

## **AGENDA**

### **Hampton Roads Transportation Accountability Commission**

#### **Finance Committee**

**December 10, 2018**

10:00 a.m.

Board Rooms A&B

723 Woodlake Drive, Chesapeake, VA 23320

- 1. Call to Order**
- 2. Approval of Agenda**
  - *Recommended Action: Approval*
- 3. Public Comment Period**
  - *Limit 5 minutes per individual*
- 4. Chair Comments**
- 5. Consent Items**
  - *Recommended Action: Approval*
  - A. Minutes of the April 3, 2018 Finance Committee Meeting**
- 6. Action Items**
  - *Recommended Action: Discussion/Endorsement/Recommendation/Direction*
  - A. Amendment to Approved HRTAC FY2019 HRTAC Administrative Budget – (Attachment 6A) – Executive Director Page**
  - B. HRBT Funding Agreement Advisory Committee - Briefing on P3 for HRBT Expansion Project and related project work streams, including development of Term Sheet, and review potential revenues and action items for HRTAC in respect of the P3, the prospective HRBT Funding Agreement, and the prospective Regional Tolling Network Agreement - Closed Session, as needed - (Attachment 6B) - Executive Director Page, Counselors Inglima, Wall, and Ballou, and David Miller, PFM**
  - C. Direction from the Finance Committee**
- 7. Information Items**
  - A. HRTAC as a Component Unit of the Commonwealth – (Attachment 7A) - Executive Director Page, Counselors Inglima, and Ballou, and David Miller, PFM**
  - B. HRTAC Financial Report – (Attachment 7B) – Executive Director Page, PFM Asset Management and PFM Investment Advisors**

#### **8. Adjournment**

**Agenda Item 5A**  
**Consent Item**

**To: Chair Wagner and the other members of the Finance Committee**

**From: Kevin B. Page, Executive Director**

**Date: December 10, 2018**

**Re: April 3, 2018 Meeting Minutes**

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**Recommendation:**

The Finance Committee is asked to approve the April 3, 2018 Finance Committee meeting minutes.

**Background:**

The Finance Committee approves meeting minutes for the permanent record of the Finance Committee.

**Fiscal Impact:**

There is no fiscal impact in relation to this Consent Item.

**Suggested Motion:**

Motion is to approve the minutes of the HRTAC Finance Committee meeting on April 3, 2018.



**Hampton Roads Transportation  
Accountability Commission (HRTAC)  
Finance Committee  
Summary Minutes of the April 3, 2018 Meeting**

The Hampton Roads Transportation Accountability Commission (HRTAC) Finance Committee Meeting was called to order at 10:08 a.m. at 723 Woodlake Drive, Chesapeake, Virginia, with the following in attendance:

**HRTAC Finance Committee Members in Attendance:**

Frank Wagner, Chair  
Dr. McKinley Price

Delegate Christopher Stolle

**HRTAC Executive Director**

Kevin Page

**Other Participants:**

Nelson Bush, PFM  
George Consolvo, Kaufman & Canoles  
Tom Inglima, Willcox & Savage

David Miller, PFM  
Liang Shan, PFM  
James Utterback, VDOT

\* Denotes Late Arrival or Early Departure

**Others Recorded Attending:**

Jennifer Coleman (HRTAC); Nancy Collins, Mike Kimbrel (HRTPO); Jordan Pascale (Virginian Pilot); Tony Gibson (VDOT); Scott Forehand, (VR); Don Quisenberry (VR)

**2. Approval of Agenda**

Dr. McKinley Price Moved to approve the agenda; Mr. Chris Stolle seconded. The Motion Carried.

**3. Public Comment Period (limit 5 minutes per individual)**

No public comments were made.

**4. Chair Comments**

Chair Frank Wagner informed the Committee the floor on fuels tax legislation passed and outlined HRTAC's potential role in regards to improving Hampton Roads Transit's efficiency.

**Consent Items**

**5A. Minutes of December 5, 2017 HRTAC Finance Committee Meeting**

Dr. McKinley Price Moved to approve the minutes of the December 5, 2017 HRTAC Finance Committee Meeting; seconded by Mr. Chris Stolle. The Motion Carried.

**Action Items**

**A. Series 2018 HRTF Revenue Bonds – Post Issuance Bond Compliance Policy**

Mr. David Miller, PFM, reviewed the series 2018 Bond Sale and indicated the bond proceeds were going to be used for the projects underway and not the HRBT. He indicated the majority of bonds mature in the 30 to 40 years and all were a strong credit rating. Additionally, he briefed the Committee on the current TIFIA loan HRTAC was applying for.

