

**Hampton Roads Transportation
Accountability Commission (HRTAC)
Summary Minutes of the March 15, 2022 Finance Committee Meeting**

The Hampton Roads Transportation Accountability Commission (HRTAC) Finance Committee Meeting was called to order at 9:16 a.m. with the following in attendance:

HRTAC Members in Attendance:

Supervisor Michael Hipple, JC, Chair
Supervisor Thomas G. Shepperd, YK

Senator Monty Mason, VGA

HRTAC Executive Director:

Kevin Page

Other Participants:

Eric Ballou, Kaufman and Canoles
David Calvert, PFM
Tom Inglima, Willcox & Savage

Dong Kim, PFM
David Miller, PFM
Liang Shan, PFM

HRTAC Voting Members Absent:

Supervisor William McCarty, IW

Mayor McKinley Price, NN

Others Recorded Attending:

Ben Wills (Kaufman and Canoles); Danetta Jankosky (HRTPO); Lynn Coen, Jennifer Hodnett (HRTAC); Renee Larkin (Veterans Reporters)

Call to Order and Roll Call

HRTAC Finance Committee Chair, Supervisor Michael Hipple, called the meeting to order and a roll call vote of all Members was taken:

Chair Michael Hipple: Present
Supervisor William McCarty: No Response
Mayor McKinley Price: No Response
Supervisor Thomas Shepperd: Present
Senator Monty Mason: Present

The quorum was confirmed by HRTAC General Counsel, Tom Inglima.

Approval of Agenda

Supervisor Thomas Shepperd Moved to approve the agenda as presented; Seconded by Senator Monty Mason. The Motion Carried.

Public Comment Period (limit 5 minutes per individual)

No one from the public requested to make a public comment.

Consent Items

A. Minutes of the June 10, 2021 Finance Committee Meeting

Supervisor Shepperd Moved to approve the consent agenda item; Seconded by Senator Mason. The Motion Carried.

Action Items

A. Custodial Banking Services

HRTAC Executive Director, Kevin Page, reminded the Committee of the Security Custody Services Request for Proposals (RFP) issued by the Commission on September 30, 2021. He informed the Committee that two bidders had submitted proposals, and an Ad-Hoc RFP Evaluation Committee had been established to evaluate the proposals and make a recommendation to the Commission. Executive Director Page noted that the finalist would be identified at the March 17, 2022 HRTAC Special Meeting.

Committee Members inquired as to the process for selecting the finalist. Evaluation Committee Spokesperson, Danetta Jankosky, explained that each proposal was scored separately and then discussed by the Evaluation Committee. Ms. Jankosky stated that a major factor taken into consideration by the Evaluation Committee was the significantly lower management fee charged by the recommended finalist.

Senator Mason Moved that the Finance Committee approves the recommendation of the Security Custody Services RFP Evaluation Committee and authorizes the Finance Committee Chair to communicate the action of the Finance Committee to recommend Commission approval and authorization of the HRTAC Chair to execute the prepared Security Custody Services Agreement with the final offeror to be announced at the meeting; Seconded by Supervisor Shepperd. The Motion Carried.

B. HRBT Right-of-Way Acquisition

Executive Director Page reminded the Committee that the Project Agreement for Funding and Administration (PAFA) for the Hampton Roads Bridge Tunnel (HRBT) Expansion Project requires that the Virginia Department of Transportation (VDOT) obtain the Commission's prior written approval before the Design Builder may proceed with the acquisition of Additional Right-of-Way for the Project. Executive Director Page explained that as construction of the HRBT Expansion Project has progressed, the acquisition and removal of an approximately 333 square foot portion of a pier and approximately seven wood pilings had been determined to be necessary for the HRBT Expansion Project. Because negotiations between VDOT and the pier owners had come to an impasse, VDOT and the Design Builder had begun the process of filing for condemnation. Executive Director Page indicated that HRTAC's approval was needed pursuant to the PAFA for VDOT to proceed with the acquisition of the Additional Right-of-Way.

