599 process, therefore, the Secretary's Office suggested the federal monies could be traded for state monies from the Office of Intermodal Planning. Chairman Parrish stated that the Commonwealth moved money around in the state budget to compensate for this. Mr. Longhi added that the NVTA is accepting state money, not federal money. Ms. Backmon stated that all these tasks are specifically related to incorporating HB599 into TransAction.
- Motioned carried unanimously.

(Mayor Silberberg returned.)

IV. Receipt of Funding – TransAction Contract Change Order

Ms. Backmon, Executive Director

- Chair Randall moved the Finance Committee recommend Authority approval of the acceptance of up to \$600,000 from the Commonwealth of Virginia for the purpose of incorporating the HB599 project evaluation process into the current TransAction Update; seconded by Council Member Rishell. Motion carried unanimously.

Information/Discussion Items

VI. Update – Acquisition of Investment Safekeeping and Custody Services

Mr. Longhi, CFO

- Mr. Longhi updated the Committee on the acquisition of Investment Safekeeping and Custody Services. He noted this was a component of the FY2017 Budget. Mr. Longhi reviewed the purpose of a Custody Service firm and stated that these services are required by State Code. He added that the Authority’s investments will be approximately \$600 million at peak. Mr. Longhi highlighted recent developments:
 - ✓ NVTa staff consulted with member jurisdictions with large active investment programs with intent to “ride” one of their contracts. It was determined the best course of action was to issue an NVTa RFP for this service.
 - ✓ Issued RFP for custody service.
 - ✓ Established an evaluation committee comprised of investment professionals from Fairfax and Loudoun Counties, and NVTa staff.
 - ✓ Six responses were received and evaluated by the committee.
 - ✓ Three firms were chosen with which to enter negotiations.
 - ✓ Initial negotiations resulted in cost reductions of approximately \$100,000.
 - ✓ Evaluation committee participated in and concluded best and final negotiations which have resulted in significant reductions to proposed fees.
- Mr. Longhi reviewed next steps:
 - ✓ One reason fees are potentially so high is that due to the artificial compression of interest rates due to Federal interest rate policy.
 - ✓ Banks and financial service firms are moving away from interest based earnings and moving to fees for services.
 - ✓ Projected size of investment portfolio has increased from initial estimates due to projected future project reimbursements.
 - ✓ Investment earnings for FY2017 are budgeted at \$1.9 million. With the Investment & Debt Manager position, this estimate was increased to \$3.5 million and now we are comfortable projecting an increase to \$4.5 million.
 - ✓ Contract preparation is underway, therefore final contract fees have not been negotiated. The anticipated fees are currently \$25,000.
- Mr. Longhi concluded that the negotiations were substantial and this is very aggressive pricing.
- Mr. Longhi stated that as these fees are not budgeted in the FY2017 Budget. NVTa staff will make a recommendation to the Committee in December to use budgeted Bond Council Fees that that will not be used in the near future to fund the Custody Services contract for the remainder of FY2017. This will be approximately \$12,500 for FY2017, with a budget recommendation in the FY2018 Budget for approximately \$25,000.

- In response to a question about additional revenue to offset the expense, Mr. Longhi stated that we are projecting an additional \$1 million in revenue, based on current investment methodology. He added this projection could be much higher when we start investing in the types of investments for which Custody Services are needed.

