

**Hampton Roads Transportation
Accountability Commission (HRTAC)**
Summary Minutes of the June 10, 2021 Finance Committee Meeting

The Hampton Roads Transportation Accountability Commission (HRTAC) Finance Committee Meeting was called to order at 9:00 a.m. by conference call due to COVID-19, with the following in attendance by telephone:

HRTAC Members in Attendance:

Supervisor Michael Hipple, JC, Chair
Supervisor William McCarty, IW

Supervisor Thomas G. Shepperd, YK
Senator Monty Mason, VGA

HRTAC Executive Director:

Kevin Page

Other Participants:

Eric Ballou, Kaufman and Canoles
Mike Garber, PB Mares
Tom Inglima, Willcox & Savage

David Miller, PFM
Liang Shan, PFM

HRTAC Voting Members Absent:

Mayor McKinley Price, NN

Others Recorded Attending:

Matthew Bernstein, Kristen Krug, Ronald Marino, Chris Mcnichol, Sabaa Modi (Citi); Sheila Wilson (HRPDC); Lynn Coen, Jennifer Hodnett (HRTAC);

Declaration re: Purpose of Meeting, Call to Order and Roll Call

HRTAC General Counsel, Thomas Inglima, proceeded to read the following declaration for the Members:

In light of the Governor's Declared State of Emergency due to COVID-19, it is impracticable and unsafe for the Committee to assemble in a single location, so the meeting will be held electronically, by telephone, pursuant to the 2021 Appropriation Act. The purpose of the meeting is to discuss or transact the business statutorily required or necessary to continue operations of the Commission and the Committee and the discharge of their lawful purposes, duties, and responsibilities. The public is welcome to use the number provided to attend the meeting electronically. The Commission will make available a recording or transcript of the meeting on its website in accordance with the timeframes established in Sections 2.2-3707 and 2.2-3707.1 of the Code of Virginia.

A roll call vote of all Members was taken in order to confirm a quorum:

Chair Michael Hipple: Present
Supervisor William McCarty: Present
Mayor McKinley Price: No Response

Supervisor Thomas Shepperd: Present
Senator Monty Mason: Present

The quorum was confirmed by Mr. Inglima.

Approval of Agenda

HRTAC Executive Director, Kevin Page, requested that Agenda Items 5D and 5E, Master Tolling Agreement Amendment and HRELN Toll Integration (System Integrator) Standard Project Agreement, respectively, be removed from the Agenda. He indicated that subsequent information from the Virginia Department of Transportation (VDOT) had been received late and would need to be reviewed before Items 5D and 5E could be considered for approval. Additionally, Mr. Page requested that Agenda Item 6, HRTAC FY2021 Financial Audit Kick-Off Discussion, be moved ahead of the Consent Items, considering the brief informational item was only for discussion and didn't require that any action be taken by the Committee.

Senator Monty Mason Moved to adopt the Agenda as presented with the removal of Agenda Items 5D and 5E and the advancement of Agenda Item 6, before Agenda Item 5; Seconded by Supervisor William McCarty. A roll call vote of the voting Members was taken:

Chair Michael Hipple: Yes
Supervisor William McCarty: Yes
Supervisor Thomas Shepperd: Yes
Senator Monty Mason: Yes

Mr. Inglima confirmed The Motion Carried.

Public Comment Period (limit 5 minutes per individual)

No one from the public requested to make a public comment.

Consent Items

- A. Minutes of the March 16, 2021 Finance Committee Meeting
- B. HRTAC Federal Programs Procedures and HRTAC Accounting Manual
- C. HRTAC FY2022 Administrative and Project Development Budget
- D. HRTAC FY2022-FY2027 Plan of Finance Update – Six Year Operating and Capital Program of Projects for the Region's High Priority Projects and the Hampton Roads Regional Transit Fund
- E. HRTAC 2045 Long Range Plan of Finance Update for the Region's High Priority Projects and the Hampton Roads Regional Transit Fund
- F. Trustee Services for Toll Roads System Revenue Bonds

Senator Monty Mason Moved to approve the Consent Agenda Items; Seconded by Supervisor William McCarty. A roll call vote of the voting Members was taken:

Chair Michael Hippel: Yes
Supervisor William McCarty: Yes
Supervisor Thomas Shepperd: Yes
Senator Monty Mason: Yes

Mr. Inglima confirmed The Motion Carried.

