



Potential Impacts of HB 297 and HB 1059

HRTPO Board Meeting



January 20, 2022

Current Status and Potential Impacts of HB 297 and HB 1059

- HB 297 and HB 1059 each provide for a one-year interruption of the regional fuels tax. In Hampton Roads, this threatens the ability of VDOT and HRTAC to deliver the integrated I-64 Hampton Roads Bridge Tunnel (HRBT) expansion and regional express lanes network on time and on budget.
- VDOT relies on HRTAC funding in order to construct and deliver these projects, and the primary effect of a one-year interruption is a shortfall in a vital funding stream that supports HRTAC's funding plan and the key debt issuances planned in connection therewith, delaying project construction and delivery by as much as two to five years for the express lanes network (and for the combined completion of the integrated I-64 HRBT expansion and regional express lanes network).
- In an extreme situation, if the regional fuels tax revenue is not replaced during the suspension period with an uninterrupted alternate funding source, HRTAC's credit ratings may be adversely affected. For this reason, HRTAC has issued an opposition statement.

HRTAC's Regional Fuels Tax Supports Debt Financing

- Fuels Tax is pledged to a large amount of outstanding debt and debt expected to be issued for potential economic refundings and to pay for HRELN.
 - Current outstanding HRTF debt: \$2.35 billion (including \$1.23 billion BANs to be retired by TIFIA loans)
- Any suspension of the fuels tax could result in negative reactions by bondholders, rating agencies, and the Build America Bureau (TIFIA), which would affect HRTAC's planned debt activities in 2022.

HRTAC Project	HRTAC Debt Funding	Completed 2021 Financing Notes:
Six Initial Projects <i>Draw TIFIA to pay off the BANs</i> 	HRTF Senior Lien 2018A Bonds	Refunding: replaced the 2019 HRTF TIFIA Loan <i>Closed on Sept 21, 2021</i>
	HRTF Intermediate Lien 2019A Notes (2019A BANs)	
	HRTF Subordinate Lien 2021 Successor TIFIA Loan ("2021 Successor HRTF Loan")	
HRBT <i>Draw TIFIA to pay off the BANs</i> 	HRTF Senior Lien 2020A Bonds	New Money (interim/short-term debt) <i>Priced on Sept 9, 2021 and Closed on Sept 23, 2021</i>
	HRTF Senior Lien 2021A Notes ("2021A BANs")	
	HRTF Subordinate Lien 2021 TIFIA Loan ("2021 HRTF Loan")	
	Toll Revenue Senior Lien 2021 TIFIA Loan ("2021 Toll Loan")	New Money <i>Closed on Sept 21, 2021</i>
HRELN	Additional HRTF Bonds	
	Additional Toll Revenue TIFIA Loan	

Legends:

- Prior transactions
- Completed 2021 Financing
- Future Financings

2022 HRTF Debt Management – Planned Activities

- HRTAC has several debt management initiatives outlined below that could potentially be disrupted if the fuels tax is suspended, including new HRTF debt issuance. Additional debt related activities include:
 - Annual rating agency surveillance
 - TIFIA annual financial plan update
- Potential 2018A Bonds Refunding
 - HRTAC has received several unsolicited analyses for potential debt service savings that are being evaluated by the finance team.
- Draw TIFIA Loan or Potential 2022A Rollover of HRTF BANs
 - The 2019A HRTF BANs, which funded the Six Initial Projects, mature on 7/1/2022. The initial plan was to draw the original HRTF TIFIA loan to retire the BANs, and this is still an option.
 - The 2019A HRTF BANs could be “rolled over”, i.e. replaced by new BANs that have a new, later maturity tied to the Dec 2022 completion date (approximately one year after completion).
 - Rolling over the BANs is to produce interest savings. Current issuance timing would be April-May 2022 if the transaction continues to show economic benefits to HRTAC.
- HRELN Debt Financing
 - Based on the updated financial plan and the updated construction schedules, HRTAC will determine the timing for the next HRTF revenue bonds debt issuance and the timing for preparing the second Toll TIFIA Loan letter of interest

HRTF Cash Flow (in dollars)

- The vast majority of HRTF existing cash balance and future revenues through FY 2026 have already been programmed to pay debt service and to pay costs on the existing projects (including HRBT) and the planned HRELN, embedded in the HRTAC's last approved SYIP.

