

**Hampton Roads Transportation
Accountability Commission (HRTAC)
Finance Committee
Summary Minutes of the March 12, 2020 Meeting**

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

HRTAC Finance Committee Members in Attendance:

Michael Hipple, Chair	Donnie Tuck
Thomas Shepperd	

HRTAC Executive Director

Kevin Page

HRTAC Finance Committee Members Absent:

Joel Acree	Monty Mason
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Other Participants:

Eric Ballou, Kaufman & Canoles	Liang Shan, PFM
Nelson Bush, PFM	Tom Inglima, Willcox and Savage
David Miller, PFM	

* Denotes Late Arrival or Early Departure

Others Recorded Attending:

Jim Calpin, Scott Detar (Bank of America Securities); Camryn Jordan, Destini Monteiro, Angieler White (Veterans Reporters); Lynn Coen, Jennifer Hodnett (HRTAC); Danetta Jankosky, Sheila Wilson (HRPDC);

Call to Order

Chair Michael Hipple called the HRTAC Finance Committee to order at 9:04 a.m.

Approval of Agenda

Mr. Donnie Tuck Moved to approve the agenda; Seconded by Mr. Thomas Shepperd. The Motion Carried.

Public Comment Period (limit 5 minutes per individual)

No public comments were made.

Chair Comments

Chair Hipple welcomed new HRTAC Finance Committee Members, Mr. Thomas Shepperd from York County and Mr. Donnie Tuck from Hampton.

Mr. Kevin B. Page, HRTAC Executive Director, updated the Committee on the 2020 transportation legislation. He indicated HB1414 and SB890 were omnibus bills and reviewed the allocations, revenue generation and funding formulas. He outlined the effect of HB1438, HB1726 and SB1038 on HRTAC.

Consent Items

5A. Minutes of the December 4, 2019 Finance Committee Meeting

Mr. Donnie Tuck Moved to approve the minutes of the December 4, 2019 Finance Committee meeting; seconded by Mr. Thomas Shepperd. The Motion Carried.

Action Items

6A. HRTAC Debt Management Plan Update, Issuance of Hampton Roads Transportation Fund Revenue Bonds, Series 2020 for the I-64 Hampton Roads Bridge-Tunnel Expansion Project – Recommendation to Endorse and Request Authorization to Conduct a Public Hearing

Mr. David Miller, PFM, reiterated the objective of issuing debt and reminded Committee Members of the cost of inflation. He reviewed the current HRTAC Debt Management Plan and outlined activities HRTAC took in March 2019 to complete the funding for the six initial projects.

Mr. Miller stated a Debt Management Plan update was needed so HRTAC could focus on the HRBT project, incorporating several phases of toll-backed debt equaling \$950M, accounting for additional Hampton Roads Express Lane Network (HRELN) timing and additional cost. He stated the toll revenue and HRTF would have separate trust indentures. He further indicated the leveraging of toll revenue would be maximized through TIFIA funding and offset HRTF funding.

The Committee was provided a graphic for the Annual Debt Issuance Plan. It detailed the timeline and source of debt for the six initial projects, HRBT, HREL and Bowers Hill.

Mr. Miller provided a detailed snapshot of the completed funding for the six initial projects, and the HRBT project. This included total cost, HRTAC share, funding mix and fiscal year allocation.

The agenda indicated Committee approval was needed for issuance of \$800M in HRTF-supported debt. Mr. Miller explained it could be in one or two series, dependent upon the interest rate at the time of issuance.

Mr. Miller reviewed the steps needed to continue with the HRBT financing and explained the lengthy TIFIA application process. Additionally, he noted the investment grade traffic and revenue study provided by CDM Smith, VDOT cost estimates for toll collection and system maintenance and the Master Tolling Agreement were all needed before HRTAC could secure a TIFIA loan.

Committee discussion ensued in regards to the Traffic and Revenue Study scope and timeline for completion.

Mr. Miller provided the HRELN financing plan to the Committee. He reminded the members the maximum TIFIA loan amount is for 33% of the project and stated the remaining financing would be through HRTF backed bonds.

