

**MINUTES OF THE REGULAR AND RETREAT MEETING
OF THE BOARD OF DIRECTORS OF THE
RICHMOND METROPOLITAN TRANSPORTATION AUTHORITY
HELD NOVEMBER 7, 2014**

A regular and retreat meeting of the Board of Directors of the Richmond Metropolitan Transportation Authority was held on the 7th day of November, 2014, at 9:00 o'clock a.m. in the Powhatan Meeting Room of the Wyndham Virginia Crossings Hotel and Conference Center, 1000 Virginia Center Parkway, Glen Allen, Virginia, pursuant to due notice.

The following Directors were present and acting throughout the meeting, except as noted below: Directors Brown, Cannady, Hazelett, Hinson, Holland, Johnson, Tart, West, Whirley, White, and Woodfin. Directors Holland, Kornblau and Nelson were in partial attendance as described below. Directors Cole, Homer, and Jolly and were absent. Also present were Ms. Gray, Ms. Dean, Mr. Doughtie, Ms. Johnson, Ms. Simmons, and Mr. Ballou.

Mr. Brown served as Chairman of the meeting, and Mr. Ballou as Secretary.

Mr. Brown called the meeting to order at 9:00 a.m.

Upon motion duly made, seconded and unanimously carried by the affirmative votes of all of the Directors noted above as being present, the minutes of the Authority's regular monthly meeting held on October 14, 2014 were approved as previously distributed.

Ms. West gave the report of the Compensation and Benefits Committee. The Committee had met on two occasions in the preceding month and determined to take a closer look at various aspects of the triennial compensation study and the Authority's deferred compensation plan(s) at subsequent meetings.

The Chairman turned to the General Manager for her report. Ms. Gray noted that the Authority was monitoring events with respect to Trinity Industries, a guardrail manufacturer.

Recent events had called into question the design integrity of the guardrails, some of which were installed on the Expressway System. Staff was surveying the extent of installation, with the most recent information indicating that approximately half of the Expressway System's guardrails were Trinity guardrails and might be subject to replacement. The Virginia Department of Transportation was taking a more aggressive posture than other public agencies in seeking information from Trinity as to the safety of the particular design. Mr. White asked about cost recovery as to which Ms. Gray reported that the Authority was still inspecting the Expressway System and would be updating the Board at future meetings as to this situation.

Continuing her report, she noted that the Authority was on course to convey The Diamond to the City in December and that the last Stadium Operating Committee meeting had been in October. She hoped to bring current members of that Committee and the Richmond Flying Squirrels to the December meeting of the Board. Finally, she noted that the Authority was working on the rollout of special tablet computers for each Board member featuring BoardPaq software. Mr. Tart asked as to the parking at The Diamond, as to which Mr. Ballou described the real estate, easements and moral obligation agreement at The Diamond and how these would be concluded upon conveyance of The Diamond's "footprint."

The Chairman thanked Board members who had been active in serving on the various Committees during the preceding year, commenting that the Board and Committee structure anticipated greater use of committees than in the past.

Ms. Simmons gave the Maintenance and Repair report noting that the Authority had completed facility inspections, including at the element level, and no emergency repairs were required. She referred Board members to her written report for further details.

Mr. Doughtie gave the monthly Finance report. On a fiscal year to date basis, traffic was up approximately 1.4% over the prior year period, while revenues were 0.5% ahead of budget estimates, and expenses were at 97% of budget. Mr. Whirley inquired as to whether there were additional costs related to new accounting standards of GASB (Governmental Accounting Standards Board) related to pension plan accounting. Mr. Doughtie confirmed that the new GASB rules affected the accounting presentation but had no cash effect.

The Board adjourned its regular meeting at 9:25 a.m., and immediately reconvened in its Retreat Session. The Chairman opened the Session by noting that a day spent on detailed briefings of the pertinent issues before the Authority would lead to greater understanding of the Authority's business. He further commented that, as it was a retreat meeting, no formal Board action was contemplated. He commented that while the Authority had been in existence for almost fifty years, it was important to work together to set a new course and abandon preconceptions in connection with this process.

The Chairman turned the meeting over to Mr. Cannady, who referred to both the Retreat agenda and the day as a "retreat forward," due to his dislike of the term "retreat." He provided an overview of the schedule and topics covered, commenting especially as to the "fluid" nature of the agenda, and gave an overview of the Board survey results. The Board conducted an icebreaking exercise, consisting of extended personal introductions, during which Director Nelson joined the meeting in progress.

