

## Hampton Roads Transportation Accountability Commission

### Agenda

#### Regular Meeting November 15, 2018

9:00 a.m.  
The Regional Board Room  
723 Woodlake Drive, Chesapeake, VA 23320

- 1. Call to Order**
- 2. Approval of Agenda**
- 3. Public Comment Period (5 Minute Limit)**
- 4. Chair's Comments**
- 5. Consent Items**
  - *Recommended Action: Approval*
    - A. Minutes of the September 20, 2018 Regular Meeting (Attachment 5A)**
    - B. Amendment to the Approved HRTAC FY2016-FY2024 Funding Plan - HRCS Preferred Alternative Refinement to Support Geotechnical, Survey, Administration and Staff Augmentation Phase (UPC 110577) and Authorization to Enter Into Project Agreement Amendment (Attachment 5B)**
    - C. Resolution to Preserve Flexibility to Reimburse Expenditures on HRCS Preferred Alternative Refinement to Support Geotechnical, Survey, Administration and Staff Augmentation Phase, with Proceeds of a Bond Issue (Attachment 5C)**
    - D. 2018 Continuing Disclosure Compliance – HRTAC HRTF Senior Lien Revenue Bonds, Series 2018A (Attachment 5D)**
    - E. HRTAC Administrative Offices Lease Extension (Attachment 5E)**
    - F. Amendment to Approved HRTAC FY2019 HRTAC Administrative Budget – Public Hearing Authorization (Attachment 5F)**
    - G. Debt Management Plan – Authorization to advance public financing and authorization of TIFIA Loan Application Development for the I-64 HRBT Expansion Project (Attachment 5G)**

## **6. Action and Discussion Items**

- *Recommended Action: Discussion or Approval as indicated below*
- A. HRTAC Fiscal Year 2018 Audited Financial Statement – Executive Director Page and PBMares, LLP (Attachment 6A)**
- B. Investment Grade Traffic and Revenue Study – HRTAC Requested Analysis – Executive Director Page (Attachment 6B)**

## **7. Information Items**

- A. HRTAC Monthly Financial Report** – Finance Committee Chair Senator Wagner
- B. VDOT Project Updates** – VDOT Hampton Roads Administrator Hall and HRBT Project Director Utterback
- C. Next HRTAC Regular Meeting – December 13, 2018, 12:30 p.m., Regional Building Board Room**

## **8. Adjournment**

**Agenda Item 5A**  
**Consent Item**

**To: Chair Hipple and the other members of HRTAC**

**From: Kevin B. Page, Executive Director**

**Date: November 15, 2018**

**Re: September 20, 2018 Regular Meeting Minutes**

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**Recommendation:**

The Commission is asked to approve the Commission's September 20, 2018 Regular Meeting minutes.

**Background:**

The Commission approves meeting minutes for the permanent record of the Commission.

**Fiscal Impact:**

There is no fiscal impact in relation to this Consent Item.

**Suggested Motion:**

**Motion:** The Commission approves and adopts the minutes of the Commission's Regular Meeting on September 20, 2018.



**Hampton Roads Transportation  
Accountability Commission (HRTAC)  
Summary Minutes of the September 20, 2018 Regular Meeting**

The Hampton Roads Transportation Accountability Commission (HRTAC) Regular Meeting was called to order at 12:30 p.m. in the HRTPO Regional Board Room, 723 Woodlake Drive, Chesapeake, Virginia, with the following in attendance:

**HRTAC Members in Attendance:**

Michael Hipple, Chair	Barry T. Porter
Linda T. Johnson, Vice Chair	Thomas G. Shepperd
Kenneth Alexander	Elizabeth Psimas (in for John Rowe)
Joel Acree	Donnie Tuck
John Cosgrove*	Frank Wagner
Herbert Green (in for Eugene Hunt)	Stephen Best (in for Rick West)
Chris Jones	Thomas G. Shepperd
Louis Jones	David Yancey
McKinley Price*	

**HRTAC Executive Director**

Kevin Page

**HRTAC Ex-Officio Members in Attendance:**

Stephen Brich*	Cathy Vick
John Malbon	

**Other Participants:**

Shannon Valentine	Randy Keaton*
James Baker	Neil Morgan*
Bob Baldwin	Patrick Roberts
Brian DeProfio	Cynthia Rohlf*
Christopher Hall	Doug Smith
Dave Hansen*	Scott Stevens*
Tom Inglima	James Utterback
Michael Johnson	J. Randall Wheeler*
Stephen Johnson*	John Yorks

**HRTAC Voting Members Absent:**

Paul Freiling	Christopher Stolle
Frank Rabil	

**HRTAC Ex-Officio Members Absent:**

Jennifer Mitchell

\* Denotes Late Arrival or Early Departure

### **Others Recorded Attending:**

Britta Ayers, Bridgette Parker, Bryan Stilley, Jerri Wilson (NN); Amy Inman, Lauren Lowery, Morgan Whayland (NO); Sherri Neil (PO); Andrew Trivette (WM); Jim Calpin (Bank of America Merrill Lynch); Kevin Johnson, Kirsten Krug, Ron Marena, Chris McNichol (Citigroup Global Market); Jake Fink, Mike Snare, Awil Sharma (HNTB); Mary DiMartino (J.P. Morgan); Eric Ballou (Kaufman and Canoles); Nelson Bush, David Miller, Liang Shan (PFM); Barbara Nelson (Port of Virginia); Patrick Allen (RK &K); Chuck Wall (Troutman Sanders); Kevin Carroll (U.S. Coast Guard); Morteza Farajian, Tony Gibson, Robin Grier, Paula Miller (VDOT); Mark Burns (Wells Fargo Securities) Brett Spain (Willcox and Savage); Kelli Arledge, Nancy Collins, Mike Long, Tiffany Smith, Chris Vaigneur Sheila Wilson (HRPDC); Jennifer Hodnett (HRTAC); Rob Case, Rob Cofield, Shirley Core, Bob Crum, Mike Kimbrel, John Mihaly, Dale Stith (HRTPO)

### **Approval of Agenda**

Chair Michael Hipple introduced and thanked Shannon Valentine, Virginia Secretary of Transportation for attending the meeting. He indicated her presentation was in regards to the HRBT project and the proposed HOT network.

Mr. Herbert Green Moved to amend the agenda and move item 6B1, Secretary Valentine's remarks ahead of item 6A, HRTBT Expansion Project: P3 RFP Terms and Related Term Sheet and Agreements with HRTAC re: Funding including toll revenue, Ms. Linda Johnson seconded. The Motion Carried.

### **Public Comment Period (limit 5 minutes per individual)**

No members of the public addressed the Hampton Roads Transportation Accountability Commission

### **Chair Comments**

Chair Hipple identified continued progress on HRTF funded projects and thanked Senator Wagner, Delegate Jones, Mayor Alexander, and Mayor Tuck for agreeing to serve with Chair Hipple on the HRBT Funding Agreement Advisory Committee.

HRTAC Executive Director, Kevin Page, noted the additional meeting in November so the Commission could be kept up to date on the HRBT project.

### **Consent Items**

- A. Minutes of June 21, 2018 HRTAC Annual Organizational Meeting**
- B. Fiscal Year 2018 Annual Report to the Joint Commission on Transportation Accountability relating to the Hampton Roads Transportation Fund**
- C. Meeting Schedule for Remainder of 2018**
- D. Authorizations relating to HRTAC Chief Financial Officer**
- E. De-Allocation of HRTAC Project Funds Returned by VDOT – HRTAC Adopted FY2016-FY2024 Funding Plan Adjustment**
- F. Amendment to the Approved HRTAC FY2016-FY2024 Funding Plan-HRCS Preferred Alternative Refinement to Support Geotechnical, Survey,**

## **Administration and Staff Augmentation Phase (UPC 110577) Request for Public Hearing and Letter of No Prejudice to Proceed**

Mr. Thomas Shepperd Moved to approve the consent agenda items; seconded by Ms. Linda Johnson. The Motion Carried.

### **Action Items** (per reordered agenda)

#### **A1. Hampton Roads HOT Network Overview**

Mr. James Utterback, VDOT HRBT Project Director, reviewed the total lane miles and interchanges and new facility included in the HRBT Expansion project. He outlined the project activities which included NEPA SEIS Re-Evaluation, design public hearings and agency coordination.

He stated VDOT had the authority to pursue a design build under the Public Private Transportation Act (PPTA) or the Virginia Public Procurement Act (VPPA) and reminded the Commission the HRBT is not a typical project and the benefits of the project being built using a PPTA process.

He reviewed the key policy considerations and noted due to the technical complexity of the project, the proposal scoring would be weighted for 60% price and 40% technical. Additional policy considerations indicated were Alternative Technical Concepts (ATCs), managing the financial exposure until the issuance of key permits, and minimization of construction impact and duration.

Mr. Utterback reviewed the major business terms of the project and outlined the procurement milestones.

Commission members reiterated the need for limited to proceed clause and a not to exceed price of the project.

Virginia Secretary of Transportation, Shannon Valentine, discussed the Hampton Roads Express Lanes Network and indicated the 4 segments would reduce congestion, prioritize safety, deliver reliability, provide choices to citizens and move the highest number of people through the corridor for the lowest price.

She stated two studies were being performed and highlighted the Commonwealth was examining how efficiently and cost effectively toll revenues could be managed. She reassured the Commission the P3 process was being followed and public input has been included in the project.

Secretary Valentine noted the importance of the trestles to be included in the scope of the project and the project achieves economies of scale previously not available. She noted the age of the structures and indicated the future impacts it could have on the facility.

Commission members reminded the Secretary, the legal uses for the Hampton Roads Transportation Fund (HRTF) and the lack of success rate for the High Occupancy Vehicle (HOV) lanes in the region.

Secretary Valentine noted Traffic and Revenue (T&R) studies were to be completed by the end of November, which would provide valuable data for tolling decisions.

Commission members indicated previous versions of the express lanes network did not include segment 4 and questioned its viability. Additionally, members stated the Hampton Roads Transportation Planning Organization (HRTPO) needed to be briefed to ensure all legal components of the project were met.

Commission discussion ensued in regards to the property rights around Hampton University and the potential designs of the project.

Secretary Valentine assured the Commission that the Commonwealth was a partner on this project and that all information would be shared with the Commission to guarantee the best decisions for the citizens of the Region were made.

**A2. HRBT Expansion Project: P3 RFP Terms and Related Term Sheet and Agreements with HRTAC re: Funding, Including Toll Revenue (Closed Session, as Needed)**

HRTAC Legal Counsel, Thomas Inglima, indicated that VDOT is trying to maximize the negotiating outcome with bidders and there is also a confidentiality agreement between VDOT and the Commission, so he advised the Commission to go into closed session.

Closed Session Motion:

Mr. Thomas Shepperd Moved that a closed session be held for discussions regarding the request for proposals for the Hampton Roads Bridge Tunnel project and the agreements being developed to fund and construct the project, in accordance with (1) Virginia Code Section 2.2-3711(A)(29) for the purpose of discussion of the award of a public contract involving the expenditure of public funds and discussion of the terms and scope of such contract, where discussion in an open session would adversely affect the bargaining position or negotiating strategy of the public body, and (2) Virginia Code Section 2.2-3711(A)(8) for the purpose of consulting with legal counsel regarding specific legal matters requiring the provision of legal advice by such counsel.

Mr. Donnie Tuck seconded the Motion and Chair Hipple, hearing no further discussion, called for a voice vote. The Motion Carried.

The closed session commenced at 1:30 p.m. and ended at 2:30 p.m. When the open session recommenced, Mr. Thomas Shepherd read the following certification to be adopted:

The Hampton Roads Transportation Accountability Commission hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements and the Virginia Freedom of Information Act, and (ii) only such public business matters as were identified in the motion by which the closed meeting was convened, were heard, discussed, or considered in the closed meeting just concluded.

Chair Hipple initiated a roll call vote:

McKinley L. Price	Y
Stephen Best Sr.	Y
Donnie Tuck	Y
Joel C. Acree	Y
Michael J. Hipple	Y
Kenneth C. Alexander	Y
Herbert Green Jr.	Y
Elizabeth Psimas	Y
Barry Porter	Y
Linda T. Johnson	Y
Louis Jones	Y
Thomas G. Shepperd	Y
Senator John A. Cosgrove	Y
Senator Frank W. Wagner	Y
Delegate S. Chris Jones	Y
Delegate David Yancey	Y
Cathy Vick	Y

Messrs. Randy Keaton, Scott Stevens, Dough Smith, J. Randall Wheeler, Dave Hansen, Neil Morgan, Stephen Johnson and Stephen Brich left.

Dr. McKinley Price, Senator John Cosgrove, and CTB Representative John Malbon left.

## **B2      Hampton Roads HOT Network Request re: Toll Revenue Study**

HRTAC Finance Chair, Senator Wagner, reiterated the need for the toll revenues to be returned to Hampton Roads due to the insufficient revenues at the State level and the HRTF. He indicated the citizens were always going to be offered a free alternative to tolls and indicated the completion of the studies will assist the Commission in making further decisions.

Mr. Stephen Best Moved to authorize the Chair to request that VDOT modify its investment grade, toll-based traffic and revenue study of the Hampton Roads Express Lane Network to take into account two scenarios: (1) A scenario where on a 24/7 basis all users of the "HOT" Managed Lanes for the HRBT water crossing are charged for use of those lanes, and (2) A scenario where during off peak hours all users of the "HOT" Managed Lanes for the

HRBT water crossing are charged for use of those lanes, such that HOV-2 and HOV-3 free use would be limited to peak hours, Seconded by Mr. Joel Acree. The Motion Carried.

**C. Debt Management Plan – Authorization of TIFIA Loan Application for Existing Projects**

HRTAC Executive Director, Kevin Page, reminded the Commission that TIFIA was a federal loan program and HRTAC projects do qualify for funding monies. He indicated the loan monies did not have to be used immediately, however, the interest rate would be locked in allowing for cost savings. He stated the Finance Committee recommended seeking a loan for \$450 Million and noted that the loan application amount was \$250,000.

Commission members acknowledged the uptick of treasury interest rates and the importance of the cost savings associated with a lower interest rate.

Mr. Barry Porter Moved to authorized advancement of the TIFIA Loan Application for the Commission's existing projects and authorize the Executive Director to work within the Commission's Adopted Annual Administrative and Project Development Budget to advance payment of the TIFIA Loan Application and pay TIFIA legal and processing fees, Seconded by Ms. Linda Johnson. The Motion Carried.

**Information Items**

**A. HRTAC Monthly Financial Report**

Senator Wagner reviewed the HRTF Financial Report included in the agenda packet.

**B. VDOT/HRTAC Project Updates**

Mr. Christopher Hall, Hampton Roads District Administrator reviewed the progress of the projects and studies currently under construction in regards to budget and schedule

**Next Meeting**

The HRTAC Regular Meeting will be held on November 15, 2018 at 9:00 a.m. in the Regional Building Board Rooms, 723 Woodlake Drive, Chesapeake VA.

**Adjournment**

With no further business to come before the Hampton Roads Transportation Accountability Commission, the meeting adjourned at 2:43 p.m.

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Michael J. Hipple  
HRTAC Chair

**Agenda Item 5B**  
**Consent Item**

**To: Chair Hipple and the other members of HRTAC**

**From: Kevin B. Page, Executive Director**

**Date: November 15, 2018**

**Re: Amendment to the Approved HRTAC FY2016-FY2024 Funding Plan - HRCS  
Preferred Alternative Refinement to Support Geotechnical, Survey,  
Administration and Staff Augmentation Phase (UPC 110577)**

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**Recommendation:**

The Commission is being asked to approve VDOT's request for an additional \$5.0M of Hampton Roads Transportation Funds (HRTF) and amend the Approved HRTAC FY2016-FY2024 Funding Plan HRCS Preferred Alternative Refinement to include the additional allocation of \$5.0 million of HRTF to Support Geotechnical, Survey, Administration and Staff Augmentation Phase (UPC 110577).

**Background:**

On October 20, 2016, the Hampton Roads Transportation Planning Organization (HRTPO) unanimously approved the Hampton Roads Crossing Study Alternative A as the Preferred Alternative. On March 16, 2017, the Commission amended the HRTAC Approved 2016-2022 Funding Plan to include \$25,000,000 in HRTF funding for the HRCS Preferred Alternative Refinement (UPC 110577) project. The project scope of work included a geotechnical investigation in the water and on land, survey, administrative oversight, and staff augmentation (the "Applicable PE Work"). On September 15, 2018, VDOT notified HRTAC Staff that VDOT is projecting to expend the full \$25M allocated to HRBT preliminary work by December 2018. VDOT further noted that the cost of project start-up, Applicable PE Work, marshalling staff, and the procurement process had advanced with a greater cost than anticipated with the project anticipated to now be through procurement by March, 2019. To continue the necessary project support and keep the procurement on schedule, VDOT has requested HRTAC to provide an additional \$5,000,000 of HRTF funding. The scope of work of HRCS Preferred Alternative Refinement (UPC 110577) will remain the same. On September 20, 2018 the Commission endorsed the \$5.0 million request of additional HRTF funding and authorized a public hearing that was held on Tuesday, November 13, 2018. There were no comments received.



## **Fiscal Impact**

There will be a project impact to the Hampton Roads Transportation Fund in the amount of \$5,000,000 in relation to this Action Item.

## **Suggested Motion:**

**Motion.** The Commission approves VDOT's request for an additional \$5.0M of Hampton Roads Transportation Funds; and amends the Approved HRTAC FY2016-FY2024 Funding Plan to include an additional \$5.0 million in HRTF for the HRCS Preferred Alternative Refinement to Support Geotechnical, Survey, Administration and Staff Augmentation Phase Project (UPC 110577) to increase the allocated project funds by \$5,000,000; and, authorizes the Chair to execute an amendment to the project agreement (UPC 110577) with VDOT.



**Agenda Item 5C**  
**Consent Item**

**To: Chair Hipple and the other members of HRTAC**

**From: Kevin B. Page, Executive Director**

**Date: November 15, 2018**

**Re: Resolution to Preserve Flexibility to Reimburse Expenditures on HRCS Preferred Alternative Refinement to Support Geotechnical, Survey, Administration and Staff Augmentation Phase, with Proceeds of a Bond Issue**

**Recommendation:**

The Commission is asked to adopt a “Resolution of Official Intent for Allocation of Bond Proceeds to Reimburse HRTAC Expenditures on HRCS Preferred Alternative Refinement to Support Geotechnical, Survey, Administration and Staff Augmentation Phase” which is attached hereto as Attachment 5C, in order to preserve the option to reimburse itself for the costs of such project from proceeds of a future bond issue.

**Background:**

The Commission may adopt a written “official intent” to preserve its flexibility under bond regulations to advance funds for current project expenses and later reimburse those advances out of proceeds of a future tax-exempt bond issue. An “official intent” resolution must set forth a general description of the applicable projects and the maximum principal amount of bonds expected to be applied to reimburse project costs. By adopting such resolution at this time, the Commission will preserve the option to allocate bond proceeds to expenditures made on the project, if they were spent no earlier than 60 days before the date of the resolution, and if the Bonds are issued no later than 3 years after the first expenditure being reimbursed. Adopting the “official intent” resolution does not obligate the Commission to use bonds instead of pay-go for the project.

**Fiscal Impact:**

There is no immediate fiscal impact in relation to this Action Item.

**Suggested Motion:**

Motion is to adopt the “Resolution of Official Intent for Allocation of Bond Proceeds to Reimburse HRTAC Expenditures on HRCS Preferred Alternative Refinement to Support Geotechnical, Survey, Administration and Staff Augmentation Phase.”





## **HRTAC RESOLUTION 2018-01**

### **RESOLUTION OF OFFICIAL INTENT FOR ALLOCATION OF BOND PROCEEDS TO REIMBURSE HRTAC EXPENDITURES ON HRCS PREFERRED ALTERNATIVE REFINEMENT TO SUPPORT GEOTECHNICAL, SURVEY, ADMINISTRATION AND STAFF AUGMENTATION PHASE OF VDOT'S I-64 HRBT EXPANSION PROJECT**

WHEREAS, in accordance with its statutory powers and purposes, the Hampton Roads Transportation Accountability Commission (the "Commission") has resolved and agreed to pay portions of the costs incurred by the Virginia Department of Transportation ("VDOT") in the HRCS Preferred Alternative Refinement to Support Geotechnical, Survey, Administration and Staff Augmentation Phase of VDOT's I-64 HRBT Expansion Project (the "Project"); and

WHEREAS, plans for the Project have proceeded and it is expected that the Commission will cause funds under its control to be advanced to pay expenditures related to the Project (each, an "Expenditure" and, collectively, the "Expenditures") prior to such time as the Commission may be prepared to issue one or more series of tax-exempt bonds ("Bonds") to finance transportation projects within Planning District 23 generally; and

WHEREAS, the Commission intends for a portion of the proceeds of a future issue of Bonds to be available to reimburse the Commission for the payment of Expenditures; and

WHEREAS, Section 1.150-2 of the Treasury Regulations, promulgated under the Internal Revenue Code of 1986, as amended (the "Code"), provides that to allocate proceeds of Bonds to reimbursement of Expenditures paid in advance of an issue of Bonds, the Commission must declare its official intent to allocate proceeds of Bonds to reimbursement of the Expenditures;

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION:

1. The Commission intends to issue Bonds in a future period and allocate a portion of the proceeds thereof, in a maximum principal amount of \$30,000,000, to the reimbursement of the Expenditures.

2. Each Expenditure to be reimbursed with Bond proceeds was or shall be either (a) of a type properly chargeable to a capital account under general federal income tax principles (determined in each case as of the date of such Expenditure), or (b) a cost of issuance with respect to the Bonds.