He reiterated to the Committee the plan of finance assumed the HRELN would begin toll collection when the HRBT was complete in 2025. He noted that if any segments began operating prior to 2025, it would be at a loss.

Mr. Page stated HRTAC would not support any toll roads operating at a loss.

Mr. Miller outlined the steps needed to advance the HRELN beginning in 2020 through 2022. He noted due to fluid situation, actions were always subject to change.

Committee members were briefed on the prospective Bower's Hill financing. Mr. Miller noted the modifications to the High Rise Bridge allowed for the early advancement of this project. He indicated the funding mix would be paygo cash and a small TIFIA loan.

Mr. Page updated the Committee on recent actions taken by the Hampton Roads Transportation Planning Organization (HRTPO) Bowers Hill Steering Committee.

Mr. Page indicated the elevated cost of the Fort Eustis Interchange project was due to the project being bundled with the eight lane expansion of I-64 Segment I. Mr. Page suggested VDOT separating out the project to reduce the cost.

Mr. Miller reviewed with the Committee the revenue waterfall that would apply to a toll revenue indenture and noted the assumptions included; all roadway, bridge, and tunnel operation and maintenance, and capital maintenance costs to be paid by VDOT, HRTF pays HRTAC administrative costs, and toll revenues pay toll collection costs and toll equipment replacement.

Additionally, Mr. Miller noted the current market situation and the potential effects from the coronavirus. He indicated VDOT could alter projected revenues and HRTAC could receive decreased sales tax revenue.

Mr. Eric Ballou, Kaufman and Canoles, reviewed HRTAC Resolution 2020-01: Resolution Authorizing the Issuance of up to \$800,000,000 in Aggregate Principal Amount of Hampton Roads Transportation Fund **[Senior Lien]** **[Intermediate Lien]** Revenue Bonds, Series 2020.

Committee discussion ensued in regards to Bond premiums, coupon rates, and bond spreads.

Mr. Thomas Shepperd Moved to approve the Finance Committee to endorse the proposed HRTAC Debt Management Plan Update that included the issuance of up to \$800,000,000 of Hampton Roads Senior Lien Revenue Bonds, Series 2020 for the I-64 Hampton Roads Bridge-Tunnel Expansion Project and authorize the Finance Committee Chair to

communicate the Debt Management Plan Update to the Commission at its March 19, 2020 Special Meeting with a request that the Commission authorize the Finance Committee Chair to conduct a public hearing; Seconded by Mr. Donnie Tuck. The Motion Carried.

6B. HRTAC FY2021-FY2026 Plan of Finance Update – Recommendation to Endorse and Request Authorization to Conduct a Public Hearing

Mr. Kevin B. Page, HRTAC Executive Director, stated the creation and public hearing of a six-year plan was required by the Code of Virginia, and of the \$5.17 Billion in Hampton Roads Regional Transportation Priority Projects, \$4.64 Billion was funded by HRTAC.

He indicated the HRBT would be HRTAC's next funding priority and reviewed the funding milestones. Additionally, he updated the Committee on the HRELN as it related to the six-year improvement program.

Mr. Page explained the costs and funding sources of the six-year plan and the HRTAC projected cash flow to Committee Members. He reminded members HRTAC policy was to maintain \$100 Million of unobligated funds.

Mr. Thomas Shepperd Moved the Finance Committee to endorse the Proposed HRTAC FY2021-FY2026 Plan of Finance Update – Six Year Operating and Capital Program of Projects for the Region's High Priority Projects (With Toll Revenues to HRTAC) as an update to the HRTAC -adopted-2020-2026 Financial Plan and authorize the Finance Committee Chair to communicate the action of the Finance Committee and to request the Commission to authorize HRTAC Staff to conduct a public hearing and report back public comments for consideration in the Commission's action by no later than its June 18, 2020 Annual Organizational meeting; seconded by Mr. Donnie Tuck. The Motion Carried.

