

**Hampton Roads Transportation Accountability Commission (HRTAC)
Funding Strategies Advisory Committee
Summary Minutes of the January 19, 2016 Meeting**

The Hampton Roads Transportation Accountability Commission (HRTAC) Funding Strategies Advisory Committee (FSAC) Meeting was called to order at 9:37 a.m. in the HRTPO Regional Board Room located at 723 Woodlake Drive, Chesapeake, Virginia, with the following in attendance:

HRTAC Funding Strategies Advisory Committee Members in Attendance:

Neal Crawford, Chair
Joe Frank

HRTAC Executive Director

Kevin Page

Other Participants:

Tom Inghima
David Miller

HRTAC Funding Strategies Advisory Committee Members Absent:

Jody Wagner, Vice Chair	W. Sheppard Miller, III
Stacy Cummings	Alan Parrott
Dr. James Koch	Alan Witt
Harry Lester	

* Denotes Late Arrival or Early Departure

Others Recorded Attending:

Mark Geduldig-Yatrofsky, Dianna Howard, Frank Papcin, Donna Sayegh (Citizens); Lynn Allsbrook (HA); Jeffrey Raliski (NO); Scott Forehand, Alex Fudala, Don Quisenberry (eScribeSolutions); Bill Cashman, Chris Fronheiser (AECOM); Kevin Larkin (Bank of America); Tracy Baynard (McGuire Woods Consulting); Jordan Pascale (Virginian-Pilot); Danetta Jankosky, Nancy Collins (HRPDC); Rob Case, Chris Vaigneur (HRTPO).

Call to Order

Hampton Roads Transportation Accountability Commission Funding Strategies Advisory Committee Chair Neal Crawford called the meeting to order at 9:37 a.m. Since a quorum was not present, the approval of the minutes from the last meeting was deferred and the meeting proceeded as an information session.

Public Comment Period (limit 5 minutes per individual)

Mr. Papcin spoke to the Committee on how money generated by HOT lanes needs to be spent on projects such as road widening and not other projects such as the light rail.

Ms. Donna Sayegh commented on how she believes the public needs to be a bigger part of the decision-making process regarding the tolls that are being implemented in the region.

HRTAC Plan of Finance – Update /Discussion

Mr. David Miller from PFM presented on the results of the variations made to the six original tolling and taxing scenarios. He mentioned each scenario dealt with some assumptions and shortfalls, and noted that tolling all of the water crossings was met with large resistance. He recounted that at the December Funding Strategies Advisory Committee meeting, they had discussed related issues and also looked at setting a floor to the fuels tax.

Mr. Frank asked Mr. Miller to explain how the floor on the fuels tax actually works. Mr. Miller explained, and Director Kevin Page expanded, that the state would assess the regional tax as if the fuel prices were at \$3.22, which was the fuel price when the tax was passed in 2013. Mr. Page followed up that twice per year the fuels tax rate is adjusted to meet the value that was intended in House Bill 2313. HRTAC Counsel Tom Inglima confirmed the explanation given by Director Page.

Mr. Rob Case from the HRTPO suggested that the tax is effectively a per-gallon tax instead of a per-dollar tax. Mr. Page explained it is a per-gallon calculation that is then indexed to a percentage and to the gallon cost.

Chair Crawford remarked that they were trying to get to a predictable revenue stream.

It was reiterated that they were not trying to adjust the cost of gasoline back to \$3.22 a gallon, but actually trying to capture the tax value of gasoline at the \$3.22 value from February 2013 when the bill was passed.

Mr. Miller then continued to explain the various different scenarios that could be examined, including:

- 1A. Putting a floor under the fuels tax revenue;
- 1B. Putting a floor under the fuels tax revenue and increasing the fuels tax rate as needed so all projects can be completed by 2040;
- 1C. Putting a floor under the fuels tax revenue and increasing the fuels tax and the sales tax proportionately so all projects can be completed by 2040; and
- 1D. Mr. Sheppard Miller's "One and Done" plan, which includes a 1% increase in the sales tax to be able to afford whatever projects you can afford with that level of tax.

Mr. Joe Frank questioned whether these were revenue sources for the projects that would not have harmful effects on regional economic growth. Chair Crawford stated they are limited in the revenue sources they can recommend to HRTAC and will stick with HRTF and tolling for the time being.

Mr. Miller continued to discuss assumptions that could impact projects such as:

1. Additional funding from various VDOT and HRTPO sources with a present value of \$2 billion dollars over this period through 2040;
2. Reduced funding from VDOT and HRTPO sources with a value of \$500 million; and
3. Funding the projects as they are constructed with cash flows versus HRTF revenue bonds and how that affects the timing of project construction.

Mr. Miller told the Committee that VDOT asked him to adjust the timing of Segment 3 in the Fort Eustis interchange from what had been assumed last fall. This project will be slightly slower even if the funding is available. He mentioned that the assumed price of the High Rise Bridge project from last fall is the same.

Mr. Miller then discussed that, from a financial perspective, pursuing additional road capacity through HOT lanes does not make sense. He continued that they are not able to explore certain proposed scenarios because accurate costs and revenue figures are not available. Additional studies are necessary to gain this information. Mr. Frank asked how long it would take to complete these studies and get this information. Mr. Page reported that Secretary Layne would be giving a presentation on some of these ideas at Thursday's HRTPO meeting.

Chair Crawford stated that the next move in this process is to wait for direction from HRTAC regarding the scenarios that the Committee should examine.

Mr. Miller continued on the different variations of fuels and sales tax in Scenarios 1A through 1D, where fuels tax revenue isn't projected to change much by 2017 and sales tax revenue is projected to rise. Mr. Frank expressed concern on the sales tax projection based on recent retail store closures in the area and the fact that internet shopping is more popular than ever and does not generate any sales tax for Virginia. Mr. Miller relayed to Mr. Frank that they rely on the Department of Taxation for these projections and they do a good job.

Chair Crawford questioned whether bond issuers place higher reliability on sales taxes or fuels taxes. Mr. Miller replied that bond issuers view sales taxes more favorably.

Mr. Papcin questioned why Virginia does not add sales tax to products sold in magazines or online, and commented they should do so in order to help pay for projects. Mr. Geduldig-Yatrofsky explained that Virginia does tax people on online purchases through a sales-and-use tax, adding that it is the taxpayer's responsibility to remit the tax and is rarely accomplished. Mr. Crawford explained that these are congressional issues, and it is not something their committee can do.

Mr. Page mentioned that the upcoming HRTPO meeting will include a presentation of important information related to their financial planning. The HRTPO meeting will inform the Committee on the House Bill 2 scores and provide an update on the height and cost of the High Rise Bridge project. Mr. Page closed by reminding the Committee that the 2040

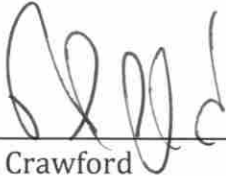
constrained long-range transportation plan needs to be completed by March and at some point in February they need to hold a robust meeting to finalize this plan.

Next Meeting

The next HRTAC Funding Strategies Advisory Committee meeting is February 16, 2016 from 9:30 a.m. to 11:00 a.m.

Adjournment

With no further business to come before the Hampton Roads Transportation Accountability Commission Funding Strategies Advisory Committee, the meeting adjourned at 10:29 a.m.



Neal Crawford
HRTAC Funding Strategies Advisory Committee Chair