3. The Commission intends to make a reimbursement allocation, which is a written allocation by the Commission that evidences the Commission's use of proceeds of the Bonds to

reimburse Expenditures, no later than 18 months after the later of (a) the date on which the first Expenditure for the Project was paid or (b) the date the Project is placed in service or abandoned, but in no event more than three (3) years after the date on which the first Expenditure was paid with respect to the Project. The Commission recognizes that exceptions are available for certain “preliminary expenditures,” costs of issuance, certain de minimis amounts and expenditures for construction projects of at least five (5) years; therefore, this resolution is intended to cover costs of the Project not treated as an exception under Section 1.150-2 of the Treasury Regulations.

4. The Commission intends that the adoption of this resolution shall confirm the “official intent” of the Commission within the meaning of Treasury Regulations Section 1.150-2 to reimburse Expenditures paid not earlier than sixty (60) days prior to the date of adoption of this resolution and not later than the date of the final allocation described in paragraph 3 above.

5. This resolution shall take effect immediately upon its adoption.

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The undersigned hereby certify that this is a true and correct copy of a resolution duly adopted at a meeting of the Hampton Roads Transportation Accountability Commission held on November 15, 2018.

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Chair, Hampton Roads Transportation  
Accountability Commission

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Vice Chair, Hampton Roads Transportation  
Accountability Commission

**Agenda Item 5D**  
**Consent Item**

**To: Chair Hipple and the other members of HRTAC**

**From: Kevin B. Page, Executive Director**

**Date: November 15, 2018**

**Re: 2018 Continuing Disclosure Compliance – HRTAC HRTF Senior Lien Revenue Bonds, Series 2018A**

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**Recommendation:**

The Commission is being asked to approve the submission of the 2018 Continuing Disclosure Compliance for the HRTAC HRTF Senior Lien Revenue Bonds, Series 2018A.

**Background:**

During FY2018, HRTAC conducted its inaugural bond offering. As the bond issuer, HRTAC is subject to the annual continuing disclosure compliance requirements specified in the bond's Official Statement and related agreements. The required financial and operating data must be filed in searchable electronic format on the Electronic Municipal Market Access (EMMA) portal by December 27, 2018.

To assist in its reporting efforts, HRTAC has retained Digital Assurance Certification, LLC (DAC) as the dissemination agent to assist in complying with municipal bond disclosure requirements under SEC Rule 15c2-12. HRTAC's bond counsel, underwriter, and financial advisor have reviewed the information to be submitted to DAC. Staff anticipates the filing to be complete by December 1, 2018.

**Fiscal Impact**

There will be no project impact to the Hampton Roads Transportation Fund in relation to this Consent Action Item.

**Suggested Motion:**

**Motion.** The Commission, in compliance with its 2018 Bonds continuing disclosure undertaking, authorizes the Executive Director, or his designee, to submit the 2018 Continuing Disclosure Compliance for the HRTAC HRTF Senior Lien Revenue Bonds, Series 2018A.



## Hampton Roads Transportation Commission, VA

1 Hampton Roads Transportation Accountability Commission, Hampton Roads Transportation Fund Senior Lien Revenue Bonds, Series 2018A, \$500,000,000, Dated: February 14, 2018

Series 2018A

### Historical Hampton Roads Transportation Fund Revenues (in Millions)

Source	FY 2018
Additional Sales and Use Tax	136,530,702
Additional Motor Vehicle Fuels Tax	32,672,668
Total	<b>169,203,370</b>

Series 2018A

### HRTF Revenues - Fiscal Year 2014 to Date

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total
Chesapeake	26,384,832	31,178,258	28,020,650	29,401,662	32,250,621	147,236,023
Franklin	1,301,603	1,564,370	1,228,551	1,274,670	1,579,266	6,948,460
Hampton	10,762,980	12,779,918	11,230,061	11,407,701	12,320,071	58,500,731
Isle of Wight	2,492,326	2,789,926	2,219,931	2,448,695	2,691,809	12,642,688
James City	6,470,044	7,707,919	7,178,553	7,231,155	7,676,723	36,264,394
Newport News	15,547,215	18,000,282	16,398,094	16,760,658	17,959,888	84,666,139
Norfolk	20,325,343	23,497,042	21,127,765	21,348,692	23,756,517	110,055,360
Poquoson	375,230	475,270	386,529	326,471	388,414	1,951,913
Portsmouth	5,194,137	6,041,957	5,481,676	5,236,943	5,602,132	27,556,845
Southampton	729,265	868,306	658,083	698,315	930,823	3,884,791
Suffolk	6,807,264	8,135,329	7,270,093	7,445,683	8,350,181	38,008,550
Virginia Beach	38,819,376	46,214,795	41,692,132	42,354,144	44,479,314	213,559,761
Williamsburg	3,245,330	3,776,886	3,318,678	3,486,719	3,677,161	17,504,774
York	6,757,314	7,879,525	6,980,452	7,083,019	7,540,450	36,240,760
<b>Total</b>	<b>145,212,261</b>	<b>170,909,785</b>	<b>153,191,246</b>	<b>156,504,528</b>	<b>169,203,371</b>	<b>795,021,191</b>
Interest	363,855	1,218,460	81,759	291,738	321,499	2,277,312
Investment Income	-	-	4,184,274	980,870	8,868,404	14,033,548
<b>Total Revenue</b>	<b>145,033,064</b>	<b>172,128,244</b>	<b>157,457,279</b>	<b>157,777,136</b>	<b>178,393,273</b>	<b>810,788,996</b>

Series 2018A

### FY 2018 Hampton Roads Transportation Fund (HRTF) - Revenues and Expenditures

	Sales and Use Tax	Fuels Tax	Interest	Investment Income	Total Revenues	Construction Expenses
2017 July	5,576,511	2,112,352	9,551	807,469	8,505,882	-
2017 August	11,741,262	2,225,581	12,129	541,206	14,520,177	-
2017 September	11,584,493	2,149,365	17,494	126,412	13,877,763	4,877,831
2017 October	10,955,037	3,223,638	55,802	225,426	14,459,903	14,687,445
2017 November	10,978,313	2,868,507	8,364	(112,532)	13,742,652	25,681,280
2017 December	11,160,940	2,595,554	13,000	344,512	14,114,006	17,625,556
2018 January	13,136,088	1,911,499	50,649	21,604	15,119,840	16,833,224
2018 February	9,277,902	2,345,825	26,162	472,937	12,122,826	13,923,265
2018 March	9,653,043	2,175,834	14,047	1,510,926	13,353,850	8,607,495
2018 April	11,808,571	2,875,877	38,679	1,261,322	15,984,450	3,340,415
2018 May	11,396,920	3,315,903	11,448	2,102,371	16,826,642	18,222,108
2018 June	19,261,622	4,872,732	64,177	1,566,751	25,765,281	32,034,580
<b>Total 12 Months</b>	<b>136,530,702</b>	<b>32,672,668</b>	<b>321,499</b>	<b>8,868,404</b>	<b>178,393,273</b>	<b>155,833,198</b>
<b>Grand Totals (July 2013 - June 2018)</b>	<b>632,381,530</b>	<b>162,639,659</b>	<b>2,277,311</b>	<b>14,211,356</b>	<b>811,509,857</b>	<b>267,126,026</b>

	Department of Taxation	Admin Fee	Investment Fee	Operating Expenses	Bond Expenses	Total Expenses	Cumulative Balance
2017 July	-	-	19,077	74,772	-	93,849	526,802,351
2017 August	-	-	19,092	41,983	-	61,075	541,261,453
2017 September	-	-	26,565	110,061	-	5,014,457	550,124,759
2017 October	-	-	19,120	47,771	-	14,754,335	549,830,327
2017 November	-	-	18,516	158,400	-	25,858,197	537,714,782
2017 December	-	-	27,217	62,929	30,000	17,745,702	534,083,085
2018 January	-	-	19,180	73,543	175,000	17,100,947	532,101,979
2018 February	-	-	17,354	71,907	3,300,396	17,312,921	526,911,884
2018 March	-	-	19,211	67,100	1,967,782	10,661,588	529,604,145
2018 April	-	-	8,068	40,065	1,970,232	5,358,780	540,229,815
2018 May	-	-	19,196	30,931	1,967,782	20,240,018	536,816,440
2018 June	28,531	-	37,264	89,399	1,967,782	34,157,557	528,424,164
<b>Total 12 Months</b>	<b>28,531</b>	<b>249,860</b>	<b>868,860</b>	<b>11,378,976</b>	<b>168,359,425</b>	<b>283,085,691.42</b>	
<b>Grand Totals (July 2013 - June 2018)</b>	<b>626,745</b>	<b>898,008</b>	<b>3,055,937</b>	<b>11,378,976</b>	<b>11,378,976</b>	<b>283,085,691.42</b>	

Less Balance of Encumbered Revenues (through FY 2022) (963,802,070)

Total Net Available (435,377,906)

Series 2018A

### Hampton Roads Transportation Fund (HRTF) - Transportation Project Expenditures

Project	Total FY 2014-FY 2017	FY 2018	Total
<b>I-64 Peninsula Widening</b>			
UPC 104905 Segment 1 - Construction	1,544,502	-	1,544,502
UPC 106665 Segment 2 - PE, ROW & Construction	49,326,465	65,027,092	114,353,557
UPC 109790/106689 Segment 3 - PE	-	4,514,165	4,514,165
UPC 109790/106689 Segment 3 - ROW & Construction	-	-	-
<b>I-64/I-264 Interchange Improvement</b>			
UPC 57048/108042 Phase I - PE & ROW	8,941,701	6,129,362	15,071,063
UPC 57048/108042 Phase I - Construction	17,353,214	49,046,421	66,399,635
UPC 17630/108041 Phase II - PE & ROW	24,549,786	11,392,148	35,941,934
UPC 17630/108041 Phase II - Construction	-	-	-
UPC 106693 Phase III - PE & ROW	-	57,220	57,220
UPC 106724 Third Crossing - HRCS SEIS	-	-	-
HR Regional Connectors Study - HRTPO (Remaining Projects of Third Crossing)	-	149,245	149,245
UPC 110577 HRCS Preferred Alternative Refinement - HRBT	-	15,891,088	15,891,087
UPC 106692/108990 I-64 Southside Widening/High Rise Bridge Phase I - PE	9,577,159	2,611,939	12,189,098
UPC 106692/108990 I-64 Southside Widening/			

**Agenda Item 5E**  
**Consent Item**

**To: Chair Hipple and the other members of HRTAC**

**From: Kevin B. Page, Executive Director**

**Date: November 15, 2018**

**Re: HRTAC Administrative Offices Lease Extension**

---

**Recommendation:**

The Commission is being asked to approve the HRTAC Administrative Offices Lease extension from December 1, 2018 to November 30, 2019 and authorize the Executive Director to execute the lease extension as per the lease agreement.

**Background:**

On November 9, 2015, HRTAC entered into a lease agreement with the Southeastern Public Service Authority (SPSA) to provide office and storage space to house the headquarters of the Commission. The initial term expires on November 30, 2018. In accordance with the lease agreement, two renewal terms of one year each are available. The lease term renewal for the period December 1, 2018 through November 30, 2019 includes a 5 percent increase of monthly rent due SPSA from \$917.34 to \$963.20.

**Fiscal Impact**

In relation to this Consent Action Item, there will be no project impact to the HRTAC budget as this increase was already accounted for in the Approved 2019 HRTAC Administrative Budget.

**Suggested Motion:**

**Motion.** The Commission approves the HRTAC Administrative Offices Lease extension from December 1, 2018 to November 30, 2019 and authorizes the Executive Director to execute the lease extension as described in the lease agreement.

**Agenda Item 5F**  
**Consent Item**

**To: Chair Hipple and the other members of HRTAC**

**From: Kevin B. Page, Executive Director**

**Date: November 15, 2018**

**Re: Amendment to Approved HRTAC FY2019 HRTAC Administrative Budget –  
Public Hearing Authorization**

---

**Recommendation:**

The Commission is asked to endorse proposed amendments to the FY2019 Budget reflected in the attached Budget (the “Proposed Amendment to the Approved FY2019 Administrative Budget”) and authorizes the Finance Committee Chair to conduct a public hearing on the proposed increase.

**Background:**

Current administrative and project development activities of the Commission have advanced in the area of debt financing, project negotiations and agreement development, and electronic computer hardware/services to the level that requires the Commission to evaluate its current Approved FY2019 HRTAC Administrative Budget for adjustments to allow for Commission efforts to advance without delay. A proposed amendment to the Approved FY2019 Administrative Budget includes a \$275,000 increase in project development legal support, a \$1,700,000 increase in Bond Issuance Expense/TIFIA to provide for three TIFIA loan application processes, and an increase of \$8,000 for the purchase of a computer hardware and software. The Executive Director has reviewed the amendments with the Finance Committee Chair who recommends that a public hearing be conducted by the Commission to gather public input to the proposed changes for consideration by the Commission before taking action at its next Commission meeting.

**Fiscal Impact:**

There is a \$1,983,000 fiscal impact in relation to this Action Item.

**Suggested Motion:**

Motion The Commission endorses the Staff request for an additional \$1,983,000 of eligible HRTAC controlled funds and authorizes the Finance Committee Chair to conduct a public hearing on the Amendment to the Approved HRTAC FY2019 HRTAC Administrative Budget.





## Proposed Amendment to the Approved FY2019 Administrative Budget

CATEGORY	FY2019 Approved			Proposed Adjustment	FY2019 Proposed Amended Budget		
	FY2019 Approved Budget	FY2019 Approved Administrative	FY2019 Approved Project Development		FY2019 Amended Budget	FY2019 Amended Administrative	FY2019 Amended Project Development
REVENUES							
HRTF Support*	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
Interest/Investment Income	2,464,512	1,334,512	1,130,000		4,447,512	1,342,512	3,105,000
TOTAL REVENUE	<b>\$ 2,464,512</b>	<b>\$ 1,334,512</b>	<b>\$ 1,130,000</b>		<b>\$ 4,447,512</b>	<b>\$ 1,342,512</b>	<b>\$ 3,105,000</b>
EXPENDITURES							
PERSONNEL**							
HRTAC Staff	\$ 524,512	\$ 524,512	\$ -		\$ 524,512	\$ 524,512	\$ -
HRTPO/HRPDC Support Staff**	120,000	120,000	-		120,000	120,000	-
<b>SUBTOTAL PERSONNEL</b>	<b>644,512</b>	<b>644,512</b>	<b>-</b>		<b>644,512</b>	<b>644,512</b>	<b>-</b>
PROFESSIONAL SERVICES							
Audit	24,000	24,000	-		24,000	24,000	-
Bank Fees & Investment Services	300,000	300,000	-		300,000	300,000	-
Legal	625,000	300,000	325,000	275,000	900,000	300,000	600,000
Financial Advisors	600,000	-	600,000		600,000	-	600,000
Insurance - D&O/Liability	4,000	4,000	-		4,000	4,000	-
Recruiting	2,000	2,000	-		2,000	2,000	-
Bond Issuance Expense/TIFIA	200,000	-	200,000	1,700,000	1,900,000	-	1,900,000
<b>SUBTOTAL PROFESSIONAL SERVICES</b>	<b>1,755,000</b>	<b>630,000</b>	<b>1,125,000</b>		<b>3,730,000</b>	<b>630,000</b>	<b>3,100,000</b>
TECHNOLOGY/COMMUNICATION**							
IT/Communications	5,000	5,000	-		5,000	5,000	-
LAN system/ Cloud	10,000	10,000	-	8,000	18,000	18,000	-
Website Consultant	2,000	2,000	-		2,000	2,000	-
<b>SUBTOTAL TECHNOLOGY/COMMUNICATION</b>	<b>17,000</b>	<b>17,000</b>	<b>-</b>		<b>25,000</b>	<b>25,000</b>	<b>-</b>
ADMINISTRATIVE **							
Public Notices/Advertising	3,000	3,000	-		3,000	3,000	-
Office Space	12,000	12,000	-		12,000	12,000	-
Office Supplies**	4,000	3,000	1,000		4,000	3,000	1,000
Furniture	500	500	-		500	500	-
Printing/Copying**	7,000	3,000	4,000		7,000	3,000	4,000
Dues/Subscriptions	1,000	1,000	-		1,000	1,000	-
Travel	8,000	8,000	-		8,000	8,000	-
Meeting Expenses**	7,000	7,000	-		7,000	7,000	-
Postage**	500	500	-		500	500	-
Professional Development	5,000	5,000	-		5,000	5,000	-
<b>SUBTOTAL ADMINISTRATIVE</b>	<b>48,000</b>	<b>43,000</b>	<b>5,000</b>		<b>48,000</b>	<b>43,000</b>	<b>5,000</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,464,512</b>	<b>\$ 1,334,512</b>	<b>\$ 1,130,000</b>	<b>\$ 1,983,000</b>	<b>\$ 4,447,512</b>	<b>\$ 1,342,512</b>	<b>\$ 3,105,000</b>
	FY2019 Approved			Proposed Adjustment	FY2019 Proposed Amended Budget		

\* HRTF Support will be used if the Interest/Investment Income is less than budgeted.

\*\*Includes items to be reimbursed to HRPDC/HRTPO



**Agenda Item 5G**  
**Consent Item**

**To: Chair Hipple and the other members of HRTAC**

**From: Kevin B. Page, Executive Director**

**Date: November 15, 2018**

**Re: Debt Management Plan – Authorization to advance public financing and authorization of TIFIA Loan Application Development for the I-64 HRBT Expansion Project**

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**Recommendation:**

The Commission is asked to authorize the Executive Director to further advance implementation of the HRTAC Debt Management Plan by advancing development of TIFIA loan applications to support the I-64 HRBT Expansion Project.

**Background:**

Current project development activities of the Commission have advanced in the area of debt financing, and the Federal Highway Administration has encouraged HRTAC to advance the development and submission of the TIFIA Loan Applications to support the I-64 HRBT Expansion Project. HRTAC's funding plans include the use of TIFIA federal loans to support project financing. HRTAC must develop and submit a Letter of Intent (LOI) for each loan application. Two TIFIA applications are planned to be submitted, one backed by HRTF revenues and one backed by toll revenues. Once developed, the TIFIA applications will be reviewed and approved by the Commission at its next meeting.

**Fiscal Impact:**

Fiscal Impacts related to the LOI submissions are included in the proposed amendments to the Approved FY 2019 Administrative Budget. Costs related to the development of the LOI's are provided for in the Approved FY 2019 Administrative Budget.

**Suggested Motion:**

**Motion** The Commission authorizes the Executive Director to further advance implementation of the HRTAC Debt Management Plan by advancing development of TIFIA loan applications to support the I-64 HRBT Expansion Project.



**Agenda Item 6A**  
**Action Item**

**To: Chair Hipple and the other members of HRTAC**

**From: Kevin B. Page, Executive Director**

**Date: November 15, 2018**

**Re: HRTAC Fiscal Year 2018 Audited Financial Statement**

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**Recommendation:**

The Finance Committee Chair recommends that the Commission approve the FY2018 Audited Financial Statement for HRTAC and authorize its distribution.

**Background:**

In accordance with the HRTAC enabling legislation, the Auditor of Public Accounts (APA) must conduct an annual audit of HRTAC. PBMares, LLP was engaged by the APA to conduct the annual audit. The auditor reported that there were no material weaknesses or deficiencies in any of the internal controls or processes of the HRTAC financial activity, and all information was free of any material misstatements.

**Fiscal Impact:**

There is no fiscal impact of in relation to this Action Item.

**Suggested Motion:**

**Motion:** The Commission approves the HRTAC FY2018 Audited Financial and Compliance Report and authorizes the Executive Director to distribute of the report document for public access and viewing.



# **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

**REPORT TO THE HONORABLE  
BOARD OF COMMISSIONERS**

**NOVEMBER 5, 2018**



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ASSURANCE, TAX & ADVISORY SERVICES



November 5, 2018

To the Honorable Board of Commissioners  
Hampton Roads Transportation Accountability Commission  
Chesapeake, Virginia

We are pleased to present this report related to our audit of the basic financial statements and compliance of the Hampton Roads Transportation Accountability Commission (Commission) for the year ended June 30, 2018. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Commission's financial and compliance reporting process.

This report is intended solely for the information and use of the Commission Board Members and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Commission.

*PBMares, LLP*

PBMares, LLP

## **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

### **TABLE OF CONTENTS**

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	Page
Required Communications	1 – 2
Summary of Recorded Audit Adjustments	3
Exhibit A – New Governmental Accounting Standards Board Pronouncements	
Exhibit B – Significant Written Communications Between Management and Our Firm	
Arrangement Letter	
Representation Letter	

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## **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

### **REQUIRED COMMUNICATIONS**

**Year Ended June 30, 2018**

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Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

<b>Area</b>	<b>Comments</b>
<b>Our Responsibilities With Regard to the Financial Statements and Compliance Audit</b>	Our responsibilities under auditing standards generally accepted in the United States of America; <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States and <i>Specifications for Audits of Authorities, Boards and Commissions</i> provided by the Auditor of Public Accounts of the Commonwealth of Virginia have been described to you in our arrangement letter dated May 1, 2018. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
<b>Overview of the Planned Scope and Timing of the Financial Statements and Compliance Audit</b>	We have issued a separate communication dated May 1, 2018 regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to significant risks of material misstatement.
<b>Accounting Policies and Practices</b>	<b>Preferability of Accounting Policies and Practices</b>  Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.
	<b>Adoption of, or Change in, Accounting Policies</b>  Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Commission. The Commission did not adopt any significant new accounting policies that had an impact on the financial statements, nor have there been any changes in existing significant accounting policies during the current period.
	At June 30, 2018, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the Commission. The statements which might impact the Commission are included in the attached Exhibit A.

## HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

### REQUIRED COMMUNICATIONS (Continued)

Year Ended June 30, 2018

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<b>Area</b>	<b>Comments</b>
<b>Accounting Policies and Practices (Continued)</b>	<p><b>Significant or Unusual Transactions</b></p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>Management's Judgments and Accounting Estimates</b></p> <p>We are not aware of any significant accounting estimates made by management.</p>
<b>Audit Adjustments</b>	Audit adjustments proposed by us and recorded by the Commission are shown on the attached Summary of Recorded Audit Adjustments.
<b>Uncorrected Misstatements</b>	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
<b>Disagreements With Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the basic financial statements.
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Significant Written Communications Between Management and Our Firm</b>	Copies of significant written communications between our firm and management of the Commission, including the representation letter provided to us by management, are attached as Exhibit B.

## HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

### SUMMARY OF RECORDED AUDIT ADJUSTMENTS

Year Ended June 30, 2018

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<b>Description</b>	<b>Increase (Decrease)</b>						
	<b>Assets</b>	<b>Deferred Outflows of Resources</b>	<b>Liabilities</b>	<b>Deferred Inflows of Resources</b>	<b>Net Position</b>	<b>Revenue</b>	<b>Expenses</b>
Governmental Activities:							
To record capital outlay in General Fund for software purchased	\$ (8,773)	\$ -	\$ -	\$ (8,773)	\$ -	\$ 8,773	\$ 8,773
To record bond premium amortization	-	-	(845,381)	-	845,381	-	(845,381)
To remove expense recorded twice	-	-	(28,531)	-	28,531	-	(28,531)
To adjust net pension asset and related expenses based on the actuarial report	(21,340)	51,527	-	(40,173)	70,360	-	(70,360)
<b>Statement of revenues, expenses and changes in net position effect</b>						\$ -	\$ (935,499)
<b>Net position effect</b>	<b>\$ (30,113)</b>	<b>\$ 51,527</b>	<b>\$ (873,912)</b>	<b>\$ (40,173)</b>	<b>\$ 935,499</b>		

**Exhibit A–New Governmental Accounting Standards Board Pronouncements**

## **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

### **NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS**

**Year Ended June 30, 2018**

**Page 1 of 2**

At June 30, 2018, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the Commission. The statements which might impact the Commission are as follows:

#### ***Statement No. 83, Certain Asset Retirement Obligations***

This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible assets should recognize a liability based on the guidance in this Statement.

This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement will also enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs.

The requirements of Statement No. 83 are effective for financial statements for fiscal years beginning after June 15, 2018.

#### ***Statement No. 84, Fiduciary Activities***

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship.

The requirements of Statement No. 84 are effective for financial statements for fiscal years beginning after December 15, 2018.

## **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

### **NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS**

**Year Ended June 30, 2018**

**Page 2 of 2**

#### **Statement No. 87, *Leases***

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

The requirements of Statement No. 87 are effective for financial statements for fiscal years beginning after December 15, 2019.

#### **Statement No. 88, *Certain Disclosures Related to Debt***

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of Statement No. 88 are effective for financial statements for fiscal years beginning after June 15, 2018.

**Exhibit B—Significant Written Communications Between Management and Our Firm**

## **Arrangement Letter**



May 1, 2018

Hampton Roads Transportation Accountability Commission  
723 Woodlake Drive  
Chesapeake, Virginia 23320

Attention: Mr. Kevin B. Page, Executive Director

**The Objective and Scope of the Audit of the Financial Statements**

You have requested we audit the Hampton Roads Transportation Accountability Commission's (Commission) governmental activities and each major fund as of and for the year ending June 30, 2018, which collectively comprise the basic financial statements. In addition, the required supplementary information presented in relation to the financial statements taken as a whole will be subjected to the auditing procedures applied in our audit of the basic financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

**The Responsibilities of the Auditor**

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); *Government Auditing Standards* issued by the Comptroller General of the United States (GAS) and the *Specifications for Audits of Authorities, Boards, and Commissions*, provided by the Auditor of Public Accounts for the Commonwealth of Virginia. Those standards and specifications require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, GAS does not expect us to provide reasonable assurance of detecting abuse.

Mr. Kevin B. Page, Executive Director  
Hampton Roads Transportation Accountability Commission  
May 1, 2018  
Page 2

In making our risk assessments, we consider internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate to the Board of Commissioners (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

No component units are to be included in the Commission's basic financial statements.

Our report on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and specifications identified above. Our report on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts; and any state or federal grant, entitlement or loan program questioned costs of which we become aware, consistent with requirements of the standards and specifications identified above.

### **The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework**

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance, acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. To evaluate subsequent events through the date the financial statements are issued or available to be issued and to disclose the date through which subsequent events were evaluated in the financial statements. Management also agrees they will not evaluate subsequent events earlier than the date of the management representation letter referred to below;
3. For the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
4. For establishing and maintaining effective internal control over financial reporting, and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;
5. For report distribution; and

Mr. Kevin B. Page, Executive Director  
Hampton Roads Transportation Accountability Commission  
May 1, 2018  
Page 3

6. To provide us with:

- a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
- b. Additional information we may request from management for the purpose of the audit; and
- c. Unrestricted access to persons within the Commission from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management and, when appropriate, those charged with governance written confirmation concerning representations made to us in connection with the audit, including, among other items, that:

1. Management has fulfilled its responsibilities as set out in the terms of this letter; and
2. It believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring the Commission complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the Commission involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse or suspected fraud or abuse affecting the Commission received in communications from employees, former employees, analysts, regulators, or others.

Management is responsible for the preparation of the required supplementary information (RSI) presented in relation to the financial statements as a whole in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the RSI in any document that contains the RSI and indicates the auditor has reported on such RSI. Management also agrees to present the RSI with the audited financial statements or, if the RSI will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the RSI no later than the date of issuance of the RSI and the auditor's report thereon.

The Board of Commissioners is responsible for informing us of its views about the risks of fraud or abuse within the Commission, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the Commission.

Our association with an official statement is a matter for which separate arrangements will be necessary. The Commission agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the Commission seeks such consent, we will be under no obligation to grant such consent or approval.

The Commission agrees it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, the Commission agrees to contact us before it includes our reports, or otherwise makes reference to us, in any public or private securities offering.

### Records and Assistance

If circumstances arise relating to the condition of the Commission's records, the availability of appropriate audit evidence or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting or misappropriation of assets which, in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the Commission's books and records. The Commission will determine all such data, if necessary, will be so reflected. Accordingly, the Commission will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by Commission personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Kevin Page, Executive Director. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

In connection with our audit, you have requested us to perform certain non-audit services necessary for the preparation of the financial statements, including drafting the financial statements. The GAS independence standards require the auditor maintain independence so that opinions, findings, conclusions, judgments and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to the Commission, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is considerations of management's ability to effectively oversee the non-audit services to be performed. The Commission has agreed Kevin Page, Executive Director, possesses suitable skill, knowledge and experience and he understands the services to be performed sufficiently to oversee them. Accordingly, the management of the Commission agrees to the following:

1. The Commission has designated Kevin Page, Executive Director, as a senior member of management who possesses suitable skill, knowledge and experience to oversee the services;
2. Kevin Page, Executive Director, will assume all management responsibilities for subject matter and scope of the non-audit services;
3. The Commission will evaluate the adequacy and results of the services performed; and
4. The Commission accepts responsibility for the results and ultimate use of the services.

GAS further requires we establish an understanding with the Commission's management and those charged with governance of the objectives of the non-audit services, the services to be performed, the Commission's acceptance of its responsibilities, the auditor's responsibilities and any limitations of the non-audit services. We believe this letter documents that understanding.

### **Other Relevant Information**

PBMares, LLP may mention the Commission's name and provide a general description of the engagement in PBMares, LLP's client lists and marketing materials.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to *disclose* confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

In accordance with GAS, a copy of our most recent peer review report can be located on our website at [www.pbmaries.com](http://www.pbmaries.com).

### **Fees, Costs, and Access to Workpapers**

Our fees for the audit and accounting services are not expected to exceed \$22,000. Our fee estimate and completion of our work are based upon the following criteria:

1. Anticipated cooperation from Commission personnel.
2. Timely responses to our inquiries.
3. Timely completion and delivery of client assistance requests.
4. Timely communication of all significant accounting and financial reporting matters.
5. The assumption unexpected circumstances will not be encountered during the engagement.

If any of the aforementioned criteria are not met, then fees may increase. Fees may also increase based on the extent of accounting services and other assistance required to render a complete set of financial statements. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. Amounts not paid within thirty days from the invoice date(s) will be subject to a late payment charge of 1.5% per month (18% per year).

Our professional standards require we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, the Commission agrees it will compensate PBMares, LLP for any additional costs incurred as a result of the Commission's employment of a partner or professional employee of PBMares, LLP.

In the event we are requested or authorized by the Commission or are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for the Commission, the Commission will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

Mr. Kevin B. Page, Executive Director  
Hampton Roads Transportation Accountability Commission  
May 1, 2018  
Page 6

The documentation for this engagement is the property of PBMares, LLP. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of PBMares, LLP audit personnel and at a location designated by our firm.

#### **Other Terms**

While there is an attorney-client privilege, there is no accountant-client privilege. Accordingly, any information that you provide to us is subject to discovery. Unless prohibited by law, we will notify you if we receive any subpoena, or other third-party request for our information and/or records concerning you. If you direct us to disclose the requested information, we will comply with the subpoena and, in the case of a third-party request, we will need you to sign a form authorizing the disclosure. If you do not direct us to disclose the requested information, we will engage counsel to protect your interest in non-disclosure. In either event, we will bill you for all of our costs associated with complying with your directions. Our bill will include, in addition to our then standard fees and charges and, by way of illustration only, our attorney's fees, court costs, outside advisor's costs, penalties, and fines imposed because of our non-disclosure.

We reserve the right to withdraw from this engagement without completing our services for any reason, including, but not limited to, your failure to comply with the terms of this arrangement letter, or as we determine professional standards require.

If any portion of this engagement letter is deemed invalid or unenforceable, such a finding shall not invalidate the remainder of the terms set forth in this engagement letter.

#### **Dispute Resolution**

If any dispute other than fees arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties. You and we consent to personal jurisdiction, both for mediation and/or litigation, of the Federal District Court, Eastern District of Virginia, sitting in Richmond, Virginia, or the Richmond Circuit Court. Participation in such mediation shall be a condition to either of us initiating litigation. In order to allow time for the mediation, any applicable statute of limitations shall be tolled for a period not to exceed 120 days from the date either of us first requests in writing to mediate the dispute. The mediation shall be confidential in all respects, as allowed or required by law, except our final settlement positions at mediation shall be admissible in litigation solely to determine the prevailing party's identity for purposes of the award of attorneys' fees.

The parties hereto both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. Such arbitration shall be binding and final. The arbitration shall take place in Richmond, Virginia. Any award rendered by the Arbitrator pursuant to this Agreement may be filed and entered and shall be enforceable in the Superior Court of the County in which the arbitration proceeds. In agreeing to arbitration, we both acknowledge that, in the event of a dispute over fees charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury, and instead we are accepting the use of arbitration for resolution.

Mr. Kevin B. Page, Executive Director  
Hampton Roads Transportation Accountability Commission  
May 1, 2018  
Page 7

### **Information Security – Miscellaneous Terms**

PBMares, LLP is committed to the safe and confidential treatment of the Commission's proprietary information. PBMares, LLP is required to maintain the confidential treatment of client information in accordance with relevant industry professional standards which govern the provision of services described herein. The Commission agrees that it will not provide PBMares, LLP with any unencrypted electronic confidential or proprietary information, and the parties agree to utilize commercially reasonable measures to maintain the confidentiality of Commission information, including the use of collaborate sites to ensure the safe transfer of data between the parties.

PBMares, LLP may terminate this relationship immediately in its sole discretion if PBMares, LLP determines that continued performance would result in a violation of law, regulatory requirements, applicable professional standards or PBMares, LLP's client acceptance or retention standards, or if the Commission is placed on a verified sanctioned entity list or if any director or executive of, or other person closely associated with, the Commission or its affiliates is placed on a verified sanctioned person list, in each case, including but not limited to lists promulgated by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. State Department, the United Nations Security Council, the European Union or any other relevant sanctioning authority.

### **Reporting**

We will issue a written report upon completion of our audit of the Commission's financial statements. Our report will be addressed to the Honorable Commission Board Members. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph, or withdraw from the engagement.

In addition to our report on the Commission's financial statements, we will also issue the following types of reports:

1. Report on internal control related to the financial statements. This report will describe the scope of testing of internal control and the results of our tests of internal control; and
2. Report on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance that could have a material effect on the financial statements.

Mr. Kevin B. Page, Executive Director  
Hampton Roads Transportation Accountability Commission  
May 1, 2018  
Page 8

### Electronic Signatures and Counterparts

Each party hereto agrees that any electronic signature of a party to this agreement or any electronic signature to a document contemplated hereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (i) to be "written" or "in writing," (ii) to have been signed, and (iii) to constitute a record established and maintained in the ordinary course of business *and an original* written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, "electronic signature" includes, but is not limited to, (i) a scanned copy (as a "pdf" (portable document format) or other replicating image) of a manual ink signature, (ii) an electronic copy of a traditional signature affixed to a document, (iii) a signature incorporated into a document utilizing touchscreen capabilities, or (iv) a digital signature. This agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. Paper copies or "printouts," of such documents if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.

This letter constitutes the complete and exclusive statement of agreement between PBMares, LLP and the Commission, superseding all proposals, oral or written, and all other communications with respect to the terms of the engagement between the parties.

Please sign and return a copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements, including our respective responsibilities.

Sincerely,

PBMares, LLP



Michael A. Garber, Partner

Confirmed on behalf of the Hampton Roads Transportation Accountability Commission:



Signature



Date

## **Representation Letter**

November 5, 2018

PBMares, LLP  
558 South Main Street  
Harrisonburg, VA 22801

Re: HRTAC FY2018 Audit – Representation Letter

This representation letter is provided in connection with your audit of the basic financial statements of Hampton Roads Transportation Accountability Commission (Commission) as of and for the year ended June 30, 2018 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of November 5, 2018:

*Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated May 1, 2018, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment have been disclosed.

7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. The following have been properly recorded and/or disclosed in the financial statements:
  - a. Net position and fund balance classifications.
  - b. The fair value of investments.
  - c. Leases and material amounts of rental obligations under long-term leases.
  - d. Deposits and investment securities categories of risk.
  - e. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
  - f. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
9. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
  - a. The Commission has no significant amounts of idle property and equipment.
  - b. The Commission has no plans or intentions to discontinue the operations of any activities or programs or to discontinue any significant operations.
10. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made to reduce receivables to their estimated net collectable amounts, if necessary.
11. There are no:
  - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
  - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.

- c. Material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the *Contingencies* topic of the Financial Accounting Standards Board Accounting Standards Codification.
- d. Guarantees, whether written or oral, under which the Commission is contingently liable.
- e. Agreements to repurchase assets previously sold.
- f. Security agreements in effect under the Uniform Commercial Code.
- g. Liabilities which are subordinated in any way to any other actual or possible liabilities.
- h. Significant estimates and material concentrations known to management which are required to be disclosed.
- i. Risk financing activities.
- j. Derivative financial instruments.
- k. Special or extraordinary items.
- l. Arbitrage rebate liabilities.
- m. Risk retentions, including uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2018 and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2018.
- n. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
- o. Material losses to be sustained as a result of purchase commitments.
- p. Environmental cleanup obligations.
- q. Contractual obligations for construction and purchase of real property or equipment.

12. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.

13. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders.

14. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
15. Net position (restricted and unrestricted) and fund balances are properly classified and, when applicable, approved.
16. Expenses or expenditures have been appropriately classified in or allocated to functions and programs in the Statement of Activities, and allocations have been made on a reasonable basis.
17. Revenues are appropriately classified in the Statement of Activities.
18. We have no knowledge of any uncorrected misstatements in the financial statements.

*Information Provided*

19. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the Commission from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the governing body and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
20. All transactions have been recorded in the accounting records and are reflected in the financial statements.
21. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
22. We have no knowledge of allegations of fraud or suspected fraud, affecting the Commission's financial statements involving:

- a. Management.
- b. Employees who have significant roles in the internal control.
- c. Others where the fraud could have a material effect on the financial statements.

23. We have no knowledge of any allegations of fraud or suspected fraud affecting the Commission's financial statements received in communications from employees, former employees, analysts, regulators, or others.

24. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing the financial statements.

25. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.

26. We have disclosed to you the identity of the Commission's related parties and all the related-party relationships and transactions of which we are aware.

27. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Commission's ability to record, process, summarize, and report financial data.

28. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

29. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us

*Supplementary Information*

30. With respect to supplementary information presented in relation to the financial statements as a whole:

- a. We acknowledge our responsibility for the presentation of such information.
- b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
- c. The methods of measurement or presentation have not changed from those used in the prior period.

31. With respect to the Required Supplementary Information presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:

- a. We acknowledge our responsibility for the presentation of such required supplementary information.
- b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
- c. The methods of measurement or presentation have not changed from those used in the prior period.

*Compliance Considerations*

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm management:

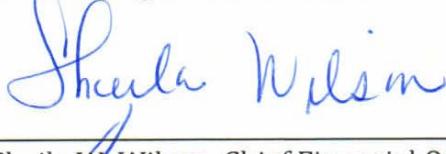
- 32. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
- 33. Is responsible for compliance with the laws, regulations, and provisions of contracts applicable to the auditee.
- 34. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 35. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
- 36. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
- 37. Is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 38. Acknowledges its responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
- 39. Has a process to track the status of audit findings and recommendations.

40. Has identified for the auditor previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.
41. Has provided views on the auditor's reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.
42. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

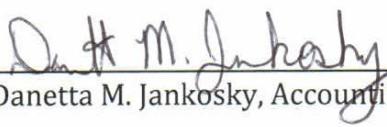
HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION



Kevin B. Page, Executive Director



Sheila W. Wilson, Chief Financial Officer



Danetta M. Jankosky, Accounting Manager

# **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**



**A COMPONENT UNIT OF THE  
COMMONWEALTH OF VIRGINIA**

## **FINANCIAL AND COMPLIANCE REPORTS**

**YEAR ENDED JUNE 30, 2018**



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ASSURANCE, TAX & ADVISORY SERVICES

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## TABLE OF CONTENTS

---

### INTRODUCTORY SECTION

---

Directory of Principal Officials	i
----------------------------------	---

---

### FINANCIAL SECTION

---

INDEPENDENT AUDITOR'S REPORT	1 – 3
------------------------------	-------

Management's Discussion and Analysis	4 – 9
--------------------------------------	-------

#### *Basic Financial Statements*

Statement of Net Position	10
---------------------------	----

Statement of Activities	11
-------------------------	----

Balance Sheet – Governmental Funds	12
------------------------------------	----

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	13
--	----

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
---	----

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	15
--	----

Notes to Financial Statements	16 – 45
-------------------------------	---------

#### *Required Supplementary Information*

Schedule of Changes in the Commission's Net Pension Liability (Asset) and Related Ratios – Virginia Retirement System	46
---	----

Schedule of Commission Contributions – Virginia Retirement System	47
---	----

Notes to Required Supplementary Information	48
---	----

#### *Supplementary Information*

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	49
--	----

Schedule of General and Administrative Expenditures	50
---	----

---

### COMPLIANCE SECTION

---

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

51 – 52

## **INTRODUCTORY SECTION**

# **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

## **DIRECTORY OF PRINCIPAL OFFICIALS**

### ***Voting Members***

Michael J. Hipple, Chair, James City County  
Linda T. Johnson, Vice-Chair, City of Suffolk  
Richard W. “Rick” West, City of Chesapeake  
Frank Rabil, City of Franklin  
Donnie Tuck, City of Hampton  
Joel Acree, Isle of Wight County  
McKinley Price, City of Newport News  
Kenneth C. Alexander, City of Norfolk  
W. Eugene Hunt, Jr., City of Poquoson  
John Rowe, City of Portsmouth  
Barry T. Porter, Southampton County  
Louis Jones, City of Virginia Beach  
Paul Freiling, City of Williamsburg  
Thomas G. Shepperd, York County  
Senator John A. Cosgrove, Virginia General Assembly  
Senator Frank W. Wagner, Virginia General Assembly  
Delegate Chris Jones, Virginia General Assembly  
Delegate Christopher P. Stolle, Virginia General Assembly  
Delegate David E. Yancey, Virginia General Assembly

### ***Ex-Officio Members***

Stephen Brich, Virginia Department of Transportation  
John F. Malbon, Commonwealth Transportation Board  
Jennifer Mitchell, Virginia Department of Rail and Public Transportation  
John F. Reinhart, Virginia Port Authority

### ***Commission Staff***

Kevin B. Page, Executive Director  
Jennifer D. Hodnett, Executive Assistant

### ***Support Staff***

Nancy K. Collins, Chief Financial Officer  
Danetta M. Jankosky, Accounting Manager

## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Commission Board Members  
Hampton Roads Transportation Accountability Commission

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Hampton Roads Transportation Accountability Commission (Commission), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2018, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-9 and pages 46-48, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying schedules listed in the table of contents as supplementary information and introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

*PBMares, LLP*

Harrisonburg, Virginia  
November 5, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of Hampton Roads Transportation Accountability Commission's (the Commission) financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2018.

The Commission is a political subdivision of the Commonwealth of Virginia, created April 3, 2014 by the Hampton Roads Transportation Accountability Commission Act, Title 15.2, of the *Code of Virginia* (HB1253 & SB513) and became effective July 1, 2014. The Commission's primary function is determining how the Hampton Roads Transportation Fund (HRTF) (HB2313 of the 2013 Acts of Assembly) regional Sales and Use Tax and Fuel Tax monies will be invested in new construction projects on new or existing highways, bridges, and tunnels in the localities comprising Planning District 23. This function includes an improvement program development with priority to those projects that are expected to provide the greatest impact on reducing congestion for the greatest number of citizens residing within Planning District 23.