Discussion Item

A. HRTAC FY2021 Financial Audit Kick-Off Discussion

Mr. Michael Garber, PB Mares, stated that his staff was onsite with HRTAC the week prior to begin their fiscal year 2021 audit. He noted that there had been no material findings and that he didn't perceive there being any material findings from the remaining auditing work to come.

He reviewed the timeline of the audit, noting the final field work beginning the week of August 16, and welcomed discussion and questions from Committee Members in regard to any areas of concern.

No comments from Members were made.

Action Items

A. HRBT and HRELN Funding Plan of Finance and Debt Management Plan Update

Mr. David Miller, PFM, noted that no significant changes had been made to the financial plans for the Hampton Roads Bridge Tunnel (HRBT) and Hampton Roads Express Lanes Network (HRELN) that were previously presented to the Commission in March 2021 but that the Committee was being asked to consider updates to the Debt Management Plan today to incorporate the latest HRBT and HRELN funding plans.

Mr. Miller reminded the Committee Members of the current Debt Management Plan that was prepared by HRTAC staff in May 2020 and approved by the Commission in June 2020, which Plan included a stress test revenue scenario. Mr. Miller highlighted that the Commission was thereafter presented with an updated Plan of Finance and Debt Management Plan in March 2021, which reflected collections on the HRTF, the Department of Taxation's projections on the effects of COVID-19 on revenue, and refinements to the HRELN costs based on an Investment Grade Traffic and Revenue Study. Mr. Miller noted that the Commission had not yet taken any formal action to endorse or adopt the updated Plan of Finance and Debt Management Plan initially presented in March 2021.

Mr. Miller next reviewed HRTAC's debt financings. Mr. Miller identified previously issued or executed debt financings and outlined the new sources of debt financings to be issued or executed, including Bond Anticipation Notes (BANs) and a related subordinate TIFIA loan. Mr. Miller explained that consistent with HRTAC's past practice, the BANs would be used as interim construction funding to lower the overall cost of financing even further. He

highlighted that the first toll-backed debt, as opposed to HRTF-backed debt, for the HRBT project was on the Agenda for approval and noted the anticipation of additional HRTF revenue bonds and an additional toll-backed TIFIA loan for the HRELN.

Mr. Miller summarized the HRBT funding plan, noting that the construction costs and source of funds had not changed since March 2021 and that the only change was to the reserves that were being established for the toll revenue enterprise and financing. Mr. Miller explained that a Toll Revenue Stabilization Fund would be established for credit enhancement purposes and supported by HRTF revenues that could be used for debt service. He stated that he did not anticipate HRTAC needing to use these funds, but considering the rating agency and TIFIA revenue stress tests, HRTAC offered the Toll Revenue Stabilization Fund as a method of credit enhancement. The fund would carry a balance not to exceed \$15 million per year.

Mr. Miller reviewed the HRELN funding plan, stating that there were no changes to what was presented in March 2021 but that HRTAC was still waiting on confirmation from VDOT as to funding for tolling integration.

Mr. Miller briefly explained the HRTF revenue projection. He noted that the 2020 data was based on actual collections and the six-year projections were based on the Department of Taxation's updated forecast for FY2021 – FY 2028 reflecting COVID-19 impact and recovery assumptions.

Mr. Miller reviewed the HRTF revenue current performance, noting its strength and ability to support the debt issuance and coverage ratios built into the Debt Management Plan. He highlighted illustrations of the HRTF Revenue Supported Debt and Toll Revenue Supported Debt supporting not only the debt issuance but also strong credit ratings.

Mr. Miller explained that HRTAC staff was seeking the Committee's endorsement and recommendation to the Commission for approval of the Debt Management Plan Update to incorporate the latest HRBT and HRELN funding plans.

