

September 22, 2020

The Honorable Delores L. McQuinn
Chair, Joint Commission on Transportation Accountability
P.O. Box 406
Richmond, VA 23218

Dear Chair McQuinn:

Item 1.O. of Chapter 1289 of the 2020 Session of the General Assembly included the requirement that the Joint Commission on Transportation Accountability ('JCTA') shall regularly review, and provide oversight of the usage of funding generated pursuant to the provisions of HB 2313 (2013 Session of the General Assembly). To meet this requirement, the Hampton Roads Transportation Accountability Commission (HRTAC) has prepared the attached report to inform the JCTA on the uses of the Hampton Roads Transportation Fund ('HRTF') for Fiscal Year 2020. At its meeting on September 17, 2020, the HRTAC Board approved for submission the report titled, Fiscal Year 2020 Annual Report to the Joint Commission on Transportation Accountability Relating to the Hampton Roads Transportation Fund.

If you have any questions or need additional information, please feel free to contact me.

Sincerely,



Kevin B. Page
Executive Director

Attachment

Cc: HRTAC Chair Linda T. Johnson



Fiscal Year 2020 Annual Report to the Joint Commission on Transportation Accountability Relating to the Hampton Roads Transportation Fund

Hampton Roads Transportation Accountability Commission

723 Woodlake Drive

Chesapeake, Virginia 23320

www.hrtac.org

Executive Summary

Item 1.0. of Chapter 1289 of the 2020 Session of the General Assembly included the requirement that the Joint Commission on Transportation Accountability shall regularly review, and provide oversight of the usage of funding generated pursuant to the provisions of House Bill 2313, 2013 Session of the General Assembly. To this end, The Joint Commission on Transportation Accountability shall regularly review, and provide oversight of the usage of funding generated pursuant to the provisions of House Bill 2313, 2013 Session of the General Assembly. To this end, by November 15 the Secretary of Transportation, the Northern Virginia Transportation Authority and the Hampton Roads Transportation Accountability Commission shall each prepare a report on the uses of the Intercity Passenger Rail Operating and Capital Funds, the Northern Virginia Transportation Authority Fund, and the Hampton Roads Transportation Fund, respectively, each year to be presented to the Joint Commission on Transportation Accountability.

During FY2020

During FY2020, the Hampton Roads Transportation Accountability Commission ('HRTAC') took actions and executed project agreements or project amendments with the Virginia Department of Transportation ('VDOT') to advance project readiness and to provide financing and project delivery. During the fiscal year, HRTAC issued its FY2021 through FY2026 Funding Plan Update and its Long-Range Funding Plan through FY2045, and further advanced project development and construction of over \$5.29 billion total value projects with VDOT. During FY2020, HRTAC closed a federal Transportation Infrastructure Finance and Innovation Act ('TIFIA') loan and issued a Bond Anticipation Note to fully finance its first six congestion relief projects. HRTAC also began the process of applying for a TIFIA loan and prepared for issuing a Hampton Roads Transportation Fund backed bond sale to support funding commitments to the I-64 Hampton Roads Bridge Tunnel Expansion Project with both scheduled to close in FY2021. The major work activity of FY2020 was the negotiation of the Master Tolling Agreement for the Hampton Roads Express Lanes and preparation for the administration of the Hampton Roads Regional Transit Fund and Program. Of the total project costs under agreement, \$4.7 billion is sourced by HRTAC controlled monies. To-date, the SMART SCALE Program has provided approximately \$463.7 million toward HRTAC projects including the I-64 Peninsula Widening, the I-64 Southside Widening/High Rise Bridge Phase I, the I-64/I-264 Interchange Improvements (Phase II) and the HRBT Expansion Project. Figure 1 provides a graphic showing the locations and the activities of the HRTAC funded projects. HRTAC does not allow balances to sit on projects that will not fully utilize the allocated funds in a timely manner. VDOT and HRTAC work together to identify projects that could release project contingency funds or allocations deemed surplus to allow other projects to advance.