Executive Director Page noted that the fiscal impact was \$25,000, based on an independent appraisal of the estimated impact of the proposed acquisition, and a copy of the Additional Right-of-Way plat was included in the agenda materials.

Committee Members requested clarification as to the property owners' rights considering the pier and pilings are situated on a VDOT right-of-way.

Mr. Inglima stated that the property is likely subject to a lease and that the condemnation was a matter of determining the monetary value of terminating such lease.

Senator Mason Moved that the Finance Committee endorses and recommends that the Commission: (i) approve the Department's January 27, 2022 request for written consent to file a "Certificate of Take" under the eminent domain statutes in order for the Design Builder to acquire and then remove a portion of a pier and pilings that are currently located by permit on Commonwealth of Virginia land within Willoughby Bay; and (ii) authorizes the Finance Committee Chair to communicate the action of the Finance Committee to recommend Commission approval and authorization of the HRTAC Chair to transmit such written consent to the Commissioner of Highways; Seconded by Supervisor Shepperd. The Motion Carried.

C. HREL Segment 1 Standard Project Agreement – Bifurcation/Replacement with Segment 1A and Segment 1B Standard Project Agreements

Executive Director Page reminded the Committee of HRTAC's funding of the pre-preliminary engineering of Segment 1 in the early phases of the development of the Hampton Roads Express Lanes (HREL). At the December 16, 2021 Commission meeting, the Commission authorized the Chair to finalize and execute agreements for Preliminary Engineering and Right-of-Way for construction. As the project progressed, a need to split Segment 1 into two distinct segments had been identified. To achieve the bifurcation of the Segment 1 work, replacement of the previously executed December 16, 2021 Segment 1 project agreement with two new Standard Project Agreements was required. Executive Director Page noted that the fiscal impact would not change and that only the allocation of funds would change.

Supervisor Shepperd Moved that the Finance Committee endorses and recommends that the Commission: (i) adjust the approved FY2022-FY2027 HRTAC Six Year Improvement Plan for the Hampton Roads Express Lanes Network to reflect the specific Segment 1A and Segment 1B projects; (ii) approve the Standard Project Agreements for Funding and Administration with respect to the Hampton Roads Express Lanes Network – Segment 1A and Segment 1B, Preliminary Engineering and Right-of-Way for Construction work; and (iii) authorizes the Finance Committee Chair to communicate the Finance Committee's endorsement and recommendation to the Commission at its next meeting; Seconded by Senator Mason. The Motion Carried.

D. HRTAC FY2023 Administrative and Project Development Budget

Executive Director Page reviewed the proposed FY2023 Administrative and Project Development Budget with the Committee. He indicated that the Budget included an additional \$647,000 for a Consultant Engineer to fulfill HRTAC's obligations under the TIFIA Loan Agreement.

Committee Members inquired as to who would be selected as the Consultant Engineer. Executive Director Page stated that the Consultant Engineer would be selected through the public procurement process.

Committee Members asked how the line item amount for the Consultant Engineer reflected in the Budget was determined. Executive Director Page explained that the amount was computed based on research of the average industry costs. Executive Director Page clarified that the amount was subject to change upon final selection of the Consultant Engineer.

Committee Members inquired about the duration of the Consultant Engineer contract. Executive Director Page explained that the Consultant Engineer would be employed for the duration of the active term of the TIFIA Loan.

HRTAC Bond Counsel, Eric Ballou, noted that it is common for toll road operators to have consultant engineers for a term of at least five years, procured through a competitive solicitation.

Committee Members discussed the Commission's desire to keep overhead costs as low as possible and ensure regional money was being spent responsibly.

Executive Director Page also indicated that there would likely be a fee increase depending on whether HRTAC or a consultant is ultimately the toll operator for the HREL. A decision as to the responsible party would be made by June 2023.

Committee discussion ensued in regard to toll collection activities and potential costs.

