

**Hampton Roads Transportation
Accountability Commission (HRTAC)
Summary Minutes of the March 16, 2023 Finance Committee Meeting**

The Hampton Roads Transportation Accountability Commission (HRTAC) Finance Committee Meeting was called to order at 9:02 a.m. with the following in attendance:

HRTAC Members in Attendance:

Supervisor Michael Hipple, JC, Chair
Supervisor William McCarty, IW
Mayor Shannon Glover, PO*

Supervisor Thomas Shepperd, YK*
Senator Monty Mason, VGA

HRTAC Executive Director

Kevin Page

Other Participants:

Megan Gilliland, Kaufman and Canoles
Ben Wills, Kaufman and Canoles
Nelson Bush, PFM Investment Advisors
Dong Kim, PFM Financial Advisors

David Miller, PFM Financial Advisors
Liang Shan, PFM Financial Advisors
Tom Inglima, Willcox & Savage
Courtney Whelan, Willcox & Savage

*Denotes Late Arrival or Early Departure

Others Recorded Attending:

Danetta Jankosky (HRTPO); Lynn Coen, Jennifer Hodnett (HRTAC); Colleen Gregory-Gettel (Veterans Reporters); Public Citizens – Brian Foster, Patrick Fitzsimmons

Call to Order and Roll Call

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

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

Approval of Agenda

Supervisor William McCarty 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 Item

- A. Minutes of the December 15, 2022 Finance Committee Meeting

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

Action Items

A. HRTAC Highway Regional High Priority Projects Funding Plan of Finance and Debt Management Plan Update

HRTAC Executive Director, Kevin Page, indicated that an update to the HRTAC Highway Regional High Priority Projects Funding Plan of Finance and Debt Management Plan was appropriate as HRTAC moves into the next phase of projects.

Mr. David Miller, PFM Financial Advisors, reviewed the financing activities of the Commission to date with respect to the initial six projects, the Hampton Roads Bridge Tunnel (HRBT) expansion and the Hampton Roads Express Lanes Network (HRELN).

Mr. Miller reviewed the Hampton Roads Transportation Fund (HRTF) Revenue Historical Performance and noted the importance of the HRTF revenues in the planning process for HRTAC projects. He highlighted the steady increase in HRTF revenues since Fiscal Year 2016, stating that the HRTF is growing above what was initially forecasted and that in December 2022 the Virginia Department of Taxation prepared a revenue forecast updated through Fiscal Year 2030, showing an upward trajectory in HRTF revenues. Mr. Miller noted that the Plan of Finance Update included the new, higher HRTF revenue projections.

Mr. Miller stated that there was no current impact to the funding plan for the HRBT, but that HRTAC had identified an opportunity for generating economic benefits by drawing the HRTF 2021 TIFIA Loan early to retire the 2021A BANS.

Mr. Miller next summarized the updated HRELN funding plan, noting that (a) the estimated cost of Segment 1B has increased by \$47 million, (b) HRTAC will contribute \$41 million towards the I-464/I-64 Interchange improvements, and (c) as a minor budgetary change, some previously planned traffic management work was separated from the Segment 4C budget as its own line item as a non-federal participation project.

Finance Committee Chair Hipple inquired about the percentage of the cost increase for Segment 1B.

Mr. Miller responded that the increase was a little less than 1.6%.

Executive Director Page thanked Senator Mason for his work in the Virginia Senate with the Virginia Department of Transportation (VDOT) on the Interstate Operations and Enhancement Program (IOEP) and its contributions to the HRELN.

Mr. Miller reviewed HRTAC's portion of the funding plan for the HRELN. He explained that Phase 1, which was comprised of Segment 4C, would be financed with Paygo funds in addition to a possible HRTF Subordinate TIFIA loan, for which authorization of the

Commission would be sought at a later date, and that Phase 2 would be financed through a toll backed TIFIA loan. He stated that the implementation activities for the Phase 1 HRTF TIFIA loan had already begun and were expected to close in Fall 2023. Mr. Miller also noted that HRTAC would fund \$8 million for the Traffic Management Plan work.

Mr. Miller explained that the Group 3 Projects were comprised of the following projects for phased delivery: (a) the I-64/Denbigh Boulevard Interchange, (b) the I-264/Independence Boulevard Interchange, (c) the I-264/I-64 Phase III-A and (d) the Bowers Hill IAR. Mr. Miller indicated that HRTAC plans to use HRTF Paygo funds to support its funding portion of the Group 3 Projects and that all Group 3 Projects had been included in the 2045 Long Range Plan.

Executive Director Page added that the Group 3 Projects were still in early stages of financial development and that similar to HRTAC's protocol in the past, the use of Paygo funds initially were the best approach to get the projects under contract and to provide for flexibility to consider other financing options at a later date.