Legislative actions in the 2020 session of the General Assembly that impacted HRTAC included HB1726/SB1038 that created the Hampton Roads Regional Transit Program and Fund to develop, maintain, and improve a regional network of transit routes and related infrastructure, rolling stock, and support facilities. The program is funded by an additional (i) regional grantor's tax at a rate of \$0.06 per \$100 of the consideration for the conveyance and (ii) regional transient occupancy tax at a rate of one percent of the charge for the occupancy, both imposed in localities in the Hampton Roads Transportation District. The legislation also dedicated \$20 million of revenues from existing recordation taxes to funding the program. The moneys will be deposited into the Hampton Roads Regional Transit Fund, created by the bill, and will be administered by HRTAC. Use of the funds would require a two-thirds vote of the HRTAC localities in which the new taxes were imposed. HB1438 authorized the Hampton Roads Transportation Accountability Commission to impose and collect tolls in high-occupancy toll lanes on certain portions of Interstate 64. The area of Interstate 64 in which such tolls may be imposed is the vicinity of the interchange of Interstate 64 and Jefferson Avenue to the interchange of Interstate 64, Interstate 264, and Interstate 664. The bill directs the Commission to enter into an agreement with the Commonwealth Transportation Board and the Department of Transportation regarding the standards for operating the facility and use of toll proceeds. Other legislation involving adjustments to state and regional motor fuels tax revenues included for HRTAC the conversion of the calculation of gasoline tax revenue from a 2.1 percentage of wholesale cost per gallon to a new rate of 7.6 cents per gallon on gasoline and gasohol (and 7.7 cents per gallon on diesel), subject to an annual adjustment in accordance with the consumer price index beginning July 1, 2021.

Background

On April 3, 2013, the Governor's substitute for House Bill 2313 (HB 2313) was adopted by the Virginia General Assembly. Based on criteria set forth in HB 2313, several new taxes dedicated to transportation were imposed in Planning District 23, (located in Hampton Roads), thereby providing permanent, annual sources of revenue dedicated to transportation projects to reduce congestion in the region. These new revenue sources became effective on July 1, 2013 (FY 2014), with the new taxes being imposed in the localities comprising Planning District 23: the counties of Isle of Wight, James City, Southampton, and York and the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg. The legislation established the Hampton Roads Transportation Fund ('HRTF') which is funded with the new taxes imposed in Planning District 23. Pursuant to HB 2313, the Hampton Roads Transportation Planning Organization ('HRTPO') was given authority over use of funds in the HRTF. Beginning in June 2015, monthly revenue collections from the previous accounting period are transferred to HRTAC by VDOT.

During the 2014 General Assembly Session, the Hampton Roads Transportation Accountability Commission (HRTAC) was created to administer the funding in the HRTF. House Bill 1253 and Senate Bill 513, (Chapters 678 and 545 respectively), created HRTAC as a political subdivision of the Commonwealth to procure, finance, build, and operate critical projects in the region. The Commission has 23 Members, consisting of the Chief Elected Officers of the governing bodies of the 14 localities in Planning District 23, two members of the Virginia Senate, three members of the House of Delegates, and four nonvoting ex officio members (Commissioner of Highways, Director of Rail and Public Transportation, Executive Director of the Virginia Port Authority, and a member of the Commonwealth Transportation Board). HRTAC was authorized to issue bonds and use the revenue generated by HB2313 in Planning District 23 to, among other things, support the debt service. HRTAC would not replace the planning functions that are provided by the HRTPO. However, the Commission will utilize the HRTPO prioritized projects as its program of projects. The authority of the funding for the HRTF transitioned on July 1, 2014 to the HRTAC from the HRTPO.

During the 2016 General Assembly Session, changes were made to HRTAC's enabling legislation to improve the business operations of HRTAC. House Bill 1111 (Chapter 603) allows for HRTAC to invest the Hampton Roads Transportation Fund (HRTF) revenues and provides liability protections to HRTAC while investing the funds. The enacted legislation also allows counties to designate a representative to the Board in lieu of the Chief Elected Official, and allows all localities to have representation at the meetings if Chief Elected Officer or County Designee is unable to attend. HB1111 also provided that administrative and operating expenses shall be paid by HRTAC Revenues.