Supervisor Shepperd Moved that the Finance Committee endorses the proposed HRTAC FY2023 Administrative and Project Development Budget and authorizes the Finance Committee Chair to recommend the proposed budget to the Commission and request that the Commission authorize the Executive Director to conduct a public hearing on the Proposed HRTAC FY2023 Administrative and Project Development Budget; Seconded by Senator Mason. The Motion Carried.

E. HREL Plan of Finance Update – Adjusted Cost Estimates, Updated Traffic and Revenue Analysis, Funding Analysis and Determination of Revenue Assumptions

Mr. David Miller, PFM, reviewed the Hampton Roads Express Lanes project phases and the cost estimates associated with each phase. He highlighted that the updated current cost estimate regarding the costs to be paid by HRTAC had increased by \$162 million, making the \$93.1 million even more important.

Committee Members asked about the cost increase. Executive Director Page indicated that the 2022 estimate had been further refined since VDOT's commencement of the pre-preliminary engineering work for the project.

Mr. Miller explained that the updated cost estimate also included an additional \$124 million in work supported by federal Infrastructure Investment and Jobs Act (IIJA) bridge funds, \$24 million in work supported by federal Interstate Operations and Enhancement Program (IOEP) funds, and up to \$28 million in toll integration costs.

Executive Director Page gave examples of sections of Segment 1A and Segment 1B of the HREL where connecting ramps, shoulder running lanes and increased lane miles had driven cost increases.

Mr. Miller clarified that the \$28 million in VDOT TFRA funds were a loan to HRTAC. Executive Director Page noted that the repayment would be made from excess revenue.

Mr. Miller next reviewed the legislation that appropriated \$93.1 million to the project and highlighted that the legislation required traffic and revenue (T&R) modeling of summer weekend traffic volumes to determine if all of the funding was needed.

Committee discussion ensued regarding the \$93.1 million for the HRELN project and the language in the legislation regarding the circumstances in which funds would be allocated to the I-64 improvements between exit 205 and exit 234. Executive Director Page clarified that the exit 205 to exit 234 corridor was not identified as an HRTAC prioritized project.

Mr. Miller summarized the 2021 T&R Study required by the Appropriation Act. He stated that the T&R Study observed summer peak weekend tolling at the HRBT and said an increase of toll revenue was about \$5 million.

Committee Members were presented with graphs detailing the average Saturday congestion levels for Eastbound and Westbound traffic.

Mr. Miller reiterated that the T&R Study was conducted to discover lost revenue not previously accounted for and not to explore scenarios that would require a change in toll policy. He also noted that VDOT presented other scenarios to the consultant for additional information.

Senator Mason Moved that the Finance Committee recommends that the Commission approve the Proposed HRTAC Hampton Roads Express Lanes Plan of Finance Update, including the determination therein regarding the need for \$93.1M in state Appropriation Act provided funding, and authorizes the Finance Committee Chair to recommend to the Commission at its next meeting that it approve such Plan of Finance Update and determination; Seconded by Supervisor Shepperd. The Motion Carried.

F. HRTF/Toll Debt Management Plan Update

Mr. Miller reviewed HRTAC's debt financings for the Six Initial Projects, the HRBT and the HRELN and stated that the most recent forecast by the Department of Tax (December 2021) showed that Hampton Roads Transportation Fund (HRTF) revenues through FY 2026 are projected to be \$195 million higher than estimated in December 2020.

Mr. Miller explained that the Commission had healthy cash flow, thus the HRBT project was still viable even with increase of \$162 million.

Supervisor Shepperd Moved that the Finance Committee recommends that the Commission approve Proposed HRTAC HRTF/Toll Debt Management Plan Update and authorizes the Finance Committee Chair to recommend approval of the Proposed HRTAC HRTF/Toll Debt Management Plan Update to the Commission; Seconded by Senator Mason. The Motion Carried.

G. FY2023-FY2028 Plan of Finance Update – Six Year Operating and Capital Program of Projects – Highway Regional High Priority Projects

Ms. Liang Shan, PFM, reviewed HRTAC's Highway Regional Priority Projects Costs and Expenses and funding sources.

