

June 21, 2013

Memorandum #2013-86

TO: HRTPO Legislative Ad-Hoc Committee

BY: Dwight L. Farmer, Executive Director/Secretary

RE: HRTPO Legislative Ad-Hoc Committee Meeting, June 27, 2013

Attached is the agenda and related materials to develop a draft set of legislative priorities for the 2014 General Assembly for the **HRTPO Legislative Ad-Hoc Committee** meeting scheduled for **Thursday, June 27, 2013, from 9:00 a.m. – 10:30 a.m.**, in the **Regional Building, Board Room B, 723 Woodlake Drive, Chesapeake.**

If you have questions, please contact Dwight Farmer (dfarmer@hrpdca.gov).

JN/kg

HRTPO Legislative Ad-Hoc Committee:

The Honorable Linda Johnson (SU)
The Honorable Frank Wagner (GA)
The Honorable Michael Watson (GA)
The Honorable McKinley Price (NN)
Robert R. Matthias (VB)
Jerri Wilson (NN)

Invited Participants:

The Honorable Alan Krasnoff (CH)
Tom Shepperd (YK)
Peter Huber (Willcox & Savage)
Tom Inghima (Willcox & Savage)
Joanne Carter (PFM Group)
Sergio Masvidal (PFM Group)
David Miller (PFM Group)

HRTPO Legislative Ad-Hoc Committee Copy:

The Honorable Molly Ward (HRTPO Chair)	Pam Foshee (NN)
Dwight L. Farmer (HRTPO)	Bryan Pennington (NO)
Camelia Ravanbakht (HRTPO)	Sherry Hunt (SU)
Jessica Nappi (HRTPO)	Sherri Neil (PO)
Rick Cole (CH)	Jodi Miller (WM)
Anna D'Antonio (CH)	Rose Ramsey (GA)

Agenda
HRTPO Legislative Ad-Hoc Committee
June 27, 2013

CALL TO ORDER 9:00 a.m.

The Regional Building, 723 Woodlake Drive, Chesapeake, Virginia

- 1. CALL TO ORDER**
- 2. PUBLIC COMMENT PERIOD** (Limit: 3 minutes per individual)
- 3. APPROVAL OF AGENDA**
- 4. Minutes**
- 5. HB2313: HRTPO Structure and Financing**
- 6. Schedule Next Meeting**
- 7. Old/New Business**

ADJOURNMENT

AGENDA ITEM #1: CALL TO ORDER

The meeting will be called to order by the Chair at approximately 9:00 a.m.

AGENDA ITEM #2: PUBLIC COMMENT PERIOD

Members of the public are invited to address the HRTPO Legislative Ad-Hoc Committee. Each speaker is limited to three minutes.

AGENDA ITEM #3: APPROVAL OF AGENDA

Members are provided an opportunity to add or delete items from the agenda. Any item for which a member desires an action from the HRTPO Legislative Ad-Hoc Committee should be submitted at this time, as opposed to under "Old/New Business".

AGENDA ITEM #4: MINUTES

Approval of the summary minutes of the September 26, 2012 HRTPO Legislative Ad-Hoc Committee meeting.

Attachment 4

RECOMMENDED ACTION:

Approve the minutes.

Summary Minutes
HRTPO Legislative Ad-hoc Committee
Meeting of September 26, 2012

Mr. Dwight Farmer called the HRTPO Legislative Ad-hoc Committee to order at 11:55 a.m. in the Regional Boardroom with the following in attendance:

HRTPO Legislative Ad-hoc Committee Members:

McKinley Price (NN)
Senator Frank Wagner (GA)
Jeri Wilson (NN Legislative Liaison)

HRTPO Legislative Ad-hoc Committee Members Absent:

Delegate John A. Cosgrove (GA)
Linda T. Johnson (SU)
Robert R. Matthias (VB Legislative Liaison)

HRTPO Staff:

Dwight L. Farmer
Jessica Banks
Kathlene Grauberger
Camelia Ravanbakht

Other Participants:

Anna D'Antonio (CH Legislative Liaison)
Bryan Pennington (NO Legislative Liaison)
Sherri Neil (PO Legislative Liaison)

Public Comment Period

There were no public comments.

Approval of Agenda

A quorum was not present; therefore, no action could be taken on the approval of the agenda.

Minutes of the July 12, 2011 Meeting

A quorum was not present; therefore, no action could be taken on the approval of the July 12, 2011 HRTPO Legislative Ad-hoc Committee Summary minutes.