During the 2018 General Assembly Session, changes were made to the regional motor fuels tax that will stabilize the revenues, assist in bonding, and generate near \$20M in additional annual revenues for the Hampton Roads Transportation Fund. Senate Bill 896 (Chapter 797) established a floor on the 2.1 percent sales tax imposed on motor vehicle fuels sold in Northern Virginia and Hampton Roads by requiring that the average distributor price upon which the tax is based be no less than what the statewide average distributor price would have been on February 20, 2013. Also during the 2018 Session, the General Assembly included State Budget language (Chapter 2, Item 442 R.) authorizing the Commissioner of DMV to share tax collection data with HRTAC's Executive Director and included language (Chapter 2, Item 452 B.) that expressed the intent of the General Assembly that the toll revenues, and any bond proceeds or concession payments backed by such toll revenues, derived from the express lanes on Interstate 64 between the interchange of Interstate 64 with Interstate 664 and the interchange of Interstate 64 with Interstate 564 be used to reduce the necessary contribution from the Hampton Roads Transportation Accountability Commission established pursuant Chapter 26 of Title 33.2, Code

of Virginia, for a project to expand the capacity of Interstate 64 between the interchange of Interstate 64 with Interstate 664 and the interchange of Interstate 64 with Interstate 564.

During FY2019, the Hampton Roads Transportation Accountability Commission ('HRTAC') took actions and executed project agreements or project amendments with the Virginia Department of Transportation ('VDOT') to advance project readiness and to provide financing and project delivery. During the fiscal year, HRTAC issued its FY2020 through FY2026 Funding Plan Update and its Long-Range Funding Plan through FY2045, and further advanced project development and construction of over \$5.2 billion total value projects with VDOT, including further advancing a \$7.0 million HRTAC funded study agreement to study and to identify new candidate congestion relief projects with the Hampton Roads Transportation Planning Organization ('HRTPO'). During FY2019, HRTAC began the process of applying for a federal Transportation Infrastructure Finance and Innovation Act ('TIFIA') loan and prepared for issuing a Bond Anticipation Note ('BAN') with both scheduled to close in FY2020. These funds would complete the financing of the Commissions first six construction projects and set the pace for securing the necessary pledged funds to support the HRBT Expansion Project. The major work activity of FY2019 was the negotiation and execution of the Project Administration and Funding Agreement ('PAFA') between HRTAC and VDOT for the funding and delivery of the I-64 Hampton Roads Bridge Tunnel Expansion project, the largest single transportation project in the history of VDOT.

Of the total project costs under agreement, \$4.63 billion is sourced by HRTAC controlled monies. To-date, the SMART SCALE Program has provided approximately \$463.7 million toward HRTAC projects including the I-64 Peninsula Widening, the I-64 Southside Widening/High Rise Bridge Phase I, the I-64/I-264 Interchange Improvements (Phase II) and the HRBT Expansion Project. Figure 1 provides a graphic showing the locations and the activities of the HRTAC funded projects. HRTAC does not allow balances to sit on projects that will not fully utilize the allocated funds in a timely manner. VDOT and HRTAC worked together during FY2019 to identify projects that could release project contingency funds or allocations deemed surplus to allow other projects to advance.

Hampton Roads Regional Transportation Priority Projects

“Moving Projects Forward – HRTAC Investments”

