

**Hampton Roads Transportation
Accountability Commission (HRTAC)
Finance Committee
Summary Minutes of the December 10, 2018 Meeting**

The meeting of the Hampton Roads Transportation Accountability Commission (HRTAC) Finance Committee was held concurrently with the HRBT Funding Agreement Advisory Committee meeting in the Regional Building Boardrooms, 723 Woodlake Drive, Chesapeake, Virginia, with the following in attendance:

HRTAC Finance Committee Members in Attendance:

Frank Wagner, Chair
Joel Acree

Barry Porter

HRTAC Executive Director

Kevin Page

HRTAC Finance Committee Members Absent:

McKinley Price

Delegate Christopher Stolle

Other Participants:

Eric Ballou, Kaufman & Canoles

Tom Ingle, Willcox & Savage

Kathleen Bowe, PFM

David Miller, PFM

Nelson Bush, PFM

Liang Shan, PFM

Megan Gilliland, Kaufman & Canoles

Chuck Wall, Seyfarth Shaw

* Denotes Late Arrival or Early Departure

Others Recorded Attending:

Amy Inman (NO); Robin Grier (VDOT); Taylor Guishard-Drummond, Camron Jordan (Veteran Reporters); Jennifer Hodnett (HRTAC); Danetta Jankosky, Tiffany Smith, Sheila Wilson (HRPDC); Rob Case, Mike Kimbrel (HRTPO)

Call to Order

Chair Frank Wagner called the HRTAC Finance Committee to order at 10:03 a.m.

Approval of Agenda

Mr. Joel Acree Moved to approve the agenda; Mr. Barry Porter seconded. The Motion Carried.

Public Comment Period (limit 5 minutes per individual)

No public comments were made.

Chair Comments

Chair Wagner did not have any comments for the Committee.

Consent Items

5A. Minutes of the April 3, 2018 Finance Committee Meeting

Mr. Joel Acree Moved to approve the minutes of the April 3, 2018 Finance Committee Meeting; seconded by Mr. Barry Porter. The Motion Carried.

Action Items

6A. Amendment to Approved HRTAC FY2019 Administrative Budget

HRTAC Executive Director, Kevin Page reviewed the budget amendment was for a total of \$1,983,000.00 due to an increase in legal support fees for project development and Information Technology (IT) needs. He indicated a public hearing had been held prior to the current meeting and no public comments were received.

Chair Wagner confirmed the additional costs of applying for the TIFIA loan would generate a long term cost savings.

Senator Frank Wagner Moved that the Finance Committee endorses the Staff request for an additional \$1,983,000 of eligible HRTAC controlled funds for the FY2019 Administrative Budget and authorizes the Finance Committee Chair to communicate the Committee's endorsement and recommendation for Commission approval of the proposed amendment at the Commission's December 13, 2018 meeting. The motion was seconded by Mr. Acree. The Motion Carried.

During Item 6B, the Finance Committee stood at ease while the HRTAC HRBT Funding Agreement Advisory Committee, led the discussion.

6B. HRBT Funding Agreement Advisory Committee ("FAAC Committee") – Briefing on P3 for HRBT Expansion Project and related project work streams including development of Term Sheet, and review potential revenues and action items for HRTAC in respect of the P3, the prospective HRBT Funding Agreement, and the prospective Regional Tolling Network Agreement

HRTAC Executive Director, Kevin Page, referenced the ongoing discussions in regards to tolling and the overall budget of \$3.562 Billion and the effects on the HRBT project. He reviewed the projects total lane miles and number of trestles. Mr. Page identified the different sources of funding and the amount for the project. Additionally, he acknowledged these numbers were fluid dependent upon the toll revenue model used and Smart Scale funds received.

Chair Wagner confirmed that in the sequence of construction events, the trestle replacement would occur after the new facilities had been built. Mr. Page noted the trestle replacement portion of the project could take 18 months, however, VDOT has included south trestle replacements in the final RFP but has not identified funding.

Mr. Page stated the estimate for replacement of the south trestles was \$375 Million and that HRTAC's original budget of \$3.562 Billion did not include the replacement of those structures. The budget proposed by VDOT is \$3.662 Billion.

The Committee was shown a table outlining the six tolling scenarios and the results. Mr. David Miller, PFM, clarified the tolling revenue generated was essentially the same whether the entire Hampton Roads Express Lane Network or only the HRBT and High Rise Bridge water crossings were tolled.

