

**RICHMOND METROPOLITAN TRANSPORTATION AUTHORITY
MINUTES OF THE OPERATIONS AND FINANCE COMMITTEE
MEETING HELD MAY 2, 2024**

A Committee Meeting of the Operations and Finance Committee of the Board of Directors of the Richmond Metropolitan Transportation Authority was held on the 2nd day of May 2024 at the RMTA Main Office, 901 East Byrd Street, Suite 1120, Richmond, VA, pursuant to due notice and via electronic communication as noted below.

Operations and Finance Committee Chairman Thomas Hawthorne and the following Committee members were present in person and acting throughout the committee meeting, as noted below: Dironna Clarke (entered at 10:08), Unwana Dabney (entered at 10:03), Ian Millikan, Steven Mulroy, and Donald Williams. Committee members Aubrey Fountain, Barrett Hardiman, and Steve Story were not present. Board Chairman Marvin Tart also was present. Director Davis was present via Zoom.

Also in attendance were RMTA staff members Joi Dean (via Zoom), Maria Johnson, Sheryl Johnson, Marquita Murphy, Steven Owen, Theresa Simmons, Paula Watson, and Whitney White (via Zoom). Also present were Belinda Jones of Christian and Barton; Dan Papiernik of HNTB; Ty Wellford of Davenport, and Phil Eshelman of Stantec (via Zoom).

There was a quorum throughout the meeting.

Committee Chairman Hawthorne called the meeting to order at 10:01 a.m.

Chairman Hawthorne turned to a review of the previous minutes of the Committee meetings held on April 26, 2023, February 13, 2024, and April 11, 2024. Chairman Hawthorne called on Committee Member Mulroy for his comments. Committee Member Mulroy explained that he made a clarifying change to the April 26, 2023, minutes which reflected comments made by him in that meeting. In regard to the April 11, 2024, minutes, Committee Member Mulroy stated he made some administrative type changes to clarify the content therein. Upon motion duly made, seconded and unanimously carried by the affirmative votes of all of the Committee members present, the Committee meeting minutes of April 26, 2023, February 13, 2024, and April 11, 2024, were approved, as previously distributed.

As acting Board Secretary, Belinda Jones conducted a roll call of everyone present at the meeting.

Chairman Hawthorne turned to Ms. Dean for her CEO comments. Ms. Dean was present via Zoom and reported she was in Atlanta on a city visit with others from the Richmond region. Ms. Dean noted that the Committee would hear presentations from Mr. Wellford and Mr. Eshelman, which she believed the Committee would find optimistic with regard to the Authority's financial position and traffic and revenue.

Chairman Hawthorne then turned to Mr. Owen to present the FY25 budget summary. Mr. Owen noted that the numbers had not changed since the last Committee Meeting on April 11, 2024. The total revenue for FY24 currently is forecasted at \$49.9 million, which is 11.4% over the original FY24 forecast of \$44.8 million. Operating expenses are forecasted at \$17.9 million, an

increase of 2.2% from the \$17.5 million budgeted. Net revenue is \$31.9 million, a 17.3 % change from the original forecast of \$27.3. The debt service coverage ratio is a healthy 3.28.

Comparing the FY24 Budget to the FY25 Budget: total revenue increases from \$44.8 million to \$52.0 million (16.4%); operating expenses increase from \$17.5 million to \$19.4 million (11.0%); net revenue increases from \$27.3 million to \$32.7 million (19.8%); debt service remains at \$9.8 million; funds available for capital is \$22.9 million, an increase of 30.8%; and expected capital expenditures are \$20.2 million, a 3.8% change. This results in a budgeted debt service of 3.3, which is healthy and well above the Authority's policies. Mr. Owen then presented a summary of major expense changes from the FY24 Budget.

Mr. Eshelman then reported on the FY25 and Long-Term Transaction and Revenue Forecast. Mr. Eshelman described the role of Stantec as the Authority's Traffic and Revenue Consultant. In that role, Stantec annually provides summaries of the T&R performance for the previous fiscal year, certifies that toll revenue will satisfy toll rate covenants, and, if needed, conducts an analysis to provide the necessary toll schedule to meet rate covenants. Mr. Eshelman further reported that traffic is close to equaling FY 2019 levels, with revenue exceeding FY 2019 as a result of the toll adjustment. Fiscal year to date traffic and revenue both are approximately 10% above forecast through March 2024. Mr. Eshelman reported the monthly revenue forecasts for FY25, for budgeting purposes. Mr. Eshelman then presented the Committee with the certificate that net revenue will cover the debt service and will be able to fund the capital program. As to the long-term forecast through 2040, which is utilized by Davenport for long-term financial planning, Stantec assumes the current AET implementation schedule and the existing toll schedule remains, to forecast steady growth into the future. Mr. Eshelman did report that the long-term forecast was adjusted from the budget forecast as a result of Spring 2024 data. In response to a question as to whether the adjustment was a downward one, Mr. Owen explained the adjustment was upward.

