

**Hampton Roads Transportation
Accountability Commission (HRTAC)**
Summary Minutes of the June 9, 2016 Finance Committee Meeting

The Hampton Roads Transportation Accountability Commission (HRTAC) Finance Committee Meeting was called to order at 9:12 a.m. in the HRTPO Conference Rooms C/D, 723 Woodlake Drive, Chesapeake, Virginia, with the following in attendance:

HRTAC Members in Attendance:

Frank Wagner, Chair	Paul Fraim
Rex Alphin, Vice Chair	George Wallace*

HRTAC Executive Director

Kevin Page

Other Participants:

Tom Inglima	Nelson Bush
Danetta Jankosky	Nancy Collins
George Consolvo	

* Denotes Late Arrival or Early Departure

Others Recorded Attending:

Jeff Raliski (NO); Cheryle Mack, Joe Zarzycki (BB&T); Julie Bartley (Union); Rob Correll, Don Quisenberry, Malcom Wise (eScribe Solutions/Veteran Reporters); Tony Gibson (VDOT); Jennifer Coleman (HRTAC)

Approval of Agenda

Mr. Rex Alphin Moved for approval of the agenda; seconded by Mr. Paul Fraim. The Motion Carried.

Public Comment Period (limit 5 minutes per individual)

Ms. Julie Bartley, Union Bank and Trust, requested the Committee to take into consideration Union's willingness to match or exceed the Local Government Investment Pool (LGIP) returns.

Mr. Joe Zarzycki, BB&T, stated the Sterling account is similar to the Virginia Investment Pool (VIP) account in regards to quality and duration. He further indicated the services of an Investment Manager; such as, Sterling Capital will yield maximum results.

Chair's Comments

Chair Wagner commented that HRTAC counsel notified him that the current method of handling HRTAC funds may not comply with State Code. Senator Wagner recommended that the Finance Committee update the entire Investment Policy.

Consent Items

A. Approval of the minutes of the March 31, 2016 HRTAC Finance Committee meeting.

Mr. Paul Fraim Moved to approve the minutes of the March 31, 2016 HRTAC Finance Committee meeting; seconded by Mr. Rex Alphin. The Motion Carried.

Action Items

A. Financial Investment Advisory and Banking Services Policy and Review of HRTAC Account Structure.

Mr. Kevin Page, HRTAC Executive Director, explained that House Bill 1111 delegated the responsibility and authority to HRTAC to invest, as appropriate, the excess revenues currently not being spent on highway projects. He indicated this legislative revision lead to a review of current financial investment policy and guided the future direction of investment advisory and banking services.

Mr. Nelson Bush, PFM Consulting, stated the Investment Policy recommendation included both investment policy and investment account structure. He outlined the Investment Policy portion first, focusing on the following recommendations:

- Modification of the Policy so it is a set of policies owned by the Commission rather than an agreement between HRTAC and its Investment Adviser.
- Evaluation of the Policy in relation to HB 1111, which links HRTAC's authorized investments to those permitted by Administration of the Transportation Trust Fund (§33.2-1525 et seq.).
- Adding language that assists HRTAC's Policy alignment with recommended practices of both the Government Finance Officers' Association ("GFOA") and the Association of Public Treasurers of the US and Canada ("APT US&C").
- Consideration of HRTAC's risk tolerances and liquidity needs.

Mr. Page noted that the previous policy was an interim one adopted at the inception of HRTAC, and explained the updated Investment Policy is better equipped to further HRTAC's mission.

Mr. Bush summarized the current account balances in each HRTAC account and the earnings rate. He further explained the goal of the recommendations is to utilize an account structure that will help meet HRTAC's overall investment and deposit goals of preserving the safety of principal, maintaining adequate liquidity, providing for ease of collection and disbursement, and prudently investing funds not necessary for immediate disbursement.

He indicated the next steps HRTAC should consider to maximize interest earnings include:

- Redirect the routing of Commonwealth collections from BB&T to Union Bank. Alternatively, have the Commonwealth collections routed to the LGIP account.

- Eliminate the BB&T checking account. HRTAC has no requirement for the maintenance of checking accounts at multiple institutions, therefore, consolidating funds at one bank should ease administrative overhead.
- Research additional options with Union Bank to replace the sweep account which is a somewhat challenging structure for staff to administer given the need to verify the sufficiency and pricing of collateral on a regular basis.
- The use of an additional separately managed account that has a somewhat shorter duration target/benchmark or that specifically schedules security maturities to coincide with projected future capital expenditures.
- Additional options for longer-term investments, such as the Virginia Investment Program managed by VML / VACo Finance.
- Research custodial bank and investment advisor services aligned with the Code of Virginia and HRTAC's Statement of Investment Policy.

Mr. Tom Inglima, Willcox & Savage, indicated that before funds could be invested in VIP, the Commission would have to pass a Resolution

Mr. Rex Alphin questioned whether the recommended policy will improve returns.

Mr. Bush responded affirmatively.

Mr. Paul Fraim Moved to recommend the Financial and Investment Policy be adopted by HRTAC; seconded by Mr. Rex Alphin. The Motion Carried.

Chair Wagner informed the Committee upon the full Commission adopting the policy, a new Request for Proposals (RFP) for Investment Management Services will be advertised.

B. Legal Structure for Future HRTF Revenue Bonds

Mr. George Consolvo, Kaufman and Canoles, reviewed the outline of the revenue bond structure and the timeline for the validation process. He stated the full Commission will be presented with two resolutions for adoption. The first is, approving the plan of finance, which includes the structure of the master indenture and its supplements. The second is authorizing bond counsel and general counsel to proceed with the validation suit. He noted the structure does not include any revenues other than HRTF revenues, such as toll revenue.

Chair Wagner asked if the lack of a gas tax floor would affect bond pricing.

Mr. Consolvo deferred to Mr. David Miller of PFM, but stated numerous factors determine bond pricing.

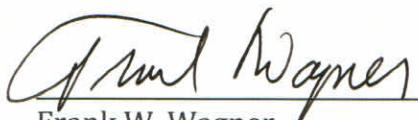
Chair Wagner indicated the possibility of HOT lanes and questioned how the revenues would be combined into the existing indenture documents.

Mr. Consolvo responded a supplemental indenture would be prepared to incorporate any additional funding streams.

Mr. Paul Fraim Moved to recommend the two Resolutions permitting HRTAC to seek bonding authority; seconded by Mr. Rex Alphin. The Motion Carried.

Adjournment

With no further business to come before the Hampton Roads Transportation Accountability Commission Finance Committee, the meeting adjourned at 10:20 a.m.

A handwritten signature in black ink, appearing to read "Frank W. Wagner".

Frank W. Wagner
HRTAC Finance Committee Chair