Mr. Thomas Inglima, HRTAC Legal Counsel, clarified that the HRBT project amount included in HRTAC's six year plan was a "not to exceed" number. He further summarized the conversations and actions between HRTAC and VDOT in regards to determining the responsible paying party for the south trestles.

Mr. Miller explained the adverse effects to HRTAC if HRTAC financed the trestle replacement and was then reimbursed by VDOT over time. He highlighted the effective share of the cost that HRTAC would incur using 10, 20 and 30 year debt models.

Mr. Inglima explained that such adverse effects would include the loss of those revenues to be leveraged for other regionally significant projects.

Discussion by both committees ensued in regards to the differences between HRTAC and the Northern Virginia Tolling Authority (NVTa) in regards to tolling authority, source of funds and ownership of the roads once completed.

Mr. Inglima highlighted the next steps in the process, including the need to request in writing that the Hampton Roads Transportation Planning Organization (HRTPO) amend the Transportation Improvement Program (TIP) to include the HRBT project. He further noted that the project had to be fiscally constrained to be included in the TIP and that HRTAC's approved \$3.562 Billion funding plan did not include funds for the replacement of the south trestles.

The members from both committees agreed that the project needed to be a statewide priority and that VDOT needed to finance the replacement of the south trestles.

6C. Direction from the Finance Committee

Following the Item 6B discussion, there was no formal direction provided from the Finance Committee.

6D. I-64 HRBT New Capacity Expansion Project – Recommendation to Commission to submit TIP Amendment Request to HRTPO

Mr. Page explained that HRTAC HRBT Funding Agreement Advisory Committee has recommended that the Commission move forward to request that the Hampton Roads Transportation Planning Organization (HRTPO) amend its FY 2018-2021 Transportation Improvement Program (TIP) to add UPC T21555, the I-64 Hampton Roads Bridge-Tunnel Expansion New Capacity project. Mr. Inglima explained to the Committee the Resolution

included in the motion incorporated the history of HRTAC actions on the HRBT project and noted that the funding plan does not include funding to replace the south trestles.

Senator Frank Wagner Moved to approve the I-64 HRBT New Capacity Expansion Project Transportation Improvement Program (TIP) Amendment request and authorizes the Finance Committee Chair to submit the TIP Amendment Request to the Commission for adoption and communication to the HRTPO, Seconded by Mr. Joel Acree. The Motion Carried.

Information Items

7A. HRTAC as a Component Unit of the Commonwealth

Mr. Eric Ballou, Kaufman and Canoles, reminded the Committee that HRTAC was determined to be a Component Unit of the Commonwealth for financial reporting purposes due to accounting principles. He clarified the nature of the relationship between HRTAC and the Commonwealth and how HRTAC projects become VDOT assets.

Mr. Ballou explained the effect on HRTAC should be minimal, with HRTAC beginning to adhere to the financial reporting requirements of the Department of Accounts so HRTAC's financial data is including in the Commonwealths CAFR. He explained the debt limit considerations to the Committee and the effects of HRTAC's debt on the Commonwealth.

7B. HRTAC Financial Report

Mr. Page reviewed the financial report to the Committee and noted an additional \$9 Million was being transferred to the Commission due to discovery of unpaid gasoline taxes.

Mr. Nelson Bush, PFM, provided an economic update to the Committee and highlighted the strong economic growth, job market and low inflation rate expectations. He explained the potential causes for the flat U.S. Treasury yield curve and indicated short term interest rates might rise.

Mr. Bush reviewed HRTAC's current portfolio and investment strategy and recommended changes to the investment strategy in regards to the custody account structure, investment reallocation and investment policy modifications.

Committee discussion ensued in regards to the risk of longer investments and lowering the credit requirements. Mr. Porter expressed his concern in the area of purchasing single "A" notes and to not let the length of security exceed three years. Chair Wagner asked that the Investment Policy be modified to address Mr. Porter's comments.

Chair Wagner gave direction to staff to complete the edits to Statement of Investment Policy and bring the document to the next Regular Commission meeting for consideration.

Adjournment

With no further business to come before the Hampton Roads Transportation Accountability Commission Finance Committee, the meeting adjourned at 12:08 p.m.



Frank W. Wagner, Finance Committee Chair