Committee discussion ensued regarding the timeline for the Group 3 Projects and market conditions for future HRTAC financings.

Mayor Shannon Glover arrives.

Supervisor McCarty Moved that the Finance Committee recommends that the Commission approve the Proposed HRTAC Highway Regional High Priority Projects Funding Plan of Finance and Debt Management Plan Update that includes adjusted cost estimates, funding analysis, and determination of revenue debt issuance assumption and authorizes the Finance Committee Chair to recommend to the Commission at its next meeting that it approve such Proposed Highway Regional High Priority Projects Funding Plan of Finance and Debt Management Plan Update and determination, Seconded by Senator Mason. The Motion Carried.

B. Defeasance of the Hampton Roads Transportation Fund Senior Lien Bond Anticipation Notes, Series 2021A

Supervisor Thomas Shepperd arrives.

Executive Director Page reminded the Committee of HRTAC's efforts to identify economic savings whenever possible and continue to make the most of its revenues.

Mr. Miller prefaced his presentation by stating that it was prepared on February 28, 2023 and that due to some market instances, some of the numbers have changed. He reminded the Committee of the September 2021 HRTF TIFIA Loan and the 2021A Bond Anticipation Notes (BANs). He explained that the BANs were to serve only as interim construction funding and were to be repaid from the 2021 TIFIA Loan in 2026.

Mr. Miller stated that the plan in 2021 was to draw the TIFIA Loan in 2026 to pay the principal on the BANs; however, instead of waiting until 2026 to draw the TIFIA Loan, the Commission could draw the TIFIA Loan now, invest the proceeds in an escrow to provide for the payment of the principal on the BANs in 2026, and earn at a higher interest rate on the funds in escrow than the interest payable by HRTAC on the TIFIA Loan, thereby creating economic benefits for HRTAC.

Mr. Miller explained that because the Commission would be drawing the TIFIA Loan sooner, HRTAC would start paying interest on the TIFIA Loan sooner. Therefore, under the proposed plan HRTAC would incur a TIFIA Loan interest payment with a present value of \$47 million; however, the sum would be subtracted from the BANs capitalized interest fund with a present value of \$119 million, resulting in economic benefits of an approximate present value of \$50 million with the current market rates.

Committee discussion ensued regarding current market rates.

Mr. Nelson Bush, PFM Investment Advisors, explained some of the investment options for the escrow account funds. He explained that the funds could be invested in U.S. Treasury State and Local Government Series (SLGS) securities, which is a type of investment that municipal governments can use for investments related to municipal bond proceeds. He also noted that depending on interest rates, there may be an opportunity to purchase open market securities instead of U.S. Treasury SLGS. He reviewed the risks associated with investing in open market securities at present in light of the U.S. debt ceiling and indicated that although holding cash at the bank would result in the loss of a minimal amount of interest, HRTAC would do so temporarily to mitigate risk in HRTAC's investment portfolio.

Committee discussion ensued regarding the proposed transactions.

Mr. Ben Wills, Kaufman and Canoles, HRTAC Bond Counsel, reviewed HRTAC Resolution 2023-01 with the Committee.

Ms. Megan Gilliland, Kaufman and Canoles, HRTAC Bond Counsel, explained the legal definition of defeasance and the purpose of the escrow account in relation to the defeasance.

Supervisor McCarty Moved that the Finance Committee endorses Resolution 2023-01 and authorizes the Finance Committee Chair to communicate the Finance Committee's endorsement to the Commission at its March 16, 2023 Regular Meeting, Seconded by Senator Mason. The Motion Carried.

C. Approved HRTAC FY2023-FY2028 Plan of Finance Update – Six Year Operating and Capital Program of Projects – Highway Regional High Priority Projects – Adjustment of HRELN Values to : (i) Deallocate Funds From the HRELN Segment 4C Project; (ii) Allocate Said Funds to Support the HRELN Transportation Management Project; (iii) Authorization to Execute Necessary Agreements

Executive Director Page stated that the proposed action was to allocate unused funds from the Hampton Roads Express Lanes Network 4C Project, which is currently under contract

with VDOT, to traffic management funding. He explained that the Traffic Management Plan establishes a budget of \$8 million to provide traffic and transportation management throughout the development and construction of the HRELN.

Executive Director Page noted that the funds would be available to all localities affected by the HRELN construction. VDOT would also be closely involved in determining the best application of these funds.

Executive Director Page reiterated that this would be a locally administered project funded by Paygo funds and would not require federal approval.

Committee discussion ensued regarding red light cameras and other community concerns.