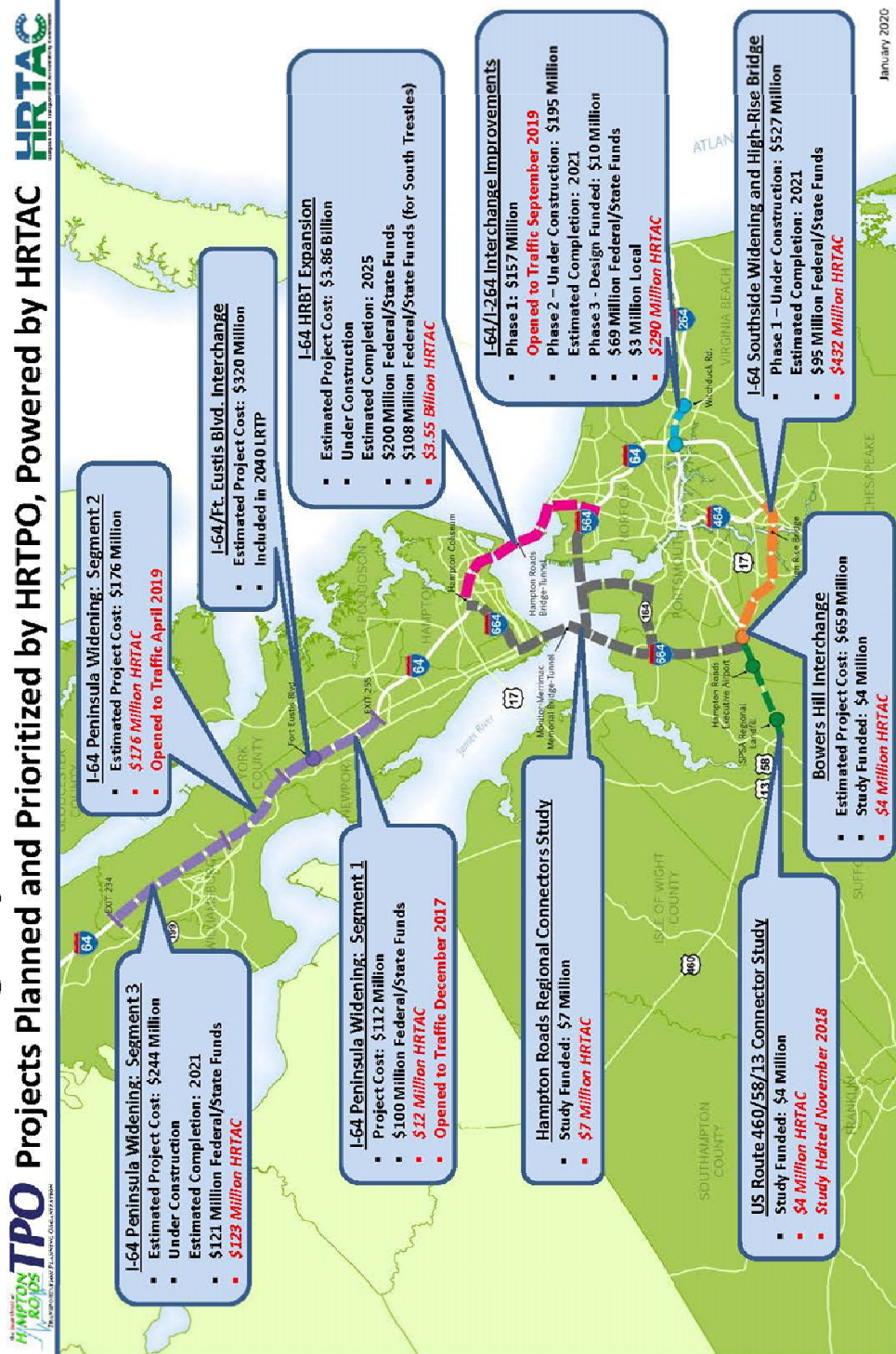


Figure 1 – Activities of HRTAC/HRTF Funded Projects

Revenue Sources and Collections

Retail Sales and Use Tax

In 2013, an additional state Retail Sales and Use Tax was imposed in Planning District 23 at the rate of 0.7 percent and dedicated to the HRTF. Accordingly, the total rate of the state and local Retail Sales and Use Tax became 6 percent in localities that fall within the District (4.3 percent state, 0.7 percent regional, and 1 percent local).