6C. HRTAC Proposed 2045 Long Range Plan of Finance Update – Recommendation to Endorse and Request Authorization to Conduct a Public Hearing

Mr. Kevin Page, HRTAC Executive Director, updated the Committee on the HRTAC proposed 2045 Long Range Plan of Finance. He highlighted the addition of the High Rise Bridge median and shoulder running lanes. He indicated the addition of these lanes allowed for the deferral of High Rise Phase II and allowed the Bowers Hill Interchange and Fort Eustis Interchange projects to be completed sooner.

Mr. Page explained to the Committee Members that there was over a billion dollars of savings in the Long Range Plan of Finance due to the shifting of High Rise Phase II project.

Mr. Donnie Tuck Moved the Finance Committee to endorse the Proposed 2045 Long Range Plan of Finance Update for the HRTAC High Priority Projects to the Commission, and to request that the Commission authorize the Finance Committee to hold a public hearing and report back public comments for consideration in the Commission's action at a future meeting to communicate the 2045 Long Range Plan of Finance Update for the HRTAC High Priority Projects to the HRTPO; Seconded by Mr. Thomas Shepperd. The Motion Carried.

6D. Briefing to the Finance Committee on the progress of the prospective Hampton Roads Express Lane Network Master Tolling Agreement, and the financing activities relating thereto - Closed Session, as needed

Mr. Kevin B. Page and Mr. Tom Inglima, HRTAC Counsel indicated that in light of prior discussions no further discussion was needed.

6E. Hampton Roads Express Lanes Network Investment Grade Traffic and Revenue Study - Recommendation to Approve the Funding of and Actions RE: Work Order

Mr. Page indicated in order for HRTAC to move forward with toll backed revenue debt or a TIFIA loan leveraging the toll revenue, an investment grade traffic and revenue study was needed. Additionally, he noted HRTAC had contracted with CDM Smith for a traffic and revenue study before.

Mr. Page stated the current contract was issued through VDOT's public-private partnership office, and the current approved HRTAC budget could absorb the cost.

The Work Order includes updating traffic counts and assumptions for Phase I, which is Monday through Friday.

Mr. Thomas Shepperd Moved The Finance Committee to endorse the proposed Investment Grade Traffic and Revenue Study Work Order for the Hampton Roads Express Lanes Network that is being placed by the VDOT Office of P3 and to authorize the Finance Committee Chair to communicate such endorsement to the Commission and to recommend to the Commission that the Commission authorize and approve the funding of such Work Order and the actions taken by the Executive Director in support thereof; Seconded by Mr. Donnie Tuck. The Motion Carried.

6F. HRTAC FY2021 Administrative and Project Development Budget - Recommendation to Endorse and Request Authorization to Conduct a Public Hearing

Mr. Kevin B. Page, HRTAC Executive Director, reviewed the proposed administrative budget and project development budget. He stated the fiscal impact was \$7,279,172.00.

He indicated this included an onboarding of a fourth employee due to the proposed transit responsibility and funding HRTAC would begin to receive July 1, 2020 and the higher level of accountability necessary due to TIFIA.

Mr. Thomas Shepperd Moved the Finance Committee to endorse the proposed HRTAC FY2021 Administrative and Project Development Budget and authorize the Finance Committee Chair to recommend the draft budget to the Commission and to request that the Commission authorize the Finance Committee to conduct a public hearing on the proposed HRTAC FY2021 Administrative and Project Development Budget; Seconded by Mr. Donnie Tuck. The Motion Carried.

Information Items

7A. HRTAC Financial Report

Mr. Nelson Bush, PFM, briefed the Committee on the conditions of the market. He noted the economy was strong in the beginning months of 2020 and then highlighted the corona virus negative effects. He stated interest rates were low and expected them to continue to trend down for some period of time. He explained the gas tax floor legislation passed last session assisted in stabilizing revenues.

He recommended a minor change to the HRTAC Investment Policy would be to include Fitch as a qualified rating agency. This modification to the Policy would align with the changes made to the Investment of Public Funds Act.

Adjournment

With no further business to come before the Hampton Roads Transportation Accountability Commission Finance Committee, the meeting adjourned at 11:08 a.m.



Michael J. Hipple
Finance Committee Chair