Supervisor McCarty Moved that the Finance Committee: Recommends that the Commission (a) Approve adjustments to values within the Approved HRTAC FY2023-FY2028 Plan of Finance Update – Six Year Operating and Capital Program of Projects – Highway Regional High Priority Projects to: (i) Deallocate \$8,000,000.00 from HRELN Segment 4C Full Build Project (UPC 119638); and (ii) Allocate said funds to support the HRELN Transportation Management Plan (UPC 122999); and (b) Provide Authorization to execute necessary agreements; and Authorizes the Finance Committee Chair to communicate said recommendation to the Commission at its next meeting; Seconded by Senator Mason. The Motion Carried.

D. FY2024 Administrative and Project Development Budget

Executive Director Page indicated that the proposed budget was included in the meeting materials, noting that the budget included staffing changes for Fiscal Year 2024. He explained that the budget anticipated the hiring of a full time Deputy Director and a new Chief Financial Officer, as the current Chief Financial Officer was retiring.

Finance Committee Chair Hipple reiterated that the Deputy Director position would not be filled by July 1, when these staffing changes were to take effect; however, the funding would be ready for when the hiring is made.

Executive Director Page noted that a 5% Cost of Living increase for employees was also included in the Fiscal Year 2024 Administrative and Project Development Budget.

Committee discussion ensued regarding the timeline for filling the Deputy Director position and the Chief Financial Officer position.

Finance Committee Chair Hipple stated that the process was ongoing and an update would be given at the next meeting.

Supervisor McCarty Moved that the Finance Committee endorses the Proposed HRTAC FY2024 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 FY2024 Administrative and Project Development Budget; Seconded by Senator Mason. The Motion Carried.

E. FY2024-FY2030 Plan of Finance Update – Six Year Operating and Capital Program of Projects – Highway Regional High Priority Projects

Executive Director Page reviewed the FY2024-FY2030 Highway Regional High Priority Projects with the Committee. He stated that once adopted, it would provide over \$7 billion in project delivery funds.

Executive Director Page discussed the HRTF cash flow for the Fiscal Years 2024 to 2030 with the Committee Members. He highlighted that the presentation reflected that in the later years, HRTAC would begin spending more cash than it would be collecting; however, this was part of the process of setting aside Paygo funds that would carry over from previous years keeping HRTAC operating with positive cash flow.

Supervisor McCarty Moved that the Finance Committee endorses the Proposed FY2024 – FY2030 Plan of Finance Update – Six Year Operating and Capital Program of Projects – Highway Regional High Priority Projects as an update to the HRTAC-adopted 2023-2028 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 no later than at its June 15, 2023 Annual Organizational Meeting; Seconded by Senator Mason. The Motion Carried.

F. FY2024-FY2030 Plan of Finance Update – Six Year Operating and Capital Program of Projects- Transit Regional High Priority Projects

Executive Director Page reviewed the applications for funding submitted by Hampton Roads Transit (HRT) and stated that the financial information included in the applications assisted with the production of HRTAC’s Fiscal Year 2024 to Fiscal Year 2030 Plan of Finance. He stated that the applications that were submitted aligned with Hampton Road Transit’s long range service plan and other Code of Virginia standards.

Executive Director Page stated that the Hampton Roads Regional Transit Fund (HRRTF) was supported by the six cities that are part of HRT. He also explained that accumulated revenues were being utilized first and that HRTAC would be working closely with HRT to potentially leverage federal and state funds.

Committee discussion ensued regarding the strong regionalism needed in the General Assembly to keep transit and transportation funds in the Region.

Supervisor McCarty Moved that the Finance Committee endorses the Proposed FY2024 – FY2030 Plan of Finance Update – Six Year Operating and Capital Program of Projects – Transit Regional High Priority Projects as an update to the HRTAC-adopted 2023-2028 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 no later than at its June 15, 2023 Annual Organizational Meeting; Seconded by Senator Mason. The Motion Carried.

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

Executive Director Page stated that once adopted, the Long Range Plan of Finance Update for the HRTAC High Priority Highway Projects would represent \$11.534 billion in regional congestion relief and \$997 million in transit projects. He reviewed the projects that were included in the 2045 Long Range Plan of Finance Update for the Region's High Priority Highway Projects and reminded the Committee that the projects that are included in HRTAC's funding are first approved and included in the Hampton Roads Transportation Planning Organization (HRTPO) Long Range Plan.

Supervisor McCarty 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 Senator Mason. The Motion Carried.

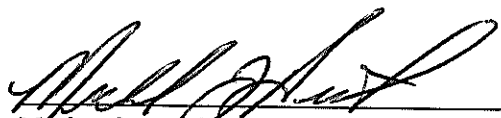
Information Item

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 10:36 a.m.


Michael Hipple,
HRTAC Finance Committee Chair