Mr. Miller highlighted the market reaction was positive and it was mainly oversubscribed, except in the most outlying years, in which HRTAC increased the coupon rate.

Mr. Page reminded the Commission the proceeds of the bond sale could reimburse HRTAC for prior project expenditures due to the Commission passing reimbursement resolutions.

Chair Wagner questioned when HRTAC should conduct another bond sale.

Mr. Miller indicated once a better cost estimate and construction schedule in regards to the HRBT was available.

Mr. James Utterback, stated VDOT would not have a valid estimate until a contract was awarded; however, was certain it was at least \$3 billion.

Mr. Page stated HRTAC staff and Counsel were going to begin work on a Standard Project Agreement with VDOT, which has been done in the past.

Mr. George Consolvo, Kaufman and Canoles, indicated the Committee needed to be cautious in issuing bonds before a valid estimate was known due to the tax complications of an “over issuance”.

Mr. Miller clarified the TIFIA loan would be issued closer to construction and the interest rate would be locked in once a loan agreement was executed.

Mr. Consolvo reviewed the Post Issuance Bond Compliance Policy and stated its existence was driven by the Securities and Exchange Commission (SEC) and the Internal Revenue Service (IRS) and it has become industry practice.

Mr. Chris Stolle Moved that the Finance Committee endorses the proposed HRTAC Post Issuance Bond Compliance Policy and authorized the Finance Committee Chair to recommend Commission Approval at its April 19, 2018 meeting. The motion was seconded by Dr. McKinley Price. The Motion Carried.

## **B. Amendments to Project Agreements with VDOT relating to Bond Trustee and Tax Covenants**

Mr. Kevin Page, indicated the amendments to the HRTAC and VDOT contracts were necessary due to bond issuance.

Mr. Thomas Inglima, Willcox and Savage, reviewed the specific items included in the amendments were that Wilmington Trust be named as an additional insured on VDOT construction insurance and that bond proceeds cannot be used for private activity purposes.

Mr. Consolvo explained the amendment does not allow VDOT to enter into contracts with a private business, which may jeopardize the bonds' tax exempt status.

Dr. McKinley Price Moved that the Finance Committee endorses the proposed Project Agreement Amendments relating to Bond Trustee and Tax Covenants and authorizes the Finance Committee Chair to communicate the action of the Finance Committee to the Commission at its April 19, 2018 meeting. The motion was seconded by Mr. Chris Stolle. The Motion Carried.

**C. De-Allocation of HRTAC Project Funds Returned by VDOT-HRTAC Adopted FY2016-FY2023 Funding Plan Adjustments**

Mr. Kevin Page explained the scope validation process, which entails the project efficiency and allows VDOT to lower the contingency and return funds to HRTAC. He outlined the following projects will have the following amounts of HRTF and Smart Scale monies will be refunded:

I-64 Peninsula Widening Segment I - \$15 M

I-64 Peninsula Widening Segment II – \$13.8 M

I-64 Peninsula Widening Segment III – \$43.5 M, Smart Scale Funds - \$23.8 M

I-64 Southside Widening including the High Rise Bridge–\$68 M, Smart Scale Funds-\$7.3

Mr. Page noted the de allocation of the funds will be applied to another project included in the 2045 Long Range Transportation Plan (LRTP).

Dr. McKinley Price Moved that the Finance Committee endorse and recommend to the Commission to amend its HRTAC 2018-2023 Funding Plan to (i) reduce the HRTAC funds allocated to the I-64 Peninsula Widening Segment I Project (UPC 104905) by \$15 Million, the HRTAC funds allocated to the I-64 Peninsula Widening Segment II Project (UPC 106665) by \$13.8 Million, the HRTAC funds allocated to the I-64 Peninsula Widening Segment III Project (UPC 106689) by \$43.5 Million, and the HRTAC Funds allocated to the I-64 Southside Widening including High Rise Bridge Phase I Project (UPC 106692) by \$68 Million and (ii) reduce the Smart Scale Funds allocated to the I-64 Peninsula Widening Segment III Project by \$23.8 Million and the Smart Scale funds allocated to the I-64 Southside Widening including the High Rise Bridge Phase I project (106692) by \$7.3 Million, and authorize the Chair to communicate the action of the Finance Committee to the Commission at its April 19, 2018 Regular Meeting. The motion was seconded by Mr. Chris Stolle. The Motion Carried.

