

**Hampton Roads Transportation
Accountability Commission (HRTAC)
Summary Minutes of the April 19, 2022 Finance Committee Meeting**

The Hampton Roads Transportation Accountability Commission (HRTAC) Finance Committee Meeting was called to order at 10:30 a.m. with the following in attendance:

HRTAC Members in Attendance:

Supervisor Michael Hipple, JC, Chair
Mayor McKinley Price, NN

Supervisor Thomas G. Shepperd, YK
Senator Monty Mason, VGA

HRTAC Executive Director:

Kevin Page

Other Participants:

Nelson Bush, PFM
Tom Inglima, Willcox & Savage

Megan Gilliland, Kaufman and Canoles

HRTAC Voting Members Absent:

Supervisor William McCarty, IW

Others Recorded Attending:

Danetta Jankosky, Sheila Wilson (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: Present
Supervisor Thomas Shepperd: Present
Senator Monty Mason: Present

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

Approval of Agenda

Mayor McKinley Price 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 March 15, 2022 Finance Committee Meeting

Supervisor Thomas Shepperd Moved to approve the consent agenda items; Seconded by Senator Monty Mason, with Mayor Price abstaining. The Motion Carried.

Action Items

A. Annual Evaluation of Executive Director and Employment Agreement – Closed Session as Needed

Senator Mason Moved that a closed session be held to discuss and consider the performance and salary of the Executive Director of the Commission, which closed session will be held in accordance with Virginia Code Section 2.2-3711(A)(1) for the purpose of discussion and consideration of the assignment, appointment, performance, promotion, demotion, salary, disciplining, or resignation of specific employees of the Commission; Seconded by Supervisor Shepperd. The Motion Carried.

Closed Session began at 10:33 a.m. and ended at 10:47 a.m.

Mr. Inglima read the following certification:

The Finance Committee hereby certifies that, to the best of each Member's knowledge: (i) only public business matters lawfully exempted from open meeting requirements under 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.

A roll call vote was taken:

Chair Hipple: Yes

Mayor Price: Yes

Senator Mason: Yes

Supervisor Shepperd: Yes

Chair Hipple reported that the Finance Committee was extremely satisfied with the performance of HRTAC Executive Director, Mr. Kevin Page, and indicated that his evaluation scores from the Commission Members were high.

Supervisor Shepperd Moved that the Finance Committee has determined that the Executive Director has exceeded expectations for the review period; Seconded by Senator Mason. The Motion Carried.

B. Recommendations RE: Employment Agreement and Merit/Cost of Living Salary Adjustments

Mr. Inglima reminded the Committee that this Agenda item was to amend the Executive Director's Employment Agreement to include the 5% Cost of Living Adjustment (COLA).

He explained that the increase would be effective July 1, 2022 for FY2023 and is currently included in the endorsed FY2023 Proposed Budget for HRTAC Staff.

Supervisor Shepperd reminded the Committee that the Social Security Administration COLA increase was 5.94%.

Senator Mason Moved that the Finance Committee recommends amending the Executive Director's Employment Agreement to reflect a 5% COLA to the Executive Director's salary beginning FY2023, which COLA is included for all current staff in the endorsed FY2023 Proposed Budget, and authorizes the Finance Committee Chair to communicate the Finance Committee's recommendation to the Commission at its April 21, 2022 Regular Meeting; Seconded by Mayor Price. The Motion Carried.

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

Executive Director Page explained HRTAC's efforts to update the Commission's 2045 Long Range Plan of Finance, which included input provided by the Virginia Department of Transportation (VDOT), HRTAC, Hampton Roads Transit (HRT), and Hampton Roads Transportation Planning Organization (HRTPO) Staff followed by input from the Finance Committee at its March 15, 2022 meeting.

Committee Members were presented with a table showing inflation costs based on the construction end year for the Highway Regional Priority Projects. Executive Director Page highlighted the I-664 Bowers Hill Interchange Project and stated that the project scope had been expanded to include the I-664 widening to College Drive. He noted that the costs based on inflation and construction end year had increased to \$1.5 billion.

Committee Members discussed the additional costs under the HRTAC Proposed 2045 Long Range Plan of Finance.

Executive Director Page clarified that if the Finance Committee approved the HRTAC Proposed 2045 Long Range Plan of Finance Update, a public hearing would be held before bringing the HRTAC Proposed 2045 Long Range Plan of Finance Update to the full Commission for approval and adoption.

Executive Director Page reminded the Committee that the HRTAC Proposed 2045 Long Range Plan of Finance Update would need to be fully funded or constrained in order to be approved and adopted.

Mr. Inglima clarified that the HRTAC Proposed 2045 Long Range Plan of Finance Update was currently a vision plan and that all HRTAC projects are funded through 2025.

Executive Director Page informed the Committee Members that VDOT assists HRTAC in project estimates when creating these vision plans and highlighted the Regional Connector Study.

Committee discussion ensued in regards to the importance of funding to accommodate additional capacity of the Highway Regional Priority Projects.

Committee Members questioned how projects get added or removed to the HRTAC 2045 Long Range Plan of Finance and inquired about the Fort Eustis Project.