The Commission member jurisdictions are the counties of Isle of Wight, James City, Southampton, and York and the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg. The Commission has 23 members as follows: the chief elected official, of each of the ten cities and a current elected official of each of the four counties that are members of the Commission; and, five members of the General Assembly (two senators and three delegates). The counties embraced by the Commission must appoint by resolution a current member from its governing body to serve as its member on the Commission. In addition, four non-voting ex-officio members, one each from the Virginia Department of Rail and Public Transportation, the Commonwealth Transportation Board, the Virginia Department of Transportation, and the Virginia Port Authority.

### **FINANCIAL HIGHLIGHTS**

#### **Highlights for Government-wide Financial Statements**

The government-wide financial statements report information about the Commission's reporting entity as a whole using the economic resources measurement focus and accrual basis of accounting.

- Assets and deferred outflows of resources of the Commission exceeded its liabilities and deferred inflows of resources for the year ended June 30, 2018 by \$529,292,240 (net position).
- For the fiscal year ended June 30, 2018 regional tax revenues for the Commission's governmental activities totaled \$169.2 million with an additional \$9.2 million in investment income. Expenses totaled \$167.5 million; \$155.9 million represents project funding in accordance with HB2313 and \$11.6 million represents reimbursement of authorized administrative costs.

#### **Highlights for Fund Financial Statements**

The fund financial statements provide detailed information about the Commission's funds using the current financial resources measurement focus and modified accrual basis of accounting.

- The Commission's Capital Project Fund, established in the current fiscal year, reported a fund balance of \$360.1 million as of June 30, 2018.
- The Commission's Special Revenue Fund, established in fiscal year 2016, reported an increase in fund balance of \$226,505,688 for a fund balance of \$744,859,265 as of June 30, 2018.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis provided here is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements consist of three components: government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

The financial statements presented include all of the activities which are part of the Commission reporting entity using the integrated approach as prescribed by the Governmental Accounting Standards Board (GASB). The government-wide financial statements present the financial picture of the Commission's governmental activities from the economic resources measurement focus using the accrual basis of accounting.

The fund financial statements include a separate column for each of the major governmental funds. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. A reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach.

### **Government-Wide Financial Statements**

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities, with the governmental activities combined. The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Commission with the difference reported as net position. The Statement of Activities shows in broad terms changes to net position during the fiscal year.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or declining. Net position is one way to measure financial position but the reader should also consider other indicators, such as general economic conditions.

The Statement of Activities presents information indicating how the Commission's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will result in cash flows in future fiscal periods.

Revenue is classified as General, Special, or Capital Project revenues. General revenue consists of investment earnings used to cover the Commission's administrative expenses. Special revenues include the two intergovernmental revenues: sales and use tax, and fuel tax collected on behalf of the HRTF and remitted from the Commonwealth of Virginia. These tax receipts commenced July 1, 2013. Capital Project Fund revenue consists of bond issuance and bond issuance premium.

### **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources which have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Commission only reports governmental funds. The Commission does not operate proprietary funds nor does it maintain fiduciary funds at this time. The governmental funds of the Commission are divided into three categories: General Fund, Special Revenue Fund and Capital Project Fund.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Change in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Commission maintains three governmental funds: the General Fund, Special Revenue Fund and Capital Project Fund. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for each of these funds. The General Fund includes the Commission's operating activities including the cost of the Commission's two member staff. The Special Revenue Fund reports revenue received by the Commission and used to fund prioritized projects on new or existing highways, bridges and tunnels in the localities comprising Planning District 23. The Capital Project Fund reports bond interest expense, cost of bond issuance and interest earned on unexpended bond proceeds.

The Commission adopts an annual appropriated budget for its General Fund. An internal budgetary comparison statement is maintained for the General Fund to demonstrate compliance with this budget.

### **Notes to the Basic Financial Statements**

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Required Supplementary Information**

The Required Supplementary Information provides additional information that is required by accounting principles generally accepted in the United States to be presented as a supplement to the basic financial statements.

### **Supplementary Information**

Additional information is presented as a supplement to the basic financial statements. Although not required to be presented and not part of the basic financial statements, the schedules are included to provide additional information of interest to certain financial statement users.

## **FINANCIAL ANALYSIS OF THE COMMISSION REPORTING ENTITY AS A WHOLE**

### **Statement of Net Position**

The following table presents a summary of the Statement of Net Position for the Commission as of June 30, 2018. Data for June 30, 2017 has been included for comparison purposes.

Summary of Net Position June 30, 2018 and 2017		
	Governmental Activities	
	<b>2018</b>	<b>2017</b>
<b>Assets and deferred outflows of resources:</b>		
Current and other assets	\$ <b>1,138,597,893</b>	\$ 528,046,299
Deferred outflows of resources	<b>74,066</b>	39,389
<b>Total assets and deferred outflows of resources</b>	<b>1,138,671,959</b>	528,085,688
 <b>Liabilities:</b>		
Current and other liabilities	<b>609,373,418</b>	9,679,693
Deferred inflows of resources	<b>6,301</b>	-
<b>Total liabilities and deferred inflows of resources</b>	<b>609,379,719</b>	9,679,693
 <b>Net position:</b>		
Net investment in capital assets	<b>8,529</b>	-
Restricted	<b>522,608,835</b>	518,348,577
Unrestricted	<b>6,674,876</b>	57,418
<b>Total net position</b>	<b>\$ 529,292,240</b>	\$ 518,405,995

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Commission, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$529,292,240 at June 30, 2018.

\$522.6 million represents resources subject to external restriction.

Current assets consist primarily of amounts due from the Commonwealth of Virginia, cash and cash equivalents, and restricted cash and cash equivalents. As of June 30, 2018, approximately \$24.2 million was due from the Commonwealth of Virginia which is restricted for prioritized projects on new or existing highways, bridges, and tunnels in the localities comprising Planning District 23.

## Statement of Activities

The following table presents the revenues, expenses and change in net position of the Commission for the fiscal year ended June 30, 2018. Data for June 30, 2017 has been included for comparison purposes.

Summary of Changes in Net Position  
Years Ended June 30, 2018 and 2017

	Governmental Activities	
	<b>2018</b>	<b>2017</b>
<b>Revenues:</b>		
General revenue:		
Intergovernmental	\$ 169,203,373	\$ 156,504,528
Use of money	<u>9,189,903</u>	1,272,611
<b>Total revenues</b>	<b><u>178,393,276</u></b>	157,777,139
<b>Expenses:</b>		
General and administrative	468,009	425,636
Investment fees	643,699	625,772
Cost of issuance	1,540,064	-
Interest expense	8,993,531	-
Project cost distributions	<u>155,861,728</u>	77,020,676
<b>Total expenses</b>	<b><u>167,507,031</u></b>	78,072,084
<b>Change in net position</b>	<b>10,886,245</b>	79,705,055
Net Position, beginning	<b><u>518,405,995</u></b>	438,700,940
Net Position, ending	<b><u>\$ 529,292,240</u></b>	\$ 518,405,995

For the fiscal year ended June 30, 2018, revenues totaled approximately \$178.4 million. Expenses totaled approximately \$167.5 million. A discussion of the key components of the revenue and expense is included in the funds analysis.

## FINANCIAL ANALYSIS OF THE REPORTING ENTITY'S FUNDS

### Governmental Funds

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Commission governmental funds is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assessing the needs of the Commission's financing requirements.

**General Fund.** The General Fund is the operating fund of the Commission. It is currently funded by transfers of investment earnings with any additional costs covered from the Special Revenue fund per legislative action HB1111. Any investment income not required for General Fund use is retained in the Special Revenue fund.

**Special Revenue Fund.** The Commission established a special revenue fund during fiscal year 2016 which is categorized as a major fund in the governmental fund statements. This fund is used to report the intergovernmental revenue received from the Commonwealth of Virginia.

**Capital Project Fund.** The Commission established a capital project fund during fiscal year 2018 which is categorized as a major fund in the governmental fund statements. This fund is used to report the bond issuance and bond issuance premium.

### **Economic Factors and the Fiscal Year 2019 Budget**

- Hampton Roads is both a nationally and globally significant region. It is categorized as having a broad, diverse and stable regional economy. The region is the driver of economic activity for the Commonwealth of Virginia.
- The fiscal year 2019 budget is based on an analysis of trending revenues.
- The Commission's General Fund operating budget will increase from \$2,270,000 in fiscal year 2018 to \$2,464,512 in fiscal year 2019. This increase is a result of efficiencies in operations after the initial start-up year.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Commission's finances for all those interested. If you have any questions about this report or need additional financial information, contact Kevin Page, Executive Director, Hampton Roads Transportation Accountability Commission, 723 Woodlake Drive, Chesapeake, Virginia, 23320, or by e-mail to [kpage@hrtac.org](mailto:kpage@hrtac.org).

## **BASIC FINANCIAL STATEMENTS**

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## STATEMENT OF NET POSITION June 30, 2018

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,773,090
Due from the Commonwealth of Virginia	24,182,591
Accrued investment income	1,041,526
Prepaid items	4,822
Restricted cash, cash equivalents and investments	1,105,587,335
Capital assets, net	<u>8,529</u>
<b>Total assets</b>	<u>1,138,597,893</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension plan	<u>74,066</u>
<b>Total deferred outflows of resources</b>	<u>74,066</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	30,577
Accrued liabilities	4,668
Due to the Commonwealth of Virginia	26,840,767
Due to other governments	<u>69,383</u>
<b>Total current liabilities</b>	<u>26,945,395</u>
Long-term Liabilities	
Net pension liability	3,331
Long-term debt	<u>582,424,692</u>
<b>Total long-term liabilities</b>	<u>582,428,023</u>
<b>Total liabilities</b>	<u>609,373,418</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension plan	<u>6,301</u>
<b>Total deferred inflows of resources</b>	<u>6,301</u>
<b>NET POSITION</b>	
Net investment in capital assets	8,529
Restricted	522,608,835
Unrestricted	<u>6,674,876</u>
<b>Total net position</b>	<u>\$ 529,292,240</u>

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## STATEMENT OF ACTIVITIES

**Year Ended June 30, 2018**

	Expenses	Net (Expense) Revenue and Change in Net Position Governmental Activities
<b>Functions/Programs</b>		
<b>Governmental activities:</b>		
General and administrative	\$ 468,009	\$ (468,009)
Investment fees	643,699	(643,699)
Cost of issuance	1,540,064	(1,540,064)
Interest expense	8,993,531	(8,993,531)
Project cost distributions	<u>155,861,728</u>	<u>(155,861,728)</u>
<b>Total governmental activities</b>	<u><u>\$ 167,507,031</u></u>	<u><u>(167,507,031)</u></u>
<b>General revenues:</b>		
Intergovernmental revenue:		
Motor fuel tax	32,672,667	
Sales and use tax	136,530,706	
Use of money	<u>9,189,903</u>	
<b>Total general revenues</b>	<u><u>178,393,276</u></u>	
<b>Change in net position</b>		10,886,245
Net Position, beginning of year		<u>518,405,995</u>
Net Position, end of year	<u><u>\$ 529,292,240</u></u>	

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## BALANCE SHEET – GOVERNMENTAL FUNDS

**June 30, 2018**

	General Fund	Special Revenue Fund	Capital Project Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,774,682	\$ 998,408	\$ -	\$ 7,773,090
Due from the Commonwealth of Virginia	- 24,182,591			24,182,591
Accrued investment income	- 1,041,526			1,041,526
Prepaid items	4,822 -			4,822
Restricted cash, cash equivalents and investments	- 745,472,507	\$ 360,114,828		1,105,587,335
<b>Total assets</b>	<b>\$ 6,779,504</b>	<b>\$ 771,695,032</b>	<b>\$ 360,114,828</b>	<b>\$ 1,138,589,364</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 30,577 -			\$ 30,577
Accrued liabilities	4,668 -			4,668
Due to the Commonwealth of Virginia	- 26,840,767			26,840,767
Due to other governments	69,383 -			69,383
<b>Total liabilities</b>	<b>104,628</b>	<b>26,840,767</b>		<b>26,945,395</b>
<b>FUND BALANCES</b>				
Nonspendable	4,822 -			4,822
Restricted	- 744,854,265	\$ 360,114,828		1,104,969,093
Unassigned	6,670,054 -			6,670,054
<b>Total fund balances</b>	<b>6,674,876</b>	<b>744,854,265</b>	<b>\$ 360,114,828</b>	<b>\$ 1,111,643,969</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,779,504</b>	<b>\$ 771,695,032</b>	<b>\$ 360,114,828</b>	<b>\$ 1,138,589,364</b>

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2018

### Governmental Funds

Reconciliation of fund balance on the Balance Sheet for the governmental funds to the net position of the governmental activities on the Statement of Net Position:

Fund balance - governmental funds	\$ 1,111,643,969
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental funds until then.

Pension plan	74,066
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund.

Capital assets	\$ 8,773
Less - accumulated depreciation and amortization	<u>(244)</u>
	8,529

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	(500,000,000)
Bond issuance premium	(82,424,692)
Pension liability	<u>(3,331)</u>
	(582,428,023)

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized in the governmental funds until then.

Pension plan	<u>(6,301)</u>
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<b>Net position of governmental activities</b>	<b>\$ 529,292,240</b>
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## **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

## **STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**

### **Year Ended June 30, 2018**

	General Fund	Special Revenue Fund	Capital Project Fund	Total Governmental Funds
<b>Revenues</b>				
Intergovernmental:				
Motor fuel tax	\$ 9,309,035	\$ 23,363,632	\$ -	\$ 32,672,667
Sales and use tax	43,875,603	92,655,103	-	136,530,706
Use of money	-	6,503,936	2,685,967	9,189,903
<b>Total revenues</b>	<b>53,184,638</b>	<b>122,522,671</b>	<b>2,685,967</b>	<b>178,393,276</b>
<b>Expenditures</b>				
Current:				
General and administrative	483,554	-	-	483,554
Investment fees	-	643,699	-	643,699
Cost of issuance	-	-	1,540,064	1,540,064
Interest expense	-	-	9,838,912	9,838,912
Project cost distributions	-	155,861,728	-	155,861,728
<b>Total expenditures</b>	<b>483,554</b>	<b>156,505,427</b>	<b>11,378,976</b>	<b>168,367,957</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>52,701,084</b>	<b>(33,982,756)</b>	<b>(8,693,009)</b>	<b>10,025,319</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	260,488,444	10,206,949	270,695,393
Transfers out	(46,026,208)	-	(224,669,185)	(270,695,393)
Bond issuance	-	-	500,000,000	500,000,000
Bond issuance premium	-	-	83,270,073	83,270,073
<b>Total other financing sources (uses), net</b>	<b>(46,026,208)</b>	<b>260,488,444</b>	<b>368,807,837</b>	<b>583,270,073</b>
<b>Net change in fund balances</b>	<b>6,674,876</b>	<b>226,505,688</b>	<b>360,114,828</b>	<b>593,295,392</b>
Fund Balances, beginning of year	-	518,348,577	-	518,348,577
Fund Balances, end of year	\$ 6,674,876	\$ 744,854,265	\$ 360,114,828	\$ 1,111,643,969

## **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

### **RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2018**

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#### **Governmental Funds**

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Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balance - total governmental funds	\$ 593,295,392
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Deferred outflows of resources:

Pension plan contributions subsequent to measurement date	40,173
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense	(33,157)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$ 8,773
Less - accumulated depreciation and amortization	(244)
	<hr/> 8,529

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The transaction, however, does not have any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds on issuance of new debt	(500,000,000)
Bond premium	(83,270,073)
Amortization of bond premium	845,381
	<hr/> (582,424,692)

<b>Change in net position of governmental activities</b>	<b>\$ 10,886,245</b>
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# **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 1. Summary of Significant Accounting Policies**

The financial statements of the Hampton Roads Transportation Accountability Commission (“the Commission”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

#### **A. Reporting Entity**

The Commission is an independent political subdivision of the Commonwealth of Virginia, created in 2014 by House Bill 1253 (HB1253) and Senate Bill 513 (SB513). The Commission has sovereign power, and its operations and resources are not subjected to the control, direction or oversight of the Commonwealth. The member jurisdictions of the Commission are embraced by Planning District 23 and are the counties of Isle of Wight, James City, Southampton, York, and the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg. The Commission has 23 members as follows: the chief elected official, or their designee, of the 14 cities and counties that are members of the Commission; three members of the House of Delegates; two members of the Senate; and four non-voting ex-officio members from the Commonwealth Transportation Board, Virginia Department of Transportation, Virginia Department of Rail and Public Transportation, and Virginia Port Authority.

Currently, the Commission’s primary undertaking is to provide funding for regional transportation purposes in the Hampton Roads region. A significant part of this activity presently consists of allocating and leveraging funding from the Hampton Roads Transportation Fund (established by HB2313 of the 2013 Acts of Assembly and containing regional sales tax and use tax and motor fuel tax monies) to new construction projects on new or existing highways, bridges, and tunnels in member localities, with priority given to those projects that are expected to provide the greatest impact on reducing congestion for the greatest number of citizens residing within Planning District 23.

All moneys received by the Commission are required to be used solely for transportation purposes benefiting the member jurisdictions, as outlined above.

Although the Commission’s economic resources are not for the direct benefit of the Commonwealth and the Commonwealth is not obligated by the debt of the Commission, the Comptroller has determined that, based on the projects that the Commission is presently funding and its current relationship with the Virginia Department of Transportation relating to the delivery of those projects, it would be misleading to exclude the Commission from the Commonwealth’s audited financial statements. Thus, solely for financial reporting purposes, the Commonwealth has determined to include the Commission as a blended component unit of the Commonwealth. A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities determined to meet the blended component unit definition. Based on the Comptroller’s decision to treat the Commission as a blended component unit, the Commission is an integral part of the reporting entity of the Commonwealth of Virginia; accordingly, all funds of the Commission are included in the financial statements of the Commonwealth as part of the reporting entity.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information of the governmental activities supported by intergovernmental revenues.

The government-wide Statement of Net Position reports net position as restricted when externally imposed constraints are in effect. Internally imposed designations of resources are not presented as restricted net position.

The government-wide Statement of Activities is designed to report the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include contributions that are restricted to meet the operational requirements of a particular function.

Separate fund financial statements are provided for each of the governmental funds. In the fund financial statements, financial transactions and accounts of the Commission are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The governmental funds are reported on a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances (fund equity). Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the government-wide financial statements.

#### **C. Measurement Focus and Basis of Accounting**

**Government-wide Financial Statements** – Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues, consisting of taxes from the Commonwealth of Virginia, are recognized in the period the funding is made available.

**Governmental Fund Financial Statements** – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Commission considers revenues to be available if they are collected within 45 days after year end. Expenditures are recorded when a liability is incurred under the full accrual method of accounting. The individual Government Funds are:

*General Fund* – The General Fund is the primary operating fund of the Commission and is used to account for and report all revenues and expenditures applicable to the general operations of the Commission which are not accounted for in other funds. Revenues are derived primarily from transfers from the Special Revenue Fund. The General Fund is considered a major fund for financial reporting purposes.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **C. Measurement Focus and Basis of Accounting (Continued)**

*Special Revenue Fund* – The Special Revenue Fund accounts for and reports the proceeds of specific revenue sources restricted or committed to expenditures for specified purposes. The Commission has one Special Revenue Fund. The Special Revenue Fund is considered a major fund for financial reporting purposes.

*Capital Project Fund* – The Capital Project Fund accounts for and reports the proceeds from the Commission's debt issuances and the expenditures associated with these financial instruments. The Capital Projects fund transfers money to the Special Revenue fund to cover costs incurred within the Special Revenue fund that are approved to be paid from the debt proceeds and not local revenue sources. The Commission has one Capital Projects Fund. The Capital Projects Fund is considered a major fund for financial reporting purposes.

#### **D. Budgeting**

The Commission adopts an annual operating budget for the planning and administrative activities of the General Fund. The budgeting process enables the Commission to determine the annual transfer required from the Special Revenue Fund to fund its general and administrative activities. Accumulated fund balances in excess of anticipated minimum operating cash requirements are used as a revenue source in subsequent budgets.

#### **E. Other Significant Accounting Policies**

##### **1. Cash and Cash Equivalents**

Cash equivalents include all highly liquid investments with maturities of three months or less.

##### **2. Restricted Cash, Cash Equivalents and Investments**

Restricted cash, cash equivalents and investments as reported in the Statement of Net Position and Balance Sheets are comprised of intergovernmental deposits and unspent bond proceeds that shall be used solely for regional highways, bridges and tunnel transportation projects benefiting the member jurisdictions.

##### **3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements using the consumption method.

##### **4. Capital Assets**

Capital assets include property and equipment and computer hardware with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. For constructed assets, all costs necessary to bring assets to the condition and location necessary for the intended use are capitalized. Repairs and maintenance are charged to operations as incurred. Additions and betterments are capitalized. The cost of assets retired and accumulated depreciation are removed from the accounts.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### E. Other Significant Accounting Policies (Continued)

##### 4. Capital Assets (Continued)

Depreciation and amortization of all exhaustible equipment, leasehold improvements and intangibles is charged as an expense against operations using the straight-line method over the following estimated useful lives:

Asset Category	Useful Life (years)
Office Furniture and Equipment	5
Automobiles	5

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2018.

Funding of transportation capital projects: For projects approved and funded by the Commission, the Commission does not take ownership of such projects. Therefore, these projects are not reflected on the Commission's financial statements.

