

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

The Hampton Roads Transportation Accountability Commission (HRTAC) Finance Committee Meeting was called to order at 9:10 a.m. with the following in attendance:

HRTAC Members in Attendance:

Supervisor Michael Hipple, JC, Chair
Supervisor William McCarty, IW

Mayor Shannon Glover, PO
Senator Monty Mason, VGA

HRTAC Executive Director

Kevin Page

Other Participants:

Nelson Bush, PFM
David Miller, PFM
Liang Shan, PFM

Tom Inglima, Willcox & Savage
Eric Ballou, Kaufman and Canoles

HRTAC Voting Members Absent:

Supervisor Thomas Shepperd, YK

Others Recorded Attending:

Danetta Jankosky, Sheila Wilson (HRTPO); Lynn Coen, Jennifer Hodnett (HRTAC); Ashley Mason Rhodes (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: Present
Mayor Shannon Glover: Present
Supervisor Thomas Shepperd: No Response
Senator Monty Mason: Present

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

Approval of Agenda

Mayor Shannon Glover Moved to approve the agenda as presented; Seconded by Supervisor William McCarty. 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 April 19, 2022 Finance Committee Meeting

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

Action Items

A. Fiscal Year 2022 Annual Report to the Joint Commission on Transportation Accountability Relating to the Hampton Roads Transportation Fund

HRTAC Executive Director, Kevin Page, stated that the draft Fiscal Year 2022 Annual Report was included in the agenda package and, if approved by the Finance Committee, would be presented to the full Commission for approval in connection with the legislatively mandated regular review of the usage of funding conducted by the Joint Commission on Transportation Accountability. He indicated that the Report would be submitted to the Virginia General Assembly by October 15, 2022.

Committee Members discussed the results of the financial audit conducted by PB Mares in preparation for HRTAC's submission of the Annual Report.

Executive Director Page reported that PB Mares would be making a full presentation at the September 15, 2022 Commission meeting, but that the audit results were clean.

Supervisor McCarty Moved that the Finance Committee (1) recommends to the Commission to authorize the Executive Director to finalize and submit to the Joint Commission on Transportation Accountability the Fiscal Year 2022 Annual Report to the Joint Commission on Transportation Accountability relating to the Hampton Roads Transportation Fund; and (2) authorizes the Finance Committee Chair to communicate said recommendation to the Commission at its next meeting; Seconded by Mayor Glover. The Motion Carried.

B. Amendment to Amended and Restated Project Agreement for Funding and Administration for the I-64 Hampton Roads Bridge-Tunnel Expansion Project regarding timing of Smart Scale Funding

Executive Director Page stated that the original funding plan for Smart Scale monies was to apply such funding to the Hampton Roads Bridge-Tunnel (HRBT) Project at a later date; however, in light of available federal funds, VDOT requested that the application of the \$200 Million Smart Scale funding be accelerated. Executive Director Page confirmed that this change was advantageous to HRTAC and indicated that the money that would have been spent could continue to accrue interest.

Committee Members inquired about the amount of additional interest that would potentially be earned by delaying the application of HRTAC-sourced funds.

Nelson Bush, PFM, estimated that HRTAC could realize approximately an additional \$6 Million in earnings.

Supervisor McCarty Moved that the Finance Committee recommends that the Commission (1) endorse the VDOT request to accelerate the planned spending schedule of the Smart Scale funding to the I-64 Hampton Roads Bridge-Tunnel Expansion Project; and (2) authorize the Chair to finalize and execute an amendment to the Amended and Restated Project Agreement for Funding and Administration for the I-64 Hampton Roads Bridge-Tunnel Expansion Project; Seconded by Mayor Glover. The Motion Carried.

C. HRTAC Debt Management Plan, Update on Financing Activities, and Next Step for HRELN Financing – Recommendation to the Commission to Authorize Commission Chair and Staff to Develop the HRTF Backed TIFIA Letter of Interest

Executive Director Page reminded the Committee that HRTAC currently had three large TIFIA loans and described the advantages of beginning the process of obtaining another TIFIA loan for the Hampton Roads Express Lanes Network (HRELN). He explained that a letter of interest was the first step in obtaining another TIFIA loan.

David Miller, PFM, reviewed the HRELN construction schedule with Committee Members and highlighted the construction contract award timelines for each segment of the HRELN. He stated that the Commission couldn't close on a TIFIA loan until a construction contract was in place.

Mr. Miller explained the proposal to divide the HRELN financings into two phases. The first funding phase would cover Segment 4C of the HRELN and be funded by a Hampton Roads Transportation Fund (HRTF) backed TIFIA loan and HRTF Paygo funds. Phase two would include construction of Segments 1A, 1B and 4AB of the HRELN and be funded by a toll revenue backed TIFIA loan and HRTF Bonds.

The Committee was provided with a table detailing the costs and funding sources for the HRELN segments, and Mr. Miller explained to the Committee that the funding phases were for TIFIA loan application purposes in order to maximize the amounts covered by the 33% of projects costs permitted by the TIFIA loans.