**D. FY2019 HRTAC Administrative Budget and Request for a Public Hearing**

Executive Director Page remarked this was the initial step of the budget process and reviewed the budget by line item. He noted the budget was increased from FY2018 due to an increase in bond costs and HRPDC/HRTPO seconded staff charges. He further indicated the budget did include a 2.5% COLA increase for HRTAC staff.

Dr. McKinley Price Moved the Finance Committee endorse the proposed HRTAC FY2019 Administrative Budget and authorizes the Finance Committee Chair to recommend the draft budget to the Commission and request that the Commission authorize the Finance Committee to conduct a public hearing on the Proposed HRTAC FY2019 Administrative Budget. The motion was seconded by Mr. Chris Stolle. The Motion Carried.

### **E. Proposed HRTAC FY2019-2024 Plan of Finance Update**

Executive Director Page explained HRTAC funding plan update was a legislative requirement and is done by fiscal year to align with the Commonwealth Transportation Board. He noted the funding plan assumptions did include toll revenues returning to HRTAC.

Mr. Page indicated there was a potential \$100 million dollar gap, depending on the revenue projection model used, and reiterated no Smart Scale funds and toll revenues being returned to HRTAC were included in the funding plan.

Mr. Miller reviewed the proposed six year plan and indicated the more conservative revenue forecast was used.

Mr. Page clarified that the applicable HRBT project is Alternative A, which was passed in October 2016, not the three additional component pieces of the entire tolling network.

Chair Wagner questioned if the additional lanes would be High Occupancy Tolling lanes (HOT). Mr. Page answered positively.

Mr. Utterback reviewed the progress VDOT has made on the HRBT project, the next steps and the current challenges. He detailed the scope and how the contingency was determined.

Mr. Miller explained VDOT assumes all maintenance costs once the project is complete.

Mr. Chris Stolle Moved that the Finance Committee endorses the proposed HRTAC FY2019-FY2024 Six Year Operating and Capital Program of Projects for the Region's High Priority Projects (with toll revenues to HRTAC) and authorizes the Finance Committee Chair to communicate the action of the Finance Committee and to request the Commission to authorize HRTAC Staff to conduct a public hearing. The motion was seconded by Dr. McKinley Price. The Motion Carried.

### **F. HRTAC Proposed 2045 Long Range Plan of Finance Update**

Mr. David Miller, PFM, reviewed the 2040 Long Range Transportation Plan (LRTP) and indicated funding decisions in regards to the HRBT were made to ensure all projects in the 2040 could be completed as planned.

Mr. Page confirmed the HRBT estimate would be available in December and noted the any price difference might allow other shovel ready projects which meet the congestion relief requirements to be added to the 2045 LRTP.

Mr. Michael Kimbrel, explained the Hampton Roads Transportation Planning Organization (HRTPO) long range transportation planning process and answered questions on the regional connector study.

Mr. Miller briefed the Commission on the assumptions of the 2045 LRTP and its effects on the schedule of the projects included in the plan. Additionally, he identified the de allocation of the funds previously addressed in the meeting.

Delegate Chris Stolle questioned if the revenue projections provided by VDOT were for the State or just the Region.

Mr. Miller answered that the projections were in regards to the Hampton Roads Transportation Fund (HRTF) and were updated two or three times a year.

Dr. Price questioned if maintenance costs were included in the financing plan.

Mr. Chris Stolle Moved the Finance Committee endorses the Proposed 2045 Long Range plan of Finance Update for the HRTAC High Priority Projects to the Commission, and request that the Commission authorize the Finance Committee to hold a public hearing and report back public comments for consideration in the Commission's action at its June 21, 2018 Annual Organizational meeting to communicate the 2045 Long Range Plan of Finance Update for the HRTAC High Priority Projects to the HRTPO. The motion was seconded by Dr. McKinley Price. The Motion Carried.

### **Information Items**

#### **A. HRTAC Financial Report**

Mr. Nelson Bush, PFM, noted the positive growth of the USGDP in all areas and is projected to continue to improve. He informed the Committee in regards to inflation rates and inflation rates in the investment market. He reviewed HRTAC investment portfolio and the investment strategies due to the increase in bond funds and forecasted market conditions

Mr. Page reviewed the HRTAC Monthly Finance Report and detailed the amounts of investment income and interest on the investment income. He noted investment changes are made on a daily basis for the highest return.

### **Adjournment**

With no further business to come before the Hampton Roads Transportation Accountability Commission Finance Committee, the meeting adjourned at 11:59 a.m.