##### 5. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission's retirement plan and the additions to/deductions from the Commission's retirement plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

##### 6. Compensated Absences

The Commission's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from the Commission's service up to twice the annual earnings. The liability for such leave is reported as incurred in the government-wide statements. Vacation leave for Commission employees is granted to all full-time employees and is earned based upon the length of employment. The General Fund is responsible for paying the liability for compensated balances for employees. The Commission has elected not to record a liability for compensated balances for fiscal year 2018 due to the amount being immaterial.

Accumulated sick leave accrues until employees leave the Commission and will be paid out at 25% of the balance, up to limits established by policy, reflective of years employed.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **E. Other Significant Accounting Policies (Continued)**

##### **7. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### **8. Interfund Transactions**

Transactions among Commission funds are treated as revenues and expenditures or expenses within the funds involved if the transaction involved organizations external to the Commission government.

Transactions, which constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

##### **9. Fund Equity**

The Commission reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

*Nonspendable fund balance* classification includes amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact (corpus of a permanent fund).

*Restricted fund balance* classification includes amounts constrained to specific purposes by their providers (higher levels of government), through constitutional provisions, or by enabling legislation.

*Committed fund balance* classification includes amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **E. Other Significant Accounting Policies (Continued)**

##### **9. Fund Equity (Continued)**

*Assigned fund balance* classification includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official body to which the governing body delegates the authority.

*Unassigned fund balance* classification includes the residual balance of the General Fund that has not been restricted, committed or assigned to specific purposes within the General Fund.

When fund balance resources are available for a specific purpose in more than one classification, the Commission will consider the use of restricted, committed or assigned funds prior to the use of unassigned fund balance as they are needed.

##### **10. Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Commission first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

##### **11. Estimates and Assumptions**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### **12. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. The Commission currently has two items that qualify for reporting in this category, employer contributions subsequent to the measurement date and net difference between projected and actual earnings on pension plan investments.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **E. Other Significant Accounting Policies (Continued)**

##### **8. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Commission currently has two items which arise under the accrual basis of accounting, that qualify for reporting in this category, changes of assumptions and net difference between projected and actual earnings on pension plan investments.

##### **13. Subsequent Events**

Subsequent events have been evaluated through November 5, 2018, which was the date the financial statements were available to be issued.

### **Note 2. Deposits and Investments**

At June 30, 2018, cash, cash equivalents, and investments consisted of the following, at cost, which approximates fair value:

#### **Governmental Activities**

Cash	\$ 7,773,090
Restricted	
LGIP	372,315,579
PFM Asset Management	324,327,294
State Non-Arbitrage Pool (SNAP)	360,114,828
Union Bank	48,829,634
<b>Total restricted</b>	<b>1,105,587,335</b>
 <b>Total</b>	 <b>\$ 1,113,360,425</b>

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 2. Deposits and Investments (Continued)**

#### **Deposits**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and, depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

#### **Investments**

Statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes; bankers’ acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP).

The Commission has adopted a formal investment policy. The goal of the policy is to minimize risk and to ensure the availability of cash to meet Commission expenditures, while generating revenue from the use of funds which might otherwise remain idle. The primary objectives of the Commission’s investment activities in priority order are: safety, liquidity and yield. The policy specifies eligible and ineligible investments; diversification requirements; maximum length of time for various types of investments; and the process for purchasing securities.

#### **Investment Policy**

Investment	Credit Quality
U.S. Treasury Obligations	Bills, notes and any other obligation or securities issued by or backed by the full faith and credit of the United States Treasury. The final maturity shall not exceed a period of three years from the time of purchase.
Federal Agency/ Government Sponsored Enterprise Obligations	Bonds, notes and other obligations of the United States, and securities issued by any federal government agency or instrumentality or government sponsored enterprise except for Collateralized Mortgage Obligations, with a rating of at least “AA” (or its equivalent) by at least two NRSROs, one of which will be either Moody’s Investors Services, Inc. (“Moody’s”), or Standard & Poor’s, Inc. (“S&P”). The final maturity shall not exceed a period of three years from the time of purchase.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 2. Deposits and Investments (Continued)**

#### **Investment Policy (Continued)**

Investment	Credit Quality
Municipal Obligations	Bonds, notes and other general obligations of the Commonwealth of Virginia and its agencies, authorities, and political subdivisions upon which there is no default, has a rating of at least “AA” by S&P and “Aa” by Moody’s, matures within three years of the date of purchase, and otherwise meets the requirements of <i>Code of Virginia</i> §2.2-4501.
Commercial Paper	“Prime quality” commercial paper, with a maturity of 270 days or less, issued by domestic corporations (corporations organized and operating under the laws of the United States or any state thereof) provided that the issuing corporation, or its guarantor, has a short-term debt rating of at least two of the following: P-1 by Moody’s, A-1 by S&P, F-1 by Fitch Investor’s Services, Inc., and D-1 by Duff and Phelps, Inc., and that otherwise meets the requirements of <i>Code of Virginia</i> §2.2-4502.
Bankers’ Acceptance	Issued by domestic banks or a federally chartered office of a foreign bank, which are eligible for purchase by the Federal Reserve System with a maturity of 180 days or less. The issuing corporation, or its guarantor, must have a short-term debt rating of no less than “A-1” by S&P and “P-1” by Moody’s.
Corporate Notes	High quality corporate notes with a rating of at least “AA” by S&P and “Aa” by Moody’s. The final maturity shall not exceed a period of three years from the time of purchase.
Negotiable Certificates of Deposit and Bank Deposit Notes	Negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks with a rating of at least “A-1” by S&P and “P-1” by Moody’s for maturities of one year or less, and a rating of at least “AA” by S&P and “Aa” by Moody’s, for maturities over one year. The final maturity may not exceed a period of three years from the time of purchase.
Non-Negotiable Certificates of Deposit	Demand deposits, time deposits, and other deposits that comply with all aspects of SPDA or with §2.2-4518 with a final maturity no greater than two years.
Repurchase Agreement	In overnight repurchase agreements provided that the following conditions are met: a. the contract is fully secured by deliverable U.S. Treasury and Federal Agency/Government Sponsored Enterprise obligations as described in paragraphs 1 and 2 above, including the maximum maturity of three years, having a market value at all times of at least one hundred and two percent (102%) of the amount of the contract;

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 2. Deposits and Investments (Continued)**

#### **Investment Policy (Continued)**

Investment	Credit Quality
Repurchase Agreement (Continued)	<ul style="list-style-type: none"><li>b. a Master Repurchase Agreement or specific written Repurchase Agreement governs the transaction;</li><li>c. the securities are free and clear of any lien and held by an independent third party custodian acting solely as agent for the Commission, provided such third party is not the seller under the repurchase agreement;</li><li>d. a perfected first security interest under the Uniform Commercial Code in accordance with book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Commission;</li><li>e. the counterparty is a:<ul style="list-style-type: none"><li>i. primary government securities dealer who reports daily to the Federal Reserve Bank of New York, or</li><li>ii. a bank, savings and loan association, or diversified securities broker-dealer having at least \$5 billion in assets and \$500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency; and</li></ul></li><li>f. the counterparty meets the following criteria:<ul style="list-style-type: none"><li>i. a long-term credit rating of at least "AA" or the equivalent from an NRSRO;</li><li>ii. has been in operation for at least five years; and</li><li>iii. is reputable among market participants.</li></ul></li></ul>
Money Market Mutual Funds (Open-Ended Investment Funds)	Shares in open-end, no-load investment funds provided such funds are registered under the Investment Company Act of 1940 and provided that the fund is rated at least "AAAm" or the equivalent by an NRSRO. The mutual fund must comply with all requirements of Rule 2(a)-7, or any successor rule, of the United States Securities and Exchange Commission, provided the investments by such funds are restricted to investments otherwise permitted by the <i>Code of Virginia</i> for political sub-divisions.
Local Government Investment Pool (LGIP)	A specialized commingled investment program that operates in compliance with GASB Statement No. 79 ("GASB 79") that was created in the 1980 session of the General Assembly ( <i>Code of Virginia</i> §2.2-4700 et seq.) designed to offer a convenient and cost-effective investment vehicle for public funds. The LGIP is administered by the Treasury Board of the Commonwealth of Virginia.
Virginia Investment Pool (VIP)	A commingled investment program organized as a local government investment pool with oversight provided by a shareholder elected board of trustees. VIP is designed for the investment of longer-term monies that are not necessary for near term disbursement.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 2. Deposits and Investments (Continued)**

#### **Investment Policy (Continued)**

Investment	Credit Quality
Virginia State Non-Arbitrage Program's (Virginia SNAP) SNAP Fund	A specialized commingled investment program that operates in compliance with GASB 79 and that was authorized by the Government Non-Arbitrage Act in 1989 ( <i>Code of Virginia</i> §2.2-4700 et seq.). Virginia SNAP and the SNAP Fund are administered by the Treasury Board of the Commonwealth of Virginia. Virginia SNAP offers several investment options, including the SNAP Fund, and arbitrage rebate reporting services that are specifically designed for the investment of tax exempt bond proceeds.

#### **Credit Risk**

The investment policy specifies credit quality for certain types of investments, as described below, in accordance with the *Code of Virginia*, and the policy specifies the qualifications for institutions providing depository and investment services. In addition, the Executive Director must conduct a review of the condition of each authorized financial institution and broker/dealer.

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following; Moody's, S&P's and Fitch Investor's Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by S&P's and "P-1" by Moody's. Notes having a maturity of greater than one year must be rated "AA" by S&P or "Aa" by Moody's.

The Commission's rated investments as of June 30, 2018 were rated by Standard & Poor's and the ratings are presented below.

	Commission's Rated Debt Investments' Values				
	Fair Quality Ratings				
	AAAm	AAA	AA	A	Aaf
Government Agencies	\$ -	\$ 9,878,590	\$ 72,369,644	\$ -	\$ -
Commercial Paper	-	-	-	38,753,671	-
Corporate Notes	-	4,459,350	38,677,014	1,969,778	-
U.S. Treasury Obligations	-	-	125,090,463	-	-
Certificates of Deposit	-	-	11,923,726	21,006,327	-
Money Market	198,731	-	-	-	-
Local Government Investment Pool	372,315,579	-	-	-	-
State Non-Arbitrage Pool (SNAP)	-	-	-	-	360,114,828
	\$ 372,514,310	\$ 14,337,940	\$ 248,060,847	\$ 61,729,776	\$ 360,114,828

#### **Custodial Credit Risk (Deposits)**

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, deposits may not be recovered. All cash of the Commission is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 2. Deposits and Investments (Continued)**

#### **Custodial Credit Risk (Deposits) (Continued)**

The Commission's investment policy provides that securities purchased for the Commission shall be held by the Commission or by the Commission's custodian. If held by a custodian, the securities must be in the Commission's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to the Commission. Further, if held by a custodian, the custodian must be a third-party, not a counterparty (buyer or seller) to the transaction. At June 30, 2018, all of the Commission's investments were held in accordance with this policy.

#### **Concentration of Credit Risk**

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure of the amount and issuer. At June 30, 2018, the Commission's portfolio did not have any investment in a single issuer over 5% that is required to be disclosed.

#### **Interest Rate Risk**

In accordance with its investment policy, the Commission manages its exposure to declines in fair values by limiting the maturity of various investment vehicles, as indicated in the chart below.

The limitations provided in the investment policy for maximum maturity and percentage of the portfolio for each category of investment are as follows:

Permitted Investment	Sector Limit	Issuer Limit
U.S. Treasury Obligations	100%	100%
Federal Agency/GSE Obligations	100%	35%
Municipal Obligations	15%	5%
Commercial Paper	35%	5%
Bankers' Acceptances	35%	5%
Corporate Notes	15%	5%
Negotiable Certificates of Deposit and Bank Deposit Notes	15%	5%
Bank Deposits and Non-Negotiable Certificates of Deposit	100%	100%
Repurchase Agreements	25%	25%
Money Market Mutual Funds	25%	25%
LGIP	100%	100%
VIP	25%	25%
Virginia SNAP-SNAP Fund (Proceeds of Tax Exempt Bonds Only)	100%	100%

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 2. Deposits and Investments (Continued)**

#### **Interest Rate Risk (Continued)**

As a means of limiting exposure to fair value losses arising from interest rates, the Commission's policy limits investments to investments with a duration and/or weighted average maturity of the total investment portfolio not to exceed two years.

Fair Value	Investment Maturities (in years)		
	Less Than 1 Year	1 - 5 Years	
U.S. Treasury Obligations	\$ 125,090,463	\$ -	\$ 125,090,463
Certificates of Deposit	32,930,053	32,930,053	-
Money Market	198,731	198,731	-
Corporate Notes	45,106,142	-	45,106,142
Commercial Paper	38,753,671	38,753,671	-
Government Agencies	82,248,234	-	82,248,234

As of June 30, 2018, the Commission had investments of \$372,315,579 in the LGIP for governmental activities. The LGIP is a professionally managed money market fund, which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The Commission's investments in LGIP are stated at amortized cost and classified as cash and cash equivalents.

### **Note 3. Fair Value Measurement**

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described below.

- Level 1** Valuation based on quoted prices in active markets for identical assets or liabilities.
- Level 2** Valuation based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets and liabilities.
- Level 3** Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 3. Fair Value Measurement (Continued)

The following table sets forth by level, within the fair value hierarchy, the Commission's assets at fair value as of June 30, 2018:

	June 30, 2018	Level 1	Level 2	Level 3
<b>Investments by Fair Value Level</b>				
U.S. Treasury Obligations	\$ 125,090,463	\$ 125,090,463	\$ -	\$ -
Government Agency (State Taxable)	82,248,234	82,248,234	-	-
Corporate Notes	45,106,142	45,106,142	-	-
Commercial Paper	38,753,671	38,753,671	-	-
Certificates of Deposit	32,930,053	32,930,053	-	-
Money Market	198,731	198,731	-	-

### Note 4. Due To/From Other Governments

At June 30, 2018, due from the Commonwealth of Virginia consisted of the following:

	Special Revenue Fund
Sales and Use Tax	\$ 19,309,859
Motor Fuel Tax	<u>4,872,732</u>
<b>Total</b>	<b><u>\$ 24,182,591</u></b>

At June 30, 2018, due to other governments and due to the Commonwealth of Virginia consisted of the following:

	General Fund	Special Revenue Fund	Total
Virginia Department of Transportation	\$ -	\$ 26,840,767	\$ 26,840,767
Hampton Roads Planning District	<u>69,383</u>	-	<u>69,383</u>
	<b>\$ 69,383</b>	<b>\$ 26,840,767</b>	<b>\$ 26,910,150</b>

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 5. Long-Term Debt

Changes in long-term debt consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Senior lien revenue bonds	\$ -	\$ 500,000,000	\$ -	\$ 500,000,000	\$ -
Premium on bonds	\$ -	\$ 83,270,073	\$ 845,381	\$ 82,424,692	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ -	\$ 583,270,073	\$ 845,381	\$ 582,424,692	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Details of long-term obligations are as follows:

During the year, the Commission issued \$500,000,000 in senior lien revenue bonds, Series 2018A, due in annual installments of \$4,745,000 to \$37,915,000, plus semi-annual interest at 5.0% to 5.5%. The bonds were issued at a premium of \$83,270,073, which will be amortized over the life of the bonds.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year(s) Ending June 30,	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2018A	Principal
2019		\$ -
2020		\$ 25,854,075
2021		\$ 25,854,075
2022		\$ 25,854,075
2023		\$ 25,854,075
2024-2028		\$ 14,965,000
2029-2033		\$ 30,365,000
2034-2038		\$ 38,760,000
2039-2043		\$ 49,460,000
2044-2048		\$ 63,125,000
2049-2053		\$ 132,510,000
2054-2058		\$ 170,815,000
		<hr/>
		\$ 500,000,000
		<hr/>
		\$ 768,799,787
		<hr/>

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Intergovernmental Revenues, Commonwealth of Virginia

Intergovernmental revenues from the Commonwealth of Virginia include additional fees or taxes imposed in each of the Member Jurisdictions as follows:

- An additional Retail Sales Tax of 0.7% is added to the standard rate of retail sales tax imposed by the Virginia Code. The additional tax is not levied upon food purchased for human consumption.
- An additional Motor Fuel Tax at a rate of 2.1% on retail sales of motor vehicle fuel levied by the Commonwealth of Virginia through its Department of Motor Vehicles.

### Note 7. Pension Plan

#### A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of the Commission are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service. The Commission is a new entity and has not been included in the actuarial calculations with VRS for the current year.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

Plan 1	Plan 2	Hybrid Retirement Plan
<b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	<b>About Plan 2</b> Plan 2 is a defined plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	<b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none"><li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li><li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li></ul>

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund.</p> <p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014; in the plan's effective date for opt-in members was July 1, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>About the Hybrid Retirement Plan (Continued)</b></p> <ul style="list-style-type: none"><li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li></ul> <p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"><li>• Political subdivision employees.*</li><li>• Members in Plan 1 or Plan 2 who elect to opt into the plan during the election window held January 1 – April 30, 2014; in the plan's effective date for opt-in members was July 1, 2014.</li></ul> <p><b>* Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"><li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li></ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<b>Retirement Contributions</b>  Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	<b>Retirement Contributions</b>  Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	<b>Retirement Contributions</b>  A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
<b>Creditable Service</b>  Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	<b>Creditable Service</b>  Same as Plan 1.	<b>Creditable Service</b> <b>Defined Benefit Component</b>  Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <b>Defined Contribution Component</b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.  Members are always 100% vested in the contributions they make.	<b>Vesting</b> Same as Plan 1.	<b>Vesting</b> <b>Defined Benefit Component</b> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.  <b>Defined Contribution Component</b> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.  Members are always 100% vested in the contributions they make.
		Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. <ul style="list-style-type: none"><li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li><li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li><li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li></ul> Distribution is not required by law until age 70 ½.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<b>Calculating the Benefit</b> The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	<b>Calculating the Benefit</b> See definition under Plan 1.	<b>Calculating the Benefit</b> <b>Defined Benefit Component</b> See definition under Plan 1.
An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.		<b>Defined Contribution Component</b> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
<b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
<b>Service Retirement Multiplier</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.	<b>Service Retirement Multiplier</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	<b>Service Retirement Multiplier</b> The retirement multiplier for the defined benefit component is 1.0%.  For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<b>Normal Retirement Age</b> Age 65.	<b>Normal Retirement Age</b> Normal Social Security retirement age.	<b>Normal Retirement Age</b> <b>Defined Benefit Component</b> Same as Plan 2. <b>Defined Contribution Component</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<b>Earliest Unreduced Retirement Eligibility</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	<b>Earliest Unreduced Retirement Eligibility</b> Normal Social Security retirement age with at least 5 years (60 months) of creditable service or when their age and service equal 90.	<b>Earliest Unreduced Retirement Eligibility</b> <b>Defined Benefit Component</b> Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90. <b>Defined Contribution Component</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<b>Earliest Reduced Retirement Eligibility</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	<b>Earliest Reduced Retirement Eligibility</b> Age 60 with at least five years (60 months) of creditable service.	<b>Earliest Reduced Retirement Eligibility</b> <b>Defined Benefit Component</b> Age 60 with at least five years (60 months) of creditable service. <b>Defined Contribution Component</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	<b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%) for a maximum COLA of 3%.	<b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b>Defined Benefit Component</b> Same as Plan 2. <b>Defined Contribution Component</b> Not applicable.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b></p> <p><b>Eligibility:</b></p> <p>For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><b>Exceptions to COLA</b></p> <p><b>Effective Dates:</b></p> <p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"><li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li><li>• The member retires on disability.</li><li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li><li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li><li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li></ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b></p> <p><b>Eligibility:</b></p> <p>Same as Plan 1</p> <p><b>Exceptions to COLA</b></p> <p><b>Effective Dates:</b></p> <p>Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b></p> <p><b>Eligibility:</b></p> <p>Same as Plan 1 and Plan 2.</p> <p><b>Exceptions to COLA</b></p> <p><b>Effective Dates:</b></p> <p>Same as Plan 1 and Plan 2.</p>

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service regardless of when it was earned, purchased or granted.	<b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.	<b>Disability Coverage</b> Eligible political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.
<b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	<b>Purchase of Prior Service</b> Same as Plan 1.	<b>Purchase of Prior Service</b> <b>Defined Benefit Component</b> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"><li>• Hybrid Retirement Plan members are ineligible for ported services.</li></ul> <b>Defined Contribution Component</b> Not applicable.
<b>Employees Covered by Benefit Terms</b>		

As of June 30, 2018, the following employees were covered by the benefit terms of the pension plan:

Active Members

2

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### A. Plan Description (Continued)

##### **Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5% member contribution may have been assumed by the employer. From the commencement of the Commission's plan in August 2015, employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to five years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Commission's contractually required contribution rate for the year ended June 30, 2018 was 16.02% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were \$40,173 and \$39,187 for the years ended June 30, 2018 and 2017, respectively.