Local Fuels Tax

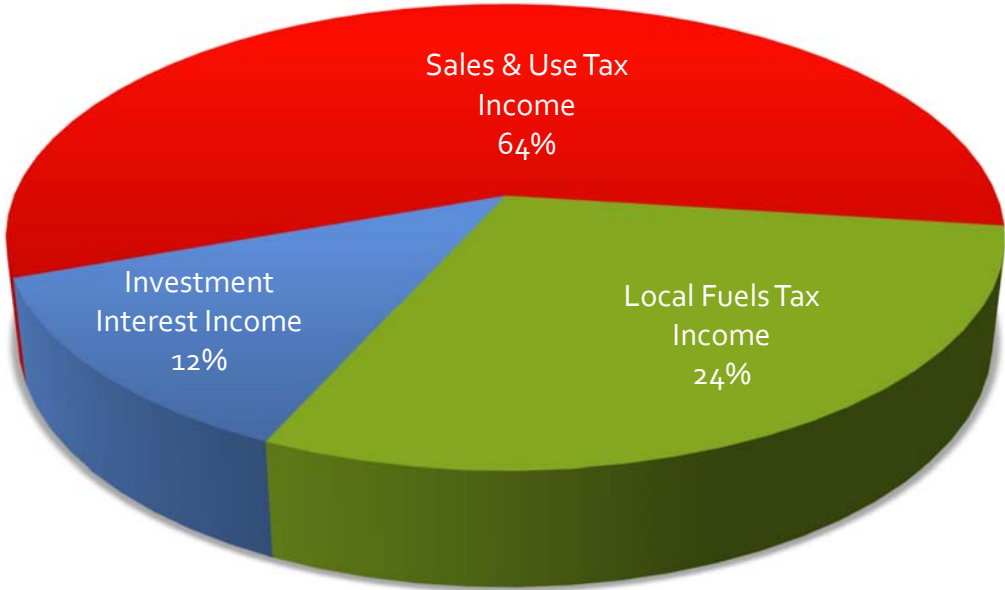
In Planning District 23, an additional fuels tax was added at the wholesale level of 2.1 percent. These funds were also dedicated to the HRTF.

Total Collections

Revenue collected from the Region’s Retail Sales and Use and Fuels taxes plus interest and investment income earned in FY 2020 totaled \$228.2 million. Figure 2 provides a detail and graphic of the collections by revenue source and percentage of total collections. Year-end cash balances of the HRTAC totaled \$1.4 billion including bond proceed, operating, and investment accounts.

Figure 2 - HRTAC Revenue Collections FY2020

| | |
|----------------------------|-------------------|
| Sales & Use Tax Income | \$146,185,709 |
| Local Fuels Tax Income | 55,027,728 |
| Investment/Interest Income | <u>26,944,858</u> |
| | \$228,158,295 |



Expenditures

From July 1, 2019 through June 30, 2020, HRTAC incurred the following administrative and project expenditures:

| Description | Amount |
|------------------------|----------------------|
| Legal Fees | \$ 944,882 |
| Investment Fees | 252,909 |
| HRPDC/HRTPO Assistance | 120,435 |
| Financial Advisor | 568,358 |
| Payroll/Fringes | 431,033 |
| Pension Expense | 45,199 |
| Bond Issuance Costs | 1,384,280 |
| Interest Expense | 37,018,370 |
| DMV Fees | 82,785 |
| Operating | 90,760 |
| Capital Outlay | 0.00 |
| Project Related | 312,785,751 |
| Total | \$353,724,762 |

Expenditures (continued)