Directors Hazelett and Johnson began the first portion of the Retreat, designed to identify the fundamental base of financial and operations information each Director should know about the Authority. Both suggested that various interests are in play, including those of safety, bondholders and the jurisdictions, and both also emphasized the importance of reading and

understanding the Authority's Comprehensive Annual Financial Report, which contained a wealth of useful information regarding the Authority's finances and its operations. As Mr. Hazelett noted, the Authority's Expressway system tolls are not intermingled with or used for other purposes. He also noted that the corollary to this is the need to generate additional revenue.

Following those introductory remarks, Ms. Gray began Staff's presentation with an overview of the Authority's operations including a brief history of the Authority and its various programs and assets, its organizational structure and its mission statement. Ms. Gray and Mr. Ballou answered various questions concerning the Authority's operational history, and Ms. Simmons commented on the Authority's ownership and maintenance of various bridges around the Expressway System. The Board also discussed the nature and ownership of State Route 150 between the end of the Downtown Expressway and the Powhite Parkway, with Mr. Whirley observing the difficulty of getting federal DOT permission for the Authority to acquire same.

Next, Mr. Doughtie gave an overview of the Authority's "fiscal fitness," emphasizing the Authority's nature as a self-supporting entity, supported by revenue from operations and proceeds from bond issuances from time to time. The Authority had no ongoing local, state or federal funding. The Authority's various bond resolutions prohibited the comingling of funds and toll revenue could not be used to support other operations. Continuing, he highlighted the Authority's budget including its revenue sources and the use/application of revenues, the Authority's operating and capital budgets, its six-year capital plan, the level of its capital reserves, long-range capital outlay amounts and the drivers of the long-term financial plan. He described the debt service coverage ratio covenant of the Authority's bond resolution and how it worked with the long-range financial plan. Concluding, he showed the results through 2022 of

the plan, in light of the various inputs described earlier. Messrs. Doughtie and Ballou answered various questions from the Board with regard to the amount of debt service, the frequency of toll increases, bond issuances and refinancings, and the nature of the Authority's 2011 transaction that provided funds to pay the subordinate debt owed to the City.

Ms. Simmons also described the nature of the bridge rating process and interpreted its numerical scale for the Board. Board members commented that Expressway System tolls did not provide an effective means to provide large amounts of funds for purposes other than current operations and future capital needs. Board members also noted that the Authority's Expressway system was comprised of aging assets and that some of the capital items in future years, or a large unanticipated capital item, could present a significant fiscal and operational challenge. Board members also commented on the nature of the excess balances fund, the level of the Authority's reserves and the policies for use of same. Messrs. Doughtie and Ballou illustrated the "waterfall" nature of the Bond Resolution's flow of funds. Board members also considered the availability of other revenues that could supplement the toll structure. The Board discussed financial/accounting policies, such as tolls and rate setting policy and the wisdom of providing for periodic toll increases.

Mr. Holland departed the meeting in progress to teach a class and rejoined during the afternoon session.

Following, Ms. Gray reviewed the Authority's accomplishments in recent years, including completion of ORT construction on the Downtown Expressway in August 2012 and various asset transfers to the City, the undertaking of various improvements along the Expressway and the Expressway System's beautification project. In the finance area, the Authority had received the GFOA's distinguished budget presentation award on its first

submittal and continued its receipt of the GFOA's certificate of achievement for excellence in financial reporting. The Authority had replaced its aging accounting system with a cloud-based solution. In the human resources area, she highlighted 100% participation in performance evaluations, succession planning, a revised policies and procedures manual, and improvements for employee recognition, inclusion, evaluation and communications.

Continuing, she highlighted for the Board some of the current topics in tolling practices, and also described the changing demographics of the Richmond metropolitan region and the area's continued economic development, which trends might well lead to increased patronage of the Authority's Expressway System and opportunities for the Authority. These included various projects to enhance safety and customer service, such as a customer service survey, replacement of aging cash coin machines, use of the VDOT prepaid card, and the continued role of the Authority's police force. Staff in fiscal year 2015 would continue to provide cost effective operations, particularly in the areas of toll violations and video enforcement, accounting, budgeting and asset management, and human resources. A particular focus would be on strengthening the Authority's partnerships and relationships with its many stakeholders, including local, state and federal agencies, the MPTO and RRPDC, media outlets, transportation associations and authorities, and in connection with the Richmond region's hosting of the World Cycling Championships in September, 2015. The Authority would continue to focus on operational efficiencies, especially in human resources and procurement, but would be working on branding and a potential office move.