#### B. Net Pension Liability

The Commission's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

##### **Actuarial Assumptions**

The total pension liability for the Commission's retirement plan was based on an actuarial valuation using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate or return	7.0 percent, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### B. Net Pension Liability (Continued)

##### **Actuarial Assumptions (Continued)**

Mortality Rates:	15% of deaths are assumed to be service related.
– Pre-retirement:	RP-2014 Employee Rates at age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
– Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### B. Net Pension Liability (Continued)

##### **Long-Term Expected Rate of Return**

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation is best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
<b>Total</b>	<b>100.00%</b>		<b>4.80%</b>
	Inflation		<b>2.50%</b>
	* Expected arithmetic nominal return		<b>7.30%</b>

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

##### **Discount Rate**

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Commission retirement plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### C. Changes in the Net Pension Liability (Asset)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2016	\$ -	\$ 18,029	\$ (18,029)
Changes for the year:			
Service cost	44,473	-	44,473
Changes of assumptions	(5,175)	-	(5,175)
Differences between expected and actual experience	38,997	-	38,997
Contributions - employer	-	39,187	(39,187)
Contributions - employee	-	12,231	(12,231)
Net investment income	-	5,504	(5,504)
Administrative expense	-	20	(20)
Other changes	-	(7)	7
<b>Net changes</b>	<b>78,295</b>	<b>56,935</b>	<b>21,360</b>
Balances at June 30, 2017	\$ 78,295	\$ 74,964	\$ 3,331

#### **Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate**

The following represents the net pension liability (asset) calculated using the stated discount rate, as well as what the net pension liability (asset) would be if it were calculated using a stated discount rate that is one-percentage point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Plan's net pension liability (asset)	\$ 13,807	\$ 3,331	\$ (5,420)

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the Commission recognized pension expense of (\$33,137). At June 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	\$ 40,173	\$ -
Net difference between projected and actual earnings on pension plan investments	33,893	-
Changes of assumptions	-	4,498
Net difference between projected and actual earnings on pension plan investments	-	1,803
	<hr/>	<hr/>
	\$ 74,066	\$ 6,301

The \$40,173 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a decrease to the net pension liability in the year ending June 30, 2019.

Amounts reported as deferred outflows of resources related to pensions as of June 30, 2018 will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	\$ 3,990
2020	3,990
2021	3,988
2022	3,937
2023	4,427
Therafter	<hr/>
<b>Total</b>	<b>\$ 27,592</b>

#### E. Pension Plan Data

Information about the VRS is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://varetire.org/pdf/publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

# HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 8. Operating Leases and Agreements**

#### **Governmental Activities**

The Commission leases office space under a 36-month agreement, which commenced on November 9, 2015 and expires November 30, 2018. The lease provides an option to renew for two additional terms of one year at which time annual rent will be increased to an amount equal to 105% of the annual rent in effect. The current lease terms call for the Commission to pay \$917 monthly (\$11,008 annually). Rent expense for Governmental Activities as reported in the government-wide financial statements totaled \$11,008.

As of June 30, 2018, the future minimum long-term lease commitments were as shown below:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 4,587
<b>Total</b>	<b>\$ 4,587</b>

### **Note 9. Interfund Transfers**

Transfers from the Special Revenue Fund to the General Fund are for general administration. Transfers from the Capital Projects Fund to the Special Revenue Fund were made to cover the costs of capital projects incurred by the Special Revenue Fund. Transfers from the Capital Projects Fund to the General Fund were made to cover bond-related expenditures paid out of the General Fund. Transfers from the General Fund to the Special Revenue Fund were made to remit Motor Fuel and Sales Tax revenues received by the General Fund to the Special Revenue Fund.

### **Note 10. Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from VML Insurance Programs, a group insurance pool in the Commonwealth of Virginia. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded insurance coverage for the past three years.

### **Note 11. Pending GASB Statements**

At June 30, 2018, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Commission. The statements which might impact the Commission are as follows:

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (ARO's). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for ARO's. Statement No. 83 will be effective for fiscal years beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities*, will improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 will be effective for fiscal years beginning after December 15, 2018.

## **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 11. Pending GASB Statements (Continued)**

GASB Statement No. 87, *Leases*, will increase the usefulness of the Commission's financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt*, will improve the information that is disclosed in notes related to debt. It also clarifies which liabilities governments should include when disclosing information related to debt. Statement No. 88 will be effective for fiscal years beginning after June 15, 2018.

Management has not yet determined the effect these statements will have on its financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

### SCHEDULE OF CHANGES IN THE COMMISSION'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,	
	2017	2018
<b>Total Pension Liability:</b>		
Service cost	\$ -	<b>44,473</b>
Changes of assumptions	-	<b>(5,175)</b>
Benefit payments, including refunds of employee contributions	-	<b>38,997</b>
<b>    Net change in total pension liability</b>	<b>-</b>	<b>78,295</b>
 Total pension liability - beginning	 -	 -
 Total pension liability - ending (a)	 <b>\$ -</b>	 <b>\$ 78,295</b>
 <b>Plan Fiduciary Net Position:</b>		
Contributions - employer	\$ 13,450	<b>\$ 39,187</b>
Contributions - employee	4,198	<b>12,231</b>
Net investment income	365	<b>5,504</b>
Administrative expense	16	<b>20</b>
Other	-	<b>(7)</b>
<b>    Net change in plan fiduciary net position</b>	<b>18,029</b>	<b>56,935</b>
 Plan fiduciary net position - beginning	 -	 <b>18,029</b>
 Plan fiduciary net position - ending (b)	 <b>\$ 18,029</b>	 <b>\$ 74,964</b>
 Commission's net pension liability (asset) - ending (a)-(b)	 <b>\$ (18,029)</b>	 <b>\$ 3,331</b>
 Plan fiduciary net position as a percentage of the total pension liability	 N/A	 <b>N/A</b>
Covered payroll	\$ 237,500	<b>\$ 265,658</b>
Commission's net pension liability (asset) as a percentage of covered payroll	7.59%	<b>1.25%</b>

#### **Note to Schedule:**

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years which information is available.

## **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

### **SCHEDULE OF COMMISSION CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM**

	<b>Fiscal Year June 30,</b>	
	<b>2017</b>	<b>2018</b>
Contractually required contribution (CRC)	\$ 39,187	\$ <b>40,173</b>
Contributions in relation to the CRC	<b>39,187</b>	<b>40,173</b>
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered payroll	\$ 237,500	\$ <b>265,658</b>
Contributions as a percentage of covered payroll	16.02%	<b>15.12%</b>

#### **Note to Schedule:**

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

# **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION VIRGINIA RETIREMENT SYSTEM Year Ended June 30, 2018**

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### **Note 1. Changes of Benefit Terms**

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

### **Note 2. Changes of Assumptions**

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ended June 30, 2016:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Lowered rates
Salary Scale	No change

### **Note 3. Contractually Required Contributions**

The actuarially determined contribution rates are calculated as of June 30, one year prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Mortality Rates:	15% of deaths are assumed to be service related.
– Pre-retirement:	RP-2014 Employee Rates at age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
– Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

## **SUPPLEMENTARY INFORMATION**

## HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND

**Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over (Under)
<b>Revenues</b>				
Intergovernmental:				
Motor fuel tax	\$ -	\$ -	\$ 9,309,035	\$ 9,309,035
Sales and use tax	- -	- -	43,875,603	43,875,603
<b>Total revenues</b>	<b>- -</b>	<b>- -</b>	<b>53,184,638</b>	<b>53,184,638</b>
<b>Expenditures</b>				
General and administrative	2,400,000	2,270,000	483,554	(1,786,446)
<b>Total expenditures</b>	<b>2,400,000</b>	<b>2,270,000</b>	<b>483,554</b>	<b>(1,786,446)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(2,400,000)</b>	<b>(2,270,000)</b>	<b>52,701,084</b>	<b>54,971,084</b>
<b>Other Financing Sources</b>				
Transfers in (out)	2,400,000	2,270,000	(46,026,208)	(48,296,208)
<b>Total other financing sources (uses)</b>	<b>2,400,000</b>	<b>2,270,000</b>	<b>(46,026,208)</b>	<b>(48,296,208)</b>
<b>Net change in fund balance</b>	<b>- -</b>	<b>- -</b>	<b>6,674,876</b>	<b>6,674,876</b>
<b>Fund Balance, beginning of year</b>	<b>- -</b>	<b>- -</b>	<b>- -</b>	<b>- -</b>
<b>Fund Balance, end of year</b>	<b>\$ - -</b>	<b>\$ - -</b>	<b>\$ 6,674,876</b>	<b>\$ 6,674,876</b>

**Note:**

The Commission adopts an annual operating budget for the planning and administrative activities of the General Fund. The budgeting process enables the Commission to determine the annual transfer required from the Special Revenue Fund to fund its general and administrative activities. Accumulated fund balances in excess of anticipated minimum operating cash requirements are used as a revenue source in subsequent budgets.

## **HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION**

### **SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENDITURES** **Year Ended June 30, 2018**

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Expenditures	
Salaries and wages	\$ 265,658
Employee benefits	31,084
VRS contributions	40,173
Support services - HRTPO/HRPDC	71,582
Office rent	11,008
Office furniture and equipment	9,857
Professional and legal	18,367
Travel and meeting	18,269
Insurance	3,221
Computer hardware	4,198
Public notice and advertising	1,054
Other	9,083
<b>Total expenditures</b>	<b>\$ 483,554</b>

## **COMPLIANCE SECTION**



**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Commission Board Members  
Hampton Roads Transportation Accountability Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of the Hampton Roads Transportation Accountability Commission (Commission), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 5, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PBMares, LLP*

Harrisonburg, Virginia  
November 5, 2018

**Agenda Item 6B**  
**Action Item**

**To: Chair Hipple and the other members of HRTAC**

**From: Kevin B. Page, Executive Director**

**Date: November 15, 2018**

**Re: Investment Grade Traffic and Revenue Study – HRTAC Requested Analysis**

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**Recommendation:**

The Commission is asked to authorize the Executive Director to engage with VDOT to provide funding to support the HRTAC requested analysis of three tests of the Hampton Roads Hot Lane Network Investment Grade Traffic and Revenue Study.

**Background:**

At its September 20, 2018 Regular meeting, the Commission authorized the Chair to request that VDOT modify its investment grade, toll -based traffic and revenue study of the Hampton Roads Express Lane Network to take into account two scenarios: (1) A scenario where on a 24/7 basis all users of the 'HOT' Managed Lanes for the HRBT water crossing are charged for use of those lanes; and (2) A scenario where during off peak hours all users of the 'HOT' Managed Lanes for the HRBT water crossing are charged for use of those lanes, such that HOV-2 and HOV-3 free use would be limited to peak hours. Following the September 20, 2018 meeting, the Finance Committee Chair recommended a third scenario, (3) A scenario where only the HOT Lanes at the water crossings of HRBT and High Rise Bridge are tolled. HRTAC Executive Director Page communicated the request and was told by the Secretary of Transportation's Office that the HRTAC request could be accommodated at a cost of \$50,000. The analysis of three HRTAC tests of the Hampton Roads Hot Lane Network Investment Grade Traffic and Revenue Study are necessary for revenue estimation and bond/TIFIA financing.

**Fiscal Impact:**

Costs related to HRTAC's requested analysis is provided for in the Approved FY 2019 Administrative Budget.

**Suggested Motion:**

**Motion** The Commission authorizes the Executive Director to engage with VDOT to provide funding to support the HRTAC requested analysis of three tests of the Hampton Roads Hot Lane Network Investment Grade Traffic and Revenue Study.





**HAMPTON ROADS TRANSPORTATION FUND  
FINANCIAL REPORT  
FY2014 – FY2018  
Period Ending September 30, 2018**

The HRTAC staff has prepared the attached September 2018 financial report based on data received to date from the Virginia Department of Transportation.

**Revenues**

	<u>Inception to September 2018</u>	<u>FY2019 YTD</u>	<u>September 2018</u>
<b>Total Gross Revenues</b>	<b>1,441,769,021</b>	<b>46,989,091</b>	<b>18,526,009</b>
State Sales & Use Tax	661,930,929	29,549,399	12,140,239
Local Fuels Tax	174,574,717	11,935,058	4,887,644
Interest	2,345,692	68,380	22,427
Investment Income	19,647,610	5,436,254	1,475,698
Bond Proceeds	583,270,073	-	-

**Expenditures**

	<u>Inception to September 2018</u>	<u>FY2019 YTD</u>	<u>September 2018</u>
<b>Total Expenditures</b>	<b>298,032,976</b>	<b>14,947,285</b>	<b>10,402,612</b>
Projects	274,992,524	7,866,499	7,821,297
Total DMV & Dept. of Tax Administrative Fees	626,745	-	-
Investment Fees	955,267	57,259	18,693
Bond Expenses	17,842,494	6,463,519	2,154,506
Operating Expenses	3,615,945	560,008	408,115

**Cash Balance**

September 30, 2018 Ending Cash Balance	\$ 1,143,736,045
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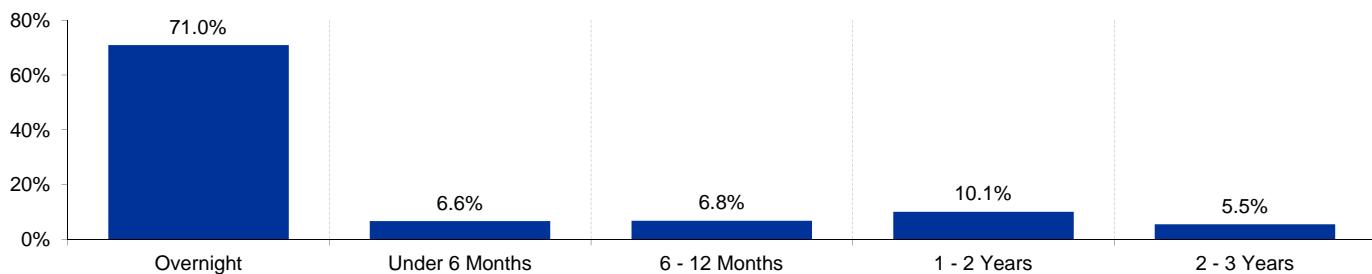
**Encumbered Balance**

Balance of Encumbered (through FY2022)	\$ 940,980,773
Allocation	1,215,928,095
Less: Project Expenditures	274,947,322

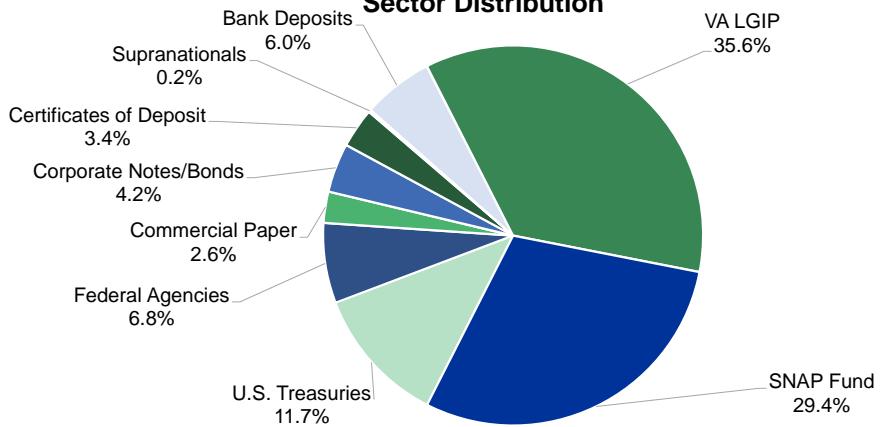
**Hampton Roads Transportation Accountability Commission**  
**Summary of Cash and Investments**  
**For September 2018**

Portfolio	Yield at Cost	Yield at Market	Balances at Cost	Balances at Market	% of Total
Union Checking	0.00%	0.00%	1,000,000	1,000,000	0.09%
Union Sweep	0.99%	0.99%	21,002,437	21,002,437	1.86%
Union Money Market	0.45%	0.45%	12,727,790	12,727,790	1.13%
Union General	0.00%	0.00%	32,730,620	32,730,620	2.90%
VA LGIP	2.17%	2.17%	401,140,017	401,140,017	35.60%
Enhanced Cash Portfolio	2.00%	2.59%	201,344,683	200,794,109	17.82%
Core Portfolio	1.88%	2.80%	127,493,394	126,027,648	11.19%
SNAP Fund	2.24%	2.24%	331,320,769	331,320,769	29.41%
<b>Total</b>			<b>\$ 1,128,759,711</b>	<b>\$ 1,126,743,390</b>	<b>100.00%</b>

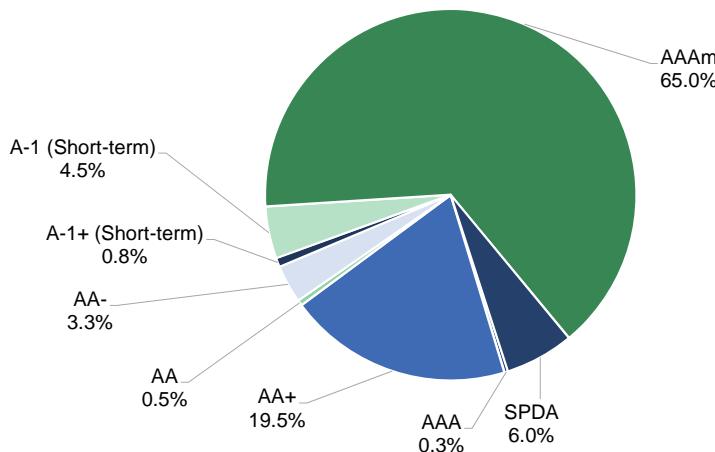
**Total Maturity Distribution**



**Sector Distribution**



**Credit Distribution**



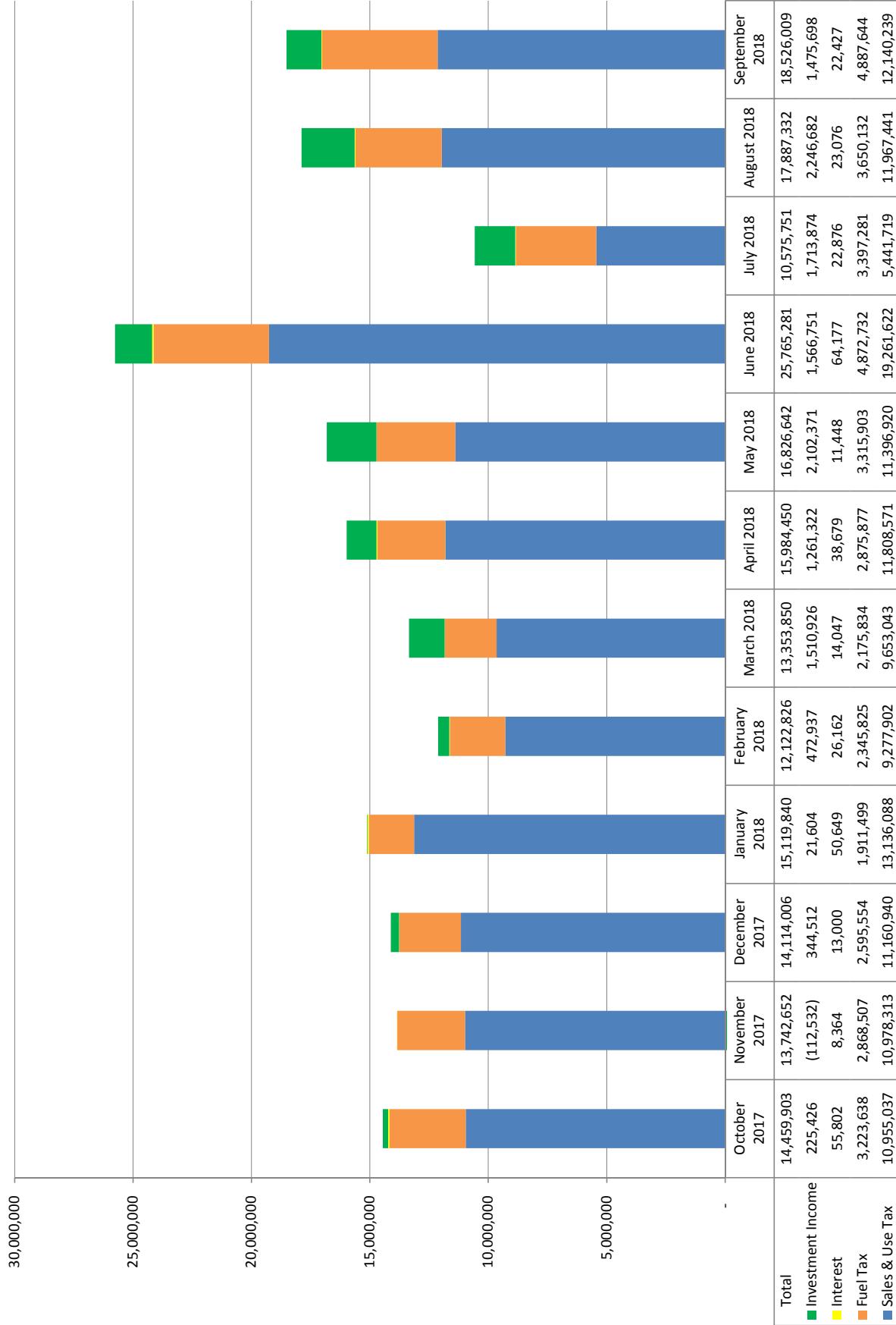
All charts are based on market value as of 9/30/18

This material is for general informational purposes only and is not intended to provide specific advice or a specific recommendation.