Mr. Miller reminded the Committee that an investment grade traffic and revenue study was completed in 2020 to support the HRBT Project's toll debt financing and that a study update would be needed to support the HRELN's toll debt financing. He indicated that the study update would incorporate the summer weekend study completed in 2021.

Committee Members were presented with alternatives to the proposed 2023 HRTF TIFIA Loan. Mr. Miller reviewed the pros and cons of issuing bonds in lieu of obtaining another TIFIA loan and compared those to the pros and cons of obtaining a TIFIA loan. Mr. Miller explained that under the current market conditions, both the present value and future value realized by HRTAC through the TIFIA loan would be more cost effective than issuing bonds in light of the lower overall debt service.

Mr. Miller highlighted the present value interest savings of \$551 Million that HRTAC has achieved since 2018 by optimizing the debt management plan through the TIFIA loans, bond anticipation notes (BANs) and cash optimization.

Executive Director Page highlighted that the borrowing rate on BANs was less than one percent and HRTAC therefore utilized BANs in lieu of drawing down on the TIFIA loans directly when construction cost escalation was 2.7%, which allowed for the current suite of projects to be completed.

Chair Hipple commented that the citizens of Hampton Roads should be proud of how efficiently HRTAC is working and thanked the group for their continued support and dedication to the Committee.

Mr. Miller outlined the investment strategy of accelerating drawing on the HRTF 2019/2021 Successor TIFIA Loan. He indicated that this could bear cost savings; however, it was dependent on market conditions.

HRTAC Bond Counsel, Eric Ballou, reminded the Committee that the TIFIA loan proceeds would be taxable.

Committee discussion ensued in regard to the difference between the original schedule for drawing down the TIFIA loans and an accelerated draw of the TIFIA loans.

Committee Members discussed the higher reimbursement rate of 33% on Segment 4C.

Liang Shan, PFM, stated that additional financing eligible costs not reflected on the project cost table were included in the calculation.

Executive Director Page reminded the Committee that the construction of the HRELN will be simultaneous with the HRBT Project.

Committee discussion ensued in regard to the effect of HRTAC's cash flow during the construction of the HRELN.

Mr. Miller discussed the HRELN financing preliminary timeline and stated that CDM Smith, HRTAC's traffic consultant, had already received approval to update the traffic and revenue forecast.

Supervisor McCarty Moved that the Finance Committee recommends that the Commission authorize the Commission Chair and Staff to develop the Hampton Roads Transportation Fund backed TIFIA Letter of Interest for the Commission's Hampton Roads Express Lanes Network Project, and authorizes the Finance Committee Chair to communicate this recommendation to the Commission at its next meeting; Seconded by Mayor Glover. The Motion Carried.

D. FY2023 – FY2028 Plan of Finance Update – Six Year Operating and Capital Program of Projects – Independence Boulevard Interchange

Executive Director Page indicated that the Independence Boulevard Interchange Study was compliant with federal planning and allowed HRTAC to understand and begin discussions with VDOT on the technical details needed for completion. He explained that although an approximate cost of the project was already included in the 2045 Plan of Finance, the study would allow for a more accurate cost to be determined.

Ms. Shan outlined the changes to the FY2023 – FY2028 Plan of Finance, which included the Independence Boulevard Interchange Study costs, \$200 Million in Smart Scale funding, and IIJA Bridge Funding.

She stated that the cash flow contemplated by the Plan of Finance had minimal changes and that the primary update was the \$2 Million increase in projected debt service.

Committee Members questioned the effect of the elimination of the gas tax on HRTAC revenues.

Executive Director Page indicated that the elimination of those funds would negatively affect HRTAC's creditworthiness.

Committee discussion ensued regarding General Assembly decisions that could have an adverse effect on HRTAC.

Supervisor McCarty Moved that the Finance Committee recommends that the Commission (1) endorse the VDOT request for the allocation of \$1,250,000.00 for the I-264 Independence Boulevard Interchange Improvements – Full Interchange Access Report Development; and (2) authorize the Executive Director to conduct a public hearing on the addition of the I-264 Independence Boulevard Interchange Improvements Interchange Access report to the Approved FY2023-FY2028 Plan of Finance Update – Six Year Operating and Capital Program of Projects; and (3) authorizes the Finance Committee Chair to communicate said recommendation to the Commission at its next meeting; Seconded by Senator Mason. The Motion Carried.

E. Consulting Engineer Services Engagement for HRELN

Executive Director Page reminded the Committee that the cost of consulting engineer services was included in the approved administrative and project development budget and explained HRTAC's need for such expense, noting that the TIFIA loan documents required that HRTAC engage these services.

Mr. Ballou stated that the consultant engineer piece was common for toll road operators and the requirement was included in the finance documents not only for the TIFIA loan, but also the Master Tolling Agreement.

Supervisor McCarty Moved that the Finance Committee recommends the Commission authorize the Commission Chair and Staff to prepare for the engagement of Consulting Engineer Services for the Hampton Roads Express Lanes Network, which may include procurement of an independent third party consultant, and authorizes the Finance Committee Chair to communicate the recommendation to the Commission at its next meeting; Seconded by Mayor Glover. The Motion Carried.

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 10:03 a.m.



Michael Hipple
HRTAC Finance Committee Chair