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
HRTF Revenues						
HRTF Tax Revenues						
Sales Tax	142,800,000	146,800,000	150,200,000	157,800,000	165,400,000	169,900,000
Fuels Tax	60,400,000	62,200,000	63,500,000	64,300,000	65,500,000	67,200,000
Total	203,200,000	209,000,000	213,700,000	222,100,000	230,900,000	237,100,000
HRTAC Investment Revenues						
HRTF Interest Income	255,262	103,129	216,327	252,307	403,212	437,768
HRTF Investment Income	1,223,007	1,867,368	2,084,249	2,453,867	2,344,428	2,789,089
Total	1,478,269	1,970,497	2,300,576	2,706,174	2,747,640	3,226,857
TOTAL HRTF Revenue Sources	204,678,269	210,970,497	216,000,576	224,806,174	233,647,640	240,326,857
HRTF Revenue Payments						
Admin and Project Development Budget	6,513,750	6,855,722	7,215,647	7,594,469	7,993,178	5,817,390
HRTF Debt Payments						
Total	74,800,025	62,307,571	62,307,571	81,250,150	106,907,851	118,700,885
HRTF Paygo for Construction	578,812,227	384,760,524	156,545,059	180,403,607	71,034,186	0
HRTF Paygo for Financing Reserves						
HRTF TIFIA DSRF	28,675,339	0	0	0	38,489,689	0
Toll TIFIA DSRF	0	0	0	0	37,104,969	0
Toll Revenue Stabilization Fund	0	0	0	0	10,000,000	0
Tolling M&R Reserve	0	0	0	0	8,000,000	0
Sub-Total	28,675,339	0	0	0	93,594,658	0
Total Payments	688,801,341	453,923,817	226,068,277	269,248,226	279,529,874	124,518,275

Current Status and Potential Effects

- HRTF Subordinate Lien debt, i.e. the two HRTF TIFIA loans, is currently rated A- by S&P and Aa3 by Moody's.
- HRTF also supports the Toll TIFIA Loan, which is currently rated BBB- by both Moody's and Fitch
- HB 297 and HB 1059
 - Two House Bills have been introduced that provide for a suspension of the Fuels Tax revenue for FY 2023¹, which will reduce the projected FY 2023 HRTF revenues by \$58.9M from \$245.7M to \$186.8M.
 - The MADS² coverage ratio – 1.38x, previously presented to the rating agencies in 2021³
 - The MADS coverage ratio – 1.15x, with the reduced projected FY 2023 revenues
 - MADS coverage levels, as one of the rating factors, are considered in the rating criteria:
 - S&P: 1.25x – 1.50x “adequate”; below 1.25x “weak”
 - Moody's: 1.1x – 1.5x “Baa”
 - HRTAC's existing loan agreements with TIFIA require HRTAC to maintain subordinate bond ratings of “A-”/“A3” in order to issue additional debt, which additional debt is called for under HRTAC's current funding plan to pay for HRELN costs.
 - The 2021 HRTAC S&P's rating report states: *“Since the revenues generated from the dedicated tax can only be used for the construction of transportation projects, we view it as unlikely that Virginia would reduce the dedicated taxes or not appropriate revenues.”*

1. HB 1059 contains an emergency clause that would permit enactment upon Governor's signature prior to the start of FY2023

2. MADS stands for maximum annual debt service

3. Used a trendline FY 2021 revenue forecast of \$224.6M as of August 2021 (vs. FY 2021 actual revenue of \$227.5M)



Hampton Roads Transportation Accountability Commission