Development of the HRTPO 2013 Legislative Priorities

Mr. Farmer explained in preparation for the 2013 General Assembly session, the HRTPO Legislative Ad-hoc Committee is tasked with developing a set of legislative priorities to aid in the development of the HRTPO 2013 Legislative Agenda.

A. Recommendations Carried Over from the HRTPO 2012 Legislative Priorities

1. Restructuring Transportation Planning and Programming

- a. *Synchronize the Statewide Transportation Improvement Program and the Six-Year Improvement Program into one statewide programming document that is consistent with federal regulations and demonstrates allocations, obligations, and expenditures.*

Mr. Farmer stated the Six-Year Improvement Program (SYIP) is an allocation document, whereas the Statewide Transportation Improvement Program (STIP) is the program document that obligates money. By combining both the STIP and the SYIP, there will be one document that is consistent with federal regulations and demonstrates allocations, obligations, and expenditures.

The Committee agreed to carry this priority onto the 2013 Agenda.

2. Transportation Funding

- a. *The HRTPO supports legislation that requires sufficient funds to be provided to fully fund the Highway and Maintenance Operating Fund.*

Senator Wagner stated the statement should be more specific. After discussion, it was decided to insert additional language. The amended statement now reads as follows:

The HRTPO supports legislation that requires sufficient funds to be provided to fully fund the Highway and Maintenance Operating Fund without impacting the Transportation Trust Fund.

The Committee agreed to carry the amended priority onto the 2013 Agenda.

- b. *The HRTPO supports the identification of a dedicated non-local source of funds to support passenger rail operating costs between Richmond/Petersburg and Hampton Roads.*

Mayor Price indicated the statement was too vague. After discussion, it was decided to insert additional language. The amended statement now reads as follows:

The HRTPO supports the identification of a dedicated source of funds to support both passenger rail services and their respective operating costs between Richmond and the Peninsula and Southside Hampton Roads.

The Committee agreed to carry the amended priority onto the 2013 Agenda.

3. Other

- a. *The HRTPO supports reconstitution of the representation on the Commonwealth Transportation Board based on congressional districts by the General Assembly.*

Mr. Farmer stated the Commonwealth Transportation Board (CTB) is currently discussing the possibility of reconstituting its membership either by congressional districts or a combination of congressional districts and VDOT operating districts. The HRTPO supports reconstitution by congressional districts.

After discussion, additional language was added to the statement which reads as follows:

The HRTPO supports reconstitution of the representation on the Commonwealth Transportation Board based on congressional districts by the General Assembly, as originally designated in Commonwealth Transportation Board membership.

The Committee agreed to carry the amended priority onto the 2013 Agenda.

B. New Items for Discussion for 2013 Legislative Priorities

1. *Secure a long-term and sustainable funding source for the Intercity Passenger Rail Operating and Capital Fund.*

It was decided to add language to the statement. It now reads as follows:

Secure a dedicated long-term and sustainable funding source for the Intercity Passenger Rail Operating and Capital Fund.

The Committee agreed to include the amended priority in the 2013 Agenda.

2. *Modify the PPTA regulations and guidelines with the Virginia Code to improve transparency.*

Mr. Farmer stated VDOT must have privacy to negotiate a deal; however the General Assembly should be better informed throughout the process. After discussion, it was decided to incorporate more specific language to the statement, which now reads as follows:

Modify the PPTA regulations and guidelines within the Virginia Code to improve transparency by:

- *Placing more decision-making authority into the hands of policymakers instead of agency management staff; and*
- *Mandating a robust and comprehensive public comment period on PPTA proposals and provide contract terms and the concessions contemplated in the Comprehensive Agreement prior to final selection.*

The Committee agreed to include the amended priority in the 2013 Agenda.

3. *Require the Commonwealth of Virginia pursue federal funding for preparation for a Tier II Environmental Impact Statement for the continuation and expansion of intercity and high-speed passenger rail service from Richmond to Hampton Roads.*

It was decided to modify the statement slightly to read as:

Urge the Commonwealth of Virginia pursue federal funding for preparation for a Tier II Environmental Impact Statement for the continuation and expansion of intercity and high-speed passenger rail service from Richmond to Hampton Roads.

The Committee agreed to include the amended priority in the 2013 Agenda.

4. *Secure additional bicycle and pedestrian funding and promote policy changes that result in the construction of "complete streets" within the existing right-of-way.*

Mr. Pennington stated cities such as Norfolk are developing share roads and asked if a legislative priority could be included in the 2013 HRTPO Agenda where this vision could be accomplished without creating penalties for the localities.