Committee Members asked about the tracking of the budget and Executive Director Page assured members daily tracking was occurring.

Executive Director Page clarified that HRTAC would receive toll revenues regardless of whether toll operations were outsourced.

Senator Mason Moved that the Finance Committee endorses the Proposed FY2023-FY2028 Plan of Finance Update – Six Year Operating and Capital Program of Projects – Highway Regional High Priority Projects as an update to the HRTAC-adopted 2022-2027 Financial Plan and authorizes the Finance Committee Chair to communicate the action of the Finance Committee and to request the Commission to authorize the Executive Director to conduct a public hearing and report back public comments for consideration in the Commission's action which action is expected to be taken not later than at its June 16, 2022 Annual Organizational meeting; Seconded by Supervisor Shepperd. The Motion Carried.

H. FY2023-FY2028 Plan of Finance Update – Six Year Operating and Capital Program of Projects – Transit Regional High Priority Projects

Ms. Shan noted that the proposed FY2023-FY2028 Plan of Finance Update – Six Year Operating and Capital Program of Projects – Transit Regional High Priority Projects includes the FY2023 funding request made by Hampton Roads Transit (HRT) and the related continued support of the operations and maintenance of eligible regional transit services.

The Committee reviewed a table detailing the expenditures for FY2023-FY2028.

Executive Director Page highlighted the various projects included in the Hampton Roads Regional Transit Fund (HRRTF) Program and identified the crucial benefits those projects would bring to the region.

Supervisor Shepperd Moved that the Finance Committee endorses the Proposed FY2023-FY2028 Plan of Finance Update – Six Year Operating and Capital Program of Projects –

Transit Regional High Priority Projects as an update to the HRTAC-adopted 2022-2027 Financial Plan and authorizes the Finance Committee Chair to communicate the action of the Finance Committee and to request the Commission to authorize the Executive Director to conduct a public hearing and report back public comments for consideration in the Commission's action, which action is expected to be taken not later than at its June 16, 2022 Annual Organizational Meeting; Seconded by Senator Mason. The Motion Carried.

I. Authorization to Issue up to \$501,000,000 of Additional Bond Anticipation Notes to Refund and Extend HRTF Series 2019A Bond Anticipation Notes (BANs) – Resolution 2022-01

Mr. Miller reviewed with the Committee the structure of the Series 2019A BANs. He reminded the Committee that in September 2021, the Commission took advantage of favorable market conditions to modify the Series 2019 TIFIA loan and lower its rate. Under the TIFIA program and the modified TIFIA loan, the Commission has until July 2022 to make an initial draw on that loan. Mr. Miller explained that the Commission may realize a financial benefit to "roll over" the Series 2019A BANs to continue interim financing of the initial six projects before such draw, provided it can be done on a basis that is fiscally advantageous to the Commission. Mr. Miller stated that the interest rates on the BAN were 1.3% versus the TIFIA loan interest rates, which were at 1.86%. By issuing a series of BANs to extend or "roll-over" the Series 2019A BANs, the amount drawn on the TIFIA loan would be reduced, creating an economic benefit over the life of the TIFIA Loan.

Committee discussion ensued in regards to the economic benefits of the TIFIA program.

Mr. Ballou reminded the Committee that the interest rate on the new BANs was subject to market conditions and that Resolution 2022-01 made clear that the rolling over of the BAN would only be completed if there was a minimum monetary benefit of \$100,000.

Mr. Ballou reviewed with the Committee the bond documents and structure of the proposed transaction. He explained that an escrow agreement would provide for a short term period, such as thirty days, to place the new BAN proceeds in escrow, only to be used to pay off the 2019A BAN.

Mr. Ballou explained that a bidding agent could potentially be used, which is a common practice in the bond market, and the underwriter would be selected from HRTAC's existing underwriting team.