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Frank W. Wagner  
HRTAC Chair

**Agenda Item 6A**  
**Action Item**

**To: Chair Wagner and the other members of Finance Committee**

**From: Kevin B. Page, Executive Director**

**Date: December 10, 2018**

**Re: Amendment to Approved HRTAC FY2019 HRTAC Administrative Budget**

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**Recommendation:**

The Finance Committee is asked to endorse proposed amendments to the FY2019 Budget reflected in the attached Budget (the "Proposed Amendment to the Approved FY2019 Administrative Budget") and authorizes the Finance Committee Chair to communicate the Committee's endorsement and recommendation for Commission approval at the Commission's December 13, 2018 meeting.

**Background:**

At its November 15, 2018 meeting, the Commission endorsed the Staff request for an additional \$1,983,000 of eligible HRTAC controlled funds and authorized the Finance Committee Chair to conduct a public hearing on the Amendment to the Approved HRTAC FY2019 HRTAC Administrative Budget. On Monday, December 10, 2018 at 9:30 a.m., a public hearing will be held. Public comments received will be shared with the Finance Committee at its December 10, 2018 meeting prior to its consideration for endorsement and recommendation for approval to the Commission at its December 13, 2018 Regular Meeting.

**Fiscal Impact:**

There is a \$1,983,000 fiscal impact in relation to this Action Item.

**Suggested Motion:**

Motion The Finance Committee endorses the Staff request for an additional \$1,983,000 of eligible HRTAC controlled funds for the FY2019 Administrative Budget and authorizes the Finance Committee Chair to communicate the Committee's endorsement and recommendation for Commission approval of the Proposed Amendment at the Commission's December 13, 2018 meeting.







**Proposed Amendment to the Approved FY2019 Administrative Budget**

CATEGORY	FY2019 Approved			Proposed Adjustment	FY2019 Proposed Amended Budget		
	FY2019 Approved Budget	FY2019 Approved Administrative	FY2019 Approved Project Development		FY2019 Amended Budget	FY2019 Amended Administrative	FY2019 Amended Project Development
<b>REVENUES</b>							
HRTF Support *	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
Interest/Investment Income	2,464,512	1,334,512	1,130,000		4,447,512	1,342,512	3,105,000
<b>TOTAL REVENUE</b>	<b>\$ 2,464,512</b>	<b>\$ 1,334,512</b>	<b>\$ 1,130,000</b>		<b>\$ 4,447,512</b>	<b>\$ 1,342,512</b>	<b>\$ 3,105,000</b>
<b>EXPENDITURES</b>							
<b>PERSONNEL**</b>							
HRTAC Staff	\$ 524,512	\$ 524,512	\$ -		\$ 524,512	\$ 524,512	\$ -
HRTPO/HRPDC Support Staff**	120,000	120,000	-		120,000	120,000	-
<b>SUBTOTAL PERSONNEL</b>	<b>644,512</b>	<b>644,512</b>	<b>-</b>		<b>644,512</b>	<b>644,512</b>	<b>-</b>
<b>PROFESSIONAL SERVICES</b>							
Audit	24,000	24,000	-		24,000	24,000	-
Bank Fees & Investment Services	300,000	300,000	-		300,000	300,000	-
Legal	625,000	300,000	325,000	275,000	900,000	300,000	600,000
Financial Advisors	600,000	-	600,000		600,000	-	600,000
Insurance - D&O/Liability	4,000	4,000	-		4,000	4,000	-
Recruiting	2,000	2,000	-		2,000	2,000	-
Bond Issuance Expense/TIFIA	200,000	-	200,000	1,700,000	1,900,000	-	1,900,000
<b>SUBTOTAL PROFESSIONAL SERVICES</b>	<b>1,755,000</b>	<b>630,000</b>	<b>1,125,000</b>		<b>3,730,000</b>	<b>630,000</b>	<b>3,100,000</b>
<b>TECHNOLOGY/COMMUNICATION**</b>							
IT/Communications	5,000	5,000	-		5,000	5,000	-
LAN system/ Cloud	10,000	10,000	-	8,000	18,000	18,000	-
Website Consultant	2,000	2,000	-		2,000	2,000	-
<b>SUBTOTAL TECHNOLOGY/COMMUNICATION</b>	<b>17,000</b>	<b>17,000</b>	<b>-</b>		<b>25,000</b>	<b>25,000</b>	<b>-</b>
<b>ADMINISTRATIVE **</b>							
Public Notices/Advertising	3,000	3,000	-		3,000	3,000	-
Office Space	12,000	12,000	-		12,000	12,000	-
Office Supplies**	4,000	3,000	1,000		4,000	3,000	1,000
Furniture	500	500	-		500	500	-
Printing/Copying**	7,000	3,000	4,000		7,000	3,000	4,000
Dues/Subscriptions	1,000	1,000	-		1,000	1,000	-
Travel	8,000	8,000	-		8,000	8,000	-
Meeting Expenses**	7,000	7,000	-		7,000	7,000	-
Postage**	500	500	-		500	500	-
Professional Development	5,000	5,000	-		5,000	5,000	-
<b>SUBTOTAL ADMINISTRATIVE</b>	<b>48,000</b>	<b>43,000</b>	<b>5,000</b>		<b>48,000</b>	<b>43,000</b>	<b>5,000</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,464,512</b>	<b>\$ 1,334,512</b>	<b>\$ 1,130,000</b>	<b>\$ 1,983,000</b>	<b>\$ 4,447,512</b>	<b>\$ 1,342,512</b>	<b>\$ 3,105,000</b>
	<b>FY2019 Approved</b>			<b>Proposed Adjustment</b>	<b>FY2019 Proposed Amended Budget</b>		