V. FY2018 Budget Guidance (Discussion)

Mr. Longhi, CFO

- Mr. Longhi briefed the Committee on the FY2018 Budget Guidance discussion points. He reviewed points in the Operating Budget:
 - ✓ Communication/Public Outreach options. Discussed as part of FY2017 Budget, but tabled in favor of Legislative Services. Recognition that the Authority needs to ‘control its own message’ as stated by Authority Members. Currently this work is accomplished through existing staff, primarily Administrative Assistant/Clerk and significant time from the Executive Director and Chief Financial Officer. Mr. Longhi noted that in some weeks 30% of his time is spent on communications versus financial efforts. Examples of various tasks and needs were reviewed. As presented the budget proposal allows flexibility to hire part-time staff or use contract services, for which the estimated costs are only \$2,000 apart. Staff requested to present the budget request in a manner which will allow the Executive Director the latitude to search for an individual and then move to contract services if a qualified individual cannot be found. There was discussion that ultimately a need for a full-time person may develop. Committee recommended moving forward with this budget initiative.
 - ✓ Multimodal Transportation Trends in Northern Virginia. Proposed as a supplement to the Authority’s Annual Report. Most of expense will be to contract for graphic design support. Goal of product is to establish and publish a baseline and track the impact of Authority funding and projects to the region. This will be an analytical report to show the impact of transportation improvements and to continue on the work being done through TransAction. It will be an annual report, starting next year. Committee recommended moving forward with this budget initiative.
 - ✓ Custody/Safekeeping Services. Reviewed previously with some further discussion. Committee recommended moving forward with this budget initiative.
 - ✓ Portfolio Tracking Software. For portfolios of over \$500,000,000 accounting, reporting and transparency standards are necessary to show investments. This software is necessary for this and helps ensure compliance with the NVTA Investment Policy, State Code, accounting standards and audit standards. Software will not require hardware purchases. Committee recommended moving forward with this budget initiative.
 - ✓ Planning Technology. Based on data being gathered as part of TransAction, NVTA staff are developing a technology plan to start doing our own mapping, modeling and analysis. NVTA members have expressed an interest in having additional maps showing NVTA project impacts. We are currently using Fairfax County to support this need. NVTA staff have the expertise to support the use of this technology. Opportunities to share resources with NVRC are being reviewed. Expense is both capital and operating. A multi-year technology plan is being developed to implement the regional planning functions of the NVTA. Future years will include more

planning and analysis functions. Committee recommended moving forward with this budget initiative.

- ✓ Internship Program. Based on the reception given to presentations made by Mr. Jasper at George Mason University (GMU), there is a significant amount of interest in regional planning by local university students. Paid internships are considered to draw top talent. Dr. Zhu, NVTA TAC member, is a professor at GMU and is advising NVTA staff on this initiative. Dr. Zhu is also helping Mr. Jasper look into the Federal Work Study Program which may significantly or completely fund this program. There was a brief discussion regarding the benefits and challenges of interns and the NVTA's role as a model transportation organization. NVTA staff would ensure any internship program benefits both the Authority and the student. Committee requested more information while recommending moving forward with this budget initiative.
- ✓ Increases Not Itemized – Mr. Longhi discussed base budget increases which were not itemized. These increases include compensation increases consistent with member jurisdiction and agency budgets. Other increases include inflationary, contract and technology escalations. Additionally, Mr. Longhi requested having a statement in the operating budget that the retirement plan will be full funded. Since this direction has not been specifically provided in the past when the General Assembly offers Virginia Retirement System (VRS) participants the opportunity to not fully fund their plans the question must be formally presented to the Authority. The Committee affirmed the continued full funding of the retirement plan and directed staff to proceed with the development of base budget changes.
- Mr. Longhi stated that the Regional Revenue Fund Budget will be developed using prior Finance Committee guidance. He noted that this budget projects the amount of FY2018 PayGo funds. Mr. Longhi stated that with the potential funding withdraw from the FY2017 Program of the I-66/Route 28 Interchange Project, there will be \$100 million returning to the Regional Revenue Fund. NVTA staff and the NVTA Financial Advisors are examining options to use these funds to off-set expenses of the Series 2014 Bonds. It is anticipated that the options that could benefit the Authority will be presented to the Committee in December. It was clarified that the option to use the \$100 million to fund additional projects is also part of the analysis.
- Mr. Longhi stated that the Local Distribution Fund Budget will be developed using the usual processes. Noting that the prior direction of the Finance Committee to include budget language which will permit timely distributions from the Local Distribution Fund as revenues are actually received from the Commonwealth. This language allows the fund distribution to continue even though the Local Distribution Fund revenues will vary from the presented estimate.
- Mr. Longhi summarized that the Operating Budget new initiative costs are estimated to total \$149,000-\$164,000. The Committee recommended moving forward with all new initiatives.

VII. NVTA Monthly Revenue Report

Mr. Longhi, CFO

- Mr. Longhi reported that NVTA revenue is currently coming in at 1.5% above estimates and no changes to the revenue estimates are anticipated at this time.

VIII. NVTA Operating Budget Report

Mr. Longhi, CFO

- Mr. Longhi reported that we are 33% into FY2017 and have used 29% of the Operating Budget.

Adjournment

IX. Adjournment

- Meeting adjourned at 2:03pm.