

**MINUTES OF THE REGULAR AND RETREAT MEETING
OF THE BOARD OF DIRECTORS OF THE
RICHMOND METROPOLITAN TRANSPORTATION AUTHORITY
HELD NOVEMBER 6, 2015**

A regular and Retreat meeting of the Board of Directors of the Richmond Metropolitan Transportation Authority was held on the 6th day of November, 2015, at 8:00 o'clock a.m. at the Chesterfield County Airport (second floor conference room), 7427 Airfield Drive, Richmond, Virginia 23237, pursuant to due notice.

The following Directors were present and acting throughout the meeting, except as noted below: Directors Cannady, Hazelett, Hinson, Holland, Homer, Kornblau, Johnson, Tart, Whirley, White, and Woodfin. Directors Brown, Nelson and West were absent. Also present were Ms. Gray, Ms. Dean, Mr. Doughtie, Ms. Johnson, Ms. Simmons, Mr. Aida, and Mr. Ballou. In attendance during portions of the Retreat meeting were Ms. Nelson and Ms. Dubinski of the Richmond Regional Transportation Planning Organization (TPO), and James M. Traudt, Jimmy Sanderson and Caroline Heggie of Davenport & Company, the Authority's financial advisor.

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

Mr. Holland called the meeting to order shortly after 8:00 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 13, 2014 were approved as previously distributed.

The Chairman turned to Ms. Gray who deferred the balance of her remarks to discuss during the Retreat session but brought to the Board's attention that the Authority's 2015 Comprehensive Annual Financial Report (CAFR) had been presented along with a clean opinion of the auditors at a recent meeting of the Audit Committee.

Ms. Simmons gave the Operations report and referenced her written report as to the matters addressed in such materials. In response to a question from the Board, she had nothing additional for her report.

Mr. Doughtie gave the Finance report. After referring Board members to his written report for details, he noted that fiscal year-to-date traffic was up 4.4%, fiscal revenues were approximately 5% ahead of budget and expenses were at 98% of budget.

As there was no new business to discuss or consider, the Chairman adjourned the regular business meeting of the Authority at 8:15 a.m. and the Board immediately reconvened in its Retreat Session, the Chairman observing that, as it was a retreat meeting, no formal Board action was contemplated.

The Chairman opened the Session by noting that a day spent on briefings of the pertinent issues before the Authority would lead to greater understanding of the Authority's business. He commented on the importance of the Authority's goals, which he desired to be regionally focused in terms of transportation – with future projects and undertakings being of a regional nature, and with regional partners and that would make a difference as to transportation in the region.

He turned to Ms. Gray who reviewed the accomplishments of the Authority in the preceding year. These were in the areas of operations, finance, human resources, and enhancement of safety and customer service. Highlighted items included repair of double decker lighting with energy efficient LED lighting, upgrade of various signage, fracture-critical inspections of various Expressway System elements (with no major findings), savings through the conversion of telecommunications services (saving approximately \$50,000 annually but unfortunately at the cost of a local provider), various procurements that streamlined operations

and produced annual savings, development of the request for information as to the Expressway System and resulting industry forum, installation of the new logo, a focus on healthcare benefits and preventative care, and recognition by VML insurance programs of a 2015 Risk Management Excellence Award for effective return to work policy. She also reviewed the Authority's forward-thinking priorities. Among these were completion of a customer service survey, continued monitoring of General Assembly actions and legal proceedings (especially with regard to toll fees and fines in Northern Virginia matters and to the tolling of rental cars), analysis of the toll system replacement and of tolling points, ways in which to continue to make operations more cost effective and to strengthen partnerships and relationships. She also highlighted opportunities moving forward, including the Authority's upcoming 50th year anniversary, working with local jurisdictions on regional projects and serving as a resource in the area of transportation and to foster greater regional collaboration, and consideration of alternative funding opportunities and new regional transportation-related projects that the Board may determine to undertake.