\* HRTF Support will be used if the Interest/Investment Income is less than budgeted.

\*\*includes items to be reimbursed to HRPDC/HRTPO



**Agenda Item 6B**  
**Action Item**

**To: Chair Wagner and the other members of Finance Committee**

**From: Kevin B. Page, Executive Director**

**Date: December 10, 2018**

**Re: HRBT Funding Agreement Advisory Committee Briefing on P3 for HRBT Expansion Project and related project work streams, including development of Term Sheet, and review potential revenues and action items for HRTAC in respect of the P3, the prospective HRBT Funding Agreement, and the prospective Regional Tolling Network Agreement - Closed Session, as needed**

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**Recommendation:**

The HRBT Funding Agreement Advisory Committee will provide a briefing on the P3 for HRBT Expansion Project and related project work streams and review potential revenues and action items for HRTAC in respect of the P3, the prospective HRBT Funding Agreement, and the prospective Regional Tolling Network Agreement. The Finance Committee may enter into a closed session with the HRBT Funding Agreement Advisory Committee as needed.

**Background:**

HRTAC Chair Hipple created the HRBT Funding Agreement Advisory Committee and appointed Senator Wagner, Delegate Jones, Mayor Alexander, and Mayor Tuck to serve with Chair Hipple to advise Director Page and counsel on matters pertaining to the development of points in principle for an agreement pathway for recommendation to the Commission. The Committee worked through the end of summer and into the fall. Upon development of a Committee position, Committee members Delegate Jones and Senator Wagner were requested to work with the Administration to work through a funding proposal sufficient for the Committee to bring forward to the Commission for consideration. A full briefing will be provided to the Finance Committee.

**Fiscal Impact:**

There is no immediate fiscal impact in relation to this Action Item.



**Agenda Item 7A**  
**Information Item**

**To: Chair Wagner and the other members of Finance Committee**

**From: Kevin B. Page, Executive Director**

**Date: December 10, 2018**

**Re: HRTAC as a Component Unit of the Commonwealth**

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**Recommendation:**

The HRTAC Bond Counsel will provide a presentation on the Comptroller's determination that, for financial reporting purposes, HRTAC should be treated as a Component Unit of the Commonwealth. Several questions were raised Commissioners at the November 15, 2018 Commission meeting, and Staff would like to brief the Finance Committee on the topic prior to the Commission's December 13, 2018 Regular meeting briefing.

**Background:**

During the Fiscal Year 2018 audit preparation activities of the Commission, HRTAC was notified that the Comptroller of Virginia had determined that it would be misleading not to include HRTAC in the Commonwealth's Financial Statements as a blended Component Unit (CU) of the Commonwealth. The CU determination was based on the projects that the Commission is presently funding and its current relationship with the Virginia Department of Transportation relating to the delivery of those projects. The Comptroller's inclusion of HRTAC as a CU is solely for financial reporting purposes. A separate financial report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities determined to meet the blended component unit definition. Based on the Comptroller's decision to treat the Commission as a CU, the Commission is an integral part of the reporting entity of the Commonwealth of Virginia; accordingly, for financial reporting purposes all funds of the Commission are included in the financial statements of the Commonwealth as part of the reporting entity. In preparation for the December 13, 2018 HRTAC meeting, Chair Hipple has asked Bond Counsel to research the CU question of the Commissioners as to the effect of the Auditor of Public Accounts/State Comptroller's CU determination to include HRTAC on the debt limit of the Commonwealth and vice versa to HRTAC.

**Fiscal Impact:**

There is no fiscal impact in relation to this Information Item.