Senator Wagner stated it is better to request for more flexibility when applying funds rather than ask for additional funds.

The statement was modified and now reads:

Promote policy changes that result in the flexibility for the construction of bicycle and pedestrian facilities within the existing right-of-way.

The Committee agreed to include the amended priority in the 2013 Agenda.

5. *Oppose efforts to broaden the Metropolitan Planning Organization voting membership to include private sector representatives.*

After discussion, the Committee agreed to strike this statement from the 2013 Agenda.

After all prepared items were discussed, Mr. Farmer asked Senator Wagner his opinion regarding a priority pertaining to Fast Ferry Service in Hampton Roads. Senator Wagner replied it would be beneficial to include Fast Ferry in the 2013 HRTPO Agenda.

Urge the Commonwealth of Virginia to pursue implementing fast ferry service in Hampton Roads and associated bus connections.

The Committee agreed to include the priority in the 2013 Agenda.

Mr. Farmer stated the draft 2013 HRTPO Legislative Agenda is to be presented to the HRTPO Board in October with anticipated approval of the final agenda in November.

Adjournment

There being no more business before the HRTPO Legislative Ad-hoc Committee, the meeting was adjourned at 1:04 p.m.

AGENDA ITEM #5: HB2313: HRTPO STRUCTURE AND FINANCING

At its May Retreat, the HRTPO Board was briefed by Mr. Peter Huber from Willcox & Savage and Mr. Sergio Masvidal from PFM Group, Inc. on the potential policy and financial strategies the HRTPO can take regarding the HB2313 “regional” component funds (Attachment 5). Mr. Huber and Mr. Masvidal indicated that while the HRTPO is the entity that will determine project selection for HB2313 revenues, VDOT and the Commonwealth Transportation Board (CTB) will implement and administer the projects. They stated that the HRTPO could consider more legislative initiatives such as modifying the relative roles of the state and regional bodies and/or seeking legislation to authorize the issuance of bonds by either the CTB or consolidating functions at the regional level by the HRTPO or creating a new regional entity similar to the Northern Virginia Transportation Authority.

The HRTPO Legislative Ad-Hoc Committee has been reconvened to discuss and advise the HRTPO Board on the potential policy strategies the HRTPO could pursue to maximize the HB2313 “regional” component funds and make recommendations regarding the need for future General Assembly actions during the 2014 session.

Mr. Peter Huber, Mr. David Miller, and Mr. Tom Inglima will be available to discuss legal and financial issues that may require legislative action.

Attachment 5

RECOMMENDED ACTION:

Per discussion.

HRTPO Structure and Financing

May 16, 2013

Executive Summary

- I. Policy Discussion
 - A. Considerations
 - B. HRTPO Legislation
 - C. Commonwealth Transportation Board
 - D. New Regional Entity
 - E. Regional Authority Considerations
- II. Leveraging HB2313 Revenues
 - A. Credit Quality
 - B. Comparable Case Study
 - C. Preliminary Capacity Analysis

Policy Discussion

Considerations

- No current entity has power to issue bonds secured by the Fund without additional enabling legislation
- Revenues dedicated to the Fund will be insufficient to finance the major Hampton Roads projects, requiring coordination with VDOT and the CTB in the application of Transportation Trust Fund revenues and Federal funds and in the design and constructions of those projects
- Planned regional mega projects likely will still need to be tolled to be financially feasible

General Policy Decisions

The HRTPO will need to reach a policy decision as to whether it prefers:

1. To work within the current structure to clarify the relative roles and powers of the HRTPO, VDOT and the CTB and to clarify the authority to issue bonds secured by revenues of the Fund
2. Seek legislation to consolidate the planning, implementation and financing functions at the regional level, either through modification of the HRTPO or creation of a new regional entity

HRTPO Legislation

Legislation could be introduced to allow the HRTPO to issue debt secured by the Fund.