Senator Mason questioned the delay of approval from VDOT for the anticipated \$26 million in tolling integration funding and asked if that should be a concern for HRTAC.

Mr. Page explained that there would be an additional tolling integration cost of about \$26 million to develop the HRELN and that such funds needed to be approved and distributed by the Commonwealth Transportation Board. He indicated that communications were still ongoing with the Commonwealth and moving in the right direction but that out of caution, the Agenda items tied to those funding commitments were removed. He clarified that the \$26 million does not impact HRTAC moving forward with the completion of financing for the HRBT.

Mr. Inglima clarified that the VDOT commitment was not a grant. The funds were a loan from the toll facility revolving account and would be repaid by the toll revenue waterfall under HRTAC's toll indenture.

Senator Monty Mason Moved that the Finance Committee recommends that the Commission approve the Proposed HRTAC Hampton Roads Bridge Tunnel and Hampton Roads Express Lanes Network Plan of Finance and Debt Management Plan Update and authorizes the Finance Committee Chair to recommend approval of the Proposed HRTAC Hampton Roads Bridge Tunnel and Hampton Roads Express Lanes Network Plan of Finance and Debt Management Plan Update to the Commission; Seconded by Supervisor William McCarty. A roll call vote was taken:

Chair Michael Hippel: Yes

Supervisor William McCarty: Yes

Supervisor Thomas Shepperd: Yes

Senator Monty Mason: Yes

Mr. Inglima confirmed The Motion Carried.

B. 2021 HRTF Backed TIFIA Loan and Associated Bond Anticipation Note Authorizations – Resolution 2021-05

HRTAC Bond Counsel, Eric Ballou, outlined the HRBT TIFIA financing timeline. He noted that the 2021 debt financing process began in March 2021 and had a target closing in August 2021, which financing included an approximately \$790M 2021 HRTF TIFIA Loan, a \$345M 2021 Toll TIFIA Loan and 2021 HRTF TIFIA BANs.

He explained that the 2021 HRTF TIFIA Loan was similar to the 2019 HRTF TIFIA Loan with final maturity in 2060. He highlighted that the biggest difference between the two loans was that the 2021 HRTF TIFIA Loan would provide for HRTF transfers from available cash, on an as-needed basis, to enhance the creditworthiness of the Toll TIFIA Loan.

Mr. Miller described the economic benefit of issuing BANs. He reminded the Committee that this type of issuance had previously been approved in connection with the 2019 TIFIA Loan, which resulted in \$23 million in savings. He explained that the BANs were advantageous considering the short-term tax exempt interest rate that the BANs offer, which are lower than the TIFIA loan interest rate and would result in cost savings for HRTAC in the estimated amount of \$36 million. Mr. Miller reiterated that this strategy is only deployed when there is an economic benefit.

Committee Members voiced their appreciation for the work of HRTAC staff and consultants in regards to the TIFIA program and financing.

Mr. Ballou reviewed the parameters of HRTAC Resolution 2021-05 with Committee Members. The parameters included the expected uses of the TIFIA loan and BANs financing and the documents that would be used in connection therewith, the maximum principal amount of the TIFIA loan and the interest rate, the maximum principal amount of the BANs and the interest rate, the authority of the Executive Director and officers of the

Commission to execute and finalize the financing documentation, and the limited amount of HRTF support for the toll revenue financing.

Supervisor William McCarty Moved that the Finance Committee endorses Resolution 2021-05 and authorizes the Finance Committee Chair to communicate the Finance Committee's endorsement to the Commission at its June 17, 2021 Annual Organizational Meeting; Seconded by Senator Monty Mason. A roll call vote was taken:

Chair Michael Hippel: Yes

Supervisor William McCarty: Yes

Supervisor Thomas Shepperd: Yes

Senator Monty Mason: Yes

Mr. Inglima confirmed The Motion Carried.

C. 2021 Toll Backed TIFIA Loan Authorization – Resolution 2021-06

Mr. Ballou reviewed the 2021 Toll TIFIA Loan Agreement with the Committee. He noted that the terms of the Loan were consistent with the Project Agreement for Funding and Administration (PAFA), the Master Agreement for Development and Tolling of the Hampton Roads Express Lanes Network (MTA) and industry standards to obtain minimum investment grade credit ratings.