Hampton Roads Transportation Accountability Commission  
Interest and Investment Income  
Inception - August 2018

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	Total
HRTTF Interest Income	363,855	1,027,959	272,261	291,738	321,499	68,380	2,345,692
HRTTF Investment Income	-	368,310	<u>3,993,773</u>	<u>980,870</u>	<u>8,868,404</u>	<u>5,436,254</u>	<u>19,647,611</u>
Total	363,855	1,396,269	4,266,033	1,272,608	9,189,903	5,504,634	21,993,303

## HRTF Revenue



**Hampton Roads Transportation Fund (HRTF)**  
**Total of Sales & Use and Fuels Taxes**  
**Summary**

										Cumulative Balance	
										7/1/13 - 08/31/18	
					Expenditures						
Sales & Use Tax	Fuel Tax	Gross Revenue	Interest	Investment	Total	Projects	Dept of Tax	Investment	Operating	Total	
						Admin Fee		Fees	Bond Expenses		
<u>July 2013 - Sep 2017</u>	\$ 524,753,094	\$ 136,554,288	\$ 1,994,985	\$ 6,818,039	\$ 670,020,406	\$ 116,170,557	\$ 598,214	\$ 712,882	\$ -	\$ 2,413,893	\$ 119,895,647
<i>October 2017</i>	10,955,037	3,223,638	55,802	225,426	14,459,903	14,687,445	-	19,120	47,771	14,754,335	549,830,327
<i>November 2017</i>	10,978,313	2,868,507	8,364	(112,532)	13,742,652	25,681,280	-	18,516	158,400	25,858,197	537,714,782
<i>December 2017</i>	11,160,940	2,595,554	13,000	344,512	14,114,006	17,625,556	-	27,217	30,000	62,929	17,745,702
<i>January 2018</i>	13,136,088	1,911,489	50,649	21,604	15,119,840	16,833,224	-	19,180	175,000	73,543	17,100,947
<i>February 2018</i>	9,277,902	2,345,825	26,162	472,937	12,122,826	13,923,265	-	17,354	3,300,396	71,907	17,312,921
<i>Bond Proceeds</i>	-	-	-	-	583,270,073	-	-	-	-	-	1,110,181,958
<i>March 2018</i>	9,653,043	2,175,834	14,047	1,510,926	13,353,851	8,607,495	-	19,211	1,967,782	67,100	10,661,588
<i>April 2018</i>	11,808,571	2,875,877	38,679	1,261,322	15,984,450	3,340,415	-	8,068	1,970,232	40,065	5,358,780
<i>May 2018</i>	11,336,920	3,315,903	11,448	2,102,371	16,826,642	18,222,108	-	19,196	1,967,782	30,931	20,240,018
<i>June 2018</i>	19,261,622	4,872,732	64,177	1,566,751	25,765,281	32,034,580	28,531	37,264	1,967,782	89,399	34,157,557
<i>July 2018</i>	5,441,719	3,397,281	22,876	1,713,874	10,575,751	-	-	19,272	2,154,506	79,415	2,253,193
<i>August 2018</i>	11,967,441	3,550,132	23,076	2,246,682	17,887,332	45,202	-	19,294	2,154,506	72,478	2,291,480
<i>September 2018</i>	12,140,239	4,887,644	22,427	1,475,698	18,526,009	7,821,297	-	18,693	2,154,506	408,115	10,402,612
<i>Total 12 Months</i>	\$ 137,177,836	\$ 38,120,428	\$ 350,706	\$ 12,829,571	\$ 771,748,615	\$ 158,821,867	\$ 28,531	\$ 242,385	\$ 17,842,494	\$ 1,202,052	\$ 178,137,329
<i>Grand Totals</i>											
<i>Less Balance of Encumbered (through FY2022)</i>	661,930,929	174,574,717	2,345,692	19,647,610	1,441,769,021	274,992,524	626,745	955,267	17,842,494	3,615,945	298,032,976
<i>Total Net Available</i>											(940,980,773)
											202,755,273

**Table 1 - Total HRTF Revenues**

Hampton Roads Transportation Fund (HRTF)

*Total of Sales & Use and Fuels Taxes*

*Fiscal Year 2019*

Locality	Total FY2014 - FY2018	Previous FY2019	September 2018	Total YTD FY2019	Total
<i>Chesapeake</i>	\$ 147,236,022	\$ 4,302,354	\$ 3,100,518	\$ 7,402,872	\$ 154,638,894
<i>Franklin</i>	6,948,460	258,078	199,266	457,344	7,405,804
<i>Hampton</i>	58,500,732	1,695,041	1,179,097	2,874,138	61,374,869
<i>Isle of Wight</i>	12,642,687	372,990	279,370	652,360	13,295,047
<i>James City</i>	36,264,394	1,120,825	759,719	1,880,543	38,144,937
<i>Newport News</i>	84,666,138	2,450,931	1,852,575	4,303,506	88,969,645
<i>Norfolk</i>	110,055,359	3,450,552	2,404,548	5,855,099	115,910,459
<i>Poquoson</i>	1,951,914	62,592	43,798	106,390	2,058,304
<i>Portsmouth</i>	27,556,845	830,883	564,267	1,395,150	28,951,995
<i>Southampton</i>	3,884,792	130,962	96,331	227,293	4,112,085
<i>Suffolk</i>	38,008,550	1,186,991	870,400	2,057,391	40,065,941
<i>Virginia Beach</i>	213,559,761	6,842,670	4,584,217	11,426,887	224,986,648
<i>Williamsburg</i>	17,504,774	470,061	345,105	815,167	18,319,941
<i>York</i>	36,240,760	1,281,643	748,672	2,030,316	38,271,075
<b>Total</b>	<b>795,021,187</b>	<b>24,456,574</b>	<b>17,027,884</b>	<b>41,484,457</b>	<b>836,505,646</b>
Interest <sup>a</sup>	2,277,311	45,953	22,427	68,380	2,345,692
Investment Income <sup>b</sup>	14,211,356	3,960,556	1,475,698	5,436,254	19,647,610
Bond Proceeds	583,270,073	-	-	-	583,270,073
<b>Total Revenues</b>	<b>1,394,779,928</b>	<b>28,463,083</b>	<b>18,526,009</b>	<b>46,989,091</b>	<b>1,441,769,021</b>
Project Expenses	(267,126,025)	(45,202)	(7,821,297)	(7,866,499)	(274,992,524)
DMV and Dept of Tax Admin Fees	(626,745)	-	-	-	(626,745)
Investment Fees (Sterling&PFMAM)	(898,008)	(38,565)	(18,693)	(57,259)	(955,267)
Bond Expenses	(11,378,976)	(4,309,013)	(2,154,506)	(6,463,519)	(17,842,494)
Operating Expense	(3,055,937)	(151,893)	(408,115)	(560,008)	(3,615,945)
Cash Balance	1,111,694,238	23,918,410	8,123,396	32,041,806	1,143,736,045
Less Balance of Encumbered					(940,980,773)
Net Available Cash					202,755,272
Updated Forecast	819,145,037	19,161,607	16,032,955	35,194,562	854,339,599
Total Revenue - Forecast (under)/over	(21,846,538)	5,294,967	994,929	6,289,895	(15,556,643)

Notes:

<sup>a</sup> Includes interest from Union Bank money market and sweep accounts.

<sup>b</sup> FY2019 includes income from PFMAM (US Bank), LGIP, and SNAP accounts. FY2014-2018 total also includes income from Sterling and Union Bank.

**Table 1A - State Sales & Use Tax**

**Hampton Roads Transportation Fund (HRTF)**

***State Sales & Use Tax***

***Fiscal Year 2019***

Locality	Total FY2014 - FY2018	Previous FY2019	September 2018	Total YTD	FY2019	Total
<i>Chesapeake</i>	\$ 114,271,188	\$ 2,945,275	\$ 2,157,004	\$ 5,102,279	\$ 119,373,467	
<i>Franklin</i>	4,859,034	115,652	84,212	199,864		5,058,898
<i>Hampton</i>	44,800,249	1,149,400	774,197	1,923,597		46,723,846
<i>Isle of Wight</i>	7,332,026	186,769	137,871	324,639		7,656,666
<i>James City</i>	31,834,792	858,480	595,354	1,453,834		33,288,625
<i>Newport News</i>	69,331,269	1,730,444	1,364,425	3,094,869		72,426,138
<i>Norfolk</i>	92,225,994	2,495,569	1,769,470	4,265,039		96,491,033
<i>Poquoson</i>	1,515,231	40,602	29,576	70,178		1,585,409
<i>Portsmouth</i>	20,251,519	535,429	363,174	898,604		21,150,122
<i>Southampton</i>	1,868,430	43,700	32,109	75,809		1,944,239
<i>Suffolk</i>	26,674,643	717,040	514,533	1,231,573		27,906,216
<i>Virginia Beach</i>	175,114,509	5,281,636	3,474,825	8,756,460		183,870,969
<i>Williamsburg</i>	13,875,162	364,192	265,290	629,482		14,504,644
<i>York</i>	28,427,486	944,972	578,200	1,523,172		29,950,658
<b>Total</b>	<b>\$ 632,381,530</b>	<b>\$ 17,409,160</b>	<b>\$ 12,140,239</b>	<b>\$ 29,549,399</b>		<b>661,930,929</b>
Updated Forecast	626,271,042	14,952,218	11,143,951	26,096,169		652,367,211
Diff(under)/over	6,110,488	2,456,942	996,288	3,453,230		9,563,718

**Table 1B - Local Fuels Tax**

Hampton Roads Transportation Fund (HRTF)

*Local Fuels Tax*

*Fiscal Year 2019*

Locality	Total FY2014 - FY2018	Previous FY2019	September 2018	Total YTD FY2019	Total
<i>Chesapeake</i>	\$ 32,964,834	\$ 1,357,078	\$ 943,515	\$ 2,300,593	\$ 35,265,427
<i>Franklin</i>	2,089,426	142,426	115,054	257,480	2,346,906
<i>Hampton</i>	13,700,483	545,640	404,900	950,541	14,651,024
<i>Isle of Wight</i>	5,310,660	186,222	141,499	327,721	5,638,381
<i>James City</i>	4,429,602	262,345	164,365	426,710	4,856,312
<i>Newport News</i>	15,334,871	720,487	488,150	1,208,637	16,543,508
<i>Norfolk</i>	17,829,365	954,982	635,078	1,590,060	19,419,426
<i>Poquoson</i>	436,681	21,990	14,222	36,212	472,894
<i>Portsmouth</i>	7,305,327	295,454	201,092	496,546	7,801,873
<i>Southampton</i>	2,016,362	87,262	64,222	151,484	2,167,847
<i>Suffolk</i>	11,333,907	469,951	355,867	825,818	12,159,725
<i>Virginia Beach</i>	38,445,252	1,561,035	1,109,392	2,670,427	41,115,679
<i>Williamsburg</i>	3,629,614	105,869	79,815	185,684	3,815,298
<i>York</i>	7,813,274	336,671	170,472	507,144	8,320,418
<b>Total</b>	<b>162,639,659</b>	<b>\$ 7,047,414</b>	<b>\$ 4,887,644</b>	<b>\$ 11,935,058</b>	<b>\$ 174,574,717</b>
Updated Forecast	192,000,002	4,209,389	4,889,004	9,098,393	201,098,395
Diff(under)/over	(29,360,344)	2,838,025	(1,360)	2,836,665	(26,523,678)

**Table 2 - Allocations**

**Hampton Roads Transportation Fund (HRTF)**  
**Allocations**  
**Fiscal Year 2019**

Project	Total FY2014 - FY2018	Previous FY2019	September 2018	Total YTD FY2019	Total
<i>I-64 Peninsula Widening</i>					
UPC 104905 - Segment 1 - Construction	\$ 44,000,000	\$ -	\$ (15,000,000)	\$ (15,000,000)	\$ 29,000,000
UPC 106665 - Segment 2 - PE/Construction	189,707,675	-	-	-	189,707,675
UPC 109790/106689 - Segment 3 - PE	10,000,000	-	-	-	10,000,000
UPC 109790/106689 - Segment 3 -ROW/Construction	156,376,066	-	-	-	156,376,066
<i>I-64/264 Interchange Improvement</i>					
UPC 57048/10842 - Phase I - PE/ROW	15,071,063	-	-	-	15,071,063
UPC 57048/10842 - Phase I - Construction	137,023,653	-	-	-	137,023,653
UPC 17630/108041 - Phase II - PE/ROW	54,592,576	-	-	-	54,592,576
UPC 17630/108041 - Phase II - Construction	73,157,062	-	-	-	73,157,062
UPC 106693 - Phase III - PE	10,000,000	-	-	-	10,000,000
<i>I-64 Southside Widening/High-Rise Bridge</i>					
UPC 106692/108990 - Phase I - PE	20,000,000	-	-	-	20,000,000
UPC 106692/108990 - Phase I - ROW/Construction	480,000,000	-	-	-	480,000,000
<i>HRCS Preferred Alternative Refinement - HRBT</i>					
UPC 110577 - SEIS	25,000,000	-	-	-	25,000,000
<i>460/58/13 Connector Study - UPC 106694 - PE</i>	5,000,000	-	-	-	5,000,000
<i>Bowers Hill Interchange Study - UPC 111427</i>	4,000,000	-	-	-	4,000,000
<i>HR Regional Connector Study - HRTPO (Remaining Projects of Third Crossing)</i>	7,000,000	-	-	-	7,000,000
<b>Total</b>	<b>\$ 1,230,928,095</b>	<b>\$ -</b>	<b>\$ (15,000,000)</b>	<b>\$ (15,000,000)</b>	<b>\$ 1,215,928,095</b>

**Table 3 - Expenditures**

**Hampton Roads Transportation Fund (HRTF)**  
**Expenditures**  
**Fiscal Year 2019**

Project	Total FY2014 - FY2018	Previous FY2019	September 2018	Total YTD FY2019	Total
<i>I-64 Peninsula Widening</i>					
<i>UPC 104905 - Segment 1 - Construction</i>	\$ 1,544,502	\$ -	\$ -	\$ -	\$ 1,544,502
<i>UPC 106665 - Segment 2 - PE/Construction</i>	114,353,557	-	342,900	342,900	114,696,457
<i>UPC 109790/106689 - Segment 3 - PE</i>	4,514,165	-	14,969	14,969	4,529,135
<i>UPC 109790/106689 - Segment 3 -ROW/Construction</i>	-	-	-	-	-
<i>I-64/264 Interchange Improvement</i>					
<i>UPC 57048/10842 - Phase I - PE/ROW</i>	15,071,063	-	-	-	15,071,063
<i>UPC 57048/10842 - Phase I - Construction</i>	66,399,635	-	5,865,161	5,865,161	72,264,796
<i>UPC 17630/108041 - Phase II - PE/ROW</i>	35,941,934	-	658,995	658,995	36,600,930
<i>UPC 17630/108041 - Phase II - Construction</i>	-	-	-	-	-
<i>UPC 106693 - Phase III - PE</i>	57,220	-	4,033	4,033	61,253
<i>I-64 Southside Widening/High-Rise Bridge</i>					
<i>UPC 106692/108990 - Phase I - PE</i>	12,189,098	-	-	-	12,189,098
<i>UPC 106692/108990 - Phase I - ROW/ Construction</i>	-	-	-	-	-
<i>HRCS Preferred Alternative Refinement - HRBT</i>					
<i>UPC 110577 - SEIS</i>	15,891,087	-	694,728	694,728	16,585,816
<i>460/58/13 Connector Study - UPC 106694 - PE</i>	790,111	-	111,872	111,872	901,982
<i>Bowers Hill Interchange Study - UPC 111427</i>	224,407	-	128,638	128,638	353,045
<i>HR Regional Connector Study - HRTPO (Remaining Projects of Third Crossing)</i>	104,043	45,202	-	45,202	149,245
<b>Total</b>	<b>\$ 267,080,823</b>	<b>\$ 45,202</b>	<b>\$ 7,821,297</b>	<b>\$ 7,866,499</b>	<b>\$ 274,947,322</b>

**Table 3A - Bond-Reimbursed Expenditures**

**Hampton Roads Transportation Fund (HRTF)**  
***Bond Reimbursements***  
***Fiscal Year 2019***

Project	Total FY2014 - FY2018	Previous FY2019	September 2018	Total YTD FY2019	Total
<i>I-64 Peninsula Widening</i>					
<i>UPC 104905 - Segment 1 - Construction</i>	\$ -	\$ -	\$ -	\$ -	\$ -
<i>UPC 106665 - Segment 2 - PE/Construction</i>	114,353,557	-	342,900	342,900	114,696,457
<i>UPC 109790/106689 - Segment 3 - PE</i>	4,514,165	-	14,969	14,969	4,529,135
<i>UPC 109790/106689 - Segment 3 -ROW/Construction</i>	-	-	-	-	-
<i>I-64/264 Interchange Improvement</i>					
<i>UPC 57048/10842 - Phase I - PE/ROW</i>	15,071,063	-	-	-	15,071,063
<i>UPC 57048/10842 - Phase I - Construction</i>	66,399,635	-	5,865,161	5,865,161	72,264,796
<i>UPC 17630/108041 - Phase II - PE/ROW</i>	35,941,934	-	658,995	658,995	36,600,930
<i>UPC 17630/108041 - Phase II - Construction</i>	-	-	-	-	-
<i>UPC 106693 - Phase III - PE</i>	-	-	-	-	-
<i>I-64 Southside Widening/High-Rise Bridge</i>					
<i>UPC 106692/108990 - Phase I - PE</i>	12,189,098	-	-	-	12,189,098
<i>UPC 106692/108990 - Phase I - ROW/ Construction</i>	-	-	-	-	-
<i>HRCS Preferred Alternative Refinement - HRBT</i>					
<i>UPC 110577 - SEIS</i>	-	-	-	-	-
<i>460/58/13 Connector Study - UPC 106694 - PE</i>	-	-	-	-	-
<i>Bowers Hill Interchange Study - UPC 111427</i>	-	-	-	-	-
<i>HR Regional Connector Study - HRTPO (Remaining Projects of Third Crossing)</i>	-	-	-	-	-
<b>Total</b>	<b>\$ 248,469,452</b>	<b>\$ -</b>	<b>\$ 6,882,027</b>	<b>\$ 6,882,027</b>	<b>\$ 255,351,479</b>

**Table 3B - Non-Bond Reimbursed Expenditures**

**Hampton Roads Transportation Fund (HRTF)**  
**Expenditures**  
**Fiscal Year 2019**

Project	Total FY2014 - FY2018	Previous FY2019	September 2018	Total YTD FY2019	Total
<i>I-64 Peninsula Widening</i>					
<i>UPC 104905 - Segment 1 - Construction</i>	\$ 1,544,502	\$ -	\$ -	\$ -	\$ 1,544,502
<i>UPC 106665 - Segment 2 - PE/Construction</i>	-	-	-	-	-
<i>UPC 109790/106689 - Segment 3 - PE</i>	-	-	-	-	-
<i>UPC 109790/106689 - Segment 3 -ROW/Construction</i>	-	-	-	-	-
<i>I-64/264 Interchange Improvement</i>					
<i>UPC 57048/10842 - Phase I - PE/ROW</i>	-	-	-	-	-
<i>UPC 57048/10842 - Phase I - Construction</i>	-	-	-	-	-
<i>UPC 17630/108041 - Phase II - PE/ROW</i>	-	-	-	-	-
<i>UPC 17630/108041 - Phase II - Construction</i>	-	-	-	-	-
<i>UPC 106693 - Phase III - PE</i>	57,220	-	4,033	4,033	61,253
<i>I-64 Southside Widening/High-Rise Bridge</i>					
<i>UPC 106692/108990 - Phase I - PE</i>	-	-	-	-	-
<i>UPC 106692/108990 - Phase I - ROW/ Construction</i>	-	-	-	-	-
<i>HRCS Preferred Alternative Refinement - HRBT</i>					
<i>UPC 110577 - SEIS</i>	15,891,087	-	694,728	694,728	16,585,816
<i>460/58/13 Connector Study - UPC 106694 - PE</i>	790,111	-	111,872	111,872	901,982
<i>Bowers Hill Interchange Study - UPC 111427</i>	224,407	-	128,638	128,638	353,045
<i>HR Regional Connector Study - HRTPO (Remaining Projects of Third Crossing)</i>	104,043	45,202	-	45,202	149,245
<b>Total</b>	<b>\$ 18,611,371</b>	<b>\$ 45,202</b>	<b>\$ 939,271</b>	<b>\$ 984,473</b>	<b>\$ 19,595,844</b>

**I-64 Peninsula Widening- Segment I****Project Scope:**

From 0.52 miles east of Yorktown Road/Rte 238 (Exit 247) to 1.55 miles west of Jefferson Ave/Rte 143 (Exit 255) (6.1 miles)

- Additional 12' wide travel lanes and 12' wide shoulders within the existing median space
- Replacement of the Industrial Park Drive bridges, and repair and widening of 4 bridges and 2 major culverts
- Strengthened shoulder lane from Ft Eustis Blvd Interchange to Jefferson Avenue Interchange

**Project Financial Summary:**

<u>Project Budget (\$112,000,000):</u>	<u>Funds Expended (as of 10/26/18):</u>	<u>Projected Cost Over/(Under):</u>
○ PE \$ 3,000,000	\$ 2,738,567	\$ 0
○ RW \$ 33,000	\$ 32,494	\$ 0
○ CN \$ 108,967,000	<u>\$ 98,773,435</u>	<u>\$ 0</u>
	\$ 101,544,496	

**Project Schedule:**

Notice To Proceed (NTP)	March 2015
Project Completion	December 2017
Schedule Status	Completed

**Project Status:**

- Completion achieved on December 1, 2017

**Project Site (Looking West from Denbigh Blvd.)**

**I-64 Peninsula Widening- Segment II****Project Scope:**

From 1.05 miles west of Hummelsine Parkway/Marquis Center Pkwy/Rte 199 (Exit 242) to where the Segment I project ends at 0.54 miles east of Yorktown Road/Rte 238 (Exit 247) (7.1 miles)

- Additional 12' wide travel lanes and 12' wide shoulders within the existing median space
- Repair and widening of 9 bridges and 6 major culverts
- Reconstruction of existing roadway