Mr. Hazelett asked if the various asset inspections showed increased costs, as to which Ms. Gray responded that this was indeed the case, primarily due to the increasing age of the Expressway System. In response to a question from the Board, she further observed that the toll collection replacement cost was presently estimated at approximately \$24.5 million. Mr. Whirley noted, as to the forward looking priorities, that insofar as these relate to goals and objectives, that these should coordinate with the goals and objectives of the Authority's committees and of the Board. The timeline for the two should also coincide. Mr. Hazelett added that the draft goals and objectives of the Regional Projects and Outreach Committee would likely evolve as the full Board considers them, a topic to be considered later in the day.

The Chairman and Ms. Gray then asked Mr. Homer to discuss opportunities relating to federal funding, particularly with regard to the Transportation Infrastructure Finance and Innovation Act (“TIFIA”), inasmuch as Mr. Homer had developed experience with these matters during his tenure as Virginia’s Secretary of Transportation and during a current engagement assisting on a project with TIFIA funding. Mr. Homer began with an overview of the status of the Federal Highway Trust Fund, which had been in a deficit posture since 2008. It was now approximately \$9-11 billion a year under water. General fund infusions backstopped this deficit, but the start/stop nature of the federal funding and its relative unpredictability led to difficulties for state DOTs, which also flowed down to their respective regional and local government partners. The size of federal funding and the country’s transportation needs, together with current commitments at state levels, meant that it was difficult to replace federal funding with state funding. Mr. Whirley added that, in previous years, VDOT had laid off personnel and raised reserves in light of these structural deficiencies. The Commonwealth had also instituted a partially different treatment for publicly-operated toll roads, which meant that the Authority and other entities began paying operations and maintenance expenses formerly paid by VDOT.

Mr. Homer noted that federal funds were not free and that the TIFIA and related funding such as Transportation Investment Generating Economic Recovery (“TIGER”) grants are reimbursement and capital oriented in nature (generally not for operating expenses) and bring with them a significant degree of federal requirements with which compliance is required. He noted that both TIFIA and TIGER grant funding was difficult to get and that projects had to be topical and attractive to garner the attention of grant makers. Currently, intermodal and economic development projects seem to be more successful in receiving federal funding. A second avenue for federal funding is through a metropolitan planning organization which serves

as regional gatekeeper of projects, but there are also conditions for VDOT funding, including the HB2 screening process and SWAM procedures.

Federal funding for a significant capital project often requires upfront or initial funding by the project applicant, with reimbursement received from the federal government following payment of various project costs. He again emphasized the degree of compliance with federal requirements as well as the ability to partner with VDOT - Commonwealth Transportation Board ("CTB") on large projects, such as the James River Bridge. Small projects may not be worth the various costs, and Mr. Homer estimated that a minimum of \$15 million in project size/costs might be needed to support a federally-funded project.

The Board briefly discussed this including the unpredictability of federal funding as one reason that state DOTs hesitate to enter into long-term arrangements.

Ms. Gray next introduced Barbara Nelson and Tiffany Dubinski, Director and Principal Planner, respectively, of the Richmond Regional Transportation Planning Organization (formerly the Richmond Metropolitan Planning Organization). Ms. Nelson described how the TPO functioned, which as a federally-mandated regional forum provided cooperative decision-making for transportation, developed regional transportation plans, allocated federal transportation funds and provided a regional voice for transportation priorities. The Six-Year Improvement Program served as a planning, but not a spending, program managed by the CTB, which in turn approved allocations to the various TPOs/MPOs as well as funding allocation for additional projects. She also described the TPO's Transportation Improvement Program, which obligates funds and provides spending authorization on Six-Year Improvement Program projects, and the Metropolitan Transportation Plan (a regional long-range transportation plan) that identifies multi-modal needs, with a twenty-year forecast and a five-year update cycle. The TPO maintains

both a fiscally constrained and an unfunded project list. The current plan is a 2035 plan, with \$6.8 billion of estimated funds available, of which the maintenance estimate is approximately \$5.3 billion (or 78%). Hence, the current plan includes a constrained or funded list of 48 projects, with a vision list or unfunded project list of 241 projects comprising approximately \$2.4 billion. Ms. Nelson briefly reviewed the projects and also described the HB2 project selection process. She concluded her presentation by noting that the pool of dollars was shrinking, especially as project costs and maintenance expenses increased.