Challenges in future years included inter-operability, the march of technology and its application in the toll area ("apps" versus transponders), air rights and development policies with regard to Authority assets, the Authority's aging Expressway System and information technology

system, and the role of the Boulevard Bridge in the Expressway System. She concluded her presentation by noting the many opportunities looking forward, including with respect to the Authority's 50th anniversary, continued cooperation with its member jurisdictions on regional projects and to promote greater regional collaboration, consideration of other funding options to support capital costs for infrastructure projects to minimize the impact on tolls, and service in a leadership capacity in regional groups and industry associations.

Mr. Kornblau departed the meeting in progress.

At this point, Mr. Cannady observed that it might be useful to provide an interim summation of short- and medium-term goals for Board and Staff to consider. These included (a) updating the Authority's mission statement (a variation of which included "to build and operate regional transportation facilities to improve mobility and accessibility in the Richmond metropolitan area"), (b) the use of amounts in the Authority's excess balances fund (*i.e.*, the Authority's capital reserves) and comparison to similar/other authorities, and the related political and legal aspects, (c) long-term financial modeling, (d) other revenues or sources of capital, (e) whether to include a toll policy, such as with respect to rate-setting and the periodicity of toll increases, and the use of the Authority's reserves, (f) the nature of the Authority's aging infrastructure and the funding of long-term and/or unexpected capital expense (including its relationship with the jurisdictions, and debt approval by the jurisdictions and the Mayor), (g) methods to reduce operating costs, (h) the ability of the Authority to obtain revenue via development rights/air rights in connection with the Expressway and access rights by developers and others to the Expressway System, (i) the effect of the Authority's legislation and the importance of relationship building with jurisdictions, (j) the Authority's organizational structure, both at the Board level (with the Authority's several committees) and the Staff's

expertise and talent, (k) risk management and risk assessment, such as insurance, disaster planning and staffing, (l) branding, in connection with the Authority's upcoming 50th anniversary, and (n) the updating of the Authority's Bylaws.

Mr. Ballou provided an overview of the Act, with an emphasis on the authority and powers of the Authority, its relationship with member jurisdictions and related matters, such as approvals for projects and debt issuances.

Mr. Cannady then turned the discussion to more strategic or longer term matters, in connection with which a broad and free-ranging discussion ensued. Among the topics that the Board considered included the importance of the Authority's relationship with its member jurisdictions and its role with the member jurisdictions, regionalism, the nature and process for the Authority to provide transportation infrastructure in the region, the importance and significance of other revenue sources, with reference to other regional transportation authorities (especially those in Northern Virginia and Hampton Roads), and General Assembly expectations in connection with the 2014 legislation.

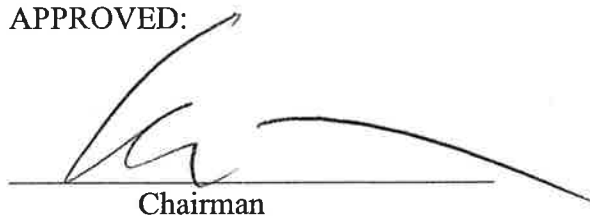
Board members then divided into smaller groups to consider how they would react to various hypothetical scenarios.

Following a discussion of these scenarios, Mr. Cannady commented that the day's discussions had been very helpful in providing an exchange of views as to the future role and nature of the Authority and observed that the discussion should be renewed at a later Board meeting. In terms of how to maintain the forward momentum of the "Retreat Forward," the broad consensus was that a framework to do so might begin with a committee to maintain focus on these themes, especially as to the formation and communication of the Authority's strategic/long-term vision (including an assessment of the Authority's strengths and


weaknesses), the preparation of a fact sheet that would provide a succinct summary of relevant talking points, a communications plan, meetings with the jurisdictions and other stakeholders, and appropriate Board and staff governance.

The Chairman gave brief closing remarks and, and various Board members thanked Mr. Cannady, Ms. Gray and Staff for the many hours of hard work that had led to a productive Retreat, following which, there being no further business to come before the meeting, the same was adjourned at 5: 15 p.m.

APPROVED:



Chairman



Secretary

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