**Project Financial Summary:**

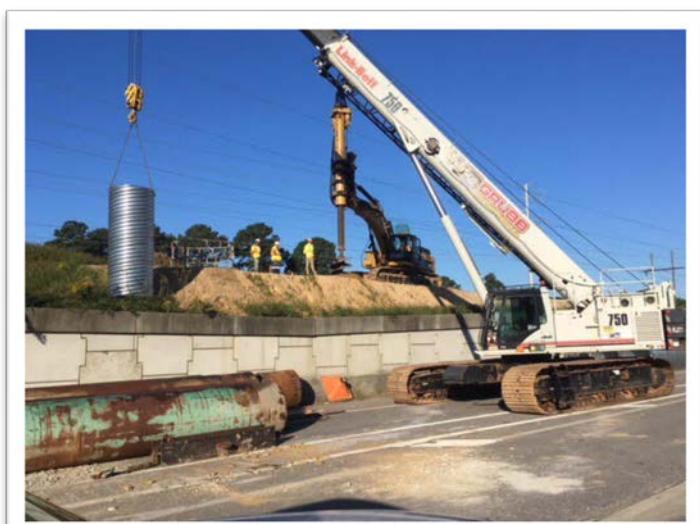
<u>Project Budget (\$175,832,897):</u>	<u>Funds Expended (as of 10/26/18):</u>	<u>Projected Cost Over/(Under):</u>
○ PE \$ 6,000,000	\$ 2,587,419	\$ 0
○ RW \$ 1,511,548	\$ 509,611	\$ 0
○ CN \$ 168,321,349	<u>\$ 129,300,895</u>	<u>\$ 0</u>
	\$ 132,397,925	

**Project Schedule:**

Notice To Proceed	February 2016
Project Completion	May 2019
Schedule Status	On-Schedule

**Project Status:**

- Continued Phase II pavement reconstruction throughout project Sections A through D
- Continued with rehabilitation of existing bridge decks all bridges
- I-64 WB traffic shift to Phase 2 in Section D (east of Exit 247) achieved on September 19, 2018. The entire project is now in the Phase II configuration
- Installation of Noise Wall footings started on October 2, 2018

**I-64 eastbound installation of drilled shaft foundations for noise walls**

**I-64 Peninsula Widening- Segment III****Project Scope:**

From approximately 1.15 miles West of Rte 199/Lightfoot (Exit 234) to where the Segment II project ends at 1.05 miles west of Hummelsine Parkway/Marquis Center Pkwy /Rte 199 (Exit 242) (8.2 miles)

- Additional 12' wide travel lanes and 12' wide shoulders within the existing median space
- Replacement of the two Queen's Creek bridges, repair and widening of 4 bridges, 3 major culverts
- Reconstruction of existing mainline roadway

**Project Financial Summary:**

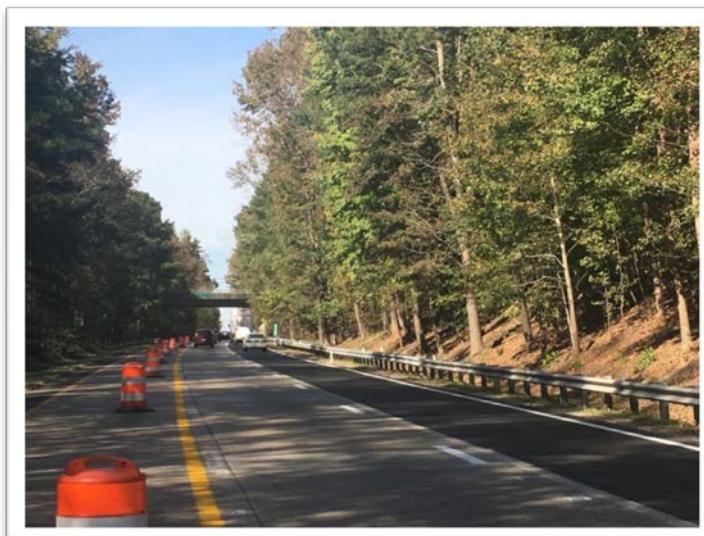
<u>Project Budget (\$244,045,973):</u>	<u>Funds Expended (as of 10/26/18):</u>	<u>Projected Cost Over/(Under):</u>
○ PE \$ 10,000,000	\$ 4,655,529	\$ 0
○ RW \$ 12,000,000	\$ 36,935	\$ 0
○ CN \$ 222,045,973	<u>\$ 24,391,701</u>	<u>\$ 0</u>
	\$ 29,084,165	

**Project Schedule:**

Notice To Proceed	January 2018
Project Completion	September 2021 (or June 2021 for early completion incentive)
Schedule Status	On-Schedule

**Project Status:**

- Outside shoulder strengthening began in August 2018 and nearly complete
- Westbound traffic shift to the outside lanes began in late October 2018
- 100% Roadway Design Plans are under review. Notice to Commence Construction is expected in late November 2018
- Limited Access changes were approved at the October 2018 CTB meeting
- The USACE Joint Permit is expected by late November 2018

**I-64 westbound traffic switch to strengthened outside shoulders**

**I-64/I-264- Phase I****Project Scope:**

From the I-64 Twin Bridges to the I-264/Newtown Road Interchange

- Widening westbound I-64 by adding a second exit lane from Twin Bridges to the I-64/I-264 interchange
- Introducing a new two lane Collector-Distributor (C-D) roadway from I-64 to the Newtown Road interchange
- Constructing a new two-lane flyover ramp from westbound I-64 tying into the existing eastbound I-264 C-D road

**Project Financial Summary:**

<u>Project Budget (\$158,730,023):</u>	<u>Funds Expended (as of 10/26/18):</u>	<u>Projected Cost Over/(Under):</u>
○ PE \$ 10,135,307	\$ 10,135,307	\$ 0
○ RW \$ 11,571,063	\$ 20,284,267	\$ 8,713,204
○ CN \$ 137,023,653	<u>\$ 80,276,472</u>	\$ 0
	\$110,696,046	

**Project Schedule:**

Notice To Proceed	October 2016
Project Completion	October 2019
Schedule Status	On-Schedule

**Project Status:**

- Placing bridge decks
- Completing Culvert at I-264 E Exit 15A
- Erecting overhead signs and sound barriers I-64 W
- Widening I-64 W between twin bridges and Curlew Avenue

**Widening I-64 W and Sound Barrier 2 (Sentara)****Bridge B-603 Deck Placement (toward B-602)**

**I-64/I-264- Phase II****Project Scope:**

From the I-264/Newtown Road Interchange to the I-264/Witchduck Road Interchange

- Extends the new C-D roadway from the Newtown Road interchange to the Witchduck Road interchange
- Reconfigure the Newtown Road and Witchduck Road interchange ramps south of I-264
- Constructing a new overpass that connects Greenwich Road south side of I-264 and Cleveland north of I-264

**Project Financial Summary:**

<u>Project Budget (\$194,503,887):</u>	<u>Funds Expended (as of 10/26/18):</u>	<u>Projected Cost Over/(Under):</u>
○ PE \$ 14,082,810	\$ 14,060,762	\$ 0
○ RW \$ 54,392,666	\$ 37,780,135	\$ 0
○ CN \$ 126,028,411	<u>\$ 11,090,652</u>	\$ 0
	\$ 62,931,549	

**Project Schedule:**

Award	December 2017
Notice to Proceed	February 2018
Projected Completion	September 2021
Schedule Status	On-Schedule

**Project Status:**

- Utility relocations along Newtown Road
- Piles at I-264 EB Bridge B-601 over Newtown Road and Greenwich Road Box Culvert adjacent to Top Golf
- Ground and drainage improvements throughout project site

**Ground and Drainage Improvements I-264 E (Exit 15 B)****I-264 E Bridge B-601 over Newtown Road (looking west)**

**I-64 Southside Widening and High Rise Bridge - Phase I****Project Scope:**

From approximately the I-64/264/664 Interchange at Bowers Hill and extending to the I-64/464 Interchange in Chesapeake

- Widening from 4 to 6 lanes
- Constructing a new High Rise Bridge parallel to and to the South of the existing High Rise Bridge
- Addition of Shoulder Lanes between the Route 17 and I-464 interchanges

**Project Financial Summary:**

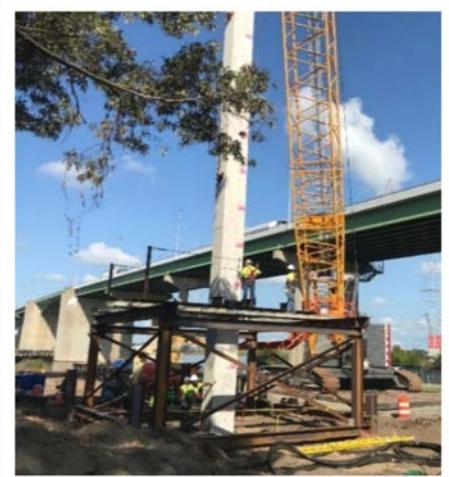
<u>Project Budget (\$524,613,765):</u>	<u>Funds Expended (as of 10/26/18):</u>	<u>Projected Cost Over/(Under):</u>
○ PE \$ 12,200,000	\$ 12,189,098	\$ 0
○ RW \$ 18,726,000	\$ 3,227,127	\$ 0
○ CN \$ 493,687,765	<u>\$ 80,011,085</u>	<u>\$ 0</u>
	\$ 95,427,310	

**Project Schedule:**

Award	October 2017
Notice to Proceed	November 2017
Project Completion	July 2021
Schedule Status	On-Schedule

**Project Status:**

- Conducting coordination meetings with permitting agencies, railroad companies, and other stakeholders
- Roadway and bridge plans by the DB are being reviewed by VDOT; 7 plan sets have been released for construction
- ROW plans are approved; Acquisition of 25 parcels is ongoing – 12 appraisals approved, 7 offers made, 2 acquired
- US Army Corps of Engineers and US Coast Guard permits scheduled to be obtained by middle of November
- Pile driving began in September between the east side of the Elizabeth River and Bainbridge Boulevard
- Shoulder and median pavement strengthening at east approach to existing High Rise Bridge began in October
- Preparations for construction of north abutment and north abutment MSE wall began in October



**Pile Driving Operations for East Approach Spans of New High Rise Bridge**



**HRTAC Program Development  
Monthly Executive Report  
November 2018**

Hampton Roads District  
7511 Burbage Drive  
Suffolk

**I-64 Hampton Roads Bridge-Tunnel Expansion**

**Refinement of Preferred Alternative**

**Project Scope:**

Preliminary work for the I-64 corridor from Settlers Landing Interchange to I-564, including the following activities for refinement of the Preferred Alternative and initial activities to develop the most appropriate procurement approach for expansion of the HRBT:

- Land survey, including photogrammetry, right-of-way verification, planimetric mapping, digital terrain modeling, and initial utility designation
- Wetlands survey/delineation to obtain preliminary Jurisdictional Determination
- Cultural resources/archaeological survey (land and marine)
- Hazardous materials investigations (land and marine)
- Geotechnical investigations (land and marine)
- Environmental permitting and agency coordination, including for in-channel geotechnical sampling
- Evaluation of disposal options for sediment dredge material and excavated boring material
- Procurement preparation, including industry outreach (Request for Information process, industry forum, meetings with potential proposers) and assessment of procurement- and delivery-method alternatives

**Project Financial Summary:**

<u>Project Budget (\$30,000,000):</u>	<u>Funds Expended (as of 10/26/18):</u>	<u>Projected Cost Over/(Under):</u>
○ PE \$30,000,000	\$ 20,464,412	\$ 0
○ RW \$ 0	\$ 0	\$ 0
○ CN \$ 0	<u>\$ 0</u>	<u>\$ 0</u>
	\$ 20,464,412	

**Project Schedule:**

Request for Qualifications (RFQ)	December 2017
Request for Proposals (RFP)	May 2018
Project Award	Early 2019
Project Completion	2025
Schedule Status	On-Schedule

**Project Status:**

- Project in procurement; contract award anticipated in early 2019

**Route 460/58/13 Connector****Study Scope:**

Study from approximately the I-664/U.S. Route 58 Interchange and extending to the Business U.S. Route 460 and the Suffolk Northern Bypass (U.S. Route 13/58/460) Interchange:

- Improve existing roadway to interstate standards and address roadway deficiencies
- Improve accessibility to/from the SPSA Regional Landfill
- Improve accessibility to/from the Hampton Roads Executive Airport

**Study Financial Summary:**

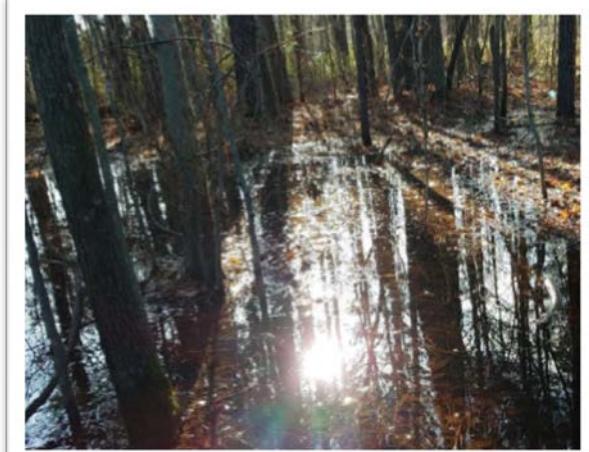
Project Budget (\$5,000,000):	Funds Expended (as of 10/26/18):	Projected Cost Over/(Under):
○ PE \$ 5,000,000	\$ 1,059,472	\$ 0
○ RW \$ 0	\$ 0	\$ 0
○ CN \$ 0	\$ 0	\$ 0
	\$ 1,059,472	

**Study Schedule:**

Begin NEPA Process	June 2017
Study Completion	June 2020

**Study Status:**

- Completing technical studies and compiling Environmental Assessment (EA) documentation for Federal Highway Administration review
- Study briefing scheduled for presentation to the TTAC on November 7, 2018 and HRTPO on November 15, 2018

**Existing facility looking westbound from weigh station****Wetland south of eastbound lanes near Sondej Avenue**

## I-64/I-264- Phase III

### Project Scope:

Study/design to improve the remaining I-64/I-264 movements

- Includes I-64 Eastbound (EB) movements to I-264
- Includes I-264 movements to I-64

### Project Financial Summary:

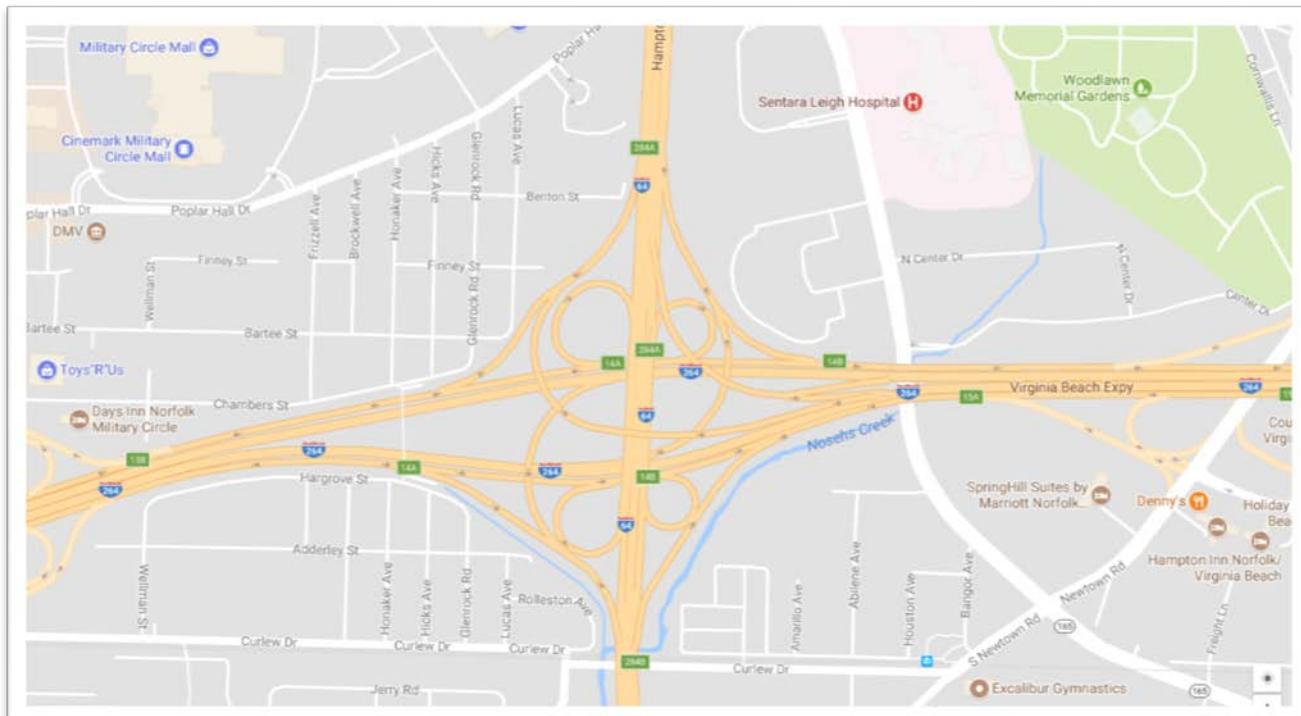
<u>Project Budget (\$10,000,000):</u>	<u>Funds Expended (as of 10/26/18):</u>	<u>Projected Cost Over/(Under):</u>
○ PE \$ 10,000,000	\$ 426,560	\$ 0
○ RW \$ 0	\$ 0	\$ 0
○ CN \$ 0	\$ 0	\$ 0
	<b>\$ 426,560</b>	

### Project Schedule:

Begin NEPA Process	October 2018
IMR Conditional Approval	August 2019
Complete NEPA	December 2019

### Project Status:

- Selected final three composite interchange alternatives to be carried forward into detailed analysis
- Continuing current and future traffic analysis
- Continuing IMR document development



## Bowers Hill Interchange

### Study Scope:

Develop NEPA document and supporting studies for improvements to the I-64/I-264/I-664 Interchange and the Route 58/Route 460 Interchange (Bowers Hill).

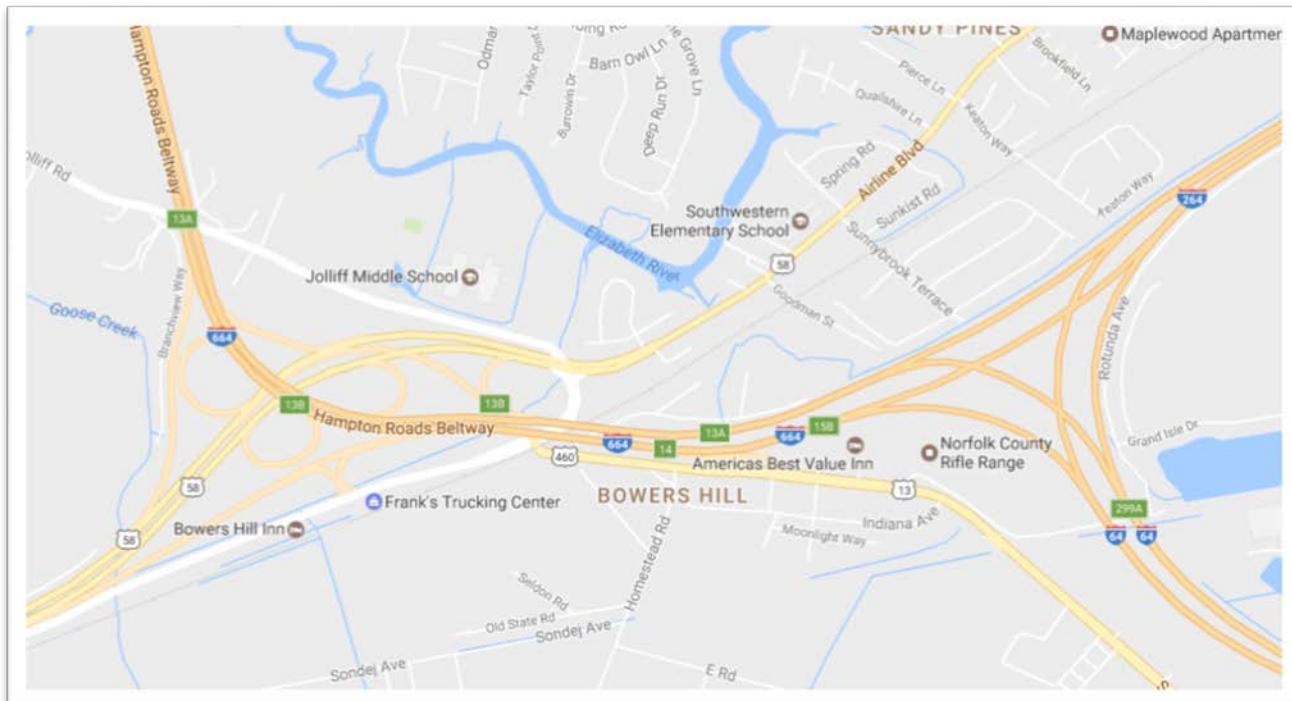
### Study Financial Summary:

<u>Project Budget (\$4,000,000):</u>	<u>Funds Expended (as of 10/26/18):</u>	<u>Projected Cost Over/(Under):</u>
o PE \$4,000,000	\$ 696,901	\$ 0
o RW \$ 0	\$ 0	\$ 0
o CN \$ 0	<u>\$ 0</u>	\$ 0
	\$ 696,901	

### Study Schedule:

### Study Status:

- IMR Chapters 1, 2 and 3 are being prepared for FHWA review
- Concurrence received on alternatives to be retained for further analysis on October 10, 2018. Detailed traffic analysis required for the IMR is underway
- Environmental evaluation is underway for the EA development
- Location Public Hearing anticipated in May 2019





**HRTAC Program Development  
Monthly Executive Report  
November 2018**

Hampton Roads District  
7511 Burbage Drive  
Suffolk

**Ft. Eustis Interchange**

Project Scope:

Replace the I-64 Ft Eustis Interchange to mitigate congestion and improve safety.

Project Financial Summary: TBD

Project Schedule: TBD

Project Status: TBD

**I-64 Southside Widening and High Rise Bridge- Phase II**

Project Scope:

From approximately the I-64/464 Interchange in Chesapeake extending to the I-64/264/664 Interchange at Bowers Hill

- o Widening from 6 to 8 lanes
- o Replacing the existing High Rise Bridge
- o Rebuild the four Interchanges

Project Financial Summary: TBD

Project Schedule: TBD

Project Status: TBD