

**Hampton Roads Transportation
Accountability Commission (HRTAC)
Finance Committee
Summary Minutes of the September 12, 2019 Meeting**

The meeting of the Hampton Roads Transportation Accountability Commission (HRTAC) Finance Committee was held in the Board Room A, The Regional Building, 723 Woodlake Drive, Chesapeake, Virginia, with the following in attendance:

HRTAC Finance Committee Members in Attendance:

| | |
|-----------------------|--------------------|
| Michael Hipple, Chair | Christopher Stolle |
| Monty Mason | Barry Porter |

HRTAC Executive Director

Kevin Page

HRTAC Finance Committee Members Absent:

Joel Acree

Other Participants:

| | |
|--------------------------------|--------------------|
| Eric Ballou, Kaufman & Canoles | Gray Lepley, PFM |
| Nelson Bush, PFM | David Miller, PFM* |
| Tom Inglima, Willcox & Savage | Liang Shan, PFM |

* Denotes Late Arrival or Early Departure

Others Recorded Attending:

Mary DiMartino (JP Morgan); Natalie Clarke, Korey Rogers (Veterans Reporters); Lynn Coen, Jennifer Hodnett (HRTAC); Tiffany Smith, Sheila Wilson (HRPDC);

Call to Order

Chair Michael Hipple called the HRTAC Finance Committee to order at 9:00 a.m.

Approval of Agenda

Mr. Barry Porter Moved to approve the agenda; Mr. Christopher Stolle seconded. The Motion Carried.

Public Comment Period (limit 5 minutes per individual)

No public comments were made.

Chair Comments

Chair Hipple welcomed Senator Monty Mason as the newest member of the Committee and thanked him for his participation and guidance.

Consent Items

- 5A. Minutes of the June 20, 2019 Finance Committee Meeting**
- 5B. Amendment to the Approved HRTAC FY2020 HRTAC Administrative Budget – Recommendation to the Commission to Conduct a Public Hearing**
- 5C. Administrative Offices Lease Extension**
- 5D. Amendment to the HRTAC Accounting Policies and Procedures – Recommendation to the Commission to Adopt the Amendment**

Mr. Stolle Moved to approve the Consent Items as presented; seconded by Mr. Porter. The Motion Carried.

Action Items

- 6A. Financing for Initial Projects – Recommendation to the Commission to Authorize the Commission Chair and Staff to Complete and Execute the HRTF Backed TIFIA Loan Agreement, Bond Anticipation Note (BAN) Issuance, Supplemental Indenture for TIFIA, and Related Engagement Documents**

Mr. Kevin B. Page, HRTAC Executive Director, summarized the actions already taken regarding the HRTF TIFIA and TIFIA BAN loans. He indicated the Senior Underwriter and the two Co-Managers, selected from the pool, would be JP Morgan, Citibank, and Wells Fargo respectively.

Mr. David Miller, PFM, reviewed the sources of the FY2020-FY2026 Financial Plan and reminded the Committee that the initial six projects were funded by the 2018A Bond series and the 2019A TIFIA BAN Series. He summarized the progress of the 2019A TIFIA Loan and 2019 TIFIA BAN and noted the favorable current market conditions. Mr. Miller indicated VDOT had provided a shorter timeline which would reduce the amount of investment earnings; however, HRTAC would still benefit from a BAN financing strategy.

The Committee was given a graph of the preliminary sources and uses, and loan schedule for the 2019 TIFIA Loan and 2019 TIFIA BAN. Mr. Miller clarified the TIFIA Loan timeline was for financing the six initial projects. He indicated a similar process would have to be completed again from the beginning for the separate TIFIA loan relating to the HRBT project. Mr. Page explained a Master Tolling Agreement and a regional consensus for the High Occupancy Toll Network was needed before the application relating to the additional TIFIA loan could move forward.

Mr. Miller listed HRBT Financing Considerations for the Committee, which included the potential for the Commonwealth-supported 9(c) financing. Committee discussion ensued regarding concerns with an approach under which HRTAC did not control the toll revenue. Committee Members emphasized the need for the Master Tolling Agreement to specify the use of the toll revenues to ensure that the region's monies were only used in the region.

Committee Members further highlighted the party collecting tolls is setting toll rate policy, and stated it should be a regional decision in the short and long term.

Mr. Miller explained the amount of money needed for the future projects identified by the Committee and the potential benefits and risks associated with leveraging debt.

Mr. Eric Ballou, Kaufman & Canoles, explained the steps for implementing the 2019 TIFIA BAN and 2019 TIFIA Loan. He outlined the documents that needed to be approved to implement the TIFIA BAN and TIFIA loan and their purpose. He stated the process was like the 2018A Series sold by HRTAC and defined parameters for how and when the proceeds should be spent. Mr. Ballou reviewed the flow of funds diagram with the Committee, and indicated that if HRTAC or VDOT ceased developing projects, 50% of excess revenue will be reallocated to the re-payment of the TIFIA loan.

Mr. Porter Moved that the Finance Committee endorses Resolution 2019-03 authorizing the issuance of HRTAC Subordinate Lien Revenue Bonds for up to \$550 million and Intermediate Lien Bond Anticipation Notes for up to \$500 million and authorizes the Finance Committee Chair to communicate its endorsement and recommendation to the Commission at its September 19, 2019 meeting and for the Commission to authorize the Commission Chair and Staff to Complete and Execute the HRTF Backed TIFIA Loan Agreement, Bond Anticipation Note (BAN) Issuance, Supplemental Indenture for TIFIA, and related documents; the motion was seconded by Mr. Stolle. The Motion Carried.

Mr. David Miller leaves.

6B. Update on HRTAC Financial Year End Documents and VDOT Contract Activities

Mr. Kevin B. Page, Executive Director, summarized the FY19 HRTAC Audit. He noted the challenges presented due to the Commonwealth classifying HRTAC as a Component Unit. He further indicated the current relationship between HRTAC and its auditor was not entirely independent and suggested amended legislation should be considered.

Mr. Page summarized the drainage problems with the I-64 Segment II project. He said a whistleblowers complaint was confirmed with an internal review by VDOT. He stated the corrective actions were under way. Additionally, Mr. Page identified the delay of the High-Rise Bridge Project. He explained the project was non-compliant with respect to an environmental permit; however, the one week delay would not result in any additional costs to HRTAC.

Information Items

7A. HRTAC Financial Report

Mr. Page reviewed the Financial Report with Committee Members.

7B. Investment Market Update

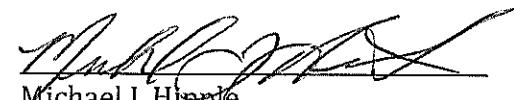
Mrs. Gray Lepley, PFM, reviewed economic data with the Committee and noted a recession in the following 6 to 9 months is unlikely. She stated the economy showed weakening, but several broad market metrics remained strong. She indicated the yield curve is currently inverted and highlighted the unusual example of a return on a 3 month note and 30-year

note being identical. Mrs. Lepley reviewed the activities of the Federal Reserve and its impacts on the market.

Mr. Nelson Bush, PFM, reviewed the balances of the HRTAC accounts and briefed the Committee regarding HRTAC's current investment strategy. He described the effects of the market on the different portfolios and made future recommendations to keep aligned with the strategy.

Adjournment

With no further business to come before the Hampton Roads Transportation Accountability Commission Finance Committee, the meeting adjourned at 11:06 a.m.



Michael J. Hippie

Finance Committee Chair