He indicated the Loan amount would be \$345 million with final maturity at no later than 40 years, as outlined in the Resolution.

Mr. Ballou next explained the toll revenue flow of funds.

Mr. Miller clarified that while there would be some initial reserve deposits from the HRTF to the toll enterprise, toll revenues were expected to be sufficient and no further HRTF transfers were anticipated. In fact, HRTAC staff and consultants expect that all of the initial reserve deposits from the HRTF would be returned over the course of 20 or 25 years as toll revenues were available to replace them. Mr. Miller indicated that including additional HRTF funds in the flow of funds was fairly common.

Mr. Page highlighted that the transfers from the HRTF were already included in the six-year program.

Mr. Ballou outlined the parameters of Resolution 2021-06 with the Committee Members. He explained that the three documents referenced in Resolution 2021-06 were the Toll Master Indenture, the First Supplemental Indenture and the Toll TIFIA Loan Agreement. Mr. Ballou stated that the original principal amount of the Toll TIFIA Loan was not to exceed \$345 million, the interest rate was not to exceed 3.25% and the final maturity date was not later than 40 years. Resolution 2021-06 covers the HRTF transfers discussed, authority to execute and deliver the loan documents, and the ratification of U.S. Bank National Association as the toll trustee.

Supervisor William McCarty Moved that the Finance Committee endorses Resolution 2021-06 and authorizes the Finance Committee Chair to communicate the Finance Committee's endorsement to the Commission at its June 17, 2021 Annual Organizational Meeting; Seconded by Senator Monty Mason. A roll call vote was taken:

Chair Michael Hippel: Yes

Supervisor William McCarty: Yes

Supervisor Thomas Shepperd: Yes

Senator Monty Mason: Yes

Mr. Inglima confirmed The Motion Carried.

D. Master Tolling Agreement Amendment

Agenda Item 5D, Maser Tolling Agreement Amendment, was removed from the Agenda to allow time to consider additional information received from VDOT.

E. HRELN Toll Integration (System Integrator) Standard Project Agreement

Agenda Item 5E, HRELN Toll Integration (System Integrator) Standard Project Agreement, was removed from the Agenda to allow time to consider additional information received from VDOT.

F. Project Agreement for Funding and Administration for the Hampton Roads Bridge Tunnel Project Amendment

Executive Director Page reminded the Committee Members of the PAFA that HRTAC had entered into with VDOT in 2019, which established the terms and conditions of the relationship between the parties relating to the funding of the HRBT Project. The PAFA includes a contingency for certain unanticipated additional costs. In evaluating the relationship of the parties, it was determined that the additional costs of the tolling infrastructure construction should be addressed and that a portion of the contingency under the PAFA should be used for such purpose.

Mr. Page stated that HRTAC and VDOT collaborated to create an amendment to the PAFA, which outlined the costs associated with the expenses related to the toll collection facilities. He highlighted that HRTAC's maximum financial commitment to support the HRBT project would not be increased by this amendment.

Mr. Inglima clarified that VDOT had requested that the amendment clarify that if after all the funds from the contingency are used, HRTAC still has not reached its maximum financial commitment, that HRTAC would provide additional funding until it reaches its maximum financial commitment. At the time the Commission originally approved the PAFA, it approved a \$3.562 billion maximum financial commitment. The actual budget reflected in the PAFA was for \$3.553 billion, so the amendment would clarify that although

a portion of the funds are being released from the contingency, if the Commission hasn't reached its maximum financial commitment, the Commission would provide the \$8.5 million difference for any additional costs that might be needed.

Committee Members asked for further clarification.

Mr. Inglima further explained that because VDOT had agreed to lower the amount of the contingency built into the HRBT project budget, VDOT was requesting that the \$8.5 million amount remain available, if needed.

Mr. Page clarified the full amount is budgeted in the six year program, however, only \$3.5B is allocated.