Supervisor Shepperd Moved that the Finance Committee endorses Resolution 2022-01 and authorizes the Finance Committee Chair to communicate the Finance Committee's endorsement to the Commission at its March 17, 2022 Special Meeting; Seconded by Senator Mason. The Motion Carried.

J. Authorization to Defease and Redeem up to \$468,000,000 of Series 2018A Bonds from Available Funds and Related Actions – Resolution 2022-02; and

K. Authorization to Issue up to \$590,000,000 of HRTF Series 2022A Senior Lien Bonds (to fund certain HRBT Project Cost) – Resolution 2022-03

Mr. Ballou explained the proposed use of presently uncommitted HRTF cash balances to "defease" (or pay off) up to \$486,000,000 of the Commission's HRTF Senior Lien Revenue Bonds, Series 2018A. He outlined the steps HRTAC would need to take to establish an escrow to defease selected higher interest rate 2018A Bonds.

Mr. Miller next explained the second step to implement the "cash optimization" program. By using existing paygo capital funds to defease outstanding debt instead of issuing refunding bonds, the new money capital project(s) are funded with a new money debt issuance instead of existing paygo capital. This allows HRTAC, through establishment of a defeasance escrow, to pay off relatively high interest costs bonds and to continue funding for the HRBT Expansion Project through the issuance of an additional series of HRTF new money bonds at a relatively lower interest cost. Mr. Miller emphasized that the cash optimization process would be two distinct steps, as required by law. The estimated net present value of economic benefit would be approximately \$70 million.

Mr. Miller noted that action would only be taken if meaningful overall economic benefit could be achieved.

Mr. Ballou outlined alternative methods to refinance the 2018A Bonds and reviewed the risks with the Committee Members. He indicated that the cash optimization option did require two steps and a thirty-day separation period to complete the second step after completion of step 1, which creates some interest rate risk.

Mr. Miller acknowledged that although the market conditions could change, it would take an increase by 150 basis points for HRTAC to not realize any economic benefit after the thirty-day waiting period. He noted that based on research a sharp increase of that magnitude was not likely.

Committee Members asked about the time delay between the defeasance and issuance of the bonds. Mr. Ballou explained that the transactions needed to be priced in an unrelated manner, such as separated by 15 days, and also a 30-day waiting period between closings to allow time for the Commission to thoroughly carry out all requirements for closing a bond offering.

Senator Mason Moved that the Finance Committee endorses Resolutions 2022-02 and 2022-03 and authorizes the Finance Committee Chair to communicate the Finance Committee's endorsement to the Commission at its March 17, 2022 Special Meeting; Seconded by Supervisor Shepperd. The Motion Carried.

Discussion Item

A. HRTF and HRRTF 2045 Long Range Plan of Finance Update for the Region's High Priority Projects and the Hampton Roads Regional Transit Fund

Executive Director Page reviewed the projects included in the HRTAC 2045 Long Range Plan of Finance and indicated that the list of projects was prioritized by the Hampton Roads Transportation Planning Organization based on project readiness. He stated that the I-64/I-264 Independence Interchange and the widening of 264 from Witchduck to

Independence Boulevard were the next projects to be financed, as VDOT continues to advance funding on the I-64/I-464 loop ramps.

Committee Members inquired about the Fort Eustis Boulevard Interchange project. Executive Director Page indicated that the project was moved out of the 2045 Long Range Plan of Finance by the Hampton Roads Transportation Planning Organization. He also noted that congestion relief needs are taken into consideration in prioritizing projects.

Committee discussion ensued regarding projects on the Peninsula.

The Committee reiterated the importance of the fuels tax for the region and discussed the negative effects that would be caused if the recently proposed legislation to eliminate the gas tax under the new administration were passed.

Information Item

A. HRTAC Monthly Financial Report

Executive Director Page reviewed the HRTAC Monthly Financial Report with the Committee.

Adjournment

With no further business to come before the Finance Committee the meeting adjourned at 11:54 a.m.



Michael Hippie
HRTAC Finance Committee Chair