Mr. Hazelett commented on the competitive nature of projects at the TPO level and also observed that the Authority was composed of the TPO's "big three" jurisdictions, and hence TPO funding for the Authority might be perceived as providing further funding allocations to these jurisdictions. Mr. Whirley observed the opportunities to work with VDOT and other jurisdictions on projects, and the Board also noted the nature of projects that the TPO funds as well as those in which the Authority might become involved, as well as the effects of Virginia's land use process as it pertained to transportation planning.

Following a short break, Mr. Ballou reviewed the Authority's current legislation, beginning with a brief history of the Authority and how its enabling legislation evolved to provide for various undertakings of the region and of the jurisdictions through the Authority. He described the 2014 General Assembly amendments to the enabling act and then focused on the Authority's enumerated powers, as well as legislative provisions as to rates and charges authority, the Authority's ability to issue debt, and provisions applicable to the jurisdictions and the CTB. The latter included jurisdictional approval of the Authority's incurrence of debt. He then reviewed the Authority's bond resolution, beginning with its purpose and generally the function and role of revenue bond resolutions (often referred to or structured as bond indentures).

Particular aspects reviewed were the operating covenants that in part governed how the Authority operated and maintained the Expressway System and provided for tolls, the nature of the pledge of Expressway revenues and the related rate covenant, conditions under which additional debt could be issued and the “flow of funds,” which deposited Expressway revenues following payment of routine operations and maintenance expense and of debt service in the Repair and Contingency Fund and the Excess Balances Fund. The Board discussed same with various questions as to how the enabling act might apply in various situations.

Mr. Homer departed the meeting to attend to previously scheduled engagements, and the meeting was joined by Messrs. Trout and Sanderson and Ms. Heggie of Davenport to discuss the Authority’s current financial plan.

Mr. Sanderson began with the Authority’s adopted policies in place to guide the Authority’s financial decisions and maintain a strong financial position. These included a debt management policy (adopted March 2014), which covered the Authority’s credit rating objective, a debt service coverage ratio goal, and its reserve fund/capital plan funding policy, the Authority’s goal being to have balances on hand as of each June 30 to fully fund the following fiscal year’s capital plan. Mr. Sanderson also noted that both the Authority’s bond resolution and the Virginia Code required the Authority to maintain its Expressway System in good condition and repair.

Continuing, he compared certain forward looking parts of the Authority’s capital plan as of 2011 and as of 2015, the 2011 timeframe being selected as the point at which the Authority paid off its subordinate debt to the City and restructured its Expressway System debt. He reviewed the Authority’s debt profile, noting a “bulge” in debt service payments for fiscal years 2018 through 2022, and the current debt ratings maintained on the Authority’s debt by the

Moody's, Standard and Poor's, and Fitch rating agencies. He also reviewed the historical information related to the average toll per vehicle and Expressway System traffic.

Mr. Trout then described the Authority's long-term financial plan, including its assumptions and its purposes and uses, which at a high level are to test the future operating performance of the Expressway System and to demonstrate long-term financial results on a cash flow basis under different financial, market, operating, and economic conditions. More particularly, the Authority used its financial plan to manage operating and debt service ratios, to plan for the funding of future capital needs and their timing, and to analyze the effects and structure of future borrowings, traffic levels (such as a stress test), differing interest rate environments, and varying toll structures. He compared forecast results from the 2011 plan versus the actual results and also pointed out the effects of a future toll increase on the Authority's debt service coverage and cash reserves/liquidity (as measured by day's cash on hand). This included "stressing" various inputs, such as capital costs proving to be greater than anticipated and future traffic levels proving to be at less than predicted levels. Options available to improve the Authority's financial stability included adjustment of toll levels and adjustment of the Authority's operating and capital budget. Mr. Traudt also reiterated the requirement that the jurisdictions approve Authority borrowings, and highlighted a sentence from the most recent Moody's credit report that the Authority's debt rating could experience negative pressure if management does not implement toll rate increases as planned or as warranted by operating conditions and capital needs.

