

To: Chair West and the other members of the Commission

From: Kevin B. Page, Executive Director

Date: April 18, 2024

Re: HRTAC Debt Management Plan, Update on Financing Activities, and Next Steps for HRELN Financing

Recommendation:

The Finance Committee recommends that the Commission approve and/or authorize, as appropriate: i) the Debt Management Plan Update; ii) the development by the Commission Chair and Staff of an HRTF-Backed Senior Debt Issuance, provided that the consummation of the issuance would be subject to Commission approval at a future meeting; and (iii) the development by the Commission Chair and Staff of a Toll-Backed TIFIA Letter of Interest and the execution and delivery of such Letter of Interest by the Commission Chair and/or Executive Director to the Build America Bureau (TIFIA), provided that the consummation of the transactions contemplated by the Letter of Interest would be subject to Commission approval at a future meeting.

Background:

As Commission staff, financial advisors, engineering consultants, and VDOT continue to further refine project readiness, cost estimation, revenue projections, and financing options, an update to the HRTAC Debt Management Plan is warranted. The proposed update reflects the review of ongoing and new projects, current HRTF revenue projections provided by the Commonwealth, current projections of toll revenues provided by the Commission's T&R (Toll & Revenue) Consultant, ongoing and near-term future debt financings, and updated project cost estimates provided by VDOT, and updated revenue debt issuance assumptions. HRTAC's financial advisors and Bond Counsel will provide details at the Finance Committee meeting of the proposed update and will request authority to develop a 2024 HRTF-Backed Senior Debt Issuance and a Letter of Interest for a 2025 Toll-Back TIFIA Loan, with the proposed development activities including, among other things, the engagement of rating agencies, underwriters, and other necessary outside services. Once approved, the HRTAC Debt Management Plan Update will be used to guide Commission Staff and advisors in the development and execution of the six-year and long-range programs of projects. The presentation detailing the proposed debt management plan, and future financing activities is enclosed for reference. At the April 18, 2024 Finance Committee meeting, the Finance Committee recommended that the Commission approve and/or authorize, as appropriate: i) the Debt Management Plan Update; ii) the development by the Commission Chair and Staff of an HRTF-Backed Senior Debt Issuance, provided that the consummation of the issuance would be subject to Commission approval at a future meeting; and (iii) the development by the Commission Chair and Staff of a Toll-Backed TIFIA Letter of Interest and the execution



and delivery of such Letter of Interest by the Commission Chair and/or Executive Director to the Build America Bureau (TIFIA), provided that the consummation of the transactions contemplated by the Letter of Interest would be subject to Commission approval at a future meeting.

Fiscal Impact:

The fiscal impact to the Commission and the Hampton Roads Transportation Fund in relation to the Debt Management Plan Update will be included in the FY2025-FY2030 Plan of Finance Update – Six Year Operating and Capital Program of Projects – Highway Regional High Priority Projects.

Suggested Motion:

Motion: The Commission approves and/or authorizes, as appropriate: i) the Debt Management Plan Update; ii) the development by the Commission Chair and Staff of an HRTF-Backed Senior Debt Issuance, provided that the consummation of the issuance would be subject to Commission approval at a future meeting; and (iii) the development by the Commission Chair and Staff of a Toll-Backed TIFIA Letter of Interest and the execution and delivery of such Letter of Interest by the Commission Chair and/or Executive Director to the Build America Bureau (TIFIA), provided that the consummation of the transactions contemplated by the Letter of Interest would be subject to Commission approval at a future meeting.

Agenda Item 6F:

HRTAC Debt Management Plan, Update on Financing Activities, and Next Steps for HRELN Financing – Recommendation to the Commission to Authorize Commission Chair and Staff to Develop the HRTF Backed Senior Debt Issuance and Toll Backed TIFIA Letter of Interest

HRELN Segments – Debt Financing

- The HRTF 2023A TIFIA BANs were issued in 2023 (in conjunction with executing the 2023 HRTF TIFIA Loan).
- HRTF 2024A Bonds and 2025 Toll TIFIA Loan are the next debt components of the HRELN funding plan, as described below.
- The 2025 Toll TIFIA Loan amount is estimated based on updated toll revenue and tolling expenditure projections as well as similar credit features in the 2021 Toll Loan financing.

<i>HRELN Funding Plan</i>	<i>Amount</i>
Costs - HRTAC Obligation	\$934,613,240
HRTAC Funding Obligation	
HRTF Paygo	\$392,587,463
HRTF 2023A BANs*	\$139,134,670
HRTF Senior 2024 Bonds	\$164,891,107
2025 Toll TIFIA Loan	\$238,000,000
Total	\$934,613,240

**Included assumed investment earnings of the BANs proceeds before spent*

In planning phase

- Seek approval at the April 2024 Commission meeting to submit a Letter of Interest to TIFIA
- Creditworthiness review expected to start in late 2024/early 2025, followed by preparation of financing documentation and Commission approval of the TIFIA borrowing and the related finance documents
- TIFIA/toll-backed short-term BANs, a strategy that has been used in the past, may be recommended if market and credit conditions warrant
- Loan closing anticipated in the second half of 2025

In planning phase

- Bond sale expected in Fall 2024
- Similar financing documentation to previously issued HRTF bonds. Will seek approval at the June 2024 Commission meeting