Committee Chair Hawthorne asked what the percentage of the annual average increase is through 2040. Mr. Eshelman responded that the average annual increase is about 1% using historical data, taking into account that once AET is implemented there could be a period of slight decrease in revenue collection due to the collectability of exclusively image-based transactions.

Ms. Dean then commented on the AET transition and current policy discussions as to toll collection and enforcement. She reported on the extensive RFI process with various vendors to provide information to develop those policies. Committee Chairman Hawthorne asked what percentage of transactions the Authority should expect to see as violations once AET is implemented, as compared to now. Mr. Eshelman responded that once the transition to AET is complete, there will likely be some invoicing based upon image data, but those transactions will be considered customer transactions with a payment option, as opposed to violations. Once invoices remain unpaid over a certain period of time, those customer transactions become violations. Mr. Owen stated the policies regarding payment for image-based transactions currently are being developed.

Mr. Wellford with Davenport then presented the Long-Term Financial Plan. From a guiding principles standpoint, Mr. Wellford explained the need to conduct operations and the funding of capital with cash and debt at the appropriate balance. From a debt standpoint, the standard is the maintenance of an adequate debt coverage ratio, with the goal set at 1.50x. The Authority is well in excess of that goal, which is the sign of a healthy system. Mr. Millikan asked whether there could be a debt service coverage ratio that is too high. Mr. Wellford explained that, as it pertains to the Authority, because its coverage ratio is high, it has the capacity to take on debt should it be needed to fund capital. Mr. Wellford recognized that as the Authority moves toward the date of reversion back to the City of Richmond in 2041, debt becomes a less effective tool.

As to cash and reserves, there are layers of reserves including a pledged debt service reserve of one year which cannot be used, a R&C reserve sufficient to cover the upcoming year's capital plan, and an excess balance fund consisting of one to two years' worth of operational expenses, with \$20-\$40 million as the goal. As to the R&C reserve balance, Mr. Wellford explained that certain funds within that reserve account have already been earmarked for multi-year capital projects and will be drawn down when needed in accordance with the capital plan.

Mr. Wellford stated the goals and objectives of the long-term financial plan when looking at the FY25 budget is to determine how sensitive the Authority's financial position is to certain stressors, for example a decline in traffic or unexpected capital costs. Mr. Wellford reported on historical and projected key financial indicators including traffic volume, toll revenue, operational expenses/debt service, and capital activity showing sufficient net revenue to cover the capital plan. Mr. Wellford presented a base case scenario of the financial forecast, including metrics for debt service coverage ratio and days cash on hand. Mr. Wellford directed the Board to the net cash flow metric, which measures the amount of funds left over each year until 2031. Mr. Wellford reported the Authority is positive in net cash flow with the exception of 2026 when the Authority faces its peak capital spending.

Mr. Wellford then presented hypothetical stress scenarios including a 10% increase in capital costs starting in FY25 or a 10% decrease in traffic starting in FY26. In the first scenario, the debt service ratio remains constant but logically the days cash on hand metric decreases because there is increased spending on capital. In this scenario, the net cumulative cash flow decreases by \$12.5 million to a more break-even level through 2031. In the second scenario, with a 10% decrease in traffic in FY26 and 1% growth thereafter, lost revenue impacts days cash on hand to below target in 2029, and net revenue drops approximately \$5 million every year. In response to a question raised, Mr. Wellford explained that the negative figures identified in red mean only that the reserve policies are not met, not that cash flow is negative.

Mr. Wellford lastly reported a summary of outstanding bonds and previewed guidance to be presented at a later time on taxable bonds. Committee Member Clarke inquired as to the highest level of debt in the Authority's past. Mr. Wellford stated he could follow up to identify the peak.

Next, Ms. Simmons discussed the FY25 capital budget. She noted that no changes had been made since the last Committee Meeting. Ms. Simmons summarized that the FY24 budget document projected the FY25 budget at \$25.9 million. Over the course of planning, the Authority was able to reduce that number to \$20.2, based on timing changes of incurring capital costs for civil engineering work in FY26 and FY27, as opposed to FY25. Ms. Simmons confirmed in response to a question that the changes in timing of capital expenditures were not because of a delay in the AET project but a more refined strategy as to when costs would be incurred.

Director Hawthorne then called for a motion to recommend approval of the FY25 Budget to the Board at its May 14, 2024, Meeting. Upon the motion being duly made and seconded, the Committee approved recommendation of the FY25 Budget to the Board.

Having no further business, Mr. Hawthorne adjourned the meeting at 10:46 a.m.