The presentation examined the effects of a \$0.20 average toll increase on debt service coverage and available day's cash on hand in future years. A borrowing for some of the Authority's capital plan mitigated the level of the toll increase but did not totally eliminate it.

The Board discussed same, including refinancing opportunities for the Authority's existing debt, the appropriate levels of debt service coverage, capital expenditures and reserves, as well as the effects of slow or no growth in traffic volumes, the impact of a recession and of the efficiency of borrowing, all in light of the current debt maturity and the enabling act's conveyance provisions.

Following lunch, Mr. Doughtie and Ms. Simmons discussed the Authority's operating and capital budget philosophy. Mr. Doughtie began with the Authority's fiscal year 2016 operating budget, as broken down among salaries and benefits and operations. He compared the Authority with other toll agencies, but cautioned that differences between facilities make detailed comparisons difficult. He discussed various components of the budget's operations, contractual services, non-contractual services and salaries/benefits elements. Excluding Main Street Station, the latter are approximately 51% of the Authority's operating budget, with operations comprising the balance. E-ZPass processing fees at \$2.8 million are the largest operations expense, and this item is largely outside of the Authority's ability to control.

Following, Ms. Simmons evaluated the Expressway System's condition, beginning with bridge condition ratings. The average condition of the Authority's bridge decks was 5.6 (with 6 being "satisfactory" and 5 being "fair"), of the superstructure was 6.0 and of the substructure was 6.1. She summarized the overall condition of most bridges as being in at least condition 5, meaning that they were structurally sound and safe. She illustrated examples of these and examined differences between the Authority and VDOT on their approach to maintenance. She noted the importance of preventative maintenance with regard to future maintenance costs (timely maintenance versus deferral of costs to a later time) for both protective coatings and deck rehabilitation.

Next, Ms. Gray and Ms. Simmons presented the Toll System Strategic Plan. The current toll system was aging, with certain gate equipment and cash machines approaching obsolescence (in some cases, the Authority was obtaining third party fabrication of failing parts) and open road tolling technology dating back to 2007. Annual maintenance costs of the toll equipment system were steadily increasing. System modernization was required with respect to nearly all elements of the system, with some potential for operational cost savings existing in the areas of back office solutions, the Authority's business rules, re-evaluation of tolling points and changes to increase electronic toll collection rates among Expressway System users. Inputting these capital costs into the Authority's financial plan, while maintaining adequate coverage and cash reserve levels but without a toll increase, meant that in the 2019 – 2021 timeframe either over \$11 million in operating budget costs would be required or that over \$13 million in capital budget costs would be required. In light of the perceived impracticability of those scenarios, an anticipated timeframe was presented as to implementing a financing/borrowing as well as consideration of higher toll rates in order to implement the Toll System Strategic Plan.

The Board generally discussed same, including the potential or desirability for extending the debt maturity beyond its current maturity in 2041 and opportunities and ways in which a borrowing approval request might be discussed with the jurisdictions. Mr. Woodfin commented that he thought the Board should determine the best solution and discuss same with the jurisdictions, even if that required a debt maturity beyond 2041. Mr. Hazelett remarked that this was a window of opportunity and noted the previous governing board elections in the counties and the upcoming mayoral election in the City in Fall, 2016. Mr. Ballou stated that tax-exempt financing constraints related to the "lifeing" of a borrowing, as relates to the useful economic life of financed toll equipment, could affect the debt maturity structure. Mr. Whirley noted the

necessity for data by 2016 as well as the potential for joint operability/participation with VDOT to leverage the entities' various strengths. He also commented regarding industry-wide matters, such as all-electronic tolling and interoperability under MAP-21 (as pertains to toll equipment standards), as to the appropriate timing for implementation of new toll equipment. The Board also discussed opportunities to conserve costs and ways in which operational aspects could be handled with regard to cost-savings.