HRTAC project-related expenditures are provided in detail below (inception through June 30, 2020):

| Description | Amount |
|---|-----------------------|
| I-64 Peninsula Widening - Segment 1 Construction | \$ 11,608,384 |
| I-64 Peninsula Widening - Segment 2 PE | 2,869,659 |
| I-64 Peninsula Widening - Segment 2 ROW & Construction | 152,109,480 |
| I-64 Peninsula Widening - Segment 3 PE | 5,468,986 |
| I-64/264 Interchange Improvements – Phase I PE & ROW | 15,071,063 |
| I-64/264 Interchange Improvements - Phase I Construction | 119,720,152 |
| I-64/264 Interchange Improvements – Phase II PE & ROW | 54,592,299 |
| I-64/264 Interchange Improvements – Phase II Construction | 16,266,772 |
| I-64/264 Interchange Improvements – Phase III PE & ROW | 2,201,527 |
| I-64 Southside Widening/High Rise Bridge – Phase I PE | 12,189,098 |
| I-64 Southside Widening/High Rise Bridge – Phase I ROW/Construction | 116,813,882 |
| I-64 HRBT Expansion Project Design-Build (D-B) Contract | 276,300,147 |
| I-64 HRBT Expansion Project Owners Oversight | 25,730,830 |
| HRCS Preferred Alternative Refinement - HRBT | 28,800,287 |
| 460/58/13 Connector Study | 1,095,368 |
| Bowers Hill Interchange Study | 2,064,879 |
| HR Regional Connectors Study – HRTPO (Remaining Projects of the Third Crossing) | 2,694,412 |
| Total | \$ 845,597,225 |

Allocations

Project allocations as of June 30, 2020 are provided in detail below.

Hampton Roads Transportation Fund (HRTF)
Total Allocations as of June 30 2020

| Project | Total FY2014 - FY 2019 | Total FY2020 | Total |
|---|--------------------------------|------------------------------|--------------------------------|
| <i>I-64 Peninsula Widening</i> | | | |
| <i>UPC 104905 (Segment 1) –Construction</i> | \$ 14,000,000 | \$ (2,391,615) | \$ 11,608,385 |
| <i>UPC 106665 (Segment 2) - PE & Construction</i> | 175,832,897 | 0 | 175,832,897 |
| <i>UPC 106689 (Segment 3) – PE</i> | 10,000,000 | 0 | 10,000,000 |
| <i>UPC 106689 (Segment 3) – ROW & Construction</i> | 112,893,996 | 0 | 112,893,996 |
| <i>I-64/264 Interchange Improvements</i> | | | |
| <i>UPC 57048/108042 - Phase I PE/ROW</i> | 15,071,063 | 0 | 15,071,063 |
| <i>UPC 57048/108042 - Phase I Construction</i> | 137,023,653 | 0 | 137,023,653 |
| <i>UPC 17630/108041 - Phase II PE/ROW</i> | 54,592,576 | 0 | 54,592,576 |
| <i>UPC 17630/108041 - Phase II Construction</i> | 73,157,062 | 0 | 73,157,062 |
| <i>UPC 106693 - Phase III PE</i> | 10,000,000 | 0 | 10,000,000 |
| <i>I-64 Southside Widening/High Rise Bridge</i> | | | |
| <i>UPC 106692/108990 - Phase I PE</i> | 12,200,000 | 0 | 12,200,000 |
| <i>UPC 106692/108990 - Phase I ROW & Construction</i> | 419,756,220 | 0 | 419,756,220 |
| <i>I-64 HRBT Expansion Project</i> | | | |
| <i>UPC 115008 - I-64 HRBT Expansion Project D-B Contract</i> | 3,004,569,251 | 0 | 3,004,569,251 |
| <i>UPC 115009 - I-64 HRBT Expansion Project Owners Oversight</i> | 548,900,330 | 0 | 548,900,330 |
| <i>HRCS Preferred Alternative Refinement - HRBT - UPC 110577 - SEIS</i> | 30,000,000 | 0 | 30,000,000 |
| <i>460/58/13 Connector Study – UPC 106694 - PE</i> | 5,000,000 | (3,904,632) | 1,095,368 |
| <i>Bowers Hill Interchange Study - UPC 111427</i> | 4,000,000 | 0 | 4,000,000 |
| <i>HR Regional Connector Study – HRTPO (Remaining Projects of the Third Crossing)</i> | 7,000,000 | 0 | 7,000,000 |
| Total | <u>\$ 4,633,997,048</u> | <u>\$ (6,296,247)</u> | <u>\$ 4,627,700,801</u> |