Supervisor William McCarty Moved that the Finance Committee endorses the Amendment to the Project Agreement for Funding and Administration for the Hampton Roads Bridge Tunnel Project and authorizes the Finance Committee Chair to communicate the Finance Committee's endorsement to the Commission at its June 17, 2021 Annual Organizational Meeting; Seconded by Senator Monty Mason. A roll call vote was taken:

Chair Michael Hipple: Yes

Supervisor William McCarty: Yes

Supervisor Thomas Shepperd: Yes

Senator Monty Mason: Yes

Mr. Inglima confirmed The Motion Carried.

G. HRELN Segment 3 (Tolling Infrastructure) Standard Project Agreement

Executive Director Page reminded the Committee of the MTA, which is the blueprint for the relationship between HRTAC and VDOT as to how the HRELN is to be funded, constructed and operated. Mr. Page explained that the MTA identifies projects and establishes a pathway for project financing, development, construction and operation through the use of standard project agreements. In accordance with the MTA, HRTAC staff and counsel have developed with VDOT the HRELN Segment 3 (Tolling Infrastructure) Project Agreement to support the development and installation of the tolling infrastructure for Segment 3 of the HRELN, which includes the HRBT. He stated that the funding source was the released contingency funds previously discussed in connection with the PAFA amendment.

Mr. Page described the tolling infrastructure costs and indicated that the development and installation would be performed by a vendor contracted by VDOT.

Supervisor William McCarty Moved that the Finance Committee endorses the HRELN Segment 3 (Tolling Infrastructure) Standard Project Agreement and authorizes the Finance Committee Chair to communicate the Finance Committee's endorsement to the

Commission at its June 17, 2021 Annual Organizational Meeting; Seconded by Senator Monty Mason. A roll call vote was taken:

Chair Michael Hipple: Yes
Supervisor William McCarty: Yes
Supervisor Thomas Shepperd: Yes
Senator Monty Mason: Yes

Mr. Inglima confirmed The Motion Carried.

H. 2019A TIFIA Loan Refinancing Authorization – Resolution 2021-07

Mr. Page reminded the Commission of the TIFIA loan HRTAC had secured in 2019 and noted that the Build America Bureau had presented HRTAC with an opportunity to refinance or reset the interest rate of the 2019 TIFIA Loan. He indicated that this was an opportunity for the Commission to save money, provided that the market rates continue below those of the 2019 TIFIA Loan.

Mr. Miller explained that Resolution 2021-07 would authorize HRTAC to refinance the 2019 TIFIA Loan as part of the 2021 Loan, or simply reset the 2019 Loan interest rate to a lower level. He noted that while a refinancing and rate reset were essentially the same thing, TIFIA saw them as separate. Mr. Miller further explained some of the minor updates that would be made to an amended and restated 2019 TIFIA loan agreement. He noted that Resolution 2021-07 allowed for either a refinancing or rate reset and confirmed that the most advantageous option would be implemented.

He further stated that this would position HRTAC to take advantage of market movements and draw on the 2019 TIFIA Loan to pay off the 2019 BANS. HRTAC could see a costs savings ranging between \$6.2 million and \$18.7 million, depending on the loan rate being lowered by between 5 basis points and 15 basis points, respectively.

Mr. Inglima reviewed Resolution 2021-07 with Committee Members and stated that Resolution 2021-07 included parameters consistent with what Mr. Miller described and would not be done unless the interest rate was at least 5 basis points below the currently stated interest rate.

Supervisor William McCarty Moved that the Finance Committee endorses Resolution 2021-07 for the proposed 2019 TIFIA Loan Refinancing Authorization and authorizes the Finance Committee Chair to communicate the Finance Committee's endorsement to the Commission at its June 17, 2021 Annual Organizational Meeting; Seconded by Senator Monty Mason. A roll call vote was taken:

Chair Michael Hipple: Yes
Supervisor William McCarty: Yes
Supervisor Thomas Shepperd: Yes
Senator Monty Mason: Yes

Mr. Inglima confirmed The Motion Carried.

Information Item

A. HRTAC Monthly Financial Report

Mr. 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 10:26 a.m.



Michael Hipple

HRTAC Finance Committee Chair