Ms. Gray commented that higher electronic toll collection costs may occur in the future. Mr. Whirley added that the existing Authority contract with VDOT for ETC, while favorable from VDOT's perspective, did put much of the risk of higher ETC costs on the various toll operators such as the Authority and MWAA. He commented further that VDOT also operated in the negative/under water with regard to ETC processing costs. Messrs. Hinson and Johnson raised the question of whether there was a toll increase only or whether there was a toll increase coupled with a borrowing. Mr. Johnson thought the Authority should ascertain and determine by Spring, 2016 its plan and then share same with the localities. Mr. Hinson suggested that consideration could be given to undertaking the borrowing and a toll increase in multiple steps.

The Board then considered goals and objectives of various committees, with Mr. Tart remarking that the Audit Committee would welcome comments on its goals and objectives from Board members. Mr. Hazelett provided an overview of the Regional Projects and Outreach Committee, beginning with ways in which communications and outreach might be approached, given the nature of the jurisdictions and their elected members. He noted several concerns and ways in which that could be handled. The Strategic Plan of the Regional Projects and Outreach Committee included: an understanding by Authority Board members of its governing legislation and how the region's transportation needs are currently met; meetings with regional partners to

ensure their understanding of the enabling legislation, the scope of the Authority's current operations, its capital needs, and the 2041 conveyance issue; request for funding for identifying regional transportation opportunities; development of a process for reviewing project requests; presentation of an assessment of regional transportation needs for review by the regional partners; and identification of project opportunities for discussion with the regional partners. Among potential matters to study was GRTC, Ridefinders and taxicabs. Mr. Hazelett also stated that the Board should move a bit faster with issues on its plate, and he also noted the importance of making good decisions, both on the substance of the goals and objectives as well as the way in which outreach and communications are made and structured.

The Board discussed the same, including the role and nature of the MPO/TPO in similar undertakings and comparing the Richmond region with the Northern Virginia and Hampton Roads areas with their different funding mechanism (regional taxes authorized by the General Assembly). Mr. Whirley emphasized the importance of creating trust and not getting at cross-purposes with the TPO. Chairman Holland echoed the point as to creating and maintaining trust with the regional jurisdictions. Mr. White pointed to the Powhite Extension as a potential project to consider, and Mr. Cannady reiterated the need to listen carefully to what the member jurisdictions had to say. Mr. Kornblau opined that seeking limited funding for a study was a great way to move forward. As to the appropriate timeframe, Mr. Hazelett and others thought outreach efforts with the jurisdictions should be "on record" in six to eight months. Mr. Hinson mentioned that an Authority spokesperson would be an important part of the undertaking, while Mr. Johnson noted the importance of a clear, consistent and concise message as to the Authority's communications. Chairman Holland raised the possibility of bringing the business community into the process, although he noted the importance of discussions with the regional

jurisdictions first. The discussion concluded with Mr. Hazelett stating that the Committee would endeavor to create action items and structure by the next Board meeting.

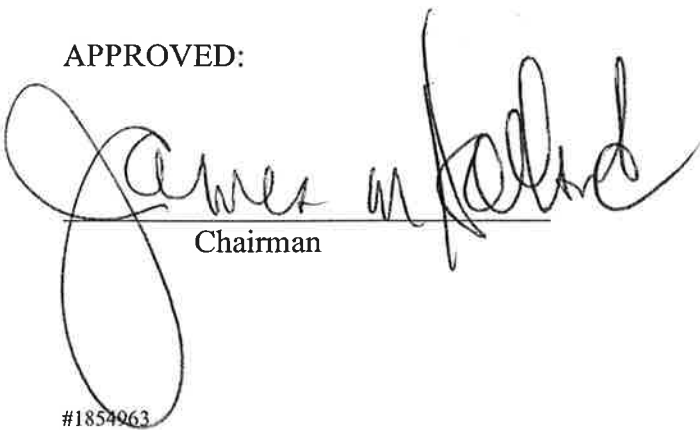
Chairman Holland pointed to the Authority's mission statement and the Governance Committee in considering it. Mr. Cannady pointed to the sequencing of the Authority first establishing regional goals and objectives. Board members discussed various regional funding and financing structures, including as presently in place for the Northern Virginia and Hampton Roads areas, and previous efforts at establishing a regional revenue stream for transportation purposes.

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 4:20 p.m.



Secretary

APPROVED:



Chairman

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