- Unlike the HRPDC, the HRTPO has only minimal recognition in the Virginia Code, and lacks specific enabling legislation detailing its powers and rights under state law, which may prevent it serving as an appropriate issuer of public debt without extensive legislation affecting all MPOs
- If VDOT remains responsible for project design and construction, the HRTPO would be merely a conduit for financing, which may be inefficient

Commonwealth Transportation Board (CTB)

- Based on preliminary legal research, the CTB is a potential issuer of debt supported by the Fund.
- Legislation would be required to authorize the CTB to issue bonds for projects identified by the HRTPO and backed by revenues of the Fund.
- The CTB is authorized to issue bonds for specific purposes and projects enumerated by statute.
- Historically, the CTB has issued bonds secured by and paid from revenues of the Transportation Trust Fund.
 - CTB’s bonds have carried additional security from an “appropriation pledge” of the Commonwealth in order to attain a higher bond rating
 - Due to the pledge of state-wide taxes and the “appropriation pledge,” this debt is counted by the Commonwealth in its debt capacity calculations
- CTB may not want to issue debt secured by the Fund if counts in the Commonwealth’s debt capacity calculation.
 - Preliminary review suggests credit enhancement may not be necessary to sell bonds
 - Additional review is required to determine how to avoid impacting the state’s debt capacity, if possible

New Regional Entity

A new regional entity could be established with powers to design, construct and finance projects similar to those of the Northern Virginia Transportation Authority.

Overlap & coordination with HRTPO would be important.

- Positives

- Together with HRTPO, a common approach to project planning, phasing, and financing
- Greater and more direct power to implement projects with revenue under direct control
- Entity could likely issue debt backed by the HB2313 revenues at an acceptable rate of interest without the Commonwealth credit enhancement

- Negatives

- The design of the entity could be complex politically, both locally and at the state level

- Consideration could also be given to legislation permitting use of another existing entity for financing purposes, such as the Virginia Port Authority which has been granted new conduit financing powers

Additional Considerations with respect to Regional Toll Projects

A new regional entity might also be vested with powers to develop regional toll road projects.

- Common approach to setting toll rates and congestion pricing
- Consolidated toll collection system and back office operations
- Ability to implement a regional toll system financing / bonding approach
- Capability to utilize Design-Build and DBOM delivery alternatives
- Over time, possibility to consolidate existing transportation projects in the region, creating the ability to equitably manage tolls or consider the use of tolls in congestion management

Leveraging HB2313 Revenues

Credit Quality

- The various revenues provided by HB2313 are common among transportation debt programs and can be successfully leveraged without Commonwealth credit support.
- Common financial structures for credit-worthy plans include:
 - Typically level annual debt service, although modestly ascending debt service based upon conservative revenue projections can be used
 - Additional Bonds Test requires debt service coverage in the 1.25x to 1.50 times range
 - Ability to fund O&M costs, fund R&R deposits, and fund pay-go capital after payment of debt service
- Credit ratings for a regional entity and this type of revenue pledge are typically in the AA – A categories depending on bond covenants and the expected level of leveraging
- Regional economic strength is an important credit factor