Executive Director Page explained that in general potential projects are re-evaluated and updated, as necessary, to meet certain qualification standards. He indicated that the Fort Eustis Project originally contemplated improvements consisting of an eight-lane highway expansion and suggested that the project could be broken out into multiple phases to make it more feasible.

Committee Members requested that Executive Director Page communicate with HRTPO Executive Director, Robert Crum, and VDOT to discuss the feasibility of completing the Fort Eustis Project.

Committee discussion continued on the proposed projects included in the HRTAC Proposed 2045 Long Range Plan of Finance Update and additional potential projects that might be considered.

Executive Director Page explained that the cost estimates for future projects were based on present-day cost estimates with a 4% construction escalation charge and further reminded the Committee that the longer projects wait to be completed, the more expensive they become.

Executive Director Page summarized the other proposed projects included in the HRTAC 2045 Proposed Long Range Plan of Finance Update. He also reminded the Committee that the Hampton Roads Regional Transit Fund (HRRTF) was a separate program with a separate 2045 vision plan.

Committee Members were provided a table showing the Operations and Maintenance Costs and the Capital Costs associated with the HRRTF supported projects.

Executive Director Page explained the importance of the HRRTF program and stated that because only localities may fund transportation routes located solely in the respective locality, the HRRTF program, which is managed by HRTAC, allowed for additional regional routes. He reminded the Committee that the HRRTF program was comprised of the six localities served by HRT (Chesapeake, Hampton, Newport News, Norfolk, Portsmouth and Virginia Beach).

Senator Mason Moved that the Finance Committee endorses the HRTAC 2045 Long Range Plan of Finance Update for the Region's High Priority Projects and the Hampton Roads Regional Transit Fund and authorizes the Finance Committee Chair to recommend the proposed 2045 Long Range Plan of Finance Update to the Commission and request that the Commission authorize the Executive Director to conduct a public hearing on the

proposed HRTAC 2045 Proposed Long Range Plan of Finance Update; Seconded by Mayor Price. The Motion Carried.

Discussion Item

A. HRTAC Financing Activities Update

Executive Director Page thanked the Committee Members for their endorsement of the financing requests at the March Finance Committee Meeting and expressed appreciation for Chair Hippel for efficiently communicating the Finance Committee's recommendations to the full Commission at the Commission's March 17, 2022 Special Meeting.

The Committee was reminded of the two approvals made at the March 17, 2022 Special Meeting – the 2022A Bond Anticipation Note (BAN) to replace the 2019A BAN, and the 2018A Bonds defeasance cash optimization model. Executive Director Page indicated that following the March 17, 2022 Special Meeting, market conditions shifted compromising the opportunity to issue a new 2022A BAN, at which point HRTAC Staff shifted its focus to the cash optimization model.

HRTAC Bond Counsel, Ms. Megan Gilliland, summarized the cash optimization model used for the 2018A defeasance and stated that the first part of the two-step process (i.e., the establishment of a defeasance escrow) had been completed that morning. She stated that \$364 Million of the first \$500 Million of the 2018A Bonds would be defeased. Thereafter, there would need to be a window between the defeasance and the issuance of the new bonds. Ms. Gilliland stated that the new bond proceeds would be applied to the HRBT project.

Committee members questioned when the pricing of the bonds would occur.

Ms. Gilliland indicated that the bond underwriters would release a pricing wire on the market in about one week and that HRTAC would sign a bond purchase agreement with the underwriters on May 19. She further explained the role of the underwriters in the bond purchasing process.

Committee Members asked about the amount of the new bond proceeds.

Ms. Gilliland stated that \$422 Million in new revenue would be generated, with a cost of \$3.6 Million to sell the bonds. She noted that defeasing the 2018A Bonds created a savings of \$42 Million, which amount was slightly less than that noted at the previous Finance Committee meeting due to the quickly changing interest market.

Committee discussion ensued in regards to the window between the two steps.

Mr. Nelson Bush, PFM, explained that during the waiting period, PFM is directed to invest the defeasance escrow funds until they are needed to defease the 2018A Bonds. He indicated that a typical investment option was to purchase slugs. "Slugs" refers to a special U.S. Treasury security offered in the municipal bond market and are frequently used in

escrows. He highlighted that in the event the open market securities had a higher yield on pricing day, PFM would invest the escrow funds wherever the higher yields existed to maximize savings to HRTAC. However, because the open market did not have the higher yields, slugs were purchased.

Mr. Bush discussed the risks of each investment option and indicated that the slugs were a safer option and preferred by bond attorneys.

Executive Director Page reminded the Committee Members that the 2022A BAN option was still available, as Commission approval had previously been obtained, and that HRTAC Staff and PFM were monitoring the market, should the conditions become favorable.

Committee Members asked when a preliminary official statement (POS) with respect to the new bonds would be available.

Mr. Bush stated that a POS would be available in about seven days.

Mr. Inglima then reminded the Committee that the 2022A BAN option was only available until the end of June, at which point the 2019A BAN reached maturity and the initial draw on the 2019/2021 Successor TIFIA Loan would occur.

Information Item

A. HRTAC Monthly Financial Report

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

Committee Members commented on the fuels tax and reiterated its importance to the Region.

Adjournment

With no further business to come before the Finance Committee the meeting adjourned at 11:43 a.m.



Michael Hipple

HRTAC Finance Committee Chair