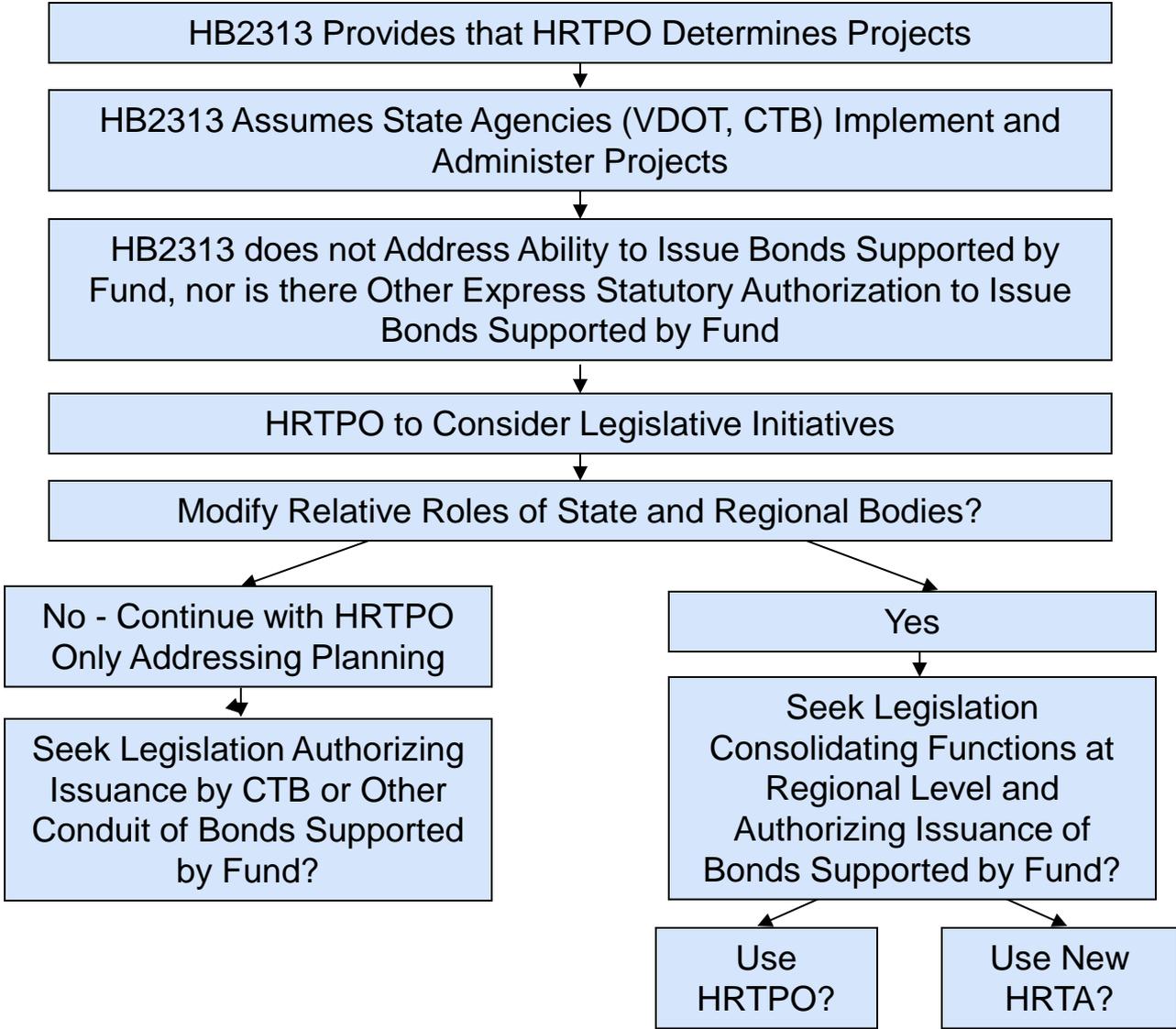
Case Study: Better Jacksonville Plan

- The Better Jacksonville Plan (“BJP”) provides the City of Jacksonville (FL) with road, transportation and infrastructure improvements, economic development and public facilities.
 - Prior to the first issuance of BJP Bonds, the City created a financing structure for funding \$2.25 billion of capital projects within the City over ten years
 - The two pieces of BJP, Infrastructure Sales Tax (“IST”) and Transportation Sales Tax (“TST”), were sized based upon long term financial planning models
- Financial models were driven by credit rating standards and market acceptance of the BJP Bonds:
 - Based on bond financing and cash funded projects and fully incorporated coverage requirements, reserve funds, and liquidity needs
 - TST program included a local fuel tax and subordinate funding of the Jacksonville Transit Authority system operations after payment of TST debt service and capital needs
- The City and JTA adopted two Bond Ordinances authorizing the BJP bond financing program in its entirety.
- Financial models were driven by credit rating standards and market acceptance of the BJP Bonds:
 - IST Revenue Bonds rated A/A1/A+ with \$568 million currently outstanding
 - TST Revenue Bonds rated AA-/A1/AA- with \$545 million currently outstanding

HRTPO Capacity Analysis

- The following assumptions were used for both of the following capacity analyses:
 - 30-year bond issue every 2 years for 20 years, such that the final maturity of the last bond issue is in year 50
 - Fixed-rate, Level annual debt service structure for each issue
 - Targets 125% coverage over debt service
- Low Case: \$180mm revenues in FY 2014, growing by 2% annually
 - \$3,075 million Aggregate Bond Net Proceeds over 20 years
 - \$2,374 million Aggregate Net Revenues After Debt Service over 30 years through 2043
- High Case: \$200mm revenues in FY 2014, growing by 3% annually
 - \$3,848 million Aggregate Bond Net Proceeds over 20 years
 - \$3,642 million Aggregate Net Revenues After Debt Service over 30 years through 2043

Decision Tree



Attachment 5

AGENDA ITEM #6: SCHEDULE NEXT MEETING

It is recommended that in preparation for the 2014 General Assembly session, the HRTPO Legislative Ad-Hoc Committee should schedule one more meeting to review and finalize its set of legislative priorities to aid in the development of the HRTPO 2014 Legislative Agenda.

AGENDA ITEM #7: OLD/NEW BUSINESS